



Revenue Options for the City of San Diego

CRRECC Meeting
March 25, 2010



Overview

- The IBA identified and reviewed viable revenue sources for consideration, including tax and fee options
- For use as a resource for the Commission
- Report provides annual fiscal impact estimates
- Actual fiscal impacts will vary depending on rates established



Policy Considerations

- Beneficiaries and Burden
- Unintended Effects
- Tax vs. Fee
- Citywide or Localized Solution
- Implementation Timing
- Oversight
- Voter Requirements
- Special Voting Procedures
- Annual Adjustments



Property Related Taxes & Assessments

- In FY 2009 base property tax totaled \$291.8 million
- Tax on the Assessed Value (AV) of secured and unsecured property
- Per Proposition 13 limited to 1% of AV
- Increasing would require amendment to California State Constitution approved by statewide majority vote
- Change in 1% allocation would require enactment of new legislation by state legislative body



Property Related Taxes & Assessments

General Obligation Bonds (GOBs)

- Finance real property acquisition and construction
- Tax levied to support debt service
- 2/3^{rds} voter approval
- 0.02% property tax rate would generate \$34.5 million a year to support a 30-year GOB issuance of \$500 million



Property Related Taxes & Assessments

Parcel Taxes (District Taxes)

- Special Tax imposed on parcel of real property, usually flat per parcel rate
- Citywide or special district
- 2/3rds voter approval required
- Can support city services or financing
- Parcel tax of \$50 per parcel citywide would generate \$18.5 million annually



Property Related Taxes & Assessments

Benefit Assessments

- Levies for specific real property benefit
- Pay for benefit above general public benefit
- Assessment in proportion to benefit
- Assessments can be used as security for maintenance and capital improvements financing
- Require approval of 50% of affected property owners through mail ballot



Sales & Use Taxes

- In FY 2009, Sales & Use Tax generated \$206.1 million
- Retailers pay sales tax for privilege to sell tangible personal property
- Applied as percentage of gross receipts
- Usually passed on to customer
- Certain services, industries, and items exempt
- Bradley-Burns local tax rate, 1.0%
- Counties and cities can impose a district tax rate, not to exceed 2.0%
 - With TransNet, cannot exceed 1.5%
- A 0.25% increase would generate \$51.5 million



Utility Users Tax (UUT)

- Not levied by City of San Diego
- Tax on consumption of utilities paid by the customer
- Charged by utility company and remitted to the taxing jurisdiction
- Applied to electricity, telephone, gas, water, sewer, garbage, and cable television services
- Levying tax would require voter approval
 - Majority vote, if for general purpose
 - 2/3rds vote, if for special purpose
- If rate imposed at average of \$74 annually per capita, \$100.2 million in annual revenue



Transient Occupancy Tax (TOT)

- In FY 2009, \$140.8 million
 - \$73.8 million to the General Fund
- Tax levy on visitors occupying rooms at hotels, motels, inns, and other lodging facilities for less than 30 days
- Current rate, 10.5%
 - 5.5% to the General Fund
 - 4.0% in Special Promotions Fund
 - 1.0% Discretionary Use
- Increasing tax would require voter approval
 - Majority vote, if for general purpose
 - 2/3^{rds} vote, if for special purpose
- A 1.0% increase to General Fund allocation would generate \$13.4 million annually



Property Transfer Tax

- FY 2009, \$4.6 million
- Levied on any real property that is sold or transferred
- Current County rate is \$1.10 per \$1,000 of the sale of real estate
 - County receives \$0.55 per \$1,000
 - City receives \$0.55 per \$1,000
 - Can levy above rate, but forgo portion of county levy
- Increasing tax would require voter approval
 - Majority vote, if for general purpose
 - 2/3rds vote, if for special purpose
- \$1 increase in tax, for a \$1.55 per \$1,000 City levy would generate \$8.4 million annually in net revenue



Parking Tax

- Charged for the privilege of occupying a space in a parking facility
- Levied as a percentage of the parking fee charged
- Collected by parking facility operator and remitted to the City
- Not levied in the City of San Diego
- Levying the tax would require voter approval
 - Majority vote, if for general purpose
 - 2/3^{rds} vote, if for special purpose
- 10% parking tax could equate to \$31.0 million in annual revenue



Business Taxes

- FY 2010, \$6.8 million estimate
- Tax for the privilege of conducting operations within City boundaries
- Different types:
 - Percentage of gross receipts
 - Per employee
 - Rates based on type and size of business
- Current City rate:
 - \$34 for small businesses, 12 or fewer employees
 - \$125, \$5 per employee, for larger businesses, 13 or more employees



Business Taxes

Business Tax Revenue Comparison Across Other California Cities

City	Total Business Licenses	Total Revenue (\$ in Millions)	Average Revenue per Account
San Francisco	75,000	\$394.0	\$5,253
Los Angeles	285,000	\$365.0	\$1,281
Oakland	65,000	\$50.0	\$769
San Jose	60,000	\$14.0	\$233
San Diego	178,000	\$14.0	\$79



