



## FINANCE DEPARTMENT

# PROPOSED BALLOT MEASURE

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June 4, 2024

## Recommendation that Council:

Hear a presentation from staff regarding an update on Vision 2030 and Fiscal Sustainability Initiative and the need to pursue additional revenue sources to maintain essential City services, and direct Staff to place an appropriate resolution and ordinance for the proposed transaction and use tax increase for formal action on the June 11, 2024, meeting agenda.

# Agenda

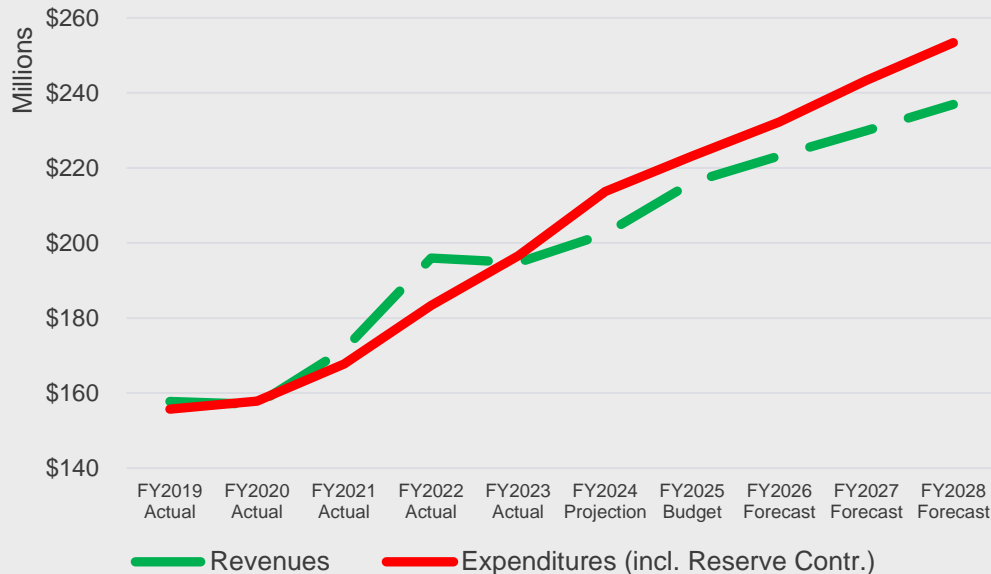
1. General Fund Budget Outlook
2. Vision 2030 & Fiscal Sustainability
3. Public Opinion Polling
4. Recent Public Outreach
5. Proposed Ballot Measure
6. Questions, Public Comment, & Discussion



# General Fund Budget Outlook

# General Fund Multi-Year Forecast

General Fund Revenue & Expenditure Forecast



## Notable Impacts

- Sales tax & TOT modest growth, but volatile
- Stable property tax & department revenues
- Salary increases
- Pension costs
- Inflation
- Capital investment

# General Fund Overview

| \$ MILLIONS                           | FY 2021<br>ACTUAL | FY 2022<br>ACTUAL | FY 2023<br>ACTUAL | FY 2024<br>BUDGET | FY 2025<br>BUDGET |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues                              | \$171.6           | \$196.0           | \$194.8           | \$203.7           | \$216.2           |
| Expenditures                          | 164.9             | 180.1             | 193.4             | 203.6             | 220.3             |
| <b>Surplus / (Deficit)</b>            | <b>\$6.7</b>      | <b>\$15.9</b>     | <b>\$1.4</b>      | <b>\$0.1</b>      | <b>(\$4.1)</b>    |
| Reserves to Meet<br>25% Policy Target | 2.8               | 3.2               | 3.1               | 2.7               | 2.9               |
| <b>Surplus / (Deficit)</b>            | <b>\$3.8</b>      | <b>\$12.7</b>     | <b>(\$1.7)</b>    | <b>(\$2.7)</b>    | <b>(\$7.1)</b>    |
| Target Budget Reductions              | 6.8               | 4.1               | 1.0               | 2.7               | 4.1               |
| <b>Net Surplus / (Deficit)</b>        | <b>(\$3.0)</b>    | <b>\$8.6</b>      | <b>(\$2.7)</b>    | <b>(\$5.4)</b>    | <b>(\$11.2)</b>   |

# Tough Budget Decisions

General Fund deficit may grow as much as 5-7% (\$11.0M – \$15.0M) within next 3 years

Potential, continued expenditure reductions

Operational impacts may include longer City response times, less ability to fund the Local Housing Trust Fund, potential reduced hours of operation

May need to consider additional revenue options

# Potential Revenue Measure

The City is considering a ½-cent sales tax increase ballot measure. Funding from this measure could be used for services including:

- Maintaining 9-1-1 emergency medical, police/crime prevention & fire response services
- Funding the recently created Local Housing Trust Fund
- Addressing homelessness
- Keeping public areas safe & clean
- Maintaining libraries, parks & recreation programs
- And any other services & infrastructure maintained by the General Fund



# Proposed Ballot Measure

## CITY OF SANTA BARBARA ESSENTIAL LOCAL SERVICES MEASURE

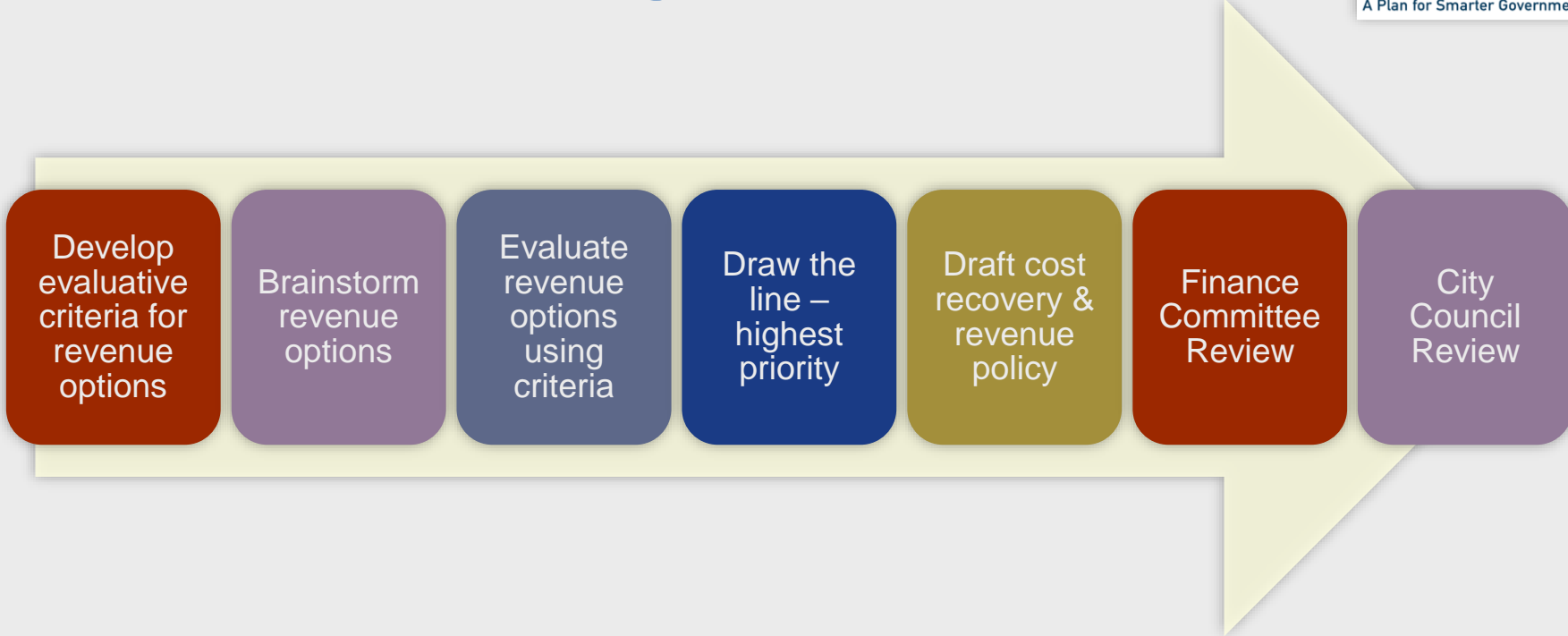
Shall the measure maintaining 9-1-1 emergency/fire/paramedic/police response, keeping neighborhood fire stations open; improving housing affordability; addressing homelessness; keeping public areas/parks safe, clean; maintaining library services, stormwater protection; improving natural disaster preparedness; retaining local businesses/jobs, and for general government use; by establishing a ½¢ sales tax providing approximately \$15,600,000 annually until ended by voters; requiring audits, public spending disclosure, all funds used locally, be adopted?

