



ADMINISTRATIVE REPORT

MEETING DATE: 6/6/2018

Workshops 6. a.

TO: Honorable Mayor and City Council
FROM: Alan Tandy, City Manager
DATE: 5/30/2018
WARD:
SUBJECT: Revenue Enhancement Outreach Update and Recommendation.

STAFF RECOMMENDATION:

Based on extensive community feedback and discussion, there is significant evidence to suggest the voters of the City of Bakersfield should be given the opportunity to decide whether to adopt a reliable, locally-controlled funding stream within the City to maintain and enhance public safety services, address the fiscal stability of the City and to address quality of life issues such as homelessness. Therefore, staff recommends the City Council direct the City Attorney and other applicable staff to prepare the necessary documents for the June 20, 2018, City Council agenda to place a locally-enacted, one-cent general sales tax measure on the November 2018 general election.

BACKGROUND:

Outreach Update

In December 2017, the City Council approved an agreement with Fairbank, Maslin, Maullin, Metz and Associates (FM3) to conduct polling of nearly 1,000 prospective voters to determine viability of placing a general sales tax measure on the November 2018 ballot. The number of individuals interviewed in the FM3 study was comprehensive - akin to surveys conducted at the statewide level.

In March 2018, FM3 presented survey results to the City Council, which showed approximately 65 percent of likely voters indicating support for a locally-enacted one-cent general sales tax measure. Any revenue generated by a local, voter-approved measure would solely benefit services for the Bakersfield community and are not subject to seizure or takeaways from the state or federal governments. After reviewing the survey responses and community priorities, the City Council directed staff to continue outreach with the community to receive additional community input. Since that time and in addition to four resident focus group sessions conducted by FM3, staff has met with and presented information (See Attachment A) to the following groups and associations:

- Greater Bakersfield Chamber of Commerce
- Moneywiseguys
- The Richard Beene Show
- Western Pacific Research
- Bakersfield Rotary West
- Kern County Taxpayers Association
- Bakersfield Association of Realtors
- Miscellaneous Civil Service Board
- Planning Commission
- Kern Home Builders Association
- ACEC Kern County Chapter
- Bakersfield Rotary Downtown
- Kern Alliance of Nonprofits
- Kern Citizens for Sustainable Government

Additional outreach efforts are currently scheduled with the following entities:

- Hispanic Chamber of Commerce
- KGET – 17
- KERO – 23
- Auto Dealers
- North of the River Chamber of Commerce

In each of these the meetings, staff either presented or discussed items contained within the attached presentation regarding the fiscal circumstances of the city, comparable city data and funding priorities should additional revenues become available to the City. The meetings and discussions have proven to be very productive. Each group has been very engaged, asking relevant questions

and providing feedback on items contained within the presentation. Overall, staff believes the issues and priorities for the funding coincide with the feedback provided by the community.

The most frequent comment revolved around the importance of external oversight should this revenue measure be approved by the voters. In direct response to this feedback, staff will recommend that a citizen's oversight committee be established for the purpose of reviewing the appropriations of revenues from the measure and ensuring the funds will be spent on the community's priorities as articulated in the ballot measure. In addition, staff will also ensure the revenues are tracked separately within the City's accounting system and that the public can review all associated revenue and expenditures at line-item detail within the City's award-winning Open Budget Platform.

Staff found that many community members are surprised to learn of the City's lean law enforcement staffing levels and elevated crime statistics. Several individuals shared stories of slow police response times to non-urgent calls for service or quality of life issues. Staff also received several comments that indicated frustration with the increase in the number of homeless individuals and the impact on the business community. Several community members inquired as to whether the proposed revenue is a short-term stopgap or a long-term solution. Staff believes the revenue enhancement proposal provides for the long-term stability of the City.

Staff concluded that based on the community survey and outreach meetings, the voters should ultimately be provided with an opportunity to decide whether to address these issues through a locally-controlled revenue enhancement mechanism where all funds benefit the Bakersfield community, with none of the revenue subject to state takeaways.

General Background and Overview

In fall 2017, the City Council requested and staff provided a long-term fiscal outlook for the City's general fund, which outlined several challenges facing the City for the foreseeable future. The challenges come in the form of lower revenue trends due to uncertainty in the local energy industry, the impacts of increased online shopping, layoffs at large non-energy employers, state-mandated programs creating more bureaucracy and regulations locally, such as Proposition 47, 57 and AB 109, as well as projected cost increases for CalPERS, employee healthcare, and utilities. Additionally, there are several large deferred capital projects for which funding is not currently available, including the estimated \$17 million cost to replace the soon to be unsupported public safety radio system.

In keeping with the City's fiscally-conservative, award-winning budget approach, staff has taken multiple actions over the past several fiscal years to keep expenditures in line with declining revenues while simultaneously attempting to maintain the level of basic services residents expect and deserve from the City. However, the combination of City growth, general inflationary costs, and depressed revenues have created a circumstance where additional expenditure reductions or revenue enhancements will be necessary to continue to align ongoing expenses with available revenues. The recent FM3 study indicated that residents strongly want core services maintained, not reduced.

