

# **Ad Hoc Committee Report Recommendation on New Revenue Source**

May 29, 2018



- Mayor appointed Councilmember Cimolino and Turner to committee to explore new revenue sources to solve the ongoing budget deficit
- Evaluated general purpose sales tax, parcel taxes, storm drainage utility fees and specific purpose sales tax
- Recommendation is for a general purpose sales tax

## Background

- General purpose sales tax only requires simple majority of voters
- Must be consolidated with a regularly scheduled general election of Councilmembers
- $\frac{3}{8}$ <sup>th</sup> of a Cent (.375%) is current capacity in the local county sales tax
- Generate approximately \$625k per year

## **Proposed Sales Tax**

Estimated Sales Tax Source	Sales Tax**	Estimated Population	%
Portion of 3/8ths attributed to Tourism*	\$ 250,000	1,967	40%
Portion of 3/8ths attributed to City Population	\$ 168,000	7,200	27%
Portion of 3/8ths attributed to Regional Population	\$ 205,000	8,785	33%
	<u>\$ 623,000</u>	<u>17,952</u>	<u>100%</u>

Estimated Sales Tax Uses (2018-19)	Expenditure
15-year vs. 30-year Amortization CalPERS	\$ 296,000
Restore Police Officer Position	\$ 102,000
OPEB Trust Payment	\$ 82,000
General Government Repair/Maint.	\$ 143,000
	<u>\$ 623,000</u>

*\*Tourism is derived from dividing the annual 717,802 visitor per year by 365 days to get an average.*

*\*\*Sales tax is estimated on average visitor spending.*

# Proposed 3/8<sup>th</sup> of a Cent Sales Tax

1. California Public Employees Retirement System (CalPERS)
  - Reduced the discount rate from 7.5% to 7.0%
  - Projected 14% average per year increase in rates
  - Pension cost projected to double in six years
  - 2017-18 = \$900k, 2018-19 = \$995, 10.4% ↑
2. Most effective way to manage long-term increases is to fund the unfunded liability
3. Allows City to build assets through higher earnings to offset future costs

## Financial Challenges

Estimated Unfunded Liability 06-30- 18	Savings if Amortized for 15- Years vs. 30- Years	Plan Name
\$ 4,519,851	\$ 1,488,379	Safety Police Plan of the City of Fort Bragg
\$ 93,055	\$ 39,943	Safety Fire Plan of the City of Fort Bragg
\$ 21,880	\$ 13,662	PEPRA Safety Police Plan of the City of Fort Bragg
\$ 25,092	\$ 17,174	PEPRA Miscellaneous Plan of the City of Fort Bragg
\$ 4,775,625	\$ 2,582,564	Miscellaneous Plan of the City of Fort Bragg
<u>\$ 9,435,503</u>	<u>\$ 4,141,722</u>	

## CalPERS Unfunded Liability

- Council adopted Resolution 4085-2018 opposing the state ballot measure on April 23, 2018
- Received sufficient signatures
- Requires 2/3rds vote to increase or extend any tax or fee increase
- Retroactive to January 1, 2018

## **Tax Fairness, Transparency and Accountability Act of 2018**

**Questions or Comments**