



Community Priorities Advisory Committee Summary of Meeting #2

July 26, 2017

Prepared by:



Moore Iacofano Goltsman, Inc.
800 Hearst Avenue
Berkeley, CA 94710

July 2017

I. Welcome and Introductions

Welcoming Remarks, Roll Call and Agenda Overview

The second meeting of the Engage Roseville Community Priorities Advisory Committee (CPAC or Committee) was held on Wednesday, July 26, 2017, from 6:00 p.m. to 8:00 p.m. at the Mahany Meeting Rooms, 1501 Pleasant Grove Boulevard, Roseville, California. The purpose of the CPAC is to develop recommendations for the City Council regarding service-level priorities and potential service reductions for the five City departments whose operation constitutes the majority of General Fund expenses.

This summary is intended as a succinct synopsis of the meeting's presentations and discussion. More detail on all items, plus meeting materials and a schedule, can be found on the City's Engage Roseville webpage at http://www.roseville.ca.us/council/engage_roseville/default.asp.

To open the meeting, **Facilitator Lou Hexter** of MIG welcomed all CPAC members and other attendees, and then called on **Kathy Pease**, City of Roseville Planning Manager, who took a roll call of the CPAC members.

CPAC Members/Designated Alternates Present:

Krista Bernasconi, Matthew Bridge, Ellaisson Carroll, Pete Constant, Stephanie Dement, Kristine Dohner, Jack Ellison, Derk Garcia, Wendy Gerig, Valerie Gross, Julie Hirota, Bruce Houdescheldt, Kathryn Kitchell, Michael Laperche, Sr., Marcus Lo Duca, Tracy Mendonsa, David Nelson, Jason Probst, Richard Roccucci, Roy Sterns, John Tallman, Elaine Webb, Randall Wilson

CPAC Members/Designated Alternates Absent:

Richard Duffy, Joe Landon, Dennis Snelling, Sergey Terebkov

Returning to the podium, Lou introduced CPAC members to the contents of the handout packets distributed, which included: a draft agenda for CPAC Meeting #3; a white paper from the Public Works Department in advance of their presentation at Meeting #3; a PDF of this evening's PowerPoint presentation; and an updated roster and schedule. He asked those CPAC members or alternates who had not been present at the previous meeting to briefly introduce themselves. He also clarified the role of at-large alternates. They are welcome to attend all meetings and be seated at the Alternate's table. However, rather than being available to substitute for the occasional absence of a regular CPAC Member-at-Large, they will only be called to serve upon the resignation or removal of an appointed CPAC member. Finally, he reviewed the agenda for this evening's meeting.

II. Election of Chair and Vice Chair

The first item on the agenda was to discuss the proposed election of a Chair and Vice Chair for the Committee. In creating this Committee, the City Council did not specify whether it would have a Chair and Vice Chair, but some of the members have stated their preference that those roles be filled. Lou asked CPAC members to indicate, via a show of hands, whether or not they were in favor of electing individuals to play those roles, and, since the majority of members did not have a strong opinion, initiated a short discussion to determine the group's consensus.

Discussion

CPAC members explained why they did or did not think that a Chair and Vice Chair need be elected, as follows:

- Reasons in favor:
 - It is standard practice for City commissions.
 - Since this is a citizen committee, it is appropriate, and may even be legally preferable, to empower citizens to speak for its conclusions.
- Reasons against:
 - It is unnecessary—this is not a governing body, and is making no decisions, only recommendations.
 - MIG has been hired to facilitate the meetings and manage consensus. As an impartial facilitator, it can be relied upon to be neutral.

The consensus that emerged was that several members felt strongly that a Chair/Vice Chair was needed, while no one was strongly against it. A motion to elect a Chair and Vice Chair was made, seconded and carried 10-4, with one abstention. The perspective was also offered that it would be preferable for the Chair and Vice Chair to facilitate the meetings, with no need for an outside facilitator, but that suggestion was not carried forward.

Election

Lou noted that a document had been distributed to members via email in advance of the meeting, defining the duties of the Chair and Vice Chair, as well as the Facilitation Team, and proposing a voting method for selecting the Chair and Vice Chair. CPAC members were invited to indicate their interest in taking the Chair position. There were six candidates: Krista Bernasconi; Pete Constant; Stephanie Dement; Michael Laperche, Jr.; Marcus Lo Duca; and Tracy Mendonsa.

