



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Board of Supervisors



DATE: July 25, 2012
BOARD MEETING DATE: July 31, 2012
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Four-Fifths

TO: Honorable Board of Supervisors

FROM: Supervisor Adrienne Tissier
Supervisor Don Horsley

SUBJECT: Measure imposing a retail transactions (sales) and use tax at the rate of one half cent in the County of San Mateo, for a period of ten years, for general fund purposes

RECOMMENDATION:

Adopt an ordinance imposing a one-half cent retail transactions (sales) and use tax in the County of San Mateo for general fund purposes for a period of ten (10) years.

BACKGROUND:

The demand for essential San Mateo County services and facilities continues to exceed available resources, and while the County has made significant progress in reducing costs and in eliminating its structural deficit, without additional revenue, the County will be hampered in providing these services and facilities.

We are therefore recommending that the Board of Supervisors adopt an ordinance levying a one-half cent sales tax within the County of San Mateo for a period of ten years in order to raise revenues for general fund purposes. At its July 24, 2012 meeting, the Board approved the introduction of such an ordinance. At the same meeting, the Board also adopted a resolution calling an election to submit the proposed sales tax ordinance to the San Mateo County electorate for approval.

DISCUSSION:

Sales Tax

Section 7285 of the California Revenue and Taxation Code vests counties with the authority to impose a transactions (sales) and use tax for general purposes at the rate of 0.125 percent or a multiple thereof. Such a tax would be applicable to transactions in both the incorporated and unincorporated areas of the County. Imposition of the tax

requires two separate approvals: (1) referral to the voters, by resolution or ordinance, of the question of whether the tax should be imposed, which action must be taken no later than August 8, 2012, in order for the measure to appear on the November 6, 2012 ballot; and (2) adoption of an ordinance by the Board levying the tax, which is not subject to the August 8, 2012 deadline, but which must be completed before a tax can actually be collected.

The procedure would be as follows:

1. The Board submitted the tax to the electorate either by resolution under provisions of the Government Code and the Elections Code. As noted, on July 24, 2012, this Board adopted a resolution calling an election, for November 6, 2012, on the question of whether the County should levy a one-half cent transaction and use tax for a period of ten years. Proposition 218 (and related provisions of the California Government Code) provide that, because it is a general tax, this sales tax may be imposed only if it is approved by a majority vote of the County electorate in an election consolidated with a regularly scheduled general election for a member or members of the Board of Supervisors.
2. As a separate and distinct action, the Board must itself adopt the ordinance which actually imposes the tax. As discussed, at its July 24, 2012 meeting, the Board approved the introduction of an ordinance which contains provisions identical in substance to the measure that would be placed before the voters. Pursuant to Section 7285 of the Revenue & Taxation Code, the Board must approve the ordinance by at least a two-thirds vote of all members of the Board (i.e., four votes) before the tax may be levied and we recommend that the Board adopt the ordinance at this time, after a second reading.

Tax Collection

If the measure to levy the sales tax is approved by the voters on November 6, 2012, and the Board adopts the sales tax ordinance after a second reading, staff will return to the Board for approval of a contract with the State for collection of the tax. By law, the earliest date that the tax can be collected is April 1, 2013. (Rev & Tax Code §7265.)

If approved, the measure would result in the total sales tax in the County of San Mateo increasing from 8.25% to 8.75%. The exceptions are the City of San Mateo and, potentially, the City of Half Moon Bay. The City of San Mateo has a one-quarter cent sales tax, which means its total sales tax would increase from 8.50% to 9.0%. The City of Half Moon Bay is proposing a one-half cent sales tax on the November 6, 2012 ballot, which, if approved by the voters of that City, would increase the sales tax in Half Moon Bay from 8.25% to 9.25%.

Collaborative Community

The sales tax contributes to the shared vision of a Collaborative Community, where

leaders inform and engage residents and approach issues with fiscal accountability and concern for future impacts.

FISCAL IMPACT:

Passage of the measure, and imposition of the tax, would result in additional revenues to the General Fund of approximately \$60 million per year for a period of ten years, less an amount accruing to the State for administration of the tax.

Because there will already be a county-wide supervisorial race on the November ballot, each additional measure would cost approximately \$40,000, which includes translation, printing, and mailing costs. This amount would not be recoverable if the measure fails.