

FISCAL EMERGENCY AND MARCH 2020 SALES TAX MEASURE



PRESENTED TO THE SCOTTS VALLEY SENIOR LIFE ASSOCIATION

JANUARY 25, 2020

Presented by Scotts Valley City Manager, Tina Friend, at the “2020 Election Preparation Forum”

sponsored by Scotts Valley Senior Life Association, a 501 (c)3 nonprofit, providing education and support relating to the health and welfare of senior citizens living in the Scotts Valley area.

Donations are welcome:

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FINANCIAL OVERVIEW: STATE OF THE BUDGET

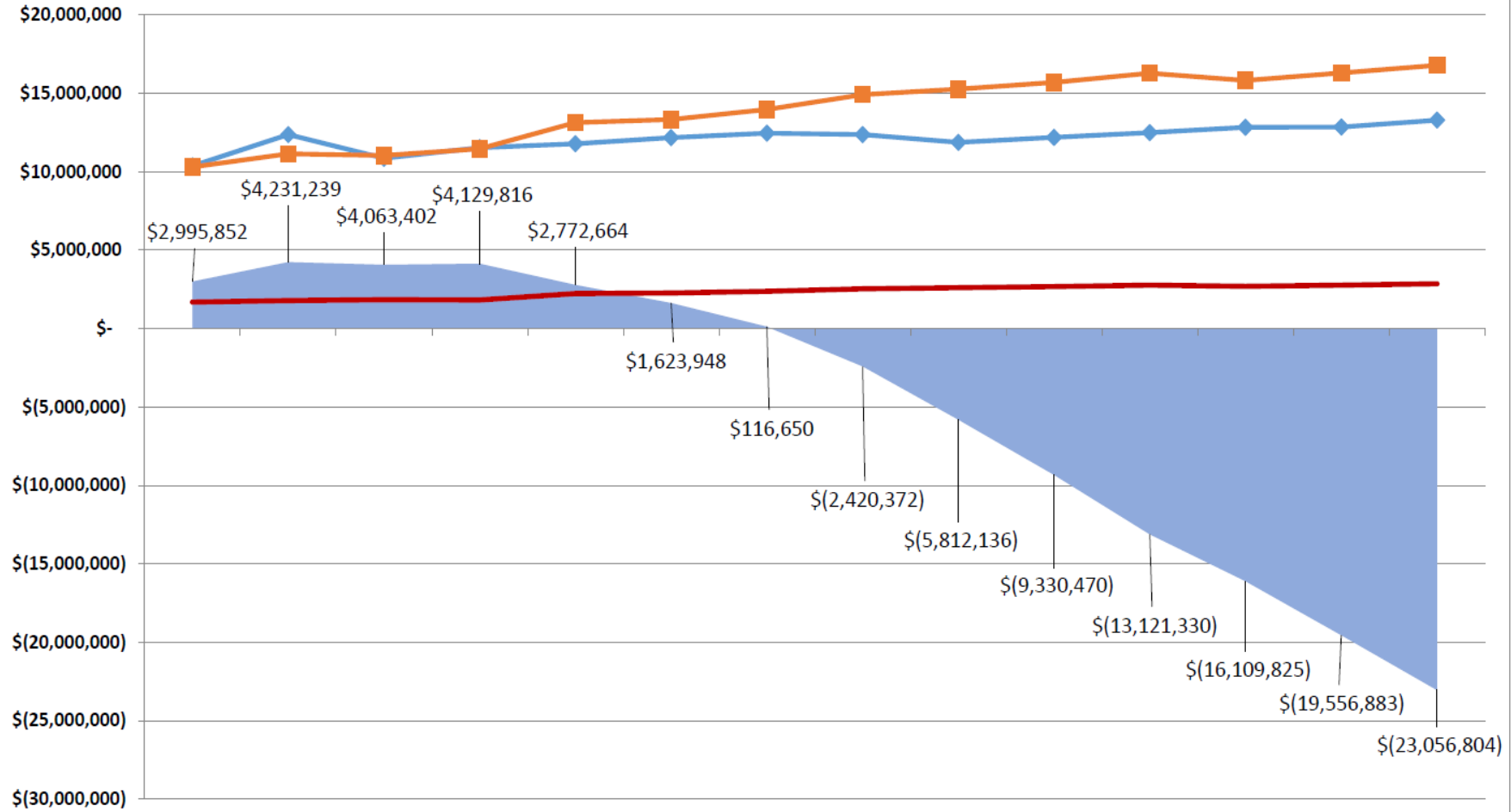
- This year: \$1 million deficit
- Next year: Drop below 17% reserve level
- In 3 years: Reserves depleted
- In next 5 years, deficits of \$1.15 to \$3.4 million
- By FY 2023/24, cumulative deficit projected at \$5.8 million

The City is in a fiscal emergency.

