



CITY OF SONOMA
City Council
Agenda Item Summary

City Council Agenda Item: 7A

Meeting Date: 07/06/2016

Department

Administration

Staff Contact

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Agenda Item Title

DISCUSSION, CONSIDERATION AND POSSIBLE ACTION TO ADOPT A RESOLUTION CALLING FOR AN ELECTION ON A PROPOSED BALLOT MEASURE TO CONTINUE THE EXISTING VOTER APPROVED FUNDING OF A TRANSACTIONS AND USE (SALES) TAX TO FUND GENERAL CITY SERVICES

Summary

At the June 27 Council meeting staff presented a background report on Measure J, the City's local transaction and use tax which has been in place since 2012 and for which is set to expire on June 30, 2017. This tax currently adds a half-percent local transactions and use tax to fund City services. This half percent tax is added to general Sales Tax on purchases in the City and to continue collection of the tax a new measure must be renewed by voter ballot in November. Absent this local tax revenue source, the City will be facing serious revenue shortfalls in the future and budget cuts to core public services will be necessary.

Recommended Council Action

Approve the resolution to place the extension of the City's local transaction and use tax (Measure J) on the November ballot.

Alternative Actions

Do not approve the resolution; make changes and/direct for item to return on July 18.

Financial Impact

Absent renewal of Measure J the City's General Fund will be facing a loss of approximately \$2.2 million in revenue causing significant cuts to core public services.

Environmental Review

- Environmental Impact Report
- Negative Declaration
- Exempt
- Not Applicable

Status

- Approved/Certified
 - No Action Required
 - Action Requested
-

Attachments:

Supplemental Report
Resolution

Alignment with Council Goals:

FISCAL MANAGEMENT: Maintain high level fiscal accountability that ensures short and long-term sustainability of City's financial position; provide for effective and efficient management of local taxpayers' dollars. Initiate steps to renew Measure J (FY 2015-16 Council Goals)

Compliance with Climate 2020 Action Plan Target Goals:

N/A

cc:

SUPPLEMENTAL REPORT

DISCUSSION, CONSIDERATION AND POSSIBLE ACTION TO ADOPT A RESOLUTION CALLING FOR AN ELECTION ON A PROPOSED BALLOT MEASURE TO CONTINUE THE EXISTING VOTER APPROVED FUNDING OF A TRANSACTIONS AND USE (SALES) TAX TO FUND GENERAL CITY SERVICES

For the Council Meeting of July 6, 2016

At the June 27 Council meeting staff presented a background report on Measure J, the City's local transaction and use tax which has been in place since 2012 and for which is set to expire on June 30, 2017. This tax currently adds a half-percent local transactions and use tax to fund City services. This half percent tax is added to general Sales Tax on purchases in the City and to continue collection of the tax a new measure must be renewed by voter ballot in November. Absent this local tax revenue source, the City will be facing serious revenue shortfalls in the future and budget cuts to core public services will be necessary.

Staff presented the assistance that the revenues derived by Measure J has provided to the City and the fiscal responsibility shown in the expenditure of funds. Measure J revenue (approximately \$2.2M annually) is not a supplemental tax for the General Fund; rather, it provides coverage for costs assumed by the General Fund for core public services and outside organizational services, some of which were formerly provided under the redevelopment program. As stated in the text of the original measure (and for which the City received voter approval) the City was diligent in maintaining its promise to the voters and using the resources provided by the Measure J tax proceeds wisely to provide "funding for essential services such as police, fire and emergency medical services, street and road maintenance, graffiti abatement and other general community services". Overall, Measure J has provided a stabilizing local economic foundation for the City's provision of public services and as such, is needed to continue to fortify the City's General Fund. While several promises have been made by the State to replace "lost" redevelopment and housing funds, no movement has been made in this area. In fact, while the State extols its bounty of revenues collected, it has not returned any revenues lost by the cities. The City must continue to find revenue sources, such as Measure J, that are insulated from State intervention.

With Measure J set to expire in June 2017, the Council considered whether or not to pursue the extension of the tax as a ballot measure on the November 2016 ballot under three options:

- (1) Extend the tax measure with a new sunset provision based on a set timeframe (5-years, 10-years, 20-years)
- (2) Extend the tax measure in perpetuity (no stated end date)

- (3) Not to move forward with renewal of the local sales tax which would give staff the advance notice (12 months) to begin looking at future General Fund expenditure reductions equal to the loss of \$2.2 million in revenue.

Following discussion of the options and receiving public comment, it was a majority consensus that an extension of 5 years would be the preferred timeframe. Based on the discussion, this option was considered to coincide with allowing with a reportable/measurable period during which the City could continue to demonstrate its fiscal responsibility for expenditure of funds, and (2) this timeframe would mitigate any economic downturn predicted by State and National economists (anticipated in 2017-18). Lastly, according to State Board of Equalization, should the City Council administratively chose to end the tax early in any year prior to the 5-year sunset, they could do so without further voter approval.

A resolution has been prepared to place the extension of the City's local transaction and use tax (Measure J) on the November ballot. Contained within the resolution is a provision that directs that the Mayor prepare the ballot argument in favor. Council also has the option to prepare the argument in open session, appoint a Council subcommittee or other additional options as allowed for by election code.

The resolution also contains recommended ballot measure language which the voters will be considering as follows:

To continue funding, that cannot be taken by the State, for general city services including preserving the quality of life of Sonoma, and to provide funding for essential services such as police, fire and emergency medical services, street maintenance, affordable housing, parks and other general community services, shall the City of Sonoma extend the existing voter approved sales tax of one-half of one percent for a term of 5 years, with all funds to be spent locally?

The extension of the tax will continue to support the City's core services with affordable housing also added to allow for a more centralized focus to address this issue. This also aligns with 2016-17 Council Goals.