



# City of La Quinta

## MEMORANDUM

**TO: Madam Mayor and Members of the City Council**

**FROM: Gil Villalpando, Management Specialist**

**DATE: 6/24/2016**

**SUBJECT: Tax Measure Messaging**

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The facts and figures contained herein provide an informational platform regarding the City's Sales Tax Measure. A recent addition to the tax measure team will utilize their prior experience with other local municipalities' measure initiatives, to provide guidance with messaging for the information platform. Information is now available on the City's website and will be continually updated. Additionally, Facebook posts with links to the City's website and the GEM will be utilized to deliver information. A variety of informational topics will be released in the coming months and include:

- June: Tax Measure Information
- July: Revenue at A Glance
- August: Expenditures at A Glance
- September: Follow Up
- October: Re-Cap

The tax measure team was assembled to rapidly respond to inquiries across the organization and include:

- Gil Villalpando, Management Specialist
- Ted Shove, Business Analyst
- Tustin Larson, Community Resources Manager
- Marcie Graham, Marketing & Events Supervisor
- Karla Campos, Accounting Manager
- Bryan McKinney, Principal Engineer
- Gabriel Perez, Planning Manager
- Tommi Sanchez, Permit Center Supervisor
- Jay Wu, Principal Planner

Please direct any questions to Gil Villalpando at (760) 777-7094 or by email at [gvillalpando@la-quinta.org](mailto:gvillalpando@la-quinta.org).

CC: Frank J. Spevacek, City Manager

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## **Frequently Asked Questions**

Q: What is the La Quinta tax measure on the 2016 General Election Ballot?

A: The La Quinta tax measure, if approved by a majority of the La Quinta voters, would increase the sales and use tax by 1%.

Q: How is the current 8% sales and use tax divided?

A: The City currently receives 1% of the 8% sales and use tax. The other 7% goes to the State (6.25%) and Riverside County/Riverside County Transportation Commission (0.75%).

Q: What will the La Quinta tax measure fund?

A: The sales tax would be a “general tax” used to fund City services, including: public safety; street and landscape repairs and maintenance; flood mitigation projects; public facilities maintenance and investment; youth and senior services; parks and recreation programs; business attraction; and job creation.

Q: Will anyone track how the money is spent?

A: An oversight committee of La Quinta residents will be established to monitor and report how funds are being spent.

Q: Can the State take these funds to balance their budget?

A: No, a City-based sales tax is protected under the State Constitution from reallocation by the State to back-fill funding for State agencies or programs.

Q: What is the average sales and use tax for counties and cities in California?

A: The Legislative Analyst’s Office states the average rate is 8.5% in California.  
*Source: [www.lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax](http://www.lao.ca.gov/reports/2015/finance/sales-tax/understanding-sales-tax)*

Q: What is taxable under the sales and use tax?

A: Retail sales of tangible personal property in California are generally subject to sales tax, such as furniture, giftware, toys, antiques, clothing, prepared food, liquor, automobiles, etc. In addition, sales tax rates are based upon point of delivery.

### **Police Costs:**

Q: How much are Police costs expected to increase each year?

A: Police costs are expected to increase 6.9% annually for at least the next 4-5 years (See page 9).

Q: How much of the operations budget is Police and Fire?

A: Police and Fire are 56% of the operating budget (see page 10).

Q: How are Police costs compared to other cities in the Coachella Valley?

A: Comparing other Coachella Valley cities police costs, La Quinta has a similar level of service to Palm Desert, but approximately 70% of the cost.

In comparison to Cathedral City, La Quinta has managed to maintain 1.49 sworn officers per thousand residents at a similar cost (~\$14M/yr) to Cathedral City's police services, which maintains 0.89 sworn officers per thousand (see page 11).

### **Employee Reductions:**

Q: Did the City reduce its staffing costs?

A: Yes, 27 positions have been eliminated since 2008 (see page 12 & 13).

Q: What about reducing City staff's retirement?

A: All employees now pay their maximum contribution allowed by law for their retirement programs. New employees to the City are automatically placed on a more cost effective retirement plan (see page 14).

Q: Why not change all employees to the new retirement plan?

A: Forty-one percent of the staff is on the new retirement plan. The existing staff is 'grandfathered' in to the previous plan (see page 13).

### **Sales Tax:**

Q: How is the current 8% sales tax divided?

A: The City currently receives 1% of the 8% tax with the remaining going to the State (6.25%) and Riverside County/Riverside County Transportation Commission (0.75%) (see page 21).

Q: How much will the sales tax measure cost me each year?

A: A household earning \$60,000 a year will see an increase of approximately \$58 per year/ \$4.80 a month. A household earning \$95,000 a year will see an increase of approximately \$91 per year/ \$7.60 a month (see page 23).

# City of La Quinta

## Revenue and Expenditure Information



## **City Revenue and Expenditure Quick Facts**

### **What has changed over the years?**

- Great Recession
- Significant revenue reductions
- Elimination of redevelopment agency
- Increasing police, fire and utility costs

### **Loss of Redevelopment Agency:**

- \$63M annual loss to City
- Lost capital to attract private investment
- Loss of funding source for capital improvement, affordable housing, and economic development

### **Steps taken to reduce expenses:**

- Reduced patrol hours to offset 7% annual increases
- 28% decrease to city workforce
- Employees pay 8% retirement (max allowed by law)
- Cut other operating costs by \$700,000
- Decreased expenditures by \$2.8 million
- Restructured organization
- Fee Study

### **Key sources of income:**

- Property tax
  - La Quinta is a low property tax city - \$0.07 per \$1.00 paid
- Sales tax
- Transient Occupancy Tax (TOT or Hotel Tax)
- Fees & Charges

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## **La Quinta**

Home to the nationally acclaimed Arnold Palmer Classic Course at SilverRock Resort, La Quinta is a unique charter city in California. Named by the *Robb Report* as the “Best Place to Live for Golf,” La Quinta is home to over 20 golf courses, including famous PGA West. The historic La Quinta Resort & Club is the largest resort in the Coachella Valley and is complemented by other recently-opened hospitality venues. The city promotes art and culture, offering the La Quinta Arts Festival and a variety of public art pieces. The Highway 111 corridor and Old Town Village feature regionally and nationally recognized places for shopping, dining, and personal services. La Quinta experienced significant growth over the last decade, growing from a population of 37,466 in 2005 to 39,694 in 2015.

### **“Sacred” Issues based on 2014 Community Meeting with City Council**

- **Vibrant Community**
- **Public safety**
- **Beautiful City**
- **Cultural Diversity**
- **Health and Wellness**
- **Transparency**

### **Public Policy Goals and Objectives**

- **Public Safety** - Superior safety and capacity to efficiently respond
- **Facilities & Landscape** - Well maintained & managed public spaces
- **Human Resources** - Employee growth & development at all levels
- **Community Services** – Engage community in events & programs
- **Design & Development** – High quality & streamlined development

### **Cultural and Wellness Programs**

- #1 arts festival in the nation since 2013 by Greg Lawler’s Art Fair Sourcebook out of 4,500 major festivals.
  - La Quinta Arts Festival began in 1982 by the La Quinta Arts Foundation
- Over 2,500 annual fitness center members
- Hiking trails were ranked #5 of top 45 hiking locations in the West by Sunset Magazine.
- Over 3,100 annual youth sports participants annually
- 14 public parks; 3 dog parks; 6 public tennis courts; outdoor volleyball court; 2 skate parks; and public pool
- Free open gym program for basketball and volleyball
- Wellness Center averages 250 daily users



# Loss of RDA

## **City's Financial Information**

### **Loss of Redevelopment Agency:**

In the City of La Quinta, many projects that contributed to its quality of life were made possible by La Quinta's Redevelopment Agency (RDA).

Along with alleviating blight, redevelopment has several purposes such as providing affordable housing, creating jobs, and stimulating the local economy. Redevelopment has funded infrastructure improvements such as curbs, sidewalks, roads, landscaping, and much more.

Major retailers, hotels, restaurants, and businesses have chosen to locate and invest in La Quinta. Below are key examples of the projects completed with the help of RDA funds and the City's economic development program:

**Public Safety:** Flood control improvements in the Cove, Fire Station #93

**Retail & Commercial Development:** Eisenhower George and Julia Argyros Health Center, Hwy 111 Corridor, including: Walmart Super Center, Costco, Kohl's, Lowe's, and Home Depot

**Tourism & Hospitality:** Embassy Suites, Homewood Suites

**Parks, Trails & Bike Paths:** Sports Complex, Civic Center Campus, Bear Creek Trail, La Quinta Park, and City bike trails

**Arts & Culture:** La Quinta Public Library, La Quinta Museum, and Senior/Wellness Center

The La Quinta RDA also provided 1,310 affordable housing units to nearly 3,200 residents. In addition, it involved purchasing blighted homes (in foreclosure); rehabilitation; and returning quality homes to the market (for rent and sale) for the workforce.

Over 20 the years, prior to its dissolution, the La Quinta RDA collected \$746 million in revenue. Over 50% was passed through to schools, the County, and other local agencies. Twenty percent of La Quinta's total was allocated for affordable housing and the balance funded infrastructure, parks, and economic development.

Since 1986, the state received over \$500 M in sales tax revenue as a result of La Quinta's economic development initiatives!

