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Report to Mayor and City Council

Tuesday, July 21, 2020

Discussion

SUBJECT:

**CONSIDER PLACING ONE OR MORE MEASURES ON THE NOVEMBER 3, 2020
REGULAR MUNICIPAL ELECTION (CITY COUNCIL)**

I. SUMMARY

For a ballot measure to be placed on the November 3, 2020 Regular Municipal Election, the City Council must call the election on the ballot measure by August 7, 2020. To assure that there is adequate time for the City Council to deliberate in time to meet this deadline; this item is being brought to the City Council at the request of Mayor Robles.

II. RECOMMENDATION

TAKE the following actions:

1. DISCUSS and PROVIDE DIRECTION to staff on whether to submit a ballot measure for consideration to the voters to prohibit the sale and discharge of all fireworks in the

City of Carson including the ban of safe and sane fireworks.

2. A. DISCUSS and PROVIDE DIRECTION to staff on whether to submit a general transactions and use tax (commonly known as a “sales tax”) in the amount of 0.75% to the voters at the November 3, 2020, Regular Municipal Election.

OR

B. Alternatively, DISCUSS and PROVIDE DIRECTION to staff on whether to submit a “blocking” sales tax measure (as described below) protecting up to 0.75% to the voters at the November 3, 2020, Regular Municipal Election.

3. DISCUSS and PROVIDE DIRECTION to staff on whether to submit a truck-intensive business license tax to the voters at the November 3, 2020, Regular Municipal Election and in what amount.
4. DISCUSS and PROVIDE DIRECTION to staff on whether to submit a Transient Occupancy Tax in the amount of 3% to the voters at the November 3, 2020, Regular Municipal Election and in what amount.
5. DISCUSS and PROVIDE DIRECTION to the City Attorney and the City Manager to prepare the appropriate materials for one or more ballot measures to be considered by the City Council for placement on the November 3, 2020 Regular Municipal Election.

1.

III. ALTERNATIVES

1. DO NOT APPROVE the recommendation.
2. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

If the City Council has an interest in presenting one or more ballot measures to the voters

on the November 3, 2020 Regular Municipal Election, to meet applicable deadlines, the City Council is asked to provide staff direction at this meeting or shortly thereafter on which ballot measures it would like to consider.

There are various reasons the City Council may wish to put a ballot measure before the public.

The City Council may desire to submit a tax measure to the voters to consider additional revenue sources for the City to enhance/maintain the level of service on such things as street and sidewalk maintenance, and public health and safety. Revenue measures may include but are not limited to an increase in Sales Tax, an increase to the Sales Tax that would only go into effect if another government entity or Special District would otherwise collect new sales taxes from Carson residents (aka “a blocking sales tax”), an increase in the Transient Occupancy Tax, and a truck-intensive business license tax.

The City collects the following taxes:

Taxes	FY 20-21	% of Revenue
Sales Tax	\$23,203,365	25%
Property Taxes	\$15,755,066	17%
Utility User Taxes*	\$7,892,486	9%
Transient Occupancy Taxes	\$2,150,000	2%
Oil Industry Taxes	\$4,700,000	5%

Further, if there was an interest in having the voters determine whether to prohibit the sale of all fireworks in Carson including Safe and Sane Fireworks, such a measure may be submitted to the voters.

Transactions and Use Tax (Add-on Sales tax) Ballot Measure 2020

California law effectively “caps” the City’s sales tax rate at a maximum rate of 10.25%. The current city-wide tax rate in Carson is 9.5%, which is composed of the City’s current sales tax and several county-wide sales taxes. However, of that amount, the City’s component is only 1%. The local 1% rate is allocated based on a “point of sale” or “situs” of the sales transaction. The local rate goes to the city where the transaction occurred, which means that county-wide sales taxes account for 8.5% of the sales taxes collected in the City. For Fiscal Year 2020-2021, it is estimated that the City’s 1% sales tax revenue will be \$23,203,365.

