

**CORTE MADERA TOWN COUNCIL
STAFF REPORT**

REPORT DATE: February 14, 2018
MEETING DATE: February 20, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE TOWN COUNCIL

FROM: TODD CUSIMANO, TOWN MANAGER *TJC*
PETER BROWN, PUBLIC WORKS DIRECTOR *PJB*

SUBJECT: CONSIDER INTRODUCING AN ORDINANCE, TO BE APPROVED BY THE VOTERS AT THE JUNE 5, 2018 ELECTION, THAT EXTENDS THE TOWN'S CURRENT SALES TAX (FORMERLY MEASURE B) AT EITHER ITS CURRENT ½-CENT LEVEL OR AT AN INCREASED ¾-CENT LEVEL, AND THAT REPEALS THE TOWN'S EXISTING FLOOD CONTROL SPECIAL PROPERTY TAX (FORMERLY MEASURE C) TO THE EXTENT THE SALES TAX IS EXTENDED AT THE ¾-CENT LEVEL.

PURPOSE:

Consider introducing an ordinance that if adopted by at least a 2/3 vote of Council, may be placed on the June 5, 2018 ballot, to extend the Town of Corte Madera 1/2 cent sales tax (formerly Measure B). Council will be asked to consider the following three alternatives: (1) introduce an ordinance that extends the sales tax measure until it is repealed by voters, increases the sale tax level from ½ cent to ¾ cent, and repeals the existing storm drainage special tax of \$98 per residential unit and 1,000 sq ft of commercial, or (2) introduce an ordinance that extends the sales tax measure at the existing ½ cent level until it is repealed by voters, or (3) allowing the existing ½ cent sales tax to sunset in April 2020.

SUMMARY:

Sales Tax Measure B

On November 5, 2013, Corte Madera voters approved Measure B by 68%. A general transaction and use tax (local sales tax), per state law, requires a simple majority for passage of 50% plus 1 vote when approved by the voters at a general election. Measure B implemented a six-year local sales tax that took effect on April 1, 2014, and expires on April 1, 2020, unless renewed. The measure is a general tax, which is required to be presented to voters in conjunction with an election for seats on the Town Council. The June 5, 2018 and November 5, 2019 ballots are the next Town Council elections before Measure B expires. As a result, if the sales tax is to be renewed without an interruption in the collection of locally-controlled revenue for use on behalf of the Corte Madera residents, the Town Council must place the renewal of Measure B on the ballot in 2018 or 2019.

When the Council placed this measure on the ballot in 2013, it adopted a general guideline stating that the primary purpose of revenue is to maintain essential services including but not limited to:

1. Current levels of local fire prevention
2. Flood Control
3. Streets and Potholes
4. Disaster Preparedness
5. Safe Routes to Schools
6. Senior and Youth Programs

The Town has kept this commitment to voters, with revenue being spent in only those areas outlined above. The purpose of the Sales Tax Citizens Oversight Committee is to review, and annually report on, the revenue and expenditure of the Measure B funds. See Committee reports on Town website: <http://www.townofcortemadera.org/537/Sales-Tax-Citizens-Oversight-Committee>

The Town has considerable infrastructure and maintenance needs in flood control, street repair and maintenance, fire prevention, disaster preparedness (i.e. flooding, earthquake, wildland fires), and the need for new public facilities, programs for youth and our aging population. The majority of the Capital Improvement Projects (CIP) that are Town assets, such as flood control and sanitary district pump stations are reaching their useful life. Staff anticipates a significant increase in the need to replace expensive flood control infrastructure in the coming decade as well as coping with pending Sea Level Rise. Furthermore, the transportation system is in need of repair and modernization, from pedestrian pathways, steps and crossings, to new safety enhancements of bikeways, to reconstruction of roadbeds and roadway substructures. All of these investments can safely be called large capital projects totaling \$30 to \$50 million dollars in need by 2030.

