



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

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July 21, 1988
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Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: BALLOT MEASURE TO FINANCE PUBLIC SAFETY SERVICE

SUMMARY

Last week Councilmembers Chinn and Pope requested a report from the City Manager concerning a possible November ballot measure to finance increased police services. The County of Sacramento is now preparing to submit a proposal to create a County Services Area with a benefit assessment based on a fixed fee for various types of land uses to support expanded Sheriff's services. I have explored other options available to the City and am recommending that the City Council instead seek City voter approval of an advisory measure freezing the utility users tax at its present level of 7.5% and pledging the incremental revenue to improve City police services.

BACKGROUND

Recently Sacramento County Sheriff Glen Craig announced his intention to seek unincorporated area voter approval of a measure to assess property owners for expanded law enforcement services. Since the County of Sacramento has very few options to raise additional revenues to support the Sheriff's request for increased staffing, they are now preparing to submit a measure to the unincorporated area voters to create a Benefit Assessment District with a fixed fee for each type of land use - residential, commercial and industrial. Proposition 13 prevents their levying a tax increase based on the value of property. In addition, a two-thirds vote of the electorate will be required to gain approval of the law enforcement tax. As of last Wednesday, the County had not yet officially announced the amount of the proposed levy. The City Council could request we be included with the County's Benefit Assessment District.

The 1988-89 Approved Budget for the City of Sacramento provides for a balanced, status quo spending plan. The budget does not fully address the growing need for additional services in critical areas such as Public Safety. In the context of the City Budget, "Public Safety" includes Police, Fire and Animal Control. This need was recognized during the budget discussions, but due to funding constraints in the General Fund, Public Safety program augmentations were basically limited to the addition of 8 Police Officers.

Table 1 highlights some of the more significant unmet needs in the area of Public Safety. Included in the list are 104 Police Officers necessary to increase the current force to 2 officers per 1,000 population, an additional 14 Police Officers per year needed to maintain that ratio given population growth, staffing necessary to operate a South and North area Police Substation, a new public safety complex to house Police and Fire Administration, Dispatch and Emergency Response Center, staffing for three new fire crews, and additional Animal Control Officers to keep pace with population growth and to increase the current level of service.

To meet these needs an additional \$10 to \$24 million would be needed on an annual basis. Not included in these numbers is the cost of maintaining existing service levels against inflation. The total cost of the unmet needs for the five year period represents a 18% increase over the existing operating base plus inflation.

Due to the growing needs in the Public Safety area, particularly relating to Police services, I believe it is time to look for new revenues in order to augment services in this area. The need is not just limited to the City as evidenced by the recent request by Sheriff Glenn Craig to impose a special tax for increased Sheriff services.

In reviewing our options to address this funding need I have looked at new sources as well as existing revenues which could be augmented. Within these categories I have evaluated various factors including what it would take to implement the funding source, who would be bearing the burden for the revenue, and how the growth potential of the revenue would compare to the projected needs. Based on this analysis the best revenue source appears to be the Utility Users Tax by maintaining the tax rate at 7.5%.

Current City policy relating to the Utility Users Tax reduces the tax rate from its high in 1985-86 of 9% to 5% in 1993-94. This reduction is being accomplished by annually reducing the rate by 0.5%. As adopted in the 1988-89 Budget, the rate will be reduced from 8.0% to 7.5% on October 1, 1988.

The advantages of maintaining the tax rate at 7.5% in order to generate additional needed revenues includes: the burden is equally spread between commercial and residential taxpayers, elderly and disabled low income residents are held harmless in that their tax bills are 100% refundable, the growth in this revenue source can accommodate at least half of the unmet needs of Public Safety, and maintenance of the 7.5% tax rate can be implemented by Council action. (Specifically, a vote of the Council is required to lower the rate each year; no action is required to maintain the existing rate.)

In regards to the last factor, however, it should be pointed out that the agreement to lower the tax rate each year was an agreed to compromise by a number of parties including the City Council, local taxpayers' groups, senior citizens' groups and staff. A change in this policy, although totally within the discretion of the City Council, would best be accomplished with approval by at least these same constituent groups. Therefore, I further recommend that Council seek an advisory vote of the people to ask their concurrence in this change of policy.

