

**PREPARED BY:** MATT RODRIGUEZ

**DATE OF MEETING:** 07/20/20

**SUBJECT:**

**..TITLE**

ORDINANCE AND RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO CALLING FOR AND GIVING NOTICE OF A NOVEMBER 3, 2020 ELECTION ON A PROPOSED BALLOT MEASURE SEEKING VOTER APPROVAL TO REENACT AN EXISTING TEN-YEAR TRANSACTIONS AND USE (SALES) TAX WITH FIVE YEARS AT ONE-HALF OF ONE PERCENT (0.50%), REDUCING TO ONE-QUARTER OF ONE PERCENT (0.25%) FOR THE NEXT FIVE YEARS, THEN TERMINATING ALTOGETHER, TO FUND GENERAL MUNICIPAL SERVICES; ESTABLISHING THE POLICIES AND PROCEDURES FOR SUCH AN ELECTION; AND REQUESTING THAT CONTRA COSTA COUNTY CONSOLIDATE A MUNICIPAL ELECTION ON A LOCAL MEASURE WITH OTHER ELECTIONS TO BE HELD ON NOVEMBER 3, 2020

**..Label**

**CITY MANAGER RECOMMENDATION**

**..Recommendation**

1. Move to receive and file the July 2020 Tracking Poll for Voter Support for the Extension of the Measure Q Revenue Stream as presented by Strategy Research Institute, Inc, (SRI) with results posted on the City's website.
2. Adopt an 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 with five years at 0.50%, then the following five years at 0.25% to be administered by the California Department of Tax and Fee Administration (contingent on voter approval)
3. Approve a Resolution to place this Transactions and Use (Sales) tax measure on the November 3, 2020 ballot, at which time the voters will be asked to approve a temporary ten-year sales tax increase of one-half (0.50%) cent for five years, reducing to one-quarter (0.25%) cent after five years, then terminating altogether, with mandatory auditing, citizens' oversight, and consistent community reporting. This tax is a general tax, funding general municipal services, and requiring a simple majority vote.

**..BODY**

**COMPLIANCE STATEMENTS**

MAJOR POLICY GOALS: BUILD A HEALTHY COMMUNITY; ENHANCE COMMUNITY RESILIENCE; AND IMPROVE PUBLIC SAFETY from which many Measure Q funded City programs and services are adopted policy items contained in the FY 2019-21 Council Adopted Workplan, as most recently amended on May 18, 2020.

**CEQA Compliance Statement**

Not a project as defined by CEQA.

**BACKGROUND**

On February 21, 2012, the City Council unanimously adopted Resolution #2012-028 which authorized a temporary Transactions and Use (Sales) tax measure for ten (10) years from October 1, 2012 until September 30, 2022 to be placed on the State-wide June 5, 2012 ballot, at which time the voters were asked to approve a five-year sales tax increase to one-half

(1/2) cent, reducing to one-quarter (1/4) cent after five years, then terminating altogether, with mandatory auditing, citizens' oversight, and consistent community reporting. The Measure Q temporary sales measure required a simple majority vote (50% + 1 vote) to pass, and was approved on June 5, 2012 by 73.56% of the total local votes cast, far exceeding the simple majority vote requirement.

The overall purpose of the Measure Q temporary sales tax measure, proposed in 2012 as a general municipal tax, was to provide a critical annual revenue stream for general municipal services to mitigate cuts to local City services caused by State of California takeaways, counteract the fiscal impacts of the Great Economic Recession of 2007-2009, and to minimize impacts from the dissolution of all redevelopment agencies in California.

Annually, Measure Q is considered a critical revenue stream which enables the City to generate annual sales tax revenue to fund City general municipal services, such as: public safety, gang prevention, youth services, job creation and job training programs for local residents (including the disenfranchised), and all other general City services. For FY 2019/20, the General Fund revenue budget totals \$831,000 at the one-quarter of one-percent tax rate. The current Measure Q Sales Tax has a sunset date of September 30, 2022 as adopted by local voters.

