

MAYOR
John W. Minto



CITY OF SANTEE

CITY COUNCIL
Ronn Hall
Stephen Houlahan
Laura Koval
Rob McNelis

TO: Mayor and Council Members
Marlene Best, City Manager
Shawn Hagerty, City Attorney

FROM: Annette Ortiz, City Clerk 

DATE: January 27, 2020

SUBJ: **REVENUE WORKSHOP – JANUARY 28, 2020**

WORKSHOP TO DISCUSS FUTURE REVENUE OPTIONS:

Recommendation:

Receive report and provide direction to staff.

The attached Council Agenda Statement and staff report reflect updated documents for the Revenue Workshop.

City of Santee
COUNCIL AGENDA STATEMENT

MEETING DATE January 28, 2020 **AGENDA ITEM NO.**

ITEM TITLE **WORKSHOP TO DISCUSS FUTURE REVENUE OPTIONS**

DIRECTOR/DEPARTMENT Marlene D. Best, City Manager
Tim K. McDermott, Finance

SUMMARY

The City of Santee, like many other cities across the State of California, continues to be faced with an uncertain future fiscal condition as growth in revenues struggles to keep pace with the growth in expenditures. In particular, changes made at the State level to strengthen the funding status of the CalPERS retirement system have put a strain on local government finances. In addition, there is a growing need/demand in Santee for certain public facilities such as a community center, fire station/public safety center and library, though with no dedicated funding source available to meet these facility needs.

At the March 26, 2019 City Council/Executive Staff Planning Workshop, one of the Tier 1 Priorities identified by the City Council was to hold a City Council workshop on future revenue options for the City. The attached staff report and this workshop will provide an opportunity for the City Council, staff and the public to discuss the need for additional revenues to meet operational, public facility and infrastructure needs and to identify areas of focus moving forward.

FINANCIAL STATEMENT

The City's General Fund budget is currently balanced and is expected to remain so through fiscal year 2020-21, though a spend-down of reserves is projected starting in fiscal year 2021-22.

CITY ATTORNEY REVIEW N/A **Completed**

RECOMMENDATION

Receive report and provide direction to staff.

ATTACHMENTS (Listed Below)

Staff Report

**STAFF REPORT
WORKSHOP TO DISCUSS FUTURE REVENUE OPTIONS**

**CITY COUNCIL WORKSHOP
JANUARY 28, 2020**

Overview

The City of Santee, like many other cities across the State of California, continues to be faced with an uncertain fiscal future as growth in revenues struggles to keep pace with the growth in expenditures. In particular, changes made at the State level to strengthen the funding status of the CalPERS retirement system have put a strain on local government finances. In addition, there is a need/demand in Santee for certain public facilities such as a community center, a fire station/public safety center and a library, though with no dedicated funding source available to meet these facility needs.

At the March 26, 2019 City Council/Executive Staff Planning Workshop, one of the Tier 1 Priorities identified by the City Council was to hold a City Council workshop on future revenue options for the City. This report and workshop will provide an opportunity for the City Council, staff and the public to discuss the need for additional revenues to meet operational, public facility and infrastructure needs and to identify areas of focus moving forward.

City Financial Status

As a result of stronger than expected revenues (sales tax, land development and investment income of note) and budgeted expenditure savings (Fire and Community Services Departments of note), the City's General Fund closed last fiscal year with an available reserve balance of \$11.7 million, which is \$1.8 million better than expected when the current fiscal year budget was developed. Additionally, with recent and current growth in property tax revenues from a steady real estate market and new development, the General Fund budget for both the current FY 2019-20 and FY 2020-21 fiscal years is expected to be in balance. However, beginning in FY 2021-22 an annual deterioration of General Fund reserves is anticipated, with growth in operating expenditures expected to outpace the growth in revenues, due largely to CalPERS retirement funding requirements and contract law enforcement cost increases.

