

RESOLUTION NO. 2016-55

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
RECEIVING INFORMATION REGARDING UTILITY USERS TAX FOR THE CITY OF MARINA
AND PROVIDING FURTHER DIRECTION TO CITY STAFF

WHEREAS, for many years now, the City Council, City staff and community members have been discussing options for balancing the City's budget and for addressing unmet City needs. The City has eliminated many staff positions, reduced or eliminated services, improved operational efficiencies, expanded economic development opportunities and added to its revenue base by approving a card room tax and increasing the Transient Occupancy Tax from 10% to 12%. However, even with these additional revenue sources there are significant city needs that are unmet; and

WHEREAS, the Utility Users Tax was established and approved by the voters of Marina in 1993 and was an important component of the city's revenue tax base. The Utility Users Tax was enacted solely to raise revenue for the general government purposes of the City. The tax was placed on the telephone, electricity, gas, water and cable television users; and

WHEREAS, in Monterey County nine (9) out of the twelve (12) cities have a Utility User Tax and depend on it as a major revenue source for the General Fund. "**EXHIBIT A**" is a Utility User Tax summary for Monterey County which shows the percentage UUT charged, the amount collected and the per capita paid by city. The chart also shows how Marina would compare to other cities in the County if it collected \$1.2 million from a 5% UUT.

WHEREAS, At the City Council Strategic Planning and Goal Setting Retreat on February 19-20, 2016, one of the issues discussed by the City Council was consideration of another Utility Users Tax. The Council directed staff to bring additional information regarding a Utility Users Tax back to the Council for additional discussion

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Marina does hereby:

1. Adopt Resolution No. 2016-, receiving information regarding Utility Users Tax for the City of Marina and
2. Direct staff to bring back to us with some of the additional considerations.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 19th day of April 2016 by the following vote:

AYES, COUNCIL MEMBERS: Amadeo, Morton, O'Connell, Delgado

NOES, COUNCIL MEMBERS: None

ABSTAIN, COUNCIL MEMBERS: Brown

ABSENT, COUNCIL MEMBERS: None

Frank O'Connell, Mayor Pro-Tem

ATTEST:

Anita Sharp, Deputy City Clerk

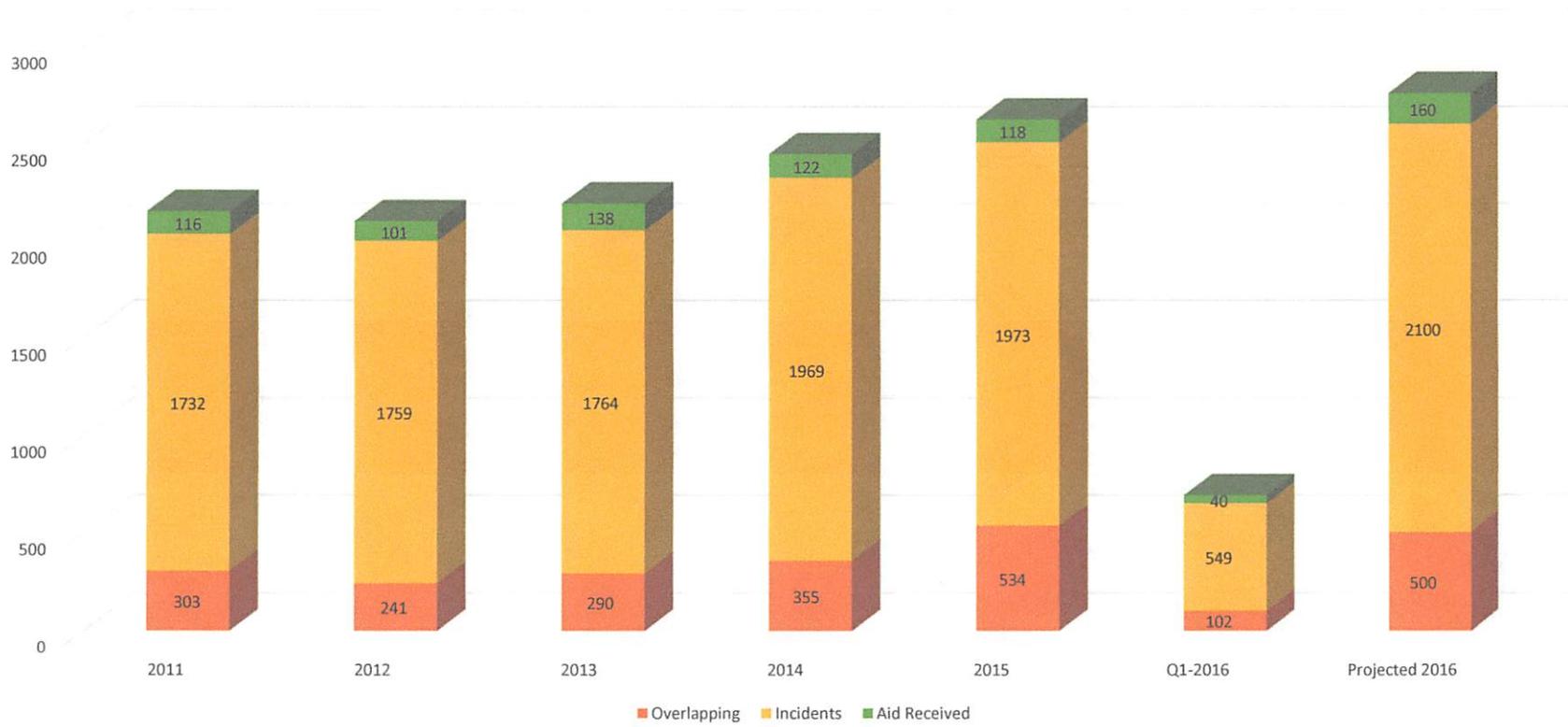
EXHIBIT A

**UTILITY USERS TAX SUMMARY - As of April 2016
Monterey County**

UUT Rate	Seaside	Sand City	Pacific Grove	Salinas	King City	Soledad	Monterey	Gonzales	Greenfield	Del Ray Oak	Carmel	Current Marina	Proposed Marina
Telephone Intrastate	6%		5%	5%	2%	5%	2% R/5% NR	4% R/4% NR	3%	-	-	-	5% to 6%
Telephone Wireless			5%	5%		5%	2% R/5% NR	4% R/4% NR	3%	-	-	-	5% to 6%
Electricity	6%	5%	5%	6%	2%	5%	2% R/5% NR	4% R/2% NR	3%	-	-	-	5% to 6%
Gas	6%	5%	5%	6%	2%	5%	2% R/5% NR	4% R/2% NR	3%	-	-	-	5% to 6%
CATV	6%		5%	5%	2%	5%			3%	-	-	-	5% to 6%
Water	6%		5%	6%	2%		2% R/5% NR			-	-	-	5% to 6%

	Seaside	Sand City	Pacific Grove	Salinas	King City	Soledad	Monterey	Gonzales	Greenfield	Del Ray Oak	Carmel	Current Marina	Proposed Marina
UUT Revenues	\$ 2,491,000	\$ 120,000	\$ 1,600,000	\$ 12,370,000	\$ 253,000	\$ 570,719	\$ 2,776,359	\$ 300,000	\$ 1,265,000	-	-	-	\$ 1,100,000
Population	33,672	362	15,388	154,815	13,417	24,540	28,163	8,357	16,870	-	-	-	20,872
UUT Per Capita	\$ 73.98	\$ 331.49	\$ 103.98	\$ 79.90	\$ 18.86	\$ 23.26	\$ 98.58	\$ 35.90	\$ 74.99	-	-	-	\$ 52.70

Call Volume in Gold
Overlapping Incidents in Orange
Mutual & Auto Aid in Green



April 15, 2016

Item No. **11a**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of April 19, 2016

**RECOMMENDATION TO CONSIDER ADOPTING RESOLUTION NO. 2016-,
RECEIVING INFORMATION REGARDING UTILITY USERS TAX FOR THE
CITY OF MARINA AND PROVIDING FURTHER DIRECTION TO CITY
STAFF**

RECOMMENDATION:

It is recommended that the City Council:

1. Consider adopting Resolution No. 2016-, receiving information regarding Utility Users Tax for the City of Marina and to provide staff with further direction.

