



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Submitted on:  
(COB Stamp)

Department Name: County Executive Office  
Department No.: 012  
For Agenda Of: October 10, 2023  
Placement: Departmental  
Estimated Time: 1 hour  
Continued Item:  
If Yes, date from:  
Vote Required: Majority

TO: Board of Supervisors  
FROM: Department Director(s): Mona Miyasato, County Executive Officer  
Contact Info: Nancy Anderson, Chief Assistant County Executive Officer  
Brittany Odermann, Deputy County Executive Officer

DocuSigned by:  
*Mona Miyasato*  
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SUBJECT: Polling and Potential Tax Measures

**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:**

As to form: NA

**Auditor-Controller Concurrence**

As to form: NA

**Recommended Actions:**

That the Board of Supervisors:

- a) Receive an update on efforts to develop a tax measure(s) to be placed on the November 2024 general election ballot;
- b) Direct staff to conduct polling for the following potential sales or parcel tax measures:
  - i. Sales tax measure for general revenue purposes; unincorporated county,
  - ii. Sales tax measure for special revenue purposes – libraries; countywide, and
  - iii. Parcel tax measure for special revenue purposes – libraries; countywide, or
- c) Provide other direction, as appropriate; and
- d) Determine that pursuant to CEQA Guidelines section 15378(b)(5) the above actions are not a project subject to CEQA review because they are administrative activities that will not result in direct or indirect physical changes in the environment.

**Summary:**

The purpose of this item is to provide your Board with an update on the development of a potential tax measure for the November 2024 ballot, as directed during the April fiscal year 2023-24 budget workshops, and direct staff to proceed with polling for the following three scenarios: a general sales tax to be collected in the unincorporated county area to be used for general county purposes; a countywide library special sales tax; and a countywide library special parcel tax.

The Board also discussed potential increases for flood control assessments in Montecito and other areas, and a change to the cannabis tax, primarily moving to a square-foot basis (instead of a gross

receipt basis) for greater transparency for auditing and compliance. A study of flood control mitigation measures in Montecito and related funding needs is underway but will not be ready in time for the November 2024 ballot. Regarding the cannabis tax, staff is continuing to evaluate potential options and will return in the first quarter of 2024 for discussion and direction.

**Background:**

During the April 2023 budget workshops staff presented a special issue item about various options for establishing a new tax to generate additional revenue. This was presented given the continued financial needs faced by the county for facilities, including operation of the Northern Branch Jail, fire safety improvements, reduction of deferred maintenance backlog, and increased employee costs. Staff presented options for the Board to consider which included a General Transaction and Use Tax (General Sales Tax in unincorporated area), a Special Transaction and Use Tax (Special Tax to fund a specific purpose), increased flood control assessments, and revisions to the current cannabis tax. At that time the Board directed staff to retain a polling firm to conduct surveys to determine the viability of new tax options including a general sales tax increase for general purposes, and special taxes to fund flood control improvements and libraries. The Board appropriated \$80,000 to retain a polling firm and conduct surveys. Staff requested funding from each of the cities to augment the library polling. The cities together will contribute \$30,000.

At the May 9, 2023 Board hearing the Library Ad Hoc Committee presented an update on their work. The committee recommended conducting public polling to assess voter preferences around a new special tax to supplement library funding. Staff presented the options of a special transaction and use tax or a parcel tax for this purpose. The Board confirmed direction for polling specific to libraries at this meeting.

A polling firm has been retained and is working closely with staff to design the questionnaire(s) that they will use to conduct their surveys. The three tax scenarios being explored are: a **general** sales tax to be collected in the unincorporated county area to be used for general fund purposes; a countywide **special** sales tax, to be used for library funding; and a countywide **parcel** tax to fund libraries.

**Discussion**

- 1) General Sales Tax for General Purposes – Unincorporated County (4/5 vote of the Board of Supervisors; majority vote of the electorate)

At the April Budget Workshops, the Board directed staff to pursue polling for a general sales tax increase in the unincorporated county. A general sales tax can be used for any purpose that the County funds, examples include: libraries, address homelessness, increased workforce housing, public safety, climate change initiatives, road maintenance and capital improvements, veteran services, flood control improvements, economic development, parks, and trails. Any increase to the general sales tax would apply only to the sales tax rate in the unincorporated areas of the County. A four-fifths vote of the Board is needed to place a general tax on the ballot. Passage of a general sales tax in the unincorporated county requires majority voter approval in the unincorporated county.

