

**TOWN OF FAIRFAX  
STAFF REPORT**

**To: Mayor, Members of the Town Council**  
**From: Michael Rock, Town Manager**   
**Date: May 4, 2011**  
**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 tax to purchases made within the Town of Fairfax limits on retail taxable goods. In California only durable goods are taxed. Food and services are not taxed in California. A typical time frame for a local sales tax is anywhere from five to ten years. All revenues collected from this local sales tax stays in Fairfax and cannot be taken by the State!!

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 and declining property and sales tax revenues for the past three years.

Without making any changes to the expenditures and revenues the Town budget is not sustainable.

Pensions: The recession hit a number of investment accounts very hard. The State of California and most local government pensions were hard hit in the stock market crash of 2008. To make up the 34% loss to the stock market in 2008 CalPERS has raised retirement contributions for all public pensions by 6-15% per year depending on the exact retirement benefit.

Health Care: The cost of health care has been rising steadily for many years and is averaging about an 8 percent increase every year. This is not sustainable even in normal economic times because in normal years the Town adds about 3-5% per year in increased revenue.

What has the Town done to cut expenditures?

Many sacrifices by Town employees have already been made and more are needed

Cost of living and other wage cuts: The Town runs a very tight ship (no frills), providing top notch police, fire, road work, park maintenance, planning, building inspection, code enforcement and other public services with smaller staff and wages that are below other salaries and benefits in Marin towns.

**Sacrifices:**

Wage Freezes and Vacant positions: Town staff have been on a wage freeze for three years, and currently have three key positions unfilled,

**AGENDA ITEM # 2**

More wage cuts in FY 2011/12: The Town is beginning to negotiate with our bargaining units to give up even more compensation. New labor agreements will be in place this summer.

**New Revenue Ideas:** The Town has few revenue generating options. We have just raised our permitting fees to actually match what it costs the Town to perform the service

Measure I: If this measure had not passed, we would have been in a really dire position and have to give up services that the public expects us to provide. The Town receives a small portion of property taxes (18%), which have been reduced through reassessments, while expenses go up. And we receive only 1% of the existing sales tax (about \$330,000 per year) which has been declining for the last three years. The Town is trying to find ways to spread the burden around and not put it all on our residents and home owners. A sales tax is a small way to have people from outside Fairfax help foot the bill for the town they enjoy visiting and patronizing. We assume that merchants will not take this as a hit for themselves, but pass it on to their customers. One half of one penny on each dollar (about \$150,000 per year and all going directly to the Town) seems easier to swallow than some of the other options that have come our way.

**Public Input:** If you have other ideas for generating \$150,000-\$200,000 each year, we are open to hear about it.

#### 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 police protection and services, recreation, youth and senior services planning, building inspection 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 of a general tax and a two-thirds vote is required for specific tax.

#### **FISCAL IMPACT**

A local sales tax measure of one half cent would generate approximately \$150,000 per year for the Town of Fairfax. A local sales tax measure of three quarters of one percent would generate approximately \$225,000 per year and a one percent local sales tax would generate approximately \$300,000 per year.

#### **ATTACHMENT**

Attachment A: Total Sales Taxes paid in Marin County cities

Attachment B: California State Sales Tax Rate and Local Ballot Measure Results from November 2010

Marin Sales Tax Rates 2011

Note:"\*" next to city indicates incorporated city

Belvedere	9.000 %
Bolinas	9.000 %
Corte Madera	9.000%
Dillon Beach	9.000 %
Dogtown	9.000 %
Fairfax*	9.000 %
Fallon	9.000 %
Forest Knolls	9.000 %
Greenbrae (Larkspur*)	9.000 %
Hamilton A.F.B. (Novato*)	9.000 %
Ignacio (Novato*)	9.000 %
Inverness	9.000 %
Kentfield	9.000 %
Lagunitas	9.000 %
Larkspur*	9.000 %
Marin City	9.000 %
Marshall	9.000 %
Mill Valley*	9.000 %
Nicasio	9.000 %
Novato*	9.000 %
Olema	9.000 %
Point Reyes Station	9.000 %
Ross*	9.000 %
San Anselmo*	9.000 %
San Geronimo	9.000 %
San Quentin	9.000 %
San Rafael*	9.500 %
Sausalito*	9.000 %
Stinson Beach	9.000 %
Tamal (San Quentin)	9.000 %
Tiburon*	9.000 %
Tomaes	9.000%

Currently San Rafael has a half-cent local sales tax and Novato is placing a half-cent sales tax on the November ballot.

The Novato City Council voted unanimously on July 27 to place the five-year increase on the ballot. If approved by voters, the measure would lift Novato's sales tax from 9 to 9.5 percent, matching the sales tax in San Rafael. Novato commissioned a survey of 400 voters that showed 60 to 63 percent support for a sales tax hike.

**California has a statewide sales tax of 8.25%.** Municipalities are allowed to assess a local sales tax up to 9.25%.

The statewide 7.25% is allocated as:

- 7.25% - State
  - 5.00% - State of California's General Fund
  - 0.25% - State of California's Fiscal Recovery Fund
  - 0.50% - State of California's Local Revenue Fund
  - 0.50% - State of California's Local Public Safety Fund
  - 1.00% - Bradley-Burns Uniform Local Tax
    - 0.25% - Local County - Transportation funds
    - 0.75% - Local city/county - Operating funds

On April 1, 2009, the state sales and use tax increased by 1%, making the minimum sales tax statewide 8.25%.

The statewide local sales tax of 1.25 percent was imposed in 1967.