Unique to the Town and of great fiscal incentive for local voters is the fact that approximately 90% of the revenues generated from this measure are paid for by visitors who come to Corte Madera to shop at local malls and auto dealerships. For every \$1 spent by Town residents, \$9 is leveraged by regional shoppers for the benefit of local property owners, business owners and visitors who enjoy the Town's roadways, open spaces and amenities. The proposed ordinance (Attachment 1, $\frac{3}{4}$ cent) empowers the Town to meet the immediate \$11,000,000 in capital improvement projects currently scheduled for completion by 2020, and up to \$50 million in flood control and transportation infrastructure needs by 2030. It does so by increasing the local transaction and use tax from $\frac{1}{2}$ cent to $\frac{3}{4}$ -cent and extending that tax until such time as it is ended by the Corte Madera voters, and repealing the existing storm drainage special tax.

The sunseting of the storm drainage special tax signals two actions; that local voters who vote for the $\frac{3}{4}$ cent renewal measure have a direct fiscal incentive to do so by decreasing their annual bills by \$98 per unit, and that the Town is committing to shifting revenue generation from the storm drainage special tax which generates over \$600,000 per year to a renewed sales tax measure which at the $\frac{3}{4}$ cent rate could generate over \$3,500,000 per year.

DISCUSSION:

The proposed renewal of the sales tax would empower the Town to address several community concerns for which dedicated funding sources are inadequate without continuing the local sales tax measure. The following areas are of greatest concern and are and would continue to be supported by the sales tax measure:

Flood Control

Corte Madera is vulnerable to flooding with over 32% of the Town's homes being within the FEMA 100-year flood zone. While the Madera Gardens and Mariner Cove neighborhoods are the areas at most immediate risk of flooding, the higher elevation areas of Town will find access by emergency services and residents severely hampered by such flooding.

Since the 1982 floods, the Town invested in over \$20,000,000 in flood control infrastructure to prevent flooding. That infrastructure consists of:

1. Storm Drain System: 47 Linear miles
2. Canals: 6,550 Linear miles
3. Levees: 10,400 Linear feet
4. Pump Stations: 11
5. Gate Stations: 15
6. Retention Basins: 6
7. Detention Basins: 1

A 2007 flood control study evaluated the Town's current system and provided the following recommendations and cost estimates:

1. \$800,000; in annual maintenance to maintain the current system
2. \$18,000,000; in capital improvements & enhancements to current system to include 4-5 additional pump stations
3. \$20,000,000; in new levee improvements on the North and East sides of Town

Current Capital Improvement Projects Approved for Completion by 2020 (\$10,890,000)

Flood Control Projects

1. \$800,000; Mariner Cove Storm Drainage Improvements Project
2. \$225,000; Endeavor Cove Slide Repairs
3. \$750,000; Harbor/Echo Storm Drainage Improvements
4. \$1,500,000; Golden Hind at Cay Passage Pump Station
5. \$1,340,000; Marina Village Levee Improvements

Total Flood Expenditures: **\$4,615,000**

Transportation and Pedestrian Safety Improvements (Streets and Roads/Safe Routes to Schools)

1. \$400,000; Prince Royal at Paradise Drive
2. \$415,000; Sanford/Casa Buena Congestion Relief

3. \$2,200,000; Casa Buena Complete Streets (sidewalks)
 4. \$650,000; 2017/18 Pavement Rehabilitation Project
 5. \$2,160,000; Tamal Vista Complete Streets
 6. \$200,000; Redwood Highway Pathway Improvements
- Total Transportation and Pedestrian Expenditures: **\$6,025,000**

Facilities Projects

1. \$90,000; Café Verde Trellis
 2. \$160,000; Inter-Generational Center
- Total Facilities Expenditures: **\$250,000**

Future Capital Improvement Needs 2020 to 2030 (\$42,440,000)

