

Office of the Mayor and Council District 7 Office

Initial Consideration of a Proposed Ballot Measure for the November 2024 Election to Establish a One-Cent General Purpose Transactions and Use (Sales) Tax

Item 1

Rules Committee

March 20, 2024

Introduction

Improve essential
neighborhood services

Modernize aging infrastructure

One Cent Sales
Tax

Maintain public safety

Ensure fiscal responsibility

Proposed Action

Request the Mayor's Office and Council District 7 work with the Independent Budget Analyst and City Attorney to provide preliminary fiscal, operational, and legal analyses of the proposal and report back to the Rules Committee.

Current State of San Diego's Core Services and Infrastructure

- Comprehensive network of infrastructure, public spaces and facilities that provide essential services to our residents is aging and at the end of its useful life.
- Maintaining and modernizing these assets to meet the demands of our city is critical to improving quality of life.
- The age and reliability of our infrastructure has hit a breaking point, creating infrastructure emergencies and limiting our ability to consistently provide quality services.
- **When we invest in our neighborhoods and our people, we make progress towards long-term economic, environmental, social, and health benefits for all residents and communities across our diverse city.**

How did the General Fund get here?



The General Fund accounts for the core services provided by the City

- Police, Fire, Parks & Rec, Library, Refuse Collection, Transportation, and Stormwater
- Funds day to day operations, maintenance and capital infrastructure



General Fund historically underfunded

- Sales Tax and TOT rates lower than comparable cities
- Only city in the state that does not recover the cost of refuse collection
- Lack of dedicated capital infrastructure funding sources



Expenditures deferred over time masking the City's structural underfunding

- Deferring capital maintenance over the past two decades or more
- Minimal increases in employee compensation from 2005 to present resulting in low staffing levels and additional liabilities

Challenges Faced by San Diego

- The civic infrastructure that we see today was built using investments made generations ago.
- Our assets are in need of repair or replacement due to decades of underinvestment and deferred maintenance.
- The City's structural budget deficit due to historic underfunding has created challenges to the delivery of core and essential services.



Financial Needs

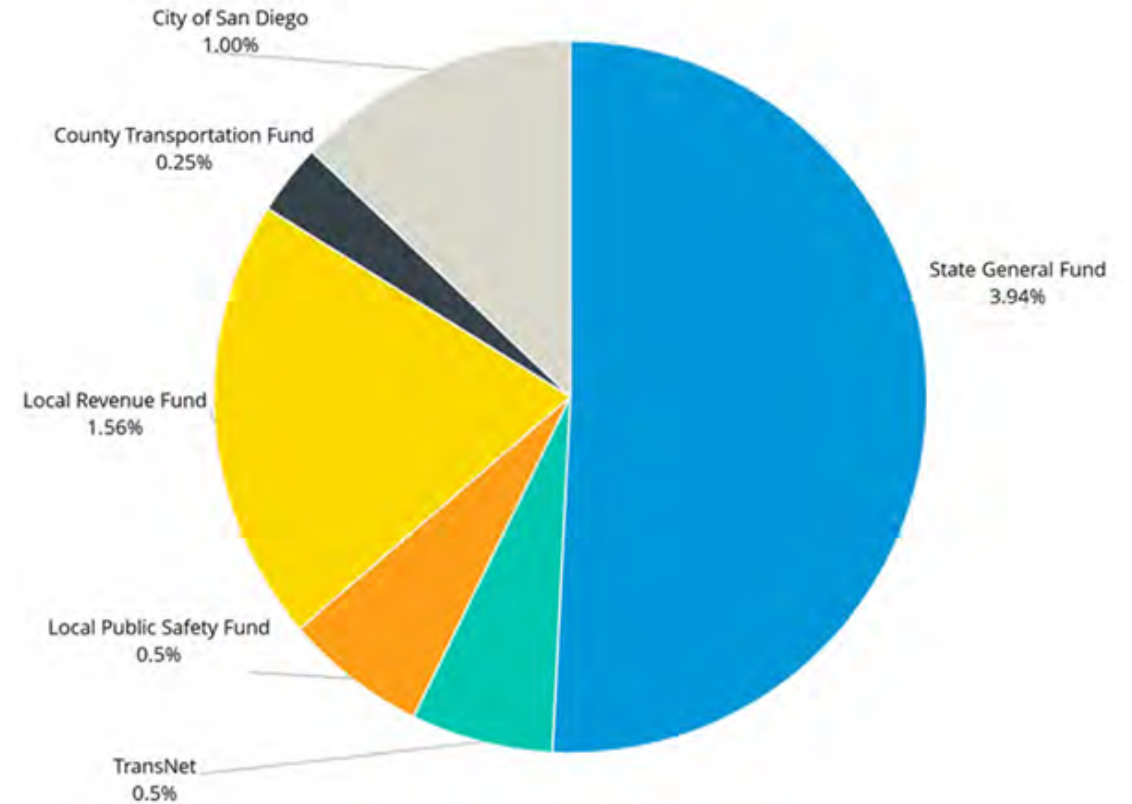


- Identified that ~\$9 billion is needed for critical infrastructure over the next five years
 - Stormwater systems
 - Roads
 - Streetlights
 - Sidewalks
 - Facilities
- The City must deliver vital services to protect public health and safety, like police, fire and emergency services, refuse collection, and homelessness programs.
- Improve the delivery of core neighborhood services while reversing decades-long trend of underfunding important infrastructure assets that become even more expensive to repair over time.

