

# CITY OF SOUTH SAN FRANCISCO, CA

## REVENUE ENHANCEMENT ANALYSIS - GENERAL FUND

May 20, 2025





# Presentation Outline

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# **Tax Revenue Options & Analysis**

## **General Fund**



# General Fund Revenue Taxes – 4 Basic Considerations

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## **1. Adequacy & Certainty (volatility)**

- Sustainably generates annual needed revenue.
- Not subject to significant variation (low volatility).

## **2. Equity (who bears tax burden) & Competitiveness (fairness)**

- Fiscal burden appropriately spread.
- Proportionate to surrounding communities.
- Does not highly skew economic incentives.

## **3. Transparency & Voter Approval**

- Easy to find information on the revenue/tax structure and understand how it operates.
- Likelihood of voter approval.

## **4. Simplicity**

- Does not require multiple ballot measures (voter confusion and fatigue).
- Not highly burdensome, costly or complicated to administer (by city or payors).



# Transaction and Use Tax (TUT)



## Basics of a TUT

- Functionally similar to state Sales and Use Tax (SUT) with important difference:
  - SUT – Point of Sale
    - Where did sales transaction occur?
  - TUT – Point of Receipt/Delivery/Use
    - Where did Buyer receive goods or put them to use?
- Voter approval rates of new or increased TUTs for general purposes (majority vote)
  - 80% for 2024 Election (63 of 79)
  - 73% for 2022 Election (30 of 41)
  - 74% for 2020 Election (65 of 88)
- State law requires supermajority approval by city council (2/3 vote) to place TUT measure on ballot.

South San Francisco State SUT & Local TUT Rate	9.875%	Expiration
State Sales Tax	6.00%	--
Bradley-Burns Local Share	1.25%*	--
Local/Regional TUT (2.0% total cap)		
San Mateo County Transportation Authority (1989) Measure A	0.50%	December 2033
San Mateo County Transit District (2002) Measure A	0.50%	--
San Mateo County TUT (2013) Measure A	0.50%	March 2043
South San Francisco TUT (2016) Measure W	0.50%	March 2046
Special Legislation		
San Mateo County Transit District Authority (2019) Measure W	0.50%	June 2049
Peninsula Corridor JPA Retail Transactions and Use Tax (2020)	0.125%	June 2051

\*1.0% to City and 0.25% to County for transportation purposes. The City receives 95% and the County receives 5% of the 1.0% Bradley-Burns.



# Transaction & Use Tax (TUT)



## SSF Current Rate – “Capped Out” @ 9.875%

- State Sales & Use Tax 7.25%
- Countywide TUTs 1.50% + .625% special leg.
- SSF TUT (Measure W) 0.50%
- Total Rate in SSF 9.25% + .625% special leg.

## Special Considerations

- Because SSF is currently “capped out,” state legislature must authorize any additional TUT through special legislation.
- County Transportation Authority considering placing existing Measure A (1989) on November 2026 ballot for extension and possible additional 0.25% (add-on would require special legislation from state legislature).

**Estimated Additional TUT Annual Revenue @ 0.50%**  
**= \$14.5 million growing to \$19.2 million over ten years.**

- Total New Rate = 10.375% (or 10.625% if County measure with add-on is also approved).

City/Area	Rate*
<b>San Mateo Countywide</b>	<b>9.375%</b>
Belmont	9.875%
Brisbane	9.875%
Burlingame	9.625%
Daly City	9.875%
East Palo Alto	9.875%
Pacifica	9.875%
Redwood City	9.875%
San Bruno	9.875%
San Mateo	9.625%
South San Francisco	9.875%
<b>Santa Clara Countywide</b>	<b>9.125%</b>
Campbell	9.875%
Los Gatos	9.25%
Milpitas	9.375%
San Jose	9.375%
<b>San Francisco</b>	<b>8.625%</b>
<b>Alameda County</b>	<b>10.25 to 10.75%</b>
<b>Contra Costa County</b>	<b>9.25 to 10.25%</b>

*\*Effective rates as of April 2025.*



# Transaction & Use Tax (TUT)



## ➤ Pros:

- ✓ **Voter Approval.** TUT measures in last three election cycles (2020, 2022, and 2024) have high approval rates (74%, 73%, and 80% respectively) despite economic volatility due to Covid-19 pandemic and recent high inflation.
- ✓ **Adequacy & Certainty.** Estimated annual revenues at/above target with expected growth at or above estimated inflation.
- ✓ **Equity.** Tax burden spread across residents, businesses, and visitors (which includes significant daytime workforce – 36,600 employees in 2022).