## **RDA Funded Improvements**

- Upper Cove storm water retention basins
- Bear Creek Channel storm channel to Oleander reservoir
- Cove Oasis park
- Fred Wolfe and Bear Creek hiking trails
- Curb, gutter, water and sewer improvements in the Cove and Village (in conjunction with assessment districts)
- Eisenhower Drive median
- Eisenhower Drive/La Quinta Evacuation Channel bridge
- Avenue 52 realignment at Fritz Burns Park
- Cove Fire Station on Avenue 52 (Station 32)
- City public works yard
- Village parking lot
- La Quinta Museum
- Library and library parking lot
- Senior/Wellness Center and parking lot
- Civic Center Campus Park
- North La Quinta Park
- North La Quinta Fire Station of Adams Street (Station 93)
- White Water channel lining
- Avenue 48 – Adams Street to Jefferson
- Highway 111 widening, medians and traffic signals
- Washington Street widening at Miles Avenue
- Jefferson Street Parkway landscaping – Vista Grande to Westward Ho Drive
- Pioneer Dog Park of Seeley Drive
- SilverRock Golf course and associated property
- 1,310 affordable housing units housing 3,200 residents
  - 667 units or 51% affordable to very low income senior and family households

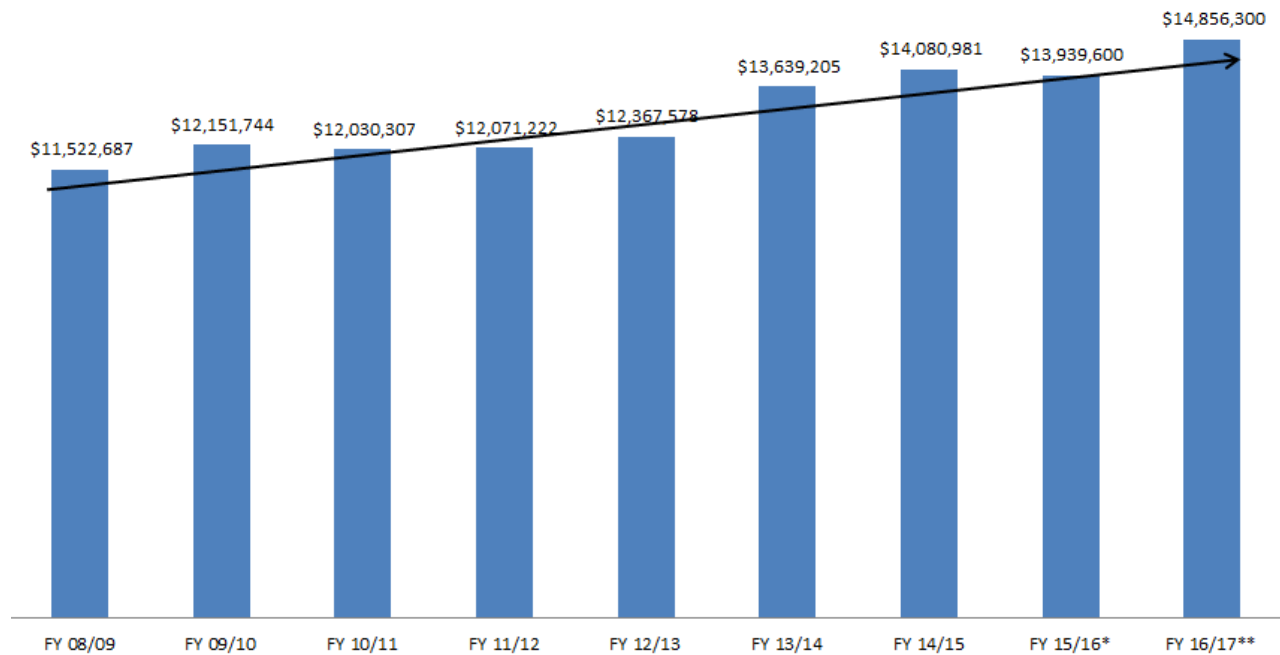
# **Police Costs**

### **Police Costs:**

Police costs are increasing by 6.9 percent in total compared to the 2015/16 Adopted Budget. This is primarily due to a 5.5 percent increase in labor costs for the Riverside County Sheriff's Office.

As an example: the 2016/17 police rate schedule shows a sheriff patrol deputy's hourly rate will rise from \$149.09 to \$160.22, a 7% increase.

**La Quinta Police Expenditures 2008-2017**

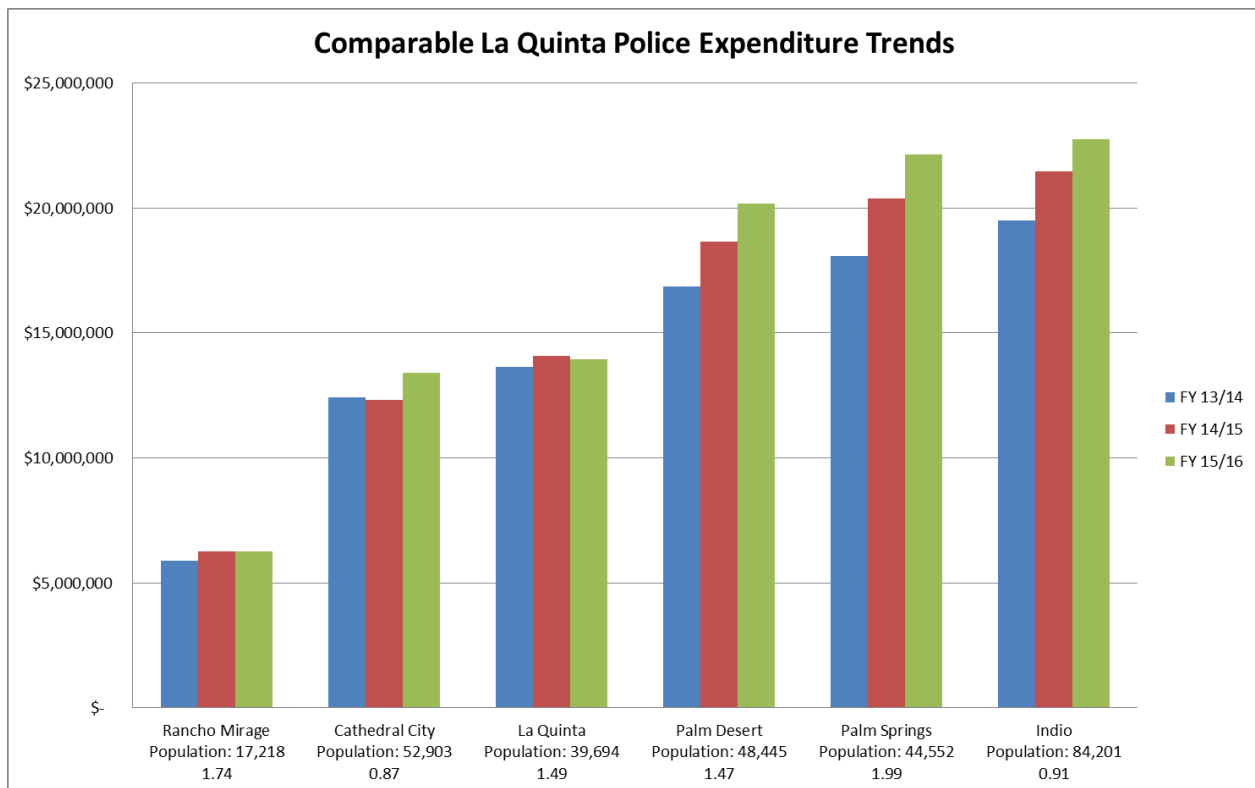


## Police as a component of La Quinta’s Operating Budget (Historical)

	Actual	Total Operations without transfers	Police/Fire	Police/Fire % Operations	Police/Fire Increase/Decrease	Total Operations <less> Police/Fire	Non Police/Fire Increase/Decrease	Authorized Full-Time Positions
2011/12	\$ 33,403,317	\$ 32,045,043	\$ 16,607,319	52%		\$ 15,437,724		89
2012/13	\$ 32,819,687	\$ 32,118,803	\$ 16,904,858	53%	1.8%	\$ 15,213,945	-1.5%	88
2013/14	\$ 33,359,266	\$ 32,286,553	\$ 18,336,938	57%	7.8%	\$ 13,949,616	-9.1%	70
2014/15	\$ 37,722,142	\$ 34,333,327	\$ 19,184,878	56%	4.4%	\$ 15,148,449	7.9%	72
	<b>Revised Budget</b>							
2015/16	\$ 44,088,190	\$ 36,242,200	\$ 20,159,000	56%	4.8%	\$ 16,083,200	5.8%	78
	<b>Proposed Budget</b>							
2016/17	\$ 40,735,600	\$ 37,811,300	\$ 21,426,700	57%	5.9%	\$ 16,384,600	1.8%	78
					24.7%		5.0%	

Comparing other Coachella Valley cities’ police costs, La Quinta has managed to maintain 1.49 sworn officers per thousand residents at a similar cost to Cathedral City’s police services, who maintain 0.89 sworn officers per thousand.

Palm Desert’s police costs are substantially more with fewer sworn officers per thousand.