Since its passage in June 2012, the Measure Q temporary sales tax revenue stream has generated approximately \$8.35 million in annual revenue to the City's General Fund through the period ending June 30, 2019 by independent audited financial statements. Thus, it has enabled the City to maintain funding for general municipal services, including but not limited to the following: public safety, gang prevention, youth services, job creation and job training programs for local residents (including the disenfranchised) and all other general city services.

California state law requires a two-thirds (66.67 percent) supermajority vote for approval of tax measures with revenue legally dedicated to a specific purpose (Special Tax), with tax measures designed to deposit revenue into the local jurisdiction's general fund requiring a simple majority (50% + 1 vote) for approval. During calendar year 2020 so far, throughout California, there were a total of 44 local sales tax measures placed on local ballots by counties and cities between March 3, 2020 through May 5, 2020, with 24 of 44 local sales tax measures (or 55%) being passed by local voters compared to 20 of 44 measures (or 45%) not passing. Of the total 44 local sales tax measures considered during 2020 to date, a total of 32 of 44 sales tax measures (or 73%) required simple majority vote (50% + 1 vote) approvals, compared to a total of 12 of 44 sales tax measures (or 27%) considered specific-purpose requiring a supermajority vote or 2/3rds (66.67% percent) for approval.

In addition, pursuant to Article XIII C, Section 2(b) of the California Constitution, increases in general taxes must be submitted to the voters at a regularly scheduled general election, except in cases of emergency declared by a unanimous vote of the City Council.

As explained in more detail below, a local sales tax is paid by purchasers of retail taxable goods from businesses located in San Pablo. Thus, a sales tax is imposed on purchasers of goods, whether San Pablo residents or not. In this way the tax burden is not imposed exclusively on San Pablo residents. Local sales tax measures have enjoyed recent popularity because the cost increment is low, and it is not a property-based tax. Out-of-town

visitors share in the cost, and the sales tax is not applied to groceries or prescription medication.

### **BALLOT MEASURE LANGUAGE**

The attached Resolution proposes to place an enabling ordinance on the November 3, 2020 ballot to extend and implement a temporary local sales tax (transactions and use tax) for the next ten-year period from October 1, 2022 until September 30, 2022, in the amount of one-half ( $\frac{1}{2}$ ) cent for five years, reducing to one-quarter ( $\frac{1}{4}$ ) cent for the next five years, then terminating altogether.

Procedurally, in order to place this measure on the November 3, 2020 ballot, the City Council must adopt the ordinance by at least a 2/3 vote (4 out of 5 Council Members), and then approve the Resolution to seek voter approval of the ordinance at the November 3, 2020 election.

The question to be placed before the voters is:

“To continue funding that cannot be seized by the State, but stays in San Pablo for Public Safety, gang prevention, youth services, job creation, training and job placement for local residents (including the disenfranchised) and all other general city services, shall San Pablo reenact a half-cent sales tax for 5 years (generating approximately \$1,450,000 annually), then reduced to one-quarter cent for 5 years (generating approximately \$725,000 annually), then terminate; and include citizen oversight and annual audits?”

Because the proposed measure makes clear that the revenue may be used for *all* general municipal services, and is not restricted to any particular purposes, it is a general tax and will require the approval of a majority of qualified electors casting votes.

### **OVERSIGHT, AUDITING AND REPORTING**

**Mandatory Auditing.** The ordinance provides that by the end of each fiscal year, the City's independent auditors shall complete a report reviewing the collection, management and expenditure of revenue from the tax.

**Citizens' Oversight.** Additionally, the ordinance requires the formation of a five-member committee 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. The committee's report and recommendations shall be completed by a date to allow for it to be considered as part of the annual budget process. Consistent with the previous adoption of the Measure Q sales tax measure, an existing Citizens' Oversight Committee has already been established and meets annually, and would continue in its current and ongoing role and responsibilities as set forth in the enabling ordinance following said passage of the proposed measure on the November 2020 ballot.

**Reporting.** The committee's report and recommendations shall be a matter of public record and shall be considered by the City Council at a public meeting.

## **ANALYSIS OF TRANSACTIONS AND USE (SALES) TAX**

Although referred to as a "local sales tax" throughout this staff report, this revenue source is formally known as a "transactions and use tax" in State law. A transactions and use tax is imposed on the same goods and merchandise as sales tax; however, a sales tax (formally known in State law as a Bradley-Burns sales and use tax) is allocated to the jurisdiction where the sale is negotiated or the order for the sale is taken. A transactions and use tax, on the other hand, is allocated to the City where the goods are delivered or placed into use.