**YES**

**NO**

# Vision 2030 & Fiscal Sustainability

# Revenue Working Group Process

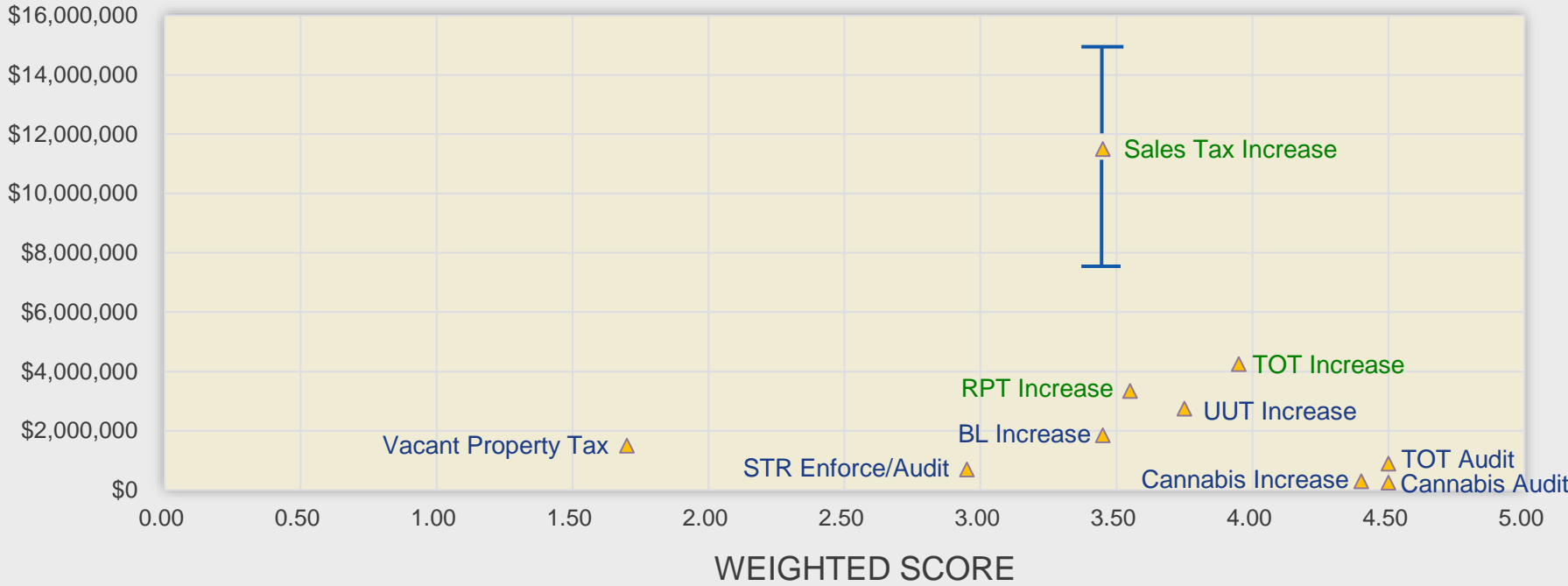


# Evaluative Criteria

- Amount of annual revenue
- Legal requirements to implement
- Restricted versus unrestricted (by Fund, department)
- Longevity of revenue
- Revenue volatility
- City Council approval
- Voter approval
- Staff resources (time & money) to implement
- Staff resources (time & money) to administer after implementation

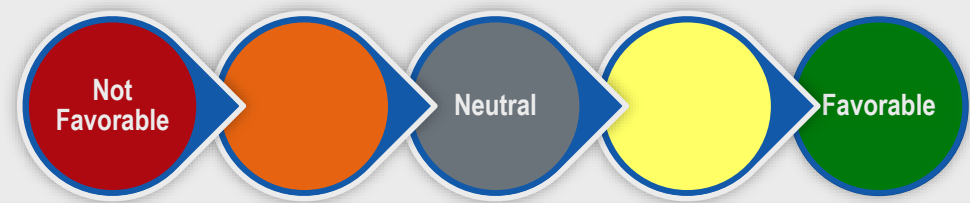


# Taxes Ranking



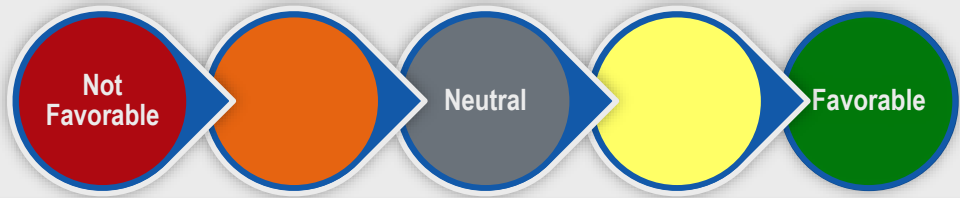
# Sales Tax

- \$15.6M annually
- Small tax increase on many transactions
- ½-cent tax would reach the cap in Santa Barbara County
- Distributed by State



- Legal requirements to implement
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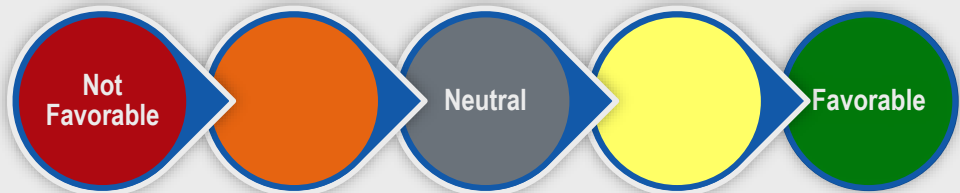
# Transient Occupancy Tax



- \$4.0M – \$5.0M annually
- Only paid by hotel & Short-Term Rental occupants
- Seasonal & volatile

|   |
|---|
| Legal requirements to implement                                   |
| Restricted versus unrestricted (by Fund, department)              |
| Longevity of revenue  |
| Revenue volatility  |
| City Council approval   |
| Voter approval  |
| Staff resources (time & money) to implement                       |
| Staff resources (time & money) to administer after implementation |

