



AGENCY: City Council
MEETING DATE: July 9, 2018
DEPARTMENT: City Manager/Finance
PRESENTED BY: Miller/Damiani
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Provide Direction on Whether to Withdraw the Special Purpose Tax Measure Submitted for the November 6, 2018 Ballot Per Resolution 4107-2018 and Submit a General Purpose Tax Measure Instead

ISSUE:

Just before the June 28, 2018 deadline to pull measures from the state ballot, the Tax Fairness, Transparency and Accountability Act of 2018, labeled by the League of California Cities and other opponents as "The Corporate Tax Trick" was rescinded. The ballot measure would have required two-thirds voter approval on all local tax matters and would have retroactively applied to January 1, 2018 thereby retroactively repealing the 25 measures approved in June by local voters statewide and any general tax measures passed by a simple majority but less than two-thirds in November 2018. It was partially because of this measure that the City Council decided to pursue a special purpose tax measure instead of a general tax measure in November.

Pulling the Tax Fairness, Transparency and Accountability Act of 2018 measure from the state ballot was the result of a compromise reached between the American Beverage Association and Service Employees International Union (SEIU). Instead, AB 1838 was signed by the Governor on June 28, 2018 which forbids any tax, fee or assessment on groceries (which by definition includes carbonated and noncarbonated nonalcoholic beverages) until January 1, 2031.

In response to rescinding of the ballot measure, the New Revenue Ad Hoc Committee raised the question whether or not the City Council should withdraw the Fort Bragg Special Purpose 3/8th of a cent special tax measure, which requires two-thirds voter approval and instead submit a general 3/8th cent tax measure which only requires the 50% plus one or simple majority to pass in its place.

ANALYSIS:

On June 25, 2018, the City Council unanimously adopted Resolution 4107-2018, which submitted a special purpose 3/8th of a cent tax to the City voters on November 6, 2018. As a special tax measure, it must be approved by two-thirds (66.7%) of the voters and the proceeds of the tax may only be used to pay down the Unfunded Accrued Liability (UAL) on the City's five California Public Employees' Retirement System (CalPERS) pension plans.

In contrast, a general tax measure requires only a simple majority (50% + 1) of the voters' approval and the proceeds can be used for any governmental purpose. A general purpose tax is more flexible and requires a lower threshold to pass. Unlike a special purpose tax, a general tax can only be placed on the ballot at the same time City Councilmembers are elected. Therefore, a general tax cannot be brought forward again until November 2020, but a special revenue tax can be on placed on any local ballot.

In the June 5, 2018 statewide local elections, 24 of 28 (86%) city/county/district general tax measures passed by a simple majority and 15 of 29 (52%) city/county/district special tax

measures passed by 2/3rds. The general tax measures included 7 add-on sales tax measures – 5 which passed, including 3 that passed by more than 70%. Of the special add-on sales tax measures requiring 2/3rds approval, one passed by 70.3% and one narrowly failed with 66.2%.¹ The local Mendocino Coast Health Care District special purpose parcel tax narrowly passed by just a handful of votes.

RECOMMENDED ACTION:

The New Revenue Ad Hoc Committee recommends calling a special meeting as soon as practical with the following items on the agenda:

1. Withdrawing the Special Tax Measure from the November 6, 2018 Ballot, and
2. Adopting a Resolution and approving an Ordinance to place a general purpose 3/8th of a cent tax measure on the November 6, 2018 ballot.

ALTERNATIVE ACTION(S):

1. Do nothing and maintain the Special Tax Measure H as written and submitted to Mendocino County on the November 6, 2018 ballot.

FISCAL IMPACT:

There is no difference in the amount of tax revenue estimated from either a 3/8th cent of a special purpose or general tax – approximately \$623,000. However, a general tax provides future City Councils more flexibility in how the proceeds can be used.

CONSISTENCY:

N/A.

IMPLEMENTATION/TIMEFRAMES:

Staff recommends a Special Meeting be called this week if it is determined that a general tax measure is desired. This will allow sufficient time to submit arguments in favor of and against the measure.

The last day to call the election for measures is no less than 88 days prior to the November 6, 2018 general election. The deadline for transmitting a ballot measure to the County Elections Office is August 10, 2018.

ATTACHMENTS:

None.

NOTIFICATION:

None.

¹ Report by CaliforniaCityFinance.Com *Local Revenue Measure Results June 2018*, June 30, 2018 Final