



City of Clearlake

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League of California Cities (CalCities)
Revenue and Taxation Committee
1400 K Street, Suite 400
Sacramento, CA 95814

Subject: Opposition to the Cal Cities City Managers Department Sales Tax Working Group's Proposed Recommendations to Change the Allocation of the Bradley-Burns 1% Sales Tax on E-Commerce Transactions – Protecting Clearlake's Fiscal Future

Dear Carolyn Coleman, Executive Director and CEO, and Cal Cities Board Members, and Members of the Revenue and Taxation Committee,

On behalf of the City of Clearlake, I am writing to express our resolute opposition to the Sales Tax Working Group's proposal to alter the Bradley-Burns 1% sales tax allocation. Specifically, we oppose the implementation of a 50/50 revenue split between point-of-sale and destination jurisdictions for e-commerce transactions.

This proposed shift represents a direct threat to the fiscal stability of rural and developing cities like Clearlake. It penalizes jurisdictions that have worked diligently to foster local economic growth and undermines the principle of local control that is foundational to our partnership with Cal Cities.

The Impact on Clearlake's Economy

Clearlake is a strategic in our efforts to revitalize our local economy. As the largest city in Lake County, Clearlake serves as a regional hub for commerce. We have made significant long-term commitments to improve our infrastructure and attract retail and commercial investments that serve both our residents and the surrounding region.

The current Bradley-Burns tax structure provides the essential revenue necessary to mitigate the impact of being a regional destination. The proposed 50/50 split would redirect much-needed funds away from our community to destination jurisdictions that do not bear the burden of maintaining the infrastructure, providing public safety, or managing the environmental impacts associated with the businesses located within our city limits.

Infrastructure and Public Service Burdens

The revenue generated through the current point-of-sale model is not "windfall"; it is a vital reimbursement for the costs of governance. In Clearlake, these funds are directly tied to:

- **Public Safety Infrastructure:** Supporting police services that must scale to meet the needs of a commercial hub, ensuring our business corridors remain safe for workers and shoppers alike.

- **Roadway Maintenance:** Maintaining and repairing local streets that experience increased wear and tear from regional traffic and delivery vehicles.
- **Economic Revitalization:** Funding the very programs that allow a disadvantaged community like Clearlake to break the cycle of poverty by attracting sustainable business investment.

A Threat to Local Control and Stability

If this proposal is enacted, Clearlake faces a significant loss in General Fund revenue, as well as Special Tax Fund revenue. For a city of our size, even a seemingly small percentage shift in sales tax allocation can lead to a catastrophic reduction in essential services. This proposal creates an inequitable system where "destination" cities receive a windfall without any of the associated service costs, while "point-of-sale" cities are left to foot the bill for the physical impacts of commerce.

Furthermore, this change would retroactively punish cities that have made planning and bonding decisions based on the long-standing tax rules of the State of California. It erodes the ability of local governments to engage in reliable long-term financial forecasting.

Conclusion

The City of Clearlake respectfully urges Cal Cities to reject this recommendation. We ask that you continue to advocate for a framework that respects the investments made by local municipalities and protects the fiscal integrity of the cities that provide the backbone of California's commerce.

We remain committed to working with Cal Cities on sustainable, fair policy solutions that support all California municipalities without compromising the stability of those that have planned for a prosperous future.

Sincerely,

Dirk Slooten
Mayor, City of Clearlake