Current Sales Tax

- Current sales tax rate is 7.75%
- Equal to lowest sales tax rate in SD County
- City receives 1.0% of sales tax collected
- FY 2024 sales tax revenue is \$374M, or 19.9% of General Fund
- 1.0% increase would double sales tax revenue

City of San Diego Sales Tax Rate (7.75 percent)

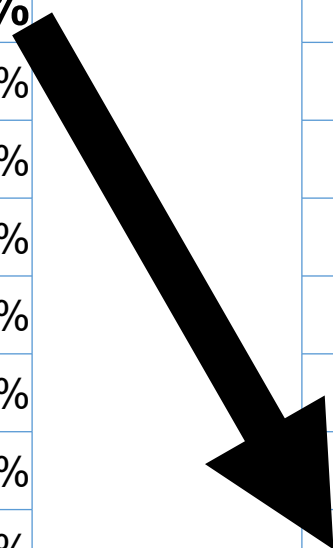


Source: California Department of Tax and Fee Administration.

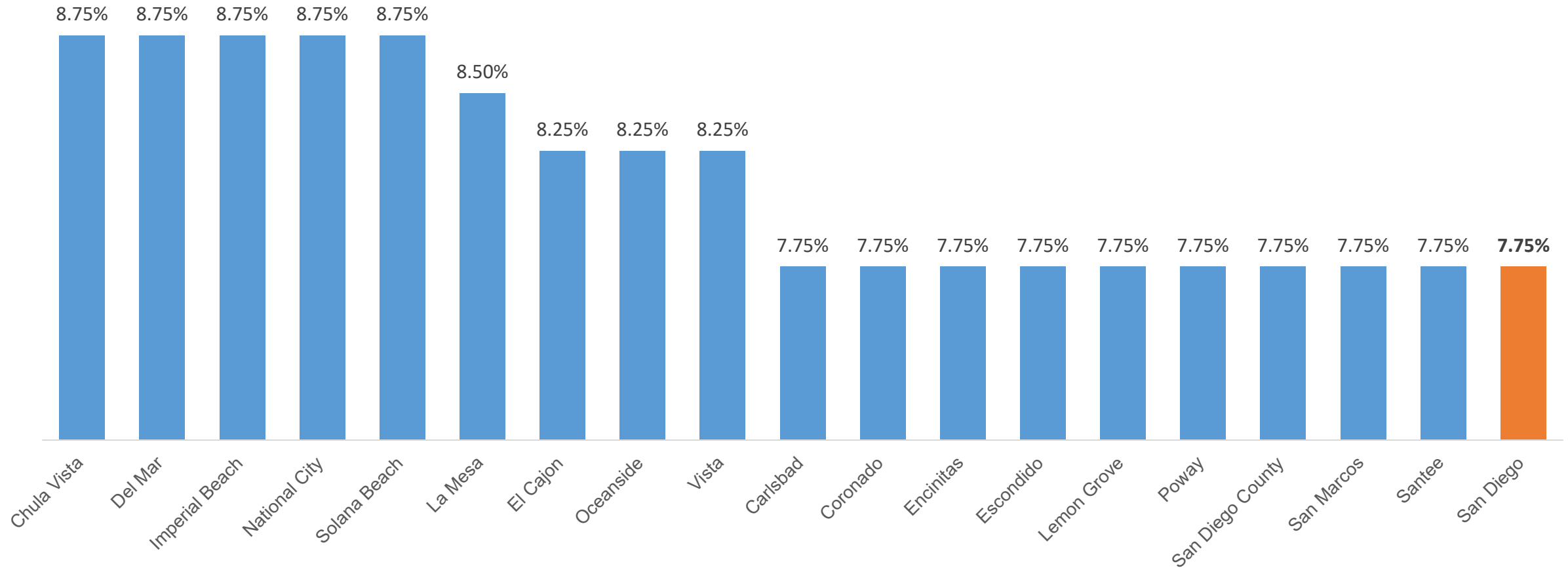
Population Versus Sales Tax Compared to Other Cities

No.	City	Population	Tax Rate
1	Los Angeles	3,881,041	9.50%
2	San Diego	1,383,987	7.75%
3	San Jose	1,001,176	9.375%
4	San Francisco	851,036	8.625%
5	Fresno	541,528	8.35%
6	Sacramento	523,600	8.75%
7	Long Beach	462,293	10.25%
8	Oakland	437,825	10.25%
9	Bakersfield	404,321	8.25%
10	Anaheim	347,111	7.75%

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Sales Tax Compared to Other Cities in San Diego County



Source: California Department of Tax and Fee Administration

Benefits of a Sales Tax Increase

- **Enhanced Public Services:** Improving the reliability and consistency of core and essential services like police, fire, emergency response, parks, libraries, and infrastructure maintenance.
- **Cost Savings in the Long Run:** Addressing deferred maintenance and upgrading infrastructure now can preserve our investments by preventing more costly repairs in the future.
- **Improved Quality of Life:** Better-maintained roads, parks, and facilities contribute to a higher quality of life for residents.
- **Economic Growth:** Stimulate economic growth by creating job opportunities, attracting businesses, and enhancing property values, ultimately leading to a more prosperous environment for taxpayers.

Proposed Action

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Questions?

