



Contra Costa County Board of Supervisors

Subcommittee Report

FINANCE COMMITTEE

5.

Meeting Date: 10/07/2019

Subject: Sales Tax

Submitted For: David Twa, County Administrator

Department: County Administrator

Referral No.: 5/21/2019 D.7

Referral Name: Sales Tax

Presenter: Supervisor John Gioia **Contact:** Timothy Ewell, Chief Assistant County Administrator (925) 335-1036

Referral History:

On May 21, 2019, while considering whether to accept a report on the Contra Costa Transportation Authority's (CCTA) development of a Transportation Expenditure Plan and potential sales tax ballot measure, the Board of Supervisors referred to the Finance Committee the concept of a countywide sales tax (non-transportation) measure.

On July 5, 2019, the Finance Committee met and discussed the feasibility of a sales tax measure. County Counsel provided two attachments to supplement the discussion. The first attachment is a document outlining the procedural steps necessary to bring a general or special sales tax measure to the voters for approval. The second attachment discusses the limitations on the use of public resources in relation to ballot measure campaigns for a tax. Both documents are also attached to this agenda item for reference as attachments A and B, respectively.

Referral Update:

At the July 2019 Finance Committee meeting, staff was asked to provide several follow up information items to the Committee at it's next regular meeting, including: 1) information regarding the composition of parcels throughout the County, 2) County Counsel was asked to assemble information related to parcel taxes similar to what has been provided to the Committee for a sales tax (essentially a "Guide"), and 3) provide updated information as to what a 0.5% and 0.25% sales tax would generate if passed.

General

In California, the maximum sales, use and transactions tax rate is 9.25%. This includes a statewide base sales and use tax rate of 7.25% and up to 2.00% for local district transaction and use taxes. The maximum rate can be increased by special legislation, which was covered in County Counsel's staff report at the July 2019 meeting. For this reason, details about that issue are not being covered directly in today's update, but are available in the attachments to this agenda packet for reference.

As additional background, as of the October 1, 2018, there were 270 transactions and use tax districts in California. Of these, 53 are countywide and 217 are in cities. The taxes are used to finance a variety of needs including public safety services, local hospitals, road repairs, capital projects, and parks and recreation activities. Approximately 90% of the state's population resides in one or more transactions and use tax districts. A statewide listing of approved transaction and use taxes, both countywide and within city limits, is included in Attachment C.

Economics of Countywide Transaction and Use Tax

At the July 2019 meeting, the Committee requested information regarding an updated projection of how much revenue both 0.5% and 0.25% transactions and use tax measures may generate. Previously, an estimate of approximately \$78 million had been widely circulated based on 0.5% tax sought by the CCTA. Staff has worked in consultation with HdL Companies, the County's sales tax consultants, to determine updated projections to assist the Committee in its discussions.

Current projections for annual revenues for a countywide transactions and use tax are:

- 0.5% (1/2 Cent): **\$93 million**
- 0.25% (1/4 Cent): **\$46.5 million**

Current projections for annual revenues for an unincorporated area transactions and use tax are:

- 0.5% (1/2 Cent): **\$8.32 million**
- 0.25% (1/4 Cent): **\$4.16 million**

Logistics

Assuming the electorate approves a new transactions and use tax throughout the County, the County will be required to enter into a new contract with the California Department of Tax and Fee Administration (CDTFA) (formerly the State Board of Equalization) for the administration of the approved ordinance imposing the tax. The County already has a such a contract in place with the CDTFA for administration current taxes, but that does no cover a new transactions and use tax.

Specifically, two contracts are required by the state; one to set up the newly established tax and one for ongoing administration. In addition the State will required an updated *Resolution of Confidentiality* for access to the allocation data by appropriate staff within the County.

The CDTFA has a team established internally to provide assistance to entities that are contemplating a ballot measure, including review of ordinance language and processing of the contract documents described above. Should the Committee and ultimately the full Board of Supervisors be interested in listing a ballot measure, it may be prudent to also direct staff to reach out to the CDTFA to seek guidance and ensure that all proper steps are being taken early on in the process prior to listing the measure on the ballot.

Parcel Tax vs. Sales Tax Considerations

The Committee also requested staff to provide information related to a parcel tax; specifically, the composition of parcels throughout the County. Earlier this year, the County Administrator's Office assembled an analysis of parcels throughout the County using data received from the

Assessor's Office in April 2019. In summary, there are 391,804 parcels in the County. A summary of the analysis is included as Attachment D.

For illustrative purposes, to generate the same \$93 million projected under a 0.5% countywide transactions and use tax, the County would need to seek a uniform countywide parcel tax of \$238 per parcel on all parcels identified in Attachment D. This would include all vacant, unbuildable, government and other parcels.

County Counsel has included a memorandum discussing the uniformity requirements of parcel taxes as Attachment E and will be available at today's meeting to answer questions of the Committee.

Recommendation(s)/Next Step(s):

Consider the attached information, begin the discussion of the issues involved in a sales tax measure, and provide staff direction on next steps.

Attachments

Attachment A - Sales Tax Measures-General, Special, Voter-Initiated, Etc.

Attachment B - Use of Public Resources in Relation to Tax Measure Campaigns

Attachment C - Detailed District Taxes, Rates and Effective Dates

Attachment D - Summary Parcel Count (Unincorporated & City), by Use Code

Attachment E - County Counsel Memorandum - Uniformity in Parcel Tax Measures, October 1 ,2019
