

Handout distributed
 @ 4/7/14 mtg
 Revenue Focus Group

rev. July 1, 2013

Approval Requirements for Local Taxes

	<u>City</u>	<u>County</u>	<u>Special District</u>	<u>School District</u>	<u>Approval Required</u>
General Tax *	✓	✓	-	-	majority
Special Tax	✓	✓	✓	-	2/3 supermajority
Parcel Tax	✓	✓	✓	✓	2/3 supermajority
G.O. Bond	✓	✓	✓	✓	2/3 supermajority
55% Vote Bond	-	-	-	✓	55%

✓ = May propose

The types of taxes that may be proposed are further limited in law.

* For a General Tax, an advisory vote may be used.

For a Sales Tax increase, if the vote is held in an off year, it requires Council to make a finding

The Rise of Local Add-On Sales (Transactions and Use) Taxes in California

The Transactions and Use Tax Law was adopted in 1969 authorizing the adoption of local “transactions and use tax” add-ons to the combined state and local sales tax rate. Over the years the law was amended to provide specific authorizations for various particular cities, counties, special districts and countywide authorities. Prior to 2003, the most common transactions and use tax measures were those for a specific countywide need, most commonly transportation. But since a 2003 change in the law, add-on taxes by cities and some counties for general purposes have become more frequent.

“Transactions and Use Tax” Versus “Sales and Use Tax”¹

Under California law, transactions and use taxes may be approved locally and added to the combined state and local sales and use tax rate. The base statewide sales and use tax, currently at 7.5%², includes portions that go to the state general fund, to several specific state funds including some for local allocation and use, and to the cities and counties essentially based on the location of the purchase.³

Transactions and Use Taxes generally apply to merchandise that is delivered in a jurisdiction which imposes such a tax. In practice the tax application and allocation for most retail sales will not differ from the sales and use tax. But there are some differences. Importantly, in the case of a sale or lease of a vehicle, vessel, or aircraft, a transactions and use tax is charged and allocated base on the location in which the property will be registered.

So if the city Jane lives in has a transactions and use tax, she will pay that tax if she purchases a car, even if she makes the purchase in a neighboring county that has no transactions and use tax. If Jane purchases a book in that neighboring county, she would not pay any transactions and use tax, but if she buys the book in her city she would pay her city's tax.

City and County Transactions and Use Taxes.

In 2003, Governor Gray Davis signed SB566 (Scott)⁴ which gave every county and every city the ability to seek voter approval of a local transactions and use tax increase under the following conditions:

- the transactions and use tax may be imposed at a rate of 0.25% or a multiple thereof,
- the ordinance proposing the tax must be approved by a two-thirds vote of all members of the governing body,
- if for general purposes, the tax must be approved by a majority vote of the voters in the city or county,
- if for specific purposes, the tax must be approved by a two-thirds vote of the voters in the city or county, and
- the maximum combined rate of transactions and use taxes in any location may not exceed 2%.⁵

Prior to SB566, with the exception that counties could form special agencies to seek taxes for transportation improvements, a city or county had to seek special legislation in order to adopt a transactions and use tax measure. More than twenty local agencies had received such special authorization.

There are currently 115 cities (not including San Francisco City/County) with voter approved transactions and use tax rates. Ten cities have two approved rates, so there are currently 125 approved city rates including 25 special taxes approved for a specified purpose.

City Transactions and Use Taxes

Table 1 Number of currently approved taxes; effective as of April 1, 2013

Rate	0.25%	0.375%	0.50%	0.75%	1.00%
General	14	1	59	6	20
Special	6		17	2	
Special Tax Uses					
Police &/or Fire	4		9	2	
Streets/Roads/Transit			5		
Hospital/Medical			1		
Parks/Recreation/OpenSpace			2		
Libraries	1				
Wastewater Treatment	1				

Some cities have two rates: Capitola, El Cajon, El Cerrito, Eureka, Ft Bragg, Nevada City, Placerville, Santa Rosa, Sebastopol, Woodland.

