

Agenda Item Number: \_\_\_\_\_

Agenda Report Reviewed by:  
City Manager: CITY OF SEBASTOPOL  
CITY COUNCIL  
STAFF REPORT

Meeting Date: May 15, 2018

To: Honorable Mayor and City Councilmembers

From: Budget Subcommittee  
Ana Kwong – Finance Director

Subject: Request for Direction to Staff on Sales Tax Measure (Extension of Current Sales Tax) and Transit Occupancy Tax (TOT) Increase and Authorizing City Manager to execute contract with Muni Services to prepare ballot measure language

Recommendation: That the City Council discuss for consideration two ballot measures for the November 6, 2018 Ballot Election

1. To extend Measure Y (1/2 cent) sales tax
2. To increase the City's TOT
3. Authorize City Manager to execute contract with Muni Services to prepare ballot measure language

Funding: Currently Budgeted: \_\_\_\_ Yes \_\_\_X\_\_\_ No \_\_\_\_N/A  
Net General Fund Cost: \$10,000  
If Cost to Other Fund(s),

**INTRODUCTION:**

This item is to Request Council Direction to Staff on City Sales Tax Measure (Extension of Current Sales Tax) and Transit Occupancy Tax (TOT) Increase and Authorize the City Manager to execute contract with Muni Services to prepare ballot measure language for the November 6, 2018 Election.

**BACKGROUND:**

Measure Y, the existing half-cent local use and transactions (sales) tax measure passed by voters in 2012, has helped the City stay solvent, maintain essential services and rebuild reserve funds. This measure is set to expire on March 31, 2021. As a locally enacted measure, the sales tax created a funding stream that could not be taken by other entities such as the State of California.

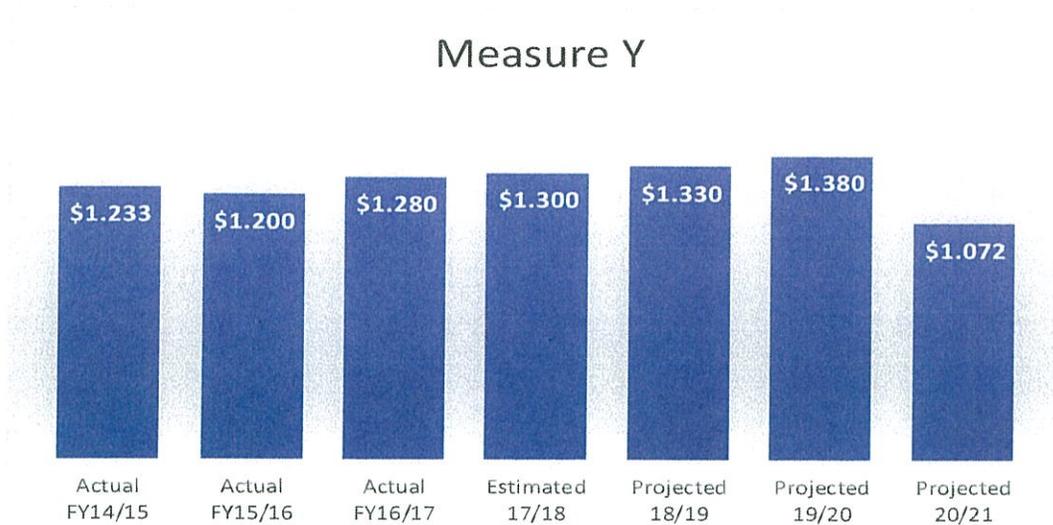
The Transient Occupancy Tax (TOT) is charged to visitors who stay overnight in a hotel room, based on a percentage of the cost of the room night. Currently, the TOT in Sebastopol is equivalent to 10% the cost of a room night and generated approximately \$514,000 in FY 2016/17. In addition,

the City has a Sonoma County Tourism Business Improvement Area, which charges an assessment of 2% of rent charged by lodging operators. This 2% is then transmitted to the Sonoma County Tax Collector for the purpose of promoting tourism in Sonoma County.

