

AGENDA STAFF REPORT



DATE: June 11, 2018

TO: Honorable Mayor and City Council

THRU: Jill R. Ingram, City Manager

FROM: Victoria L. Beatley, Director of Finance/City Treasurer

SUBJECT: **Path to Fiscal Sustainability**

SUMMARY OF REQUEST:

That the City Council provide direction to staff as to what new revenue options to pursue.

BACKGROUND AND ANALYSIS:

During the budget adoption process for FY 2017 – 2018 staff identified significant challenges associated with bringing a balanced budget to the City Council. Specifically, there was great concern about the increasing costs related to pension, fire services, insurance, and changes to the prevailing wage requirements for certain types of public works contracts.

Since that time additional challenges have arisen with some key revenue sources not performing as expected. More specifically both Utility Users Tax (UUT) and Sales Tax have fallen and the anticipated increase in beach parking revenue has still not materialized. Sales Tax has been impacted by the continued prevalence of on-line shopping, declining oil prices, and a lackluster economic development environment.

The Utility Users Tax was expected to decline because of the change in the rate approved by the voters in 2014 but the decline was greater than expected. Changes made by the Public Utilities Commission on how revenue is calculated by companies such as Southern California Edison and Sempra (So Cal Gas) have been a large part of the on-going reduction.

In an effort to mitigate some of the economic losses staff has continued to discuss the potential for oil-related revenue recovery. Additionally, staff began to highlight the need to pursue other revenue generating options up to and including a ballot measure.

With the FY 2018 – 2019 budget adoption completed there is no better time than now to begin the pursuit of revenue generating options. To that end, the

following is a list of options that have been discussed over the last year (in no particular order):

- Sales Tax
- Parcel Tax
- Transient Occupancy Tax
- Utility Users Tax
- Fire Assessment charge
- Adding meters to the Municipal Lot adjacent to the Fire Station
- Allowing short-term rentals
- Proposition 218 – Street Lighting District, Street Sweeping, and Tree Trimming
- Pursuing full-cost recovery for user-based services
- Economic Development – car dealership, low footprint high revenue business model, shop local campaign, etc.

ENVIRONMENTAL IMPACT:

There is no environmental impact related to this item.

LEGAL ANALYSIS:

No legal analysis is required for this item.

FINANCIAL IMPACT:

There is no financial impact for this item.

RECOMMENDATION:

That the City Council provide direction to staff as to what new revenue options to pursue.

SUBMITTED BY:

Victoria L. Beatley

Victoria L. Beatley, Director of
Finance/City Treasurer

NOTED AND APPROVED:

Jill R. Ingram

Jill R. Ingram, City Manager