



County of El Dorado

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Legislation Details (With Text)

File #: 18-0993 **Version:** 1

Type: Agenda Item **Status:** Department Matters

File created: 6/15/2018 **In control:** Board of Supervisors

On agenda: 6/26/2018 **Final action:** 6/26/2018

Title: Community Development Services, Department of Transportation, recommending the Board provide direction to Staff on which of the following alternatives they would like Staff to pursue regarding a Transportation Sales Tax Proposal for Road Maintenance:
Alternative 1) Direct Staff to move forward with placing the following draft ballot measure language on the November 2018 election, requesting voters to support a ½ cent Special Sales Tax, increasing the tax rate from 7.25% to 7.75% in the unincorporated area of the County, and return to the Board on July 17, 2018 with final ballot measure/ordinance language, including an expenditure plan and a return to source provision:
In the event Senate Bill 1, The Road Repair and Accountability Act of 2017, is repealed by voters in November 2018, shall an ordinance be adopted for a ½ cent special sales tax, lasting for 20 years and providing approximately \$6,500,000 annually, to be used for the sole purpose of maintaining roads in the unincorporated area of El Dorado County, and requiring a citizen oversight committee to monitor and report on the use of said funds?
OR
Alternative 2) Direct Staff to return to the Board for further direction after a determination is made on the November 2018 election regarding the repeal of SB1. (Est. Time: 30 Min.)

FUNDING: General Fund - Sales Tax.

Sponsors:

Indexes:

Code sections:

Attachments: 1. A - BOS Maintenance Sales Tax SB1 6-26-18, 2. Additional information from Department Rcvd 6-26-18

| Date | Ver. | Action By | Action | Result |
|-----------|------|----------------------|----------------------------------|--------|
| 6/26/2018 | 1 | Board of Supervisors | Direction Provided (See Minutes) | Pass |

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Alternative 2) Direct Staff to return to the Board for further direction after a determination is made on

the November 2018 election regarding the repeal of SB1. (Est. Time: 30 Min.)

FUNDING: General Fund - Sales Tax.

DEPARTMENT RECOMMENDATION

Community Development Services, Department of Transportation, recommending the Board provide direction to Staff on which of the following alternatives they would like Staff to pursue regarding a Transportation Sales Tax Proposal for Road Maintenance:

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OR

Alternative 2) Direct Staff to return to the Board for further direction after a determination is made on the November 2018 election regarding the repeal of SB1.

DISCUSSION / BACKGROUND

Staff presented the Board of Supervisors with an overview of SB1 on June 12, 2018. During the overview Staff presented details regarding the fiscal impacts if SB1 gets repealed, and discussed the option of placing a sales tax measure on the November 2018 ballot to provide funding for road maintenance in the event that SB1 is repealed. The consensus was for Staff to return to the Board with sample ballot measure language. It is important to note that pursuant to Revenue and Taxation Code section 7285.5, the sales tax must be approved by ordinance, which is first approved by the Board by a 2/3 vote (i.e., 4/5 vote of the Board). That ordinance is then submitted to the voters by ballot and must be approved by a 2/3 vote of the electorate. Among other things, the ordinance must include an expenditure plan describing the specific projects for which the revenues from the tax may be expended. Should the ordinance be approved by the voters, prior to its operative date, the County will also need to enter into a contract with the State Board of Equalization to perform all functions incident to the administration and operation of the sales tax.

The sales tax as proposed in both instances is for the sole purpose of Road Maintenance, and would therefore be a Special Tax, requiring a 2/3 vote, not a General Tax, which would require a majority vote of the electorate.

Alternative 1 would place a ½ cent Special Sales Tax measure, increasing the tax rate from 7.25% to 7.75% in the unincorporated area of the County, on the November 2018 ballot, for the purpose of road maintenance, repairs, and safety enhancements. Pursuing this alternative would provide the Board with a proactive approach to the unknown outcome of SB1. In the event that SB1 is repealed, the County would already be in the process of pursuing an alternative source of revenue, minimizing the impacts to the County's road maintenance program and the General Fund. The measure can be

written in a way that the sales tax increase only takes effect if SB1 is repealed. Alternative 1 also requires the establishment of a citizens oversight committee which will monitor and report to the Board and the public on how the funds are used.

Alternative 2 would delay further action until after November 2018 when the outcome of the repeal of SB1 is decided. The Board could then choose whether or not to move forward with a special sales tax increase. The risk of this alternative is that if SB1 is repealed, the Board would then be reacting to the repeal, and not be in a position to soften the fiscal effect of the associated loss of approximately \$5,000,000 in annual revenue.

ALTERNATIVES

The Board could choose to not to take any action at this time.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Chief Administrative Office, County Counsel, Elections, and Treasurer Tax Collector

CAO RECOMMENDATION

The CAO recommends the Board provide direction to Staff on which alternative they would like to pursue, as the negative fiscal impact to the County will be significant if SB1 is repealed. However, when considering the option to place a ½ cent special sales tax measure on the November 2018 ballot, the Board should contemplate the likelihood of the voters passing such an increase when voters are also going to be presented with a 2% increase to the Transient Occupancy Tax, and potentially other tax related ballot measures.

FINANCIAL IMPACT

If the voters repeal SB1 there will be a loss of approximately \$5,000,000 in annual revenue.

If the voters approve the ½ cent special tax increase to the current sales tax rate, raising that rate from 7.25% to 7.75% in the unincorporated area of the County, an estimated \$6,500,000 of additional revenue would be provided to the County annually for the purposes of road maintenance, repair, and safety enhancements. This revenue estimate is based on sales tax figures from Fiscal Year 2016-17.

The cost of placing a measure on the ballot for a Special Election is \$130,000. However, placing the measure on the upcoming November election would be significantly less as the cost associated with the measure will be “shared” by the other items placed on the ballot including County and State propositions and special district elections. The Elections Department cannot provide an accurate cost estimate until all ballot requests have been submitted; an estimate of the County’s share of placing a sales tax increase measure on the ballot would be available at the close of the filing period in mid-August.

Staff would return to the Board with a budget amendment once the final cost is determined by the Elections Department.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

This recommendation is in alignment with the County’s Strategic Plan, including the Good Governance Strategic Plan Component - Objective 1: Establish sound fiscal policies and enable trust

and transparency by ensuring accountability, efficiency, flexibility, innovation and excellence in all operations; the Infrastructure Strategic Plan Component - Objective 3: Provide a safe, well-planned and maintained transportation network for citizens and visitors, including roads, airports, bike paths and trails; and the overall goal of both the Economic Development and Infrastructure Strategic Plan Components - Enable a prosperous and vibrant economy.

CONTACT

Rafael Martinez, Director
Community Development Services, Department of Transportation