For example, merchandise purchased in a "walk-in" retail store is assumed by the State to be used within the city in which the store is located, unless the retailer is asked to ship the merchandise outside the city as part of the sale or it is a motor vehicle that can be driven away. For sales contracts that require shipment of merchandise, the local sales tax (transactions and use tax) is levied for the city to where the merchandise is shipped. A similar situation exists with vehicles that require registration: the local sales tax (transactions and use tax) of the city in which the vehicle is registered applies, regardless of where it was purchased.

### **Operative Date and State Contracts**

If this local sales tax measure passes, San Pablo will enter into two contracts with the State of California Department of Tax and Fee Administration ("CDTFA"), with all revenue remitted to the City minus the State's administration fee. The first contract will set up the tax and the second contract will be established for ongoing administration. Pursuant to Measure Q as approved by the voters in 2012, the sales and use tax was imposed upon all retailers in the incorporated territory of the City at the rate of 0.5% of the gross receipts from October 1, 2012 until September 30, 2017. The tax was then reduced to a rate of 0.25% on October 1, 2017 for the next five years until September 30, 2022. Pursuant to the ballot measure if 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 September 30, 2027 for the next five years until terminating on September 30, 2032.

### **STAFF RECOMMENDATION ON TEMPORARY SALES TAX MEASURE APPROACH**

City staff identified that a temporary sales tax measure is the best approach for local voter support to fund general municipal services. The City's consultant, SRI, Inc. has conducted extensive longitudinal funding analysis on three (3) types of funding mechanisms to generate necessary revenue to the City, with the community at-large and the electorate in San Pablo since 2012 (See Fiscal Impact section below). Collectively, based on this historical analysis and findings, City staff proposes to extend the existing Measure Q revenue stream with a new temporary sales tax for the next ten (10) year period (2022-2032) based on the following:

#### **Participant Diversity**

Sales tax is paid on a wide variety of goods, excluding (primarily) groceries and medicine. It is therefore a highly diversified source of revenue. A sales tax would be paid by a wide variety of individuals, including residents, local businesses, and workers in the City, and individuals from outside the City who purchase taxable goods in the City. Sales tax on motor vehicle purchases would be paid only by individuals registering the vehicle in San Pablo, regardless of where the vehicle was purchased. The sales tax would be paid by the highest number of payers relative to other revenue options such as a parcel tax or increase in the utility user's tax, and therefore has the most participant diversity of the three options.

### **Impact on Low/Fixed Income Residents**

A sales tax increase would be paid only by purchasers of taxable goods in San Pablo. Because low income and fixed income individuals spend a large proportion of their incomes on non-taxable goods and services, a sales tax increase would not have a significant impact on these individuals. Further, many purchases subject to sales tax are discretionary purchases, allowing low- and fixed-income individuals to minimize the impact of the new tax.

### **Impact on Business Community**

A sales tax increase would have a low impact on the business community, as the tax would be paid by purchasers of taxable goods rather than the business itself. Most office and service businesses would see little impact except for their own purchases of taxable goods in San Pablo. Anecdotal data from other California counties where city sales tax measures have been adopted indicates these measures had virtually no impact on the retail sales volumes in those cities, when comparing periods prior to and after adoption of a sales tax.

### **Impact on Residential Community:**

A sales tax would have a medium to low impact on residents. It would apply only to taxable purchases and not to mortgage, other debt payments, utilities, services, medicine and most grocery purchases, which make up the majority of resident spending. Individuals purchasing a vehicle that is registered in San Pablo would pay the increased tax, regardless of whether the vehicle was purchased in San Pablo or another city.

## **ELECTION PROCEDURES**

### **Submission of Ballot Arguments**

Arguments for or against the measure must be submitted by 6:00 p.m. on Wednesday, August 19, 2020. Arguments may not exceed three hundred (300) words, and cannot be signed by more than five (5) persons. The City Council has determined in the past not to adopt the provisions of Elections Code Section 9285(a) allowing for rebuttal arguments.