The voting method originally proposed was to administer rounds of voting until a candidate receives a majority of the votes (50% + 1). Lou suggested, in the interest of efficiency, that the method be amended to simply pronouncing the candidate who received the highest number of votes to be the winner, with a run-off taking place only in the event of a tie. The CPAC agreed, after a brief discussion.

A request was made that each candidate make a brief statement as to why they were interested in becoming the Chair. Once they had done so, ballots were distributed, returned to Lou, and the vote anonymously tallied. The candidate receiving the largest number of votes was elected Chair, and a run-off vote was held to determine which of the next three highest vote-getters would be Vice Chair. Krista Bernasconi was elected Chair and Marcus Lo Duca was elected Vice Chair. The Chair and Vice Chair are to be included in preparations for the next Committee meeting on August 9.

III. City of Roseville Budget

Presentation

Lou introduced **Jay Panzica**, the City of Roseville's Chief Financial Officer, whose detailed presentation on the City's budget, entitled "Municipal Finance 101," made up the majority of tonight's agenda. Jay's presentation covered the following topics:

- Roseville's current financial status and the need to be proactive in setting priorities
- Definitions of "Government Speak" terms to be used
- A breakdown of City wide revenue and expenses
- Specifics of General fund revenue and expenses, including detail by Department
- Explanation of City Council's options for discretionary spending
- History and current status of sales and property taxes as consistent sources of General Fund revenue
- Effects of the recession on Roseville's budget
- A five-year General Fund forecast and details of existing or growing cost pressures

The complete presentation is available on the city's "Engage Roseville" webpage at

http://www.roseville.ca.us/council/engage_roseville/cpac_meetings.asp.

CPAC Member Questions and Comments

CPAC members provided the following comments and questions regarding Jay's presentation.

- Where does Roseville rank in the state in terms of the amount of sales tax income generated per capita?
 - *Roseville is 13th in state in sales tax income per capita.*

Loss of Sales Tax Revenue to Internet Sales

- In terms of the percentage of sales tax revenue lost due to internet sales, what do you project for the next five years? If it's 3-4% annually now, what do you project going forward?
 - *Right now we're told it's growing 9-10% a year, and that's going to go up geometrically, not arithmetically. The change is the percentage in the growth of internet sales versus the decrease in brick and mortar sales.*
- Has your staff considered an aggressive use tax collection? And how much of the missing use tax do you think we can realistically capture? Has there been any conversation about what municipalities might do to capture their fair share of missing tax revenue?
 - *City Council has not given the direction to consider use tax collection, and are not looking at any tax revenue sources right now. As for capturing the missing tax revenue—at this stage, a single city can't do anything. It would involve a change to the tax law, requiring a joint effort to lobby the state.*
 - *Is that something the city has discussed with the League of Cities? — It has not traditionally been discussed, but is now becoming a big topic of conversation wherever we go, and officials statewide have become aware of the problem. There will likely be increased conversation about the issue moving forward.*
- Regarding Jay's statement that the Auto Mall has been the City's best source of sales tax revenue, but that people are buying new cars less often: we also have many dealerships that sell only used cars. What kind of sales tax revenue does the city derive from used car sales, and are we seeing an increase there versus the Auto Mall? If so, would it be worth considering increasing the number of used car dealerships?
 - *The numbers aren't provided broken down in that way, but we can request that information. Used car dealerships are a very healthy source of sales tax revenue for the City. As far as new car sales, they have not decreased; they are simply leveling out after a period of steady increase, and we are back in a "maintenance" mode.*
- To what degree of granularity has the City done studies on the economic health of malls, particularly their ability to support large anchor tenants, which tend to drive their health?

- *Malls in general are changing from sales-oriented organizations to service destinations—people go there to do things. So malls will continue to be a viable source of revenue, but may not be a viable source of sales tax revenue. Experiences and services are not taxable. What we need to do and what I imagine will happen—although this is not my area—is to change our tax model from taxing sales to taxing services.*