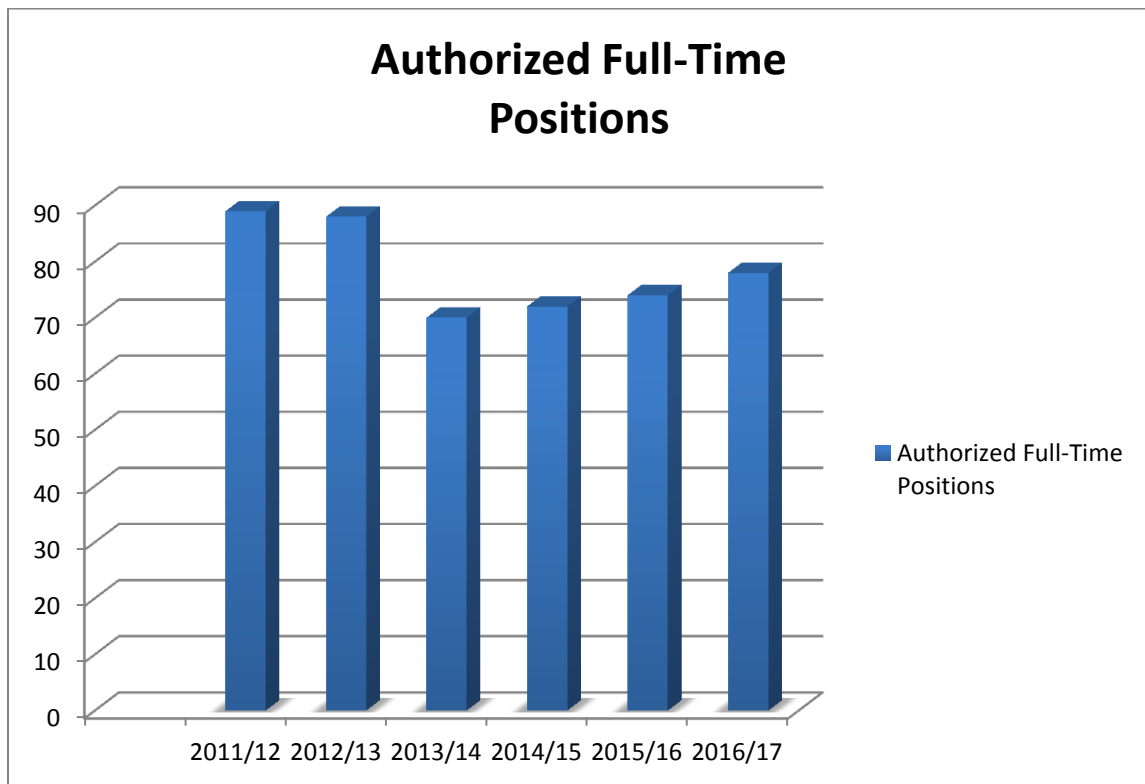
# **Employee Reductions**

## **Reduction of workforce, employee pension**

The City staffing levels peaked at 105 employees in 2008/09 fiscal Year.

In 2011/12 major changes began with the loss of the La Quinta RDA, including:

- 28% decrease in staffing levels;
- Employees pay their full 8% portion of retirement allowed by law;
- Pay for performance was established and step increases based on performance;
- Eliminated cost of living pay increases (2013)
- Implemented Job Classification study results





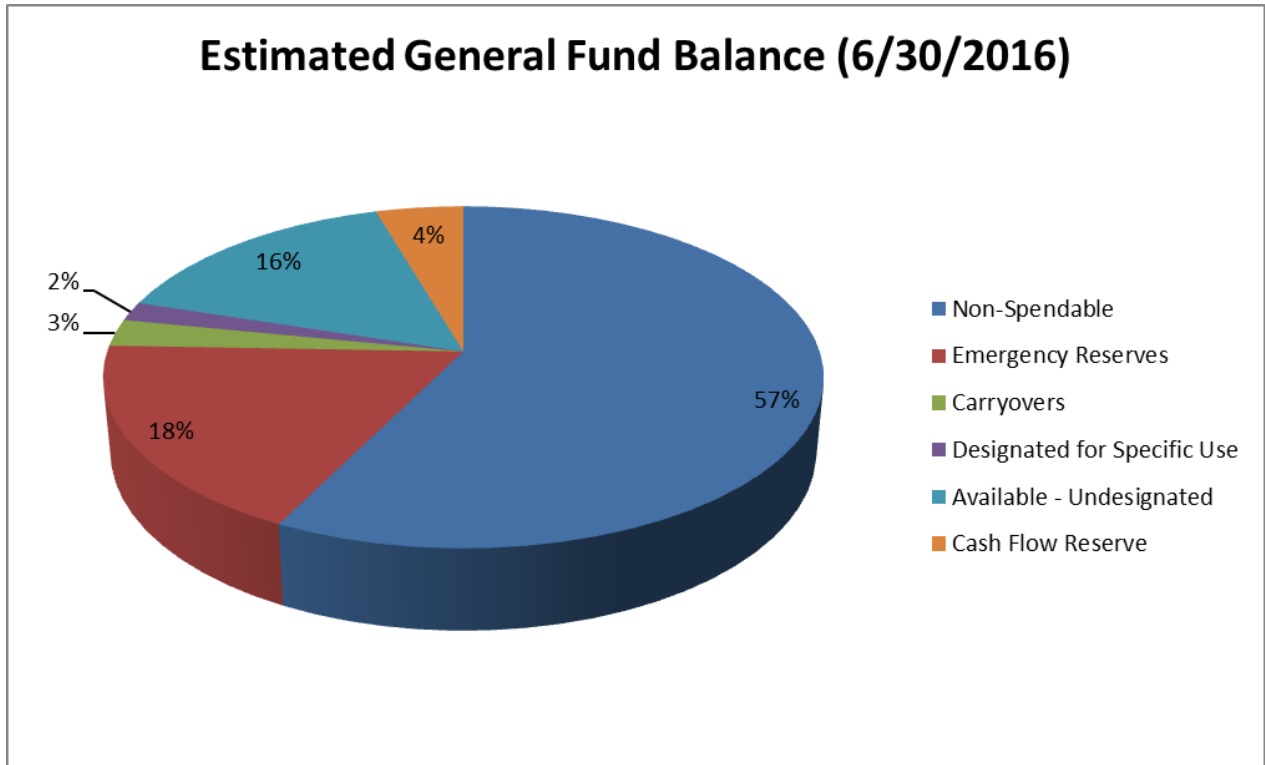
As of 2015/16 the City has:

- 78 full-time employees
- All new hires (41%) are on a new retirement plan.
- New hires begin at beginning step for each job classification

<b>Fiscal Year</b>	<b>Authorized Full-Time Positions</b>	<b>Increase/ (Decrease)</b>	<b>City of La Quinta Population</b>	<b># of Residents per Employee</b>	<b>Cost per Resident</b>
2011/12	89	(10.00)	37,836	425	\$ 281.16
2012/13	88	(1.00)	38,075	433	\$ 258.03
2013/14	70	(18.00)	38,401	549	\$ 204.56
2014/15	72	2.00	39,032	542	\$ 208.16
2015/16	74	2.00	39,694	536	\$ 220.66
2016/17	78	4.00	39,977	513	\$ 233.49

# **Reserves and Revenues**

**General Fund Reserves**



<b>GENERAL FUND RESERVE CATEGORIES</b>	
NON-SPENDABLE	\$46,742,600
DESIGNATED FOR SPECIFIC USE (OPEB)	\$1,523,400
EMERGENCY RESERVES 40%	\$15,673,400
CASH FLOW CONTINGENCY 10%	\$3,918,400
AVAILABLE FOR APPROPRIATION	\$13,537,000
<b>TOTAL ESTIMATED RESERVES</b>	<b>\$81,394,800</b>

**Key Terms Explained**

**Non-Spendable:** Funds that are not liquid or are legally required to be maintained intact (i.e. real property)

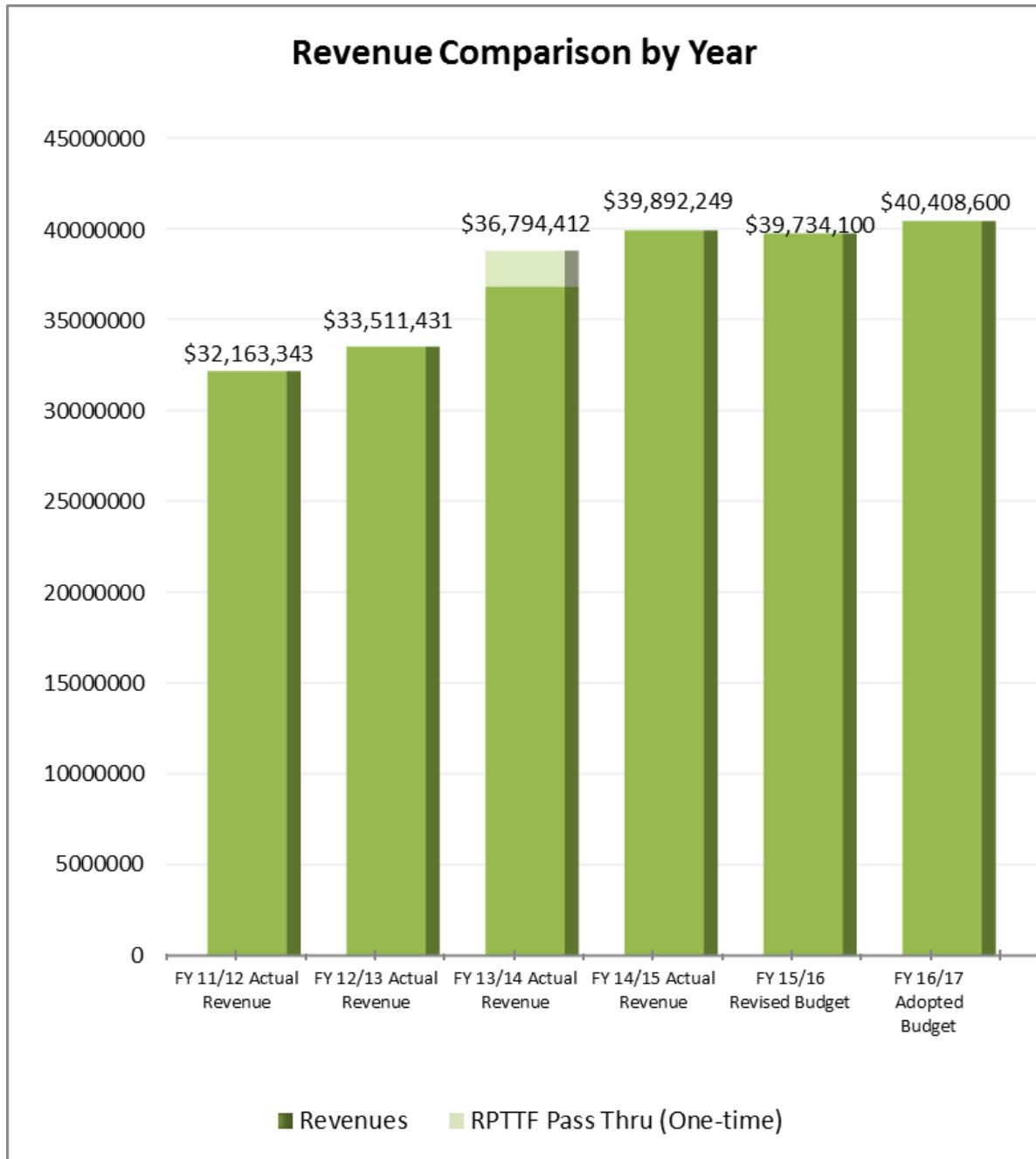
**Designated for Specific Use:** Funds required for retiree/retirement obligations

