



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Board of Supervisors



DATE: July 26, 2016
BOARD MEETING DATE: August 09, 2016
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Four-Fifths

TO: Honorable Board of Supervisors

FROM: Supervisor Don Horsley
Supervisor Warren Slocum

SUBJECT: Measure extending the existing voter-approved locally-controlled one-half cent retail transactions (sales) and use tax in the County of San Mateo, for general fund purposes for a period of an additional twenty years

RECOMMENDATION:

Adoption of an ordinance extending the existing voter-approved locally-controlled one-half cent retail transactions (sales) and use tax in the County of San Mateo for general fund purposes for a period of an additional twenty (20) years, previously introduced on July 26, 2016, and waive the reading of the Ordinance in its entirety.

BACKGROUND:

In November 2012, San Mateo County voters approved "Measure A," a ten-year, one-half cent retail transactions and use tax (commonly referred to as a "sales tax") to maintain essential San Mateo County services. Measure A is currently scheduled to sunset in 2023. Since the voters' approval of Measure A, the \$80 million-plus generated annually has allowed the County to preserve and enhance existing programs and services as well as launch innovative initiatives like the Big Lift, a \$15 million County investment in childhood literacy. Measure A currently funds a broad variety of needs, including a new public safety dispatch center, farmworker housing, mobile showers for the homeless, and park renovations. Measure A also funds summer reading programs, paratransit trips, library renovations, and the spectacular Devils Slide Trails.

We are recommending that the Board of Supervisors adopt an ordinance extending the Measure A sales tax within the County of San Mateo for a period of twenty additional years in order to raise revenues for general fund purposes. At the July 26, 2016 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 levy, increase, or extend a transactions (sales) and use tax for general purposes at the rate of 0.125 percent or a multiple thereof. The extension of the existing Measure A sales tax would be applicable to transactions in both the incorporated and unincorporated areas of the County. Extension 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 extended, which action must be taken no later than August 12, 2016, in order for the measure to appear on the November 8, 2016, ballot; and (2) adoption of an ordinance by the Board extending the tax, which is not subject to the August 12, 2016 deadline, but which must be completed before the extended tax can actually be collected.

The procedure for extending the current general sales tax would be as follows:

1. The Board submitted the sales tax extension to the electorate either by resolution or ordinance under provisions of the Government Code and the Elections Code. As noted, on July 26, 2016, the Board adopted a resolution calling an election, for November 8, 2016, on the question of whether the County should extend its existing one-half cent transactions and use tax for a period of twenty years. Proposition 218 (and related provisions of the California Government Code) provides that, because it is a general tax, this sales tax may be extended 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 adopt the ordinance which actually extends the tax. There is no requirement that the ordinance be adopted prior to the referral of the question to the voters. As discussed, at its July 26, 2016 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. The proposed ordinance amends the Ordinance Code provisions governing the existing sales tax to extend the sunset date to 2043. Pursuant to Revenue & Taxation Code section 7285, the Board must approve the proposed ordinance by at least a two-thirds vote of all members of the Board (*i.e.*, four votes) before the tax may be extended.

Tax Collection

If the measure is approved by the voters on November 8, 2016, and if the Board adopts the sales tax ordinance after a second reading, staff will return to the Board for approval of an amendment to the contract with the State Board of Equalization extending the term of the contract to provide for collection of the tax for approximately 26 years--a period covering both the remaining time for Measure A, as originally adopted, and the proposed twenty-year extension. If the voters do not approve the measure, the existing Measure A sales tax will continue in place until it expires under its own terms or is otherwise renewed by the voters.

If approved, this proposed measure would not increase the total sales tax rate countywide but would continue the existing one-half cent sales tax within the County of San Mateo for an additional twenty years. The City of San Mateo, which has an additional one-quarter cent sales tax, would have a total sales tax rate remaining at 9.25%. The City of South San Francisco, which has an additional one-half cent sales tax, would continue to have a total sales tax rate of 9.50%. In all other cities and in the unincorporated County, the total sales tax rate would remain at 9.00%.

FISCAL IMPACT:

Passage of the measure, and extension of the tax, would result in additional revenues to the General Fund that are currently estimated to be \$85 million per year for an additional twenty years.

The costs of including this countywide measure on the ballot will be determined by an allocation formula based on the number of measures and electoral races on the November 8, 2016, ballot. An exact figure is not currently available as the November ballot has not yet been finalized. Based on prior countywide elections and measures, such costs have typically totaled approximately \$500,000, which includes translation, printing, and mailing costs. This amount is not recoverable, regardless of whether the measure passes or fails.