



**CITY COUNCIL
REVENUE & TAX MEASURE SUBCOMMITTEE**

AMENDED AGENDA
Tuesday, July 16, 2019
4:00 P.M.
Sarge Room – City Hall
22 Orinda Way
Orinda, CA 94563

- A. Call to Order/Roll Call**
Councilmember Amy Worth and Councilmember Darlene Gee
- B. Adoption of Agenda**
- C. Agenda Items**
- C-1** Presentation by Public Works Director on past projections on ongoing revenue projections needed to maintain the improved public roads system.
- C-2** Revisions to previous projections based on new funds from the State, the Republic Services road maintenance surcharge, CCCTA ongoing Return to Source funds, and the impact of the passage or failure of the proposed CCCTA revenue measure in March 2020
- C-3** Discuss Polling for Potential Revenue Tax Measure
- C-4** Deadlines related to placing a measure on the November 2020 ballot
- D. Public Forum**
The Public Forum provides an opportunity for members of the public to speak on any item within the jurisdiction of the Committee that is not on the agenda. Public comments under this category may be limited to three minutes per speaker at the discretion of the Chair with the consent of the Committee.
- E. Adjournment**

I, Sheri Marie Smith, City Clerk, declare under penalty of perjury under the laws of the State of California, that this agenda has been posted at least 24 hours in advance at the Orinda City Hall. Additional copies are available at the Orinda Library, and the Orinda Community Center.


Sheri Marie Smith, City Clerk

In compliance with the Americans with Disabilities Act, the City of Orinda will provide special assistance for disabled citizens. If you need special assistance to participate in this meeting, please contact the Deputy City Clerk (925) 253-4291. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28CFR 35.102-35.104 ADA Title II]



City Council Staff Report

Agenda Item:	<u>I.4</u>
Date:	<u>June 4, 2019</u>
Department:	<u>Administration</u>

AGENDA TITLE: Establish a Council Subcommittee to Work on Polling and Make Recommendations to the Full Council on a potential Revenue Tax Measure(s) and authorize up to \$30,000 in the 2019/2020 FY budget for polling services.

RECOMMENDATION: Establish a subcommittee to work with FM3 Consulting Firm to develop polling questions, review results, and make recommendations to the full Council in August on the options for a revenue measure(s) to be considered by the voters in November 2020 or on another date. Authorize the City Manager to sign a letter agreement with FM3 for up to \$30,000.

BACKGROUND: On November 6, 2012 Orinda voters approved a 10 year ½ cent general sales tax increase. The funds generated by that tax have been used by the City for residential road maintenance/rehabilitation. Collection of the tax will end on March 31, 2023. While this may seem like a long way off, there are very limited opportunities when State law would allow this general tax to be brought before the voters (Election in November 2020 and the election in November 2022) before it expires. State law requires that general taxes be placed before voters with a regularly scheduled general election for members of the governing body. The tax is currently generating approximately \$1.2 million annually. If a decision is made to put a measure on the November 2020 ballot, the Council would have to make a decision in July 2020 with the ballot language, the plan, and the details completed.

The City's need for this source of funding is more important than it might be in other communities because of Orinda's weak and narrow revenue base. Most California cities rely on sales and property taxes to pay for general fund services such as law enforcement, maintenance, parks, legal, planning, engineering, public works, administration, etc.

Because Orinda was incorporated after the passage of Proposition 13, it never levied its own property tax. As a result, prior to the incorporation vote, the proponents had to negotiate a portion of the County's 19% rate in Orinda. The result is that Orinda receives 7.39 cents out of every dollar paid by Orinda property owners in property taxes. The lowest in the County is Moraga at 5.32 cents. The highest is Richmond at 28.1 cents.

The City has a limited sales tax base. As a mostly residential community, the City has limited commercial areas with no significant regional serving retailers. The largest portion of sales and use tax is disbursed based on where the retail sale occurs. The sales tax is not distributed based on where the purchaser lives. Thus if an Orinda resident purchases a car in Walnut Creek, Walnut Creek will receive the local 1% and

Orinda receives none of the base retail sales tax. As a result Orinda has the second lowest per capita sales tax revenue in the County ahead of only Clayton. More problematic is that the base sales tax revenue per capita in Orinda over the last five years has not kept pace with inflation.