Business Taxes

- Increasing business taxes would require voter approval
 - Majority vote, if for general purpose
 - 2/3rds vote, if for special purpose
- Fiscal impact would vary greatly depending on structure implemented
 - Tripling current rate would generate \$13.6 million in additional revenue for the City



Rental Car Tax

- A revenue generating option for offsetting the cost of street maintenance and improvements
- Collected from the renter and remitted to the City by the rental car company
- 1990, San Diego Transient Transportation Tax (TTT) and City of Ontario flat fee found impermissible through State law
- 2003 City Attorney opinion regarding business tax applicability
- Tax would require voter approval
 - Majority vote, if for general purpose
 - 2/3^{rds} vote, if for special purpose



Refuse Collection

- The 1919 People's Ordinance requires the City to collect, transport and dispose residential refuse and prohibits the City from charging a fee for this service
- Businesses, most multi-family, and some single family residences pay for refuse services from private companies given that Ordinance prohibits the City from entering a private street to collect residential refuse, unless a hold-harmless agreement in place
- San Diego is the only major California city that does not recover at least a portion of its refuse collection expenses



Refuse Collection

- Preliminary estimate that recovering the cost of refuse services would generate \$49.7 million, with a total monthly fee of \$15.16 for trash, recycling, and greenery services
 - \$34 million to the General Fund
 - \$15.7 million to the Recycling Fund



Refuse Collection

- Majority voter approval needed to amend People's Ordinance
- Soonest that could appear on the ballot, November 2010, but not feasible in consideration of cost of service study
- Proposition 218 notification process necessary
 - If less than a majority of impacted property owners files a written protest, the fee will pass subject to City Council approval
- Likely that a fee could not be implemented until at least FY 2013



Storm Water Fee

- The City of San Diego collects and discharges storm water and urban runoff containing pollutants through the storm water drainage system
- The 1972 Clean Water Act established the National Pollutant Discharge Elimination System (NPDES) permit program, which regulates the discharge of pollutants from “point sources” (such as municipal sewage plants and industrial facilities) to waterways of the United States
- In 1987, Clean Water Act amendments were made to address “non-point source” pollution from land runoff, which established a framework for regulating urban storm water runoff



Storm Water Fee

- In California, the State Water Resources Control Board implements and enforces the NPDES permit program through a system of Regional Water Quality Control Boards(RWQCB)
- The RWQCB is responsible for issuing the required NPDES permit (more commonly referred to as the Storm Water Permit or Municipal Permit) to storm water dischargers within their jurisdictions
 - The permit is updated every five years
 - The current permit became effective in March 2008 and will expire March 2013
 - Requires jurisdictions to implement programs and activities to reduce pollutants in storm water and urban runoff



Storm Water Fee

- Storm water regulations have increased significantly over the years, and are expected to increase with future permits
- The FY 2010 Operating Budget for the department is \$37.7 million
 - Department is also receiving \$12.7 million in proceeds from the \$102.2 million Deferred Maintenance Bond for storm drain maintenance
- Current rates established in 1996, pre Proposition 218, do not recover full costs of storm water operation and maintenance



Storm Water Fee

Storm Water Fee increase could generate \$37.7 million in annual revenue to offset operations and maintenance costs.

Customer Type	Fee Type	Rate	Usage	Revenue Generated	Percentage of Total Revenue
Single Family Residential	Flat fee Per Single Family Residence Meters	\$0.95/month	220,519 customers	\$ 2,513,917	38.60%
Commerical and Other	Per Hundred Cubic Feet (HCM)	\$0.0647/HCM	61,791,356 HCF	\$ 3,997,900	61.40%
TOTAL:				\$ 6,511,817	100%

Customer Type	Fee Type	Cost Recoverable Rate (approximately)	Potential Usage	Revenue Generated	Percentage of Total Revenue
Single Family Residential	Flat fee Per Single Family Residence Meters	\$5.49/month	220,519 customers	\$14,533,382	38.60%
Commerical and Other	Per Hundred Cubic Feet (HCM)	\$0.374/HCM	61,791,356 HCF	\$23,117,866	61.40%
TOTAL:				\$37,651,248	100%



Storm Water Fee

- As a “property-related fee” any modification to the storm drain fee must meet Proposition 218 requirements
- Any storm drain fee modification requires approval in an election by either:
 - Majority of property owners
 - 2/3rds of the general electorate
- June 2012, the earliest a measure for increase could go before voters due to time required for cost of service study, public outreach, and voting procedures



Beach, Bay, Balboa Park, and Zoo Parking Fee

- 1993, the City Council considered, but did not adopt the imposition of parking fees at beaches and at Balboa Park
 - Estimated to generate \$10.7 million annually, based on a proposed \$5-a-day fee
- 2005, City staff proposed a non-city resident fee for seasonal beach/bay parking, but did not receive Council approval
 - Estimates suggested annual revenue of \$1.15 million
 - Fees of \$6 for up to 4 hours (\$10 max per day)
 - City Attorney advised that non-resident fee impermissible
 - 2008 Proposition C, related to use of Mission Bay Lease revenues, may require revenue to be dedicated to park improvements , instead of going to General Fund