Several other factors have created challenges to being able to provide basic levels of service, including:

- The City has the fewest number of employees per 1,000 residents among the top 20 most populated cities in California.
- A 2013 study by the Washington Examiner found the City of Bakersfield had the lowest staffing to population ratio among 107 cities nationwide with a population of 200,000 or more.
- There has been no ability to add service providers and other staff over the last several years to keep up with community growth and demand for services, resulting in lower qualities of service provided to the community.
- Staffing within the police department only allows for an average of 50 sworn officers to be on shift at any given time within the City, which has directly affected the department's ability to respond to certain types of calls for service, such as home burglaries and auto thefts. Seventy-five percent of those responding to the FM3 study believe that the crime rate has increased.
- As of 2016, the City of Bakersfield ranked 3rd in the nation in auto thefts and had a property crime rate over 50 percent higher than the top 20 most populated cities in California, an issue of significant concern to our public.
- Several non-urgent type of calls related to property crimes and quality of life issues are referred to the department online reporting system and no officer responds directly to the call.
- Consistent proactive policing is not a regular department activity due to lack of staffing and the school resource officer program cannot be fully implemented.
- In 2015, 2016, and 2017 the police department had a ratio of approximately 24,000 calls per dispatcher, which ranked as one of the worst in comparison to other comparable cities.
- The population of the City has increased by 57 percent since 2000.
- The area of the City has grown by 32 percent since 2000.
- The number of street miles maintained has increased 82 percent since 2000.
- The number of park acreage maintained has increased 97 percent since 2000.

Similarly, the fire department is running 52 percent more calls than in 2008 and doing so with fewer staff members than were authorized 10 years ago. Currently, the department is rated Class II by the Insurance Service Office (ISO). The purpose of ISO is to give insurance companies a uniform system on which to base its insurance premiums for property owners. The Class II designation is only given to 1.5 percent of the departments in the country. It is necessary to ensure proper investments are continuously made to the fire department to maintain the Class II designation, which directly affects insurance rates paid by property owners within the City. These investments include maintaining the City's 14 fire stations to professional standards, providing the necessary replacement of vehicles and equipment and ensuring the department can grow responsibly to provide the Class II level of service to developing areas of the City.

Additionally, there continues to be an increase in the number of unsheltered homeless individuals within Bakersfield. From 2017 to 2018, the community point in time count reflected an increase of 46 percent. This issue is multi-faceted and requires additional investment in order to ensure individuals receive proper outreach, shelter, and affordable housing in an effort to reduce the number of homeless individuals within the community.

If expenditures continue to lag revenues, additional cuts to General Fund operations will be necessary and there will be no ability to enhance levels of homeless outreach and services. As public safety operations comprises 62 percent of the General Fund, staff anticipates there will be cuts to police and fire operations, should these fiscal trends continue.

Community Feedback and Related Information

As discussed earlier, the overall community survey results show approximately 65 percent of likely voters support a one-cent general sales tax measure to maintain and enhance city services, with the measure carrying above the current threshold needed for passage in all wards of the City.

Based on survey responses, several community priorities were identified:

- Improving rapid response to assaults and robberies
- Maintaining/improving rapid response to gang violence
- Preventing and investigating property crimes, like thefts and burglaries
- Keeping public areas safe and clean
- Retaining and attracting jobs and businesses
- Addressing homelessness

Voters in other communities throughout the state have chosen to a locally-enacted sales tax within their communities to support local government services. Over 93 percent of California residents live within a community that has an additional sales tax to enhance services provided by local governments. In Kern County, the voters within the cities of Arvin, Delano, Ridgecrest, and Wasco have approved one-cent sales tax measures. Regionally, voters within Porterville, Visalia, Merced, Stockton, and Sacramento have also approved sales tax measures. Out of the top 20 cities by population throughout California, all cities within the exception of Bakersfield have voter-approved sales tax rate above the state base rate of 7.25 percent.

Service and Community Enhancement Priorities

Currently, the sales tax rate within the City of Bakersfield is set at the state base rate of 7.25 percent. A locally enacted one percent (one-cent) increase in the sales tax would place the sales tax rate at 8.25 percent and generate an estimated \$50 million annually within the City of Bakersfield. Sales tax is not levied on food purchased as groceries or on prescription medication. All proceeds of a general purpose funding measure must be placed into the City's General Fund and would be available for general municipal purposes. None of the funds from this locally enacted measure can be seized by the state.

In the event that new revenue becomes available following voter approval, staff has developed a draft spending priorities plan that is included in Attachment A. In this draft plan, the first priority of the new revenue would be targeted for public safety, the second priority will address the fiscal stability of the City, and the third priority will focus on homelessness and quality of life issues.

If the City Council places a measure on the ballot, and if voters approve it in November, then the staff will return to Council in late 2018 after the certification of election results with recommendations for using the new revenue the City would start receiving around April 2019.

Draft spending priorities include:

- Increase police staffing to improve police response times, reduce crime, and increase neighborhood police patrols
- Investigate and proactively address property crimes and vehicle thefts
- Strengthen capacity of the Special Enforcement Unit

- Expand the School Resource Officer Program
- Maintain a fully staffed and equipped class II rated fire department
- Reduce homelessness through enhanced partnerships with service providers and construction of affordable housing
- Address the fiscal stability of the City
- Create jobs through economic development, business retention/attraction and workforce development
- Enhance neighborhoods through additional code enforcement and improved park maintenance

Recommended Abbreviated Timeline

The following timeline provides several key dates for specific actions as recommended by staff.

- June 6, 2018: City Council directs staff to bring back necessary documents on June 20th to place one-cent general sales tax measure on the November 2018 ballot
- June 20, 2018: City Council approves ballot language and supporting documents to place one-cent general sales tax measure on the November 2018 ballot; Oversight Committee formed
- November 6, 2018: Election Day
- Winter 2018: Election results are certified; 2nd reading of ordinance; Oversight Committee appointments made (under the scenario of the measure being approved by voters)
- April 2019: Measure becomes operative

Note: Timeline is not comprehensive, it is meant to provide an outline of the key dates associated with a potential tax measure.

ATTACHMENTS:

	Description	Type
□	PowerPoint presentation	Presentation
□	Attachment A - Fiscal Outlook	Exhibit