Without course correction, the City will be forced to make significant cuts.

City of Scotts Valley General Fund - Ten-Year Projection FY 2019-20 to FY 2028-29

Baseline Scenario:



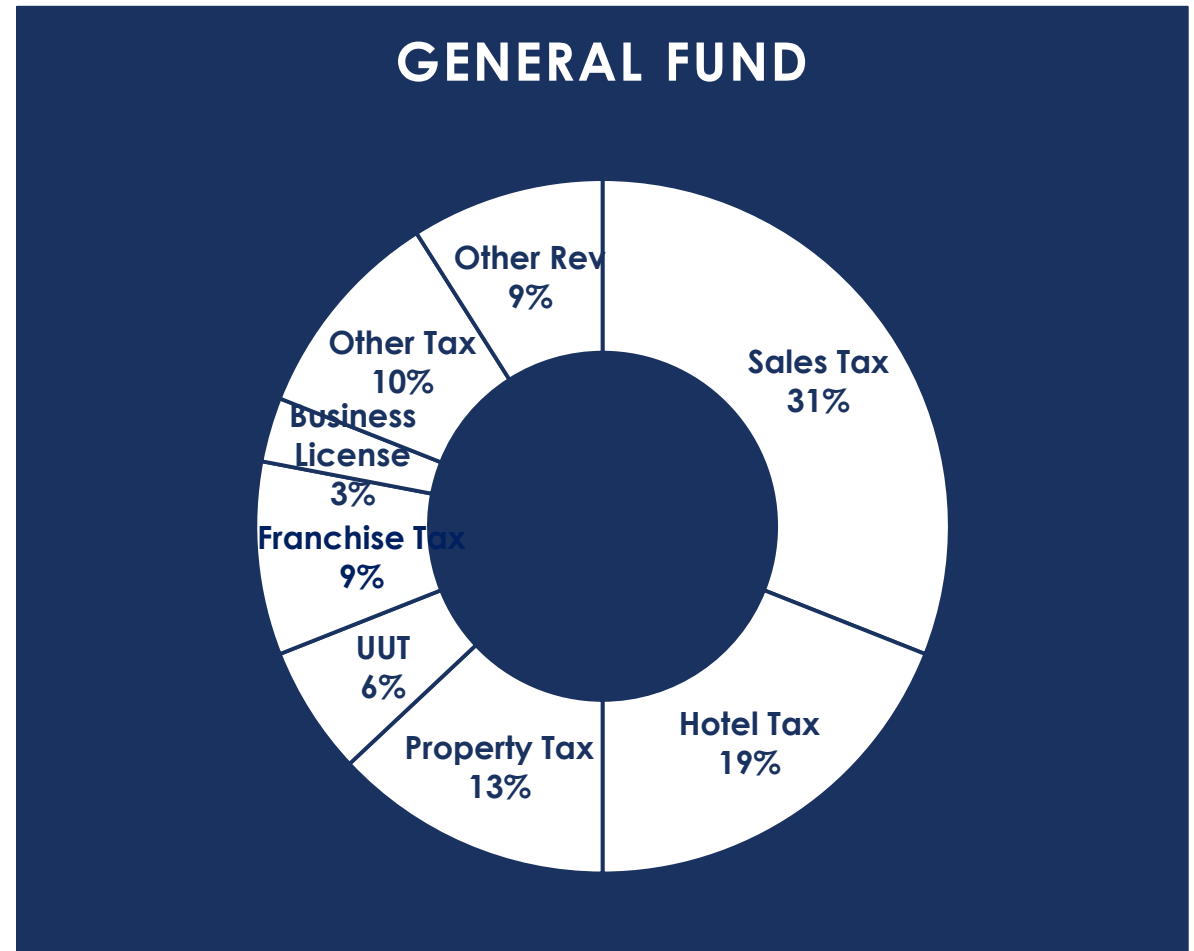
2015-2016 Actual 2016-2017 Actual 2017-2018 Actual 2018-2019 Estimated 2019-2020 Proposed 2020-2021 Projected 2021-2022 Projected 2022-2023 Projected 2023-2024 Projected 2024-2025 Projected 2025-2026 Projected 2026-2027 Projected 2027-2028 Projected 2028-2029 Projected