City	Rate
Carson	9.5%
Torrance	9.5%
Inglewood	10.00%
El Monte	10.00%
Gardena	10.25%
Long Beach	10.25%

Compton	10.25%
Covina	10.25%
Culver City	10.25%
Hawthorne	10.25%
Lakewood	10.25%

To stay within the maximum rate of 10.25%, there is only 0.75% remaining available for Carson to increase its sales tax revenue from sales generated within the City's boundaries. Note that this 0.75% is also available for other taxing jurisdictions like the County of Los Angeles, which means that if the City does not take advantage of the 0.75%, then there is a risk that another jurisdiction may try to take it.

For example, the County of Los Angeles may submit a sales tax measure to full utilize the 0.75% remaining, which means that the revenues collected would not be available for the City to provide services to its residents.

If a sales tax at the rate of 0.75% is approved by the voters, the revenues collected from this sales tax will be deposited in the City's General Fund to fund City services and programs for its residents instead of other taxing jurisdictions like the County of Los Angeles. Additionally, this will prevent other jurisdictions from utilizing the 0.75% and ensure that those funds are provided to the City and its residents. The total annual revenue generated is estimated to be \$11,940,000, which is broken down as follows:

Major Industry Groups	0.75% Transaction Tax Estimate
Autos and Transportation	\$ 1,991,000
Building and Construction	\$ 1,129,000
Business and Industry	\$ 1,766,000
Food and Drugs	\$ 404,000
Fuel and Service Stations	\$ 1,444,000
General Consumer Goods	\$ 3,654,000
Restaurants and Hotels	\$ 1,706,000
Subtotal	\$ 12,094,000
0.5% Deduction for start-up issues	\$ (60,000)
Admin Fees	\$ (94,000)
First Full Year TT Revenue Projection	\$ 11,940,000

The City Council is asked to discuss and provide direction to staff on whether to submit a general transactions and use tax (commonly known as a "sales tax") measure with a rate of up to 0.75% to the voters at the November 3, 2020, general municipal election. Alternatively, the City Council may consider directing staff to prepare materials for a "protective" sales tax measure.

A typical sales tax, as described above, would generally be effective after the November 3, 2020, general municipal election, and would begin to be collected thereafter. On the other hand, a "protective" sales tax is intended to only be collected if certain conditions are met

(i.e., another public agency, such as LA County, that is able to utilize the 0.75% mentioned above qualifies a sales tax on a ballot).

Under California law, transaction and use taxes maybe approved locally and added to the combined state and local sales tax. Transactions and use taxes generally apply to merchandise that is delivered in a jurisdiction that imposes such a tax. In practice, the tax application and allocation for most retail sales will not differ from the sales and use tax. But there are some differences. Where the Bradley Burns Sales and Use Tax is generally allocated to the Jurisdiction where the sale is negotiated or order taken (the “origin”), the transactions and use tax is allocated to the district where the goods are delivered or placed into use (the place of first possession).

Transaction taxes are only levied on a tangible personal property consumed, taken possession of, registered or delivered to within the district boundaries of the jurisdiction levying the tax, the place of first possession rather than the place of sale. Transaction taxes do not apply to transactions where the goods are delivered or registered to buyers outside the tax district.

For example, the City of Pickleville has a half-cent transactions tax. The City of Grenkenheim does not impose a transactions tax. If a buyer from the Pickleville purchases a car from a dealer in Grenkenheim, the City of Grenkenheim would receive revenue from the one cent Bradley-Burns sales tax and the City of Pickleville would receive revenue from the half-cent transactions tax. On the other hand, if a buyer from Grenkenheim purchased a car from a dealer in Pickleville, the City of Pickleville would receive the revenues from the one-cent sales but -because Grenkenheim does not levy a transactions tax -no transactions tax would apply.