**Emergency Reserves:** Policy to maintain 40% of operating reserves

**Available for Appropriation:** Cash in liquid form that made be spent without restrictions.

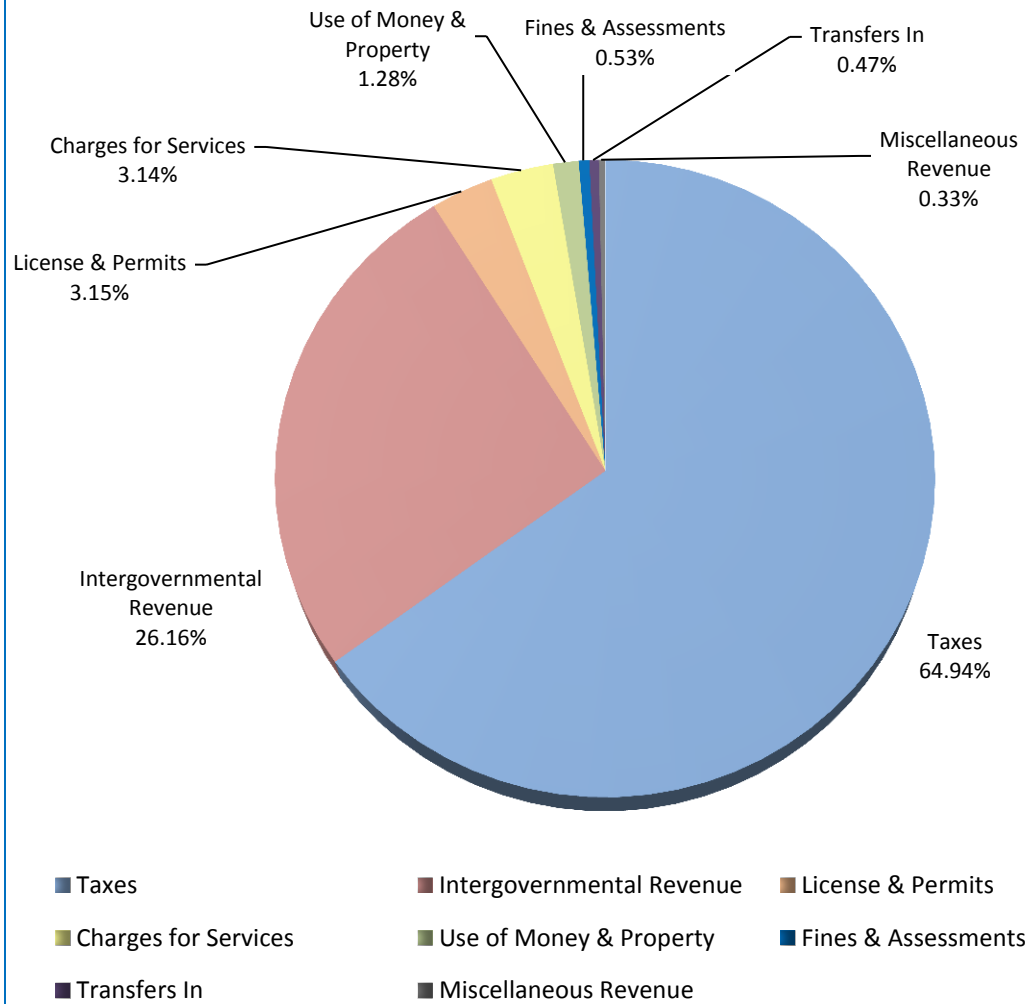
*\*General Fund reserves assumes that \$750,000 of the \$1.8 million loan repayment, required pursuant to Recognized Obligation Payment Schedule (ROPS) is used to fund North La Quinta Parkway Improvements.*

## REVENUES

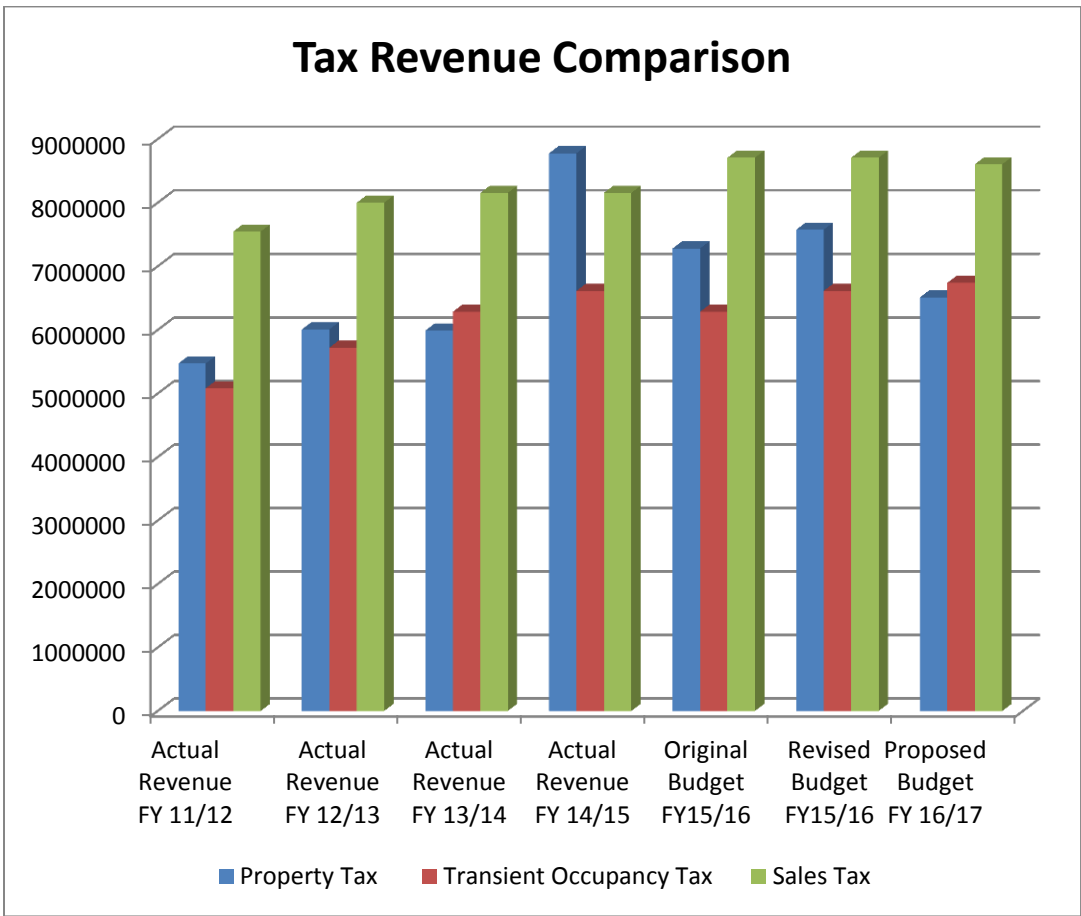
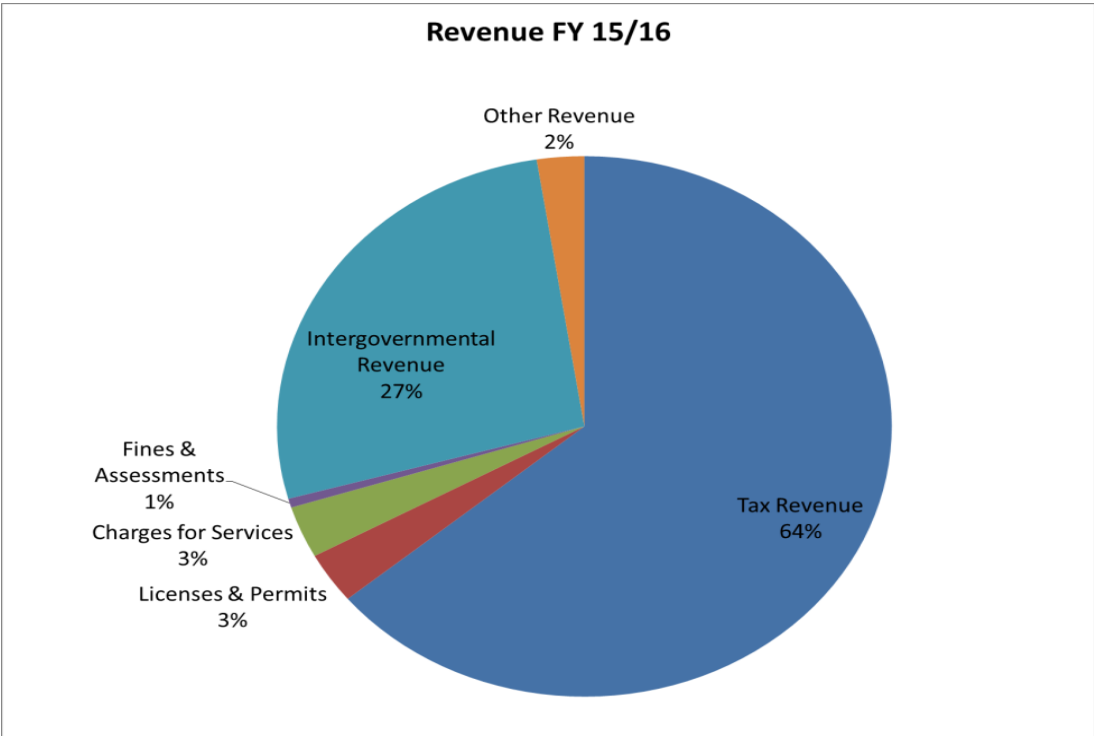


