



MEMORANDUM

Agenda Item: 13
Meeting Date: 1/10/2024

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: ELAINE JENG, P.E., CITY MANAGER

SUBJECT: NBS REVENUE MODELING

DATE: JANUARY 10, 2024

ACTION REQUIRED **CONSENT** **RECEIVE & FILE**

RECOMMENDATION

Staff recommends that the City Council review the analysis provided by NBS on revenue modeling and direct staff to conduct polling.

BACKGROUND

On October 24, 2023, the City Council engaged NBS for services relating to a potential ballot measure in anticipation of the sunset of Measure E in Fiscal Year 2026-2027. NBS's scope of services include the following:

- Work plan 1 – Issue research, revenue measure modeling and polling
- Work plan 2 – Stakeholder outreach and public engagement
- Work plan 3 – Feasibility analysis of ballot measure options and expenditure plan

DISCUSSION

Staff held a kick-off meeting with NBS in early November 2023. NBS provided a timeline of milestones for work plan 1, including the need for a long-range forecast from the city by mid-December 2023. Revenue modeling in this context is to identify revenue options such as sales tax, utility user tax, assessment fees and or a parcel tax. To conduct research on revenue modeling, NBS needed the city to specify the amount of revenue required for city functions.

The city's budget consultant worked expeditiously in December 2023 to have a draft of the long-range forecast (LRF). The draft LRF was presented to the Finance Advisory

Committee on December 20, 2023, for review. The LRF projected the city's revenue and expenditures for Fiscal Year 2025-2026 through Fiscal Year 2032-2033, built from the current fiscal year budget, the current five-year Capital Improvement Plan, the proposed organizational chart and the trend on the growth rate (for revenue and expenditures) for the past eight years.

The draft LRF projected a deficit of \$3.21M in Fiscal Year 2025-2026 and this deficit would grow to \$9.38M in Fiscal Year 2027-2028 after the sunset of Measure E. Taking into consideration the unfunded needs beyond operations, the draft LRF projected a deficit of \$12.66M in Fiscal Year 2025-2026 and this deficit would grown to \$18.89M in Fiscal Year 2027-2028, after the sunset of Measure E.

Based on NBS' research, the following are non-viable and not-recommendation revenue options:

- Documentary Transfer Tax Increase/Real Property Transfer Tax Implementation
- Transient Occupancy Tax
- Utility User Tax for Streaming Video Services
- Special Assessment Districts

Viable revenue options include:

- Property related fees for sewer and storm drain maintenance.
- Transactions and Use Tax
- Utility User Tax
- Parcel tax renewal with increase and annual adjustments

NBS submitted a memorandum, dated January 4, 2024, summarizing the research. The memorandum is attached to this report as Attachment A. Based on NBS' analysis, options that are viable to meet the revenue need characterized by the LRF are as follows:

1. Implementation of Property Related Fees for sewer and storm drain maintenance.
2. Implementation of a Transaction and Use Tax
3. Implementation of Utility User Taxes for the water, gas, electric, and cable utilities
4. Renewal of the Parcel Tax with increases and annual adjustments

NBS recommends that the City Council collect information via polling before deciding on one of the four listed approaches.

FISCAL IMPACT

No fiscal impact.

ATTACHMENTS

- A. NBS Memorandum on Modeling Scenarios, January 4, 2024

CITY OF PALOS VERDES ESTATES MEMORANDUM

TO: Elaine Jeng, City Manager, City of Palos Verdes Estates

FROM: Nick Dayhoff, Senior Consultant

DATE: January 4, 2024

SUBJECT: Revenue Modeling Scenarios

Purpose

The City of Palos Verdes Estates (the “City”) has requested an evaluation of options to increase revenue to address the City’s forecasted budget deficits in the near term. This evaluation includes modeling a new utility user tax, a new transactions and use tax (sales tax increase), and a new parcel tax to replace the Law Enforcement Parcel Tax (Measure E), which sunsets after Fiscal Year 2026/27. This memorandum summarizes additional revenues that could be generated via each scenario.

Projected Budget Deficits

The following table shows the forecasted operating budget deficits for Fiscal Years 2025/26 through 2032/33, according to the City’s Long-Range Forecast:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$3.21)	(\$4.06)	(\$9.38)	(\$9.12)	(\$9.39)	(\$9.67)	(\$9.97)	(\$10.20)

In addition, the following table shows the forecasted deficits for Fiscal Years 2025/26 through 2032/33, if the City’s unmet/unfunded needs are added to the forecasted operating budgets:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$12.66)	(\$13.54)	(\$18.89)	(\$18.66)	(\$18.96)	(\$19.28)	(\$19.61)	(\$19.88)

Starting in FY 2025/26, the unfunded needs include about \$1M in staffing resources needed to deliver the services needed by the community, and the balance consists of unfunded facility and infrastructure replacement/maintenance/repairs.