### **Council Preparation of Argument In Support of Measure**

Under Elections Code section 9282, a ballot argument on a City Council-sponsored measure may be authored by the City Council, or any members of the Council authorized by that body, or any individual voter who is eligible to vote on the measure, or bona fide association of citizens, or any combination of voters and associations. The attached Resolution proposes that the City Council designate the Mayor and Vice-Mayor to prepare and file the ballot argument in support of the measure and determine the signatories. The argument may not exceed three hundred (300) words. Those two (2) members may solicit up to three additional signatories.

### **Impartial Analysis**

The City Council will direct the City Attorney to prepare an impartial analysis of the measure not to exceed 500 words in length, showing the effect of the measure on the existing law and the operation of the measure, and transmit the impartial analysis to the Elections Division by 6:00 p.m. on Thursday, August 13, 2020.

### **Roles and Limitations During Ballot Measure Campaign Period**

The City can provide educational materials to the public, informing them about the Measure. However, the City cannot expend any staff time, money or effort advocating the passage of the ballot measure. Council members and staff can work on the campaign on their own time

and at their own expense, provided it is made clear that they are doing so on their own time and not with City resources.

### **Impacts to Measure Q Funded City Programs and Services**

For FY 2020/21, significant General Fund revenue loss is anticipated due to a high degree of uncertainty when City General Fund revenues will return to pre-COVID-19 pandemic crisis levels. In fact, the City Manager indicates that the opportunity cost of not providing City programs and services funded by Measure Q sales tax revenue would result in substantial reduction and/or elimination of such programs. These corresponding impacts are outlined below as previously reported in the FY 2018/19 Annual Report for Measure Q Transaction and Use Taxes reviewed by the Citizens' Oversight Committee on May 27, 2020, and certified by City Council on June 1, 2020 via minute order.

A summary of City programs and services funded by the current Measure Q revenue stream in FY 2018/19 are listed below which are at substantial risk of elimination, or reduction if the new temporary sales tax measure is not reenacted by local voters beyond the current sunset date of September 30, 2022, as follows:

**1. Job Training and Readiness Programs: \$187,500  
Total # of San Pablo Residents Served: 90 (FY 2018/19; Audited)**

A total of \$187,500 in Measure Q funded contractual services for job training programs and workforce development services through the San Pablo Economic Development Corporation, including: Contra Costa College Career Technical Education (CTE) & Early Learning Center, Hazardous Waste Operations, and Emergency Response Training (HazWOPER40), Michael's Transportation Services (MTS) Truck Driving Academy, Moler Barber College, Removing Barriers Tattoo Removal Program, RichmondBUILD & Rising Sun Energy Center Construction/Carpentry Pre-Apprenticeship, Stride Center, and other Job Readiness Support.

**2. Youth Services: Childhood Obesity Prevention Grant Program: \$176,111  
Total # of San Pablo Residents Served: 3,240 (FY 2018/19; Audited)**

A total of \$176,111 in City-funded community grants to local community service, non-profit organizations providing a number of childhood prevention activities and services to the San Pablo youth and families, including: Boys and Girls Club Contra Costa, Earth Island Institute, Bay Area Community Resources, Contra Costa San Pablo Library, Fresh Approach, and Regional Park Foundation.

**3. Youth Services: Beacon Community School Initiative Grantees: \$894,288  
Total # of San Pablo Residents Served: 3,758 (FY 2018/19; Audited)**

A total of \$894,288 in Measure Q funded program administration and community grants to local community service, non-profit organizations providing a number of at-risk youth prevention activities and services to the San Pablo youth and families at all six (6) San Pablo local schools (i.e. Bayview, Dover, Downer, Lake, and Riverside Elementary Schools, and Helms Middle School) in conjunction with the San Pablo Beacon Community School Initiative Program (SPCSIP) grantees which include: Bay Area Community Resources, Catholic Charities of the East Bay, Familias Unidas, High

Expectations, and YMCA of the East Bay. Overall, SPBCSI goes beyond the young people enrolled in the schools. The City estimates that the SPBCSI indirectly benefited approximately 15,700 San Pablo community members during FY 2018/19.

