

# Revenue Modeling and Potential Polling Options

Town Council Meeting  
December 19, 2023

# BACKGROUND

- Previous cost-cutting measures during major economic downturns:
  - Reduced full-time employees by 15% (since 2001) and did not return to pre-recession staffing levels,
  - Imposed wage freezes and unpaid furloughs, and
  - Reduced employee benefit costs.
- On May 17, 2022, Council acknowledged the Finance Commission's finding that a structural financial deficit exists and requested recommendations on how to cure the deficit.
  - \$3M-\$4M budget deficit per year
- On November 17, 2022, the Finance Commission reviewed several cost reductions measures and recommended that the Town further work toward operational efficiencies and research revenue options.
- On January 24, 2023, the Town Council determined its Strategic Priorities for 2023-2025, which included exploring new revenue opportunities and addressing the forecasted deficit.
- On June 20, 2023, the Town Council authorized the Town Manager to issue a Request for Qualifications (RFQ) for revenue ballot measure consulting services.
- On October 17, 2023, Council authorized the Town Manager to enter into an agreement with NBS for the initial phase of the work, with direction to return to Council with revenue modeling prior to any polling.

# BACKGROUND

- Added the following revenues in an incremental and diversified way since 2016:
  - **Transient Occupancy Tax (TOT)** increased and expanded, resulting in approximately \$480,000 annually in additional revenue.
  - **Sales Tax** increased by 1/8-cent for a 20-year period, resulting in approximately \$1,000,000 annually in additional revenue.
  - **Annexed 24 unincorporated County pockets**, resulting in approximately \$1,000,000 in property taxes remaining in the Town instead of being diverted to the County.
  - **Updated business license taxes** for the first time since 1991, resulting in approximately \$1,100,000 annually in additional revenue.

# Revenue Modeling Options

## Overview

- Various options reviewed:
  - property transfer tax increase
  - utility user tax (UUT)
  - special assessment districts
  - transient occupancy tax (TOT)
  - business license tax
  - sales tax
  - parcel tax
- NBS recommends polling both a sales tax and a parcel tax with senior/low-income exemptions
- NBS recommends polling no more than two options

## Revenue Modeling Options

### Sales Tax Option: 1/8-cent (0.125%)

- Current sales tax rate: 9.25%
- Potential new rate: **9.375%**
- Additional revenue projected: About \$1.1M annually
- If a general sales tax, would require a majority of registered voters to pass
- Would be a good first step but would not cover the forecasted deficit
- The remaining capacity for sales tax could be utilized by another government agency during the next election cycle, preventing the Town from ever accessing this revenue

## Revenue Modeling Options

### Parcel Tax Options: with senior/low-income exemptions

- According to NBS, the parcel tax option is the only reliable way to correct the Town's forecasted deficits with one mechanism
- Options by parcel, by lot square foot, and by building square foot:

Annual Revenue Target	Parcel Tax - By Parcel	Parcel Tax - By Lot Sq. Ft.	Parcel Tax - By Building Sq. Ft.
\$4M	\$ 390.82	\$ 0.0219	\$ 0.15
\$3.5M	\$ 341.96	\$ 0.0192	\$ 0.13
\$2M	\$ 195.41	\$ 0.0110	\$ 0.07
\$1M	\$ 97.70	\$ 0.0055	\$ 0.04

# Revenue Modeling Options

## Parcel Tax Options: with senior/low-income exemptions

- Average Single-Family Residence (SFR) and Condo Parcel Taxes (single unit)

Annual Revenue Target	Average of Parcel Tax - By Parcel	Average of Parcel Tax - By Lot Sq. Ft.	Average of Parcel Tax - By Building Sq. Ft.
\$4M	\$ 390.82	\$ 313.02	\$ 323.64
\$3.5M	\$ 341.96	\$ 273.89	\$ 283.18
\$2M	\$ 195.41	\$ 156.51	\$ 161.82
\$1M	\$ 97.70	\$ 78.25	\$ 80.91

- Average Non-SFR and Condo Parcel Taxes

Annual Revenue Target	Average of Parcel Tax - By Parcel	Average of Parcel Tax - By Lot Sq. Ft.	Average of Parcel Tax - By Building Sq. Ft.
\$4M	\$ 390.82	\$ 935.60	\$ 861.24
\$3.5M	\$ 341.96	\$ 818.65	\$ 753.59
\$2M	\$ 195.41	\$ 467.80	\$ 430.62
\$1M	\$ 97.70	\$ 233.90	\$ 215.31

# Next Steps

- **Today:** Provide direction on measures to poll
  - NBS recommends no more than two options
  - Polling is a targeted effort including a representative sample of likely voters (e.g., 100 to 200 interviews)
- **January 2024: Conduct voter poll to measure resident opinion**
  - Report results and recommended next steps to Finance Commission and Town Council
  - Council will determine whether to propose a revenue measure to voters on the November 2024 Ballot
- **If Council wishes to pursue a November 2024 revenue ballot measure:**
  - An amendment to the NBS agreement will be needed to execute the additional steps
  - February – May 2024: Public outreach and engagement
  - June 2024: Council action to place measure on November 2024 Ballot
    - Finalize ordinance



# QUESTIONS?

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