

Town of San Anselmo

Measure D – Considerations and Next Steps



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HdL[®] Companies



Ken Nordhoff

Mr. Nordhoff has over 25 years of local government experience in various leadership roles, including Administrative Services Director, Assistant City Manager and more recently as City Manager in San Rafael and Walnut Creek. During his tenures, he was responsible for a broad range of budget, financial management and long range fiscal planning functions. His experience includes strategic planning and economic development, plus serving on various regional JPA Boards. Prior to his local government service, he spent several years in the private sector as a Certified Public Accountant conducting municipal audits. As an active member of the League of California Cities, he is a former City Manager's Department Officer, recipient of the prestigious John H. Nail award and has served on the Revenue and Taxation Policy Committee. He holds a Bachelor's degree from California State Polytechnic University, Pomona in Accounting.

PROUD

TO HAVE SERVED

LOCAL GOVERNMENTS

AND

SPECIAL DISTRICTS

FOR OVER

37 YEARS

100%

EMPLOYEE

OWNED

About HdL Companies

Founded in 1983 by two former City Managers

190 employees

CA offices in Brea, San Dimas, Fresno & Pleasanton

Serving over 400 local governments in California

100% Employee-owned – everyone has a stake

◎ Clients include cities, counties, and special districts

◎ 99% client retention rate

◎ Services:

- *Sales Tax & Transaction Use Tax*
- *Property Tax*
- *Economic Development*
- *Cannabis Management*
- *Tax and Fee Administration*
 - *Business License*
 - *TOT & Short-term Rental*
 - *Utility User & Franchise Fee Tax*

ABOUT HdL Companies

Fundamentals & Recent Trends

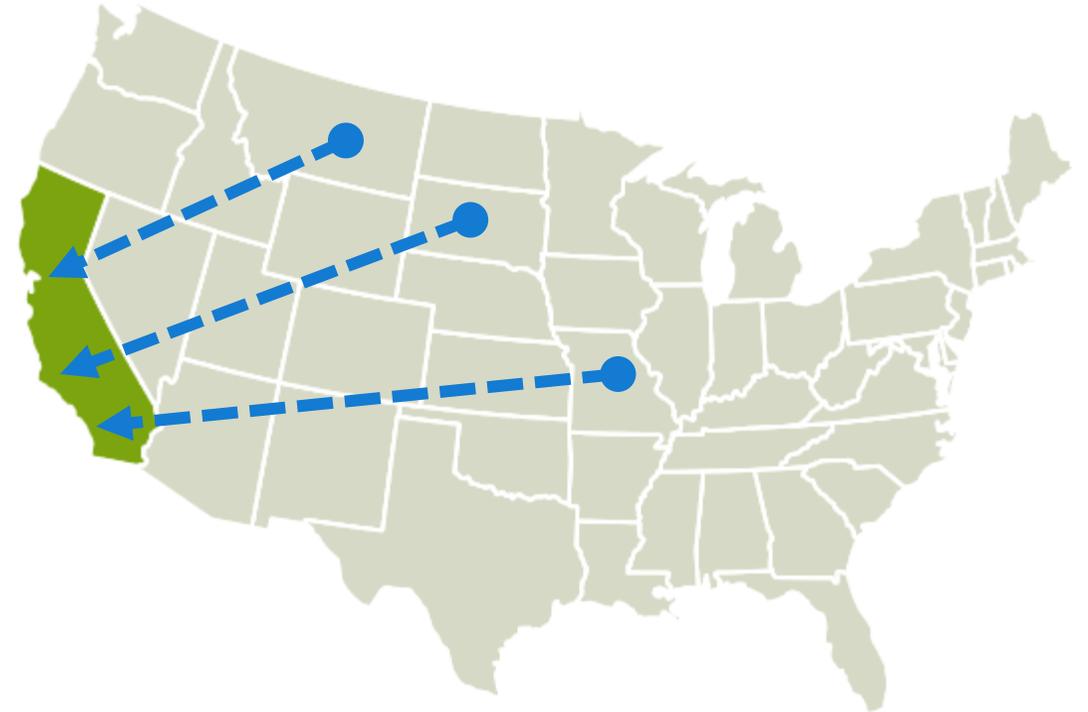




Sales Tax vs. Use Tax: Bradley-Burns

Sales Tax applies when goods are located in state at the time sales occur. This includes a stock of goods held in a California warehouse, fulfillment center or retail stores.

