



# CITY OF WHEATLAND

## CITY COUNCIL MEETING STAFF REPORT

April 9, 2019

**SUBJECT:** Transaction Sales Tax  
**PREPARED BY:** Susan Mahoney, Finance Director

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### Recommendation

Direct staff to begin the process of placing a measure on the November 2020 ballot asking voters to approve an extension of the current one-half cent transaction and use tax. Approval for placing the measure on the ballot will be brought back to Council at a later date.

### Background

The Great Recession that began in 2007 resulted in plummeting property valuations throughout the State including the City of Wheatland. Revenue reductions caused by lower property tax revenues forced the City to reduce staff, reduce wages and benefits, and eliminate or reduce non-essential services. To partially offset these reductions, the City proposed a one-half cent sales tax to be imposed on all retailers in the City. The purpose of the tax was to provide General Fund revenue to pay for general City services such as Police, Fire, and Parks maintenance. In November 2010, Wheatland voters approved the tax. The operative date (first day the tax was imposed) was April 1, 2011. The tax sunsets March 31, 2021.

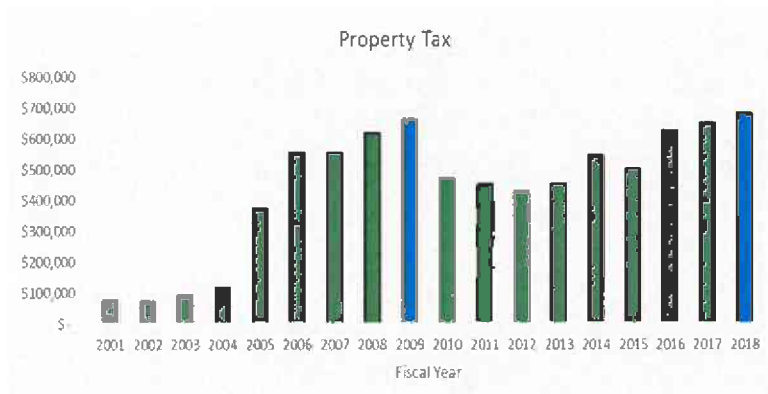
### Discussion

The transaction tax was originally meant to partially offset the revenue reductions suffered as a result of the Great Recession.

It was anticipated that the transaction tax would generate revenue equal to about half of the Bradley-Burns 1% sales tax. However, the allocation of transaction taxes is different than the 1% Bradley-Burns allocation. Whenever a sale is made and goods are *shipped* into a jurisdiction with a transaction tax, the 1% Bradley Burns tax will stay in the location where the sale was made (a place outside the City), but the business will collect and remit the transaction tax to the agency where the goods were *delivered* (Wheatland). The result is that in addition to the City receiving the transactions tax for all sales inside the City, the City also receives the transaction tax for certain sales made outside the City such as vehicles, furniture, Amazon etc. Because of this, the City's transaction tax has generated revenue that is almost double the 1% Bradley-Burns tax revenue. This was an unexpected but much needed revenue source.

Bradley-Burns Sales Tax	1.0%
City Transactions Tax	0.5%
TOTAL SALES TAX	1.5%

The City's property tax valuations have only recently reached the same level as prior to the Great Recession while the City's operating costs have continued to increase. The transaction tax revenue has allowed the City to restore the staffing and service reductions imposed during the Great Recession.



In FY 2019, the transaction tax is expected to be almost 30% of total General Fund revenues. Extension of the transaction tax will *not* provide revenue to enhance City services. Extension of the transaction tax will allow the City to continue to provide existing services. The process for placing a measure on the November 2020 ballot is as follows:

Apr 9, 2019	Direct staff to begin the process to place a transaction tax measure on the November 2020 ballot
Jun 9, 2020	Adopt a resolution requesting the Board of Supervisors consolidate the general municipal election with the statewide general election and include a local one-half cent sales tax measure for Wheatland in that election.
Jun 23, 2020	Introduce a Sales Tax Ordinance for the first reading which levy's a one-half cent transaction and use tax in Wheatland upon a positive vote of the people
Jul 28, 2020	Second reading and adoption of the Sales Tax Ordinance upon positive vote of the people
Nov 3, 2020	General Election
Dec 8, 2020	Upon successful passage of the tax measure, extend contract with Board of Equalization to perform all functions incident to the administration and operation of the tax
Dec 8, 2020	Upon successful passage of the tax measure, adopt a resolution authorizing an amendment to the contract with HDL to continue auditing the City's Sales and Use taxes
Mar 31, 2021	Existing transaction tax sunsets
Apr 1, 2021	Upon successful passage of the tax measure, Operative date of transaction tax

**Alternatives**

Direct staff to not begin the process of placing a measure on the November 2020 ballot.  
 Direct staff to look for alternative revenue sources to replace the transaction tax.

**Fiscal Impact**

There is no fiscal impact to having staff begin the process of placing a measure on the November 2020 ballot.

**Attachments**

None