



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: ORD 24-025

August 27, 2024

Introduced: 7/29/2024

Current Status: Agenda Ready

Version: 1

Matter Type: Ordinance

Adopt an ordinance adding Chapter 5.38 of the Monterey County Code to impose a transactions and use tax pending voter approval in the November 5, 2024 election (4/5 vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt an ordinance adding Chapter 5.38 of the Monterey County Code to impose a transactions and use tax pending voter approval in the November 5, 2024, election (4/5 vote required).

SUMMARY/DISCUSSION:

In general, county board of supervisors can raise local revenues through taxes, assessments, or fees. Each of these local revenue sources has its own constitutional and statutory authority and unique laws governing its use. Section 2(b) of Article XIII C of the California Constitution, added by Proposition 218 effective November 1996, requires that a ballot measure proposing a general tax be submitted to the voters at an election consolidated with a regularly scheduled general election for members of the governing body of the local government.

Revenue and Taxation Code section 7285 further authorizes a county board of supervisors to levy, increase, or extend a transactions and use tax throughout the entire county or within the unincorporated area of the county for general purposes at a rate of 0.125 percent or a multiple thereof, if the ordinance proposing that tax is approved by a two-thirds vote of all members of the board of supervisors and the tax is approved by a majority vote of the qualified voters of the entire county if levied on the entire county or the unincorporated area of the county if levied on the unincorporated area of the county, voting in an election on the issue.

In accordance with this authority, the County of Monterey Board of Supervisors has determined it is in the best interest of the County and its residents to submit to the voters a ballot measure authorizing the Board to amend the Monterey County Code to add a 1% transactions and use tax for retail transactions in the unincorporated area of Monterey County. On June 20, 2024, the Board adopted Resolution No. 24-236 calling for an election for the purpose of submitting to the qualified electors of unincorporated Monterey County a ballot measure to raise the retail transactions and use tax ("sales tax") in the unincorporated area by 1%. Staff has submitted Resolution No. 24-236 to the Elections Department so that the measure will be put on the ballot for November 5, 2024.

If successful, the funds collected from the increase in sales tax will be used to provide funding for essential County services, including but not limited to programs for street maintenance and pothole repair; the enhancement of public safety and emergency services; disaster response, prevention, and

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recovery; traffic and road safety programs; to reduce homelessness; libraries, parks, and recreation facilities; water and sewer infrastructure maintenance; healthcare; and job skill development programs. If successful, the sales tax increase will be enacted solely to raise revenue for general governmental purposes of the County and not for purposes of regulation or for raising revenue for regulatory purposes, in that all of the proceeds from the tax shall be placed in the County's general fund and be used for the usual current expenses of the County.

Accordingly, the draft ordinance attached to this report proposes to add Chapter 5.38 to the Monterey County Code to impose a general-purpose transactions and use tax. The ordinance sets the transaction tax at 1% of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the unincorporated area of Monterey County. The ordinance also sets a use tax from any retailer for storage, use or other consumption in the unincorporated Monterey County at the rate of 1% of the sales price of the property. The tax is for general governmental purposes and will go into effect only if the tax is approved by a majority of the voters voting on the tax at the November 5, 2024, general election. If approved by the voters, the ordinance will be operative 110 days after the election.

On August 13, 2024, the Board introduced, waived reading, and set August 27, 2024, for the date for consideration of the draft ordinance.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel was involved in the preparation of the ordinance and report.

FINANCING:

The proposed new Chapter 5.38 would be operative 110 days after the election if a simple majority of the voters in the unincorporated area approve the ballot measure in the November 5, 2024, election. Estimated revenue from a successful ballot measure is estimated at \$29 million per fiscal year, but the County can expect to receive about one quarter of that amount in FY 2024-25 due to the effective date of the implementation of the new ordinance.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This report is consistent with the Board of Supervisors' Strategic Initiative for Administration. Providing direction to staff for implementation of one the revenue options described helps the County of Monterey plan for future balanced budget that sustains core services and efficiently allocates resources.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer
Sonia M. De La Rosa, County Administrative Officer

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Attachments: Draft ordinance; Resolution No. 24-236