



Legislation Text

File #: 2020-528, Version: 1

Report to Mayor and City Council

Tuesday, August 04, 2020

Discussion

SUBJECT:

CONSIDERATION OF RESOLUTION NO. 20-117 CALLING AND GIVING NOTICE OF THE HOLDING OF A GENERAL MUNICIPAL ELECTION INCREASING THE TRANSIENT OCCUPANCY TAX BY 3%; CONSIDERATION OF RESOLUTION NO. 20-118 AUTHORIZING THE DRAFTING OF DIRECT ARGUMENTS, SETTING PRIORITIES FOR FILING WRITTEN ARGUMENT(S) AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS, REGARDING A CITY MEASURE; CONSIDERATION OF RESOLUTION NO. 20-119 PROVIDING FOR THE FILING OF REBUTTAL ARGUMENTS REGARDING A CITY MEASURE, ENTITLED CARSON ESSENTIAL SERVICES PROTECTION MEASURE SUBMITTED AT THE GENERAL MUNICIPAL ELECTION ON NOVEMBER 3, 2020; AND CONSIDERATION OF ORDINANCE NO. 20-2010 AMENDING SECTION 6402 OF CHAPTER 4 OF ARTICLE 6 OF THE CARSON MUNICIPAL CODE, THEREBY INCREASING THE TRANSIENT OCCUPANCY TAX RATE BY 3% (CITY COUNCIL)

I. SUMMARY

The current transient occupancy tax is a general tax at the rate of 9%. The resolutions will allow the City to submit to the voters at the November 3, 2020 Presidential General Election a Measure to increase the transient occupancy tax rate by 3% (i.e., from 9% to 12%) in the City of Carson ("TOT Measure").

If adopted, these resolutions would accomplish the following: (1) submitting TOT Measure to the voters, and requesting consolidation of the same with the November 3, 2020, Statewide General Election; (2) directing the drafting of direct arguments, setting the order in which the direct arguments are chosen if more than one are submitted, and directing the drafting of an impartial analysis; and (3) authorizing rebuttal arguments.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Resolution No. 20-117 "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, CALLING AND GIVING NOTICE OF THE HOLDING OF A GENERAL MUNICIPAL ELECTION TO BE HELD ON NOVEMBER 3, 2020, FOR THE PURPOSE OF SUBMITTING TO THE VOTERS A MEASURE, ENTITLED CARSON ESSENTIAL SERVICES PROTECTION MEASURE, WHICH INCREASES THE TRANSIENT OCCUPANCY TAX BY 3%; AND, IN ACCORDANCE THEREWITH, REQUESTING THE COUNTY OF LOS ANGELES TO CONSOLIDATE THE SUBMISSION OF THIS MEASURE AT THE CITY'S GENERAL MUNICIPAL ELECTION TO BE HELD ON MARCH 3, 2020, WITH THE STATEWIDE GENERAL ELECTION TO BE HELD ON THAT DATE PURSUANT TO SECTION 10403 OF THE ELECTIONS CODE"; AND
2. APPROVE Resolution No. 20-118 "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, AUTHORIZING THE DRAFTING OF DIRECT ARGUMENTS, SETTING PRIORITIES FOR FILING WRITTEN ARGUMENT(S) AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS, REGARDING A CITY MEASURE, ENTITLED CARSON ESSENTIAL SERVICES PROTECTION MEASURE SUBMITTED AT THE GENERAL MUNICIPAL ELECTION ON NOVEMBER 3, 2020"; AND
3. APPROVE Resolution No. 20-119 "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, PROVIDING FOR THE FILING OF REBUTTAL ARGUMENTS REGARDING A CITY MEASURE, ENTITLED CARSON ESSENTIAL SERVICES PROTECTION MEASURE SUBMITTED AT THE GENERAL MUNICIPAL ELECTION ON NOVEMBER 3, 2020"; AND

IF THE RESOLUTIONS ABOVE ARE ADOPTED, THEN

4. ADOPT Ordinance No. 20-2010 "AN ORDINANCE OF THE VOTERS OF CITY OF CARSON AMENDING SECTION 6402 OF CHAPTER 4 OF ARTICLE 6 OF THE CARSON MUNICIPAL CODE, THEREBY INCREASING THE TRANSIENT OCCUPANCY TAX RATE BY 3%"

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III. ALTERNATIVES

Submit a Transient Occupancy Tax measure at a higher rate than the proposed 3%.

Take any other action deemed appropriate by Council, subject to the requirements of

applicable law.

IV. BACKGROUND

1. Budget Overview

The Transient Occupancy Tax (“TOT”), also commonly known as a hotel tax, is a general tax deposited into the City’s General Fund. The tax is imposed on occupants for privilege of occupying room(s) in hotel, motel, inn 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 rate in the City of Carson is 9% generating an average annual revenue of \$2.1 million and currently represents about 3% of City’s total 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. Every 1% increase to the TOT rate will generate about \$267,000 in additional revenues and a Transient Occupancy Tax measure increasing the TOT rate from the existing 9% to 12% would be expected to generate an additional estimated \$800,000 (prior to the COVID-19 pandemic). The amount will likely be less due to the pandemic’s impacts.