Fiscal Year

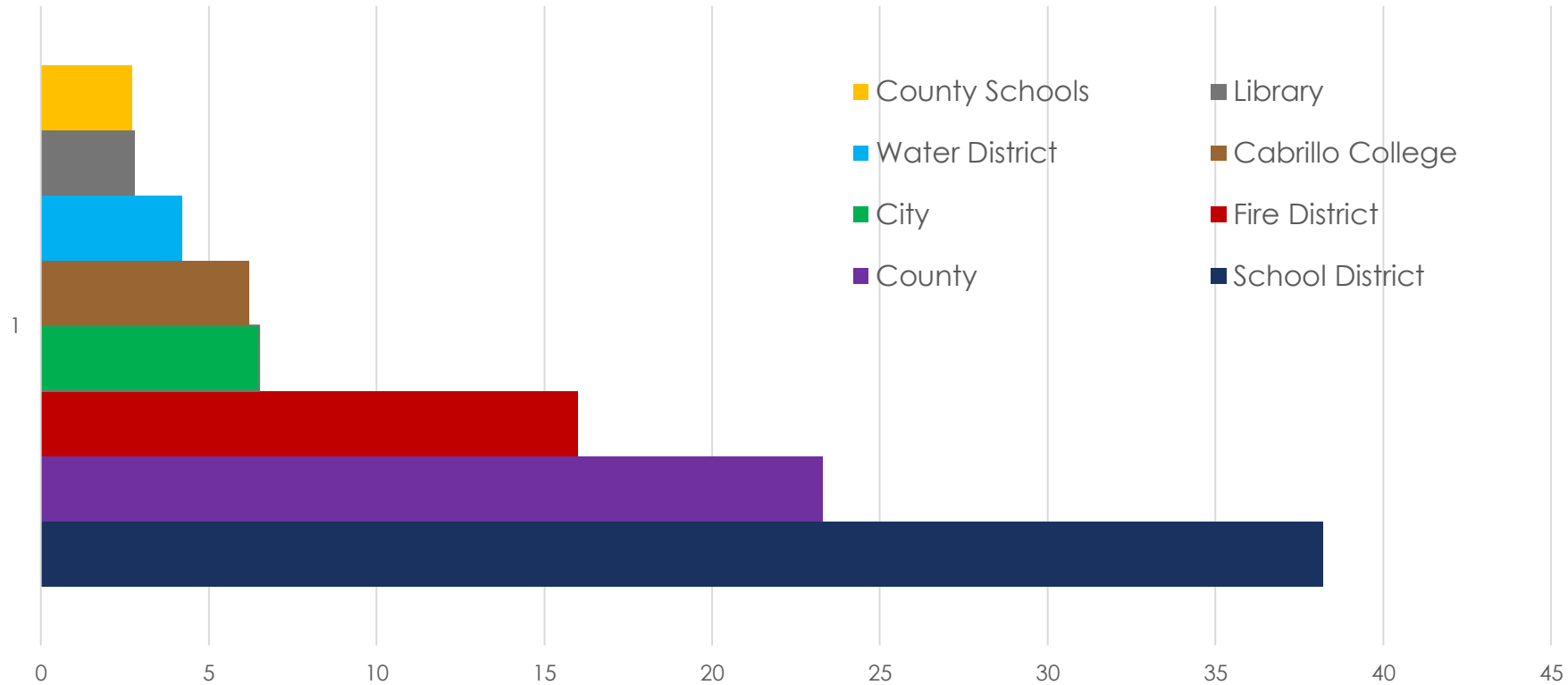
■ Ending Reserve Balance
 ◆ Revenues
 ■ Expenditures +/- Transfers
 — Minimum Reserve Target (17%)

UNDERSTANDING OUR REVENUES

- Heavily reliant on sales and TOT taxes (50% of budget)
- Property Tax - \$1.5 million
 - Scotts Valley collects **6.5%** (for \$5,000 tax bill, Scotts Valley receives \$325)
 - Santa Cruz 16%
 - County 13%