# Real Property Transfer Tax

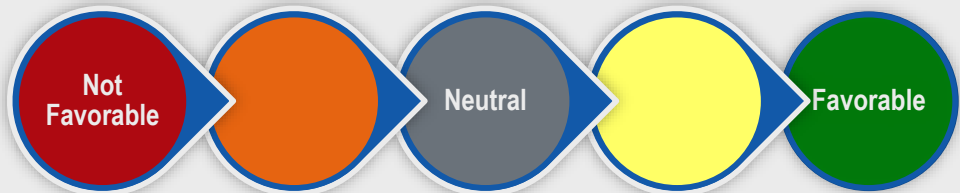


- \$1.0M – \$5.0M annually
- Only collected with property changes ownership
- High volatility

|   |
|---|
| Legal requirements to implement                                   |
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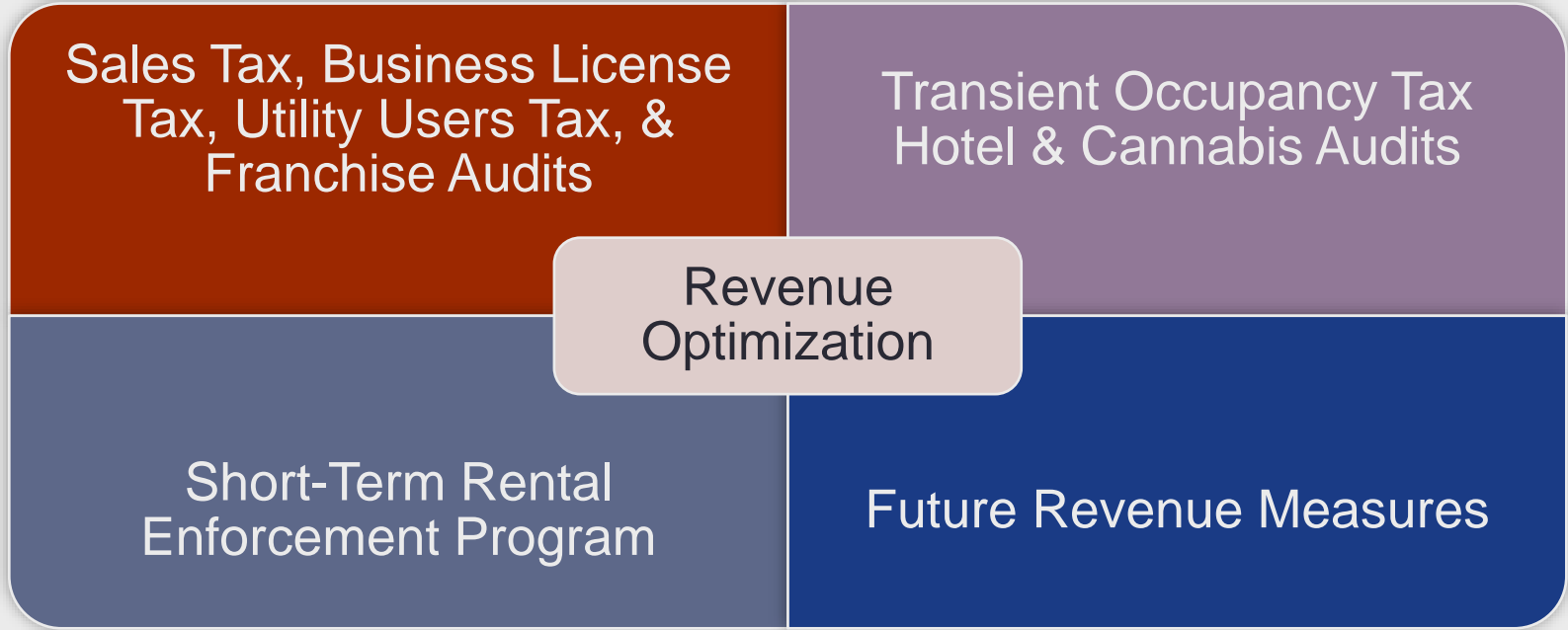
# Vacancy Tax



- Uncertain annual revenue projection
- Commercial &/or residential?
- Designed to change behavior; not a revenue generator

|   |
|---|
| Legal requirements to implement                                   |
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| Staff resources (time & money) to administer after implementation |

# Revenue Optimization










# Attitudes on a Local Santa Barbara Funding Measure

Highlights of a Survey of Likely Voters

# Survey Methodology

|                                 |  |
|---------------------------------|--|
| <b>Dates</b>                    | April 30 - May 5, 2024   |
| <b>Research Population</b>      | Likely November 2024 Voters in the City of Santa Barbara   |
| <b>Total Interviews</b>         | 542  |
| <b>Margin of Sampling Error</b> | ± 4.4% at the 95% Confidence Level   |
| <b>Contact Methods</b>          |  Telephone Calls  Email Invitations  Text Invitations |
| <b>Data Collection Modes</b>    |  Telephone Interviews  Online Interviews   |
| <b>Languages</b>                | English & Spanish  |

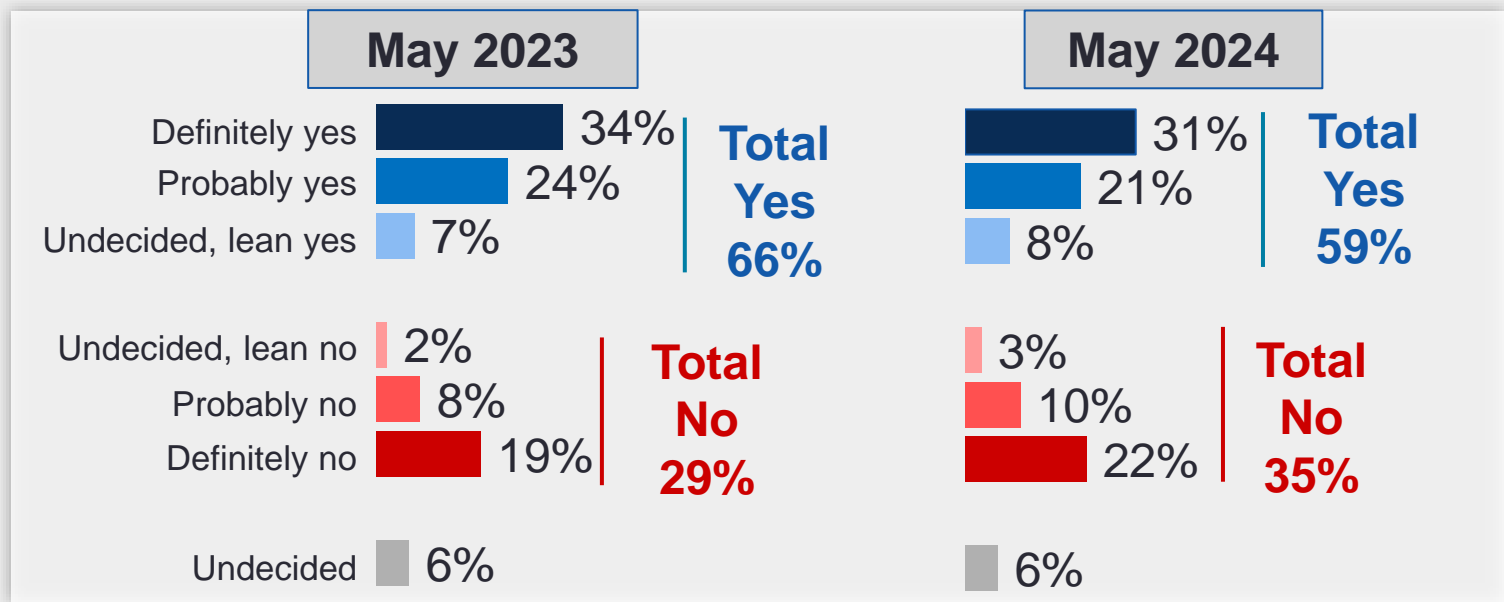
*(Note: Not All Results Will Sum to 100% Due to Rounding)*

# Hypothetical Ballot Measure Tested in Survey

## **CITY OF SANTA BARBARA ESSENTIAL LOCAL SERVICES MEASURE.**

Shall the measure maintaining 9-1-1 emergency/fire/paramedic/police response, keeping neighborhood fire stations open; improving housing affordability; addressing homelessness; keeping public areas/parks safe, clean; protecting local drinking water, stormwater protection; improving natural disaster preparedness; retaining local businesses/jobs, and for general government use; by establishing a ½¢ sales tax providing approximately \$15,600,000 annually until ended by voters; requiring audits, public spending disclosure, all funds used locally, be adopted?