**DISCUSSION:**

**Extension of Measure Y**

Based on City budget projections, should Measure Y expire, the City will lose approximately \$1.4 million annually. This revenue generated by Measure Y represents approximately 15% of the City's annual resources. The General Fund supports many programs and services including police, fire, public works, and administration. While the City of Sebastopol continues to be fiscally prudent, without Measure Y revenues, the City will face a budget shortfall over \$2.05 million in the next 3 years, which will require an additional permanent budget reduction, and will further reduce the City's ability to provide for community's programs and current services. Without the continuation of Measure Y General Fund revenue, the City's ability to maintain public service levels, roads and infrastructure will be uncertain.

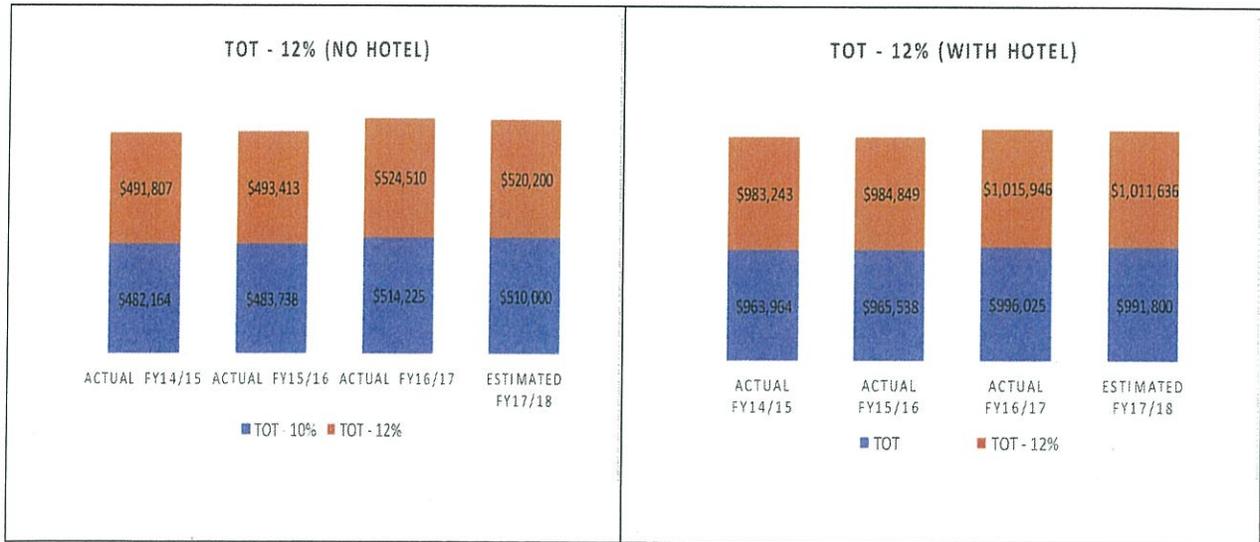


**Increase of the Transient Occupancy Tax (TOT)**

Raising the TOT will help align the City with what many of our neighboring cities are charging. Transient Occupancy Tax amounts in the region vary significantly, with more frequented tourist destinations charging higher TOT. The chart below shows a sampling of existing TOT in Northern California.

Sonoma County	City	TOT	Additional Tourism Assessment Fee	Total
	Cloverdale	10%	2%	12%
	Cotati	10%	2%	12%
	Healdsburg	12%	2%	14%
	Petaluma	10%	2%	12%
	Rohnert Park	12%	2%	14%
	Santa Rosa	9%	3% + 2% (only hotels generating over \$350,000)	12%-14%
	Sonoma	10%	2%	12%
Windsor	12%	2%	14%	
Napa County	City	TOT	Additional Tourism Assessment Fee	Total
	American Canyon	12%	2%	14%
	Calistoga	12%	2%	14%
	Napa	12%	2%	14%
	St. Helena	12%	2%	14%
	Yountville	12%	2%	14%

Annual revenue is expected to grow moderately in the near term and then increase significantly in the future when new proposed hotel establishments are built. The TOT projection chart below is based on the potential TOT revenues with a new hotel development as compared to no new hotel.