Further, note that a two-thirds (i.e., 4 Councilmembers) vote of all members of the City Council (Government Code Section 53724(b); Rev. & Taxation Code Section 7285.9) will be required to pass the resolution ordering the submission of the proposed sales tax measure to the voters and to approve the Sales Tax ordinance. Passage of the sales tax measure will require approval by a majority of the voters.

If the City Council determines to direct staff to submit either a sales tax measure or a protective sales tax measure to the voters at the November 3, 2020, election, staff will draft the necessary documents (e.g., election resolutions and sales tax ordinance), and bring the item back to the City Council on August 4th for its approval.

On March 3, 2020 Primary Elections, voters in 30 cities considered general purpose Transaction and Use Tax rates ranging from 0.5% to 1%. 21 measures passed or 70% passage rate. Among the losing measures, the City of Torrance “protective” sales tax measure sought a 0.75%.

Transactions and Use Tax (Add-on Sales Tax) - General Tax - Majority Approval

City	County	Measure	Rate		Sunset	YES%	NO%	
Davis	Yolo	Measure Q	1 cent	extend	none	82.6%	17.4%	PASS
Culver City	Los Angeles	Measure CC	1/2 cent	extend	4/1/2033	76.9%	23.1%	PASS
Del Rey Oaks	Monterey	Measure F	1 cent	extend	none	71.6%	28.4%	PASS
Paramount	Los Angeles	Measure Y	3/4 cent		none	71.4%	28.6%	PASS
Lompoc	Santa Barbara	Measure I	1 cent		15 yrs	68.7%	31.3%	PASS
Lakewood	Los Angeles	Measure L	3/4 cent		none	64.4%	35.6%	PASS
San Gabriel	Los Angeles	Measure SG	3/4 cent		none	64.3%	35.7%	PASS
Gardena	Los Angeles	Measure G	3/4 cent		none	64.3%	35.7%	PASS
Scotts Valley	Santa Cruz	Measure Z	by 3/4cent to 1.25		12yrs	64.0%	36.0%	PASS
Alhambra	Los Angeles	Measure AL	3/4 cent		none	63.7%	36.4%	PASS
Monterey	Monterey	Measure G	1/2 cent		9 yrs	63.4%	36.6%	PASS
Azusa	Los Angeles	Measure Z	3/4 cent		none	62.3%	37.7%	PASS
Reedley	Fresno	Measure B	3/4 cent		10 yrs	62.0%	38.0%	PASS
Hawaiian Gardens	Los Angeles	Measure HG	3/4 cent		none	60.7%	39.3%	PASS
Montebello	Los Angeles	Measure H	3/4 cent		none	60.6%	39.4%	PASS
Carmel-by-the-Sea	Monterey	Measure C	by 3/4 cent to 1.25		20 yrs	60.5%	39.5%	PASS
Whittier	Los Angeles	Measure W	3/4 cent		none	57.2%	42.8%	PASS
Norwalk	Los Angeles	Measure P	3/4 cent		none	57.0%	43.0%	PASS
Duarte	Los Angeles	Measure D	3/4 cent		none	54.9%	45.2%	PASS
La Verne	Los Angeles	Measure LV	3/4 cent		none	54.4%	45.6%	PASS
Long Beach	Los Angeles	Measure A	1 cent	extend	none	50.0%	50.0%	PASS
Artesia	Los Angeles	Measure AA	3/4 cent		none	49.1%	50.9%	FAIL
Lemon Grove	San Diego	Measure S	3/4 cent		none	42.8%	57.3%	FAIL
Torrance	Los Angeles	Measure X	3/4 cent		none	41.6%	58.4%	FAIL
Bell	Los Angeles	Measure TT	3/4 cent		none	39.8%	60.2%	FAIL
San Dimas	Los Angeles	Measure SD	3/4 cent		none	38.5%	61.5%	FAIL
Yucaipa	San Bernardino	Measure E	1/2 cent		none	35.9%	64.1%	FAIL
Avalon	Los Angeles	Measure SS	1/4 cent		none	35.3%	64.8%	FAIL
Cerritos	Los Angeles	Measure C	3/4 cent		none	32.5%	67.5%	FAIL
Monterey Park	Los Angeles	Measure GG	3/4 cent		none	31.0%	69.0%	FAIL
County of Tuolumne Uninc	Tuolumne	Measure P	1 cent		none	29.7%	70.3%	FAIL
West Covina	Los Angeles	Measure WC	3/4 cent		none	20.0%	80.0%	FAIL
County of Tehama	Tehama	Measure G	1 cent		10 yrs	16.1%	83.9%	FAIL