In addition to the city rates, there are 39 county or special district rates in 27 counties. Inyo, Santa Clara and San Mateo have general purpose rates. All others are special taxes for specific purposes. Thirty of the county rates are for transportation or transit, six for libraries and two for hospitals. Napa County has a 1/2 percent rate for flood control, that voters approved to extend for streets and roads after June 2018. Sonoma and Marin County each have 1/4 percent rates for open space and agricultural land preservation. Amador County has a 1/2 percent rate for fire protection and emergency medical services. San Francisco has a 1/4 percent rate for school and community college facilities. Fresno County has a specially authorized 1/10 percent rate for its zoo.

Taken together there are currently 164 approved transactions and use tax rates in 142 jurisdictions.

Transactions and Use Taxes

Table 2 (City, County, District) Number of currently approved taxes; effective as of April 1, 2013

Rate	0.10%	0.125%	0.25%	0.375%	0.50%	0.75%	1.00%
General	1	15	1	61	6	20	
Special	1	6	12		47	2	
Special Tax Uses							
Police &/or Fire			4		10	2	
Streets/Roads/Transit	1	3			31		
Hospital/Medical					3		
Parks/Recreation/OpenSpace			2		2		
Libraries	5	2					
Schools							
Flood Control					1		
Wastewater Treatment			1				
Zoo	1						

Election Success of Transactions and Use Taxes

From 1995 through the March 2013, 347 proposals for local transactions and use taxes have been submitted to the voters. Special taxes (earmarked for a specific purpose and requiring two-thirds voter approval) have been more common than general taxes, but the proportion of general tax proposals has been higher in recent years. Since 2008, 81% (78 of 96) of proposals were general purpose majority vote. From 1995 through 2008, just 45% (112 of 251) were general purpose.

Table 3 Transactions & Use Tax Measures
Approved/Proposed

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (thru Mar)	Total
General	1/1	1/1		0/5	0/2	2/5	0/1	2/3		13/31	8/10	14/21	2/7	18/25	2/8	18/25	5/8	33/36	0/1	119/190
Special	0/1	0/6	0/2	6/18	2/3	3/8		2/9	3/5	14/30	3/4	8/29	2/2	13/22	0/1	1/2	2/3	6/11	1/1	66/157
	1/2	1/7	0/2	6/23	2/5	5/13	0/1	4/12	3/5	27/61	11/14	22/50	4/9	31/47	2/9	19/27	7/11	39/47	1/2	185/347
City	0/1	0/3		2/6	1/1	3/3		2/3	2/2	16/37	10/13	16/28	4/9	24/36	2/9	19/25	6/10	32/36	1/2	140/224
County/Special Distr	1/1	1/4	0/2	4/17	1/4	2/10	0/1	2/9	1/3	11/24	1/1	6/22		7/11		0/2	1/1	7/11		45/123
	1/2	1/7	0/2	6/23	2/5	5/13	0/1	4/12	3/5	27/61	11/14	22/50	4/9	31/47	2/9	19/27	7/11	39/47	1/2	185/347
Special Tax Uses																				
Police & Fire			0/1	1/3	1/1					3/10	2/2	1/6	2/2	4/7	0/1	0/1	0/1	0/1	1/1	15/37
Hospital/Medical		0/1		0/1						1/2	1/1			0/1						3/7
Streets/Roads	0/1	0/1		1/2					2/3	0/1	0/1	1/4		2/2					1/2	7/17
Transportation-Countywide				0/3		2/4		1/6	1/2	7/10		5/15		5/7					0/2	21/49
Libraries		0/2		3/7	1/2	0/1		1/1		1/4		0/1		1/2				2/2	3/3	12/25
Other		0/2	0/1	1/2		0/2		0/2		2/3		1/3		1/3		1/1		2/3		8/22
	0/1	0/6	0/2	6/18	2/3	3/8	0/0	2/9	3/5	14/30	3/4	8/29	2/2	13/22	0/1	1/2	2/3	6/11	1/1	66/157