Transportation and Flood Control Projects

1. Street, curb, gutter and sidewalk improvements (\$10,000,000)
2. Drainage repairs and improvements (20,000,000)

There is a direct relationship between storm drains and road conditions. Many storm drains run beneath our streets and their deterioration threatens the quality of the roads above them. The Town is in the process of mapping and studying its storm drains and flood control infrastructure. By Fiscal Year 2018-2019, the Town will complete this process and develop a storm drain master plan. The master plan will serve as the Town's guide for cost-effectively investing in the rehabilitation of the storm drain system. At the same time, since many transportation and roadway improvements are planned, this provides the opportunity to improve drainage infrastructure below roadways that will be under going repair.

Streets and Potholes/Safe Routes to School

1. Pavement maintenance improvements throughout Town (\$10,000,000)

Senior Youth Programs

1. Senior and Youth on-going programs (\$300,000)

Disaster Preparedness and Fire Prevention

1. Support Neighborhood Response Group Coordinator (\$150,000)
2. Community Emergency Response Team (\$150,000)
3. Fire Prevention programs (\$1,000,000)
4. Fire Safety (\$1,000,000)
5. Early warning alert systems (\$100,000)

The sales tax measure has been, and will be instrumental in supporting Corte Madera's emergency response systems. Due to our geographical area, the Town is highly susceptible to wildland fires. Fire prevention safety is of paramount concern and critical to support staffing, equipment, programming and vegetation management when necessary. Expenditures for disaster preparedness and fire prevention fluctuate from year to year and are shared between the Town's operating budget (general fund) and the sales tax measure. The 2017 California fire season, which was the worst in the history of the state in terms of lives lost, structures destroyed, and acres burned, is a call to action for all west coast cities; now is the time to prepare.

FISCAL IMPACT:

The half-cent sales tax measure (2014-present) generates approximately \$2,500,000 annually. As discussed in previous presentations, the Measure B is a critical and necessary source of revenue if we are to continue to maintain and improve our roadways, flood control system, prepare for sea level rise and increasing frequency and severity of bay tidal impacts to low-lying neighborhoods, support the Town's efforts with disaster preparedness and fire prevention/safety, and continue to expand our efforts to support youth programs and the aging population. Simply put, without this funding mechanism, the Town would struggle to maintain its existing infrastructure and safety needs. New capital projects would be delayed indefinitely.

As outlined in this report, the Town faces over \$53,000,000 in estimated costs for needed infrastructure and safety investments between 2018 and 2030. To meet our needs and goals, staff evaluated the appropriate funding mechanism and identified the sales tax measure as the most viable option. Most importantly, the sales tax measure is 100% locally controlled by Town Council for the benefit of all who live, work, recreate and vacation in the Town of Corte Madera.

Considerations Regarding ½ Versus ¾ Cent Renewal:

1. Current projected needs between 2018-20130: \$53,550,000
2. Projected revenue between 2018-2030 at ½ cent: \$25,000,000 - \$30,000,000*
3. Projected revenue between 2018-2030 at ¾ cent: \$40,000,000- \$44,400,000*
 - o At ¾ cent, it is a realistic goal to offset \$10,000,000 in unfunded needs via local, state and federal grants

*Ranges are provided since sales tax revenue and buying power may decline over time due inflation and decreases in automobile and brick/mortar retail sales.

Conclusion: ¾ cent sales tax comes much closer to meeting anticipated Capital needs.

4. If voters agree to a ¾ cent sales tax measure renewal, Council could consider taking action to sunset the storm drainage special tax, saving money for every home and business in Town since going from a ½ cent to a ¾ cent increase would be about \$13 on average per resident, while eliminating the storm drainage special tax is a \$98 taxpayer savings:
 - o The storm drainage special tax is set to expire in 2023
 - o Each residential unit and 1000 square feet of commercial space pay \$98 per year
 - o At ½ cent, \$2,500,000 per year is raised, at ¾ cent, \$3,700,000
 - o If locals pay 10%, or \$250,000 annually, or about \$26 per resident per year
 - o That number raises to about \$39 per year at \$370,000 for ¾ cent (net increase of \$13 per resident)
 - o If voters approve a ¾ cent renewal and Council takes action to sunset the storm drainage special tax early, each residence would save \$98 (\$42 per person) and \$98 for every 1,000 square feet of commercial space
5. If Council decides to place a renewal on the ballot of Measure B at the current ½ cent rate, voters may have a greater likelihood of passing the measure than at the ¾ cent rate.