## ➤ Cons:

- **Certainty (volatility).** Sales tax is more volatile (elastic) than UUT or parcel tax because generally correlates with overall economic trends; but less volatile than property transfer tax (see later slides).
- **Competitiveness.** Additional 0.50% TUT puts City at 10.375% total sales tax rate, which would be higher than other cities on the peninsula side of the Bay Area.
- **Special Considerations.** Requires state legislature to enact special legislation authorizing the additional TUT. County Transportation sales tax measure may also be on the November 2026 ballot and potentially add another 0.25% to the total rate.



## Basics of Parcel Tax

- Non-ad valorem (non-value based) tax levied on parcels of property.
- Methodology: Either a fixed/flat amount per-parcel or a fixed rate depending on the size, use, or number of units on the parcel.
  - Can establish different amount/rate based on property use but must be applied uniformly and roughly proportional to demand for service.
- Can include inflationary index.
- Parcel taxes are considered special taxes requiring 2/3 voter approval (Govt. Code s. 50077). Majority approval required if proposed by citizen initiative and 55% approval if for school bonds (Prop. 39).

## Statewide Facts - Parcel Tax

- Since 2010, largest percentage of all approved parcel taxes (42%) are for schools (251 of 600 measures).
- Since 2010, 67% of proposed city parcel taxes were approved (118 of 176 measures).
- Because 2/3 vote required to approve city parcel tax, almost all restrict tax revenues to specified purpose; less than 4% are for general municipal funding.
- Most common methodology: flat rate per parcel.





## No Current Parcel Taxes in SSF

- SSF's parcel tax initiative measure in 2022 for early childhood education (Measure DD) failed to get 50% vote (\$2.50 per sf on commercial parcels).

## Parcel tax measures in Santa Clara & San Mateo counties (2/3 vote)

- Since 2008, 20 non-school parcel taxes on ballot with 80% approved (16 of 20).
  - All for special purposes: libraries, roads, police/fire, water, and open space.
- Since 2018, 40 school parcel taxes on ballot with 73% approved (29 of 40).

City/Area	Rate/yr.*
<b>San Mateo County</b>	
E. Palo Alto – Office Space	\$2.50 per sf
Portola Valley – Roads	\$950 parcel
Highlands CSA – Police & Fire	\$65 parcel
Atherton – Police	\$750 parcel**
<b>Santa Clara County</b>	
Santa Clara - Libraries	\$34 parcel
Santa Clara – Open Space	\$24 parcel
San Jose – Libraries	\$30 parcel
North County - Libraries	\$76 parcel
County Library JPA	\$17 or \$34 unit
Santa Clara Water Dist.	\$0.006 per sf
El Matador - Roads	\$350-\$750 parcel

\*Rates as of April 2025.

\*\*Not renewed in 2017.



# Parcel Tax



## Estimated Annual Revenue – Alternative Structures

Flat Amount per Parcel			
Parcel Type	# of Parcels**	Per Parcel Tax	Annual Revenues (est.)
Single-Family Residential (SFR)*	15,679	\$ 770	\$ 12,072,830
Multi-Family (three-family & larger)	811	770	624,470
Commercial/Office/Industrial	1,706	770	1,313,620
Total			\$ 14,010,920

Flat Amount per Parcel - Tiered by Land Use/Avg. Parcel Size				
Parcel Type	Avg. Parcel Size	# of Parcels**	Per Parcel Tax***	Annual Revenues (est.)
Single-Family Residential (SFR)*	4,350	15,679	\$ 302	\$ 4,735,058
Multi-Family (three-family & larger)	8,370	811	581	471,284
Commercial/Office/Industrial	74,498	1,706	5,172	8,823,484
Total				\$ 14,029,825

\*Includes condos, townhomes, and duplexes.

\*\*Excludes parcels with following land use: Water Co., Water Rights, Pipelines & Canals, Streets & Highways, and Farm Improvements.

\*\*\*Tiered amounts based on average parcel size in each land use for "rough proportionality" between tax amount and use/demand on service.