Non-Viable and Not-Recommended Revenue Options

Documentary Transfer Tax Increase/Real Property Transfer Tax Implementation

The City already imposes a documentary transfer tax at the maximum rate of \$0.55 per \$1,000 of value. Charter cities have the authority to impose a real property transfer tax (in lieu of a documentary transfer tax) that is greater than the maximum allowed under the documentary transfer tax; however, the City is not a charter city, so this option is not viable. Furthermore, a city that imposes a real property transfer tax may not also impose a documentary transfer tax.

Transient Occupancy Tax

The City does not currently levy a Transient Occupancy Tax, or TOT, as there are no hotels/motels within the City limits. As such, NBS does not recommend implementing TOT.

Utility User Tax for Streaming Video Services

In 2022, a judge in Los Angeles ruled that local utility laws don't cover streaming services, so imposing a utility user tax ("UUT") on streaming video services may not be a viable option. NBS recommends that the City obtain a legal opinion on this matter, if desired.

Special Assessment Districts

Several statutes authorize cities to levy assessment for specific services and facilities. General law cities considering assessments are limited to the services and facilities types listed in each statute and must comply with the substantive and procedural requirements in Article XIII D of the California Constitution, added by Proposition 218, and the Proposition 218 Omnibus Implementation Act.

The following are some of the most used authorizing statutes for assessments and the kinds of services and facilities for which they can be used:

Landscaping and Lighting Act of 1972: Authorizes assessments for such things as the installation, construction, and maintenance of landscaping; ornamentation; street lighting, including traffic signals; curbs, gutters, sidewalks, and drainage; parks and recreational facilities; community centers, auditoriums, and public performance space.

Benefit Assessment Act of 1982: Authorizes assessments for the maintenance of drainage; flood control; street lighting; and streets, roads, or highways.

Improvement Act of 1911 ("1911 Act"): Authorizes assessments for acquisition/construction as well as operation/maintenance of a variety of public improvements, such as streets and sidewalks, including decorative features; sewers; storm drains; lighting; pipes and hydrants for fire protection; levees and walls for the protection of streets and to prevent beach erosion or promote accretion to beaches; water supply; gas supply; bomb shelters; trees and landscaping; mooring; land stabilization improvements. It also allows assessment revenue to be used for limited acquisition of land related to the authorized improvements.

Municipal Improvement Act of 1913 ("1913 Act"): Generally, authorizes assessments for the acquisition of land and construction of a wide array of public works and improvements including, but not limited to, utilities. It also allows for the financing of some improvements to private property, such as seismic strengthening and fire safety.

In calculating an assessment, a city must first determine the entire cost of the facility or service to be funded. It must then separate the benefits of the service or facility to the general public from the benefits to property owners who will be subject to the assessment. Then, the proportionate special benefit that each parcel subject to the assessment derives from the service or facility must be determined. Finally, the assessment imposed on each parcel cannot exceed the cost of the special benefit conferred on the parcel, meaning that the share of cost determined to confer general benefit must be funded by another source of funds such as the City's general fund.

An option to fund general city services via special assessment does not exist in California. In addition, assessment districts may not fund general public-safety services, as those services have been deemed to provide general benefits to entire communities, and not special benefits to certain properties. Also, sewer and storm drain maintenance at the citywide level may generate too much general benefit for a special assessment to be a viable option to fund these improvements.

Viable Revenue Options

Property Related Fees for Sewer and Storm Drain Maintenance

A better option to fund sanitary sewer maintenance would be for the City to implement a property related fee (Sewer User Fee) that can fund sewage treatment and maintenance of the sewer system. This could be implemented via a "majority protest" proceeding. Funding stormwater maintenance with a property related fee is a bit trickier, as that would have to be approved via a "majority protest" proceeding *and* would require voter approval. Property Related Fees are not considered special assessments, so general benefit considerations are not a factor here, although the City would still need to commission a utility rate study/engineering study to ensure that any fees are compliant with the proportionality requirements of Proposition 218.