**What is RPTTF?** Funds that formerly would have been distributed to the La Quinta RDA as property tax “increment” are deposited into a restricted, post-redevelopment fund, known as the Redevelopment Property Tax Trust Fund (RPTTF).

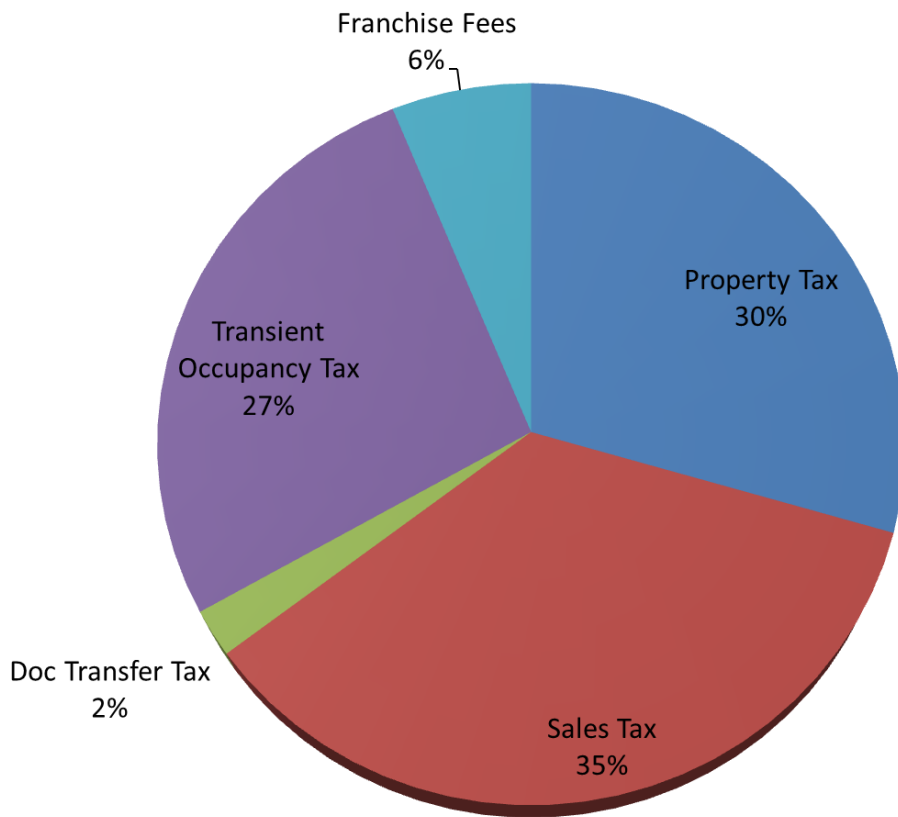
### 2016/17 Projected Revenue by Category



Taxes	\$26,241,600
Intergovernmental Revenue	\$10,572,200
License & Permits	\$1,272,400
Charges for Services	\$1,270,400
Use of Money & Property	\$516,600
Fines & Assessments	\$212,400
Transfers In	\$190,400
Miscellaneous Revenue	\$132,600
	\$40,408,600

