

ORDINANCE 2020-009

ORDINANCE OF THE CITY OF SAN PABLO AMENDING CHAPTER 3.25 OF THE SAN PABLO MUNICIPAL CODE REENACTING AND IMPOSING THE EXISTING TRANSACTIONS AND USE TAX FOR TEN YEARS AT 0.50% FOR FIVE YEARS AND THEN 0.25% FOR FIVE YEARS TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Recitals

WHEREAS, following a declaration of fiscal emergency by the City Council of the City of San Pablo, the City Council approved a local revenue measure, which was approved by the City of San Pablo voters at the June 5, 2012 election (“Measure Q”) to mitigate cuts to local services caused by State takeaways, the recession and the dissolution of redevelopment agencies; and

WHEREAS, Measure Q established a general transactions and use tax (“sales tax”) of one half of one percent (0.5%) (a half cent for each dollar) for the first 5 years and then decreasing to one-quarter of one percent (0.25%) (a quarter cent for each dollar) for the next 5 years, which is codified in Chapter 3.25 of the San Pablo Municipal Code; and

WHEREAS, Measure Q allowed the City to maintain public safety, gang prevention, youth services, job creation and job training programs for local residents (including the disenfranchised) and all other general city services; and

WHEREAS, unless the voters approve the Measure Q Extension Measure, the temporary sales tax will automatically sunset on September 30, 2022; and

WHEREAS, impacts from the COVID-19 pandemic and shelter-in-place orders have resulted in a significant decline in City revenues including a loss of approximately \$2.34 million for each month Casino San Pablo was closed, and \$1.3 million every month from other City revenue sources including sales tax,
; and

WHEREAS, without additional revenue the City cannot maintain public safety, gang prevention, youth services, job creation and job training programs for local residents (including the disenfranchised) and all other general municipal services; and

WHEREAS, in adopting the amended budget for Fiscal Years 2019-20 and 2020-21, the City Council recognized the need to continue current Measure Q funding from 2022 until 2032 due to a projected 50% annual sales tax revenue loss due to COVID-19 during the economic recovery period from COVID-19 pandemic; and

WHEREAS, all funds from a local revenue measure must stay in San Pablo to maintain local services and cannot be taken by the State; and

WHEREAS, the Measure Q Extension Measure would ensure fiscal accountability by requiring independent citizens' oversight, mandatory financial audits, and yearly reports to the community on how the funds were spent; and

WHEREAS, at a meeting on July 20, 2020, the City Council determined to place a measure before the voters at the November 3, 2020 general election for the extension of the general transactions and use tax (sales tax). The tax would be one-half of one percent (0.5%) (a half cent for each dollar) for the first 5 years starting upon the expiration of the initial Measure Q sales tax and decreasing to one-quarter of one percent (0.25%) (a quarter cent for each dollar) for the next 5 years, then terminating altogether; and

WHEREAS, the tax, if approved, would be imposed on the sale of tangible personal property and the storage, use, or other consumption of such property. The tax revenue would be collected by the California Department of Tax and Fee Administration ("CDTFA") and remitted to the City; and

WHEREAS, the transactions and use tax to be submitted to the voters is a general tax that can be used for any legitimate governmental purpose; it is not a commitment to any particular actions or purposes, and the specific purposes recited in the ballot measure are non-restricted and non-exclusive examples only. The tax is a general tax and shall be approved if the measure receives at least a simple majority of affirmative votes; and

WHEREAS, in 2014 the voters approved Measure K to impose a sales tax of 0.25% for emergency medical services without an expiration date that is unaffected by this ordinance and codified in Chapter 3.26 of the San Pablo Municipal Code.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF SAN PABLO DO ORDAIN AS FOLLOWS:

Section 1. AMENDMENT TO THE MUNICIPAL CODE. This Ordinance amends Chapter 3.25 of the San Pablo Municipal Code to reference both the sales tax adopted in 2012 pursuant to Measure Q and the extension of that sales tax approved by the City Council in 2020 for consideration by the voters on November 3, 2020 to read as follows:

Chapter 3.25, "Transactions and Use Tax."

