

NEIGHBORHOOD AND PUBLIC SAFETY ISSUES COMMITTEE

MONDAY, MAY 1, 1995

7:00 p.m.

**City Council Chamber
915 "I" Street
Sacramento, California**

1.1 Long Term Public Safety Funding Strategies - Revenue Options Discussion

RECOMMENDATION OF STAFF: Committee Information

1.2 Deployment Strategies for the Community Oriented Policing Services (COPS): Phase I Grant Program

RECOMMENDATION OF STAFF: Adopt Staff Recommendation

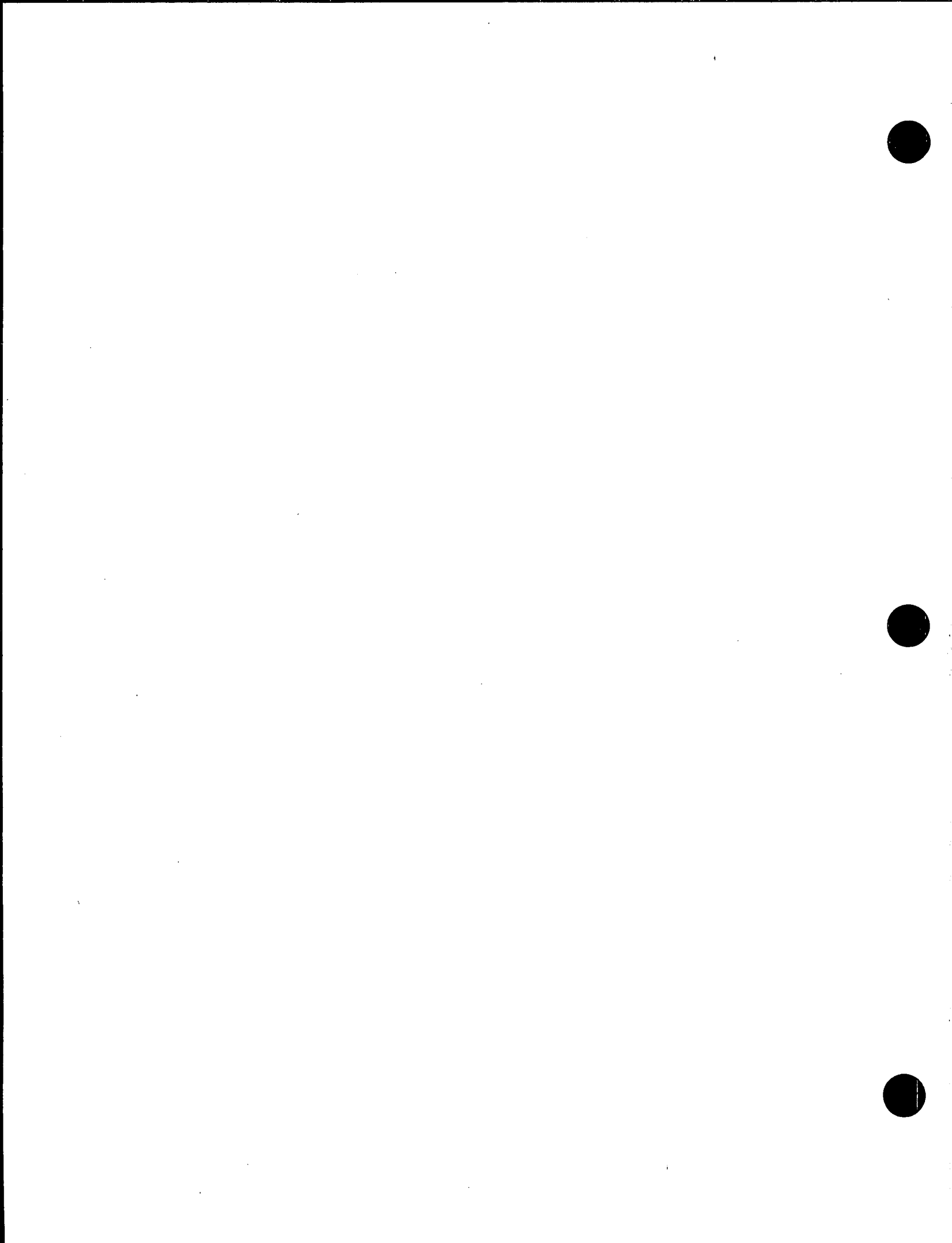
1.3 Report Back on Other Law Enforcement Agencies Transitioning into Community Oriented Policing.