Transactions and Use Tax

The current sales tax rate in the City is 9.50%, of which the City's share is 1.00%. As the maximum combined sales tax/transactions and use tax in Los Angeles County is 10.50%, the City has the capacity to implement a transactions and use tax of up to 1.00%. Our analysis assumes that a transactions and use tax, if approved in November 2024, would be reflected beginning in Fiscal Year 2025/26.

According to information provided by City staff, the following table shows the forecasted sales tax revenue for Fiscal Years 2023/24 through 2032/33, including what each 1.00% yields, at the current sales tax rate:

FY	Forecasted Sales Tax Revenue	Each 1% Yields
2023/24 ¹	\$ 391,750	\$ 391,750
2024/25	399,585	399,585
2025/26	407,577	407,577
2026/27	415,728	415,728
2027/28	424,043	424,043
2028/29	432,524	432,524
2029/30	441,174	441,174
2030/31	449,998	449,998
2031/32	458,998	458,998
2032/33	468,178	468,178

1 - Budgeted revenue, assumes annual 2% growth

The following tables show the potential revenue generated via various transactions and use tax rates for Fiscal Years 2025/26 through 2032/33:

Potential Transactions and Use Tax	Potential New Total Sales Tax %	Add'l Revenue 2025/26 Projected	Add'l Revenue 2026/27 Projected	Add'l Revenue 2027/28 Projected	Add'l Revenue 2028/29 Projected
0.125%	9.625%	\$ 50,947	\$ 51,966	\$ 53,005	\$ 54,065
0.250%	9.750%	101,894	103,932	106,011	108,131
0.375%	9.875%	152,841	155,898	159,016	162,196
0.500%	10.000%	203,788	207,864	212,021	216,262
0.625%	10.125%	254,735	259,830	265,027	270,327
0.750%	10.250%	305,683	311,796	318,032	324,393
0.875%	10.375%	356,630	363,762	371,037	378,458
1.000%	10.500%	407,577	415,728	424,043	432,524

Potential Transactions and Use Tax	Potential New Total Sales Tax %	Add'l Revenue 2029/30 Projected	Add'l Revenue 2030/31 Projected	Add'l Revenue 2031/32 Projected	Add'l Revenue 2032/33 Projected
0.125%	9.625%	\$ 55,147	\$ 56,250	\$ 57,375	\$ 58,522
0.250%	9.750%	110,294	112,499	114,749	117,044
0.375%	9.875%	165,440	168,749	172,124	175,567
0.500%	10.000%	220,587	224,999	229,499	234,089
0.625%	10.125%	275,734	281,249	286,873	292,611
0.750%	10.250%	330,881	337,498	344,248	351,133
0.875%	10.375%	386,027	393,748	401,623	409,655
1.000%	10.500%	441,174	449,998	458,998	468,178

The following table shows how the maximum estimated transactions and use tax (1.00%) in the table above would affect the City's forecasted operating budget deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$3.21)	(\$4.06)	(\$9.38)	(\$9.12)	(\$9.39)	(\$9.67)	(\$9.97)	(\$10.20)
Transactions and Use Tax Revenue, in Millions	0.41	0.42	0.42	0.43	0.44	0.45	0.46	0.47
Forecasted Surplus/(Deficit), in Millions	(\$2.81)	(\$3.65)	(\$8.96)	(\$8.68)	(\$8.95)	(\$9.22)	(\$9.51)	(\$9.73)

And the following table shows how the maximum estimated transactions and use tax (1.00%) would affect the City’s forecasted budget deficits, if the City’s unmet/unfunded needs are added to the forecasted operating budgets:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$12.66)	(\$13.54)	(\$18.89)	(\$18.66)	(\$18.96)	(\$19.28)	(\$19.61)	(\$19.88)
Transactions and Use Tax Revenue, in Millions	0.41	0.42	0.42	0.43	0.44	0.45	0.46	0.47
Forecasted Surplus/(Deficit), in Millions	(\$12.25)	(\$13.12)	(\$18.46)	(\$18.22)	(\$18.52)	(\$18.83)	(\$19.15)	(\$19.41)

The amount of revenue generated by a potential transactions and use tax does not close the City’s budget deficits, but it potentially serves as a “first step” for the City to raise additional revenue. If structured as a general tax, the City would only need to secure approval from a majority of the registered voters within the City to approve the transactions and use tax. NBS recommends that the City move quickly on this option, if desired, as the City’s remaining capacity could be utilized by another government agency within the County during the next election cycle.

Utility User Tax

A UUT may be imposed by the City on the consumption of utility services including, but not limited to, electricity, gas, water, sewer, telephone (including cell phone and long distance), sanitation and cable television.