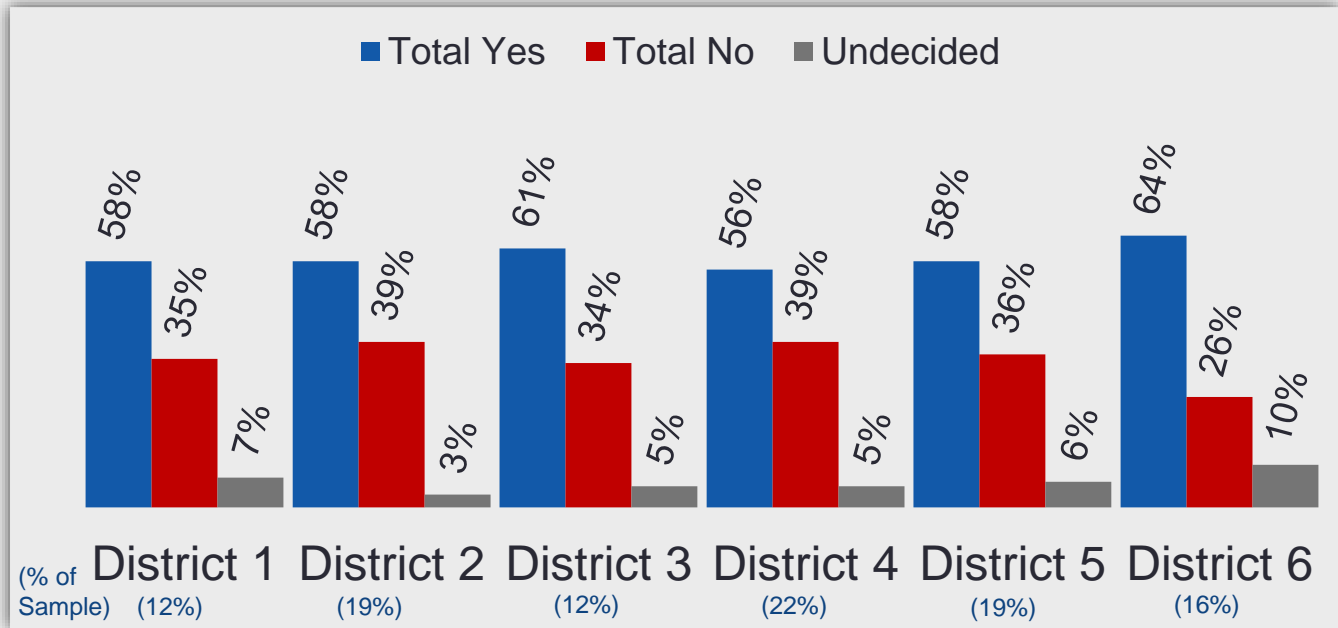
# Nearly six-in-ten voters continue to support the sales tax measure, although support was higher a year ago.



Q. If the election were held today, would you vote yes in favor of this measure or no to oppose it?

# Majorities of voters in all Council Districts support the measure.

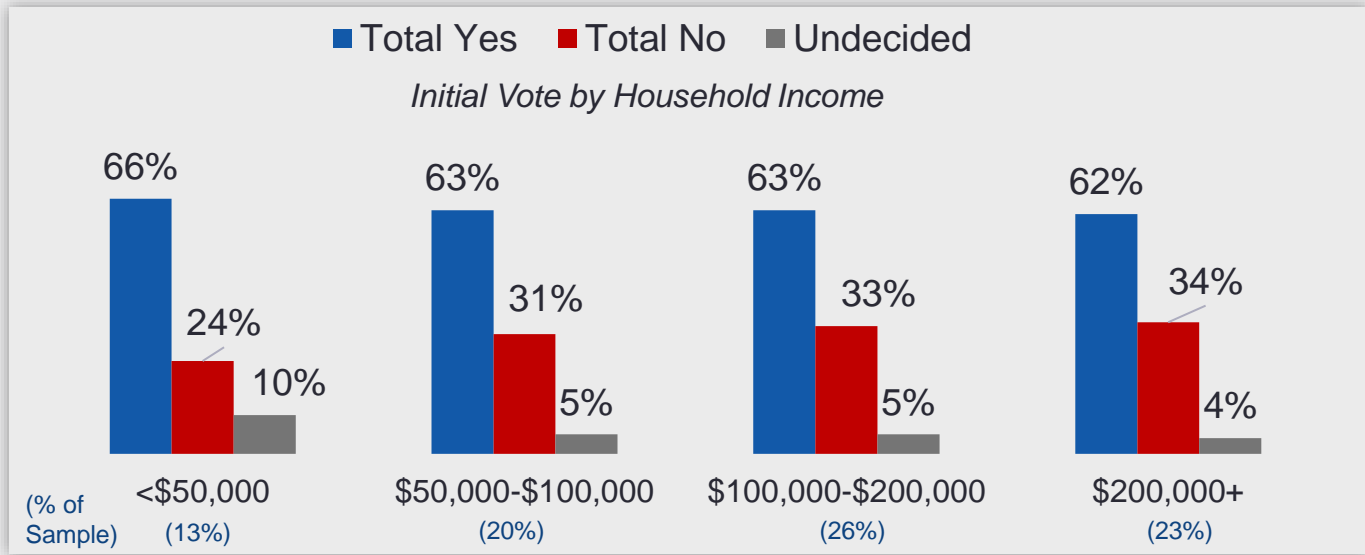
Initial Vote by City Council District



Q. If the election were held today, would you vote yes in favor of this measure or no to oppose it?



# There is almost no difference in opinions on the measure by household income, with those earning less than \$50,000 slightly more supportive than others.



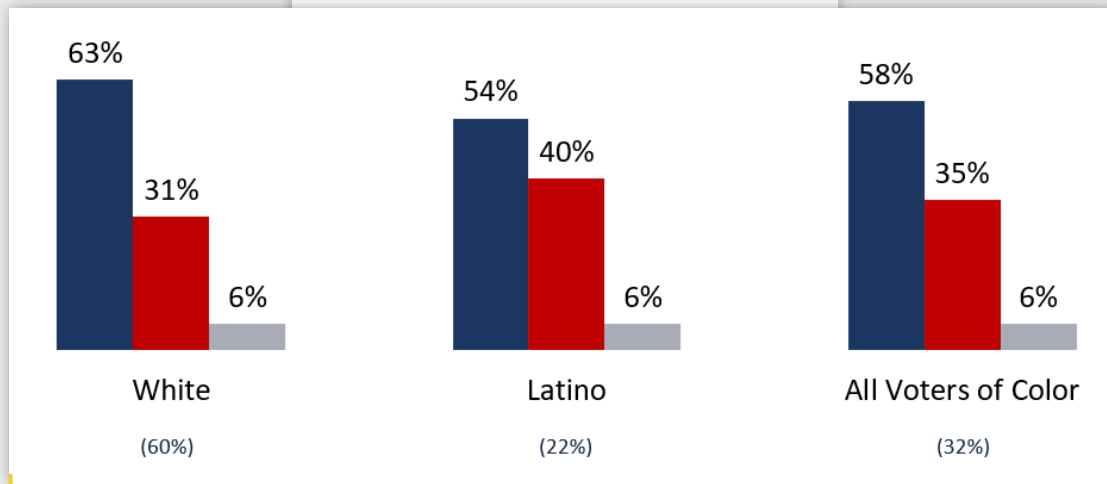
Q. If the election were held today, would you vote yes in favor of this measure or no to oppose it?