RECOMMENDATION OF STAFF: Committee Information

1.4 Outstanding Report - Backs from 03/20 NPS Meeting

RECOMMENDATION OF STAFF: Committee Information

COMMITTEE MEMBERS: Steinberg (Chair), Kerth, Fargo, Waters





(1.1)

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 101
915 I STREET
SACRAMENTO, CA
95814-2684

PH 916-264-5704
FAX 916-264-7618
TDD (ONLY) 916-264-7227

April 25, 1995

Neighborhood and Public Safety Issues Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Long Term Public Safety Funding Strategies - Revenue Options Discussion

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION

This report is for Committee information only. No formal action is requested.

CONTACT PERSON: Jack R. Crist, Deputy City Manager, 264-5704
Arturo Venegas, Jr., Police Chief, 264-5123
Ken Nishimoto, Acting Finance Director, 264-5845
Michael McGrane, Senior Management Analyst, 264-5847

FOR COMMITTEE MEETING OF: May 1, 1995

SUMMARY

This report provides information for the Committee to discuss strategies for long term financing of public safety programs. On March 20, 1995, the Committee reviewed the existing funding sources for the Police Department, the relative impacts of generating \$10 million from reprioritizing existing General Fund resources. The purpose of this report to discuss revenue options to implement the Police Strategic Plan.



DISCUSSION

In May 1993, the City Council adopted the goals of the Police Strategic Plan. One of its main objectives of the Police Strategic Plan is to implement neighborhood policing throughout the City. To implement neighborhood policing throughout the City it would require an additional 68 - 100 officers costing from \$6 - \$10 million. In addition, automation, support, and infrastructure would bring the cost to \$15 million. To date, progress on implementing the Police Strategic Plan has been entirely from grant proceeds. The recession and State impact have prohibited increased funding for this plan.

At the last Neighborhood and Public Safety Issues Committee meeting, staff discussed strategies to reprioritize existing resources to fund additional public safety programs. The focus of this report is to examine revenue options.

Definition of Types of Revenues: Revenues that can be used for any purpose are placed in the City's General Fund. Those restricted in their use are separated in Special Revenue funds. Those City operations run as businesses (such as the City's water utility) are placed in separate enterprise funds. The following is a brief discussion on Government taxes and fees restrictions and limitations.

Taxes: Taxes are compulsory charges levied for the purpose of financing services performed for the common benefit. Proposition 13 created the distinction between "general" and "specific" taxes. A general tax is one in which the proceeds go for general city purposes and which is deposited into the General Fund. Special taxes are collected to be expended for a specific purpose or program such as for libraries or police services. Special taxes require a 2/3 vote of the electorate to be implemented.

The distinction between general and specific taxes and the procedures to approve each have been litigated almost continuously since the passage of Proposition 13 in 1978. The courts first determined Prop 13's voter approval requirements for special taxes did not apply to general taxes traditionally levied without voter approval. In 1986, Prop 62 was approved by the voters. This proposition attempted to impose a majority vote requirement on general taxes. That portion of Prop 62 has been declared unconstitutional by appellate courts.

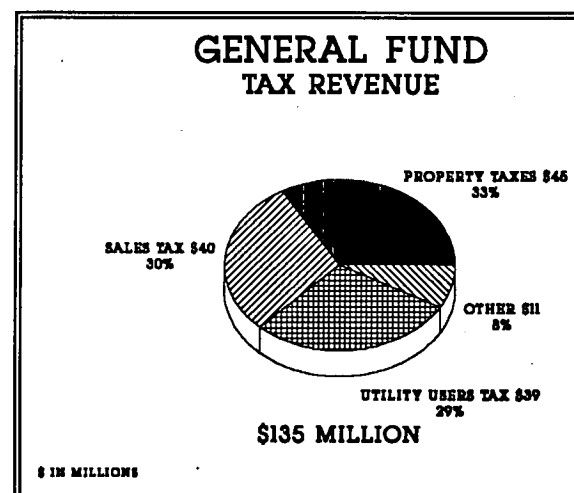
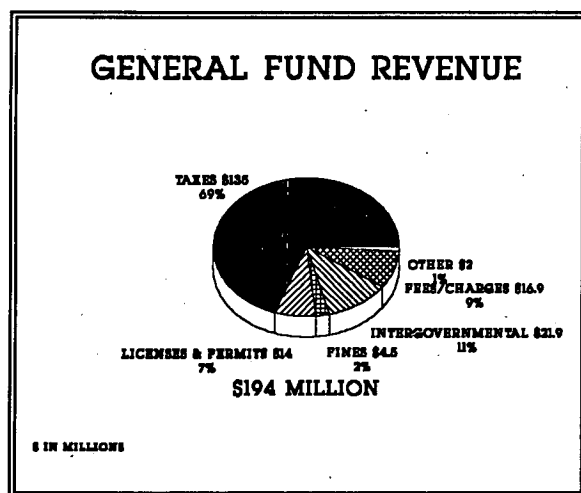
Benefit Assessments: Benefit assessments are levied to pay for public improvements or services provided within a pre-determined district or area according to the benefit the parcel receives. These features distinguish benefit assessment from taxes and the limits of proposition 13 and appropriation limits.