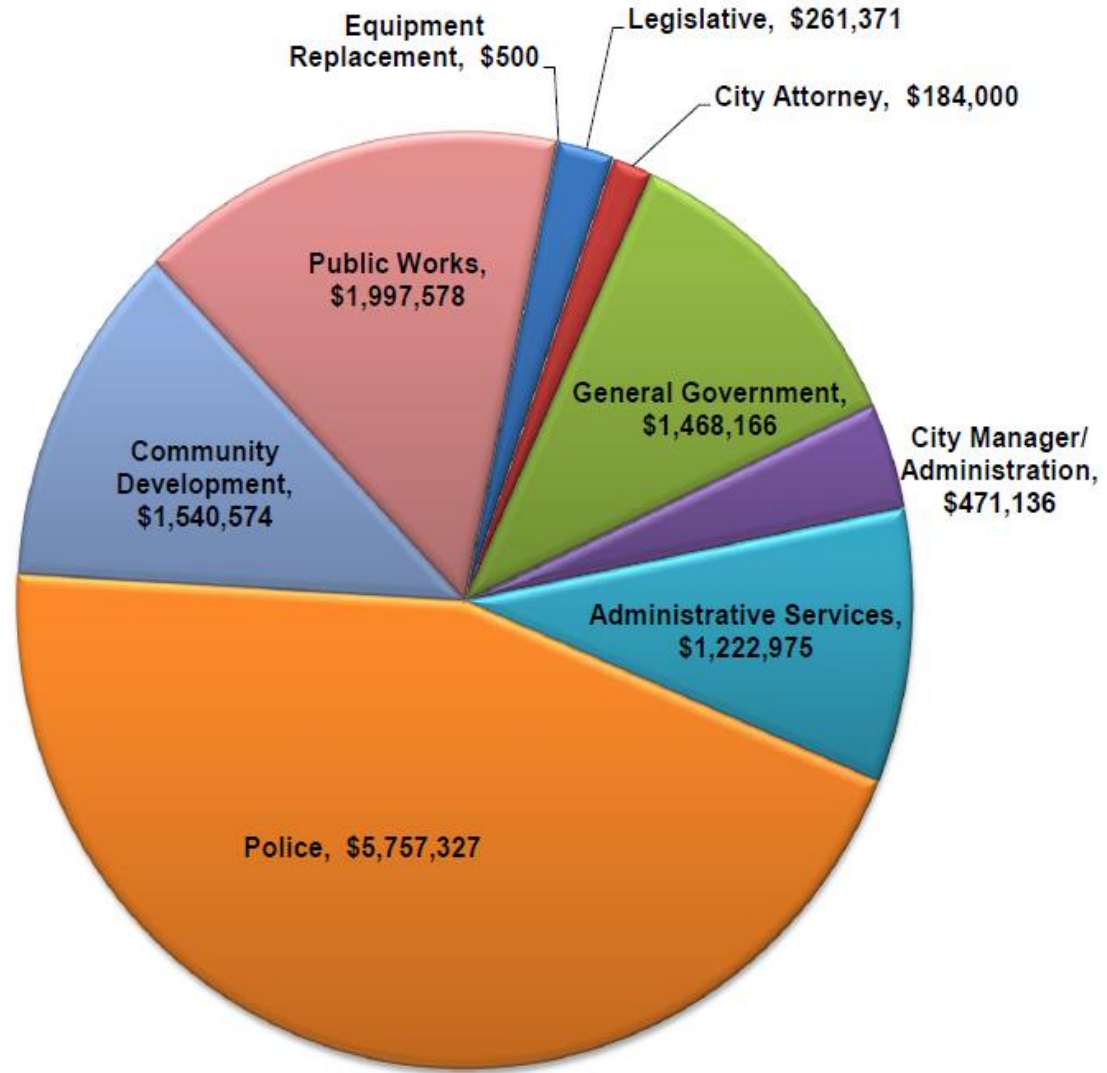
PROPERTY TAX ALLOCATION



Nearly \$23 million in annual property tax is collected in Scotts Valley. Of that, the City receives \$1.5 million.