BACKGROUND:

For many years now, the City Council, City staff and community members have been discussing options for balancing the City's budget and for addressing unmet City needs. The City has eliminated many staff positions, reduced or eliminated services, improved operational efficiencies, expanded economic development opportunities and added to its revenue base by approving a card room tax and increasing the Transient Occupancy Tax from 10% to 12%. However, even with these additional revenue sources there are significant city needs that are unmet.

Specifically these unmet needs are:

1. City infrastructure which includes the complete city road system, city facilities and parks.
2. Public safety – police officers for patrol, firefighters to provide minimum staff for simultaneous calls, and code enforcement to respond to city code violations.
3. Staffing in other city departments to meet required state laws and federal mandates, recommendations by city auditors, and service level demands of the public.
4. City facilities including city hall, community center, recreational buildings, and parks

While one aspect of the city's revenue strategy has focused on the expansion and enhancement of economic development, it is understood that this mechanism will take time before it generates significant new revenue to the city and that economic development revenue will primarily only offset new service demands caused by future growth and inflationary and cost of living increases. Even though some of this revenue can be redirected to meet some of the current and future unmet needs, this approach alone will not address the core unmet needs that are becoming critical. There appears to be a general consensus around the concept that the City has significant unmet needs, however, there are mixed opinions about what defines a need and whether new revenue should be pursued to address those needs.

At the City Council Strategic Planning and Goal Setting Retreat on February 19-20, 2016, one of the issues discussed by the City Council was consideration of another Utility Users Tax. The Council directed staff to bring additional information regarding a Utility Users Tax back to the Council for additional discussion.

The Utility Users Tax was established and approved by the voters of Marina in 1993 and was an important component of the city's revenue tax base. The Utility Users Tax was enacted solely to raise revenue for the general government purposes of the City. The tax was placed on the telephone, electricity, gas, water and cable television users. It was set at five percent (5%) for both residential and commercial and raised approximately \$1.2 million dollars annually for the city's general fund. The tax provided exemptions for low income households. The initial tax was for a period of one year. The following is the UUT history:

- 1993 – approved for one year
- 1994 – approved a two year extension to 1996
- 1996 – approved a two year extension to 1998
- 1998 – approved a six year extension to 2004
- 2000 – approved a reduction of extension to 2002
- 2002 - approved a two year extension to 2004
- 2004 – extension was **not** approved by a vote of 3,170 No and 3,059 Yes.

During the period of time the UUT was approved, it was designated to provide for a basic level of essential city services for public health and safety, and activities and services for city youth and senior citizens. It was estimated to account for approximately 13% of the City's annual revenue and generated approximately \$1.2 million dollars a year.

In 2012 the voters approved increasing the Transient Occupancy Tax (TOT) from 10% to 12% and also approved a 1% additional sales tax measure which was extended by the voters in 2014 to 2026. This additional 1% sales tax was designated to continue preserving funds for general city services, including maintaining firefighters and police officers for adequate emergency response, reducing crime and criminal gang and drug activity, maintaining city streets and parks, and youth after school programs.

While the sales tax and TOT new tax measures have helped the city maintain its current bare minimum level of service, it does not address the unmet needs listed above.

ANALYSIS:

Utility User Tax

Utility user taxes are levied as a percentage of the direct cost of the utility service delivered, and may be levied on utilities such as gas, electric, telephone/communications, water, sewer, solid waste and cable TV. The tax appears in the monthly billing paid by the customer and the tax is paid to the utility, which in turn remits the taxes to the local government that levied the tax. Many California cities levy a utility user tax and it is often a substantial revenue stream for their general fund. Utility user tax tracks with inflation, it applies to a broad range of the population (e.g. homeowners, renters, businesses) and it is not as sensitive to economic downturns as the other general city taxes (e.g. property, sales, TOT, and franchise).

About 50% of the population and 1/3 of the cities in California pay a UUT. City utility user tax rates range from 1 percent to 11 percent. In some cities different rates apply to residential versus commercial users. However, the most common rate is 5 percent applied evenly among the various utility types. The Utility User Tax is a vital element in the funding of critical city services. On average, the UUT provides 15 percent of the general purpose revenue in cities that levy it.