Truck-intensive business license tax

Carson is located between the twin ports of the Los Angeles and Long Beach. Warehouses are needed for a series of uses related to the goods movement industry, including receiving goods from the port and shipping to other locations in Southern California. The goods movement industry in Carson is primarily based on truck movements.

The City Council is asked to discuss and provide direction to staff on whether to submit a truck-intensive business license tax measure to the voters at the November 3, 2020, general municipal election. The truck-intensive business license tax would be a general tax based upon the number of “truck handling stalls” of a “truck intensive business” operating within the City. “Truck handling stall” would be defined to include loading docks, truck parking spaces, and other places where trucks are normally parked, stored, loaded or unloaded. “Truck-intensive business” would be defined to generally include all businesses that load, unload, park or store trucks in the course of their business. Common carriers, including but not limited to DHL Express, Federal Express, Golden State Overnight, United Parcel Service, the U.S. Postal Service and others, shall not constitute the loading,

unloading or storage trucks.

Additionally, this tax would be a general tax and would also include exemptions to be compliant with State law. Exemptions may include industrial or manufacturing facilities that create significant employment opportunities in the City. The total annual revenue generated is estimated to be \$6,000,000, which is based on a projected 28,000 truck stall/parking space in Carson (\$215/year per space, or about \$18/month).

Like the Transactions and Use Tax, a 2/3 vote (i.e., 4 Councilmembers) of the City Council is required to submit this to the voters at the November 3, 2020, election. Passage will require approval by a majority of voters.

Transient Occupancy Tax

The Transient Occupancy Tax (or TOT), is also commonly known as hotel tax. The tax is imposed on occupants of hotels, inns, and other short-term lodging facilities for stays of 30 days or less. The tax is applied to a customer's lodging bill and collected by operators of hotels/motels or their agents and remitted to the City. Rates are set at the City's discretion and may include a specific amount as well as a percentage.

The TOT is a general tax which is deposited into the City's General Fund. TOT currently represents about 3% of the City's General Fund revenue.

More than 400 cities and 55 (all but three) counties impose a TOT. The most common rate is 10%, but rates range from 4% in several cities to 15% in Anaheim to 15.5% in Palo Alto.

A Transient Occupancy Tax measure increasing the TOT rate from the existing 9% to some higher amount, would be effective January 1, 2021. An increase from 9% to 12% would generate an estimated \$800,000 in annual revenue for the City. Revenue generated by the TOT is expended at the discretion of the City Council, on any City programs or services.

A two-thirds (i.e., 4 Councilmembers) vote of all members of the City Council (Government Code Section 53724(b); Rev. & Taxation Code Section 7285.9) will be required to pass the resolution ordering the submission of the proposed tax measure to the voters. As a general tax, the TOT measure requires approval by a simple majority of voters to pass (a simple majority is 50 percent of voters plus one additional voter.)

On March 3, 2020 Primary Election, there were seven Transient Occupancy Tax measures, including five majority vote general purpose measures. The County of Mendocino accompanied its measure to extend its 10% tax to campgrounds and RV parks with an advisory measure to use the proceeds for fire services. In Mendocino County, the majority vote measure was accompanied by a passing advisory measure stipulating that the proceeds should be used for fire prevention and suppression services throughout the County. General use tax is levied to fund the general government purposes and which goes into the local government entity's general fund. The general tax must be approved by a simple majority of voter. Special taxes if tax increase is levied for a specific purpose. If revenue from the tax measure is earmarked in a legally binding way for a service such public safety, transportation or parks and recreation facilities it is a special tax. Special tax must be approved by a two-thirds supermajority of voters.