GENERAL FUND EXPENDITURES

General Fund Expenditures by Department FY 2019/20 Proposed



SCOTTS VALLEY'S BUDGET FACTORS

Expenditure Controls

Support Economic Growth

Revenue Enhancements

WHAT WE'VE DONE: EXPENDITURE CONTROLS

- Reduced staff by 20%
- Updated cost-for-services fees, reducing city subsidy
- Sharing a Building Official with Capitola
- Kept salaries flat
- Employees picking up share of pensions
- Refunded three Bonds (City debt), saving the City over \$1,000,000 in interest
- Outsourcing Vehicle Fleet Maintenance
- Tax collection audits to ensure fairness and correct collection

ECONOMIC DEVELOPMENT IS A KEY PRIORITY

1. Retail Replacement/Economic Development Strategy (Kmart)
2. Added Four Points, 1440 Multiversity
3. Marriott Residence Inn Efforts
4. Town Center Exploratory Committee
5. Economic Development Committee

- New Permitting Processing System
- Objective Design and Development Standards for Mixed Use Projects (building, bulk, mass, architecture)
- ADU Program Update
- Affordable Housing Committee

Summary of Sales Tax Components

3.6875%	State	Goes to State's General Fund
0.25%	State	Goes to State's General Fund
0.50%	State	Goes to Local (Non-City) Public Safety Fund to support local criminal justice activities
0.50%	State	Goes to Local (Non-City) Health and Social Services
1.0625%	State	State for Local (Non-City) Revenue Fund
0.25%	Local	County Transportation Funds
1.00%	Local (City)	City (Scotts Valley) Operations
7.25%		Total State Base Sales Tax
<i>Local Transaction and Use Taxes</i>		
0.50%	Countywide	Metropolitan Transit District
0.50%	Countywide	Countywide Transportation
0.50%	Scotts Valley	City of Scotts Valley (Measure U)
0.25%	Countywide	Santa Cruz Public Libraries
1.75%		Total Local Transactions and Use Tax
9.00%		Total Sales Tax Rate in Scotts Valley

Of the total 9.00% sales tax collected in the City of Scotts Valley, the City government receives 1.50%.

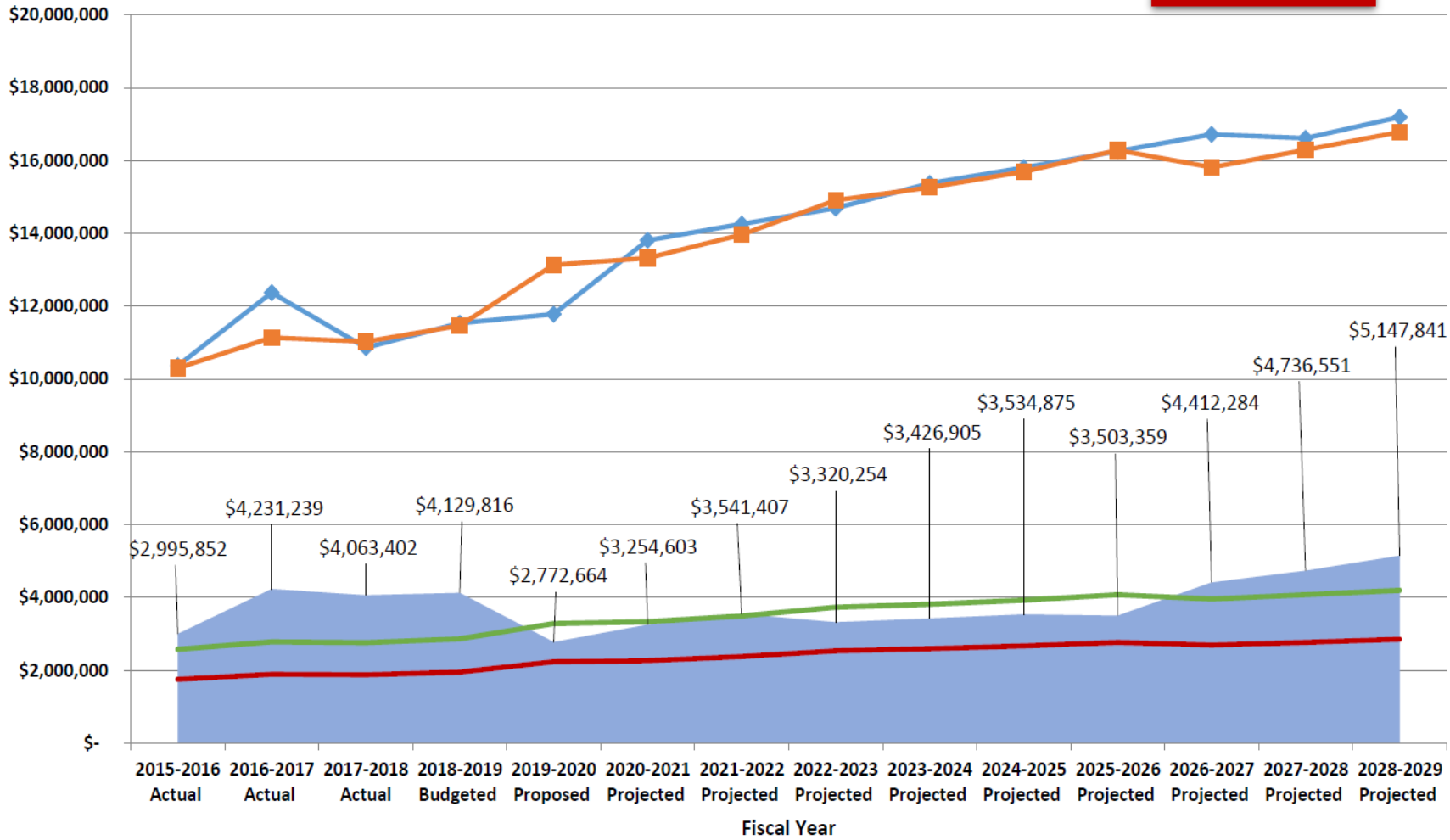
That is equal to 1½ cents for every dollar spent.

