



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

Consideration of a resolution to place a one-half cent ($\frac{1}{2}\%$) transactions and use (sales) tax on the November 4, 2014 ballot.

RECOMMENDED MOTION:

1. Approve a resolution to call an election to be held on November 4, 2014 submitting to the voters an ordinance imposing a one-half cent ($\frac{1}{2}\%$) transactions and use (sales) tax for general purposes to be administered by the California State Board of Equalization.
 2. Introduce and read by title only an Ordinance of the City of Sausalito adding Chapter 3.06 to Title 3 of the Sausalito Municipal Code Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (November 4, 2014 Ballot)
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SUMMARY

The purpose of this item is for the City Council to consider whether to place a ballot measure imposing a one-half cent ($\frac{1}{2}\%$) transactions and use (sales) tax on the November 4, 2014 ballot.

BACKGROUND

At its July 8, 2014 meeting, the City Council directed staff to prepare a resolution calling for a general purpose election seeking voter approval of a one-half cent ($\frac{1}{2}\%$) transactions and use (sales) tax, and an ordinance implementing this tax. Prior to its vote, the City Council received public comment and heard staff presentations regarding the results of a community study conducted by Fairbank, Maslin, Maullin, Metz & Associates, and a review of the City Council's prior deliberations regarding the need for additional revenue as discussed in the Council's mid-year budget review in February 2014, and its subsequent budget discussions. The July 8, 2014 staff report is attached [**Attachment No. 1**].

The community study showed that a large majority of Sausalito residents believe that the City is progressing in a positive direction, has confidence in the City's fiscal management, and approves of the City's delivery of local services. Further, there is significant agreement that the City should focus on long-term financial viability. Sausalito residents also identified a range of specific services as having a high priority, including maintaining and repairing the City's 80-year old storm drains, fixing potholes, maintaining and repairing streets, and fixing sidewalks. The community study indicated strong support for additional City revenue, finding that 61% of those surveyed would support a temporary local sales tax measure to address community needs.

Addressing Community Needs

Unfortunately, the City does not have the funds necessary to adequately invest in and maintain the essential City infrastructure and services that residents have identified as priorities. However, the need for repairs and improvements is urgent.

Sausalito's storm drains are 80 years old and many are completely deteriorated and rusted through, which allows pollutants, garbage and plastics to spill over into the Bay. Additionally many of Sausalito's neighborhood streets and roads are deteriorating and riddled with cracks, and the City has not been able to address the concrete streets that are in the worst condition and cost up to five times as much to fix. The City's broken and potentially unsafe sidewalks need fixing, and we need to upgrade and improve our deteriorating parks. The City is unable to address these and other critical needs while continuing to maintain landscaping, tree trimming, library services, public safety and other essential City services.

With Sacramento money grabs continually threatening funding for local services, a local sales tax measure would provide a guaranteed source of local funding to address these and other essential services needs that cannot be taken by Sacramento.

And with tens of thousands of tourists coming to Sausalito each year to shop, a sales tax measure ensures that out-of-towners pay their fair share for the strain they place on our local services. Sales tax is not applied to food purchased as groceries or prescription medication, including prescription medications delivered through the mail, limiting the measure's impact on Sausalito residents.

BALLOT QUESTION

The proposed ballot question is:

"City of Sausalito Essential Services Measure. To maintain the City's long-term financial viability and improve local quality of life and essential services including storm drain repairs to protect the Bay, street/sidewalk maintenance, pothole repair, parks, landscape maintenance, youth/senior programs, library hours/services, disabled access, public safety, and other general services shall the City of Sausalito enact a half cent sales tax for 10 years, requiring independent financial audits/public review, with all funds remaining in Sausalito?"

TRANSACTIONS AND USE TAX ORDINANCE

Attached is a proposed transactions and use (sales) tax ordinance [**Exhibit A to Attachment No. 2**] for the Council's consideration, which would add a new Chapter 3.06 to Title 3 of the Sausalito Municipal Code imposing a one-half cent ($\frac{1}{2}\text{¢}$) transactions and use tax to be administered by the State Board of Equalization. The proposed tax would be imposed on personal property sold at retail outlets in the City or purchased outside the City for use within the City. For example, the tax would be collected not only on items sold within the City, but would also be imposed on purchases of automobiles sold outside of the City that are registered for use within the City.

This one-half cent ($\frac{1}{2}\text{¢}$) tax on sales would be a "general tax," meaning that the revenue raised from the tax would go into the City's general fund and could be used for any municipal governmental purpose.

The Ordinance includes the following features:

- Annual independent audits by a certified public accountant with mandatory public expenditure reports.
- A duration of 10 years.
- Authority to contract with the State Board of Equalization to administer and collect the tax.

State Revenue and Taxation Code, section 7285.9 provides that 2/3 vote of the Council is required to approve the resolution.

FISCAL IMPACT

The Transaction and Use Tax is paid only on taxable merchandise delivered, or placed into use, in Sausalito. This revenue would fluctuate in response to changes in the local, state and nationaleconomy. As theeconomy continues to fluctuate, the City would see both positive and negative variations inthis revenue source. However, the Finance Department currently estimates that a one-half cent sales tax would raise approximately \$1,000,000 per year.

STAFF RECOMMENDATIONS

Staff recommends that the City Council:

1. Approve a resolution to call an election to be held on November 4, 2014 submitting to the voters an ordinance imposing a one-half cent ($\frac{1}{2}\text{¢}$) transactions and use (sales) tax for general purposes to be administered by the California State Board of Equalization.
2. Introduce and read by title only an Ordinance of the City of Sausalito adding Chapter 3.06 to Title 3 of the Sausalito Municipal Code Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization (November 4, 2014 Ballot)

ATTACHMENTS

1. July 8, 2014 City Council Staff Report
2. Resolution calling for an election submitting to the voters of the City of Sausalito a transactions and use tax ordinance.

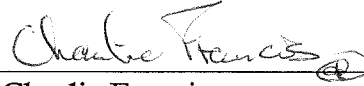
Exhibit A - Draft transactions and use tax ordinance

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