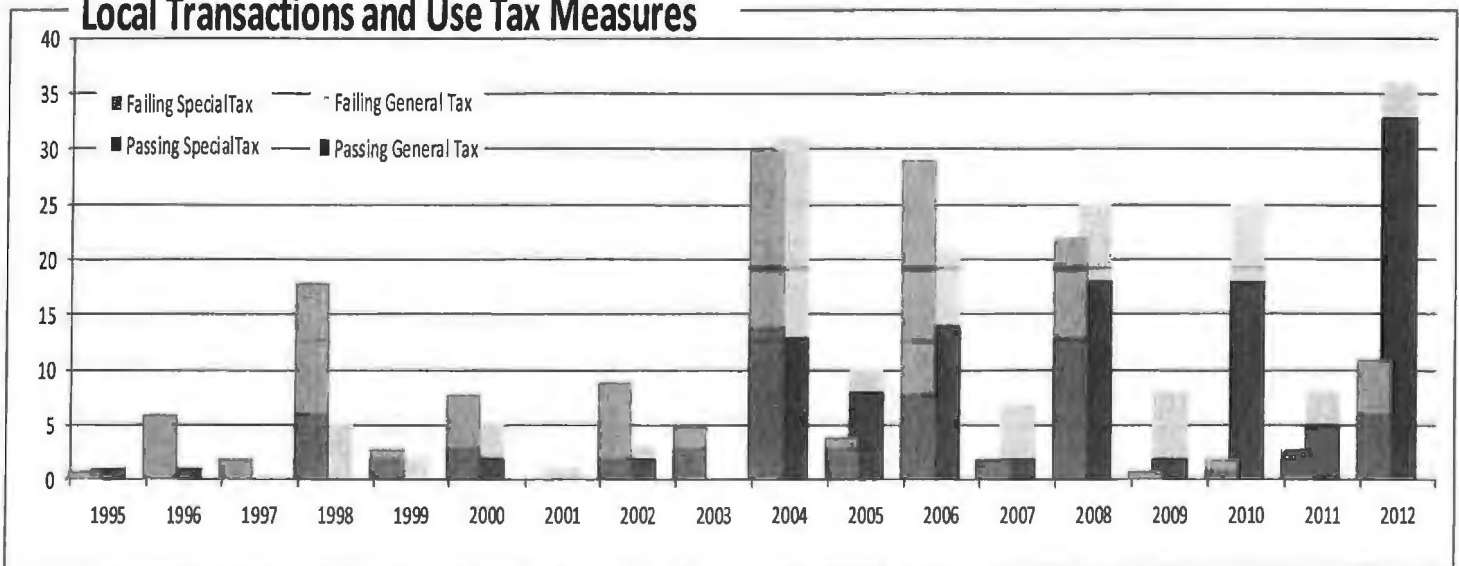
San Francisco is counted as a county.

Among the special taxes, the most common proposed specific use is countywide transportation, but measures targeting libraries, police/fire services and city streets/roads (less than countywide) have also been common. Other uses have included medical services, solid waste collection and disposal, zoo, flood control, jail/corrections, and parks and recreation.

Prior to 2004, most proposals were for countywide programs, but since then city proposals are more common. Just 19 of the 70 proposals prior to 2004 were by cities. Since then, 74% (177 of 240) have been from cities.

Chart 4

Local Transactions and Use Tax Measures



Until the passage of SB566, most transactions and use tax measures were special taxes requiring two-thirds voter approval. With few exceptions, until 2003, most legislation authorized only two-thirds vote special taxes. But general tax proposals are now more common. Prior to 2003, there were just six general purpose majority vote city measures. Since then, there have been 163.