## Estimated Annual Revenue – Alternative Structures (cont.)

Fixed Rate per Square Foot (sf) of Parcel Size (\$0.069 per sf)				
Parcel Type	Avg. Parcel Size	Annual Tax Avg. Parcel	Total Acreage**	Annual Revenues (est.)
SFR1 - up to 5,000 sf	3,091 sf	\$ 214	683	\$ 2,060,333
SFR2 - 5,000 to 10,000 sf	5,943 sf	412	787	2,374,016
SFR3 - 10,000 to 17,500 sf	11,872 sf	822	65	197,402
SFR4 - over 17,500 sf	25,933 sf	1,797	31	93,425
Multi-Family (three-family & larger)	8,370 sf	580	156	470,300
Commercial/Office/Industrial	74,498 sf	\$ 5,161	4,639	8,805,069
<b>Total</b>				<b>\$ 14,000,545</b>

*\*Includes condos, townhomes, and duplexes.*

*\*\*Excludes parcels with following land use: Water Co., Water Rights, Pipelines & Canals, Streets & Highways, and Farm Improvements.*



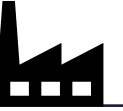
➤ **Pros:**

- ✓ **Certainty.** Parcel tax revenue not impacted by overall economic trends (non-ad valorem) and inflationary index (if included) can help revenues keep pace with rising expenses.
- ✓ **Equity.** Parcel tax provides some flexibility in designing tax structure (such as tiered amounts or square foot rate) to help mitigate inequity/regressive nature of a flat amount (but must retain “rough proportionality” to use/demand on services).
- ✓ **Voter Approval.** Voter approval for non-school parcel taxes has been strong (80%). Almost all have been designated for special purposes (public safety, roads, libraries, etc.).

➤ **Cons:**

- **Voter Approval.** State law requires 2/3 approval by electorate.
- **Competitiveness.** Parcel tax (\$770/parcel or \$0.069 per sf) would be at the upper end of parcel tax amounts in surrounding communities.





## Basics of UUT

- Percentage tax based on the consumption of utility services: electricity, gas, water, sewer, refuse, telecommunications, and cable television.
- Most cities apply UUT to electricity, gas, and telecommunications; only half include water.
- Can establish different rate for residential and commercial. Tax is collected by utility and transmitted to city.
- Most of the cities with UUTs adopted the taxes prior to 1986 by vote of the city council.
- Since 2002, only 32% approval (28 of 87) for new or increased UUT rates (statewide). Including advisory measure may increase voter approval rate by 20% (limited data).

## Statewide Facts on UUTs\*

- 157 cities in CA have a UUT
- Rates range from 1% to 11%
- Statewide mean rate = 5.5%
- Statewide median = 5% (+- 2.07%)
- Total UUT revenue statewide is approximately \$1.8 billion\*
- On average, UUT provides 15% of General Fund revenue\*\*
- All UUTs in California (except two) are currently levied for general purposes (majority vote)

*\*Data as of April 2025 – CaliforniaCityFinance.com.*

*\*\*Data as of April 2021 – CaliforniaCityFinance.com.*



## Estimated UUT Annual Revenue = \$1.9 to \$2.2 million per 1.0% on gas, electric, & telecommunications

- @ 5.0% = \$9.6 to \$10.8 million
- @ 6.0% = \$11.6 to \$12.9 million
- @ 7.0% = \$13.5 to \$15.1 million

City projects 2.75% growth in Franchise Fee revenues which provides a good “proxy” for UUT revenue growth, but statewide trend for UUT revenues for gas is flat and for telecommunications is negative.

## UUT measures on the peninsula side of the Bay Area since 2002:

- New UUT: approved Menlo Park (2006), rejected Morgan Hill (2008), and Saratoga(2004).
- Modernize Telecomm UUT: 3 approved with rate reduction, 7 approved, & 1 rejected.

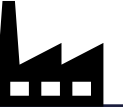
City/Area	Rate*
<b>San Mateo County</b>	
Daly City	5.0%
East Palo Alto	5.0%
Menlo Park	0.0%**
Pacifica	6.5%
Portola Valley	4.5%
Redwood City	4.0 to 5.0%
<b>Santa Clara County</b>	
Cupertino	2.4%
Gilroy	4.5 to 5.0%
Los Altos	3.2 to 3.5%
Mountain View	3.0%
Palo Alto	4.75 to 5.0%
San Jose	4.5 to 5.0%
Sunnyvale	2.0%
<b>San Francisco</b>	<b>7.5%</b>
<b>Alameda – 10 Cities</b>	<b>3.25 to 9.5%</b>
<b>Contra Costa – 6 Cities</b>	<b>1.0 to 9.5%</b>

\*Rates as of April 2025.