The current County tax rate is 7.75% of which one percent is the local share collected by the State on behalf of the County and distributed back to the County for use at its discretion. Six percent of the sales tax collected by the State remains at the State (although some is distributed to counties for state-mandated programs), one-quarter percent is allocated to the countywide regional transportation fund, and one-half percent is distributed to the Santa Barbara County Association of Governments (SBCAG) to fund Measure A, transportation programs and projects.

Santa Barbara County Unincorporated Sales Tax Breakdown

2023 Total County Tax	7.75%
State Share	6.00%
Roads/Transportation Programs	0.25%
Measure A	0.50%
<b>Local Share</b>	<b>1.00%</b>

Seven of the eight cities in the county have additional voter approved sales tax as shown in Table 1.

Table 1. Sales Tax Rates in Santa Barbara County

Jurisdiction	Sales Tax Rate
Santa Barbara County	7.75%
Buellton	7.75%
Carpinteria	9.00%
Goleta	8.75%
Guadalupe	8.75%
Lompoc	8.75%
Santa Barbara	8.75%
Santa Maria	8.75%
Solvang	8.75%

The County anticipates \$15.1M in revenue from the one-percent local retail sales tax in fiscal year 2023-24. Table 2 provides the estimated annual revenue generated for every quarter-cent increase up to an additional one-percent, as well as the total estimated sales tax that would be generated.

Table 2. Santa Barbara County Unincorporated, Estimated Annual Sales Tax Revenues

Increase	Proposed Rate	Estimated Annual	Total Estimated
0.25%	8.00%	<b>\$ 3.77M</b>	\$ 18.85M
0.50%	8.25%	<b>\$ 7.54M</b>	\$ 22.62M
0.75%	8.50%	<b>\$ 11.31M</b>	\$ 26.39M
1.00%	8.75%	<b>\$ 15.08M</b>	\$ 30.16M

Polling for a general sales tax will be conducted with likely voters in the unincorporated County and will indicate interest in paying additional sales tax, at varying rates, up to one-percent and for which purposes.

- 2) Special Sales Tax for Libraries (4/5 vote of the Board of Supervisors; 2/3 vote of the electorate)
- 3) Special Parcel Tax for Libraries (3/5 vote of the Board of Supervisors; 2/3 vote of the electorate)

Shortly after the budget workshops, during the May 9, 2023 Board hearing, the Board received an update on the work of the Library Ad Hoc Committee. The committee, which is comprised of two members of the Board of Supervisors, County staff, Library Administrators, a representative of the Library Advisory Committee, and a representative for Friends of the Library groups recommended conducting public polling to assess voter preferences around a new special tax to supplement library funding. Staff presented the options of a special transaction and use tax (sales tax) or a parcel tax for this purpose. Subsequently, staff contacted each of the eight city managers and requested contribution to help fund the library polling effort. To date, all eight cities have agreed to participate financially and polling results will be shared with city staff.

While a general sales tax increase can be used for any county funded purpose, a special sales tax or special parcel tax may only be used for a dedicated purpose, and requires a supermajority of voter approval to pass. Local governments have been the primary funders of California libraries since state funding for library operations was phased out in the early 2010s. In some counties, a dedicated property tax instituted prior to Proposition 13 funds county library service. This is not the case in our county. The Board has provided discretionary general fund dollars to the library system to support a regional system, although the County is not required to fund municipal services in city jurisdictions. Even so, local libraries within Santa Barbara County have faced chronic budget shortfalls for over a decade. The County's Library Ad Hoc Committee was created to address persistent budget challenges and funding requests needed to keep libraries open and maintain minimum service levels countywide.

The countywide library system is a complex partnership between the County and the cities. The Cities of Santa Maria, Santa Barbara, Lompoc, Goleta, and Carpinteria ("Managing Cities") each have municipal libraries funded and governed by their City Councils. The County contributes funding to these libraries, and contracts with four of the five Managing Cities to manage libraries in the cities of Guadalupe, Buellton, Solvang, and in the unincorporated communities of Orcutt, Los Alamos, Vandenberg Village, Cuyama, and Montecito. Table 3 shows the total city and county contribution to each of the library branches for the current fiscal year. In addition, in the City of Goleta and the unincorporated Eastern Goleta Valley, referred to as County Service Area (CSA) 3, Measure L was passed and residents in those areas pay a tax for libraries, roads, and parks. The share dedicated to libraries is also shown in Table 3 below.