Generally, city majority vote general purpose transactions and use taxes have shown a greater rate of success than countywide measures or city 2/3 vote special transactions and use taxes. Sixty-eight percent (115/169) of the proposed city general measures passed. Counties have a much tougher time of it though. Majority-vote general purpose measures by counties show just a five out of 23 passing record since 1995. Three of those have since sunset. San Mateo County (1/4 cent) and Santa Clara County (1/8 cent) each passed general purpose measures in November 2012. Inyo County's 1/2 cent general tax passed after special authorizing legislation in 1988 is also still in effect.

The success record of special taxes is not as successful for cities. Half (27) of the 55 special purpose two-thirds vote sales tax proposals by cities have been successful. This stronger result for general taxes can be seen among other types of local tax measures as well (hotel taxes, utility user taxes, etc.).

Since the passage SB566 in 2003, the transactions and use tax, particularly when structured as a majority vote tax for general purposes, has become popular and successful revenue raising tool for cities. In just the last few years, the number of approved city transactions and use taxes has more than tripled.

Table 5 **City Transactions & Use Tax Measures**

	Approved/Proposed																		2013	Total
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	(thru Mar)	
General	0/0	0/0	0/0	0/1	0/0	2/2	0/0	2/3	0/0	13/26	7/10	14/19	2/7	19/27	2/8	18/24	5/8	31/33	0/1	115/169
Special	0/1	0/3	0/0	2/5	1/1	1/1	0/0	0/0	2/2	6/11	2/3	2/9	2/2	5/9	0/1	1/1	1/2	1/3	1/1	27/55
	0/1	0/3	0/0	2/6	1/1	3/3	0/0	2/3	2/2	19/37	9/13	16/28	4/9	24/36	2/9	19/25	6/10	32/36	1/2	142/224
Special Tax Uses																				
Police & Fire				1/3	1/1					5/9	2/2	1/3	2/2	3/5	0/1		0/1	0/1	1/1	16/29
Hospital/Medical		0/1				1/1								0/1						1/3
Streets/Roads	0/1	0/1		1/2					2/2	1/1	0/1	1/4		1/2				0/1		6/15
Libraries		0/1																1/1		1/2
Other										0/1	0/2			1/1		1/1		1/1		3/6
	0/1	0/3	0/0	2/5	1/1	1/1			2/2	6/11	2/3	2/9	2/2	5/9	0/1	1/1	1/2	1/3	1/1	27/55

San Francisco is counted as a county.