The following table presents an updated projection for the current and next four fiscal years, reflecting continued revenue growth albeit at a lesser rate than experienced in recent years. This is somewhat of a "status quo" scenario. Property tax revenue growth beyond the current fiscal year is projected to range from 6.0% trailing down to 4.0%, with sales tax revenue projected at a 2.5% annual growth rate beyond the current fiscal year. The incremental net operational cost for the Community Center – Phase 1 (teen and senior center) at the annual amount of \$271,000 is included starting in 2023. However, the City continues to be faced with new or increased unfunded mandates from the State of California in areas such as storm water, housing and homelessness which have not been estimated or included in this projection.

Staff Report
 Workshop to Discuss Future Revenue Options
 January 28, 2020

**CITY OF SANTEE
 GENERAL FUND
 FIVE YEAR PROJECTION SUMMARY
 STATUS QUO SCENARIO
 FY 2019-20 TO FY 2023-24**

	FY 19-20 Revised	FY 20-21 Projected	% Change	FY 21-22 Projected	% Change	FY 22-23 Projected	% Change	FY 23-24 Projected	% Change
Revenues	\$ 46,308,500	\$ 48,133,900	3.9%	\$ 49,661,900	3.2%	\$ 51,410,100	3.5%	\$ 53,020,000	3.1%
Operating Expenditures	44,914,460	46,835,770	4.3%	48,617,450	3.8%	50,814,400	4.5%	52,738,390	3.8%
Revenues Over (Under) Expenditures	1,394,040	1,298,130		1,044,450		595,700		281,610	
Transfers Out/Other Uses	1,514,000	877,100		1,501,500		1,523,500		1,226,500	
Revenues Over (Under) Expenditures and Transfers Out	(119,960)	421,030		(457,050)		(927,800)		(944,890)	
Reserves, beginning of year	11,688,321	11,568,361		11,989,391		11,532,341		10,604,541	
Reserves, end of year	<u>\$ 11,568,361</u>	<u>\$ 11,989,391</u>		<u>\$ 11,532,341</u>		<u>\$ 10,604,541</u>		<u>\$ 9,659,651</u>	
Reserve @ 20% policy level	\$ 8,982,892	\$ 9,367,154		\$ 9,723,490		\$ 10,162,880		\$ 10,547,678	
Reserve excess (shortfall)	\$ 2,585,469	\$ 2,622,237		\$ 1,808,851		\$ 441,661		\$ (888,027)	
Reserve %	25.8%	25.6%		23.7%		20.9%		18.3%	

While economic conditions, both locally and nationally, are positive at the moment, one must keep in mind that it has been more than 10 years since the end of the Great Recession in June 2009. It is not a matter of “if” but more so of “when” the next economic downturn will occur. As such, it is important to recognize and plan for such a situation. During the Great Recession the City experienced a 13% reduction in sales tax revenue and a 9% reduction in property tax revenue. Other revenues such as Transient Occupancy Tax and land development revenues were also adversely impacted as one would expect. The Great Recession lasted for 18 months, more than double the historical average length of previous recessions.

The following table presents an alternative scenario reflecting a mild recession starting in FY 2021-22 and continuing into FY 2022-23 before key revenues start to recover. In this scenario sales tax revenue retracts by 2% and property tax revenue growth is flat before recovery starts in FY 2023-24. Other revenues such as Transient Occupancy Tax and land development revenues are also adversely impacted. Even in a mild recession scenario such as this, the impact on revenues and the General Fund reserves, before major expenditure adjustments are made, is dramatic.