# There is strong support for the measure from white voters than Latinos.

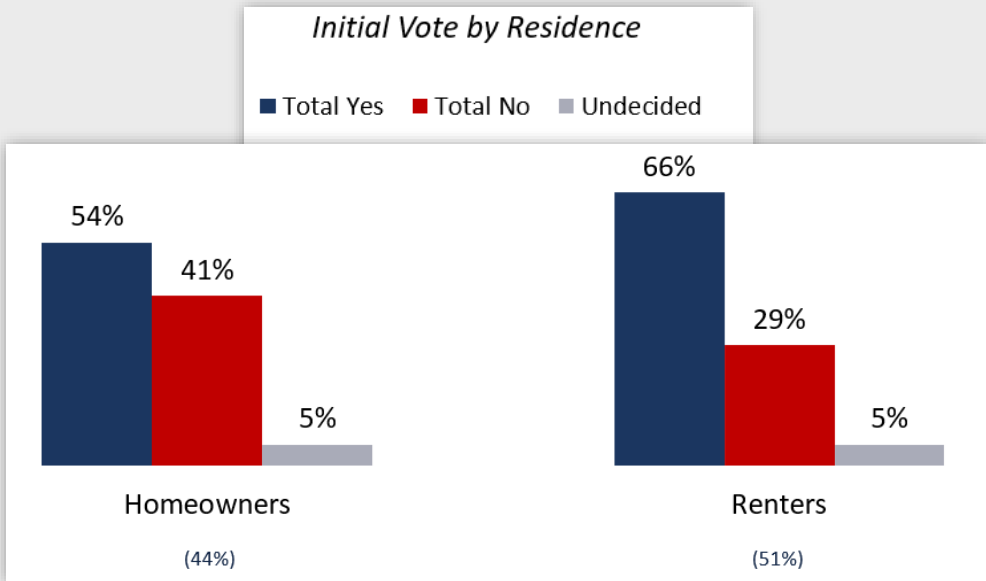
Initial Vote by Race/Ethnicity

■ Total Yes ■ Total No ■ Undecided



Q. If the election were held today, would you vote yes in favor of this measure or no to oppose it?

# Majorities of homeowners & renters support the measure, with stronger support from renters.

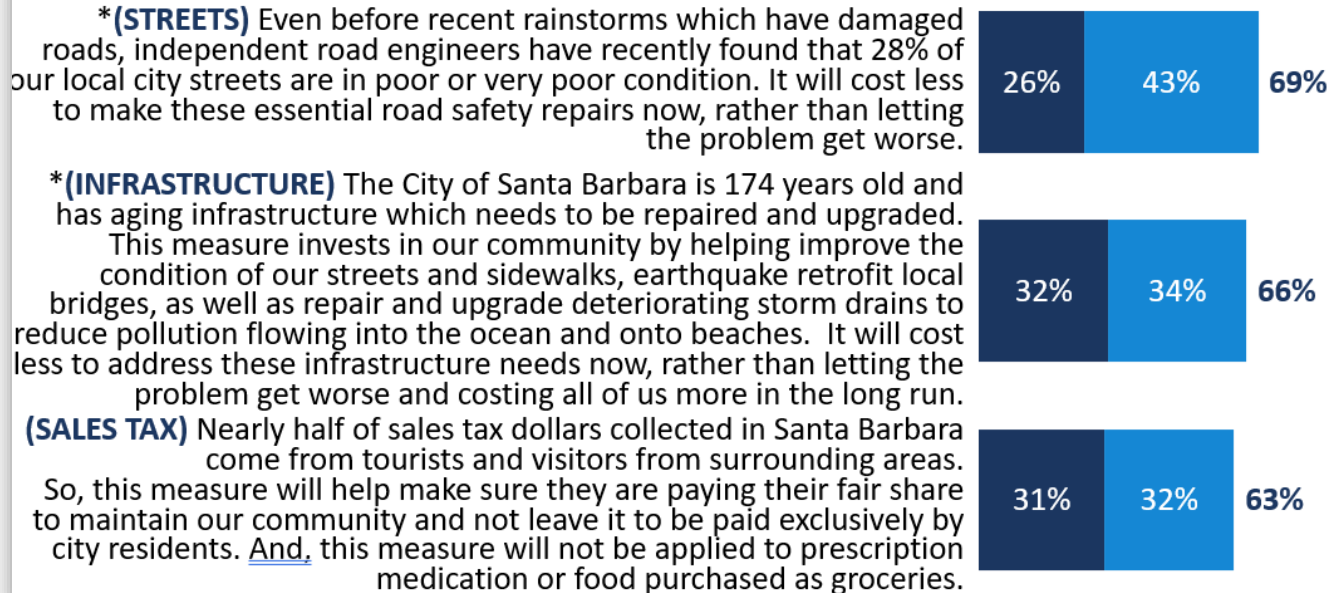


Q. If the election were held today, would you vote yes in favor of this measure or no to oppose it?

# The strongest themes about the measure relate to streets, aging infrastructure & the contribution of visitors through the sales tax mechanism.

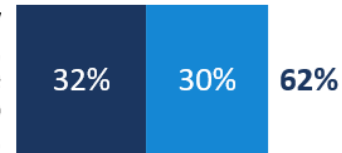
*(Ranked by Total More Inclined to Vote Yes)*

■ Much More Incl. ■ Smwt. More Incl.

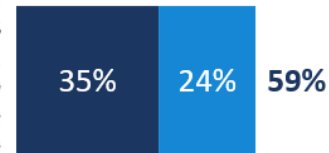


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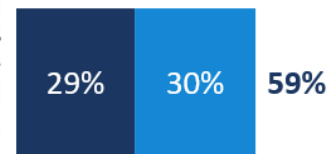
**(ACCOUNTABILITY)** This measure includes strict accountability requirements including public disclosure of all spending, and independent annual financial audits which will be available online. And by law, all money from the measure will stay local to benefit residents of the City of Santa Barbara.



**(HOMELESSNESS)** There are over 900 homeless individuals living on the streets in Santa Barbara on any given night, including veterans and families with young children. This measure will help the City address homelessness including connecting people with mental health, substance abuse treatment services, housing and job training, to help them transition away from or stay off the street, as well as to ensure our business districts, parks and other public areas are safe for everyone.

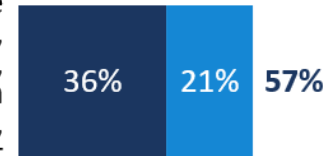


**\*(YOUTH)** This measure will maintain City-funded after-school and summer recreational programs, youth job training programs, as well as gang prevention programs for at-risk youth. These programs provide more than 10,000 kids in our community with safe and supervised activities that keep these children and youth off the streets, away from gangs and out of trouble.

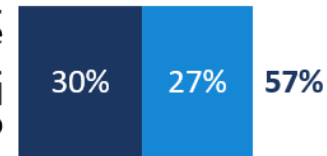


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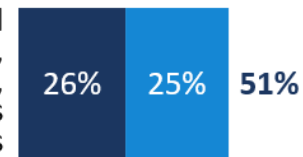
**(AFFORDABLE HOUSING)** The lack of affordable housing is one of the biggest challenges facing the residents of Santa Barbara. This measure will allow the City to do more to make housing affordable, including increasing the supply of affordable housing for veterans, essential workers, and others who are struggling to afford to live in our city, supporting the recently created Local Housing Trust Fund, protecting renters from unfair evictions, and ensuring that local housing is available for long-term renters.



**(RESPONSE TIMES — MEDICAL)** Seconds count in an emergency. Over 65% of the calls to the City of Santa Barbara Fire Department are responses to medical emergencies, accidents or rescues. This measure will ensure that we have the firefighters, neighborhood fire stations, equipment, and communications technology needed to save lives in any type of natural disaster or health emergency.



**\*(LIBRARIES)** Our local libraries are an important part of our community and provide a range of services such as youth reading and homework programs and adult education and literacy programs, in addition to providing books to check out. But without this measure, the City cannot make needed repairs and other infrastructure needs for our libraries, or buy books and may have to cut library hours and services.



