



CITY OF CARSON

Legislation Text

File #: 2020-527, Version: 1

Report to Mayor and City Council

Tuesday, August 04, 2020

Discussion

SUBJECT:

CONSIDERATION OF RESOLUTION NO. 20-120 APPROVING THE ORDINANCE AND 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 TRANSACTIONS AND USE GENERAL TAX MEASURE; CONSIDERATION OF RESOLUTION NO. 20-121 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 THE CARSON ESSENTIAL SERVICES PROTECTION MEASURE; CONSIDERATION RESOLUTION NO. 20-122 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; CONSIDERATION OF ORDINANCE NO. 20-2009 ADDING CHAPTER 1.5 TO ARTICLE 6 OF THE CARSON MUNICIPAL CODE, THEREBY ESTABLISHING A TRANSACTIONS AND USE GENERAL TAX AT THE RATE OF .75% (CITY COUNCIL)

I. SUMMARY

The combined sales tax rate in the City is 9.5% and of this amount, the City currently receives 1%. State law effectively caps this at 10.25%. This includes various sales taxes from other districts, including LA County. This leaves 0.75% that can be accessed by such other districts and the City. Thus, in order to ensure that the 0.75% may only be utilized for the benefit of the City and its residents, the City Council must consider whether to submit a Transactions and Use General Tax (commonly referred to as a "sales tax") measure at a rate of 0.75% to the voters at the November 3, 2020, election.

Further, if the proposed measure is approved by voters, the City would not begin collecting the 0.75% sales tax until another public agency with jurisdiction, such as LA County, qualifies a similar sales tax for the ballot. For example, if LA County qualifies a sales tax measure for the November 2022 election, then this proposed sales tax would come into effect at that time. This is different from the typical sales tax in that the City would begin to collect after its approval by the voters at the November 3, 2020, election instead of at the future date described above. The revenues collected from the Transaction and Use Tax will

be used to restore, protect and enhance City of Carson services such as public safety, street maintenance, building maintenance, transportation, parks and community services' programs.

The resolutions will allow the City to submit to the voters at the November 3, 2020 Presidential General Election the above-mentioned measure that establishes a Transaction and Use Tax at a rate of 0.75% in the City of Carson ("Sales Tax Measure"). If adopted, these resolutions would accomplish the following: (1) submitting the Sales Tax Measure to the voters, approving the proposed sales tax ordinance, 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 for the Sales Tax Measure; and (3) authorizing rebuttal arguments for the Sales Tax Measure. If the City Council adopts such resolutions, then State law further requires that the City Council conduct the first reading, by title only, of the proposed ordinance relating to the Sales Tax Measure.

II. RECOMMENDATION

1. TAKE the following actions:
2. APPROVE Resolution No. 20-12, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE ORDINANCE AND 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 TRANSACTIONS AND USE GENERAL TAX MEASURE, ENTITLED THE CARSON ESSENTIAL SERVICES PROTECTION MEASURE, WHICH ADDS CHAPTER 1.5 TO ARTICLE 6 OF THE CARSON MUNICIPAL CODE AND ESTABLISHES A TRANSACTIONS AND USE GENERAL TAX AT THE RATE OF 0.75%; 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
3. APPROVE Resolution No. 20-121, "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 THE CARSON ESSENTIAL SERVICES PROTECTION MEASURE, SUBMITTED AT THE GENERAL MUNICIPAL ELECTION ON NOVEMBER 3, 2020"; AND

4. APPROVE Resolution No. 20-122, "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,

5. ADOPT Ordinance No. 20-2009, "AN ORDINANCE OF THE PEOPLE OF THE CITY OF CARSON ADDING CHAPTER 1.5 TO ARTICLE 6 OF THE CARSON MUNICIPAL CODE, THEREBY ESTABLISHING A TRANSACTIONS AND USE GENERAL TAX AT THE RATE OF .75%"

III. ALTERNATIVES

To submit a Sales Tax measure that will be collected shortly after the passage of the measure.

Take any other action deemed appropriate, subject to the requirements of applicable law.