Chart 6

City Transactions and Use Tax Measures - General Purpose

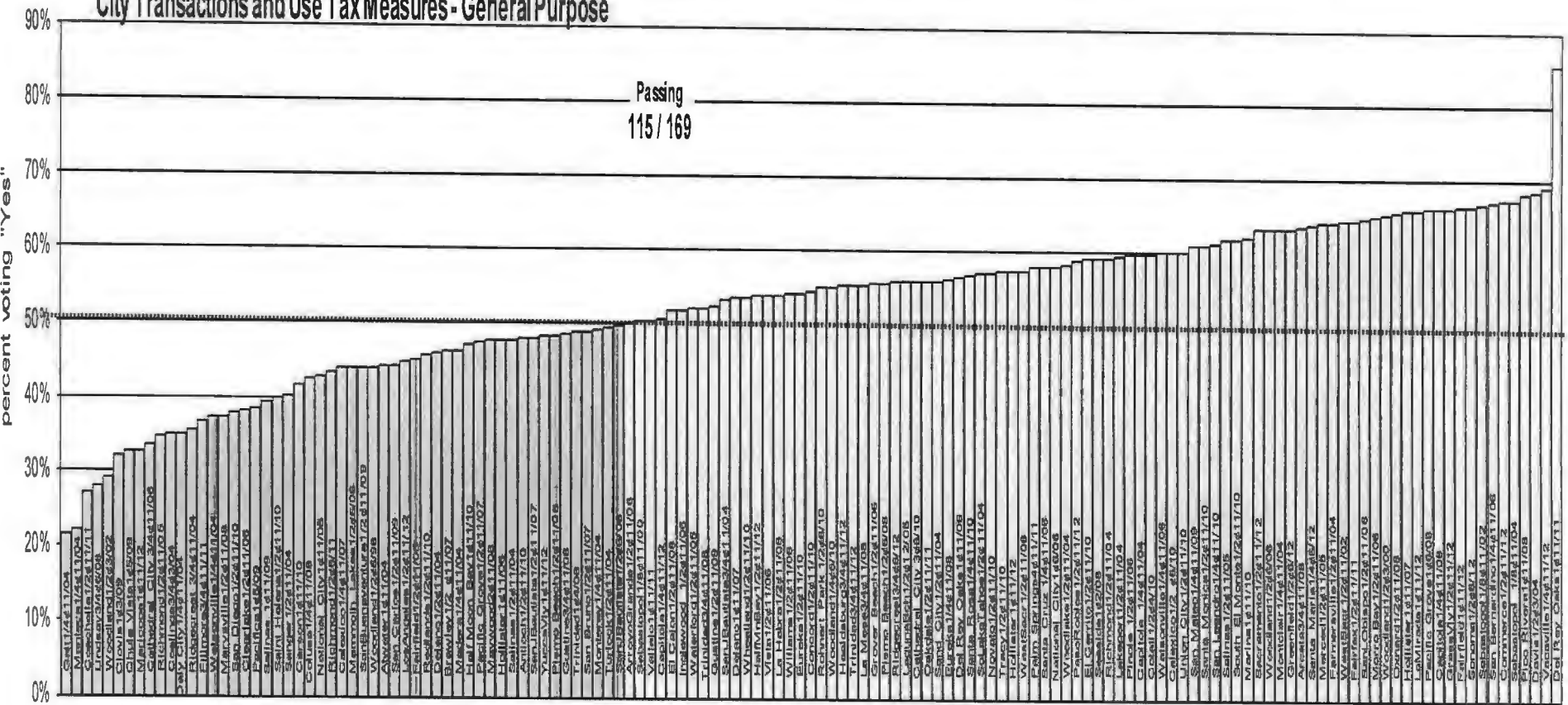
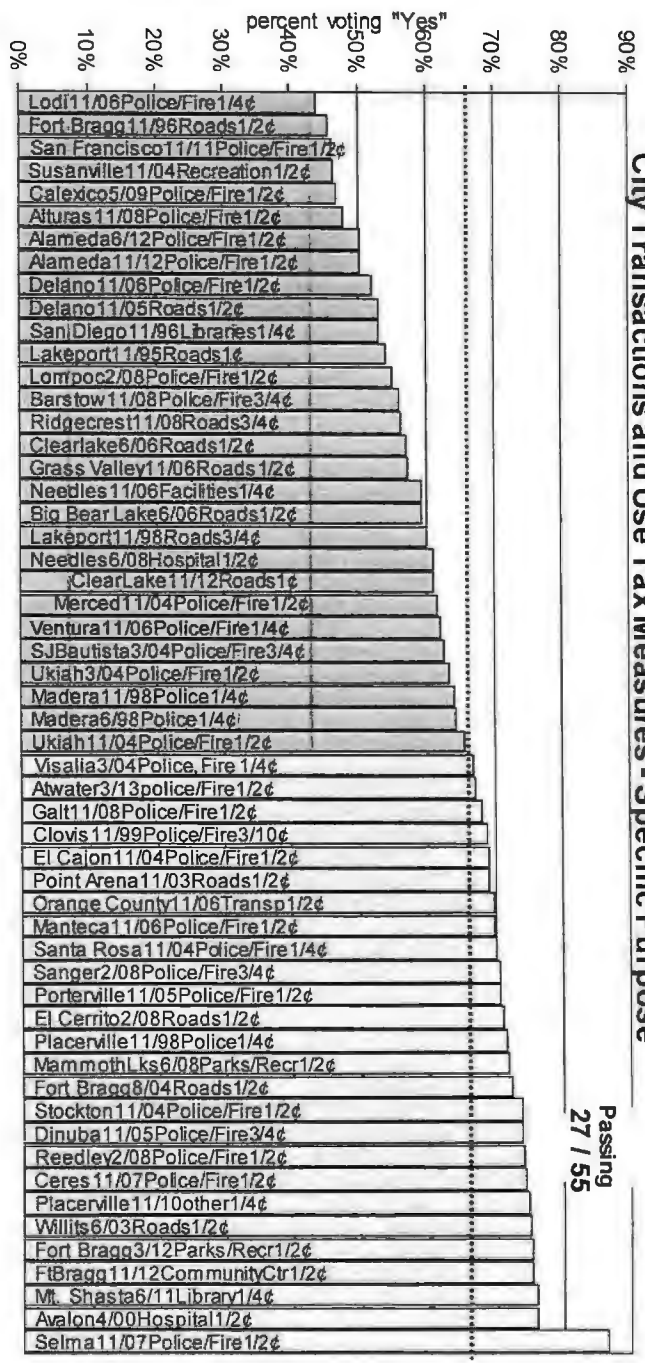