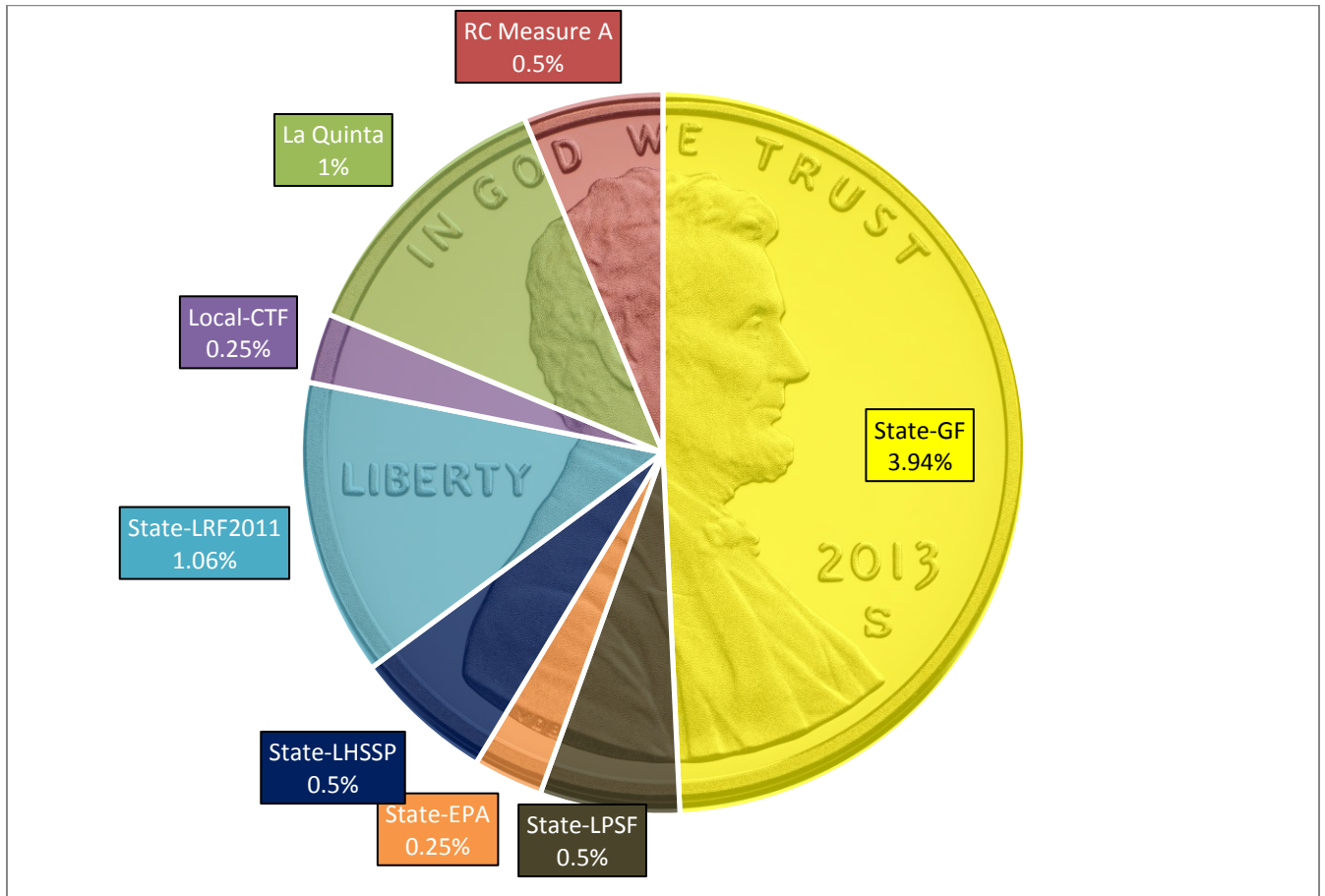


## Tax Revenue-at-a-glance



## SALES TAX

### **How is sales tax distributed?**

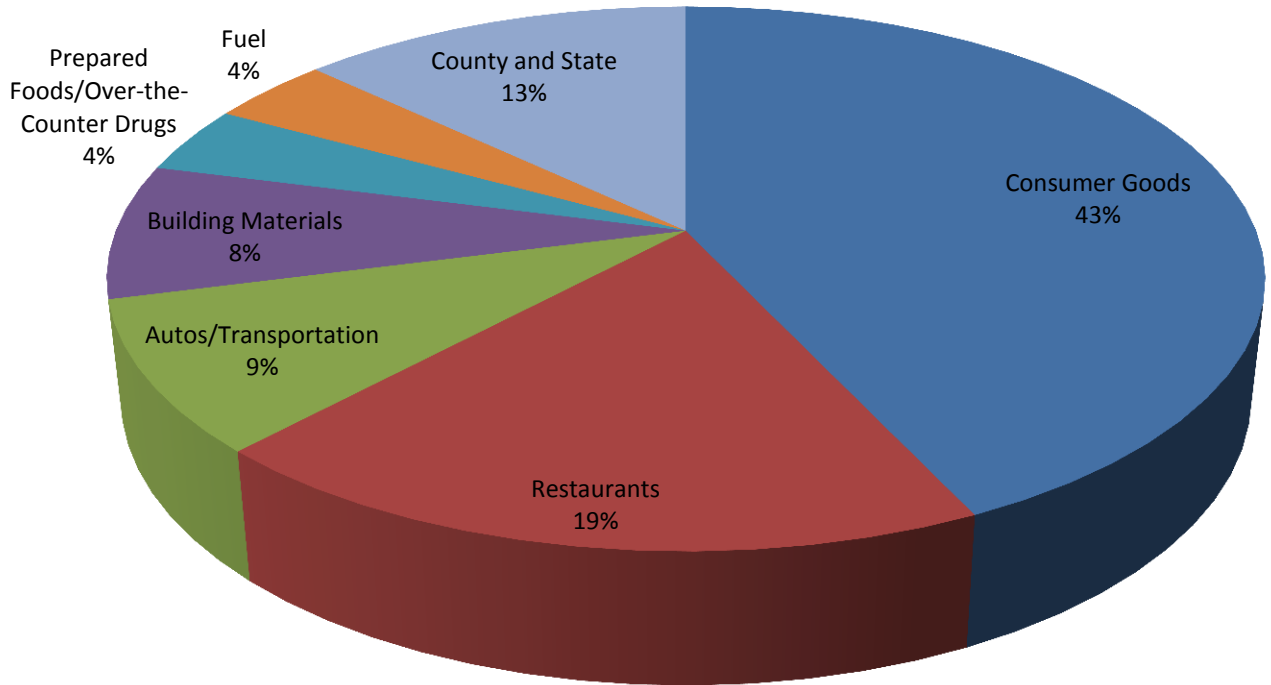


#### Legend

<b>State - General Fund:</b> General services (public health & welfare)
<b>State - Local Public Safety Fund:</b> To support criminal justice activities, rehabilitation services, managing local jails & related services for both adults and juveniles.
<b>State - Education Protection Account:</b> To support school districts, county offices of education, charter schools, and community college districts.
<b>State Local Revenue Fund:</b> To support health and social services programs (1991 realignment)
<b>State - Local Revenue Fund 2011:</b> County level public safety (court security, local public safety grants, mental health, drug and alcohol programs, CalWORKS)
<b>Local - County Transportation Funds:</b> Transportation Development Act (TDA), Public Transportation Act (PTA), county transportation programs.
<b>City General Fund:</b> City operations
<b>Riverside County - Measure A:</b> Transportation tax (1998), county wide public transportation projects



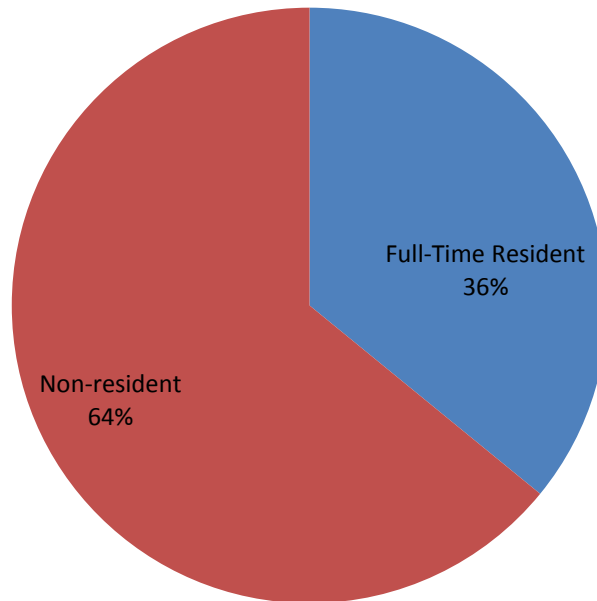
## Where Does Sales Tax Come From in La Quinta?



**Who spends money in La Quinta?** 64% of sales tax revenue comes from non-residents. Full-time La Quinta residents spend 36%.

## La Quinta Sales Tax Revenue

*Full-time Resident/ Non-resident Sales Tax Comparison?*



*Source: ESRI Business Analyst, City Budget*

The table below shows an increase in costs resulting from an increase in the sales tax rate based on a statistical analysis. The analysis assumes 24% of a household's annual income is expended on housing expenses, and 40% of a household's annual income (after housing expenses) is spent on taxable transactions that would occur in the City.

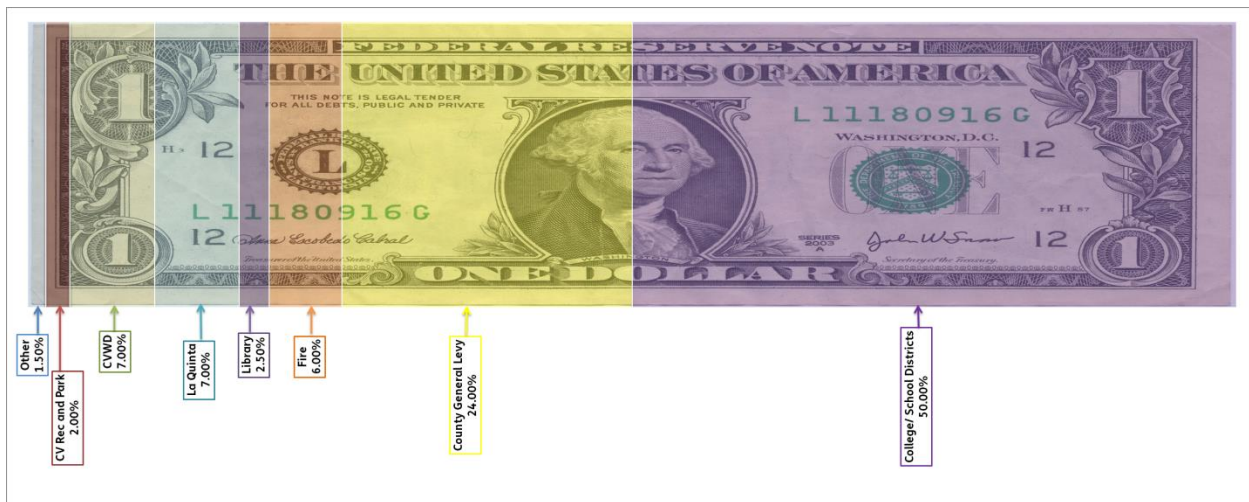
**Disposable income** is the amount of money that households have available for spending and/or saving after **income taxes** have been deducted.

Sales Tax Factors	Annual Sales Tax Paid Based Upon Household Income					Changes in Sales Tax Paid Monthly
	Household Income	Current Sales Tax Rate 8%	Potential Sales Tax Rate 9%	Changes in Sales Tax Paid Annually	Changes in Sales Tax Paid Monthly	
\$ 60,000	\$ 58	\$ 115	\$ 58	\$ 4.80		
\$ 95,000	\$ 91	\$ 182	\$ 91	\$ 7.60		
\$ 140,000	\$ 134	\$ 269	\$ 134	\$ 11.20		
\$ 200,000	\$ 192	\$ 384	\$ 192	\$ 16.00		

## PROPERTY TAX

**Property Tax** – property tax (both regular and the “no/low” allocation) is estimated to increase by 2 percent (\$124,000) to \$6.5 million. Variances continue in Redevelopment Property Tax Trust Fund (RPTTF) “residual distributions,” however, of which the City receives a portion of those residual distributions. City staff met with the Riverside County Auditor/Controller’s Office, and based on information culled from that meeting; the RPTTF residual distribution for 2016/17 to the City is projected to be \$709,000 higher than 2015/16 estimates.

### Where does your Property Tax go?



Property Tax District	% of General Levy
Other	1.50%
CV Rec and Park	2.00%
CVWD	7.00%
La Quinta	7.00%
Library	2.50%
Fire	6.00%
County General Levy	24.00%
College/ School Districts	50.00%
<b>Total</b>	<b>100%</b>

Typical ANNUAL property tax income

- \$200,000 home value - \$175.00
- \$500,000 home value - \$438.00
- \$1,000,000 home value - \$875.00

## **REVENUE SOURCES EXPLAINED**

**Transient Occupancy Tax (TOT)** – hotel TOT revenue, at \$5.3 million, is projected to be flat compared to 2015/16 estimates. Staff continues to communicate with local hotel operators to develop projections. One possible factor, the U.S./Canadian exchange rate may have had a cooling effect on tourism.

Short term vacation rental TOT, however, is projected to increase by \$126,900 (10 percent) to \$1.4 million as compliance efforts grow.

**Fire Tax Credit** – revenue budgeted in Fire Tax Fund (property tax assessment) is estimated to be 5.2% higher (\$322,600) than current year estimates. However, this increase equally corresponds to an increase in Fire and Emergency Operations expenditures; therefore, no net gain/loss to the General Fund is estimated.