**CITY OF SANTEE
 GENERAL FUND
 FIVE YEAR PROJECTION SUMMARY
 RECESSION SCENARIO
 FY 2019-20 TO FY 2023-24**

	FY 19-20 Revised	FY 20-21 Projected	% Change	FY 21-22 Projected	% Change	FY 22-23 Projected	% Change	FY 23-24 Projected	% Change
Revenues	\$ 46,308,500	\$ 48,133,900	3.9%	\$ 48,829,800	1.4%	\$ 49,196,400	0.8%	\$ 50,310,200	2.3%
Operating Expenditures	44,914,460	46,835,770	4.3%	48,512,450	3.6%	50,625,400	4.4%	52,549,390	3.8%
Revenues Over (Under) Expenditures	1,394,040	1,298,130		317,350		(1,429,000)		(2,239,190)	
Transfers Out/Other Uses	1,514,000	877,100		1,501,500		1,523,500		1,226,500	
Revenues Over (Under) Expenditures and Transfers Out	(119,960)	421,030		(1,184,150)		(2,952,500)		(3,465,690)	
Reserves, beginning of year	11,688,321	11,568,361		11,989,391		10,805,241		7,852,741	
Reserves, end of year	<u>\$ 11,568,361</u>	<u>\$ 11,989,391</u>		<u>\$ 10,805,241</u>		<u>\$ 7,852,741</u>		<u>\$ 4,387,051</u>	
Reserve @ 20% policy level	\$ 8,982,892	\$ 9,367,154		\$ 9,702,490		\$ 10,125,080		\$ 10,509,878	
Reserve excess (shortfall)	\$ 2,585,469	\$ 2,622,237		\$ 1,102,751		\$ (2,272,339)		\$ (6,122,827)	
Reserve %	25.8%	25.6%		22.3%		15.5%		8.3%	

While both of the above scenarios include the use of General Fund monies for various capital improvement projects as reflected in the adopted Capital Improvement Program for Fiscal Years 2020-2024 (including various information technology, facility maintenance/improvements and storm water program costs), neither reflects funding for the following public facility projects: Community Center – Phases 2 and 3 (\$32.3 million est.), Public Safety Center (\$17.5 million est.) and Library (\$20.0 million est.). Under either scenario, in order to bring any of these projects to fruition additional revenue sources, combined with debt financing, will likely be required.

Local Government Revenues in California

Over the past several decades, amendments to the California Constitution, enacted primarily through the voter initiative process but combined with related State legislative actions and court rulings, have imposed severe limitations and procedural requirements for the tax levies, assessments, fees and charges that comprise the majority of local government revenues. This has impacted the ability of local governments to generate the revenues needed to fund public services, infrastructure and facilities. Some of the more notable such voter initiatives include the following:

- Proposition 13: Jarvis-Gann “People’s Initiative to Limit Taxation” (1978)
- Proposition 26 “Voter Approval of Taxes Act” (1986)
- Proposition 218 “Right to Vote on Taxes Act” (1996)
- Proposition 26 “Stop Hidden Taxes Initiative” (2010)

With regard to taxes, Article XIII of the California Constitution provides a clear standard distinguishing locally imposed general taxes from special taxes and requires majority voter approval for general taxes and a two-thirds supermajority requirement for special taxes. Parcel taxes also require two-thirds voter approval.

Prior City Actions

The City has taken a variety of actions to strengthen its fiscal condition in order to provide quality services to the community. Following are several examples.

Economic Development: Over the past several decades, the City has been committed to its economic development efforts in order to strengthen the local tax base and provide the community with a variety of local shopping, dining and service opportunities. Using various economic development tools (many of which are no longer available as a result of the elimination of redevelopment agencies and other legislative action taken by the State), the City's retail base has expanded with the development of Santee Trolley Square and other development in and near the Town Center area in particular. Annual sales tax revenue has grown accordingly, from \$5.6 million in FY 2002 to a projected \$14.2 million in FY 2020. Economic development efforts continue to be a priority for the City, as demonstrated with the recent establishment of an Art and Entertainment District in Town Center and the development and implementation of the City's new brand and logo.

Transient Occupancy Tax Increase: In response to the fiscal impacts from the Great Recession and the elimination of redevelopment agencies, in 2012 the City took to the voters, and the voters approved, an increase in the City's Transient Occupancy Tax ("TOT") rate from 6% to 10%, bringing the City's TOT rate consistent with most other cities in the county, and expanded the applicability of the tax. Annual TOT revenue, which was approximately \$115,000 in FY 2012, is projected to exceed \$575,000 in FY 2020.

