

# Revenue-Generation Options

City Council Regular Meeting  
July 8, 2025



# Agenda



## **Review of the Five-Year General Fund Forecast**



## **Overview of Current Revenue Sources**

Where does the City's  
revenues come from?



## **Operational Analysis**

Where does the money  
go?



## **Need Assessments**



## **Revenue- Generating Options**



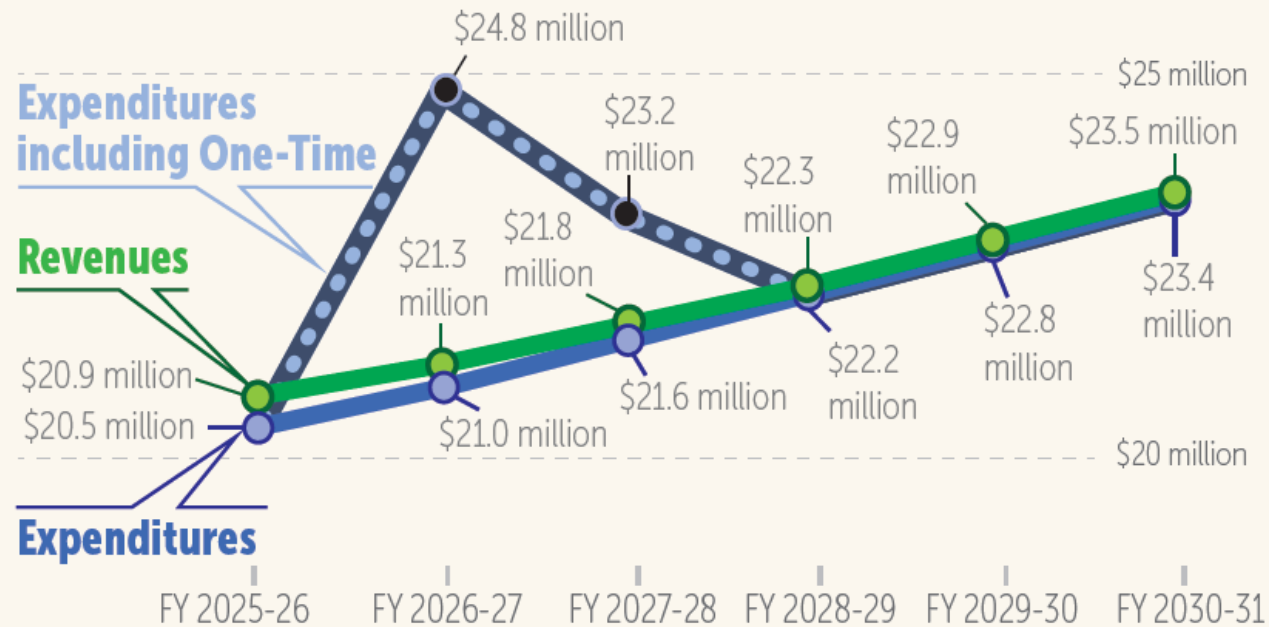
## **Questions and Next Steps**

# General Fund Five-Year Financial Forecast

## A LOOK AHEAD

The Five-Year Forecast provides a current and long-range financial assessment of revenues, expenditures, fund balance, and operating reserves. The primary objective is to provide the City Council and the community with a financial forecast and identify any significant issues that may need to be addressed in the annual budget development process.

## General Fund Five-Year Forecast



The net annual operating results are structurally balanced. However, the forecast included a one-time repayment to retire all CalHFA loans, which will temporarily cause the General Fund to experience a deficit. The City has set aside adequate reserves to weather such difficult times in the future.

## Understand the distinction between a “one-time” solution, a “defer” solution, and a “sustainable” solution

- One-time solutions effectively address immediate challenges; however, they do not provide a resolution for ongoing issues.
- Deferrals postpone a problem by addressing a one-time issue but can result in equal or greater costs in future years.
- A sustainable solution solves our ongoing budget issues now and in the future.