IV. BACKGROUND

1. Budget Overview

Sales tax is collected by the California Department of Tax and Administration (CDTFA) and distributed to the City. The sales tax is the City of Carson's primary revenue source at 28% of total General Fund resources. The estimated Fiscal Year 2020-2021 sales tax revenue is \$23.2 million, which is \$1.4 million below Fiscal Year 2019-2020 forecast. The City derives approximately one-third of its sales tax revenue from auto sales. This estimate reflects the impacts (many still unknown) of the COVID-19 pandemic. The forecast also generally assumes that the virus will have run its course by December, which at this time is not likely, and that revenues will bottom by the second quarter of Fiscal Year 2020-2021. This is an unprecedented situation and therefore staff will have to monitor and adjust as circumstances dictate going forward.

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 fully 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, 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 revenues collected from the Transaction and Use Tax will be used to restore, protect and enhance City of Carson services such as public safety, street maintenance, building maintenance, transportation, parks and community services' programs.

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.

The table below shows the sales tax rates of other nearby cities:

| 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% |

2. Proposed Sales Tax Ordinance

As stated above, the City's authority to impose the additional 0.75% of Transactions and Use Tax, commonly referred as a sales tax, is subject to the rate limitation specified in the Revenue & Tax Code Section 7251.1. The proposed transactions and use tax ordinance ("Sales Tax Measure") adds a new Chapter 1.5 to Article 6 of the Municipal Code to establish an additional sales tax of 0.75% thereby providing a total City portion of the total sales tax rate of 1.75%. If adopted, the sales tax rate in the City of Carson increase from 9.5% to 10.25%. This new rate will encompass the City's portion and the various county-wide taxes already in place.

Additionally, the proposed Sales Tax Measure states that this tax will not be collected unless another "district" with taxing jurisdiction, such as LA County, qualifies their own transactions and use tax for the ballot. Essentially, if approved, the 0.75% sales tax would "block" another district from utilizing the 0.75% and ensure that the 0.75% would be utilized for the City. For example, if LA County qualifies a sales tax measure for the November 2022 election, then this proposed sales tax would come into effect at that time. This is different from the typical sales tax in that, for a typical sales tax, the City would begin collection after its approval by the voters at the November 3, 2020, election instead of at the future date described above.

3. Three Election Resolutions

Three election resolutions concerning the proposed general Sales Tax Measure are presented for City Council consideration:

The first resolution orders the submission of the proposed Sales Tax 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 Sales Tax Measure, as well as directing the City Attorney to prepare an impartial analysis of the proposed Sales Tax 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") which describes the proposed Sales Tax Measure, and which 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 Sales Tax Measure is a general tax and 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); Rev. & Taxation Code Section 7285.9) will be required to pass the resolution to order the submission of the proposed Sales Tax Measure to the voters and to approve the Sales Tax ordinance. Additionally, Revenue & Taxation Code Section 7285.9 also requires that the City Council approve the Sales Tax ordinance, which includes the City Council conducting the first reading, by title only, of the Sales Tax ordinance, by the same two-thirds vote. The City Council will subsequently adopt the Sales Tax ordinance if it is approved by the voters.

Passage of the Sales Tax Measure will require approval by a majority of the voters. The proposed taxes 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 levy of a new general tax must be approved by a majority of voters. (Cal. Const. art. 13C, § 2(b).).

V. **FISCAL IMPACT**

The City of Carson's sales tax rate is 9.5% generating annual revenue of \$23 million. An increase of the sales tax from 9.5% to 10.25% would generate an additional estimated \$11.9 million. The proposed Sales Tax increase will not be collected unless another

“district” with taxing jurisdiction, such as LA County, qualifies its own transactions and use tax for the ballot.

VI. EXHIBITS

- A. Resolution No. 20-120 Calling the Election, Submitting the Sales Tax Measure and Requesting Consolidation (page: 8-11)
- B. Resolution No. 20-121 Authorizing Direct Arguments and Ordering Drafting of Impartial Analysis (page: 12-14)
- C. Resolution No. 20-122 Authorizing Rebuttal Arguments (page: 15-16)
- D. Proposed Sales Tax Ordinance (page: 17-26)

Prepared by: Tarik Rahmani, Finance Director