



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** June 11, 2024

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Proposed Ballot Measure on Transaction and Use Tax Increase to Maintain Essential Local Services for the November 5, 2024 General Election [Ordinance Introduction; Resolution]

**RECOMMENDATION:** That Council:

- A. Introduce and subsequently adopt, by reading of title only, an Ordinance of the Council of the City of Santa Barbara Authorizing the Imposition of the Santa Barbara Essential Local Services Tax, Subject to Approval by the Electors, by the Addition of Chapter 4.15 to Title 4 of the Santa Barbara Municipal Code; and
- B. Adopt, by reading of title only, a Resolution of the Council of the City of Santa Barbara Ordering the Submission to the Qualified Electors of the City of Santa Barbara a Measure Relating to an Establishment of a General Transaction and Use (Sales) Tax at the Consolidated General Municipal Election to be held on November 5, 2024.

**DISCUSSION:**

Direction is needed from the Council to officially place a half-cent transaction and use tax increase on the November 2024 ballot. The proposed tax would be a general tax requiring a simple majority approval of voters. If Council approves of placing a measure on the ballot, the proposed language is proposed as follows:

<b>CITY OF SANTA BARBARA ESSENTIAL LOCAL SERVICES MEASURE</b>	
Shall the measure maintaining 9-1-1 emergency/fire/paramedic/police response, keeping neighborhood fire stations open; improving housing affordability; addressing homelessness; keeping public areas/parks safe, clean; maintaining library services; stormwater protection; improving natural disaster preparedness; retaining local businesses/jobs, and for general government use; by establishing a ½¢ sales tax providing approximately \$15,600,000 annually until ended by voters; requiring audits, public spending disclosure, all funds used locally, be adopted?	<b>YES</b>
	<b>NO</b>

To officially place this measure on the ballot, Council would introduce and subsequently adopt the proposed ordinance authorizing the Essential Local Services Tax subject to voter approval of a measure authorizing levy of a half-cent cent transaction and use (sales) tax and adopt the accompanying resolution that:

1. Approves and places the Santa Barbara Essential Local Services Measure on the November 5, 2024 ballot.
2. Directs the City Attorney to prepare an impartial analysis.

The proposed ordinance would require an annual audit of taxes collected to be performed by an independent accounting firm. The audit results may be combined with the audit of other City funds, as long as proceeds are reported separately. The Council shall discuss the results of such audit at a meeting of the Council that is open to the public and the audit shall be posted on the City’s website. The ordinance must be introduced and adopted by the affirmative vote of five member of the Council (two-thirds vote).

Pursuant to direction provided by Council at the June 4, 2024 meeting, staff will return in the next month for a discussion with the Council about the funding priorities for the funds if the voters approve the measure in November.

**BUDGET/FINANCIAL INFORMATION:**

A half-cent transaction and use tax is projected to generate approximately \$15.6 Million annually. If the voters approve of the tax measure on the November 2024 election, the new sales tax rate of 9.25% would take effect on April 1, 2025. Approximately 25.0% of the \$15.6 Million annual projected revenue amount, or \$3.9 Million, is anticipated to be collected in FY2025, with the first full year of annual revenue projected in FY2026.

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The General Fund has a projected deficit in FY2025 of \$7.1 Million, with deficit projections growing in future fiscal years. Implementing additional revenue generating options, along with continuing to implement operational efficiency and expenditure reduction strategies are required in order to balance the City's General Fund budget going forward.

If this transaction and use tax measure is not approved, staff will continue to work with the Council to evaluate and consider alternative revenue measures. General Fund reserves will continue to deplete if additional revenue sources are not identified to continue to fund essential City services which may require further reductions to City services.

**PREPARED BY:** Keith DeMartini, Finance Director

**SUBMITTED BY:** Rene Eyerly, Assistant City Administrator

**APPROVED BY:** Kelly McAdoo, City Administrator