Chart 7

City Transactions and Use Tax Measures - Specific Purpose



For More Information:

- On the Sales & Use Tax in California: <http://www.californiacityfinance.com/#SALESTAX>
- On local tax measures and election results: <http://www.californiacityfinance.com/#VOTES>
- Current tax rates for cities and counties. California State Board of Equalization. <http://www.boe.ca.gov/cgi-bin/rates.cgi>
- Transactions and Use Tax rates and effective dates. Calif. BOE. <http://www.boe.ca.gov/sutax/pdf/districtratelist.pdf>

¹ For more detail on rules for the collection and allocation of transactions and use taxes see California State Board of Equalization Publication #44, "Tax Tips for District Taxes" at <http://www.boe.ca.gov/pdf/pub44.pdf> and Publication #105 "District Taxes and Delivered Sales" at <http://www.boe.ca.gov/pdf/pub105.pdf>

² Including a 0.25% rate adopted by voters with the November 2011 approval of Proposition 30. The 0.25% rate went into effect on January 1, 2013 and will end December 31, 2016.

³ The components of the statewide sales and use tax and their allocation are discussed in some detail in the Board of Equalization's Publication #28: "Tax Information for City and County Officials" <http://www.boe.ca.gov/pdf/pub28.pdf> and other resources at <http://www.californiacityfinance.com/#SALESTAX>.

⁴ Chapter 709, Statutes of 2003.

⁵ For example, a countywide transportation tax of 1%, together with a 1% tax of a city in that county total 2%.

California Sales and Use Tax Rates by County and City*
Effective October 1, 2013 (includes state, county, local, and district taxes)

ALAMEDA CO. 9.00%
City of Albany 9.50%
City of San Leandro 9.25%
City of Union City 9.50%

ALPINE CO. 7.50%

AMADOR CO. 8.00%

BUTTE CO. 7.50%

CALAVERAS CO. 7.50%

COLUSA CO. 7.50%
City of Williams 8.00%

CONTRA COSTA CO. 8.50%
City of Concord 9.00%
City of El Cerrito 9.50%
City of Hercules 9.00%
City of Moraga 9.50%
City of Orinda 9.00%
City of Pinole 9.00%
City of Pittsburg 9.00%
City of Richmond 9.00%
City of San Pablo 9.00%

DEL NORTE CO. 7.50%

EL DORADO CO. 7.50%
City of Placerville 8.00%
City of South Lake Tahoe 8.00%

FRESNO CO. 8.225%
City of Reedley 8.725%
City of Sanger 8.975%
City of Selma 8.725%

GLENN CO. 7.50%

HUMBOLDT CO. 7.50%
City of Arcata 8.25%
City of Eureka 8.25%
City of Trinidad 8.25%