LOCAL SALES TAX RATE CHANGE PROPOSAL: MARCH 2020 BALLOT (MEASURE Z)

- Eliminate existing $\frac{1}{2}$ cent sales tax and replace with $1\frac{1}{4}$ cent
 - Net increase of $\frac{3}{4}$ cent for new rate of 9.75%
 - = 38 cents on a \$50 dinner. 75 cents on a \$100 purchase.
- Would raise \$2 million more.
- NO operational cuts would be needed. Preserves core services
- Duration of 12 years to weather the most difficult times
- Considerations: Keeps sales tax for use in Scotts Valley. Non-residents pay sales tax.

City of Scotts Valley General Fund - Ten-Year Projection FY 2019-20 to FY 2028-29

SUT Scenario #2:
1.25% SUT - Mar 2020

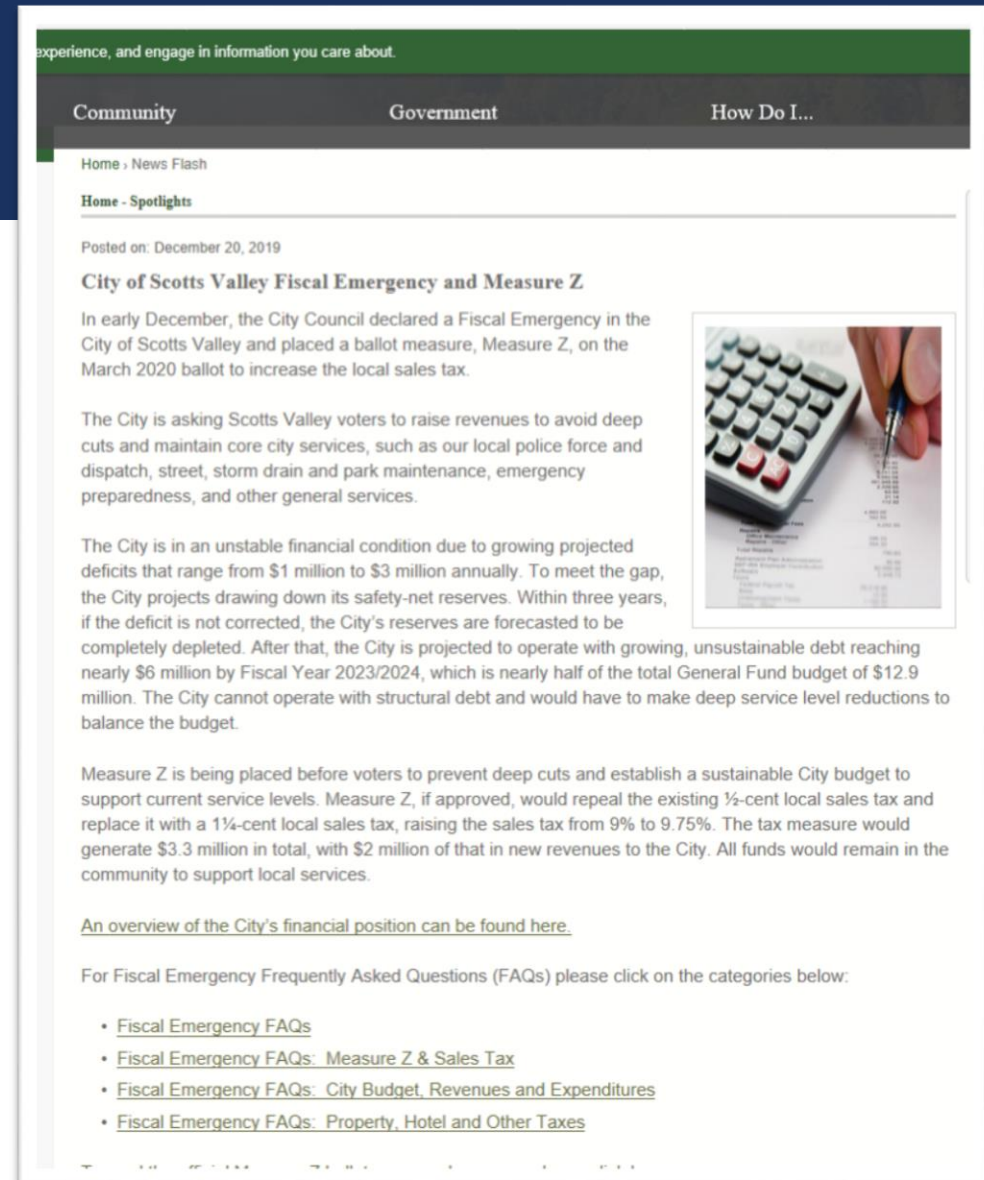


■ Ending Reserve Balance ◆ Revenues ■ Expenditures +/- Transfers
— Minimum Reserve Target (17%) — Upper End Reserve Target (25%)

FOR MORE INFORMATION:

www.scottsvalley.org

→ Scroll down to “City Spotlights”



experience, and engage in information you care about.

Community Government How Do I...

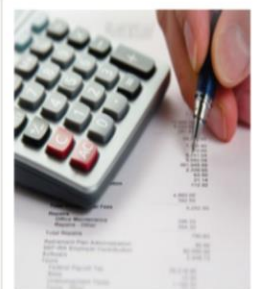
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Home - Spotlights

Posted on: December 20, 2019

City of Scotts Valley Fiscal Emergency and Measure Z

In early December, the City Council declared a Fiscal Emergency in the City of Scotts Valley and placed a ballot measure, Measure Z, on the March 2020 ballot to increase the local sales tax.



The City is asking Scotts Valley voters to raise revenues to avoid deep cuts and maintain core city services, such as our local police force and dispatch, street, storm drain and park maintenance, emergency preparedness, and other general services.

