



City of Colusa California

STAFF REPORT

DATE: June 21 2022
TO: City of Colusa Mayor and Council Members
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Initiate Proceedings to Place Transactions and Use Tax ("Local Sales Tax") on the November 8, 2022 Ballot and to Adopt a Tax Ordinance

Recommendation:

Staff recommends that Council take both of the following actions:

- (i). Adopt Resolution No. 22-_____, A RESOLUTION OF THE COUNCIL OF THE CITY OF COLUSA SUBMITTING A TRANSACTIONS AND USE TAX MEASURE TO THE VOTERS AT THE NOVEMBER 8, 2022 GENERAL MUNICIPAL ELECTION AND TAKING CERTAIN RELATED ACTIONS
- (ii). Introduce and Waive First Reading of Ordinance No. _____, AN ORDINANCE OF THE CITY OF COLUSA, CALIFORNIA AMENDING ARTICLE VIII OF CHAPTER 8 OF THE MUNICIPAL CODE TO IMPOSE A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

BACKGROUND ANALYSIS:

It is no secret that the City of Colusa for years now has struggled to make ends meet and it has only achieved it at the cost of over-extending City employees. Over the years the City has eliminated positions making it necessary for remaining employees to continuously take on additional responsibilities. Unfortunately, this is to the great detriment of residents as staff struggles to respond to ever increasing community service demands. The general fund currently has very little if any funds dedicated to capital improvements from the general fund budget. This is because the current tax revenues have not been able to keep up with the rising costs of doing day-to-day business. The City of Colusa depends on tax revenues to operate and stay afloat. Like any other business, the City needs to invest into itself in order to succeed. The more resources that are invested into the community the better the City will be set-up in the future.

In the last 10 years the City has twice attempted to pass a tax initiative to increase the sales tax, both times it has failed badly. My feeling is that the citizens did not trust that the City would

spend the money responsibly as there was no clear plan moving forward with the additional tax moneys. I am recommending that the City moves to establish a general sales tax increase of 1% and demonstrate to the public what these new monies can do for City Residents, City Businesses and for the City of Colusa as whole. If the Council approves this, City administration and staff will need to start educating the public on how taxes work. The City of Colusa is one of only a handful of cities in the State of California that do not have some type of a tax initiative. There are many types of special taxes that we could try and go for, but I think a general tax would be the best and most equitable option for the City of Colusa.

Since taking over as City Manager, our local sales tax receipts have increased over \$170,000 per year. And for the last few years, we have been able to save a significant amount of money by having certain employees, one being myself, doing many different jobs in order to keep the City from going bankrupt. In addition to being the City Manager, I have continued to fulfilling the duties of the Chief Plant Operator at the wastewater treatment plant and the Utilities Superintendent for the street department. These additional duties save the City of Colusa \$483,574 per year. This calculation is based on step-1 appointment at each position. Bryan Stice has also saved the City of Colusa \$112,814 per year by being both the Building Inspector and City Planner. Additional positions that have also not been filled are the Building Maintenance, Street employees, and Police officers. If my calculations are correct, it would cost \$851,547 per year to fill all these positions. The money spent on the Economic Development position and recreation along with the additional events that were held last did not come close to the savings we realized by not filling these vacant positions. If we want to pass a tax initiative, then we need to show the public what we can do for them. Again, we continuously do more with less.

If I remember correctly, during the 2015 City budget, it was anticipated that we would have a budget deficit of \$850,000 by the year 2020. That means we would have been bankrupt by 2022. I mention this now because I think that is important that the Council and City Residents are aware of what I have saved and continue to save the City in salary costs alone, and to emphasize the importance of a sales tax increase moving forward. The City and its staff cannot continue to do more with less and expect to sustain a reasonable level of public service. I would also like the City to be in a position to start replacing employees that are sorely needed, when I leave the City my goal is to have the right employees in place and have the City in a good financial position and provide necessary continuity.

I do not want the City Council or the public to think we are headed down a bad path. I just wanted to share some relevant facts about our City finances and challenges and remediate any possible issues before it becomes too late. Under my leadership the City now boasts a positive growth pattern and we are still building. Additionally we will start seeing an increase in our property tax revenue that we haven't seen in years due to newly negotiated tax share agreements with Colusa County. The tax initiative would help the City fill needed positions, let us start to build a capital improvement plan and start making very needed street and tree repairs. I believe that a tax initiative is imperative if we intend to thrive as a City and continue to support the needs of our community and our employees. A united Council is a must for this to be successful.

State law gives cities the authority to adopt transactions and use taxes. Such taxes, which are often called local sales taxes, are collected by the State Department of Tax and Fee

Administration along with the sales and use tax, and the proceeds of the tax are paid by the state to the city imposing the tax (less an administrative charge).

A transactions and use tax can be a general tax (deposited in the general fund) or a special tax (reserved for a specific purpose). A general tax requires majority (50% + 1) approval by the registered voters voting at an election. A special tax requires two-thirds voter approval. In either case, in addition to the necessary voter approval, the ordinance imposing the tax must be approved by a two-thirds vote of the City Council.

The attached ordinance imposes a general tax at a 1% rate for four years. The attached resolution submits the tax ordinance to the voters.

BUDGET IMPACT: If passed a 1% tax increase would add approximately \$1.8 million annually to the general fund.

ATTACHMENTS: Resolution 22-____
Ordinance