IMPERIAL CO. 8.00%
City of Calexico 8.50%

INYO CO. 8.00%

KERN CO. 7.50%
City of Arvin 8.50%
City of Delano 8.50%
City of Ridgecrest 8.25%

KINGS CO. 7.50%

LAKE CO. 7.50%
City of Clearlake 8.00%
City of Lakeport 8.00%

LASSEN CO. 7.50%

LOS ANGELES CO. 9.00%
City of Avalon 9.50%
City of Commerce 9.50%
City of Culver City 9.50%
City of El Monte 9.50%
City of Inglewood 9.50%
City of La Mirada 10.00%
City of Pico Rivera 10.00%
City of San Fernando 9.50%
City of Santa Monica 9.50%
City of South El Monte 9.50%
City of South Gate 10.00%

MADERA CO. 8.00%

MARIN CO. 8.50%
City of Fairfax 9.00%
City of Novato 9.00%
City of San Rafael 9.00%

MARIPOSA CO. 8.00%

MENDOCINO CO. 7.625%
City of Fort Bragg 8.625%
City of Point Arena 8.125%
City of Ukiah 8.125%
City of Willits 8.125%

MERCED CO. 7.50%
City of Atwater 8.00%
City of Gustine 8.00%
City of Los Banos 8.00%
City of Merced 8.00%

MODOC CO. 7.50%

MONO CO. 7.50%
City of Mammoth Lakes 8.00%

MONTEREY CO. 7.50%
City of Carmel 8.50%
City of Del Rey Oaks 8.50%
City of Greenfield 8.50%
City of Marina 8.50%
City of Pacific Grove 8.50%
City of Salinas 8.00%
City of Sand City 8.00%
City of Seaside 8.50%
City of Soledad 8.50%

NAPA CO. 8.00%

NEVADA CO. 7.625%
City of Grass Valley 8.125%
City of Nevada City 8.50%
Town of Truckee 8.125%

ORANGE CO. 8.00%
City of La Habra 8.50%

PLACER CO. 7.50%

PLUMAS CO. 7.50%

RIVERSIDE CO. 8.00%
City of Cathedral City 9.00%
City of Palm Springs 9.00%

SACRAMENTO CO. 8.00%
City of Galt 8.50%
City of Sacramento 8.50%

SAN BENITO CO. 7.50%
City of Hollister 8.50%
City of San Juan Bautista 8.25%

SAN BERNARDINO CO. 8.00%
City of Montclair 8.25%
City of San Bernardino 8.25%

SAN DIEGO CO. 8.00%
City of El Cajon 9.00%
City of La Mesa 8.75%
City of National City 9.00%
City of Vista 8.50%

SAN FRANCISCO CO. 8.75%

SAN JOAQUIN CO. 8.00%
City of Lathrop 9.00%
City of Manteca 8.50%
City of Stockton 8.25%
City of Tracy 8.50%

SAN LUIS OBISPO CO. 7.50%
City of Arroyo Grande 8.00%
City of Grover Beach 8.00%
City of Morro Bay 8.00%
City of Paso Robles 8.00%
City of Pismo Beach 8.00%
City of San Luis Obispo 8.00%

SAN MATEO CO. 9.00%
City of Half Moon Bay 9.50%
City of San Mateo 9.25%

SANTA BARBARA CO. 8.00%
City of Santa Maria 8.25%

SANTA CLARA CO. 8.75%
City of Campbell 9.00%

SANTA CRUZ CO. 8.25%
City of Capitola 8.75%
City of Santa Cruz 8.75%
City of Watsonville 8.50%

SHASTA CO. 7.50%

SIERRA CO. 7.50%

SISKIYOU CO. 7.50%
City of Mount Shasta 7.75%

SOLANO CO. 7.625%
City of Fairfield 8.625%
City of Rio Vista 8.375%
City of Vacaville 7.875%
City of Vallejo 8.625%