Table 3. Library Funding by Zone/Branch

<b>FY 23-24 Budget</b>			
	<b>City</b>	<b>County</b>	<b>Measure L</b>
<b>Zone 1</b>			<b>CSA 3</b>
City of Santa Barbara:			
Main/Eastside	\$ 4,509,664	\$ 793,765	
Unincorporated:			
Montecito	\$ 104,514	\$ 360,924	
Subtotal	\$ 4,614,178	\$ 1,154,689	\$ -
<b>Zone 2</b>			
City of Lompoc	\$ 992,411	\$ 434,374	
Unincorporated:			
Vandenburg Village	\$ 17,819	\$ 132,270	
Subtotal	\$ 1,010,230	\$ 566,644	\$ -
<b>Zone 3</b>			
City of Santa Maria	\$ 1,759,581	\$ 1,021,486	
Bookmobile	\$ 22,228	\$ -	
Unincorporated:			
Orcutt	\$ 87,656	\$ 389,544	
Cuyama	\$ 22,680	\$ 28,948	
Guadalupe	\$ 50,296	\$ 105,862	
Los Alamos	\$ 80,090	\$ 50,450	
Subtotal	\$ 2,022,531	\$ 1,596,290	\$ -
<b>Zone 4</b>			
City of Goleta	\$ 798,100	\$ 562,397	\$ 600,000
City of Buellton	\$ 228,830	\$ 161,891	
City of Solvang	\$ 254,967	\$ 186,265	
Unincorporated:			
Isla Vista	\$ -	\$ 238,594	
Subtotal	\$ 1,281,897	\$ 1,149,147	\$ 600,000
<b>Zone 5</b>			
City of Carpinteria	\$ 575,676	\$ 146,831	
Subtotal	\$ 575,676	\$ 146,831	\$ -
<b>TOTAL</b>	<b>\$ 9,504,512</b>	<b>\$ 4,613,601</b>	<b>\$ 600,000</b>

**Potential Uses of a Library Special Tax:** A special sales tax or parcel tax dedicated to funding libraries can be used to fund a variety of high priority needs identified by library directors across the County: infrastructure improvements for better accessibility, plumbing upgrades and other deferred maintenance, security camera installation and security measures, upgraded technology, general facility upgrades, increased outreach and education, and enhanced programming for teens and youth.

**Voting, Accountability and Distribution of tax revenue:** For a countywide tax measure, the tax would apply to all cities and the unincorporated areas of the County, and be voted on by all voters in the County. For a countywide sales or parcel tax, the measure would need two-thirds voter approval (greater than 66.67%).

A few local jurisdictions already enacted general tax measures that assist their local libraries and this would be further contributing to those efforts. How the funds would be distributed among the cities and unincorporated county is yet to be determined, as well as accountability measures for spending the funds. These decisions will need to be made as part of the ordinance development in early 2024 to move forward with a ballot measure.

For a countywide parcel tax, a flat fee per parcel would be applied uniformly to all parcels in the county. This parcel tax would be in addition to the assessment in County Service Area (CSA) 3. Parcel taxes will be applied uniformly to every parcel in the county, the only allowable exception in Government Code § 23027 is for improved versus unimproved properties.

**Potential Tax Rates.** The Library Ad Hoc Committee considered tax options that would generate approximately \$8 million or roughly the equivalent of fifty percent of the total county and city funding combined for libraries. Table 4 provides estimated revenue that would be generated from a 0.125% sales tax increase countywide and the adjusted new sales tax rate in each of the jurisdictions. Table 5 includes the estimated equivalent revenue for an annual flat tax of \$60 per parcel.