Fees: A charge to the consumer for the cost of providing the service. City fees may not exceed the estimated reasonable cost of providing the particular service plus overhead. Examples include building related fees, admissions, and inspection fees.

Fines: Revenues received and/or bail money forfeited upon conviction of a misdemeanor or municipal infraction. A fine does not have the limitations of fee charges.

Other: Other revenues include interest, concessions, funding from other government agencies, and licenses/permits.

Current City Revenues: The following exhibit summarizes the current general fund revenues.



Over the past 5 years, the General Fund taxes have experienced greater volatility than in the previous years. In the year prior to the recession the tax base grew at an average of 8%. With the recession and the State impacts, the tax base has become more unstable. The demands for City services however do not correspondingly increase/decrease to match the uneven revenue flow. The State impacts now total approximately \$18 million per year.

Revenue Factors & Considerations: The revenue sources vary in the requirements for imposition, equity, restrictions on use, equity relative to benefit received, and cost of collection or administration.

REVENUE CONSIDERATIONS

EQUITY	By law, fees and assessment charges must relate to the service or benefit received. Taxes may or may not have a relationship to the services provided.
RESTRICTIONS	Tax revenues generated a special purpose requires a 2/3 vote. Fees must reflect the cost of the services.
SCOPE	Citywide or area specific
MAINTENANCE OF EFFORT	Requirement to not reduce services for other programs that would offset the new proceeds.
COLLECTION / ADMINISTRATION	The cost of collection varies amount based on the various fees and taxes.
CONSISTENCY	Certain revenues sources may fluctuate more than other sources. Fluctuations may cause disruptions in services.

Revenue Funding Sources: The following chart is a listing of various revenue sources such as taxes and assessments.

Listing of Revenue Options

Funding Source	Description	Comment
Property Tax	The City receives one-third of the 1% tax on assessed value.	State Constitution restricts ad valorem property tax changes.
Special Tax	A special tax levied on each parcel (can not be on an ad valorem basis).	2/3 vote required Tax would be on City property owners only. Non-resident users of City services would not be charged. Can be used for operating or capital improvements.

Sales Tax	The City's General Fund receives 1% of the 7.75% rate on taxable sales within the City limits for general purposes. The current Sales Tax rate is 1% lower than the maximum limit established by the State.	Would require a 2/3rd vote if dedicated to certain programs. Requires a 50% vote if for general purposes. Must be imposed county-wide
Utility Users Tax	A 7.5% tax is imposed on gas, electricity, telephone, and cable television service within the City limits. The tax could be imposed on the City's utility enterprise funds (water, sewer, drainage, solid waste)	Majority vote of the City Council required if for general use purposes. Tax would be on City residents and businesses. Non-resident users of City services would not be charged. A 1% increase would generate \$4.9 million
Benefit Assessment	Benefit assessments are levied to pay for public improvements or services provided within a pre-determined district or area according to the benefit the parcel receives. Service must be related to enhancing property or property values. Could be citywide or smaller neighborhood units.	Can be initiated by Council action subject to a protest of property owners.
Mello-Roos	Flexible assessment type financing that can be used for both capital and operating. Offers options on timing and zones.	2/3 vote required
Admissions Tax	Under the Municipal affairs authority of charter cities, the City may assess an Admissions tax on the consumer for the privilege of attending any show, performance, or display or exhibit.	Attendants at the ARCO Arena and Cal Expo would be the major taxpayers. The rate from other cities is generally 5%. This would generate approximately \$350,000 for each 1%.
Business Operation Tax	Increase of limits Employee Fee Increase in certain segments (i.e convenient stores, businesses operating 24 hours)	The City can not impose an income tax. The Business Tax however may impose on a business a tax based on the number of employees. The City could not impose this tax on the State of California offices.
Commuter Tax	Cities may impose a tax for the privilege of renting a parking space within the city. The tax would be collected by operators of parking facilities (except for State or County operated facilities).	This tax would tax both city and non-resident commuters. May be contrary to the City's policy of keeping offices in the downtown area.