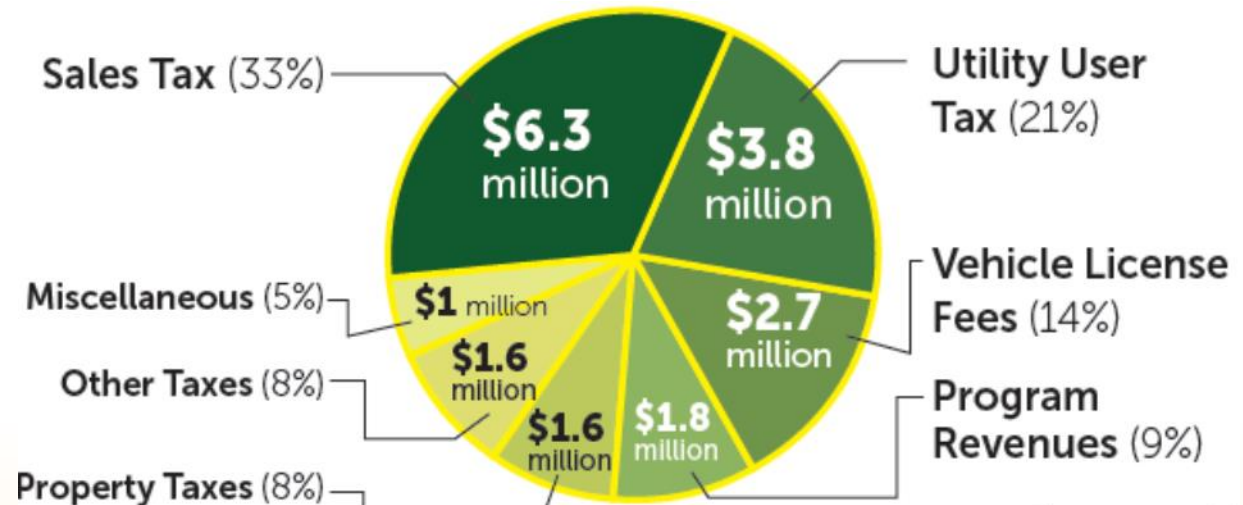
# General Fund Revenues

## Where does the money come from?

80% from local taxes

Program Revenues  
(User's Fees)

Miscellaneous (e.g.,  
Investment Income)



Figures are rounded

# Hercules: Local Tax Risk & Challenges

## ➤ Sales Tax

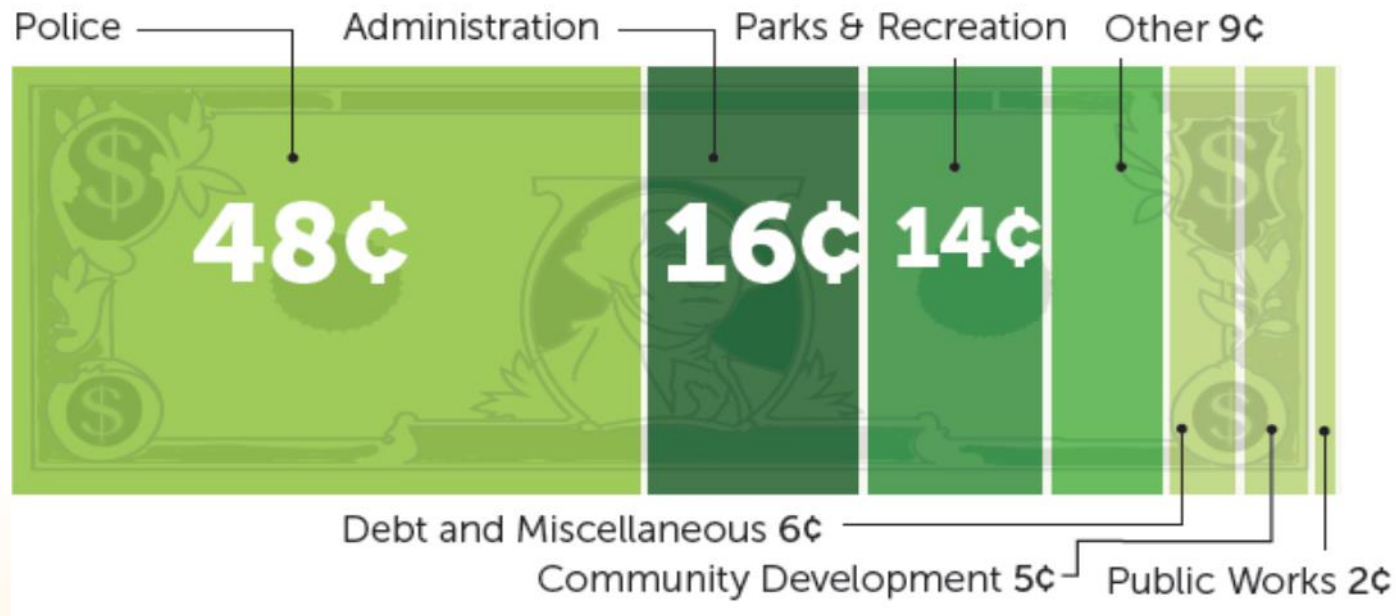
- Sales tax revenue in the City mainly comes from a few large businesses, with the top three accounting for over 50%. If any of these sources fall short of expectations, it could affect funding for future programs and services.