Franchise Agreements: In 2012 the City worked with Waste Management to renegotiate the City's waste hauling franchise agreement. As a result, annual revenues from this agreement have increased from \$848,000 in FY 2012 to a projected \$1.6 million in FY 2020. In addition, the City has been working with Cox Communications and AT&T in order to begin receiving PEG (public, education and government) fees that will be used for capital expenditures directly related to PEG programming which will enable the City to provide livestreaming of City Council meetings. PEG fees will generate approximately \$150,000 in revenue annually for use on eligible PEG fee-eligible capital expenditures, thereby relieving the General Fund of these costs.

Cost Recovery: In 2012 the City completed a cost of services study in order to determine the full cost of providing various City services and to enable the City to make informed policy decisions regarding the setting of fees. As a result of this study and subsequent adoption of an updated Consolidated Fee Schedule, an estimated \$472,000 increase in average annual cost recovery to the City's General Fund was accomplished. Another form of cost recovery to the General Fund is realized by ensuring that staff costs incurred for activities directly benefitting programs or projects that are funded by special revenue sources such as Gas Tax, Flood Control, Landscape Maintenance and Roadway Lighting Districts, and various capital improvement program funding sources are recovered by the General Fund. Such inter-fund cost recovery is responsible for a projected \$1.3 million in revenue to the General Fund in FY 2020.

Community Facilities Districts: With the formation of Community Facilities District No. 2017-2 (Weston Municipal Services), a revenue stream was created that is intended to mitigate the Weston development's budgetary impact from the public services provided by the City as a result of this development. The annual revenue from CFD No. 2017-2 at build-out will be approximately \$125,000 and includes an annual CPI-based escalation.

Expenditure Controls: The City of Santee has a demonstrated history of being fiscally responsible in its spending. In periods of economic growth, the City has been cautious in growing the size of its organization and maintains a work force that is one of the smallest, if not the smallest, per capita of any city in the county. Annual budgets are presented to the City Council for adoption that are balanced and that meet the City's reserve policy. Expenditure budgets are closely monitored throughout the year, and at fiscal year-end budgeted expenditure savings are realized and typically invested in infrastructure, other capital improvement projects or used to pay down the City's unfunded liabilities. When faced with budgetary challenges, expenditure reductions are made, including strategic reductions to staffing levels in the City's law enforcement services contract when necessary.

Retirement and Retiree Health Costs: Over the past 10 years, as the CalPERS retirement system has continued to make changes that have affected all local agencies retirement costs, the City has taken steps such as adopting a second tier of retirement benefits for new employees, voluntarily paying off its "side-fund" liability, and having employees pay not just their full share of the employee retirement cost but also a portion of the employer retirement cost. These actions have all helped to reduce the impact to the City's budget of the continued annual increases in CalPERS retirement costs. Retiree health programs are either fully closed to future retirees or available only to a very limited group of current employees with very tight eligibility requirements and with a limited benefit amount that is capped with no future increase. In 2018 the City established an Other Post-Employment Benefits ("OPEB") trust in order to prefund the cost of these benefits, thereby reducing the City's unfunded liability. Since establishing this OPEB trust the City has cut its unfunded OPEB liability roughly in half.

Revenue Options – Under City Control

Economic Development: As mentioned above, the City remains committed to its continued economic development efforts. As points of reference, it may be useful to identify the approximate annual revenue that might be generated by certain retail, commercial and other uses.

- Sales tax: Restaurant (dinner/family dining) \$30,000 to \$75,000
Supermarket (chain) \$50,000 to \$80,000
Department store \$135,000 to \$270,000
New auto dealership \$200,000 to \$250,000
- Property tax: Of the base 1.0% property tax levy, the City on average receives 18 to 20 cents of every dollar of property taxes paid by property owners. For a \$20 million commercial building (such as the one occupied by HD Supply) the City would receive \$36,000 to \$40,000 annually.
- TOT: It is estimated that the City could receive \$125,000 to \$275,000 annually in TOT from a new hotel.

