

City of San Pablo General Fund Revenue Enhancement

Presented by
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Director



City Council Presentation | December 9, 2024

Agenda

1. **Overview of Prior Analysis**
2. **Revenue Options Overview**
3. **Recommended Revenue Options**

Overview of Prior Analysis

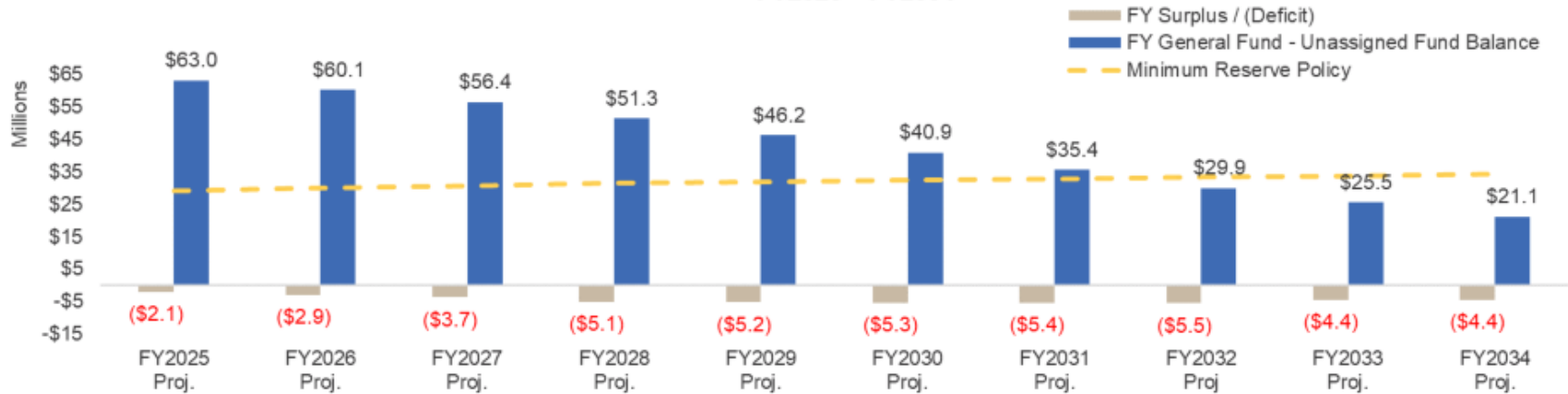


PFM Financial Analysis

Identified Revenue Shortfall of ~\$4M Annually

1. Casino revenue has flattened
2. Personnel costs increasing
3. Need to diversify revenue portfolio

San Pablo General Fund 10-Year Forecast (Actual Unassigned Fund Balance and Reserve Minimum¹)
FY2025 – FY2034



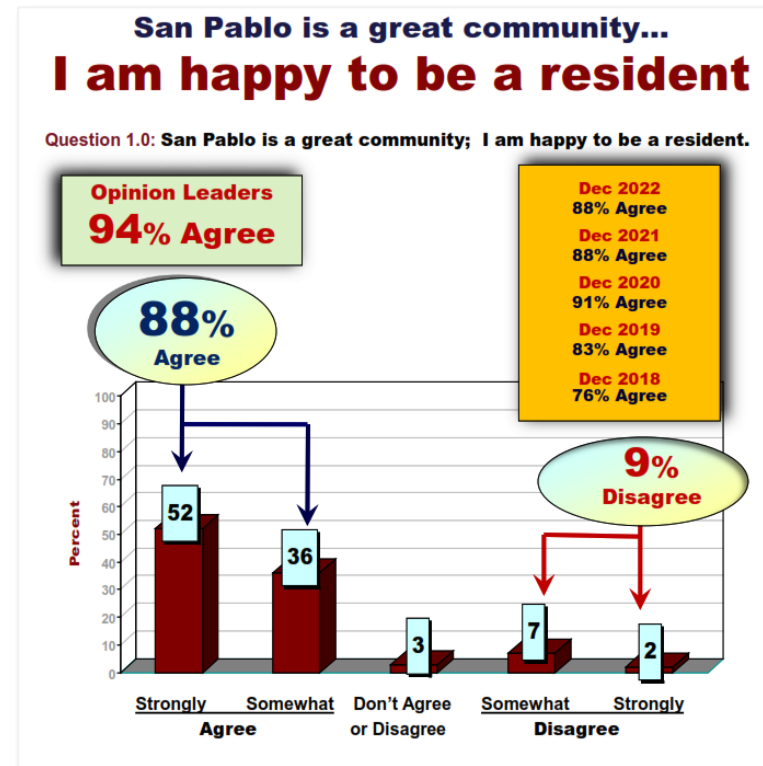
¹ The minimum reserve policy line includes the Catastrophic Reserve and Budget Stabilization Reserve.