Over the years other cities have expanded their general fund operating funds by approving other taxes which Orinda does not have including: utility users tax, increased real property transfer tax, business taxes, etc. Orinda does not have these ongoing revenue sources but does have the sales tax override which will expire in 2023, a library parcel tax which was approved by the voters in June 2018, and two voter approved general obligation bond measures that funded one time street rehabilitation projects.

It should be noted that voter approved general obligation bond authorization is a special tax. Under State law these financing measures can be placed on the ballot at times other than the general municipal election. Likewise, a special parcel tax that requires two-thirds voter approval are not limited to being on a general municipal election.

DISCUSSION: There are a number of questions the Council will eventually need to address and decisions on how to move forward made based on the answers to those questions.

- 1) Does the Council want to ask the community to continue the current ½ cent sales tax which would be used for road maintenance?
- 2) If so, does the Council want to propose the same 10 year sunset, a different sunset, no sunset, or no sunset but a requirement that it can only be extended every ten years by a 4/5th majority of the Council at a noticed public hearing?
- 3) Does the Council want to propose a higher rate of up to 1% to pay for a broader list of uses such as increased road maintenance, drainage improvements and maintenance, improved emergency preparedness, implementation of the approved Community Park master plan, restoration and improvement of downtown San Pablo Creek, downtown improvements such as the projects identified in the draft streetscape master plan, or other public improvements and services?
- 4) Does the Council want to poll about the acceptability of other general taxes such as a real property transfer tax increase or a utility user tax?
- 5) Does the Council want to poll on the question of another bond measure to complete the streets reconstruction program and begin to rebuild the City's 50-100 year old public drainage infrastructure?
- 6) Does the Council want to include a question on the use of either sales tax revenue or bond proceeds to pay for some or all of the reconstruction and conversion of private streets to public ownership?

The Citizens Infrastructure Oversight Committee has estimated the average annual funding required to provide above average to optimal road maintenance of Orinda's public roadway network to be \$2.6 to \$3.6 million annually. The City currently has approximately \$1.6 million annually budgeted through Gas Tax, Contra Costa

Transportation Authority Return to Source, and Solid Waste Maintenance Impact Fees. The City's long term maintenance need is between \$1 and \$2 million annually.

Other identified needs in the community include:

- \$50,000-\$100,000 a year for emergency preparedness training and education, and to reduce fire fuel on public land in accordance with Moraga Orinda Fire District criteria
- Estimated \$2 million for Community Park Master Plan improvements. Significant portions of the \$2 million are being sought from grants and local fundraising. Some additional timely general fund revenue would greatly reduce the time and costs associated with the project.

The consultant could also take the opportunity to poll Orinda residents on the likelihood of funding another future General Obligation Bond measure which could include \$30 million for rehabilitation of the public drainage system. Most of the system was built between 1900 and 1950. This would include the major culvert crossings across San Pablo Creek throughout the City.

The Council could give some direction on the questions but with the exception of a question regarding continuing the current Add-On Sales Tax, these are difficult to answer without a sense of what the voters think. Staff recommends using the firm of FM3 to do the polling. They have worked with the City on a number of occasions including the 2018 library parcel tax measure. The results of previous polling by the firm have been used by the Council to formulate the actual language for measures. FM3 could move forward expeditiously and in a cost effective manner because of their knowledge of the community and their increasing use of the internet. The Council subcommittee would work with the firm to formulate the questions, evaluate the results, and bring a recommendation to the Council in August on how to proceed.

NEXT STEPS: A letter agreement with FM3 would be executed, the questions developed, and the polling would take place. The subcommittee would review the results, present them to the Council and may make recommendations on how to proceed if appropriate. This would include how to receive input and participation from the CIOC, the Finance Advisory Committee, other appropriate City commissions, committees, and the public.

FISCAL IMPACT: The cost for the polling is estimated to be less than \$30,000 which is budgeted in the proposed 2019/20 FY. The proposed costs budgeted for the 2020 general Council election have been increased in the City Clerk's for Fiscal Year 2020/21 to accommodate this measure if placed on the ballot by the Council.