The Budget Sub-committee has recommended that the City Council discuss the potential of placing two ballot measures onto the November election (extension of the sales tax and increase in TOT). If supportive of the increase in TOT, the Council should discuss and provide direction to staff on the percentage increase to the TOT.

**RECOMMENDATION:**

That the City Council Approve placement of two measurers on the November 2018 ballot, and:

- Authorize the City Manager to appoint Muni-Services as the City consultant to help prepare the two November 6, 2018 ballot measures;

**Agenda Item Number:** \_\_\_\_\_

- Authorize the City Manager to proceed with the attached Scope of Work with Muni-Services, LLC.;
- Increase appropriation of \$10,000 in the City Manager's budget line item 100-11-01-4210 and authorize the Finance Director to make the budget adjustment.

**ATTACHMENT:**

Proposal for Ballot Measure Preparation Services from Muni-Services, LLC



# City of Sebastopol

## Proposal for Ballot Measure Preparation Services

May 1, 2018

## COMPANY PROFILE

Founded in California in 1978, MuniServices specializes in providing revenue enhancement services to public agencies. MuniServices provides revenue consulting services to over 200 public agency clients in California and over 800 jurisdictions throughout the nation. Since its inception, MuniServices has generated over \$2.4 billion in new general fund tax revenue for its local government clients.

MuniServices is one of the few firms in California which offer proprietary revenue enhancement audit services which encompass all general sources of municipal tax revenue. We earned our reputation as the premiere revenue enhancement partner to the public sector through our comprehensive audit services, proprietary data analytics, accurate forecasting, cost-effective administration services, and our commitment to our clients. Our services enable local governments to make informed business decisions and create sound public policy.

MuniServices and its affiliates employ over 250 professional staff members who are dedicated to the success of each public-sector client that we serve. Our offices are strategically located across the nation, including offices and employees based in California, Alabama, New Jersey, Texas, Washington, DC and Virginia.

## SCOPE OF WORK

MuniServices will prepare all legal documents necessary to include two municipal ballot measures with the November 2018 ballot. The two proposed ballot measures are the extension of an existing 'Transactions (Sales) and Use Tax' (Measure Y) and an increase of the existing 'Transient Occupancy Tax' (TOT). The preparation of these two ballot measures shall comply with all applicable state and federal election laws. In addition, the two ballot measures shall comply with the proposed ballot initiative 'Taxpayer Fairness, Transparency, and Accountability Act (TFTAA) of 2018', which is currently gathering signatures for the November 2018 ballot.

The preparation of the ballot measures primarily will involve legal assistance to draft documents to ensure compliance with existing and proposed election laws. This legal work will consist of the following:

- Work with City staff to draft the proposed ballot question along with any required resolutions, ordinances, impartial ballot analysis, and other background materials.
- Review all ballot materials with City staff, discuss the legal language, and answer questions, as necessary.
- Attend one City Council meeting to discuss the ballot measures and answer questions from City Council and/or the community.
- Provide related ballot measure consulting services, as requested.

# PROPOSED COMPENSATION

MuniServices proposes to provide our services for the creation of two Sebastopol local ballot measures for the November 2018 ballot on a time and materials basis with a not-to-exceed (NTE) amount of \$10,000 (ten thousand dollars). Consulting services will be invoiced at least monthly based on actual time and expenses incurred. The consulting fees will include MuniServices standard consulting rates (subject to change) and we anticipate that the majority of the work will involve Legal assistance or Client Services assistance at the rates shown below.

Our consulting fees are based on the following job classifications:

- Legal: \$325 per hour
- Principal: \$200 per hour
- Client Services: \$175 per hour
- Information Technology (IT) support: \$150 per hour
- Operational Support:
  - Director or Manager: \$175 per hour
  - Senior Analyst: \$125 per hour
  - Analyst: \$100 per hour
  - Administrative: \$75 per hour

Should the City request additional consulting services beyond the Scope of Services listed above, upon mutual agreement, MuniServices will provide these additional consulting on an additional Time and Expenses basis.