The City does not currently levy UUTs, so modeling what the potential revenues might be from a new UUT relies on the limited amount of information received from the City, including budgeted franchise fee collections from its water, gas, electric, and cable franchises. Since any UUT would be based upon the gross receipts of each utility, NBS has had to estimate the gross receipts of the water, gas, electric, and cable utilities based on certain assumed annual increases in franchise fee revenues (2%) and the franchise fee rates of the City’s water, gas, electric, and cable franchises. Our analysis assumes that a new UUT, if approved in November 2024, would be collected beginning in Fiscal Year 2025/26.

According to information provided by City staff, the following tables show the forecasted franchise fee revenue for Fiscal Years 2023/24 through 2032/33:

Item	2023/24 Budgeted ¹	2024/25	2025/26	2026/27	2027/28
Water Franchise Fee	\$ 218,725	\$ 223,100	\$ 227,561	\$ 232,113	\$ 236,755
Gas Franchise Fee	70,100	71,502	72,932	74,391	75,878
Electric Franchise Fee	170,000	173,400	176,868	180,405	184,013
Cable Franchise Fee	245,000	249,900	254,898	259,996	265,196
Totals	\$ 703,825	\$ 717,902	\$ 732,260	\$ 746,905	\$ 761,843

Item	2028/29	2029/30	2030/31	2031/32	2032/33
Water Franchise Fee	\$ 241,490	\$ 246,320	\$ 251,246	\$ 256,271	\$ 261,397
Gas Franchise Fee	77,396	78,944	80,523	82,133	83,776
Electric Franchise Fee	187,694	191,448	195,277	199,182	203,166
Cable Franchise Fee	270,500	275,910	281,428	287,057	292,798
Totals	\$ 777,080	\$ 792,621	\$ 808,474	\$ 824,643	\$ 841,136

From here, we can estimate the gross receipts of the water, gas, electric, and cable utilities, as the water, gas, and electric franchise fees are 2.00% of gross revenues, and the cable franchise fee is 5.00% of gross revenues.

ESTIMATED GROSS RECEIPTS

Item	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Water @ 2% FF	\$ 11,378,075	\$ 11,605,636	\$ 11,837,749	\$ 12,074,504	\$ 12,315,994	\$ 12,562,314	\$ 12,813,560	\$ 13,069,831
Gas @ 2% FF	3,646,602	3,719,534	3,793,925	3,869,803	3,947,199	4,026,143	4,106,666	4,188,799
Electric @ 2% FF	8,843,400	9,020,268	9,200,673	9,384,687	9,572,381	9,763,828	9,959,105	10,158,287
Cable @ 5% FF	5,097,960	5,199,919	5,303,918	5,409,996	5,518,196	5,628,560	5,741,131	5,855,954
Totals	\$ 28,966,037	\$ 29,545,357	\$ 30,136,264	\$ 30,738,990	\$ 31,353,769	\$ 31,980,845	\$ 32,620,462	\$ 33,272,871

The following tables show the potential revenue generated via various UUT rates for the water, gas, electric, and cable utilities for Fiscal Years 2025/26 through 2032/33:

Potential New Total UUT %	Additional Revenue 2025/26 Projected	Additional Revenue 2026/27 Projected	Additional Revenue 2027/28 Projected	Additional Revenue 2028/29 Projected
1.00%	\$ 289,660	\$ 295,454	\$ 301,363	\$ 307,390
2.00%	579,321	590,907	602,725	614,780
3.00%	868,981	886,361	904,088	922,170
4.00%	1,158,641	1,181,814	1,205,451	1,229,560
5.00%	1,448,302	1,477,268	1,506,813	1,536,949

Potential New Total UUT %	Additional Revenue 2029/30 Projected	Additional Revenue 2030/31 Projected	Additional Revenue 2031/32 Projected	Additional Revenue 2032/33 Projected
1.00%	\$ 313,538	\$ 319,808	\$ 326,205	\$ 332,729
2.00%	627,075	639,617	652,409	665,457
3.00%	940,613	959,425	978,614	998,186
4.00%	1,254,151	1,279,234	1,304,818	1,330,915
5.00%	1,567,688	1,599,042	1,631,023	1,663,644