# Recent Public Outreach

# Community Outreach Recap

- City hosted a series of 22 Outreach & Budget presentations between October 2023 & May 2024
- Meetings provided an overview of the City's services, budget outlook, & the potential option of revenue enhancement
- Community members shared & provided input about various priorities & expectations for upcoming years

# Community Outreach Recap

- Downtown Santa Barbara (BID), 10/10/23
- The Riviera Association – Santa Barbara, 10/22/23
- SB Library Foundation, 10/26/23 (Zoom)
- Santa Barbara Housing Authority, 11/1/23
- Our Mesa Neighborhood Inc. “OMNI”, 11/9/23
- Library Board, 11/9/23
- Parks & Rec. Commission, 11/15/23
- Community Environmental Council, 11/16/23 (Zoom)
- Visit Santa Barbara, 11/28/23
- SB South Coast Chamber of Commerce, 11/25/23
- SB Foundation, 12/4/23
- Realtors Association, 12/6/23
- SB League of Women Voters, 12/6/23 (Zoom)
- Concerned California, 12/13/23
- Santa Barbara Elks Lodge, 2/29/24
- Independent Living Resource Center, 4/3/24
- Community Townhall at Valle Verde, 4/29/24
- Community Townhall at Peabody Charter, 5/2/24
- Community Townhall at Franklin Community Center, 5/4/24
- Community Townhall at Monroe Elementary School, 5/6/24
- Community Townhall at Harding School, 5/8/24
- Community Townhall at Carrillo Recreation Center, 5/10/24





# Public Information

**The City of Santa Barbara Invites You to Join Us at a Community Town Hall!**  
Visit [SantaBarbaraCA.gov/EssentialSB](http://SantaBarbaraCA.gov/EssentialSB) for more information.

**Dear Neighbor,**  
The City of Santa Barbara and its elected leaders are committed to supporting essential local services in our community. This includes public safety, our streets, roads and other infrastructure, affordable housing, parks, libraries, and many other services. Our City is now engaged in its annual budget process and I'm writing to invite you to one of our upcoming Community Town Halls for more information on the City's finances and the status of City Services.

Like many California cities, the increasing cost of maintaining services continues to exceed projected revenues, and despite ongoing efforts to balance the budget, the City is projected to face a structural budget deficit in the coming years. This deficit is anticipated to grow to 5-7% of the General Fund within the next 3 years which, if not addressed, will present challenges for the City's long-term fiscal health and ability to maintain many core services.

The City's leadership is currently exploring ways to meet these and other challenges, including the potential for new revenue sources. Please visit [SantaBarbaraCA.gov/EssentialSB](http://SantaBarbaraCA.gov/EssentialSB) for more information about City services, the budget outlook, and a community survey for you to share your priorities. We will also be convening a series of community town hall meetings to review these items, and I encourage you to attend.

Sarah J. Keach  
Interim City Administrator

**Santa Barbara City Services & Priorities**  
The City is focused on maintaining essential services and infrastructure. Some of the key priorities we have are:

- **Maintaining 911 emergency medical, police & fire prevention, and fire response services**
- **Funding the new Local Housing Trust Fund**
- **Addressing homelessness**

**¡La ciudad de Santa Bárbara le invita a participar en una reunión comunitaria!**  
Visite [SantaBarbaraCA.gov/SBessencial](http://SantaBarbaraCA.gov/SBessencial) para más información.

**Querido vecino,**  
La ciudad de Santa Bárbara y sus dirigentes estamos comprometidos a apoyar los servicios locales esenciales de nuestra comunidad. Esto incluye la seguridad pública, carreteras, calles, parques y otros servicios. Nuestra ciudad está ahora inmersa en su proceso presupuestario anual y le escribo para invitarlo a una de nuestras próximas reuniones comunitarias para obtener más información sobre los ingresos de la ciudad y el estado de los servicios de la ciudad.

Al igual que muchas ciudades de California, el creciente costo de mantener los servicios sigue superando los ingresos proyectados y, a pesar de los esfuerzos realizados para equilibrar el presupuesto, se prevé que la ciudad se enfrente a un déficit presupuestario estructural en los próximos años. Se prevé que este déficit crezca hasta el 5-7% del Fondo General en los próximos tres años. Si no se aborda este déficit se plantearán retos para la salud fiscal a largo plazo de la ciudad y su capacidad para mantener muchos servicios básicos.

La dirección del Ayuntamiento está estudiando formas de hacer frente a estos retos, incluida la posibilidad de nuevos fuentes de ingresos. Visite [SantaBarbaraCA.gov/SBessencial](http://SantaBarbaraCA.gov/SBessencial) para obtener más información sobre los servicios de la ciudad, las perspectivas presupuestarias y una encuesta comunitaria para compartir sus prioridades. También vamos a convocar una serie de reuniones de la comunidad para revisar estos temas y le animo a que participe en la reunión.

Sarah J. Keach  
Administradora Municipal Interina

**Servicios y prioridades de la ciudad de Santa Bárbara**  
La ciudad se centra en mantener los servicios y las infraestructuras esenciales. Algunas de las prioridades clave que tenemos son:

- **Mantenimiento de los servicios 911 de emergencias médicas, policía/prevenición del delito y respuesta a incendios**
- **Financiación del nuevo Fondo Fiduciario de Vivienda**
- **Abordar el problema de las personas sin hogar**
- **Seguridad e limpieza de los espacios públicos**
- **Mantenimiento de bibliotecas, parques y programas recreativos**

... y muchas otras servicios e infraestructuras mantenidos por el Fondo General. Se exploran asimismo formas de configurar el presupuesto y las prioridades de la ciudad.

**Encuesta Comunitaria y Calendario de Reuniones**  
79 de abril a las 6:30 pm, Villa Verde Neighborhood Community  
2 de mayo a las 6:30 pm, Peabody Charter School  
4 de mayo a las 10:00 am, Forest Hill Neighborhood Center  
6 de mayo a las 6:00 pm, Matías Elementary School  
8 de mayo a las 6:30 pm, Harding Elementary School  
10 de mayo a las 5:30 pm, Carolla Recreation Center

**Essential SB - Fire Chief Chris Mailes**

Watch later Share

**Maintaining Essential City Services**

Like many California cities, the increasing cost of maintaining services continues to exceed projected revenues, and despite aggressive efforts to balance the budget, the City is projected to face a structural budget deficit anticipated to grow to 5-7% of the General Fund within the next 3 years. This page is designed to help residents understand more about the services the City provides, and some of the challenges in maintaining them.

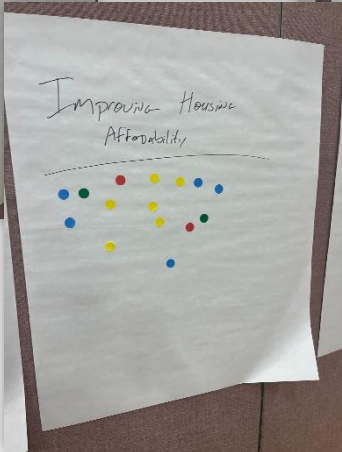
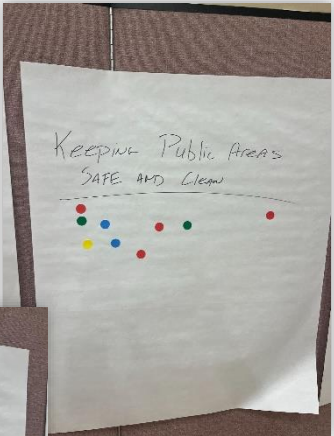
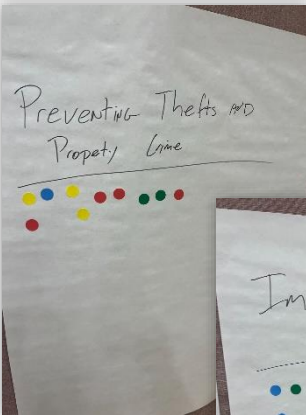
**Essential SB - Police Chief Kelly Gordon**