Cost Recovery: As mentioned above, in 2012 the City adopted a new Consolidated Fee Schedule after completing a comprehensive cost of services/user fee study, greatly enhancing the cost recovery for services provided to the public. Since 2012, the fees included in the fee schedule have been increased annually based on the change in the consumer price index. Later this year staff will be bringing forward a recommendation to the City Council to award a contract to complete an updated cost of services/user fee study. While the results of this study will likely identify some opportunities for additional cost recovery, the impact is expected to be substantially less than that of the 2012 study.

Other Options: There are a variety of other non-traditional new revenue options the City Council might consider, such as the sale of naming rights for City facilities and the use of digital billboards.

Tax Revenue Options Requiring Voter Approval – General Taxes

A general tax means any tax imposed for general governmental purposes. The City could adopt a new general tax (such as a utility user tax or a business license tax) or increase an existing general tax (such as the transient occupancy tax). An add-on sales tax is typically implemented as a general tax but could also be structured as a special tax. A new general tax or increase in an existing general tax could be proposed by the City or proposed through the voter initiative process. A general tax measure could also be accompanied on the ballot by an advisory measure whereby the voters provide direction on the anticipated use of the revenues from the tax.

If proposed by the City, the City must adopt, by a two-thirds vote of all members of the City Council, a resolution or ordinance submitting the tax to the electorate (e.g., “Measure A”). The resolution or ordinance must include: a) the type of tax (general); b) the rate of the tax to be levied; c) the method of collection; and d) the date of the election to be held for approval of the tax. The resolution or ordinance may a) state a range of rates or amounts; or b) provide that the rate may be adjusted for inflation pursuant to a defined formula. If the tax measure is to be accompanied on the ballot with an advisory measure, the City Council must also adopt, by a majority vote, a resolution or ordinance seeking direction from the voters on the anticipated use of the revenues from the tax (e.g., “Measure B”). The ballot must include in the statement of the ordinance to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied. A local government can only impose, extend or increase any general tax if it is submitted to the voters at a general election. The tax measure must be approved by a majority of the votes cast by the voters that vote on the proposition. If accompanied by an advisory measure there is no required number of votes necessary for the advisory measure. The vote on the ballot measure(s) would be consolidated with the regularly scheduled general election for members of the City Council except in cases of emergency declared by a unanimous vote of the City Council.

If proposed by voter initiative, the measure would be placed on the ballot after its proponents have successfully met a series of requirements including multiple filings with the City, circulating a petition and obtaining a sufficient number of signatures, certification of the signatures, and filing of the petition with the City Council. A general tax proposed by voter initiative may also be combined with an advisory measure. The signature requirement for tax initiatives (5% of the number of voters who cast votes in the most recent gubernatorial election) is much lower than the signature requirement for other initiatives (typically 10% of registered voters). A general tax proposed by a voter initiative may be approved at either a general or special election.

Following is a discussion of certain general taxes.

Utility User Tax: Many cities impose utility user taxes on the consumption of utility services, including (but not limited to) electricity, gas, water, sewer, telephone and cable television. However, in San Diego County, Chula Vista is the only city that imposes a utility user tax.

Business License Tax: Many cities have enacted business license taxes. The tax is typically levied based on a percentage of gross receipts but may be based on the number of employees, square footage of the business, type of business operation, or other factors. The City of Santee does not assess a business license tax but instead charges business license fees in order to recover the cost of operating the business license program. Slightly more than half of the cities in San Diego County assess a business license tax, while several others charge a fee similar to Santee to recover the cost to operate the program. Business license taxes can affect business location and expansion decisions that could impact the decision to do business in Santee.

Cannabis Business Tax: After the passage of Proposition 64 by the voters of California in November 2016, some cities have opted to allow the cultivation, manufacturing, laboratory testing, distribution and/or retail sale of cannabis products, subject to local cannabis business taxes. Such taxes can be enacted as either general or special taxes. Local tax rates typically range from 4% to 8% of gross receipts and are assessed in addition to the 15% state excise tax. With such a heavily-taxed legal market and tight licensing and regulatory requirements, there is some concern of the challenges being faced by the cannabis industry in California. Currently the cultivation and manufacturing market is saturated, with current production capacity heavily exceeding the legal market. If Santee was to consider changes to the Municipal Code to allow for cannabis businesses, it is estimated that the City could support up to two retail outlets and that each could potentially generate up to \$140,000 in tax revenue per year.