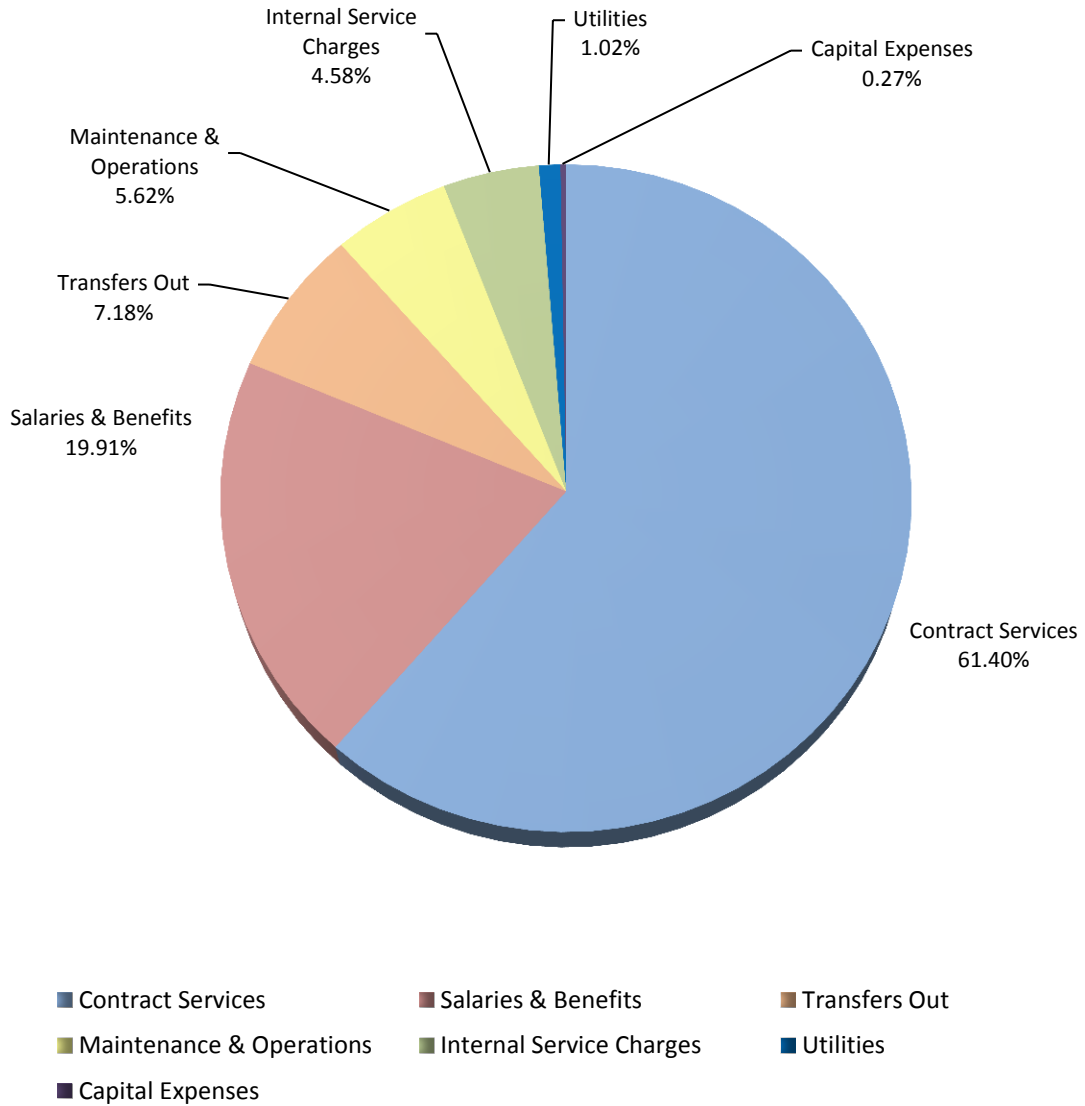
**Charges for Services, Licenses and Permits** – combined these categories are expected to increase by 13% (\$284,700) due to SilverRock development ramping up (there are also corresponding expenditure increases). Otherwise, this category remains flat from 2015/16 estimates. This type of revenue is heavily based upon development projects.

**Wellness Center** – compared to 2015/16 mid-year estimates, Wellness Center revenues (memberships and facility rentals) have increased by 15 percent (\$15,000).

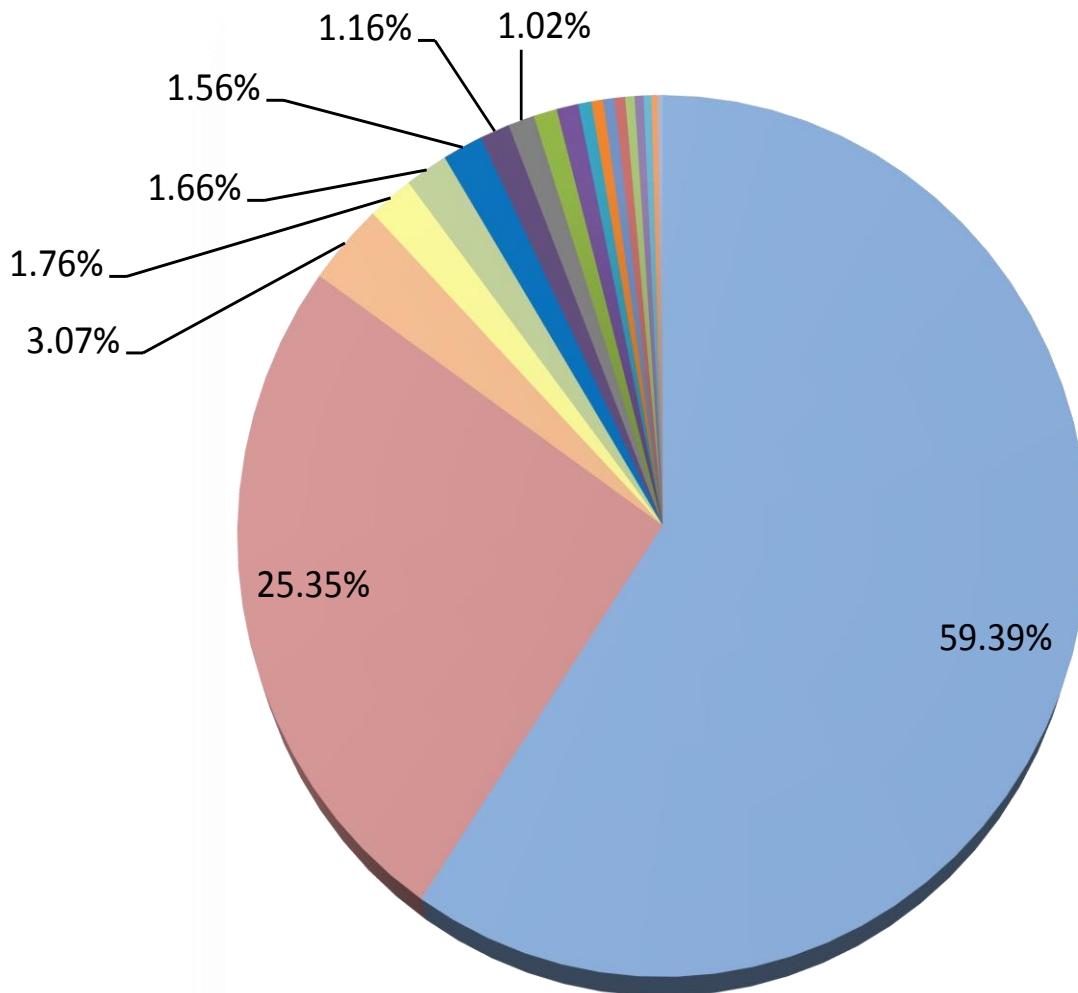
**Other Revenues** – in 2015/16 the city received a one-time insurance reimbursement (related to flood damage) of \$525,000 and a one-time TOT mitigation payment of \$335,000 that will not occur in 2016/17 or beyond.

## EXPENDITURES

### 2016/17 Proposed Expense by Category



## 2016/17 Proposed Contract Services Summary



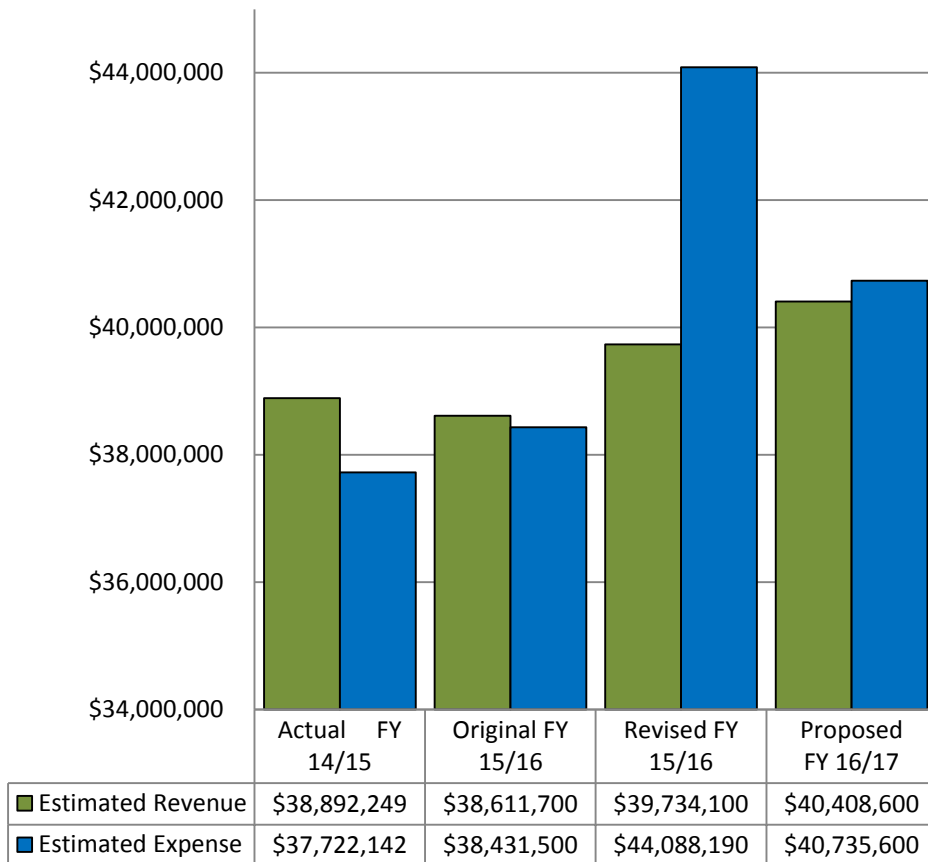
- |                        |                                     |
|------------------------|-------------------------------------|
| ■ Police               | ■ Fire                              |
| ■ Engineering Services | ■ Parks Maintenance                 |
| ■ City Attorney        | ■ Building                          |
| ■ Code Compliance      | ■ Public Works Development Services |
| ■ City Manager         | ■ Marketing & Community Relations   |
| ■ Finance              | ■ Design & Development Admin        |
| ■ Public Buildings     | ■ City Clerk                        |
| ■ Planning             | ■ Wellness Center Operations        |
| ■ Human Resources      | ■ Community Resources Admin         |
| ■ The Hub              |                                     |