SONOMA CO. 8.25%
City of Cotati 8.75%
City of Healdsburg 8.75%
City of Rohnert Park 8.75%
City of Santa Rosa 8.75%
City of Sebastopol 9.00%
City of Sonoma 8.75%

STANISLAUS CO. 7.625%
City of Ceres 8.125%
City of Oakdale 8.125%

SUTTER CO. 7.50%

TEHAMA CO. 7.50%

TRINITY CO. 7.50%

TULARE CO. 8.00%
City of Dinuba 8.75%
City of Farmersville 8.50%
City of Porterville 8.50%
City of Tulare 8.50%
City of Visalia 8.25%

TUOLUMNE CO. 7.50%
City of Sonora 8.00%

VENTURA CO. 7.50%
City of Oxnard 8.00%
City of Port Hueneme 8.00%

YOLO CO. 7.50%
City of Davis 8.00%
City of West Sacramento 8.00%
City of Woodland 8.25%

YUBA CO. 7.50%
City of Wheatland 8.00%

*For more details, refer to www.boe.ca.gov/sutax/pam71.htm.

Please Note: Some communities located within a county or a city may not be listed. If you are in doubt about the correct rate or if you cannot find a community, please call our toll-free number at 1-800-400-7115 (TTY:711), or call the local Board of Equalization office nearest you for assistance.

General Obligation and Revenue Bond Information

January 7, 2014

Local governments have the option of issuing debt (bonds) in order to finance the construction of capital facilities. In general, there are two types of bonds that local governments can issue:

- **General Obligation Bonds** – these bonds can be used to fund construction, replacement or rehabilitation of “general government” facilities;
 - Required voter-approval (local government – 2/3 majority vote)
 - Re-paid by supplemental tax placed on property tax rolls
 - Typical 30-year payments to amortize principal and interest
 - Tax exempt bonds (provided bonds are for public purpose) yield favorable interest rates (lower cost of borrowing).
 - Cannot be used to fund ongoing operations – debt is generally secured by the capital asset purchased or constructed – asset should have a useful life no shorter than the debt amortization schedule
 - Does provide for modest administrative expenditures or “soft costs” (i.e. architectural, engineering and project management) related to capital project implementation.

Examples of projects that could be funded via a General Obligation Bond include:

- Public Safety Training Facility
 - Sports Facilities
 - Aquatic Facility
 - Transportation Improvements
-
- General Obligation Bond financing would require 2/3-voter-approval with an increase assessed on the property tax bill of property owners in the City.
 - General Obligation ballot measures are subject to the “single-subject” provision of state law such that like-projects could be grouped in a single ballot measure (ie Public Safety Facilities), but the City could not commingle disparate categories in a single measure.
-
- **Revenue Bonds** – these bonds are also used to fund construction, replacement or rehabilitation of facilities; however revenue bonds require that the facility to which the bonds are applied generate sufficient revenue to cover cost of debt service. Examples of revenue bond financings include utilities (water, wastewater, stadiums/arenas, transit facilities and (paid) parking facilities).
 - Does not require voter-approval
 - Bonding capacity is based on the amount of “project-generated” revenues that are available to pay principal and interest (above funds required for operations and maintenance).
 - Typical 30-year amortization period
 - Tax-exempt status, provided that facility is purely of “public benefit”; mixed use (public/private) facilities are eligible for revenue-bond financing, but may preclude tax-exempt status

General Obligation and Revenue Bond Information

January 7, 2014

- Cannot be used to fund ongoing operations – debt is generally secured by the capital asset purchased or constructed – asset should have a useful life no shorter than the debt amortization schedule
- Does provide for modest administrative expenditures or “soft costs” (i.e. architectural, engineering and project management) related to capital project implementation

Examples of projects that could be funded via a Revenue Bond include:

- Wastewater Treatment Plant Upgrade
- Water System Capital Replacement and Enhancements
- Parking Facilities (assuming revenue-generating potential)