TOT Additional Rate Increase	TOT Additional Revenue (forecast)
1%	\$267,000
2%	\$533,000
3%	\$800,000
4%	\$1,066,000
5%	\$1,333,000

As a general tax, all revenues generated by the TOT may be expended at the discretion of the City Council on any City programs or services.

City Name	TOT Rate	TOT revenue
Inglewood	14%	\$5,500,000
Long Beach	12%	\$30,600,000
Hawthorne	12%	\$5,400,000
Torrance	11%	\$11,600,000
Gardena	11%	\$1,300,000
Covina	10%	\$388,000
Carson	9%	\$2,100,000
Lakewood	8%	\$63,000
Compton	7.5%	\$105,000

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.

2. Proposed Transient Occupancy Tax Increase Measure

The City's current transient occupancy tax is governed by Chapter 4 of Article 6 of the Carson Municipal Code. The current transient occupancy tax rate that is collected in the City is 9%. If approved by the voters, the proposed measure increases the transient occupancy tax rate by 3% (i.e., increase from 9% to 12%) ("TOT Measure"). To accomplish this, the proposed ordinance will amend Section 6402 of Chapter 4 of Article 6 of the Carson Municipal Code to expressly state the transient occupancy tax rate as 12%.

3. Three Election Resolutions

Three election resolutions concerning the proposed TOT Measure are presented for City Council consideration:

The first resolution orders the submission of the proposed TOT Measure to the voters at the November 3, 2020, election.

The second resolution is concerned with written arguments (both in favor and against) about the TOT Measure, as well as directing the City Attorney to prepare an impartial analysis of the proposed TOT Measure.

The third resolution provides for the filing of rebuttal arguments to the primary written arguments. The rebuttal arguments are prepared by the opposite authors of the primary written arguments.

4. General Information Concerning Three Election Resolutions

- a. Ballot Label. The first resolution includes a "ballot label" (commonly known as the "ballot question") that describes the proposed TOT Measure and that is the question presented to the voters. Ballot labels are limited to 75 words or less. The Council may revise the language used for the ballot label within the following state law restrictions:
 - i. "If the proposed measure imposes a tax or raises the rate of a tax, the ballot shall include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied." (Election Code section 13119(b).)
 - ii. "The statement of the measure shall be a true and impartial synopsis of the purpose of the proposed measure, and shall be in language that is neither argumentative nor likely to create prejudice for or against the measure." (Election

Code section 13119(c.)

This proposed TOT Measure concerns an increase in the TOT Measure, which is a general tax. Consequently, the revenue will be deposited into the General Fund and may be spent for unrestricted general revenue purposes; the ballot label may make reference to possible uses (while not committing the revenue to those uses).

- b. Argument Authorization. The second resolution authorizes councilmembers to write arguments concerning the ballot measure by providing space for the City Council to authorize councilmembers to draft arguments. If three or more Councilmembers jointly write a ballot argument, then the Brown Act will require the collaboration to occur at a noticed public meeting.
- c. Rebuttals. Rebuttal arguments are optional under state law and are allowed at the discretion of the City Council. If the City Council does not desire to authorize rebuttal arguments, then Council should not approve this third election resolution.

5. Procedures

A two-thirds (i.e., 4 Councilmembers) vote of all members of the City Council (Gov't Code § 53724(b)) will be required to pass the resolution to order the submission of the proposed TOT Measure to the voters.

Passage of the TOT Measure will require approval by a majority of the voters. The proposed tax rate increase will generate revenue, deposited in the general fund, available for any general governmental purpose. Thus, the taxes are considered "general taxes." Under Proposition 218, the increase of a general tax must be approved by a majority of voters. (Cal. Const. art. 13C, § 2(b).).

V. FISCAL IMPACT

The City of Carson's TOT rate is 9% generating annual revenue of \$2.2 million. Every 1% increase to the TOT rate will generate about \$267,000 in additional revenues and a 3% increase in Transient Occupancy Tax rate from the existing 9% to 12% would generate an additional estimated \$800,000.

VI. EXHIBITS

- 1. Resolution No. 20-117 Calling the Election, Submitting the TOT Measure and Requesting Consolidation (page: 7-11)
- 2. Resolution No. 20-118 Authorizing Direct Arguments and Ordering Drafting of Impartial Analysis (page: 12-14)
- 3. Resolution No. 20-119 Authorizing Rebuttal Arguments (page: 15-16)

4. Ordinance No. 20-2010 Proposed TOT Tax Amendment (page: 17-18)

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