In Monterey County nine (9) out of the twelve (12) cities have a Utility User Tax and depend on it as a major revenue source for the General Fund. Only Carmel and Del Ray Oaks in addition to Marina do not have a UUT. “**EXHIBIT A**” is a Utility User Tax summary for Monterey County which shows the percentage UUT charged, the amount collected and the per capita paid by city. The chart also shows how Marina would compare to other cities in the County if it collected \$1.2 million from a 5% UUT.

At the strategic planning retreat, Council requested a breakdown of the utility bill collections by residential and commercial customer. Staff has been unable to get this, but can provide the following information. In the 2010 Census, there were 7,200 reported housing units and 1,383 total number of firms in Marina. In Central Marina there are 3,960 residential water accounts and 273 business water accounts.

Unmet Needs

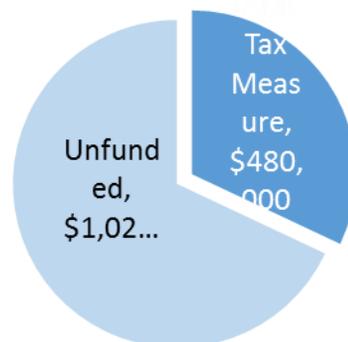
In previous budget years, the Council has had extensive discussions about unmet service needs. The focus has been on getting to a balanced operating budget where on-going expenditures are funded by on-going revenues. While we have achieved this goal strictly from a daily operating expenditures point of view, we still do not have on-going revenue sources that are able to fund critical pavement maintenance, vehicle, equipment and facility maintenance and replacement costs. These critical infrastructure assets continue to deteriorate. The demands of our community exceed the current staffing needs not only in police and fire, but in all other city departments. For this report we'll only discuss three needs, pavement maintenance, police officers and firefighters.

Pavement Maintenance

The City has 156 lane miles of arterial, collector and residential paved streets. The street network is divided into 336 sections including 39 arterial, 51 collector and 246 residential/local sections. A Pavement Management Inspection Report was completed in 2013 which identified how much maintenance was required to keep the streets throughout the city in fair to good operating condition. In 2013, it was estimated that the City needed to allocated \$1.2 million dollars annually to keep city streets from deteriorating significantly. The City has only about \$200,000 available annually to allocate for street maintenance. To put it into perspective, we have only the ability to fund pavement maintenance annually from city hall down to Sunset Avenue. Because the City does not have a funding source for city streets, the street conditions have continued to deteriorate at a quickened pace. Staff estimates now that at least \$1.5 million is now needed annually to meet street maintenance repair costs. This number will continue to increase exponentially as streets move from needed slurry and chip seal treatments to reconstruction due to lack of regular maintenance.

Cities throughout Monterey County are in the exact same position as Marina. The Transportation Agency of Monterey County will be placing a 3/8 percent sales tax measure on the ballot in November 2016 which if passed will provide \$480,000 annually for street maintenance in Marina. While this is great and will certainly help Marina if passed, it will still fall significantly short of the funded needed for our city streets. The City of Marina will still need to find an additional \$1.0 million annually to maintain our streets even if the TAMC measure passes as shown in the following chart.

**Pavement Maintenance -
Annual Funding Need**



Police

The City of Marina received a \$250,000 annual COPS grant that kept the City from eliminating another two patrol officer positions. This grant is funded for one more year 2016-17 and then the City is required to pay the annual \$250,000 for these two patrol officer positions in 2017-18. After 2018 if the city is not able to fund these positions, they will be eliminated.

Fire

The City's fire department is staffed to only be able to respond one engine at a time to a single incident. "EXHIBIT B" shows that not only are the total number of fire responses increasing annually, the number of overlapping incidents that require a response from a neighboring agency are also increasing. We are also advised that when the VA/DOD clinic becomes operational this fall, an estimated 300 annual responses from the fire department will be required.

CONCLUSION:

This information is submitted to the City Council to facilitate further discussion regarding the Utility User Tax.

Respectfully submitted,

Layne Long
City Manager
City of Marina