Beach, Bay, Balboa Park, and Zoo Parking Fee

- Legal opinion regarding compliance with law as related to beach and bay parking needed
- Zoo & Balboa Park Parking
 - Maybe incompatible with longer-term plans under development for the San Diego Zoo and Balboa Park
- Need to resolve logistical and legal issues before determining fiscal impact



First Responder Fees

- Fee to recover the costs of providing emergency medical services by the Fire-Rescue Department
- San Diego Medical Services Enterprise (SDMSE) and Fire-Rescue Department paramedics both available to provide an emergency response
- SDMSE is reimbursed for transporting the patient at an average charge of \$892 per patient
- Fee would allow Fire & Rescue to be able to recover the costs for the medical response, in addition to SDMSE
- 2004 staff proposal, \$175 for Advance Life Support (ALS), \$125 for Basic Life Support Services (BLS)
 - Not approved by Council
 - Estimated \$2.1 million in net new revenue



Accident Negligence Fee

- Fee to recover the cost of emergency response where negligence involved
- January 2010, San Miguel Consolidated Fire Protection District Board approved a fee to recover costs of traffic accident emergency response
 - Charged to residents and non-residents
 - Insurance companies can be billed
 - Fees range from \$390 to \$2,100 depending on level of response required



False Alarm Fee

- The Police Department charges a false alarm penalty fee to recover the annual costs of false alarms
- Alarm permit fee recovers cost of one false alarm response, \$3.1 million annually
 - 79% of costs recovered
 - Residential permits, \$100.25 annually
 - Commercial Permits, \$173.25 annually
- Fire & Rescue does not charge a fee for false alarm response



9-1-1 Phone Fee

- Way to support emergency response and dispatch systems
- San Francisco first to implement fee
 - \$2.75 per month per phone line, \$20.62 per month per truck line, \$371.15 per high capacity line
- Union City case regarding 9-1-1 fee maintained that the fee is a special tax that requires a 2/3rds voter approval since it applies to all customers irrespective of their usage of 9-1-1 services
- \$3 per month tax on landlines would generate \$16.0 million, per IBA estimate



General Plan Maintenance Fee (GPMF)

- Fee or charge levied on development permit applications for the purpose of funding General Plan Updates (GPU) and other planning services
- The City of San Diego currently levies a flat rate GPMF of \$88 on certain permit applications in order to partially recover costs associated with reviewing development plans for consistency with the General Plan or other Land Development Code provisions
- GPMF currently generates approximately \$600,000/year
- Fee increase would support timely and routine update of City's community plans



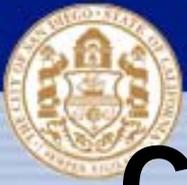
Comprehensive Fee Study

- March 2009, the City Council approved the General Fund User Fee Policy
- Provides general guidelines to incorporate best practices for establishing user fees to ensure that the City adequately recovers costs for services it provides to the public
- The two objectives of the policy:
 - Establish a comprehensive User Fee Policy which will allow the City to identify the full cost of services for activities that charge user fees in order to develop target costs recovery rates
 - Bring existing fee levels in-line with service costs to ensure that all reasonable costs incurred in providing these services are being recovered



Comprehensive Fee Study

- FY 2010 budget included \$6.5 million in user fee revenue increases
- Council Policy calls for regular annual changes to user fees in the General Fund to be proposed to the City Council during the annual budget process
- For FY 2011, Financial Management requested that all General Fund departments with fees revise them based on a CPI adjustment or other inflator



Comprehensive User Fee Study

- The completion of a comprehensive user fee study remains an opportunity that may be explored in the future
- Study would review the services of all departments, beyond those with existing fees that will be reviewed on an annual basis
- Better data available in FY 2010 after full OneSD implementation



Corporate Sponsorships

- In 1999, the City established a Municipal Marketing Partnership Program
 - Explores business partnerships that can generate revenue for the City to support facilities, projects, programs, and activities
 - Limits partners to those that meet City objectives
 - Program credited with the generation of over \$20 million in revenue, in-kind services, and products since its inception
 - Council Policy provides guidance for the development and management of marketing partnerships



Corporate Sponsorships

- Marketing partnership opportunities valued at \$250,000 and above must participate in a Request for Sponsorship (RFS) process involving open competition and be approved by City Council
- Recent lifeguard sponsorship proposals for advertising on beach trashcans, lifeguard towers, and information boards
 - Violate current signage regulations in San Diego Municipal Code
 - Amendments to code would have to be approved by Council to allow
- Value of sponsorship opportunity determined by competitive outcome of RFS process.
 - Varies based on level and type of marketing



Questions?