Offset Other General Fund Obligations.	Increased cost recovery for other General Fund expenditures, such as street maintenances, could be utilized for public safety programs.	
Police Related Revenues	False Alarms Service Fees 911 Misuse Charges Tow Administration Recovery of Jail Booking fees from additional court fines.	These are miscellaneous fees that are being considered by the Police Department.
Fees	Fee increases to cover costs currently being funded from the tax base	May not exceed the reasonable cost of providing the service including overhead. Certain recreation fees have different rates for non-residents.
Fines	Revenue generated from parking citations goes to the City's General Fund. These fines are not under the same limitations as fees for service. Moving vehicle fines are controlled by the courts and are restricted in use.	The State of California takes half of the moving vehicle violation fines. The City portion can not be used for police operations. The fund may go for other traffic safety programs such as for signs and markings of streets.

Citizens are examining various ways to increase funding. At the April 29 Budget Workshop, hosted by community groups, various ideas will be discussed. The June 6 evening Council meeting has been scheduled to receive citizen's ideas, including reprioritizing existing resources.

POLICY CONSIDERATIONS

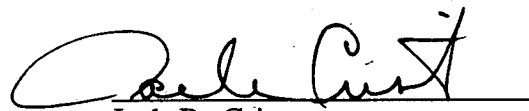
Several policy issues arise with this general position:

1. Should the City pursue revenue increases to fund public safety needs? Or should high public safety programs be funded from existing sources while other non-safety programs (such as parks, recreation, and library services) seek alternative funding sources?
2. Should the choice of programs be at the citywide or neighborhood level? Should particular neighborhood decide the levels of services desired (neighborhood policing, libraries, parks)?

3. Does voting for these issues crowd out other high priority areawide safety programs such as flood control?

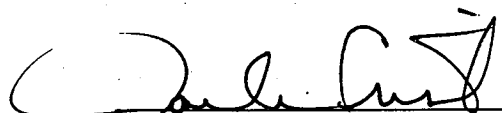
Revenue sources also vary in appeal to the public. There exists a strong reluctance to approve increases to taxes or assessments. Last June, the City placed an advisory vote on the ballot (Measure T) asking whether to form an assessment district to pay for crime reduction programs. Several reasons for this measure's failure have been stated such as: the lack of specificity; split support for the measure; unpopular property related tax structure; a successful opposition campaign; and the lack of a maintenance of effort clause. Similarly, the County sales tax increase for several programs, including the Sheriff's Department, also failed by a wide margin. Opposition to many of the sources listed on the following chart may make these sources unattainable.

Respectfully submitted,



Jack R. Crist
Deputy City Manager

Recommendation Approved:



For William H. Edgar
City Manager

EXISTING GENERAL FUND TAXES

PROPERTY TAX	(\$x.x million) Annually each property pays 1% of its assessed value. The 1% is divided among government agencies such as Sacramento County, Sacramento City, school districts, etc. In total, the City receives about 1/3 of the 1% rate.
SALES TAX	(\$x.x million) The current 7.75% Sales Tax rate is imposed on all taxable sales within the City limits. This tax's proceeds are divided as follows: 5% goes to the State of California, x.x% goes to the Sacramento Transportation Authority, and the remaining x.x% goes to the City of Sacramento's General Fund.
UTILITY USERS TAX	(\$x.x million) A 7.5% tax is imposed on gas, electricity, telephone, and cable television service within the City limits.
BUSINESS OPERATIONS TAX	
REAL PROPERTY TRANSFER TAX	
TRANSIENT OCCUPANCY TAX	The City's General Fund receives 2% of the 12% rate imposed on hotel room costs. The balance of the T.O. tax proceeds goes to the City's Community Center Fund.
RESIDENTIAL DEVELOPMENT TAX	