Table 4. Estimated Annual Sales Tax Revenue (0.125%)

Jurisdiction	Estimated Revenue Increase (.125%)	New Tax Rate
City of Santa Maria	\$2,000,334	8.875%
City of Santa Barbara	\$1,816,092	8.875%
Unincorporated – County	\$1,885,213	7.875%
City of Goleta	\$545,379	8.875%
City of Lompoc	\$408,832	8.875%
City of Buellton	\$442,010	7.875%
City of Carpinteria	\$332,911	9.125%
City of Solvang	\$123,789	8.875%
City of Guadalupe	\$34,340	8.875%
<b>Countywide Totals</b>	<b>\$ 7,588,898</b>	

Table 5. Estimated Annual Parcel Tax Revenue

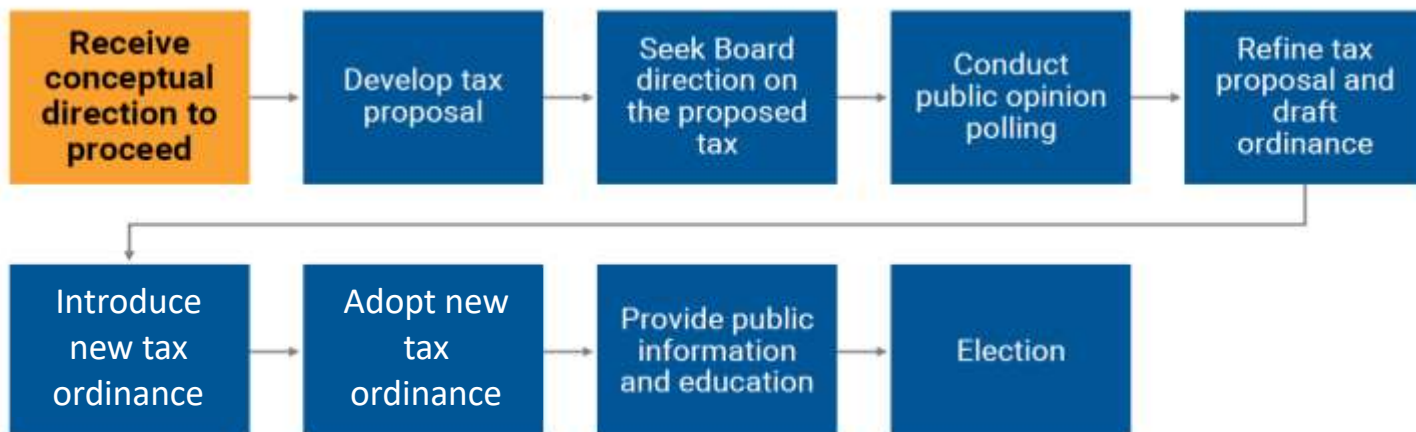
<u>Jurisdiction</u>	<b>No. of Parcels (2022)</b>	<b>Estimated Revenue \$60/parcel</b>
City of Santa Maria	24,575	\$1,474,500
City of Santa Barbara	25,268	\$1,516,080
Unincorporated - County	49,847	\$2,990,820
City of Goleta	10,094	\$605,640
City of Lompoc	11,052	\$663,120
City of Buellton	2,164	\$129,840
City of Carpinteria	5,013	\$300,780
City of Solvang	2,348	\$140,880
City of Guadalupe	2,123	\$127,380
<b>Countywide Totals</b>	<b>132,484</b>	<b>\$ 7,949,040</b>

Polling for a special sales or parcel tax for libraries will be conducted with likely voters countywide and will indicate interest in paying various rates of additional sales tax, up to one-eighth percent; or a flat parcel tax up to \$60 per parcel.

Polling and Timeline

The County hired Fairbank, Maslin, Maullin, Metz & Associates Research (FM3 Research), an opinion, research, and strategy firm to conduct survey research to examine voter attitudes toward various funding measures. The research will be designed in close collaboration with County staff to examine ballot measures’ feasibility, assess voter attitudes toward County government generally, identify concerns and funding priorities, and explore themes to inform the development of a public education and outreach program. Currently, staff is working with FM3 Research to formulate survey questions. The surveys are scheduled to be conducted in late October/early November over the period of one week. The topline results will be available before the end of the calendar year. Staff will return to the Board in the first part of January 2024 to discuss polling results and receive direction on whether to move forward with tax measure(s) for the November 2024 general election ballot.

Below is the process layout and timeline for this effort, including tentative Board decision/action dates should the Board decide to move forward with a ballot tax measure. The timeline includes timeframes for reporting back to the Library Ad Hoc Committee and working with city staff and councils as needed to gain support and work collaboratively on a countywide tax measure.



