



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** November 16, 2020

FROM: Matthew Bronson, City Manager

PREPARED BY: Matthew Bronson, City Manager

SUBJECT: Introduction and First Reading of Measure F-20 Transactions and Use Tax Ordinance

RECOMMENDATION

Conduct first reading, by title only, and introduce the Ordinance amending Sections 101504, 101505, and 101506 of Chapter 16 to Article X of the Grover Beach Municipal Code amending the amount of a Transactions and Use Tax to be administered by the State Board of Equalization and schedule a public hearing for the second reading and adoption of the Ordinance at the next regularly scheduled City Council meeting.

BACKGROUND

On November 3, 2020, residents approved Measure F-20 to add a 1% Transactions and Use Tax (Sales Tax) to the City's existing Transactions and Use Tax of 0.5% approved by voters in 2006 for the purpose of raising general revenue to fund municipal services and projects. Based on unofficial election results, 52.1% of voters approved the measure with the formal certification of results expected to be received from the County Elections Office by November 25.

To begin the process of formalizing passage of Measure F-20 consistent with previous measures, the Council is asked to conduct a first reading and introduction of the ordinance to amend the City's Transactions and Use Tax Rate from 0.5% to 1.5% (Attachment 1). The second reading and adoption of the ordinance would be scheduled for the next regularly scheduled Council meeting on December 7, 2020 following certification of election results. In considering the ordinance, the Council could elect to lower the Transactions and Use Tax rate below the threshold approved by voters but cannot increase the rate without further voter approval as required by Proposition 218. The amended Transactions and Use Tax rate for affected purchases would begin on April 1, 2021.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Conduct first reading, by title only, and introduce the Ordinance amending Sections 101504, 101505, and 101506 of Chapter 16 to Article X of the Grover Beach Municipal Code amending the amount of a Transactions and Use Tax to be administered by the State Board of Equalization and schedule a public hearing for the second reading and adoption of the Ordinance at the next regularly scheduled City Council meeting; or
2. Provide alternative direction to staff.

FISCAL IMPACT

The amount of annual revenue that would be generated from amending the Transactions and Use Tax rate to 1.5% is estimated at \$1.8 million.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Ordinance

ORDINANCE NO. ____

**AN ORDINANCE OF THE CITY OF GROVER BEACH, CALIFORNIA
AMENDING SECTIONS 101504, 101505 AND 101506 OF CHAPTER 15 TO
ARTICLE X OF THE GROVER BEACH MUNICIPAL CODE AMENDING THE
AMOUNT OF A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY
THE STATE BOARD OF EQUALIZATION**

BE IT ORDAINED BY THE VOTERS OF THE CITY OF GROVER BEACH, AS FOLLOWS:

PART 1. FINDINGS.

A. The City of Grover Beach (City) prides itself on stretching its resources to meet community needs despite having one of the smallest General Fund budgets per capita among cities in the county; and

B. The City has made significant strides in providing effective and efficient services and has demonstrated its leadership in considering economic growth opportunities and cost management leading to a relatively stable financial position despite impacts from the COVID-19 pandemic which total \$800,000 in decreased revenue or 6% of General Fund revenues; and

C. In response to this fiscal challenge, the City has taken numerous actions to ensure the City's financial position including instituting a hiring review before filling vacant positions, tightening expenditures to reduce nonessential costs and freeze travel expenses, and delaying one-time infrastructure improvements and putting other items on hold; and

D. Given these actions, the City's fiscal outlook is relatively stable for now and the budget for next year maintains existing service levels and prudent ending reserves in the General Fund to protect the City's finances during these times of economic uncertainties; and

E. While the current budget does not have service or staffing reductions, the City's financial projections do not have adequate funding to meet key community needs identified by the public such as major street repairs and sidewalk improvements, business support and assistance, and fire and emergency medical and neighborhood policing services; and

F. These community needs include \$10 million in unfunded repairs for major streets such as West Grand Avenue, miles of sidewalk infill to make the city more accessible for pedestrians, ongoing funding assistance and support to help businesses be successful in our community and more immediately address the impacts from COVID-19 pandemic, and low public safety staffing levels that do not allow the level of desired proactive community and neighborhood outreach work; and