Use Tax applies when title to the goods passes to purchaser at a point outside of California. Goods shipments from outside the state are generally subject to use tax.





Allocation Of Bradley-Burns 1% Tax

Sales Tax

- PLACE OF SALE (where the sale/order was placed or negotiated)
- **Allocated directly to local jurisdiction**
- Allocated indirectly if seller not required to hold a seller's permit

Use Tax

- PLACE OF USE
- **Allocated indirectly through the countywide use tax pool system**
- Limited circumstances where local use tax can be allocated directly.



District (Transactions) Tax vs. Sales Tax

District Taxes follow the merchandise. Generally...

- Distributed to the district (city) where the goods are delivered (and presumably used)
- Local merchants shipping products out of district do not generate transaction tax

EXAMPLE:

SALES TAX

**Allocated to city
where the dealership
is located.**



DISTRICT TAX

**Allocated to
city where the
vehicle is registered.**



Statewide Sales Tax Rate

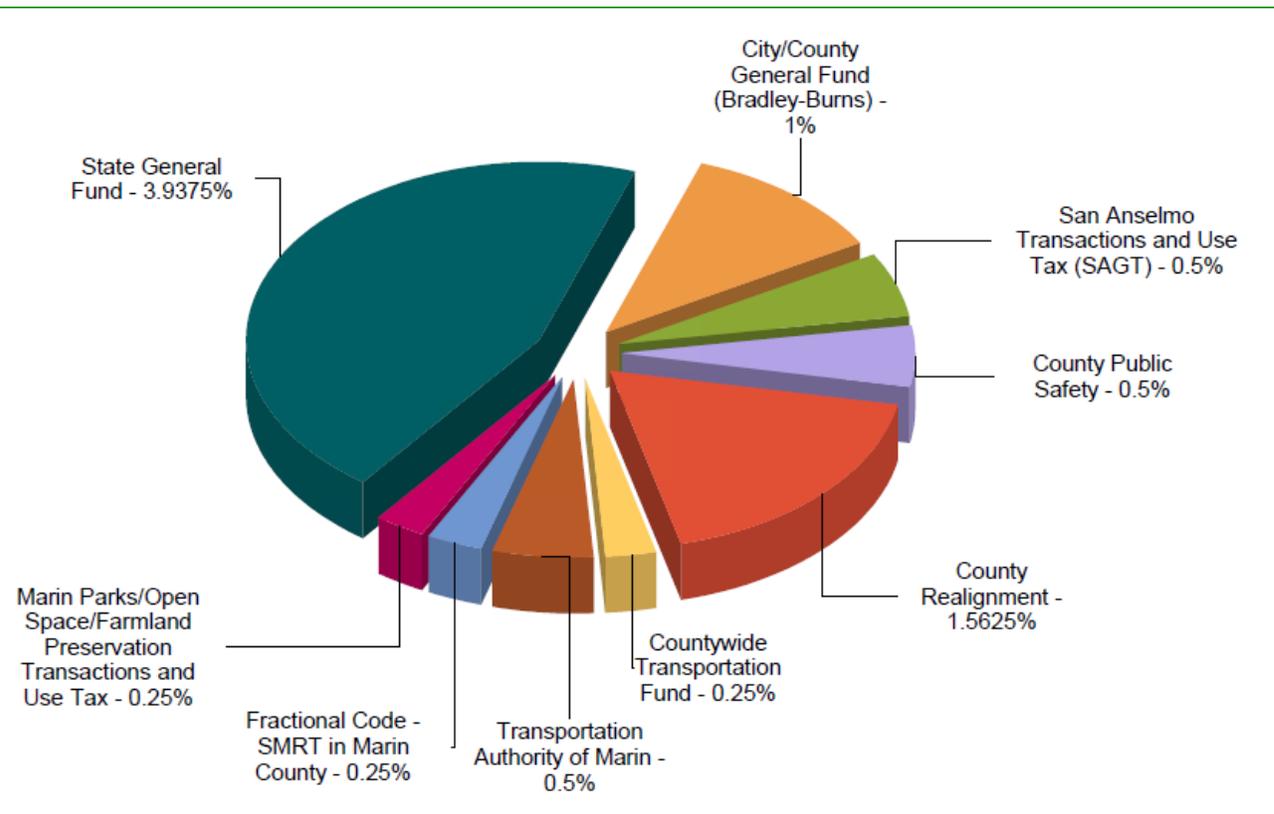
State General Fund	3.9375%
County Realignment	1.5625%
Prop. 172 Public Safety	0.5000%
Bradley-Burns Uniform Tax	1.2500%
Local General Fund	1.00%
Countywide Transportation	0.25%
Total Base Rate	7.2500%
Statewide Transactions Tax Cap	2.0000%
Except in Alameda, Contra Costa, LA, Monterey, San Mateo, Santa Clara, Santa Cruz and Sonoma counties*	
Total Rate	9.2500%

