



Date: February 1, 2024
To: Mayor & City Council
From: Interim City Manager Holstine
Subject: Status Report on Various City Revenue Initiatives

Background

Since last year the City Council has had various sessions identifying and discussing revenue enhancement initiatives. The purpose of this report is to provide the status of three revenue studies.

Potential Revenue Sources

Development Impact Fees

Last year the city hired a consultant to conduct a study of Park Development Impact fees. As the City Council commenced discussions of this fee there was interest in broadening the potential uses of funds to other public facilities. This could include facilities used for fire protection and police services and potentially other uses.

The City has also hired the consultant that did our Affordable Housing Strategic Plan to do a study for creating a “linkage fee” for affordable housing funds. This is a form of Development Impact fee.

The city has also hired a consultant to do the nexus study for Public Facilities Impact fee. This will be the legal justification we need to impose fees. We anticipate the nexus study to be completed in Spring of 2024. We are also doing an analysis of fee structures in other cities for comparison purposes.

The Parks fee has been reviewed by the Infrastructure Subcommittee. The affordable housing “linkage fee” will be reviewed by the Affordable Housing Subcommittee. The City Council may wish to discuss what Subcommittee they wish to task with reviewing the Public Facilities impact fee as well as a Subcommittee to review and make recommendations on the composite fee. This will be an important element of this process as we determine how much of a fee will be dedicated to the different uses (Parks, Public Facilities and Affordable Housing).

Stormwater Management Fees (to supplement NPDES fees)

During budget deliberations last June, the Council had a discussion regarding the Stormwater Management program and ways in which to increase non-general fund revenues. In this budget year we are projecting to use \$ 408,377 from the general fund. A

common method of approaching this is to assess impervious areas that contribute to stormwater runoff. Attached is a letter we are sending to potentially impacted property owners. We anticipate bringing this back to the City Council during this year's budget deliberations.

Master Fee Schedule

The City Council is annually asked to increase our Master Fee Schedule by a cost-of-living amount. The Parks and Recreation Commission also looks at fees for those programs and makes recommendations to the Council.

At our budget hearing last June, we discussed the value of doing a comprehensive update to our fees, which has not been done for about 20 years. We are in the process of hiring a consultant with the goal of having a report for you to review during the 2024/25 budget deliberations.

Business License Tax

Over the past 20 years the city has sent to the voters and successfully passed several Business License tax increases. These include a recycling business license tax that generates approximately \$4m a year; a liquid storage business license tax that generates approximately \$300k; a hotel business license tax based on room occupancy that generates approximately \$250k. We also have a business license tax that generates funds for larger corporations. The funds are used for our Capital Improvement program, currently dedicated to paying off bonds for our new library.

Last year we had discussion about looking at a general business license tax, perhaps based on number of employees. There are some recent examples of successful efforts in cities down the peninsula. Staff will be bringing this Subcommittee soon.