G. The City currently has a general transactions and use tax (commonly known as a "sales tax") pursuant to the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code (commencing with Section 7251) and Chapter 2.3 of Part 1.7 of Division 2 of the Revenue and Taxation Code (commencing with Section 7285.9), with a rate of one half of one percent (0.5%), as established in Article X, Chapter 15 of the Grover Beach Municipal Code ("Transactions and Use Tax"); and

H. Section 2(b) of Article XIII C of the California Constitution, added by Proposition 218, effective November 1996, requires that a measure proposing a general tax be submitted to the

voters at an election consolidated with a regularly scheduled general election for members of the governing body of the local government; and

I. A General Municipal Election to be held in the City on Tuesday, November 3, 2020, for the election of certain officers of the City has been called by Resolution of the City Council on July 22, 2020; and

J. A request for consolidating the General Municipal Election with the Statewide General Election on November 3, 2020 has also been called by Resolution of the City Council on July 22, 2020; and

K. Pursuant to California Constitution Article XIII C, Section 2(b) and Elections Code Section 10201, the City has determined by the City Council's action to submit a measure to the voters to enact an ordinance establishing a new one (1%) percent Transactions and Use Tax (Sales Tax) at the City's next regular consolidated general municipal election; and

L. Pursuant to Revenue and Taxation Code section 7285.9, approving the Sales Tax Measure requires approval by a majority vote of the qualified voters of the City voting in an election on the issue; and

M. The proceeds from such a Sales Tax could not be taken by the State and would remain local, to be spent in Grover Beach for services such as infrastructure improvements, business support and assistance, public safety staffing, and other services; and

N. The Sales Tax proceeds would have citizen oversight by the existing Citizen Oversight Committee on City Revenue Measures with an annual audit report presented to the City Council.

PART 2. Section 101504 of Chapter 15 of Article X of the Grover Beach Municipal Code is hereby amended as follows:

Section 101504. Transaction Tax Rate. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of one and one-half percent [(1.5%)] ~~(0.5%)~~ of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the City on and after the operative date of this chapter.

PART 3. Section 101505 of Chapter 15 of Article X of the Grover Beach Municipal Code is hereby amended as follows:

Section 101505. Place of Sale. For the purposes of this Chapter, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sale are consummated [for the purpose of a transactions tax proposed by this Chapter] shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

PART 4. Section 101506 of Chapter 15 of Article X of the Grover Beach Municipal Code is hereby amended as follows:

Section 101506. Use Tax Rate. An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this Chapter for storage, use or other consumption in said territory at the rate of [one and] one-half ~~[(1.5%)] (0.5%)~~ percent of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

PART 5. USE OF TAX PROCEEDS.

All proceeds of the tax levied and imposed hereunder shall be accounted for and paid into the City of Grover Beach General Fund and may be used for any lawful purpose as designated by the City Council.

PART 6. SEVERABILITY.

If any provision of this Ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the Ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

PART 7. STATUTORY AUTHORITY FOR TAX.

This Ordinance is adopted pursuant to Revenue and Taxation Code Section 7285.9.

PART 8. ELECTION REQUIRED.

This Ordinance shall not become operative unless and until a majority of the electors voting on this measure vote to approve the imposition of the tax at the General Municipal Election to be held on Tuesday, November 3, 2020.

PART 9. EFFECTIVE DATE.

If this Ordinance is approved by a super-majority vote of the Grover Beach City Council and by a majority of the electors voting on the issue at the November 3, 2020 General Municipal Election, pursuant to Elections Code Section 9217, and the City Council accepts the certified results of the election, the tax will become effective on 12:01 a.m. on April 1, 2021.

INTRODUCED at a regular meeting of the City Council held July 20, 2020 and **ADOPTED** by the City Council on July 20, 2020 on the following roll call vote, to wit:

- AYES: Council Members -
- NOES: Council Members -
- ABSENT: Council Members -
- ABSTAIN: Council Members -

PASSED, APPROVED, and ADOPTED by the Voters of the City of Grover Beach on Tuesday, November 3, 2020.

****DRAFT****

JEFF LEE, MAYOR

ATTEST:

WENDI SIMS, CITY CLERK

APPROVED AS TO FORM:

DAVID HALE, CITY ATTORNEY