



CITY COUNCIL REPORT

11.A.

DATE: JULY 16, 2024
TO: MAYOR AND COUNCIL MEMBERS
FROM: MARKISHA GUILLORY, FINANCE DIRECTOR
ERIC CASHER, CITY ATTORNEY
SUBJECT: RESOLUTION PLACING ½-CENT SALES TAX MEASURE ON NOVEMBER 5, 2024 BALLOT

RECOMMENDATION

Staff recommends the City Council adopt a resolution placing a ½-cent sales tax measure on the November 5, 2024 ballot.

BACKGROUND

At its November 7, 2023 meeting, the City Council considered the City's long term financial plan forecast and related strategies. As further described in the November 7th staff report, the twenty-year General Fund status quo financial forecast shows that the City's ongoing General Fund revenues are forecasted to grow at a slower rate than its ongoing expenditures, which results in a growing imbalance over time. The City's annual deficit will grow to at least \$1,600,000 next fiscal year alone, giving rise to the possibility of reductions in fire and police protection, 911 emergency response times, pothole repairs, park maintenance, and other essential city services. Pinole has a backlog of approximately \$32 million in road and infrastructure repairs.

During that and subsequent meetings, the City Council considered a wide range of possible measures to raise revenue, including potential ballot measures to create additional sources of reliable, locally-controlled revenue that is solely for the benefit of Pinole and specifically cannot be taken by the County or State.

The City retained a public opinion research specialist to conduct a statistically valid community survey on potential local ballot measures to gather information regarding the viability of establishing additional funding sources during the November 2024 election cycle. The survey results indicated that 62% of Pinole voters would support a ballot measure enacting an additional ½-cent sales tax. This mechanism requires a simple majority vote to enact.

On May 7, 2024, the City Council directed staff to prepare a ballot measure submitting a ½ cent sales tax to the voters for consideration during the November 5, 2024 general election. The sales tax will be a general tax, the proceeds of which can be used for any municipal purpose. At that meeting, the Council also received information on the priorities identified by residents for any new locally-generated funding:

- Providing clean water
- Maintaining 911 emergency response times
- Keeping public areas and parks healthy, safe, and clean
- Keeping funds local
- Maintaining fire protection and response
- Maintaining crime prevention programs

Sales tax is levied on the purchase of goods and some services and is charged as a percentage of the cost of a purchase. Sales tax can vary by jurisdiction. It is levied and collected by the seller at the point of sale, then remitted to the State and apportioned to the appropriate local agency. Sales tax is paid not just by Pinole residents but also by visitors who shop in Pinole and utilize local services and infrastructure. Essential purchases like groceries and medicine are exempt from sales tax, ensuring that this measure is not a burden to those on fixed or limited incomes who spend mostly on essential items.

Pinole's electorate strongly values self-reliance and local control over taxpayer dollars and have enacted local funding measures including two a ½ cent local sales taxes in November 2006 (Measure S 2006) and in November 2014 (Measure S 2014) both of which have terms until ended by voters.

The standard sales tax rate in California is 7.25%. Of this amount, the City receives the standard 1% sales tax (known as the Bradley Burns Sales Tax). Generally, local agencies may increase the sales tax by a combined total amount of 2%. This includes sales taxes imposed by the City, County, and other local agencies. Pinole has previously enacted a 1% total sales tax, BART has a 0.5% sales tax, Contra Costa County has a 0.5% sale tax, and the Contra Costa County Transportation Authority has a 0.5% sales tax, for a total amount of 2.5%. This is possible because state law provides that BART's sale tax does not count against the 2% cap. Accordingly, the sales tax in Pinole is currently 9.75%.

Because other local agencies have already enacted similar mechanism, the County limit had already been reached. City staff and legislative advocates have worked closely with our State representatives to address this issue. Specifically, AB 3259 (sponsored by Assembly Member Wilson) has been amended to include language authorizing the City of Pinole to enact, subject to voter approval, a 2024 ½-cent sales tax measure. As the Governor is not expected to sign this legislation until after the July 16th City Council meeting, the official ballot documents note they are contingent upon state approval.

REVIEW AND ANALYSIS

The proposed Resolution, if adopted, would place a measure on the ballot for consideration by the voters during the November 5, 2024 general election. If approved by the voters, the proposed measure would adopt an additional ½ cent sales tax, which would remain in effect until ended by the voters. The exact text of the measure (which is in the form of an Ordinance) that will be submitted to voters is included as Exhibit A of the Resolution. The vast majority of the text of the Ordinance is required by the California Department of Tax and Fee Administration, which is responsible for the administration and collection sales taxes.

The question that will be presented to voters, and included on the ballot itself, is proposed as follows:

To maintain Pinole’s fiscal stability, prevent cuts, provide essential City services such as: maintaining 911 emergency response times/fire prevention; preventing property crimes; keeping public areas/parks safe and clean; providing clean water; repairing potholes/streets; retaining/attracting local businesses; other general services; shall a measure be adopted establishing a 1/2¢ sales tax providing \$2,500,000 annually until ended by voters if approved by the State, requiring audits, spending disclosure, all funds spent for Pinole?	Yes No
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

The Resolution also requests that the County Board of Supervisors approve consolidating the election on this measure with the November 5, 2024 general election, and asks the County Registrar of Voters to conduct the election. The Resolution also establishes deadlines for individuals to submit arguments in favor/against the measure, as well as deadlines for rebuttal arguments. The Mayor is authorized to submit arguments in favor of the measure on behalf of the City, which may be signed by up to 4 additional individuals.

Because the proposed sales tax is a general tax, approval of the Resolution to place the proposed measure on the November 2024 ballot requires a four-fifths vote of the City Council. In order to pass, the Measure must receive a simple majority (50%+1) of votes during the election.

FISCAL IMPACT

In addition to staff time and City Attorney related to election administration, the estimated costs for running a consolidated election with the County is \$2.00 to \$3.00 per registered voter, or approximately \$25,000, which is budgeted annually as a standard practice. If the City runs a ballot measure in the same election cycle, the cost will increase by a factor which is estimated at about \$0.50 or less per registered voter. These costs are charged by the Contra Costa County ROV.

ATTACHMENTS

- A. Resolution Placing Sales Tax Measure on Ballot (Final)
- B. Exhibit A to Resolution - Ordinance 2024 Sales Tax