* Various CA Legislative bills authorized additional transactions tax rate authority for specific counties and cities which does not count against the 2% cap.



San Anselmo Tax Rate Breakdown

BREAKDOWN OF 8.75% TAX RATE



State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
San Anselmo Transactions and Use Tax (SAGT)	0.5000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Transportation Authority of Marin (TAM)	0.5000%
Fractional Code - SMRT in Marin County (SMRT)	0.2500%
Marin Parks/Open Space/Farmland Preservation Transactions and Use Tax (MPSF)	0.2500%
Total Rate	8.7500%

Important Reminder: Bradley-Burns 1% and Transactions & Use Tax (like Measure D) allocated differently because of Revenue & Taxation law.



Marin Agencies – Sales Tax Rates

MARIN

COUNTY 8.25%

Town of Corte Madera 9.00%

Town of Fairfax 9.00%

City of Larkspur 9.00%

City of Novato 8.50%

Town of San Anselmo 8.75%

City of San Rafael 9.25%

City of Sausalito 8.75%

Marin County Rate:

- Applies to all agencies without local transactions tax
- Every city pays TAM, SMART, MPOS

Cities/Towns listed have voter approved measure in place

San Rafael at State cap

Transactions Tax Rates:

- Approved in increments of 0.125%
- Remaining cap space could be used by city/town or countywide (e.g. county, transportation agency)
- **San Anselmo has 0.50% cap space**