**Bay Area Community Resources (Number of Youth Served: 2,503)**

Measure Q provided grants to Bay Area Community Resources (BACR) to provide Community School Coordinators, known as Beacon Directors, to four San Pablo schools. Full-time Beacon Directors were funded at Helms Middle School and Dover Elementary School. Half-time Beacon Directors were funded at Downer and Riverside Elementary Schools. Downer provided additional funding to employ the Beacon Director full-time. Beacon Directors were responsible for coordinating services to ensure all 2,503 youth received equitable support for well-being, intellectual, social, emotional, and physical health.

In the 2018/19 school year, 62 Dover students, 202 Helms students, 53 Downer students, and 18 Riverside students were referred for health and wellness services. The Beacon Directors also implemented a four-week Summer Program called Camp P.R.I.D.E. (Passionate, Responsible, Innovative, Determined, Excellence). The Summer Program supported grade level transitions by offering academic and enrichment activities to 185 rising 1st, 2nd, 3rd, 7th, and 8th graders at Bayview, Dover, Lake, and Helms schools.

Measure Q also funded BACR to provide case management services to students and their families at Dover and Lake Elementary Schools. Additionally, BACR provided youth development and leadership programming to students at Dover, Helms, Downer, and Riverside schools.

**YMCA of the East Bay (Number of Youth Served: 887)**

Measure Q provided grants to YMCA of the East Bay (Y Team) to provide full-time Community School Coordinators, known as Beacon Directors, to Bayview and Lake Elementary Schools. The Beacon Directors were responsible for coordinating services to ensure all 887 youth received equitable support for well-being, intellectual, social, emotional, and physical health. In the 2018-19 school year, 34 Bayview students and 88 Lake students were referred for health and wellness services. Measure Q also funded Y Team to provide case management services to students and their families at Bayview. Additionally, Y Team provided youth development and leadership programming to students at Bayview and Lake schools.

**Catholic Charities of the East Bay (Number of Youth Served: 80)**

Catholic Charities of the East Bay (CCEB) was awarded a Violence Prevention & Intervention grant to provide the “Experience Hope for Schools” program at Richmond High School. CCEB supported the school in implementing restorative practices through two main services: 1) CCEB provided 311 hours of training, coaching, and technical assistance for administrators and teachers; and 2) CCEB facilitated Circles of Support for 80 youth to reduce behavioral issues and increase peer and school connectedness.

**High Expectations (Number of Youth Served: 250)**

High Expectations provided family engagement support to Dover, Downer, and Lake Elementary Schools. This included family literacy training, teacher and staff professional development, and capacity building and coaching for Beacon Directors. High

Expectations served 250 students and 200 families directly through three Family Literacy Nights and the Summer Reading Challenge.

**Familias Unidas (Number of Youth Served: 38)**

Familias Unidas facilitated Proyecto Bienestar, gender-specific character development groups for youth struggling in school or experiencing challenges with acculturation. Throughout the year, Familias Unidas implemented two sessions of Xinachtli (the program for young women) and two sessions of Joven Noble (the program for young men). Each session met twice a week for 10 to 15 weeks. The programs provided youth with a supportive process to develop a positive identity, while guiding and teaching them about healthy development into adulthood. In both groups, youth discussed home life, school life, and the challenges they face. Youth also had opportunities to choose topics to discuss in group and share advice and support with their peers.

**4. San Pablo Police Department Programs: \$350,496**

**Total # of San Pablo Residents Served: 3,758 (FY 2018/19; Audited)**

A total of \$350,496 in City-funded program administration which funds a School Resource Officer (SRO) - Priority Oriented Policing (POP) Unit & G.R.E.A.T. Program Police Officer – Priority Oriented Policing (POP) Unit, and Police Cadet. Combined, these staffing resources coordinate the delivery of a number of at-risk programs to local youth including:

**a. School Resource Officer (SRO)/P.O.P. UNIT**

SRO provided classes and workshops to students, facilitated mediations and counseling sessions with youth and their families, and participated in the School Attendance Review Board (SARB); Works directly at all six (6) local San Pablo school campuses.