\*\*2.5% to 3.5% but reduced to 0% beginning 2024.



# Utility User Tax (UUT)



## ➤ Pros:

- ✓ **Certainty.** UUT revenues have been less volatile than other economic-sensitive revenues like TUT, but are less certain than a Parcel Tax, particularly over the long-term (see “Adequacy” concern below).
- ✓ **Equity.** Can establish different rates for residential vs. commercial.

## ➤ Cons:

- **Voter Approval.** Historic voter approval rates for new UUT are low (32%) but advisory measure might help (+20%). Voter data in region for UUT ballot measures is dated and small, necessitating more extensive community outreach.
- **Adequacy.** The competitive rate of 5.0% falls short of the City’s revenue target. Would need to include water or increase rate to 7.0% or higher to meet target. For the long-term adequacy, important to note current projections in the region and statewide of 2.5% to 3.0% annual growth are due to electric rates/consumption, more than offsetting flat/declining revenues for gas and telecommunications.



# Real Property Transfer Tax (RPTT)



## Basics of RPTT

- Tax imposed on the transfer of title of real property from one person or entity to another.
  - Additional to Documentary Transfer Tax imposed under state law (\$1.10 per \$1,000 of sale price), of which half allocated to city and half to county, but if city adopts RPTT, full amount goes to county.
- Methodology: Based on property sale price and can be paid by either buyer or seller. Collected by county and remitted to city.
  - Typically imposed as flat rate per \$1,000 of sale price. Some cities have used % of sale price rate and/or used tiered rates based on property value.
- Can only be imposed by charter city.
- Majority approval by voters if for general purposes.

## Statewide Facts - RPTT

- Since 2010, 70% of RPTT measures have been approved (21 of 30). All were for general purposes (majority vote).
- 27 cities have a RPTT, of which 15 are in the Bay Area.\*
- For flat tax rates, amount ranges from \$2.20 per \$1,000 to \$26.10 per \$1,000 (top tier).
- For % of sale tax rates, amount ranges from 0.50% to 6.0%.

*\*Does not include charter cities that have imposed a RPTT at rate equivalent to the Documentary Transfer Tax.*





# Real Property Transfer Tax (RPTT)



**Real Property Transfer Tax @ \$11 per \$1,000 sale price  
= Estimated \$14 million on average per year.**

- Significant year-to-year variation in estimated annual revenue. Historical city revenue from Documentary Transfer Tax has dropped -71% YOY and risen +131% YOY.
- Based on above, annual revenues could be as low as \$6.2 million or as high as \$26.5 million.
- Flat rate does not index to rising expenses, but revenues increase as property sales values rise, subject to the significant variation noted above.
- Requires SSF voters to adopt city charter. Two cities have adopted a charter for the purpose of imposing RPTT (Emeryville 2014, El Cerrito 2018). Both the charter and tax measure were on the same ballot.

City/Area	Rate*
<b>San Mateo County</b>	
San Mateo	0.5% except 1.5% > \$10m.
<b>Santa Clara County</b>	
Mountain View	\$3.30/\$1,000 except \$15 > \$6m.
Palo Alto	\$3.30 per \$1,000
San Jose	\$3.30/\$1,000 + 0% to 1.5% (4 tiers)
<b>San Francisco</b>	0.5% to 6.0% (6 tiers)
<b>Alameda County</b>	
Alameda	\$12 per \$1,000
Albany	\$15 per \$1,000
Berkeley	1.5% to 3.0% (three tiers)
Emeryville	\$12 to \$25 (three tiers)
Hayward	\$8.50 per \$1,000
Oakland	1% to 2.5% (four tiers)
Piedmont	\$13 per \$1,000
San Leandro	\$11 per \$1,000
<b>Contra Costa County</b>	
El Cerrito	\$12 per \$1,000
Richmond	0.7% to 3% (four tiers)

\* Rates as of April 2025.



# Real Property Transfer Tax (RPTT)



## ➤ Pros:

- ✓ **Voter Approval.** Requires majority vote approval for general purpose tax and generally strong historical approval rates by voters (70% of ballot measures).
- ✓ **Equity.** Tiered rates can help mitigate inequity/regressive nature of a flat rate. Also, tax imposed as incidence of property sale allowing buyer and seller to negotiate who pays what portion at close.