- October 10, 2023: Seek Board direction on the proposed tax
- November 2023: Conduct public opinion polling
- December 2023: Provide update to Library Ad Hoc Committee and city managers regarding library polling results; solicit input and recommendations for next steps*
- January 2024: Refine tax proposal and draft ordinance\*
- Jan – April 2024: Coordinate with city staff and councils on any countywide tax measure proposals*
- May 7, 2024: Introduce new tax ordinance(s)\*
- May 21, 2024: Adopt new tax ordinance(s)\*
- June – October 2024: Provide public information and education
- November 7, 2024: Election

*Italicized items indicate external coordination with cities and Library Ad Hoc Committee*

\*Board Decision Points/Action

For a general sales tax, a super majority (4/5) of the Board would need to approve the sales tax ordinance in order for it to be placed on the ballot, and fifty percent of voters in the unincorporated area would need to pass the ballot measure.

For a special sales tax a supermajority (4/5) of the Board would need to approve the measure in order for it to be placed on the ballot, and 2/3 of voters countywide would need to pass the ballot measure. For a special parcel tax, a simple majority (3/5) of the Board would need to approve for ballot placement, and 2/3 of voters countywide would need to pass the ballot measure.

### **Future Discussion on Flood Control Assessments and the Cannabis Tax Structure**

**Flood Control Assessments:** During the April Budget Workshops, the Board also discussed polling for dedicated funding to flood control maintenance and operations. The Santa Barbara County Flood Control & Water Conservation District is currently developing Phase One of a future Montecito Flood Control Master Plan to investigate mitigation options for flooding and debris flows in Montecito. Completion of the plan is scheduled for late next year. Mitigation options will likely require additional funding sources in order to be implemented. Preliminary conversations about mitigation options in other parts of the County are also underway. Given the timing of these efforts, and the 2024 estimated project completion date for the master plan, polling related to dedicated funding for flood control is not recommended at this time. However, polling for a general sales tax can include language asking likely voters about funding for flooding mitigation as well as other programs and projects the County



funds. Also, flood control assessments do not need to be placed on a general election ballot. Ballots can be mailed to all property owners in the designated assessment area at any time.

**Cannabis Tax Structure:** The Board has also directed staff to work with cannabis industry stakeholders and available data to develop a cannabis cultivation tax that uses a tax by square footage model. The request was to consider options to modify the tax structure with the goals of: greater revenue predictability; providing more certainty to operators and transparency to the public; and perhaps providing a more verifiable approach to cannabis cultivation taxation.

There are some challenges posed with implementing this type of tax structure. Staff are actively meeting with all types of cultivators to understand how a change in the tax structure might affect their operations and ultimately ability to remain viable. The main concern being shared is that a flat tax does not account for market fluctuations unless an index is established. Staff is working to determine workable base rates and an indexing method. If the tax rate structure is changed to a square footage model, growers have indicated that an annual adjustment to the tax rate will be needed for long-term viability of cannabis cultivation in the county.

This type of proposed change to the tax structure requires a ballot measure and staff is working on the same timeline and process described above with the exception of conducting public opinion polling. Polling is not planned to be conducted for any proposed changes to the cannabis tax. Staff plans to return in early 2024 with more information and options so that the Board can provide direction on refining a tax proposal and draft ordinance to move forward with placing a new cannabis taxation method on the ballot, as necessary.

**Fiscal and Facilities Impacts:**

Budgeted: Yes, \$80,000 for county polling efforts is included in the current year budget. If successful, the tax measures could generate up to an estimated \$15M for general county uses (for a general sales tax), and/or approximately \$8M for libraries (for a special sales or parcel tax).

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Project Cost</u></b>
General Fund	\$ 30,000.00		\$ 50,000.00
State			
Federal			
Fees			
Other: City Contributions	\$ 30,000.00		
Total	\$ 60,000.00	\$ -	\$ 50,000.00

Narrative: The current contract with FM3 Research, the polling firm, is for a total of \$60,000. The eight cities in the County will contribute a total of \$30,000 and the County will contribute \$30,000. The balance of budgeted funding can be used for strategy and follow-up polling as needed. Staff will return to the Board in January 2024 with polling results and to seek direction on moving forward with placing an item on the November 2024 general election ballot.

**Authored by:**

Brittany Odermann, Deputy County Executive Officer

**cc:** Community Services Department