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SRI San Pablo Community Survey

Identified Support for

1. Cannabis business license tax (Measure M)
2. Public safety services
3. Streets and storm drains
4. Citywide LLAD assessment increase



Revenue Options Overview



Context

1



- A *Voter approved initiative 1978*
- B *Assessed Value increase limited to 2% a year*
- C *1% rate cap on ad valorem property tax*
- D *CA Constitution Article XIII A*

Context

2



- A *Voter approved initiative 1996*
- B *Strict rules on benefit assessments, Engineer's Report*
- C *Government owned property not exempt*
- D *Protest Ballot Proceeding*
- E *CA Constitution Article XIII C & D*

Context

3



- A *Voter approved initiative 2010*
- B *Adds definition of “tax” to CA Constitution*
- C *“Tax” excludes various charges, including fees and assessments*
- D *General Tax requires majority vote, Special Tax requires 2/3 vote*
- E *CA Constitution Article XIII C & D*

Property Related Fee & Other Fees

COST BASED

- May not exceed cost of service

APPROVAL MECHANISM

- Water/Sewer/ Trash – Noticed Public Hearing
- Storm Drain – Noticed Public Hearing PLUS Election
- DIF/User Fees – Noticed Public Hearing

SAMPLE FEES

- Water/Sewer/ Trash Rates
- Storm Drain Fee
- Development Impact Fees
- User Fees (Rec Classes)
- Regulatory Fees (Building Permits)

Special Assessments

ARE BENEFIT-BASED

- General benefit
- Special benefit proportionality
- Rigor of assessment engineering

APPROVAL MECHANISM

- Property-owner
- Protest ballot
- Weighted ballots

SAMPLE PROJECTS

- Maintenance services
- Infrastructure financing (less common)

Examples: Landscape and Lighting Districts, PBIDs

Taxes – Special and General

NOT BENEFIT-BASED

- Reasonable metrics
- Achieves policy goals

APPROVAL MECHANISM

- Registered voters
- 2/3 approval special taxes
- Majority approval general taxes
- CFD landowner vote

SAMPLE PROJECTS

- Infrastructure financing
- Public safety services
- Maintenance services

Examples: Parcel Taxes, Community Facilities District

Recommended Revenue Options



Recommended Fees

Master
Fee
Schedule
Update

Cost Allocation Plan then
update user and regulatory
fees

Recommended Fees

Storm Drain Fee

Property related
fee for storm drain
utility, funding
infrastructure and
ongoing
operations and
maintenance,
Revenue ~\$250k

Recommended Assessments

LLAD Assessment Increase

Requires updated Engineer's Report including general and special benefit analysis, Revenue to be determined for desired level of service

Recommended Taxes

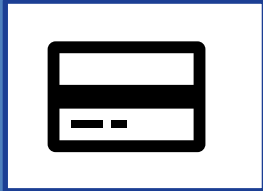


Business License Tax

- Measure M tax on cannabis businesses
- Revenue ~\$1.5-2.2M

Approved!

Recommended Taxes

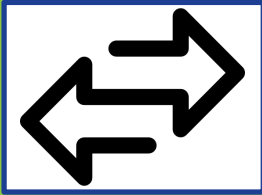


Sales Tax

- Additional half-cent or one-cent sales tax
- Revenue ~\$2M (1/2 cent) or ~\$4M (1 cent)

Agency	Current Rate
Richmond/Pinole	9.75%
Hercules	9.25%
El Cerrito	10.25%

Recommended Taxes

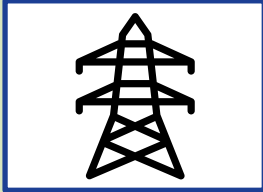


Documentary Transfer Tax

- Requires City to become Charter City
- Revenue ~\$100k per \$1 increase to rate

Agency	Current Rate
Richmond	\$7.00 per \$1,000
El Cerrito	\$12.00 per \$1,000
San Pablo	\$0.55 per \$1,000

Recommended Taxes



Utility User Tax

- Reduced in 2004 to 7%
- Revenue ~\$436k per 1% increase to rate

Agency	Current Rate
Richmond	9.5% average
El Cerrito/Pinole/Hercules	8%
San Pablo	7%

Questions & Comments.