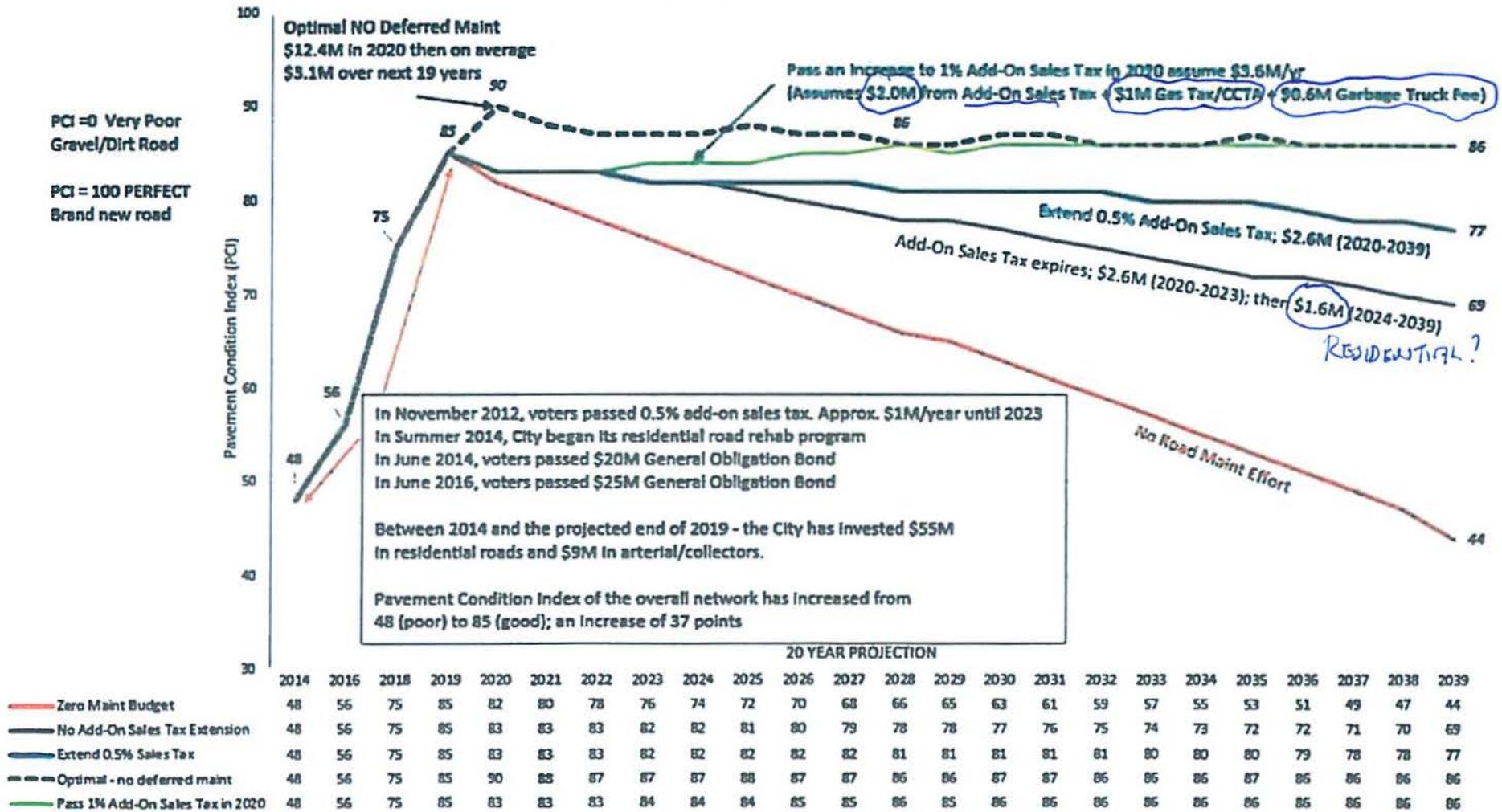
Respectfully Submitted by:
Steve Salomon
City Manager

Prepared By: Sheri Smith, City Clerk

Approved by:

Steve Salomon
Steve Salomon, City Manager 5/31/2019

**ORINDA OVERALL PUBLIC ROADWAY NETWORK
PAVEMENT CONDITION RATINGS
20 YEAR SCENARIO PROJECTIONS (2019-2039)**



NOTE: For public roads only; costs are pavement surface related, not drainage.