The following table shows how the maximum estimated UUT revenue (5.00%) in the table above would affect the City's forecasted operating budget deficits:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$3.21)	(\$4.06)	(\$9.38)	(\$9.12)	(\$9.39)	(\$9.67)	(\$9.97)	(\$10.20)
Utility User Tax Revenue, in Millions	1.45	1.48	1.51	1.54	1.57	1.60	1.63	1.66
Forecasted Surplus/(Deficit), in Millions	(\$1.77)	(\$2.58)	(\$7.87)	(\$7.58)	(\$7.82)	(\$8.07)	(\$8.34)	(\$8.54)

And the following table shows how the maximum estimated UUT revenue (5.00%) would affect the City's forecasted budget deficits, if the City's unmet/unfunded needs are added to the forecasted operating budgets:

Item	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$12.66)	(\$13.54)	(\$18.89)	(\$18.66)	(\$18.96)	(\$19.28)	(\$19.61)	(\$19.88)
Utility User Tax Revenue, in Millions	1.45	1.48	1.51	1.54	1.57	1.60	1.63	1.66
Forecasted Surplus/(Deficit), in Millions	(\$11.21)	(\$12.06)	(\$17.38)	(\$17.12)	(\$17.39)	(\$17.68)	(\$17.98)	(\$18.22)

Based on these revenue estimates, the City would face a large budget deficit in the long term; however, if combined with a sales tax increase (above) and renewal of the Law Enforcement Parcel Tax (discussed below), the City could potentially close its deficit. The approval of a majority of registered voters within the City is needed to implement a UUT. In general, obtaining voter approval for a new UUT where none existed is difficult to achieve. In addition, from 2002 through 2020, 85 cities asked for voter approval of a new UUT, and just 28 (33%) were successful, even though approval required only a majority vote.

Parcel Tax Renewal with Increase and Annual Adjustments

Our analysis assumes that a renewed parcel tax, if approved in November 2024 or November 2026, would be collected beginning in Fiscal Year 2027/28, and the special tax rates would increase by 2% per year.

For purposes of modeling a new parcel tax, we have considered three revenue targets in our analysis to fill the projected operating budget deficits: an "actual need," a "middle" target, and the current revenue level for Measure E, as shown below:

Revenue Target	Amount
Actual Need	\$ 9,381,000
Middle	7,230,793
Current Level	5,080,586

The three revenue targets are modified if the City's unmet/unfunded needs are added to the forecasted operating budgets:

Revenue Target	Amount
Actual Need	\$ 18,890,000
Middle	11,985,293
Current Level	5,080,586

The following table shows how each of the three revenue target scenarios for a potential parcel tax renewal would affect the City’s forecasted operating budget deficits:

Item	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$9.38)	(\$9.12)	(\$9.39)	(\$9.67)	(\$9.97)	(\$10.20)
Parcel Tax Revenue, in Millions (Actual Need)	9.38	9.57	9.76	9.96	10.15	10.36
Forecasted Surplus/(Deficit), in Millions (Actual Need)	\$0.00	\$0.45	\$0.37	\$0.28	\$0.19	\$0.16
Parcel Tax Revenue, in Millions (Middle)	7.23	7.38	7.52	7.67	7.83	7.98
Forecasted Surplus/(Deficit), in Millions (Middle)	(\$2.15)	(\$1.74)	(\$1.87)	(\$2.00)	(\$2.14)	(\$2.22)
Parcel Tax Revenue, in Millions (Current Level)	5.08	5.18	5.29	5.39	5.50	5.61
Forecasted Surplus/(Deficit), in Millions (Current Level)	(\$4.30)	(\$3.93)	(\$4.11)	(\$4.28)	(\$4.47)	(\$4.59)

And the following table shows how each of the three revenue target scenarios for a potential parcel tax renewal would affect the City’s forecasted budget deficits, if the City’s unmet/unfunded needs are added to the forecasted operating budgets:

Item	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33
Forecasted Surplus/(Deficit), in Millions	(\$18.89)	(\$18.66)	(\$18.96)	(\$19.28)	(\$19.61)	(\$19.88)
Parcel Tax Revenue, in Millions (Actual Need)	18.89	19.27	19.65	20.05	20.45	20.86
Forecasted Surplus/(Deficit), in Millions (Actual Need)	\$0.00	\$0.61	\$0.69	\$0.77	\$0.84	\$0.98
Parcel Tax Revenue, in Millions (Middle)	11.99	12.22	12.47	12.72	12.97	13.23
Forecasted Surplus/(Deficit), in Millions (Middle)	(\$6.90)	(\$6.43)	(\$6.49)	(\$6.56)	(\$6.64)	(\$6.65)
Parcel Tax Revenue, in Millions (Current Level)	5.08	5.18	5.29	5.39	5.50	5.61
Forecasted Surplus/(Deficit), in Millions (Current Level)	(\$13.81)	(\$13.47)	(\$13.68)	(\$13.89)	(\$14.11)	(\$14.27)