Table 1
Unmet Public Safety Needs
(\$'s in 000's)

	89-90	90-91	91-92	92-93	93-94	TOTAL
PUBLIC SAFETY CIP DEBT						
North Area Police Substation			500	500	500	1,500
Public Safety Complex			5,500	5,500	5,500	16,500
North Area Fire Station					200	200
Subtotal CIP debt	0	0	6,000	6,000	6,200	18,200
POLICE OPERATING						
Officers needed to get to 2 per 1,000 (104 FTE)	6,860	5,460	5,730	6,020	6,320	30,390
Officers to keep pace with pop. growth (14 FTE/yr)		970	1,720	2,440	3,210	8,360
South Substation staffing (13 FTE)	1,470	630	670	700	730	4,200
North Substation staffing (13 FTE)			1,630	700	730	3,060
Civilian Support (59 FTE)	2,360	2,170	2,280	2,390	2,510	11,710
Police Subtotal	10,690	9,230	12,030	12,270	13,500	57,720
FIRE OPERATING						
Natomas staffing		1,210	930	970	1,020	4,130
Downtown staffing				1,340	1,020	2,360
North Area Staffing					1,400	1,400
Fire Subtotal	0	1,210	930	2,310	3,440	7,890
ANIMAL CONTROL OPERATING						
Staffing to keep up with Pop. growth (2FTE/Yr)	110	180	250	320	390	1,250
Increased service (1FTE/Yr)	50	90	130	170	200	640
Animal Control Subtotal	160	270	380	490	590	1,890
TOTAL UNMET NEEDS	10,850	10,710	19,340	21,070	23,730	85,700
Public Safety Base Expenditures	87,880	92,280	96,890	101,740	106,820	485,610

FINANCIAL

Table 2 shows the projected increase in revenue assuming the Utility Users Tax rate is frozen at 7.5% and compares it to the increased needs in the Public Safety area. The additional revenue which would be generated beginning in 1989-90 can accommodate almost half of the identified unmet needs and will allow for an 8% real growth in services during the projected 5 year period. This is compared to the 18% real growth necessary to address all of the identified unmet needs.

Table 2
Additional Utility Users Tax Revenue
vs.
Unmet Public Safety Needs

	REVENUE WITH 7.50% Rate	TAX RATE	REVENUE WITH CURRENT PROPOSED RATE REDUCTION REVENUE	REVENUE GAIN	UNMET NEEDS	SHORTFALL
1988-89	28,480	7.5%	28,480	0	0	0
1989-90	32,470	7.0%	30,840	1,630	10,850	(9,220)
1990-91	37,430	6.5%	33,070	4,360	10,710	(6,350)
1991-92	40,870	6.0%	33,380	7,490	19,340	(11,850)
1992-93	44,950	5.5%	33,710	11,240	21,070	(9,830)
1993-94	49,830	5.0%	34,050	15,780	23,730	(7,950)
TOTALS	234,030		193,530	40,500	85,700	(45,200)

The additional revenues would not fully cover the needs identified in Table 1 although a substantial increase over current service levels could be accomplished. It is my intention that the existing General Fund revenue structure continue to support the current existing level of Public Safety services and that the new Utility Users Tax revenues be used for real service growth in this area.

The estimated impact of the tax freeze on residential taxpayers is shown in Table 3. The impact on individual commercial taxpayers cannot be estimated at this time though as a group they will pay about 53% of the tax increment.

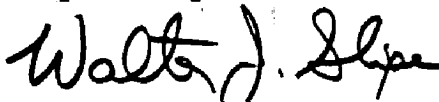
Table 3
Residential and Commercial Tax Impacts

	ADDITIONAL REVENUE (\$ 000's)	Commercial Portion 53% (\$ 000's)	Residential Portion 47% (\$ 000's)	Monthly Average Cost Per Household
1988-89	0	0	0	.00
1989-90	1,630	860	770	.65
1990-91	4,360	2,310	2,050	1.65
1991-92	7,490	3,970	3,520	2.80
1992-93	11,240	5,960	5,280	4.10
1993-94	15,780	8,360	7,420	5.65
TOTALS	40,500	21,460	19,040	

RECOMMENDATION

I recommend that the attached resolution be forwarded to City Council for adoption to place on the November 1988 ballot a measure requesting an advisory vote on whether or not the Utility Users Tax rate should be maintained at 7.5% in order to provide for increased General Fund resources to address the City's growing needs in the Public Safety area.

Respectfully Submitted



WALTER J. SLIVE
City Manager

Attachment

All Districts
July 26, 1988

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING A NOVEMBER 1988 BALLOT MEASURE FOR
AN ADVISORY VOTE RELATING TO THE UTILITY USERS TAX RATE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. A measure be placed on the November 1988 ballot seeking an advisory vote on whether or not the Utility Users Tax Rate should be maintained at 7.5%.
2. Specific ballot language be as indicated on Exhibit A attached and incorporated herein by reference.

MAYOR

ATTEST:

CITY CLERK

EXHIBIT A

NOVEMBER 1988 BALLOT LANGUAGE
ADVISORY VOTE ONLY

Should the Utility Users Tax rate be maintained at 7.5% in order to provide additional General Fund revenues to augment City services such as Public Safety.