The City is in an unstable financial condition due to growing projected deficits that range from \$1 million to \$3 million annually. To meet the gap, the City projects drawing down its safety-net reserves. Within three years, if the deficit is not corrected, the City's reserves are forecasted to be completely depleted. After that, the City is projected to operate with growing, unsustainable debt reaching nearly \$6 million by Fiscal Year 2023/2024, which is nearly half of the total General Fund budget of \$12.9 million. The City cannot operate with structural debt and would have to make deep service level reductions to balance the budget.

Measure Z is being placed before voters to prevent deep cuts and establish a sustainable City budget to support current service levels. Measure Z, if approved, would repeal the existing ½-cent local sales tax and replace it with a 1¼-cent local sales tax, raising the sales tax from 9% to 9.75%. The tax measure would generate \$3.3 million in total, with \$2 million of that in new revenues to the City. All funds would remain in the community to support local services.

[An overview of the City's financial position can be found here.](#)

For Fiscal Emergency Frequently Asked Questions (FAQs) please click on the categories below:

- [Fiscal Emergency FAQs](#)
- [Fiscal Emergency FAQs: Measure Z & Sales Tax](#)
- [Fiscal Emergency FAQs: City Budget, Revenues and Expenditures](#)
- [Fiscal Emergency FAQs: Property, Hotel and Other Taxes](#)

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