## ➤ Property Tax

- Hercules is classified as a low-to-no property tax jurisdiction. The City's share of the base 1% property tax rate is lower than that of most other jurisdictions, accounting for just over 5% of Hercules's total base property taxes.

# General Fund Expenditures

## Where does the money go?





# Need Assessments

- Unfunded critical infrastructure needs
- Rising cost of goods, services, and utilities
- Employee retention
- Deferred maintenance



# Taxes

- Taxes are used to pay for public services and facilities that benefit everyone, without needing a direct link between what a taxpayer pays and what they receive.
- Cities have the authority to impose any tax that is not expressly prohibited by state law. (Gov. Code section 37100.5).
- General & Special Tax
  - ☐ General Tax – revenues may be used for any purposes.
    - ✓ Majority voter approval required for new or increased local tax.
  - ☐ Special Tax – revenues must be used for specific purpose.
    - ✓ 2/3 voter approval required for new or increased local tax

# Taxes and Fee Assessments Approval Requirements

(California Constitution)

	TAX- General	TAX- Parcel or Special (earmarked)	G.O.BOND (w/tax)
City / County	Majority voter approval	Two-thirds voter approval	Two-thirds voter approval

# Revenue Option 1: Additional Tax Initiatives



## Sales Tax

The City can increase the sales tax rate from 9.25% to 9.75%, which allows for a 0.50% increase. This change could generate an additional \$2 million in revenue.



## Real Property Transfer Tax (RPTT)

The fee is \$0.55 for every \$1,000 of property value at sale. The city needs charter city status to change this fee. Each \$1 increase in the Real Property Transfer Tax could generate an extra \$245,000 annually.



## Utility Users' Tax (UUT)

The city's tax rate is 8%. A 1% increase in the UUT rate could raise around \$500,000 in revenue each year.

# Revenue Option 2: Bond Measures



## General Obligation Bonds

Low cost and backed by property tax revenue to repay the bond, which require 2/3<sup>rd</sup> voter-approval

Proceeds can be used to finance large projects.



## Lease Revenue Bonds

Backed by the General Fund revenue, sales tax

Limitation through the quality, availability and dollar value of City assets

# Voter Approval: Timeline

**Tax initiatives require voter approval. There are two options for election dates:**

- ✓ On the date of the next regular Council election that is not less than 88 days after the Council meeting at which the petition is certified, or
- ✓ On a special election date that is between 88 and 103 days after the council meeting at which the petition is certified.

# Questions & Next Steps