Policy Recommendation to City Council



CASINO REVENUE SHORTFALL IMPACT:

FY 2022-23	FY 2023-24	FY 2024-25
(\$355,432)	(\$1,243,028)	???

- Casino Revenue is a **UNIQUE** revenue source- **NOT A TRADITIONAL REVENUE SOURCE** for local cities; Subject to fluctuation and market changes (i.e. Mega Casino Threats)
- Must await until Historic Casino Revenue Trend **Re-Bounds in 2-3 years**
- The City **DOES NOT CONTROL** amount of Casino Revenue generated annually
- Casino San Pablo provides **nearly 65%** of City's Annual GF Revenue
- ❖ **Must explore other GF Revenue Sources over next 2 - 3 year period**

Adopted City Council Policy: (City Council)

FY 2023-25 CITY COUNCIL PRIORITY WORKPLAN: (Amendment #4 adopted on 12/13/23 per Reso. #2023-167)

Adopted Policy No. #414: NEW STRATEGIC BUDGET INITIATIVES (#1-8) TO ADDRESS NEW STRUCTURAL DEFICITS FORECASTED FOR FY 2025-2027 PERIOD

Remaining Strategic Budget Initiatives for Policy Implementation include:

- #2. ELIMINATE OR SUBSTANTIALLY REDUCE ALL ANNUAL GF OPERATING SUBSIDIES.***
- #3. IDENTIFY NEW GENERAL FUND ANNUAL REVENUE SOURCES***
- #8. EXPLORE ADDITIONAL FISCAL MEASURES USING FORECAST MODEL TO REVERSE FORECASTED STRUCTURAL DEFICITS AS RECOMMENDED BY THE CITY MANAGER***

MAJOR REVENUE GOALS & OUTCOMES FOR 2025-2027:

(1) Support projects to return to Historic Casino Revenue Trends in 2 – 3 years:

- *Casino Commercial Building Improvement Plan* **(In-construction)**
- *Future Casino Class II Expansion* **(TBD)**

(2) Create Economic Diversification Opportunities to Increase Private Investment:

- *Implement Economic Development Strategy (EDS) Plan recommendations (Adopted June 2024) (i.e. Hire a New Marketing and Branding Economic Consultant* **(In-progress)**
- *Legally permit Commercial Cannabis Retail Operators (Post-Measure M)* **(In-progress)**

(3) Explore feasibility of four (4) City-owned properties for formal disposition for potential sale or future mixed–use development (i.e. CEQA; SLA) – (In-progress)

(4) Must explore other GF Revenue Mechanisms over next 2-year period thru 06/30/27 (i.e. New Fees; Property-Related Taxes; Special Tax Measures)

BFLSC Recommendation (Approved 12/02/24):

Proceed with a proposed ***Policy Amendment No. #10*** to FY 2023-25 City Council Priority Workplan to include the following new policy amendments as follows:

UNDER MAJOR POLICY GOAL: FOCUS ON ECONOMIC DEVELOPMENT AND FISCAL DIVERSIFICATION

Adopted Policy No. #405: EXPLORE AND SUSTAIN NEW REVENUE ENHANCEMENTS TO THE CITY'S GENERAL FUND

#405.1: REDUCE GF SUBSIDIES

(1) *Policy No. #405.2:* Adopt a new fiscal discipline and financial practice to restrict new General Fund spending on any new program or service and maintain existing budgeted FTE staffing levels in the adopted FY 2024-25 Class and Comp Plan until June 30, 2027, or until the City generates a total of \$2,000,000 in new, net increase in annual General Fund revenue whichever occurs first; and

BFLSC Recommendation (continued)

(2) Add Policy No. #405.3: Explore feasibility and implementation of new General Fund revenue mechanisms by:

- **Gather and conduct polling and survey analysis for a future City Council approval process during 2025-2027 period under a proposed Tier I, II, and III implementation plan with necessary data, as follows:**

TIER I Implementation: (Administrative – Related)

- Master Fee Schedule Update (with Cost Allocation Plan)

TIER II Implementation: (Property Related – 2025-26 Property Protest Process)

- City wide LLAD Assessment Increase
- Stormwater Drain Fee

TIER III Implementation: (Electorate vote – 2026 Election Cycles)

- City Charter Amendment (Majority Vote Req.)
- Real Estate Transfer Tax (Majority Vote Req.)
- ½ cent or 1 cent Sales Tax (Majority Vote Req.)
- Utility User Tax Increase (Prop. 218 Special Purpose Req.)

Thank you!

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