**b. Gang Resistance Education and Training (G.R.E.A.T.) Officer / P.O.P. Unit**

The G.R.E.A.T. Program annually serves over 300 6th graders in the City of San Pablo. The G.R.E.A.T. Program is a nationally recognized program that is designed to teach life skills to youth. The program included 13 lesson plans with topics such as prevention of gangs, violence, drug abuse, tobacco use, and anger management. The lesson plans also included skill development for problem solving, decision-making, communication, and how to handle peer pressure. At the end of the program, local youth conducted community projects, which were presented to the School Resource Officers. At the culmination of the G.R.E.A.T. Program, the top students were recognized at the annual G.R.E.A.T. Awards Dinner. This was a major event for local youth, the community, and the City of San Pablo.

The POP Unit reduced gang-related crimes through targeted enforcement of gang members and by teaching local youth about gang awareness and prevention. During FY 2018/19, the POP Unit Officer contacted over 30 suspected gang members or associates and investigated crimes resulting in 64 arrests. The POP Unit Officer authored 33 search warrants and conducted over 44 probation and parole compliance checks. The POP Unit officer assisted the Detective Division with surveillance of suspects wanted for crimes related to sexual assaults,

robberies, assaults and shootings. The investigations yielded in seizure of 27 firearms and controlled substances.

The POP Unit Officer also conducted seven cellphone extractions using computer software. The cellphones were seized for investigations related to sexual assaults, robberies, shootings, and sales of controlled substances. The data from the cellphones provided San Pablo Police Department Detectives and Officers with further evidence related to the cases being investigated. During FY 2018/19, the POP Unit Officer also testified as an expert in court on several gang-related cases including assault with a deadly weapon and an attempted homicide.

The POP Unit Officer taught numerous gang awareness and prevention classes to the youth at local schools, the San Pablo Police Explorer Program, and to the adults participating in the Police Department's Parent Project and the Citizens Academy. The POP Unit Officer also provided gang training to new San Pablo Police Officers.

The POP Unit Officer worked with the regional Safe Streets Task Force operated by Contra Costa County District Attorney's Office in conjunction with the Federal Bureau of Investigation (FBI). The Task Force is comprised of officers from numerous agencies in the county as well as the District Attorney's Office, FBI, Contra Costa County Probation, and California Department of Corrections and Rehabilitation. The Task Force investigates gang members committing violent crimes throughout the county. During FY 2018/19, The POP Unit Officer assisted in several investigations, including three complex wire-tap investigations, which together resulted in 38 arrests of violent offenders, the seizure of 18 firearms, three pounds of heroin, 38.5 pounds of methamphetamine, and 102 pounds of marijuana; and Measure Q funded one of several Cadet positions.

**c. Police Cadet Program**

The Cadet program provides San Pablo youth an opportunity to learn the position of a Police Officer in an apprenticeship atmosphere. One of the requirements of the program is the youth must be enrolled in college. The Measure Q-funded Cadet was assigned to Code Enforcement to assist with community priorities, including vehicle abatement, parking enforcement, and illegal dumping. During FY 2018/19, the Measure Q-funded Cadet issued 479 citations for traffic and parking violations.

**CITY MANAGER RECOMMENDATION & SRI'S "GO/NO GO" ANALYSIS**

In summary, a temporary sales tax is the preferred option as recommended by the City Manager for extending and reenacting a critical revenue stream for another ten (10) year period from October 1, 2022 through September 30, 2032.

Furthermore, the City's consultant, SRI, Inc. as a result of the July 2020 Tracking Poll findings presented to the City Council this evening, further recommends that the City Council proceed with a "GO" to support placing the temporary sales tax measure before local voters on the November 3, 2020 state-wide ballot.

Moreover, the proposed temporary sales tax would be a highly diversified revenue source and would be continued and paid by many users of City services, both resident and non-resident. It would have the least negative impact on low and fixed-income households, a low

impact on businesses, and a low to moderate impact on residents in general. Additionally, funds from a local sales tax measure are required to stay in San Pablo, providing a relatively stable source of funding to help maintain local services; no funds can be taken by the State of California. The sales tax ordinance will require stringent fiscal accountability measures, including citizens' oversight, mandatory financial audits, and yearly reports to the community to ensure the funds are spent appropriately.