## ➤ Cons:

- **Certainty (Volatility).** Significantly more volatile than all other tax revenue options being evaluated. Difficult to fund municipal services with consistent annual operating expenses using a highly volatile revenue source.
- **Competitiveness.** Only 5 cities on peninsula side of the Bay Area have an RPTT. Proposed rate (\$11 per \$1,000) would be significantly higher than all except top tiers in SF and SJ. Proposed rates more comparable to cities on east side of Bay Area.
- **Charter Approval.** Requires voters to approve changing SSF to a charter form of government and to approve the tax measure. Both measures can be on same ballot.

An aerial photograph of the San Francisco City Hall building, a large, ornate, light-colored structure with a central clock tower. The building is situated on a hillside, with a large green lawn in front of it. To the left, there is a parking lot with several cars. In the background, a hillside with the words 'SAN FRANCISCO' visible on it can be seen. The text 'Recommendations & Next Steps' is overlaid in a large, bold, black font across the center of the image.

# **Recommendations & Next Steps**



# Tax Revenue Options – Recommended Ranking

Rank	Revenue Option	Est. Annual Revenue	Pros	Cons
1	Transaction & Use Tax (TUT)	\$14 million	<ul style="list-style-type: none"><li>• 50% + 1 vote required with high voter approval in recent elections.</li><li>• Generates most revenue with rate proportionate to surrounding cities.</li><li>• Tax paid by residents, businesses and visitors/daytime workforce.</li></ul>	<ul style="list-style-type: none"><li>• Requires special legislation.</li><li>• Potential ballot competition from County TUT in November 2026.</li><li>• Total rate (10.375%) highest among communities in region.</li><li>• TUT is more volatile than UUT or parcel tax, but lower than RPTT.</li></ul>
2	Parcel Tax	\$14 million	<ul style="list-style-type: none"><li>• Parcel tax has lowest volatility compared to all others.</li><li>• High voter approval but tax measures were for restricted special purposes (not general purposes).</li><li>• Can use per sf rate to improve equity of otherwise regressive flat amount.</li></ul>	<ul style="list-style-type: none"><li>• 2/3 vote required.</li><li>• Per parcel amount (\$770) and per sf rate (\$0.069 per sf), both at top-end among communities in region.</li></ul>





# Tax Revenue Options – Recommended Ranking (cont.)

Rank	Revenue Option	Est. Annual Revenue	Pros	Cons
3	Utility User Tax (UUT)	\$14 million	<ul style="list-style-type: none"><li>• 50% + 1 vote required.</li><li>• UUT has lower volatility than TUT or RPTT, but higher than parcel tax.</li></ul>	<ul style="list-style-type: none"><li>• 6-7% rate would be at top-end among communities in region.</li><li>• Low voter approval of <u>new</u> UUTs (32%) in recent decades.</li><li>• Adequacy of annual revenue growth rate may be an issue.</li></ul>
4	Real Property Transfer Tax (RPTT)	\$14 million	<ul style="list-style-type: none"><li>• 50% + 1 vote required.</li><li>• Tiered amounts or rates can help mitigate inequity/regressive nature of flat tax.</li></ul>	<ul style="list-style-type: none"><li>• Significantly more volatile than all other options; difficult for funding municipal services.</li><li>• \$11 rate would be at top-end among neighboring communities.</li><li>• Requires voters to approve city charter.</li></ul>



# November 2026 Ballot Measure – Potential Timeline

Dates	Task
July to December 2025	Community input and opinion research conducted.
January to March 2026	Staff develops options for revenue measure based on community input and opinion research, Council input, and other relevant considerations.
April to June 2026	Public information disseminated explaining why and how Council is considering placing a revenue measure on the ballot.
June 2026	<b>Council decision on appropriate revenue measure and direction for staff to prepare ballot measure language and required resolutions.</b>
July 8, 2026	Last regularly scheduled meeting of Council for Introduction/First Reading of revenue measure ordinance.
July 22, 2026	Last regularly scheduled meeting of Council for Second Reading/Adoption of revenue measure ordinance and approval of resolution for consolidated election.
August 7, 2026	<b>Deadline for City submission of ballot measure to Registrar of Voters.</b>
August 18, 2026	Deadline for City's submittal of impartial analysis of ballot measure to Registrar of Voters.
November 3, 2026	Election Day.