

## STAFF REPORT

MEETING

DATE: August 15, 2019

TO: Novato Citizens Finance Advisory/Oversight  
o Committee

FROM: Michael L. Antwine II, Assistant City Manager

SUBJECT: **Discussion on new General Fund Revenue  
Generation Options**



THE CITY OF  
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### **BACKGROUND**

After the approval of Measure C in 2015, which was a 50% reduction of sales tax revenue from the Measure F of approximately a reduction of \$2.5 million dollars revenue to the City's General Fund.

As part of the city budget development process and five-year forecast, City management has identified a lack of revenue necessary to balance the city's General Fund operating budget in subsequent outer years.

### **DISCUSSION**

The City has operated under these fiscal constraints since FY 16, which has required staff to be more creative and strategic with the use of general fund and special revenue funds; such as Measure F as leveraged fiscal resources to offset and mitigate impacts to the general fund.

In light of the fact that on or about June 30, 2020, staff projects the remaining unallocated Measure Funds will be exhausted staff believes it prudent for the City Council to begin deliberate discussions, evaluation and provide direction to staff on several options to create and generate new revenue sources for the General Fund.

Staff opinion is the generation of new, on-going revenue sources is the only way for the city to remain fiscally sustainable in future years. Without a growth in revenue, the city would be forced to implement drastic reductions in expenditures that may negatively affect staffing levels, Public Safety programs & services, Parks & Rec programs, closure of non-essential city facilities, disposition of city assets and contracting out city services that could severely impact the quality of life in the community.

Given that 70% of the general fund is personnel costs, which are essential to providing high quality services to its residents and businesses; staff opinion that in order to adequately mitigate the revenue shortages without addressing the limited tax base.

Below is a list of proposed revenue options for Council consideration:

### **Tax Revenue Options**

1. *Sales Tax* = Staff would recommend that the Council re-evaluate increasing the Measure C (.25-cent) to .50-cent Sales tax. **Revenue = \$2.5 million per year.**
2. *Transient Occupancy Tax (TOT)* = The City's current TOT tax rate is 12%, including 2% imposed by the County of Marin. Effectively, the City has a 10% TOT rate, for which the city shares a portion of those revenues with the Novato Chamber of Commerce. Staff recommends increases the City's TOT tax rate to 14%, which is an effective 12% rate for Novato. **Revenue = \$500,000 per year.**
3. *Cannabis Tax* = A Cannabis tax up to six (6%) percent on all four (4) Cannabis Business activities, such as Manufacturing, Laboratory Testing, Retail Sales & Distribution. **Revenue = \$1.2 million per year**
4. *Utility User Tax (UUT)* = The City is not collecting any fees on Utility Services in Novato. The City has the ability to assess and charge a tax for utility services transmitted and received in the City from residents, businesses, special districts and utility companies. **Revenue = Unknown/TBD**

### **Non- Tax Revenue Options**

1. *Economic Development Opportunities*
  - a. *Hanna Ranch/Vintage Oaks* = If Council approves additional retail development. **Revenue = \$1.0 million per year**
  - b. *Depot Site* = Redevelopment of the Deposit site will create more synergy with the SMART station and revitalize the downtown area with additional new businesses, sales tax & property tax. **Revenue = Unknown/TBD**
  - c. *Fireman's Fund site* = If Council approves a mixed-use development plan that is diversified and well balance to allow for increase of the City Property Tax and Sales Tax through additional Housing, Retail and Class A - Light Industrial or Business Park. **Revenue = Unknown/TBD**
2. *Cost Recovery Fee/Development Impact Fee/Cost Allocation Plan*
  - a. Staff is developing a comprehensive fee study, Development Impact fee and Cost Allocation plan. **Implementation at a minimum of 80% of the recommended fee structure**

3. *Redevelopment and Disposition of City-owned Properties and Facilities* = Staff has identified the following properties that would recommend that Council strategically evaluate certain city properties that could be sold for private redevelopment purpose that would generate housing, retail sales and property tax.
  - a. *Residential Parcels*
  - b. *Commercial Parcels*
  - c. *Vacant Lot/Parcels*
  - d. *Public Facilities*
  
4. *Solid Waste Franchise Fees* = The City is not receiving any fees on the collection, recycling and disposal of Solid Waste in the City. If the City were to negotiate a franchisee fee with the Novato Sanitation District and Recology Waste Company.
  - a. **Revenue = Up to \$300k - \$800k per year (variables unknown)**
  
5. *Split Property Tax Roll (November 2019 Ballot)*
  - a. **Revenue = Unknown/TBD**
  
6. *Solar Panels on City Facilities and Parking Lots*
  - a. *City Hall, DRC, MTSC, Council Chambers, PW Corp Yard, Zinc Lot, PD Dept.*
  - b. **Revenue = Unknown/TBD**
  
7. *Solar Panel Farm – City-owned Open Space parcels*
  - a. *Partnership with MCE (15 acres)*
    - i. **Revenue = \$500,000 per year**
  
8. *EV Charging Stations (Paid Charging)*
  - a. **Revenue = Unknown/TBD**
  
9. *Parking Meter program (Downtown Novato)*
  - a. **Revenue = Unknown/TBD**
  
10. *MVMCC Revenue Options*
  - a. **Revenue = Unknown/TBD**
  
11. *City Administration Initiatives and Programs*
  - a. *Grants*
  - b. *Booster & Sponsorship Clubs for PRCS programs/activities*
  - c. *Restructure Lease agreements for Fair Market Rents and Utilities costs*
  - d. *Energy Efficiency Programs for Utility services @ City Facilities*

## **RECOMMENDATION**

Staff recommends the Committee discuss and provide feedback on the options for generating new General Fund Revenue.