3.25.010. Title. The ordinance codified in this Chapter shall be known as the "City of San Pablo Transactions and Use Tax Ordinance." The City of San Pablo hereinafter shall be called "City." This chapter shall be applicable in the incorporated territory of the City.

3.25.020. Purpose. The purpose of this Chapter is to continue the transactions and use tax, which was initially enacted pursuant to Ordinance 2012-

005 and approved by the electorate on June 5, 2012, at the rates and time periods set forth below until September 30, 2032 as follows:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose. The tax is a general tax whose proceeds shall be deposited in the City's general fund and expended for any lawful purposes of the City.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefor that can be administered and collected by the CDTFA in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the CDTFA in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this chapter.

3.25.030. Operative date. As to Ordinance 2012-005 adopted by the San Pablo voters on June 5, 2012, "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the ordinance was effective, which was October 1, 2012.

As to the extension of the transactions and use tax pursuant to Ordinance 2020-### approved by the San Pablo voters on November 3, 2020, the "Operative Date" is October 1, 2022.

3.25.040. Contract with State. Prior to the Operative Date, the City shall contract with the CDTFA to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the City shall not have contracted with the CDTFA prior to the Operative Date, it shall nevertheless so contract and in such a case the Operative Date shall be the first day of the first calendar quarter following the execution of such a contract.

3.25.050. Transactions tax rate. Commencing on the Operative Date, pursuant to Measure Q approved by the voters in 2012, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the City at the rate of 0.5% of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the Operative Date. Such tax shall be imposed for the first five years following the Operative Date until September 30, 2017. The tax shall then be reduced and imposed at a rate of 0.25% on October 1, 2017 for the next five years until September 30, 2022. Pursuant to the ballot measure approved by the voters on November 3, 2020, as of October 1, 2022, such tax shall be imposed at a rate of 0.5% for five years and then reduced and imposed at a rate of 0.25% as of October 1, 2027 for the next five years until terminating on September 20, 2032.

3.25.060. Place of sale. For the purposes of this chapter, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the CDTFA.

3.25.070. Use tax rate. Commencing on the Operative Date, pursuant to Measure Q approved by the voters in 2012, an excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the Operative Date for storage, use or other consumption in said territory at the rate of 0.5% of the sales price of the property. Such tax shall be imposed for the first five years following the Operative Date until September 30, 2017. The tax shall then be reduced and imposed at a rate of 0.25% on October 1, 2017 for the next five years until September 30, 2022. Pursuant to the ballot measure approved by the voters on November 3, 2020, as of October 1, 2022, such tax shall be imposed at a rate of 0.5% for five years and then reduced and imposed at a rate of 0.25% as of October 1, 2027 for the next five years until terminating on September 20, 2032.

The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

3.25.080. Adoption of provisions of state law. Except as otherwise provided in this chapter and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation

Code are hereby adopted and made a part of this chapter as though fully set forth herein.

3.25.090. Limitations on adoption of State law and collection of use taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefor. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the CDTFA, in performing the functions incident to the administration or operation of this chapter.

3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

1. "A retailer engaged in business in the District" shall also include any retailer that, in the preceding calendar year or the current calendar year, has total combined sales of tangible personal property in this state or for delivery in the State by the retailer and all persons related to the retailer that exceeds five hundred thousand dollars (\$500,000). For purposes of this section, a person is related to another person if both persons are related to each other pursuant to Section 267(b) of Title 26 of the United States Code and the regulations thereunder.

3.25.100. Permit not required. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this chapter.

3.25.110. Exemptions and exclusions.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the Operative Date.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the Operative Date.

5. For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this chapter, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the Operative Date.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the Operative Date.

5. For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this chapter may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

3.25.120. Amendments.

A. All amendments subsequent to the effective date of this chapter to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this chapter, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this chapter.