Alternatively, if the current Sales Tax Measure Q is not reenacted by local voters beyond September 30, 2022 for the next ten (10) year period (from 2022-2032), the City would have to eliminate or reduce all Measure Q funded programs and services, or realize a potential General Fund deficit shortfall (losses) totaling approximately (\$1.5M) annually beginning in FY 2022/23, and further deficits (losses) in subsequent years. Thereby, further straining the City's General Fund, and resulting in a recurring, structural deficit in future years, if appropriate adjustments to the City's General Fund revenue estimates are not implemented.

### **FISCAL IMPACT**

The City of San Pablo's current sales tax rate is 8.75%, effective July 1, 2020. For comparative purposes, surrounding West County cities current sales tax rates include: City of Richmond (9.25%); City of El Cerrito (9.75%); City of Hercules (8.75%); and City of Pinole (9.25%), effective July 1, 2020. (See State of CA Department of Tax and Fee Administration website link at: <https://www.cdtfa.ca.gov/taxes-and-fees/rates.aspx>)

As sales tax is paid only on the purchase of taxable goods from businesses in San Pablo, this revenue would fluctuate in response to changes in the local, state and national economy, as well as the relocation of retailers into and out of the City's boundaries. As the economy continues to fluctuate, the City would see both positive and negative variations in this revenue source. However, based on recent audited financial statements by the City's Auditor reviewed for periods ending June 30, 2012 through June 30, 2019, the City currently estimates that a one-half cent (0.5%) sales tax would generate approximately \$1,450,000 per year to the City's General Fund, with one-quarter (0.25%) to generate approximately \$725,000 annually to the City subject to year-end audited financial statements by June 30<sup>th</sup> each year.

### **COVID-19 Coronavirus Fiscal Impacts**

For FY 2020/21 General Fund Operating Budget Deficit Planning, the City Manager anticipates a reduction of (50%) in both annual sales tax revenue for Measure Q (approx. \$415,500) due to ongoing COVID-19 fiscal impacts to the City's economic tax base requiring the City's General Fund to subsidize any Measure Q sales tax revenue shortfalls to maintain service delivery and City municipal programs funded by Measure Q anticipated during FY 2020/21 period.

With potential cutbacks and suspension of City-provided programs and services due to the COVID-19 fiscal impacts as a result of the forecasted (\$10M) FY 2020/21 General Fund Budget Deficit, and forecasted (-50%) reduction in Measure Q annual revenues, the City Manager indicates that any loss of Measure Q annual sales tax revenue could result in an annual FY 2020/21 General Fund Operational Subsidy of up to \$2.3M annually, and thereafter, unless immediate measures are taken to reduce Measure Q expenditure programs to meet current General Fund annual revenue estimates for FY 2020/21 due to the uncertainty of the COVID-19 economic recovery period. Thus, immediate measures are being taken to reduce Measure Q expenditure programs to reduce any significant FY

2020/21 General Fund Operational Subsidy, and meet current General Fund annual revenue estimates for FY 2020/21 via Resolution No. #2020-074 adopted on June 15, 2020.

### **Previous Funding Mechanisms Findings**

During the ensuing years of 2012-2016, City staff and the City's consultant, SRI, Inc. have extensively conducted polling on three (3) potential types of tax funding measures with the community at-large and electorate to gauge support for bringing in necessary revenue sources to the City which include: a temporary sales tax, an increase in the utility user's tax, or a parcel tax. A temporary sales tax measure has been the preferred funding mechanism supported by the community at-large and electorate over-time since original adoption of the Measure Q sales tax measure by the local voters in June 2012.

On March 14, 2016, upon being presented these most recent analysis and findings by SRI, Inc., the City Council adopted Resolution No. #2016-139 which authorized the City Manager to proceed with prioritization and planning of an extension of the Measure Q Sales Tax Measure Funding Mechanism (i.e. extension beyond 2022).

### **Attachments:**

1. Ordinance
2. Resolution
3. *July 2020 Tracking Poll for Voter Support for the Extension of the Measure Q Revenue Stream* by Strategy Research Institute, Inc. (SRI)