- A renewal would amount to no net increase over the approved ½ cent rate that has been in place since 2014
- The Town would likely be able to meet up to 50% of its anticipated capital needs by 2030
- The renewal would be a much better outcome than allowing Measure B to sunset in 2020

Conclusion: While the capital needs can partially be met by a renewal of Measure B at the ½ cent rate, the fact that such a small fiscal impact will be borne by local residents (10% of sales taxes expended within the Town limits) indicates that renewing at the existing rate and allowing up to 50% of the Town's capital needs to go unmet, therefore increasing future replacement costs may not be a wise fiscal choice in the long run.

RECOMMENDATION:

Staff recommends that the Council:

- (1) Place the renewal of sales tax Measure B on the June 5, 2018 ballot;
- (2) Increase Measure B from ½ cent to ¾ cent level, effective July 1, 2018;
- (3) Include in the renewal a provision stipulation that Measure B will remain in effect until such time as the voters of the Town of Corte Madera repeal the Measure;
- (4) Include as part of the Measure B ¾ cent sales tax measure, a requirement that approval of such a measure include the sunsetting of the current \$98 per year storm drainage special tax that is assessed on all residential housing units and each 1,000 square feet of commercial property, effective July 1, 2018.

OPTIONS:

1. Approve an ordinance that asks voters to renew the current sales tax measure at an increased ¾ cent level until such time as it is ended by the voters of Corte Madera and repeals the storm drainage special tax (Staff recommendation).
2. Present to the voters for approval an ordinance that renews the current sales tax measure at the existing ½ cent level until such time as it is ended by the Corte Madera voters (Attachment 2, ½ cent)
3. Allow the sales tax measure to sunset in April 2020.

ATTACHMENTS:

1. Draft of Ordinance Option 1: To Increase, And Extend Until Repealed By The Voters, The General Transactions And Use Tax From A ½-Cent Tax To A ¾-Cent Tax, And Repeal The Existing Special Property Tax Currently Imposed For Storm Drainage And Flood Control Infrastructure.
2. Draft of Ordinance Option 2: To Extend, Until Repealed By The Voters, A 1/2- Cent General Transaction And Use Tax.

ATTACHMENT 1

**Draft of Ordinance Option 1:
To Increase, And Extend Until Repealed By The Voters, The General
Transactions And Use Tax From A ½-Cent Tax To A ¾-Cent Tax,
And Repeal The Existing Special Property Tax Currently Imposed
For Storm Drainage And Flood Control Infrastructure.**

ORDINANCE NO. _____

ORDINANCE OF THE TOWN OF CORTE MADERA (1) AMENDING SECTIONS 3.52.050, 3.52.150 AND 3.52.020 OF THE CORTE MADERA MUNICIPAL CODE (ADDED AS PART OF MEASURE B ADOPTED BY TOWN VOTERS AT THE NOVEMBER 2013 ELECTION) TO INCREASE, AND EXTEND UNTIL REPEALED BY THE VOTERS, THE GENERAL TRANSACTIONS AND USE TAX FROM A ½-CENT TAX TO A ¾-CENT TAX, AND (2) REPEALING SECTIONS 3.14.010 THROUGH 3.14.080 OF THE CORTE MADERA MUNICIPAL CODE (STORM SAFETY AND PROPERTY PROTECTION ACT – MEASURE C ADOPTED BY TOWN VOTERS AT THE 1997 ELECTION) TO END THE EXISTING SPECIAL PROPERTY TAX CURRENTLY IMPOSED FOR STORM DRAINAGE AND FLOOD CONTROL INFRASTRUCTURE.