Federal Economic Response – COVID crisis

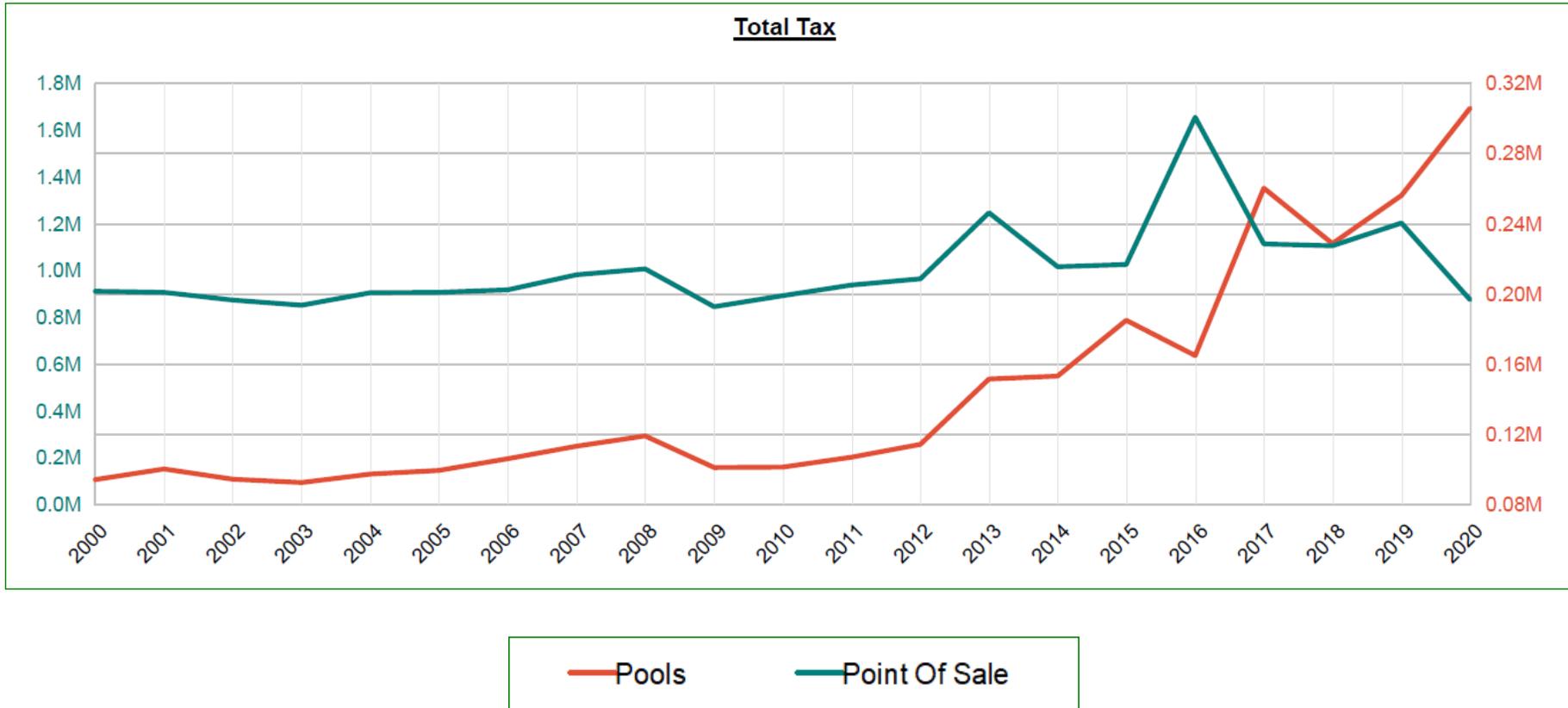
Multiple stimulus and relief packages to sustain/maintain the economy

- Families First Coronavirus Response Act (FFCRA) – March 2020
- CARES Act – with Payroll Protection Program (PPP) – March 2020
- \$900 billion attached to the Omnibus Budget Bill – December 2020
- American Rescue Plan Act (ARPA) – March 2021