Questions re PERS and retirement expenses

- Does the City have an estimate of what our unfunded PERS liability will be, five, ten, twenty years down the road?
 - *We know what it is right now—around \$300 million, assuming we were to get everything caught up—and that traditionally it has gone up. Back in 2000 or 2003, it was zero—after that was when things went bad. PERS had a good year this year, and if that continues, that number will go down dramatically. However, it took fifteen years to arrive at this point and will probably take another fifteen years to get out.*
- Would that be \$300M amortized over the expectable life of all retirees? Is the \$300M PERS liability the debt that's due for the services performed to date? And including all the employees on the books now?
 - *Yes, that's today's value of all current or past employees through the end of their life. If we were funded 100% and had every payment in the bank, we'd be about two-thirds of the way there. The liability that PERS reports is the accrued liability to date for services that have been provided; it does not include liabilities for work not yet performed. If we're paying our full bills there is no unfunded liability.*
- PERS does provide a five-year estimate for the increase in the debt amortization payment, which over the next five years is going to be about \$11-\$12M. Are those increased debt payments included in your projections?
 - *The model for this budget was built before that last forecast came out. The previous five-year projections were not nearly that large. In the last year our unfunded liability went up \$40M, in comparison to the past rate of \$5 or \$10M. [Staff note: staff is verifying the actual payments assumed in the model and will report back].*
- But what about the scheduled debt payment that you pay each year? CalPERS has scheduled \$10 or \$12M just in the next five years. And that's only if they meet every assumption, which they haven't done for the last 12 years.
 - *Yes, I'd say \$12M total—at least \$2M a year every year for the next five or six years.*

- Given that there is such a large amount of unfunded PERS liability...could something be done about that? Can we get an opportunity to better understand PERS/OPEB?
 - *We can show you the forecast, but there's nothing the City can do about it in the short term, which is why we are not addressing it here. It's a statewide issue. Our purpose tonight is not to suggest solutions, but to explain why we are here.*
 - A CPAC member offered a presentation he has available on the PERS situation in Roseville, should it be useful.
- Is there any distinction in the PERS liability between the general fund and the enterprise funds?
 - *Yes, there is. It takes some work to break it down, but we have two PERS accounts, one for general employees and one for safety employees-police and fire. We can break it down further into utilities and the general fund. But the numbers that we are talking about are citywide. The general fund is a portion of that number. We will get a breakdown for you.*
- I would encourage anyone interested in the unfunded pension crisis to look up either Transparent California or Pensions Tsunami, which have the numbers broken down into fine granularity. CalPERS put off dealing with the situation a long time ago, and the sooner and more aggressively we deal with it, the less painful it will be.

Tax Burden on Residents vs. Importing Tax

- I would be very curious for us to have a presentation from Economic Development and Housing in the future. What are their goals and measurements for success? We've allocated .8% of our General Fund to that line item—how are those dollars being delivered back to the City? I'm also curious if there's ever been discussion of increasing the Transient Occupancy Tax (TOT) allocated to hotel rooms? It would be a good way to avoid additional burden to those who live here, and help fund the experience that visitors come to Roseville to experience.
 - *The short answer is no—again, the Council hasn't yet given direction to look at new sources of revenue. We've been asked to examine living within the revenue we currently get. That topic may come up later on down the road, but we're not there yet.*
- Is there a transportation fee that can be levied on transportation providers such as Lyft and Uber for servicing customers within our city boundaries? Have other municipalities looked into this possibility?
 - *We can't impose a fee unless a service costs us money, and imposing a tax or making a tax increase would require taxpayer support. We also can't do this because Uber and Lyft are treated the same as livery companies by the State, with the assumption that*

they're traveling between cities, and therefore taxes are collected on a state level.

- Understood, but we can't continue to provide the level of service to our residents if we don't change some of how we do things. Clearly, we don't have a lot to work with. In the future, either we must balance the budgets on the backs of our residents or on the backs of those who come to take advantage of our city.
- Although we don't have a tax on services, there are businesses such as hotels, restaurants and other attractions that bring in income. Can we get a breakout of how these have changed over the last few years, and what kind of revenue is being made? It would enable us to look at recent trends.
 - *Sales tax information is given by sector, so it would be possible to get it broken down by restaurant, by food store, or by hotel. The information also shows how much revenue we're importing and how much our per capita can afford, so we can provide the amounts we're bringing in by sales tax category.*
- There have been two failed attempts to raise the TOT, but it was about fifteen years ago—there were a lot fewer hotels. Folsom has increased their assessment to 12%—it would be interesting to see how they're leveraged their success through their increases. If we're going to be aggressive about importing tax into Roseville, there might be a way to increase it. Our occupancy is very high for this hotel market—70 or 80%.
 - *CPAC member response: The challenge is that the hotels have self-assessed, so we'd probably get some pushback. Roseville's TOT is one of the lowest in the state at 6%.*