Transient Occupancy Tax ("TOT"): Most cities impose a transient occupancy tax on persons staying thirty days or less in hotels, motels, etc. As previously discussed, in 2012 the City was successful in obtaining voter approval to increase the TOT rate from 6% to 10%. Statewide as well as in San Diego County, the most common TOT rate is 10%. Only five cities in San Diego County have TOT rates in excess of 10% (including additional tourism or business improvement district assessments), with the highest rate being 13% in both Del Mar and Solana Beach.

Add-On Sales Tax: The State levies a variety of sales and use tax rates that when combined total a statewide tax rate of 7.25%. Of that total, 1.0% is allocated to local jurisdictions (including Santee) as the “Bradley-Burns Uniform Local Sales and Use Tax”. Allocation of this local component is on the basis of “situs” or the point of sale. In San Diego County, the base sales tax rate is 7.75% which includes the half-cent TransNet sales tax that funds transportation projects in the region. In 2003, California law was changed to allow cities and counties to seek increases to the sales and use tax. Since that time, and especially in recent years, these “add-on sales taxes” have become more common. Currently 217 or 45% of the cities in California have add-on sales taxes in place, with 129 of those being approved within the past five years. In San Diego County, seven of the 18 cities currently have add-on sales taxes in place, with a measure in Lemon Grove to be on the ballot in March 2020. Add-on sales tax measures can be structured as either a general or a special tax. Increases can be implemented in a minimum amount of 0.125% and up to a maximum amount of 1.0% (in multiples of 0.125%). Statewide 74% of all general sales tax increase measures have been successful, with the success rate being even greater for measures extending the expiration date of existing add-on sales taxes.

**San Diego County Cities
 With Add-On Sales and Use Tax**

City	Purpose	Effective Date	Expiration Date	Add-on Tax Rate
Chula Vista-Measure P	High priority infrastructure	4/1/2017	3/31/2027	.50%
Chula Vista-Measure A	Public safety and general city purpose	10/1/2018	None	.50%
Del Mar-Measure Q	General city services and infrastructure needs	4/1/2017	None	1.0%
El Cajon-Proposition J	Public safety and general city purpose	4/1/2009	3/31/2029	.50%
La Mesa-Proposition L	Public safety and general city purpose	4/1/2009	3/31/2029	.75%
National City-Proposition D	Maintain service levels by extending the transaction tax	4/1/2015	3/31/2035	1.0%
Oceanside-Measure X	General city purpose	4/1/2019	3/31/2026	.50%
Vista-Proposition L	High priority Infrastructure, public safety and general city needs	4/1/2007	3/31/2037	.50%

The City's sales tax consultant, HdL Companies, has prepared an estimate of additional revenue that would be generated by an add-on sales tax if approved by the voters. Add-on sales taxes are allocated based on the place of first use, as opposed to being allocated based on the point of sale as is the case for the current 1.0% local sales tax. HdL has estimated that a 0.5% add-on sales tax would generate approximately \$5.1 million annually for Santee. As a general tax, this revenue could be used to support debt service and operating costs for new public facilities and for providing public safety and other City services. A general add-on sales tax would provide the greatest flexibility and enhanced revenue stream of any of the measures discussed in this report.

Tax Revenue Options Requiring Voter Approval - Special Taxes (including Parcel Taxes)

A special tax means any tax imposed for specific purposes. A special tax can be levied on real property as a parcel tax, but may not be levied as an ad valorem real property tax. The revenues from any special tax shall be used for the purpose or service for which it was imposed and for no other purpose whatsoever. The City could adopt a new special tax (such as an add-on sales tax) or increase an existing special tax (such as the Santee Fire Suppression Availability Charge, commonly referred to as the "Fire Benefit Fee"). A new special tax or increase in an existing special tax could be proposed by the City or proposed through the voter initiative process.