Based on the latest Los Angeles County Assessor’s data from November 2023, there are a total of 5,218 parcels within the City that would be Taxable, and an additional 223 parcels that would be Non-Taxable (generally publicly owned parcels, utilities, common areas, mobile homes, or other parcels with no assessed value). We provide below six parcel tax scenarios for each of the three revenue targets scenarios: (1) a uniform rate per “lot,” plus a uniform rate per building square foot; (2) a uniform rate per parcel, plus a uniform rate per building square foot; (3) a uniform rate per parcel; (4) a uniform rate per “lot”; (5) a uniform rate per building square foot; (6) a uniform rate per lot square foot. The current structure of the Measure E parcel tax is a uniform rate per “lot,” plus a uniform rate per building square foot, but these other options are being presented as they are common in other parcel taxes.

Funding the Forecasted Operating Budget Deficit

Description	Rate - Actual Need	Rate - Middle	Rate - Current
Taxable Parcels - per Lot +	\$ 631.48	\$ 486.74	\$ 342.00
Taxable Parcels - per Building Square Foot	\$ 0.369	\$ 0.285	\$ 0.200
Taxable Parcels - per Parcel +	\$ 640.80	\$ 493.92	\$ 347.05
Taxable Parcels - per Building Square Foot	\$ 0.369	\$ 0.285	\$ 0.200
Taxable Parcels - per Parcel	\$ 1,797.82	\$ 1,385.74	\$ 973.67
Taxable Parcels - per Lot	\$ 1,771.67	\$ 1,365.59	\$ 959.51
Taxable Parcels - per Building Square Foot	\$ 0.574	\$ 0.442	\$ 0.311
Taxable Parcels - per Lot Square Foot	\$ 0.142	\$ 0.109	\$ 0.077

The average parcel taxes on SFR and Condo parcels under the “actual need” revenue target for the different apportionment methods (not per parcel or per “lot”) are shown below:

Average of Parcel Tax - By Lot + Building SqFt	Average of Parcel Tax - By Parcel + Building SqFt	Average of Parcel Tax - By Building SqFt	Average of Parcel Tax - By Lot SqFt
\$ 1,792.07	\$ 1,790.58	\$ 1,788.88	\$ 1,790.71

Funding the Forecasted Operating Budget Deficit and Unmet/Unfunded Needs

Description	Rate - Actual Need	Rate - Middle	Rate - Current
Taxable Parcels - per Lot +	\$ 1,271.58	\$ 806.79	\$ 342.00
Taxable Parcels - per Building Square Foot	\$ 0.744	\$ 0.472	\$ 0.200
Taxable Parcels - per Parcel +	\$ 1,290.35	\$ 818.70	\$ 347.05
Taxable Parcels - per Building Square Foot	\$ 0.744	\$ 0.472	\$ 0.200
Taxable Parcels - per Parcel	\$ 3,620.16	\$ 2,296.91	\$ 973.67
Taxable Parcels - per Lot	\$ 3,567.52	\$ 2,263.51	\$ 959.51
Taxable Parcels - per Building Square Foot	\$ 1.155	\$ 0.733	\$ 0.311
Taxable Parcels - per Lot Square Foot	\$ 0.286	\$ 0.181	\$ 0.077

The average parcel taxes on SFR and Condo parcels under the “actual need” revenue target for the different apportionment methods (not per parcel or per “lot”) are shown below:

Average of Parcel Tax - By Lot + Building SqFt	Average of Parcel Tax - By Parcel + Building SqFt	Average of Parcel Tax - By Building SqFt	Average of Parcel Tax - By Lot SqFt
\$ 3,605.59	\$ 3,608.58	\$ 3,602.17	\$ 3,605.85

Summary

Based on this analysis, the following options appear to be viable options for the City to explore:

- Implementation of Property Related Fees for sewer and storm drain maintenance
- Implementation of a Transactions and Use Tax
- Implementation of Utility User Taxes for the water, gas, electric, and cable utilities
- Renewal of the Parcel Tax with increases and annual adjustments

I look forward to our upcoming meeting to discuss these revenue scenarios and the modeling outcomes. Please contact me with any questions or comments; I can be reached at 800. 676.7516 or via email at ndayhoff@nbsgov.com.

Sincerely,



Nick Dayhoff
Senior Consultant