Contract Expenditures		
Police	\$14,856,300	59.39%
Fire	\$6,340,900	25.35%
Engineering Services	\$766,700	3.07%
Parks Maintenance	\$441,400	1.76%
City Attorney	\$416,000	1.66%
Building	\$391,000	1.56%
Code Compliance	\$290,000	1.16%
Public Works Development Services	\$255,000	1.02%
City Manager	\$227,500	0.91%
Marketing & Community Relations	\$212,500	0.85%
Finance	\$127,700	0.51%
Design & Development Admin	\$113,200	0.45%
Public Buildings	\$108,600	0.43%
City Clerk	\$105,100	0.42%
Planning	\$90,000	0.36%
Wellness Center Operations	\$87,300	0.35%
Human Resources	\$76,000	0.30%
Community Resources Admin	\$60,000	0.24%
The Hub	\$48,200	0.19%
	\$25,013,400	

**Previous funds paid to outside organizations**

Organization/ Expense	General Fund Amount
Boys and Girls Club	\$60,000
Community Grants	60,000
Arts Foundation	103,100
CV Rescue Mission	50,000
Chamber of Commerce	127,500
Temp Agency	10,000
Promotional	12,000
Rent expense CMP	9,800
Marketing	395,000
<b>Total</b>	<b>\$827,400</b>

**Revenue and Expense Summary**



FY15/16 Expense does not include additional CIP projects from General Fund



**2016 GENERAL ELECTION  
PROPOSED SALES TAX MEASURE**

**CITY COUNCIL PLACES SALES TAX RATE INCREASE ON BALLOT**  
**State Tax Laws and the “Sales and Use” and “Transactions and Use” Distinction**

- State law prescribes the limits and authority for the State and its political subdivisions, including cities, to collect and impose sales taxes.
- Commonly known as “sales tax,” State law distinguishes between a “sales and use tax” and “transactions and use tax” due to differences in tax base.
- A transactions and use tax allow for taxation on retail sales without being based on the location of a sale.
- Under State law, a city may impose or increase a transactions and use tax for general purposes if:
  - An ordinance is approved by two-thirds majority vote of a city council and;
  - A simple majority vote of the city’s qualified electors.
- A transactions and use tax may be set at fractional rates, such as  $\frac{1}{4}$  or  $\frac{1}{2}$  of a percent, but a city cannot exceed a combined 2% rate cap that applies to all local governments.
  - La Quinta’s current 1% sales and use tax does not count towards this combined 2% rate cap for transactions and use taxes.
- Revenue from a sales tax may be used for general or specific purposes.
  - A “general tax” requires a simple majority vote of the electorate for approval, while a “special tax” requires a two-thirds majority of the electorate.
  - Courts have determined a tax is general when its revenues are available for expenditure for any and all governmental purposes.
- In 2004 and 2010, two statewide ballot initiatives (Propositions 1A and 22) were approved by California voters, both increased protection against State reallocation of local sales tax to fund the State’s agencies or programs.
- Article XIII, Section 24(b) of the State Constitution, enacted by Proposition 22, provides, “The Legislature may not reallocate, transfer, borrow, appropriate, restrict the use of, or otherwise use the proceeds of any tax imposed or levied by a local government solely for the local government’s purposes.”

- A recent appellate court case confirmed protection afforded cities by this provision. Therefore, revenues from a city-approved sales tax, used for the city's purposes, are constitutionally protected from State-mandated revenue shifts away from the city.

### **City Finances and Proposed Recommendations**

- In June 2015, the City Council appointed 14 resident volunteers to the Committee to evaluate the City's current and long term financial position.
- The City Council sought review and feedback from the Committee to address and mitigate recent fiscal decisions beyond the City's control, such as the State's dissolution of redevelopment agencies and the projected sharp increase in police services costs.
- The Advisory Committee's 2016 Final Report described the impacts on the City as a "serious financial quandary."
- After reviewing the City's 2015/16 adopted budget, Comprehensive Annual Financial Report (CAFR), and other critical documents, the Committee determined the City would have a \$50 million deficit under the current 10-year projection period (Fiscal Years 2017-2026).
- Several recommendations to address this deficit were offered by the Committee, ranging from revenue enhancements to expenditure reductions.
- The Committee noted the City "has done a commendable job dealing with these financial issues," one of the "urgent" recommendations from the Committee, to be implemented immediately, is a City-based 1% sales tax increase that is projected to increase annual City General Fund revenues by \$6 million.
- Actual revenues from a sales tax increase may vary depending upon the volume of sales and general economic conditions, the Committee found no material to suggest that a sales tax measure would have a negative impact on businesses.
- Of the nine (9) neighboring Coachella Valley cities, three (3) cities (Cathedral City, Coachella, and Palm Springs) have a 9% sales tax and the remaining six (6) cities (Desert Hot Springs, Indio, Indian Wells, La Quinta, Palm Desert, and Rancho Mirage) have an 8% sales tax.
- The Committee recommended that, if approved, revenue from the 1% sales tax increase should be reviewed each year by an independent citizen's committee, with reviews made available to the public.

## **City Council Unanimously Authorizes Ballot Measure**

- On May 2 and May 17, 2016, the City Council unanimously approved an ordinance and resolutions approving a 1% sales tax rate increase, subject to voter approval by measure to be placed on the November 8, 2016 General Election ballot.
- For the 1% sales tax increase to be adopted, a simple majority of the City's qualified electors must approve it.
- If the voters approve the 1% sales tax increase, the City Council must establish a process to ensure that revenue received from the sales tax increase is subject to oversight and annual review by a citizen's committee.

### **CITY SERVICES, PROGRAMS AND PROJECTS FUNDED IF SALES TAX INCREASE IS APPROVED**

The ballot measure approved by the City Council asks the City's voters to approve a "general tax" under California law. As such, if the City's voters approve the sales tax increase measure at the 2016 General Election, all revenue generated by this Measure would go to the City's general fund. These sales tax funds would be available for expenditure for any and all services, programs and projects funded by the City, including but not limited to, police protection; projects such as parks, streets, landscaping and flood control; programs attracting businesses; youth/senior services; sports/recreation programs; preserving property values and quality of life. Below is a list of services, programs and projects that may be funded if the voters approve the sales tax increase:

#### **Public Safety:**

- Police Services
- Fire Services
- Emergency/ Disaster Operations

#### **Capital Improvement Projects:**

- Citywide Drainage Improvements
- Jefferson Street at Avenue 50 Left Turn Lanes
- New Traffic Signal (Avenue 54 at Jefferson)

#### **Economic Development:**

- Business Expansion, Attraction, and Retention
- Private Job Creation

### **City Services and Programs:**

- Senior and Youth Programs
- Facility Operations
- Parks and Trails Maintenance

### **POTENTIAL ACTIONS BY CITY IF SALES TAX INCREASE IS NOT APPROVED**

If the sales tax increase is not approved, the additional City-specific sales tax revenue would not be available. The City likely would need to look towards other revenue sources and reduce services without the additional sales tax revenue. Below is a list of possible actions that may be considered:

### **Steps to take if Tax Measure does not pass**

#### **Facilities Division:**

- Renegotiate janitorial contract (reduction of service).
- Hire 4 in-house parks maintenance staff for landscaping to eliminate contracted services.
- Review building expenses and deploy a lower cost approach to maintenance.
- Return maintenance of school sports fields to school district. Youth sports teams would rent space from school district.

#### **Planning Division:**

- Implement a full cost recovery fee structure for housing developments.
- Increase fees for permitting costs.

### **Community Resources Department:**

- Return to reactive code enforcement.
- Reduce police patrol services.
- Eliminate School Resource Officers.
- Eliminate participation in regional police task force.
- Reduce/eliminate employee training and development.
- Reduce marketing and tourism investment.
- Reduce/eliminate agreements with contract partners (*i.e.*, Chamber of Commerce).
- Reduce/eliminate community grants.
- Increase rates to full cost recovery at Wellness Center.
- Reduce programming at Wellness Center.

### **Capital Improvement Projects:**

- Deferred road maintenance past useful life, but this may increase pavement repair costs.