Pools vs. Point of Sales Growth – San Anselmo

Calendar Year Trends – Past Two Decades



Points of Interest

SEPT 2012 – AB 155
OOS Retailer

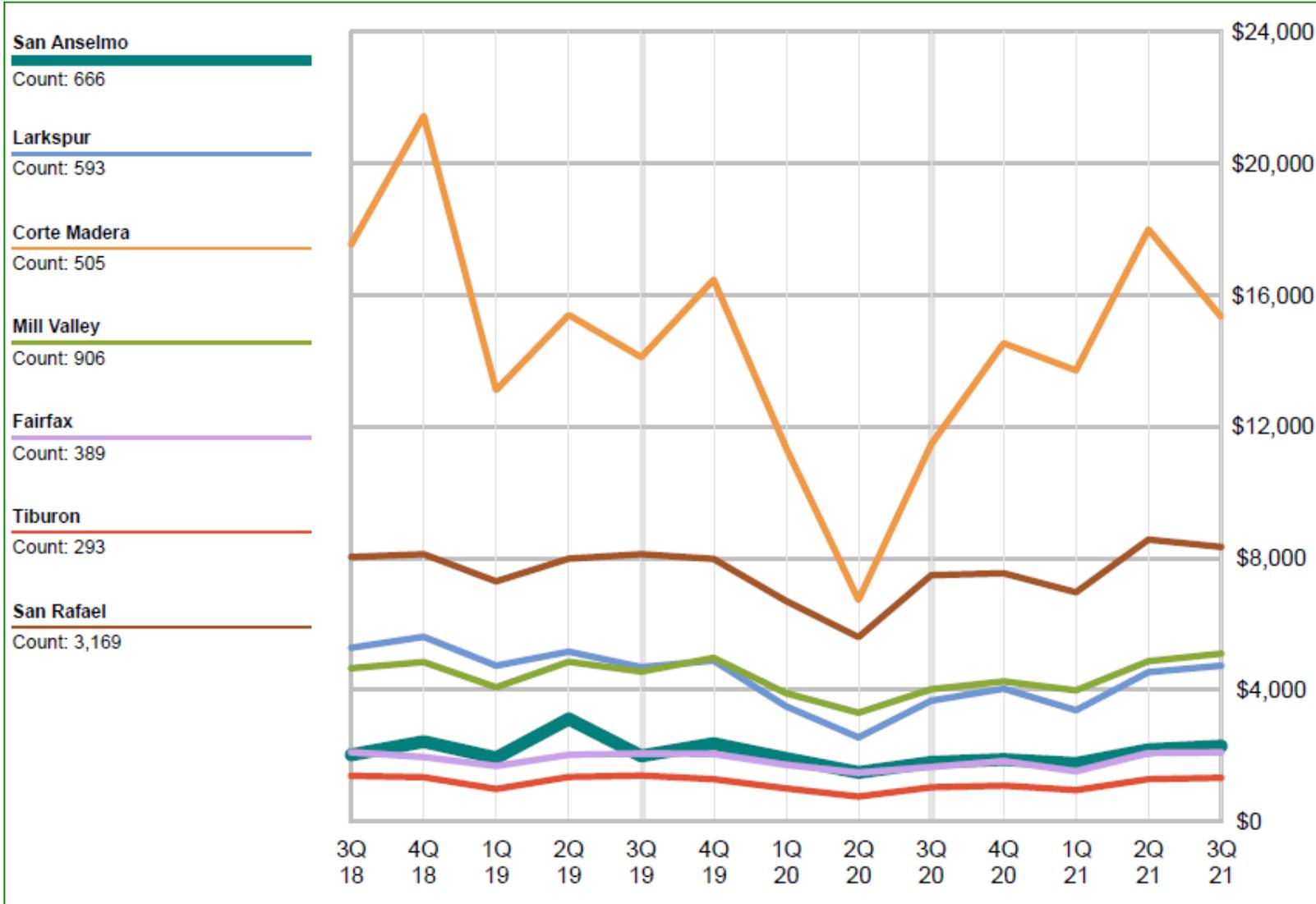
APR 2019 – AB 147
OOS Online Retailers

OCT 2019 – AB 147
w/Marketplace Facilitators

MAR 2020 – COVID
Pandemic & Shelter-In-Place



Per Capita Sales Tax Comps

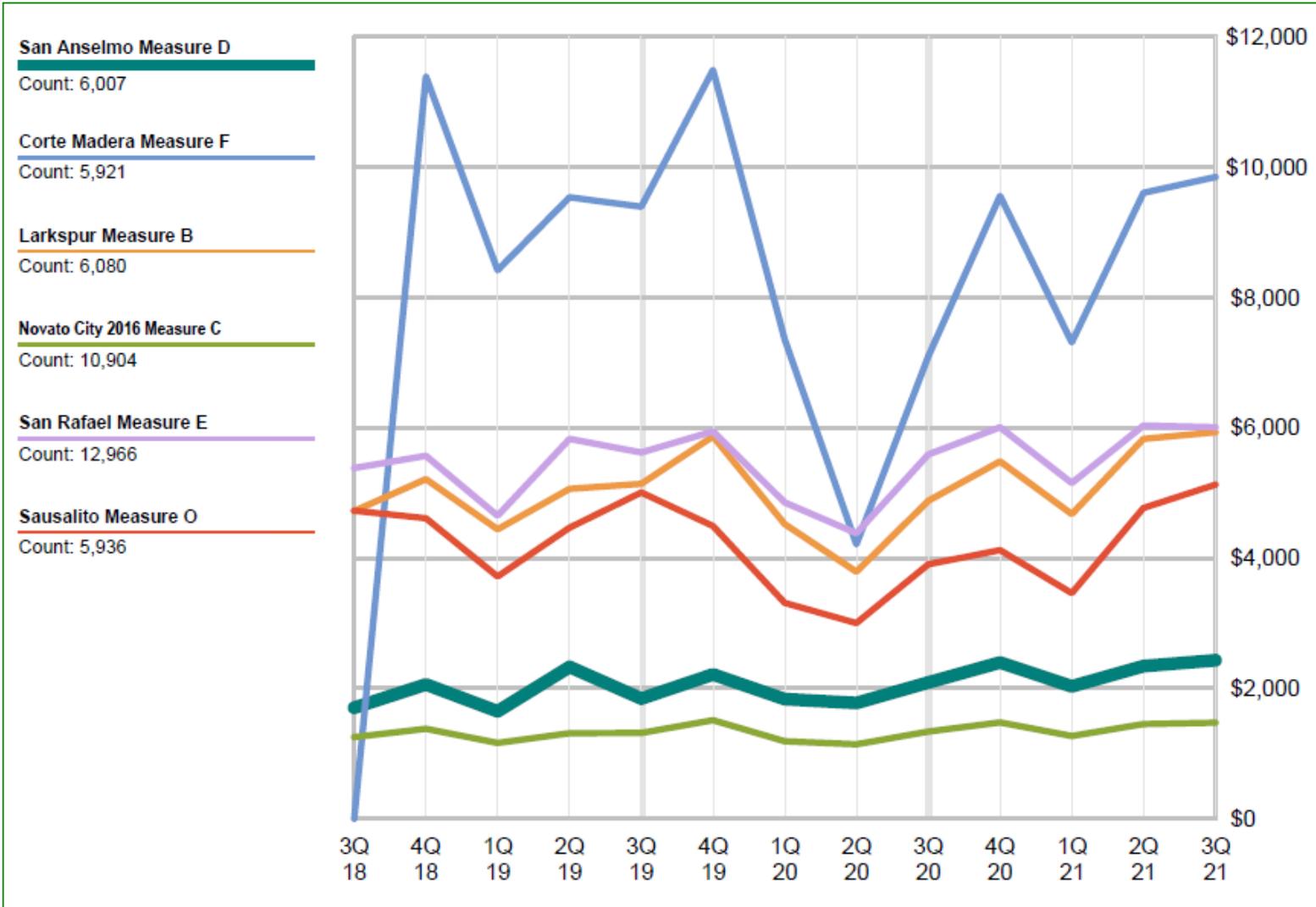


Per Capita Figures 3q21:

- San Anselmo \$2,290
- Marin County \$4,891
- State of CA \$4,462



Per Capita Measure D Comps



District Tax Rates Notes:

- Corte Madera Measure F 0.75% replaced Measure B 0.50% 3Q18
- Fairfax, Larkspur and San Rafael 0.75%
 - All agencies increased from 0.50% in prior years
- Sausalito 0.50%
- Novato 0.25%
 - Decreased from 0.50% 2Q16