B. The City Council of the City of San Pablo may make amendments to this chapter that do not affect the rate or duration of the tax imposed without approval of the voters of the City.

3.25.130. Enjoining collection forbidden. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this chapter, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

3.25.140. Oversight, Auditing and Reporting. By no later than the end of each fiscal year after the Operative Date, the City's independent auditors shall complete a report reviewing the collection, management and expenditure of revenue from the tax levied by this chapter. Additionally, there shall be a committee consisting of no fewer than five seats to review and report on the receipt of revenue and expenditure of funds from the tax authorized by this chapter. The committee members shall be either San Pablo residents or representatives of San Pablo businesses. Within 90 days of the Operative Date, the City Council shall adopt a resolution establishing the composition of the committee, setting the terms of office of the committee members, and defining the scope of the committee's responsibilities, which at a minimum shall include reviewing the annual auditor's

report and making recommendations to the City Council for use of the tax revenue. The committee's report and recommendations shall be completed by a date to allow for it to be considered as part of each annual budget process. The committee's report and recommendations shall be a matter of public record and shall be considered and reported by the City Council at a public meeting.

3.25.150. Severability. If any sections, subsections, sentences, clauses, phrases, portions or provisions of this chapter or the application thereof to any person or circumstance are for any reason held invalid or unconstitutional, the validity of the remaining sections, subsections, sentences, clauses, phrases, portions and provisions shall not be affected; and the remainder of the chapter and the application of such section, subsection, sentence, clause, phrase, portion or provision to other persons or circumstances shall not be affected thereby. .

3.25.160. Termination date. The authority to levy the tax imposed by this chapter, at the rates set forth in Sections 3.25.050 and 3.25.070, shall expire on September 30, 2032."

Section 2. RECITALS. The City Council of San Pablo and the People of San Pablo find that all Recitals are true and correct and are incorporated herein by reference.

Section 3. CEQA. The transactions and use tax to be submitted to the voters is a general tax that can be used for any legitimate governmental purpose; it is not a commitment to any particular action. As such, under CEQA Guidelines section 15378(b)(4), the tax is not a project within the meaning of CEQA because it creates a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. If revenue from the tax were used for a purpose that would have either such effect, the City would undertake the required CEQA review for that particular project. Therefore, under CEQA Guidelines section 15060 review under CEQA is not required.

Section 4. Effective Date. This Ordinance relates to the continued levying and collecting of the City's transactions and use taxes and shall not take effect until approved by the majority of the voters voting at the general municipal election to be held on November 3, 2020.

/

/

/

/

/

/

/

/

/

/

/

Passed and adopted at a regular meeting of the San Pablo City Council held on July 20, 2020, by the following vote:

AYES:	COUNCILMEMBERS:	Kinney, Pineda, Xavier, Pabon-Alvarado and Cruz
NOES:	COUNCILMEMBERS:	None
ABSENT:	COUNCILMEMBERS:	None
ABSTAIN:	COUNCILMEMBERS:	None

ATTEST:	APPROVED:
<u>/s/ LaTanya Fisher</u> LaTanya Fisher, Acting Deputy City Clerk	<u>/s/ Arturo M. Cruz</u> Arturo M. Cruz, Mayor

* * * * *

Ordinance No. 2020- ____ was submitted to the People of the City of San Pablo at the November 3, 2020 general election. It is hereby certified that this Ordinance was APPROVED by the following vote of the People of the City of San Pablo:

YES:
NO:

Ordinance No. 2020- ____ was thereby adopted by of the voters at the November 3, 2020 general election and took effect upon adoption of a resolution declaring the results of the election at a regular meeting of the City Council held on _____, by the following vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:
ABSTAIN:	COUNCILMEMBERS:

I HEREBY CERTIFY that the foregoing is a true and correct copy of Ordinance No. 2020- ____ duly and regularly adopted by the People of the City of San Pablo, California.

Patricia Ponce, City Clerk