If proposed by the City, the City must hold a noticed public hearing and then adopt, by a majority vote of the City Council, a resolution or ordinance submitting the tax to the electorate. The resolution or ordinance must include: a) the type of tax (special); b) the rate of the tax to be levied; c) the method of collection; and d) the date of the election to be held for approval of the tax. The resolution or ordinance may a) state a range of rates or amounts; or b) provide that the rate may be adjusted for inflation pursuant to a defined formula. The ballot must include in the statement of the ordinance to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied. A local government can only impose, extend or increase any special tax if it is approved by a two-thirds vote of the electorate. This means that any City proposition submitting a special tax to the voters must be approved by two-thirds of the votes cast by the voters that vote on the proposition. The election may be consolidated with a) a statewide primary election, b) a statewide general election, c) a regularly scheduled local election, or may be held at any date otherwise permitted by law, in which case the City would bear the cost of the election. If approved, the special tax may be collected with other charges and taxes fixed and collected on the tax roll. The tax revenues may only be used for the specified purpose.

If proposed by voter initiative, the measure would be placed on the ballot after its proponents have successfully met a series of requirements including multiple filings with the City, circulating a petition and obtaining a sufficient number of signatures, certification of the signatures, and filing of the petition with the City Council. The signature requirement for tax initiatives (5% of the number of voters who cast votes in the most recent gubernatorial election) is much lower than the signature requirement for other initiatives (typically 10% of registered voters). As with a City Council proposed special tax, a special tax proposed by a voter initiative may be approved at either a general or special election.

At this time, it is unclear whether the requirement that a special tax must be adopted by a two-thirds vote applies to special taxes proposed by voter initiative. Due to recent litigation, the law on this issue remains unsettled.

“Fire Benefit Fee” – The Santee Fire Suppression Availability Charge (“Fire Benefit Fee”) was approved in April 1980, by the voters in the Santee Fire Protection District. The measure authorizes a maximum annual charge of \$41.00 per residential dwelling unit and \$492.00 per commercial/industrial building, but includes no inflationary adjustment provision. Residential properties have been assessed at the maximum rate since 1993 and all commercial/industrial properties have been assessed at the maximum since 2017. The Fire Benefit Fee generates \$1.1 million in annual revenue, which represents just 10% of the portion of the Fire Department budget not funded from other sources such as County Service Area 69 paramedic program reimbursements. As a special tax, any increase in the Fire Benefit Fee would require a two-thirds vote of the electorate.

Tax Revenue Options Requiring Voter Approval – General Obligation Bonds

General obligation bonds can be used by local governments to finance the acquisition or improvement of real property. They cannot be used to finance the cost of maintenance, operations or any public services. General obligation bonds are repaid through an increase in the ad valorem property taxes assessed to all property owners. In order to place a general obligation bond measure on the ballot it must be approved by two-thirds of the City Council and receive approval of two-thirds of the votes cast by the voters that vote on the proposition. General obligation bond measures are brought forward much less frequently by local governments than most of the other measures discussed in this report. Only 33 of the 68 general obligation bond measures brought forward by local governments in California since 2002 for public safety, parks & recreation and library facilities received the necessary two-thirds voter approval.

Other Property Related Fees and Assessments

There are other mechanisms for imposing fees and assessments on property to fund public facilities and services, including special assessment districts such as the City’s existing landscape maintenance districts, roadway lighting district and community facilities districts. These typically require the City to hold noticed public hearings, notify affected property owners and conduct property owner elections. There are differing noticing, procedural and voting requirements for the various mechanisms available. Revenues must be used for specified purposes, and, depending on the mechanism used, may require that special benefit to the property owners to be assessed be identified, with special benefit being a particular and distinct benefit over and above general benefits conferred on real property located in the special assessment district or to the public at large.

Conclusion

Through a variety of actions taken by the City of Santee since incorporation, the City’s current fiscal condition and ability to provide quality services to the community remain strong. This workshop will provide an opportunity to discuss priorities and provide direction as we plan for the future with a goal of ensuring that we are able to maintain and enhance the services and facilities the City provides and the quality of life for the community.