

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

# CITY OF OAKLAND

2011 MAR -4 AM 9:54

## AGENDA REPORT

**TO:** Office of the City Administrator  
**ATTN:** Dan Lindheim  
**FROM:** Budget Office  
**DATE:** March 7, 2011  
**RE:** Adopt Legislation Authorizing Placement of the Following on the June 7, 2011 Special Election Ballot:

1. **RESOLUTION ON THE CITY COUNCIL'S OWN MOTION SUBMITTING TO THE VOTERS AT THE JUNE 7, 2011 STATEWIDE SPECIAL ELECTION (OR SUCH LATER DATE THE ELECTION IS SET), A PROPOSED ORDINANCE CREATING A FIVE-YEAR TEMPORARY FISCAL EMERGENCY PARCEL TAX TO INCREASE GENERAL FUND REVENUE; DIRECTING THE CITY CLERK TO TAKE ANY AND ALL ACTIONS NECESSARY UNDER LAW TO PREPARE FOR AND CONDUCT THE SPECIAL ELECTION; AND CONSOLIDATING THE ELECTION WITH THE STATEWIDE SPECIAL ELECTION**
  
2. **A RESOLUTION SUBMITTING TO THE VOTERS AT THE JUNE 7, 2011 STATEWIDE SPECIAL ELECTION (OR SUCH LATER DATE THE ELECTION IS SET) A PROPOSED ORDINANCE AMENDING THE REAL PROPERTY TRANSFER TAX, CHAPTER 4.20 OF THE OAKLAND MUNICIPAL CODE, INCREASING THE TAX RATE ON TRANSFERS OF REAL ESTATE OVER \$5 MILLION (OR SUCH HIGHER OR LOWER AMOUNT AS CITY COUNCIL MAY CHOOSE) TO TWO PERCENT; REQUESTING THE SERVICES OF THE REGISTRAR OF VOTERS; DIRECTING THE CITY CLERK TO TAKE ANY AND ALL ACTIONS NECESSARY UNDER LAW TO PREPARE FOR AND CONDUCT THE SPECIAL ELECTION; AND CONSOLIDATING THE ELECTION WITH THE STATEWIDE SPECIAL ELECTION**
  
3. **A RESOLUTION SUBMITTING, ON THE COUNCIL'S OWN MOTION, TO THE ELECTORS AT THE JUNE 7, 2011 STATEWIDE SPECIAL ELECTION (OR SUCH LATER DATE THE ELECTION IS SET), A PROPOSED ORDINANCE ESTABLISHING A TEMPORARY FISCAL EMERGENCY MEASURE IMPOSING FOR FIVE YEARS A TELEPHONE ACCESS LINE TAX AT A RATE OF \$\_\_ PER MONTH PER "ACCESS LINE", AND \$\_\_ PER MONTH PER "TRUNK LINE";**

Item: # \_\_\_\_\_  
Special City Council Meeting  
March 7, 2011

**DIRECTING THE CITY CLERK TO FIX THE DATE FOR  
SUBMISSION OF ARGUMENTS AND PROVIDE FOR NOTICE AND  
PUBLICATION IN ACCORDANCE WITH THE JUNE 7, 2011,  
STATEWIDE SPECIAL ELECTION (OR SUCH LATER DATE THE  
ELECTION IS SET); AND CONSOLIDATING THE ELECTION WITH  
THE STATEWIDE SPECIAL ELECTION**

### SUMMARY

The following ballot measures are presented to the City Council for consideration; City action on these measures including filing with the County Clerk must be completed by March 11, 2011 in order for them to appear on the June 7, 2011 ballot.

1. Revenue measure to impose a temporary fiscal emergency parcel tax to increase general fund revenue. The tax, applied at the rate of \$80 per year, for a single-family residential property, is estimated to generate roughly \$11 million annually. (All parcel taxes require a 2/3 vote.)
2. Revenue measure to impose a temporary fiscal emergency measure of a new telephone access line tax of \$1.99 per telephone and \$13.00 per trunk line per month. The tax is estimated to generate approximately \$8.2 million annually.
3. Revenue measure to change the real estate property transfer tax by increasing the tax rate on transfers of real estate over \$5 million by 0.5%. The change is estimated to generate roughly \$1.6 million annually, while impacting a handful of large-value transactions.

### FISCAL IMPACT

Revenue measures could generate up to \$18.2 million in FY 2011-12 and up to \$21.1 million, depending on which revenue measures are approved for placement on the ballot and passed by the voters.