Transient Occupancy Tax Measures: Majority Vote General Use

<u>Agency Name</u>	<u>County</u>		<u>Rate</u>	<u>YES%</u>	<u>NO%</u>	
Long Beach	Los Angeles	Measure B	by 1% to 7%	59.2%	40.8%	PASS
County of Mendocino	Mendocino	Measure D	10%	57.9%	42.2%	PASS
County of Siskiyou	Siskiyou	Measure A	by 4% to 12%	54.0%	46.0%	PASS
County of Tuolumne	Tuolumne	Measure Q	by 2% to 12%	46.4%	53.6%	FAIL
Artesia	Los Angeles	Measure BB	by 2.5% to 15%	46.5%	53.6%	FAIL

Transient Occupancy Tax Measures: Two-thirds Vote Special Purpose

<u>City</u>	<u>County</u>	<u>Measure</u>	<u>Rate</u>	<u>YES%</u>	<u>NO%</u>	
Ojai	Ventura	Measure C	by 5% to 15%	83.1%	16.9%	PASS
San Diego	San Diego	Measure C	1.25%, 2.25% or 3.25%	65.2%	34.8%	FAIL

1) Fireworks

Since the City of Carson's incorporation in 1968, per Ordinance No. 70-122, the City has allowed for the sale and discharge of safe and sane fireworks. In 1970, this ordinance became Section 3101 of Carson Municipal Code. The Carson Municipal Code governs the purchase and usage of fireworks; and regulates the organizations that sell fireworks. In the same vein, illegal fireworks have always been banned in the City since incorporation. In fact, currently up to \$1,000 administrative fine can be issued to a person discharging illegal fireworks within the community.

At the recent July 7th City Council meeting, a group of residents addressed the City Council on the negative effects of fireworks and their desire for a permanent solution to address the issue of both illegal fireworks and safe and sane fireworks. The City Council gave staff direction to put a discussion item on the next agenda (July 21st) to discuss the issue of fireworks, and whether to place a measure on the ballot to amend the City's Municipal Code to ban fireworks sales and use. Although the City Council could adopt an ordinance that would ban all fireworks sales and use in the City, the City Council may want this determination to be made by the voters.

The use of legal and illegal fireworks around Southern California brought the worst air quality to the region in a decade, the South Coast Air Quality Management District reported on Wednesday July 8th. Air quality reached very unhealthy and hazardous levels in parts of Los Angeles and Orange Counties. Also, the trauma center and burn unit at the Los Angeles County USC Medical Center reported a sharp increase in injuries, mostly among kids, due to fireworks this year.

To be passed by the electorate, the proposed measure must be approved by a majority of the voters (i.e., 50% +1). The deadline for the City Council to take action on whether or not to put the measure on the November 3, 2020 ballot is eighty-eight days before the election (August 7th, 2020), thus the resolutions would have to be adopted by the City Council no later than the August 4th, 2020, meeting.

If the measure is approved, the City's Fireworks Ordinance cannot be amended again without a voter approval (Election Code 9217). Whether the measure is approved or is not approved, it cannot be resubmitted to the voters at any kind of special election for at least one year after the measure is voted upon (Election Code 9218).

V. FISCAL IMPACT

To add one or more ballot measures to the General Municipal Election, the City can anticipate incurring approximately \$20,000 in election costs.

Depending on the specific ballot measure(s) under consideration, there could be varying degrees of positive impacts on the City's budget. The City Council may want to consider which revenue measure(s) would be most impactful and which are the likeliest to pass.

VI. EXHIBITS

N/A

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