**November 2, 2010**

*November 2, 2010 election in California*

Measure	County	Outcome
<u>Antioch, Measure P</u>	<u>Contra Costa</u>	✗d
<u>Carson City, Measure H</u>	<u>Los Angeles</u>	✗d
<u>Concord, Measure Q</u>	<u>Contra Costa</u>	✓a
<u>El Cerrito, Measure R</u>	<u>Contra Costa</u>	✓a
<u>Eureka, Measure O</u>	<u>Humboldt</u>	✓a
<u>Half Moon Bay, Measure K</u>	<u>San Mateo</u>	✗d

<u>Marina, Measure M</u>	<u>Monterey</u>	✓ a
<u>Mendocino County, Measure C</u>	<u>Mendocino</u>	✗ d
<u>Novato, Measure F</u>	<u>Marin</u>	✓ a
<u>Placerville, Measure H</u>	<u>El Dorado</u>	✓ a
<u>Redlands, Measure A</u>	<u>San Bernardino</u>	✗ d
<u>San Diego, Proposition D</u>	<u>San Diego</u>	✗ d
<u>San Leandro, Measure Z</u>	<u>Alameda</u>	✓ a
<u>Santa Barbara, Measure S</u>	<u>Santa Barbara</u>	✗ d
<u>Santa Monica, Measure Y</u>	<u>Los Angeles</u>	✓ a
<u>Santa Monica, Measure YY</u>	<u>Los Angeles</u>	✓ a
<u>Santa Rosa, Measure B</u>	<u>Sonoma</u>	✓ a
<u>South El Monte, Measure R</u>	<u>Los Angeles</u>	✓ a
<u>St. Helena, Measure C</u>	<u>Napa</u>	✗ d
<u>Tracy, Measure E</u>	<u>San Joaquin</u>	✓ a

<u>Union City, Measure AA</u>	<u>Alameda</u>	✓ a
<u>Wheatland, Measure S</u>	<u>Yuba</u>	✓ a

**June 8, 2010**

*June 8, 2010 election in California*

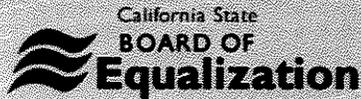
Measure	County	Outcome
<u>Calexico, Measure H</u>	<u>Imperial</u>	✓ a
<u>Cathedral City, Measure H</u>	<u>Riverside</u>	✓ a
<u>Davis, Measure Q</u>	<u>Yolo</u>	✓ a
<u>Rohnert Park, Measure E</u>	<u>Sonoma</u>	✓ a
<u>Woodland, Measure V</u>	<u>Yolo</u>	✓ a

**April 13, 2010**

*April 13, 2010 ballot measures in California*

Measure	County	Outcome
<u>City of Cotati, Measure A</u>	<u>Sonoma</u>	✓ a

**Source: California Board of Equalization**



**New Sales and Use Tax Rates  
Effective April 1, 2011**

Voters in 13 cities in California have approved new district taxes (transactions and use taxes) that become effective April 1, 2011. The new rates apply only within each city's incorporated limits. The tax rates outside the incorporated city limits will remain the same.

In addition, the City of Scotts Valley Transactions and Use Tax (SVGF) will end on March 31, 2011, resulting in a tax rate decrease within the city limits of Scotts Valley.

In Sonoma County, the countywide Sonoma County Open Space Authority (SCOS) 0.25 percent district tax will end on March 31, 2011. Beginning April 1, 2011, the Sonoma County Agricultural Preservation & Open Space District (SAPD) 0.25 percent district tax will take effect. Therefore, the tax rates throughout Sonoma County (*exception: City of Santa Rosa*) will remain the same.

The table below summarizes the new sales and use tax rates.

District Tax Area	County	Acronym	Code	Old Rate	New Rate
City of San Leandro	Alameda	SLGF	238	9.75%	10.00%
City of Union City	Alameda	UCGF	240	9.75%	10.25%
City of Concord	Contra Costa	CNCD	242	9.25%	9.75%
City of El Cerrito	Contra Costa	ELCT	244	9.75%	10.25%
City of Placerville	El Dorado	PLST	246	8.50%	8.75%
City of Eureka	Humboldt	ERST	248	8.50%	9.00%
City of Santa Monica	Los Angeles	STMA	250	9.75%	10.25%
City of South El Monte	Los Angeles	SEMT	252	9.75%	10.25%
City of Novato	Marin	NOVT	254	9.00%	9.50%
City of Marina	Monterey	MRNA	255	8.25%	9.25%
City of Tracy	San Joaquin	TRCY	257	8.75%	9.25%
City of Scotts Valley	Santa Cruz	SVGF	216	9.25%	9.00%
County of Sonoma	Sonoma	SAPD	259	9.00%	9.00%*
City of Santa Rosa	Sonoma	SRGF	264	9.25%	9.50%
City of Wheatland	Yuba	WTLD	265	8.25%	8.75%

\*The rate is higher in the following cities which have additional district taxes and their codes have changed: Sebastopol (260), Cotati (261), Rohnert Park (262), and Santa Rosa (264).

**For More Information**

- Visit our City and County Tax Rates page ([www.boe.ca.gov/sutax/pam71.htm](http://www.boe.ca.gov/sutax/pam71.htm))
- See the California Tax Rates (<http://www.boe.ca.gov/pdf/pub71.pdf>)
- See publication 44, *District Taxes* (<http://www.boe.ca.gov/pdf/pub44.pdf>)
- See publication 105, *District Taxes and Delivered Sales*  
<http://www.boe.ca.gov/pdf/pub105.pdf>)
- Call our Taxpayer Information Section at 800-400-7115 (TTY:711)

You may review the entire Special Notice at the BOE's website at  
<http://www.boe.ca.gov/news/pdf/l269.pdf>.