The following table summarizes the expected revenues from the various measures:

(\$ millions)

	FY11-12	FY12-13	FY13-14
Temporary Parcel Tax	\$11.1	\$11.2	\$11.3
Temporary Telephone Access Line Tax	\$5.5	\$8.3	\$8.3
Real Estate Transfer Tax Adjustments	\$1.6	\$1.6	\$1.6

## DISCUSSION

Since 2008 the Council has implemented approximately \$200 million in deep program cuts and balancing measures. The city has eliminated over 300 jobs citywide and laid off over 230 workers. This is in addition to 106 staff taking early retirement, as well as other retirements and resignations. Programs have been dramatically reduced – including once per week library branch closures, reductions to recreation staff, eliminations of maintenance crews. The City's back-office personnel – finance, human resources, legal counsel – are substantially less, diminishing oversight of the City operations. Most represented employees have agreed to concessions amounting to 10 percent reductions, including furloughs and retirement contributions.

In November, because the City could no longer afford to pay 739 officers out of the General Fund, Measure BB which contained technical changes to Measure Y, appeared on the ballot. Voter approval provided approximately \$20 million in revenue. The resources enabled the City to rehire 63 Police Officers, fund the required minimum staffing for the Fire Department and administer violence prevention programs. However, it was not a new funding stream and receipt of the funds was predicated on the continued delivery of public safety services. Given the funding restrictions, the resources did not address the City's structural General Fund budget deficit, and other ballot measures which would have provided additional resources did not receive voter approval.

As was discussed in the June 24<sup>th</sup> midcycle report to Council, the City's budget deficit remains structural, with expected continued shortfalls in future years unless ongoing balancing measures are implemented. The projected FY 2011/12 deficit is \$46 million and increases to \$62 million in FY 12/13. Broad economic weakness is anticipated through FY 2012-13, creating continued revenue stagnation. Medical, retirement and costs of doing business are expected to grow throughout the forecasted period.

A balanced approach of both cuts and revenue measures will allow the City to more properly maintain vital services during this ongoing sluggish economic recovery. City resolutions placing these new measures on the June 2011 ballot must be adopted no later than March 7, 2011 in order to be filed with the Alameda County Registrar of Voters by March 11, 2011.

### **I. Public Safety Parcel Tax**

A temporary parcel tax to increase general fund revenue is proposed. The tax, applied at the rate of \$80 per year for a single-family residential property, would generate \$11.1 million annually beginning FY 2011-12. The proposed term of the measure is 5 years. As drafted, the measure would provide funds to allow for the continuing delivery of the wide array of city services, including but not limited to, parks, library and public safety. All parcel taxes require a 2/3 vote to pass. This

Item: # \_\_\_\_  
Special City Council Meeting  
March 7, 2011

measure, at the \$80 level, in less than ¼ of the tax proposed on the November 2010 ballot, but contains the elements Council requested regarding senior and low-income exemptions, rental provisions and foreclosure protections.

## **II. Temporary Telephone Access Line Tax**

A temporary parcel tax measure to impose a \$1.99 telephone access line tax is proposed. This would support the general fund and essential City services such as police, fire, emergency responses, parks, and libraries. It would exempt eligible low-income service customers and those that are preempted from federal and state law. A tax at the rate of \$1.99 per telephone and \$13.00 per trunk line per month is estimated to generate \$5.5 million in FY 11/12 (lower in the first year due to implementation timing) and over \$8.3 million annually in the subsequent years.

## **III. Real Estate Transfer Tax**

A change to the real estate property transfer tax, which would increase the tax rate on transfers of real estate over \$5 million by 0.5% is presented as another option. The change is estimated to generate roughly \$1.6 million annually and would likely affect less than 30 transactions annually. The revenue generated by this change would be used to maintain General Fund services.

## **SUSTAINABLE OPPORTUNITIES**

There are no direct sustainable opportunities associated with this report.

## **DISABILITY AND SENIOR ACCESS**

There are no direct disability and senior access opportunities associated with this report.

## **RECOMMENDATION**

Staff requests City Council action on the following:

1. Adopt a resolution placing one or all of the following three revenue measures on the June 7, 2011 general election ballot:
  - a. Temporary parcel tax of \$80 per parcel;
  - b. Temporary monthly access line charge of \$1.99 for each telephone and per \$13.00 trunk line.

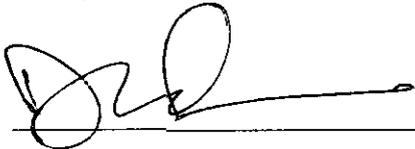
- c. Adjustment to the real estate transfer tax to apply an additional ½ percent tax to real estate transactions over \$5 million.



---

Sabrina B. Landreth  
Director, Budget Office

APPROVED FOR FORWARDING TO THE  
CITY COUNCIL



---

Office of the City Administrator