Watch later Share

**Essential SB - Police Chief Kelly Gordon**

Watch on YouTube

# Community Forums



**What priorities are important to  
Santa Barbara Community Members?**

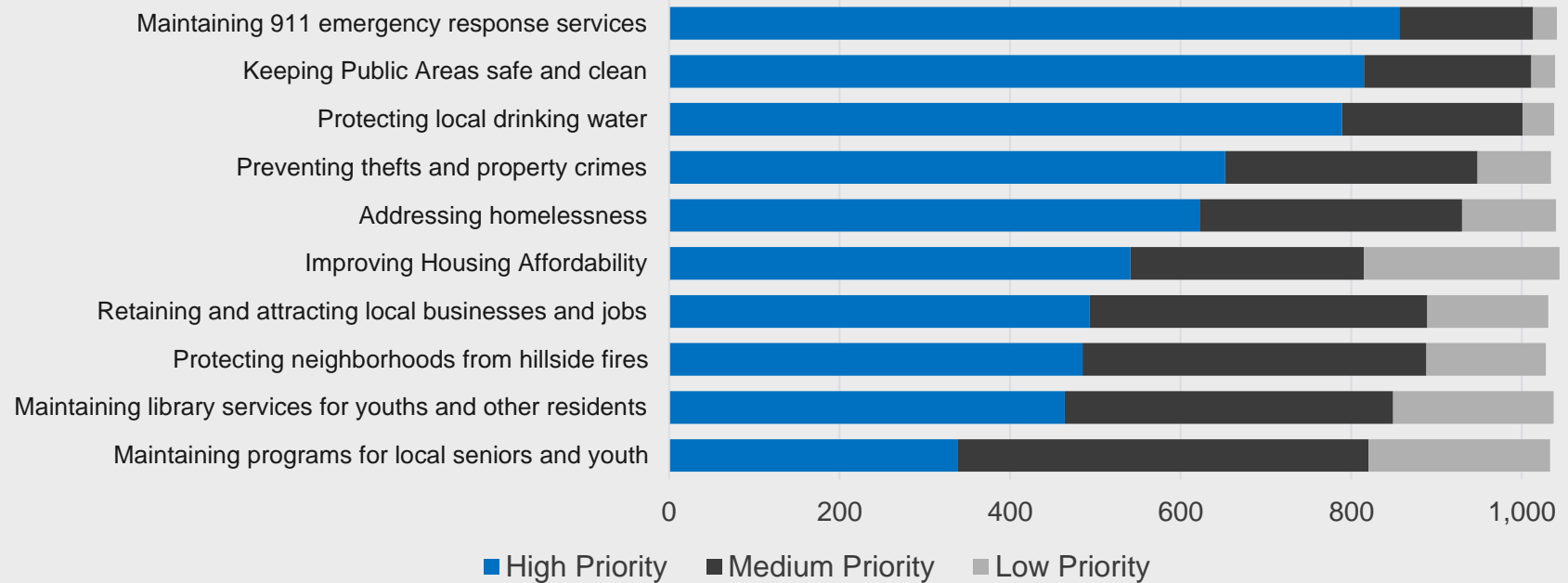
# Common Questions / Concerns Posed by Community Members

- **Public Safety.** What is being done to recruit more officers/increase patrols? Speeding. Property crime.
- **Homelessness.** What is the current count? How does the City address encampments?
- **Housing.** What can the City do for workforce / missing middle. Numerous specific project questions.
- **State Street.** How is City supporting local businesses? What is the thinking around the street closure.
- **What Revenues can be increased / What options has the City considered?**
- **Impact of New Levies on Residents / Businesses.** Concerns over local cost of living, inflation, economy, etc.
- **Pension Liabilities.** What are the City's costs for pensions? What has been done to address these costs?
- **Impact fees.** Does the City charge enough? How are they applied?

# Community Priorities Survey Results

- 1,088 responses collected from residents between October 2023 & May 2024
- Promoted via multiple channels: City's website, e-newsletters, social media, public meetings
- Paper copies were available at each of the in-person workshops
- Residents were asked to rate the importance of 10 various City services as high, medium, or low priority

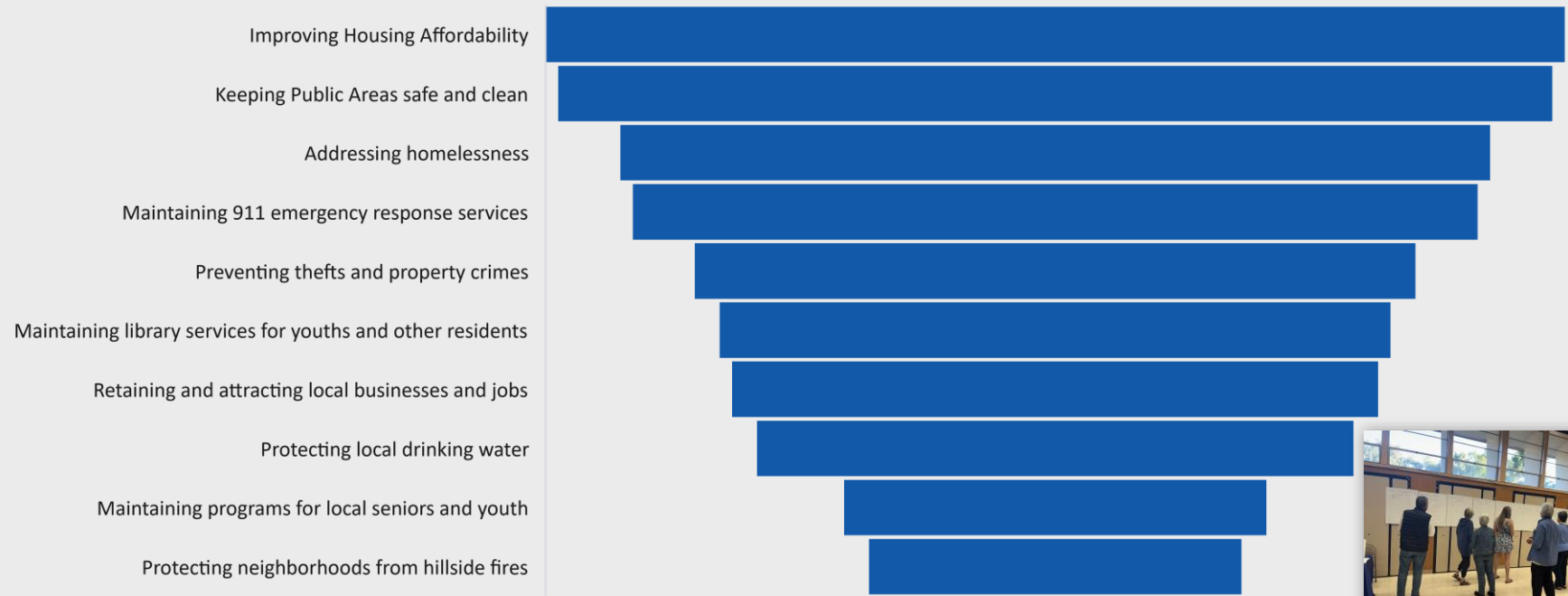
# Community Priorities Survey Results



# Community Priorities Survey Results: Open Ended Comments



# Community Town Hall: Exercise Feedback





# Proposed Ballot Measure

# Potential Revenue Measure

The City is considering a ½-cent sales tax increase ballot measure. Funding from this measure could be used for services including:

- Maintaining 9-1-1 emergency medical, police/crime prevention & fire response services
- Funding the recently created Local Housing Trust Fund
- Addressing homelessness
- Keeping public areas safe & clean
- Maintaining libraries, parks & recreation programs
- And any other services & infrastructure maintained by the General Fund

# How Does Santa Barbara Compare to Its Neighbors?

| CITY            | SALES TAX RATE |
|-----------------|----------------|
| Carpinteria     | 9.00%          |
| Goleta          | 8.75%          |
| San Luis Obispo | 8.75%          |
| Santa Barbara   | 8.75%          |
| Santa Maria     | 8.75%          |

- Santa Barbara’s sales tax rate is 8.75%, lower than neighboring Carpinteria & equal to what is charged in San Luis Obispo & many other Santa Barbara County cities including Lompoc, Santa Maria, & many others
- It is higher than what is paid in Ventura (7.75%) but lower than many similar “destination” communities, such as Pasadena (10.25%), Santa Monica (10.25%), Monterey (9.25%)

