

TOWN OF FAIRFAX STAFF REPORT

To: Mayor, Members of the Town Council

From: Michael Rock, Town Manager

Date: March 16, 2011, April 14

Subject: Discussion/Consideration of a local sales tax in the Town of Fairfax

DISCUSSION

What is a local sales tax?

A local sales tax is a (half-cent) sales tax to purchases made within the Town of Fairfax limits on retail taxable goods. This sales tax hike will put the total sales tax charged on services and goods sold within the city to 9.50%. A typical time frame for a local sales tax will is anywhere from five to ten years. All revenues collected from this local sales tax stays in Fairfax!

Why does Fairfax need a local sales tax?

The Town is facing a \$350,000 budget shortfall. The budget shortfall is a structural deficit that will have to be addressed later this year when the Town Council adopts the fiscal year 2011/12 budget. The causes are steep annual increases in health care and retirement costs for Town employees. Adding to the structural deficit is the fact that property tax revenues have declined for the last three years.

How can a local sales tax be used in Fairfax?

The local sales tax revenue generated could be used for general government services (such as public safety, recreation, youth and senior services and public works maintenance activities) and for specific government services such as public infrastructure improvements and beautification projects. Infrastructure improvements include street maintenance and capital repairs, building maintenance and capital repairs, sidewalk, curb and gutter maintenance and replacement, and Town maintained landscaping.

A simple majority vote is required for approval.

FISCAL IMPACT

A local sales tax measure of one half cent would generate approximately \$150,000 per year for the Town of Fairfax.

ATTACHMENT

Attachment A: Total Sales Taxes paid in Marin County cities
Attachment B: Election Schedule