FY 20-21 Tax Comparisons

How Does Measure “D” 0.50% Rate Compare to Sales Taxes 1% Rate?

<i>Industry Group</i>	<i>Sales Tax</i>		<i>Measure D</i>		<i>Ratio of "D" to Sales Tax</i>
	Fiscal Year 2020-2021	% of Total	Fiscal Year 2020-2021	% of Total	
Auto-Transportation (AT)	\$ 18,193	1.5%	\$ 228,591	20.5%	1256%
Building + Other (BC)	\$ 1,063	0.1%	\$ 77,586	7.0%	7299%
Business-Industry (BI)	\$ 48,020	4.0%	\$ 94,162	8.5%	196%
Food-Drugs (FD)	\$ 263,468	21.8%	\$ 141,703	12.7%	54%
Fuel-Service Stations (FSS)	\$ 122,073	10.1%	\$ 61,317	5.5%	50%
General Consumer Goods (GCG)	\$ 244,117	20.2%	\$ 392,779	35.3%	161%
Restaurants-Hotels (RH)	\$ 228,640	18.9%	\$ 117,086	10.5%	51%
County Pool Allocation	\$ 282,057	23.4%	\$ -	0.0%	0%
Totals	\$ 1,207,631	100.0%	\$ 1,113,224	100.0%	92%

