

City Attorney Impartial Analysis

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Summary

If approved by voters, Measure P would continue the existing one-half cent (\$.005) “transactions and use tax” (commonly known as a “sales tax”) on retail sales within the City of Chula Vista for a period of ten (10) years. This temporary sales tax was originally approved by Chula Vista voters on November 8, 2016. The City’s Finance Director estimates the tax would generate approximately \$37 million annually, and \$373 million over the extended 10 year term. The City Council has expressed its intent to spend these monies exclusively on City infrastructure, facilities, related staffing, and equipment. However, because the tax is a “general purpose” tax, the City Council would reserve the right to spend the tax revenues for any lawful City purpose. Measure P also includes provisions for separate accounting, independent auditing, and citizen oversight.

Authority and Method of Assessment

Measure P’s sales tax would be levied under state law (Revenue and Taxation Code Section 7285.9). As such, it would be assessed and collected as a percentage of gross receipts from retail sales (and other taxable uses) occurring within the City in the same manner as the existing state sales tax. The current state sales tax rate is 8.75% of gross receipts. If the sales tax extension is approved, the sales tax rate in the City would remain unchanged at 8.75%. The tax revenues generated from Measure P would go to the City (less a state administrative fee), and could only be spent for City purposes. If approved, Measure P’s extended term would commence on April 1, 2027 and expire on March 31, 2037.

Provisions for Intended Expenditures

The City Council adopted an “Infrastructure, Facilities and Equipment Expenditure Plan” (“Plan”) to guide the use of Measure P revenues. The City Council has expressed its intent to spend Measure P tax revenues exclusively on City infrastructure, facilities, related staffing, and equipment. For the duration of the temporary sales tax, City staff would be required to prepare an annual “Measure P Spending Plan” that is consistent with the Plan and includes specific projects and financing. Measure P also requires City staff to present that “Measure P Spending Plan” for City Council consideration, in its discretion, as part of the City’s annual budget. A copy of the Plan is available on the City website at www.chulavistaca.gov/infrastructure.

Separate Accounting and Citizens’ Oversight

Measure P includes requirements for separate accounting, budgeting, and independent auditing of tax collections and expenditures each year. It also requires the City to maintain a citizens’ oversight committee (“COC”). The COC would be responsible for reviewing and reporting on Measure P annual accounting and spending plans, and would advise on “best practices” for tracking and reporting on Measure P revenues and expenditures. The COC must be comprised of City residents with ranges of expertise, including accounting, finance, and engineering.

General Purpose Tax

The City Council is submitting Measure P to the voters as a “general purpose tax.” This means that a majority of the voters must approve the Measure for it to go into effect. Although this City Council has expressed its intent to spend Measure P revenues exclusively on City infrastructure, facilities, related staffing, and equipment, the City Council will retain discretion to spend the revenues generated for any lawful municipal purpose.