THE PEOPLE OF THE TOWN OF CORTE MADERA DO ENACT AS FOLLOWS:

Section 1. Section 3.52.050 of the Corte Madera Municipal Code is hereby amended to read as follows:

“Section 3.52.050 - Transactions tax rate. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated territory of the Town at the rate of 0.75% of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance. The tax imposed hereby shall be in addition to the tax imposed pursuant to Chapter 3.24 of the Corte Madera Municipal Code.”

Section 2. Section 3.52.150 of the Corte Madera Municipal Code is hereby amended to read as follows:

“Section 3.52.150 - Termination date. The authority to levy the tax imposed by this ordinance shall continue until repealed by the voters.”

Section 3. Section 3.52.020 of the Corte Madera Municipal Code is hereby amended to read as follows:

“Section 3.52.020 - Operative date. "Operative Date" means July 1, 2018.”

Section 4. Sections 3.14.010 through 3.14.080 of the Corte Madera Municipal Code are hereby repealed.

Section 5. Environmental Determination. The Council finds that the adoption and implementation of this ordinance are exempt from the provisions of the California Environmental Quality Act under section 15061(b)3 in that the Council finds there is no possibility that the implementation of this ordinance may have significant effects on the environment.

Section 6. Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 7. Effective Date. This ordinance, following its adoption by a two-thirds vote of the Town Council and its publication, shall become effective upon the approval by a majority of the voters of the Town voting thereon at an election called for that purpose.

This ordinance was introduced by the Corte Madera Town Council on February 20, 2018.

THE COUNCIL DULY PASSED AND ADOPTED this ordinance by at least a 2/3 vote of the Town Council on this _____ day of _____, 2018.

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST: _____ APPROVED: _____
Town Clerk Mayor

APPROVED AS TO FORM:

Town Attorney

Ord. No. _____

ATTACHMENT 2

**Draft of Ordinance Option 2:
To Extend, Until Repealed By The Voters, A 1/2- Cent General
Transaction And Use Tax.**

ORDINANCE NO. _____

ORDINANCE OF THE TOWN OF CORTE MADERA AMENDING SECTION 3.52.150 OF THE CORTE MADERA MUNICIPAL CODE (ADDED AS PART OF MEASURE B ADOPTED BY TOWN VOTERS AT THE NOVEMBER 2013 ELECTION) TO EXTEND, UNTIL REPEALED BY THE VOTERS, A 1/2-CENT GENERAL TRANSACTION AND USE TAX.

THE PEOPLE OF THE TOWN OF CORTE MADERA DO ENACT AS FOLLOWS:

Section 1. Section 3.52.150 of the Corte Madera Municipal Code is hereby amended to read as follows:

“Section 3.52.150 - Termination date. The authority to levy the tax imposed by this ordinance shall continue until repealed by the voters.”

Section 2. Environmental Determination. The Council finds that the adoption and implementation of this ordinance are exempt from the provisions of the California Environmental Quality Act under section 15061(b)3 in that the Council finds there is no possibility that the implementation of this ordinance may have significant effects on the environment.

Section 3. Severability. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 4. Effective Date. This ordinance, following its adoption by a two-thirds vote of the Town Council and its publication, shall become effective upon the approval by a majority of the voters of the Town voting thereon at an election called for that purpose.

This ordinance was introduced by the Corte Madera Town Council on February 20, 2018.

THE COUNCIL DULY PASSED AND ADOPTED this ordinance by at least a 2/3 vote of the Town Council on this _____ day of _____, 2018.

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST: _____ APPROVE: _____
Town Clerk Mayor

APPROVED AS TO FORM:

Town Attorney

Ord. No. _____