Key Differences:

- Measure D generates 92% of annual sales taxes
 - Very limited AT, BC, BI merchants in Town
 - Residents buy vehicles elsewhere; large part of “D” revenues
 - Delivery of building materials good for “D”
- “Pool” allocation is highest sales tax generator
 - Online sales from out of state companies
 - “D” captures 55% in GCG, 24% BI, 10% AT

Transaction Taxes: Laws & Considerations





Measure D Renewal/Replacement

- **Rate** – retain 0.50%; could go up to 1.0%
 - Myth debunk – consumers do not ‘shop’ tax rates
- **Purpose** – General or Special
 - General – 4/5th Council, simple majority of voters
 - Special – 3/5th Council, two thirds of voters
- **Term** – finite or no sunset
 - “D” ends 3/31/2024
 - Decide limited term or perpetuity
 - Consider ‘voter termination’ provision
- **Timing** – must go on municipal election dates (next – Nov. 2022)
 - Only exception fiscal emergency declaration



Tax Measures Process/Deadlines – 2022

- **Hire Experts** – January
 - Revenue Measure Consultants
 - Public Opinion Research
- **Develop Strategies** – February to May
 - Assess Community Support
 - Services and Infrastructure Priorities
 - Develop & Implement Communications Plan
- **Approvals** – June to July
 - Town ratifies required resolutions/ordinances
 - Ballot language completed
- **Filing Deadline** – August 12 – County Clerk
 - All publicly funded communication efforts cease



Local Ballot Language Examples

Larkspur Measure B 11/7/2017:

Larkspur Essential City Services Measure. To maintain City services, including repairing aging, deteriorating neighborhood streets, roads, potholes, major boulevards; clearing brush to prevent fires/improve emergency vehicle access; upgrading storm drains; fire protection/911 emergency/medical response; and other services, shall the City of Larkspur extend the voter-approved sales tax at the 3/4¢ rate until ended by voters, providing \$1,650,000 annually with authority to incur debt to accelerate infrastructure projects, subject to citizens' oversight/audits.

San Rafael Measure E 11/5/2013:

Shall the City of San Rafael extend the existing one-half percent local sales tax and increase the rate by one-quarter percent to provide funding that cannot be taken by the State, and can be used to preserve essential city services for a period of 20 years, including: maintaining rapid emergency police/fire response times, maintaining adequate numbers of on-duty firefighters/paramedics/police, ensuring earthquake safe police/fire stations, maintaining community centers and repairing city streets?



Recent Ballot Language Samples

Cotati Measure S 11/3/2020:

Cotati Fiscal Stability and Essential Services Extension Measure. To continue funding that cannot be taken by the State, to maintain/prevent cuts to 911 emergency dispatch/local public safety; domestic violence response; emergency/natural disaster preparedness; streets/pothole repair; parks; and other city services, shall the measure to extend Cotati's existing, voter-approved 1¢ sales tax be adopted until ended by voters, providing \$2,200,000 annually, with citizens' oversight, audits, and no increase in tax

Healdsburg Measure T 11/3/2020:

To stabilize City finances, and maintain and protect essential City services, shall the City of Healdsburg adopt an ordinance to extend the one-half of one percent transactions and use tax, enacted by the voters in 2012 and currently in place until 2022 and generating approximately \$2.1 million per year, with annual audits and review, and with all funds spent locally for the benefit of Healdsburg residents, until ended by voters?

Must disclose expected annual revenue!



Important Considerations

- **History of Measure D**
 - Expenditure of funds met community expectations?
 - Communicated how funds have been spent?
- **Community Pulse**
 - Priorities - services, projects, other?
 - Knowledge of Long Term Financial Outlook?
 - Trust in elected officials and staff?
- **Competition**
 - Renewal of Marin County Parks Measure June 2022
 - San Anselmo Library Tax Measure E – Nov. 2022
 - Other tax measures (e.g. schools, county)?
 - Anyone else using Town's TT cap space?
- **Other options**
 - Parcel taxes, etc.?

Thank you!



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