# Key Facts

There is a limit on how high sales tax can rise: 9.25%

The City keeps only a fraction of sales tax collected

Nearly half of sales tax dollars collected come from tourists & visitors

# Sales Tax Receipt Example

- The City receives just **22.0%** of the Sales Tax it collects – the rest going to the State & County
- Nearly **half** of sales tax dollars collected in Santa Barbara come from tourists & visitors from surrounding areas

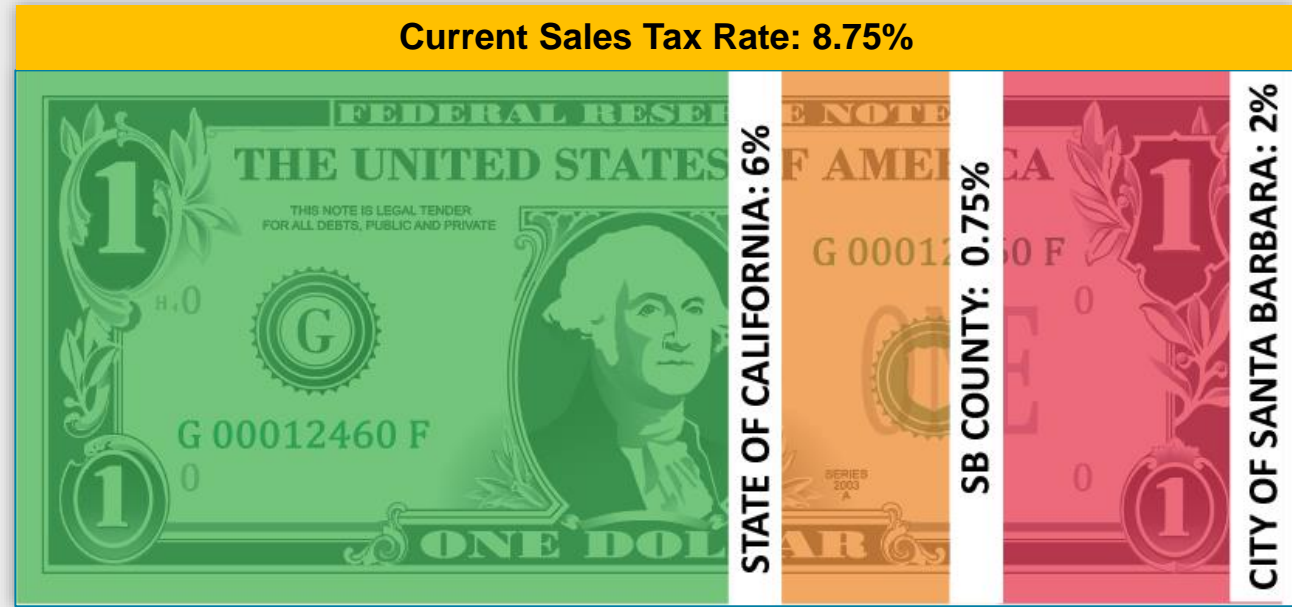
## Sales Tax Receipt Example

| Sample Sales Tax<br>Eligible Purchase<br>in Santa Barbara |         |
|---|---------|
| -----   |         |
| Sub-total   | \$75.00 |
| Sales Tax (8.75%)   | \$6.56  |
| Total Sale  | \$81.56 |
| -----   |         |

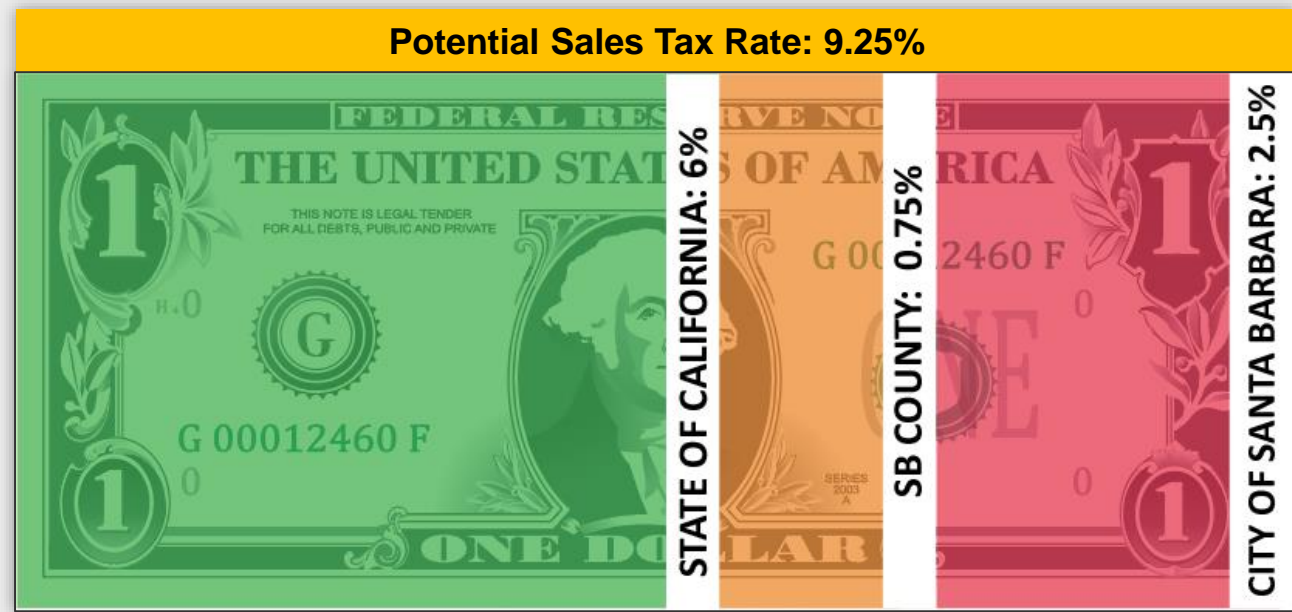
**Sales Tax Paid: \$6.56**

- State of California      \$4.50 (69%)
- County/Districts      \$0.56 (9%)
- City of Santa Barbara      \$1.50 (22%)

# Sales Tax – Current



# Sales Tax – Potential



# Certain Products are Exempt from Sales Tax:

**Most Groceries**

**Prescriptions / Many Medical Supplies**

**Utilities**

*\*\*No additional taxes would be levied on these items*



# How Would a 1/2-cent Sales Tax Effect Residents' Costs?

## \$12 Laundry Detergent



### SALES TAX

Before: \$1.05

After: \$1.11

*6-cent increase*

## \$20 Tee



### SALES TAX

Before: \$1.75

After: \$1.85

*10-cent increase*

## \$130 Sneakers



### SALES TAX

Before: \$11.37

After: \$12.03

*66-cent increase*

# Proposed Ballot Measure

## CITY OF SANTA BARBARA ESSENTIAL LOCAL SERVICES MEASURE

Shall the measure maintaining 9-1-1 emergency/fire/paramedic/police response, keeping neighborhood fire stations open; improving housing affordability; addressing homelessness; keeping public areas/parks safe, clean; maintaining library services, stormwater protection; improving natural disaster preparedness; retaining local businesses/jobs, and for general government use; by establishing a ½¢ sales tax providing approximately \$15,600,000 annually until ended by voters; requiring audits, public spending disclosure, all funds used locally, be adopted?

**YES**

**NO**

# Ordinance & Resolution

## Ordinance

- Authority to levy ½-cent transactions & use tax
- Require annual audit

## Resolution

- Places measure on the ballot
- Directs City Attorney to prepare impartial analysis

## Recommendation that Council:

Hear a presentation from staff regarding an update on Vision 2030 and Fiscal Sustainability Initiative and the need to pursue additional revenue sources to maintain essential City services, and direct Staff to place an appropriate resolution and ordinance for the proposed transaction and use tax increase for formal action on the June 11, 2024, meeting agenda.

# Questions, Public Comment, & Discussion