

From: Assembly member Paul Kelly
To: Assembly Finance Committee

Working with Director Flick Monday afternoon I analyzed a few different possibilities. What I was looking for was an option that

1. compensated for exempting both food and utilities;
2. brought in additional revenue on top of that; and
3. did not exceed 2% between them.

Here are the three options I analyzed. *The temporary 1% sales tax is included in all 3 options.*

Option 1: Food and utilities exempted, 2% difference in summer and winter

Q2-Q3 (Summer): 6.50%

Q4-Q1 (Fall): 4.50%

Net deficit*: ~\$700k

Option 2: Food and utilities exempted, 1.5% difference in summer and winter

Q2-Q3 (Summer): 5%

Q4-Q1 (Fall): 6.50%

Net surplus:** ~\$1.5 million

Option 3: Food and utilities exempted, 2% difference in summer and winter

Q2-Q3 (Summer): 4.75%

Q4-Q1 (Fall): 6.75%

Net surplus:** ~\$2.3 million

*Net deficit means that the model predicts taking in less revenue than under the current structure, not that we are running a deficit

**Net surplus means that even by exempting food and utilities, the model predicts bringing in more revenue than under the current tax structure

What options 1 and 3 have in common is a *lower than 5%* sales tax in the winter, which could act as an economic booster. However, with option 1 we are not taking in enough to offset the revenue lost by exempting food and utilities.

I would prefer to exempt food and utilities because that takes the burden from working families trying to afford the necessities while we capitalize on funding coming in from outside of our community.

As a ballot initiative continues to gather signatures to exempt food and utilities, we should move forward a serious proposal of our own that has the same beneficial impact on working families,

relieves some of the burden on property taxpayers, and continues to support the services our city provides to the public.

Even if we don't agree on the numbers now, if we get ordinances introduced, we have until late June to build consensus.

Recommendation:

I recommend that the Finance Committee forward to the Assembly an ordinance instituting exemptions on food and utilities and a separate ordinance introducing a seasonal sales tax and use the numbers in option 3 as a starting point.