General Comments

- Can you remind us of the mission of the Committee?
 - *It's described in your information packet, but briefly, the direction from Council was to receive all the informational presentations on the services we're providing and make recommendations on the community's priorities for service levels. Certainly, revenue generation is also a component, but the main focus is on priorities for the services we provide now.*
- One CPAC member stated that he has a large number of questions which he will submit to the City in writing, so that he avoids taking up too much time in tonight's meeting.
 - *Those questions and responses will be shared with the full group.*
- A request was made to number slides in the printouts of the presentations that are provided, in order to make it easier to relate questions to specific slides.

- Several CPAC members thanked Jay for an outstanding, clear and comprehensive presentation.

IV. Public Comment

There were no requests for comment from the public.

V. Next Steps

The next meeting will take place on Wednesday, August 9, 2017, from 6:00 p.m. to 8:00 p.m. at the Maidu Community Center, 1550 Maidu Drive in Roseville. (All other CPAC meetings will be held at the Mahany Meeting Rooms; August 9th is the only date for which they were not available.)

Wallgraphic notes taken at the meeting are attached.

Engage ROSEVILLE

CPAC MTG. #2 7.26.17

CHAIR/VICE CHAIR

▷ NO-NOT GOVERNING BODY

▷ YES-STANDARD/LEGAL
CITIZEN SHOULD CHAIR
MOTION TO ELECT ✓

▷ BERNACONI IIII ✓ CHAIR

▷ CONSTANT IIII ~~IIII~~ VICE CHAIR VOTES

▷ DEMENT I

▷ LAPERCHE IIII ~~IIII~~

▷ LO DUCA IIII ~~IIII~~ ✓ VICE CHAIR

▷ MENDONSA II

CPAC QUESTIONS - BUDGET

▷ ROSEVILLE 13TH IN STATE
IN SALES TAX INCOME

▷ AGGRESSIVE USE TAX?
- NOT LOOKING AT IT YET

▷ REQUEST - # SLIDES

▷ TAX REVENUE FROM USED
CARS UP?

- WILL FIND OUT

- ^{NEW} CAR SALES LEVELLING, NOT DOWN

▷ GREAT PRESENTATION

- ECON HEALTH OF MALLS?

- ESTIMATE OF UNFUNDED PERS?

• \$300M - WILL TAKE 15 YRS

• MALLS MOVING TO SERVICE

Engage Roseville CPAC Meeting #2, July 26,
2017

▶ \$300M PERS TO DATE?

- INCLUDES ALL

▶ DOES NOT INCL. FUTURE PAYMENTS

▶ SCHEDULED DEBT?
- \$10-12M FROM CALPERS

▶ REQUEST ECON DEV/HOUSING PRESENTATION - GOALS, MEASURES - HOW RETURNED

▶ INCREASE T.O.T.? - OPPTY TO IMPORT TAX
- HAVEN'T LOOKED @ NEW REV.

- WOULD AVOID BURDEN TO RESIDENTS

▶ FEES TO TRANSIT - LYFT/UBER?
- CITY CAN'T DO THAT
- OTHERS HAVE TRIED

▶ HOTELS/REST. TAX BREAKOUT?
BENEFIT FROM EXPERIENCES
- CAN GET THAT INFO

▶ OPPTY TO BETTER UNDERSTAND PERS/OPER?

- CITY CAN'T DO ANYTHING ABT IT - VARIABILITY

▶ PERS VS. GENERAL FUND? P. CONSTANT HAS INFO

↓ SMALL PORTION

- WILL GET BREAKDOWN
- TRANSPARENT CALIFORNIA OR PENSION TSUNAMI

▶ T.O.T. LOWEST IN STATE
RATES GOING UP
HOTELS SELF-ASSESS

- HIGH OCCUPANCY IN ROSEVILLE
- SMALL INCREASE?

▶ MISSION OF COMMITTEE?
- RECOMMENDATIONS ON PRIORITIES

▶ CAN CITIES CHANGE HOW TAX COLLECTED ONLINE?
- CITIES CAN LOBBY STATE TOGETHER
- SUBJ. OF CONVERSATION

NO PUBLIC COMMENT

Engage Roseville CPAC Meeting #2, July 26,
2017