

December 12, 2024

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to declare an ordinance amending chapter 3.62 of the Long Beach Municipal Code Subsections 3.62.030.A, 3.62.030.B, 3.62.030.C, 3.62.050.A, 3.62.050.B, 3.62.050.C, 3.62.140.B, 3.62.140.C, and 3.62.140.D relating to the City's transactions and use tax to be administered by the California Department of Tax and Fee Administration to effectuate the language from County of Los Angeles Measure "A".

DISCUSSION

On June 7, 2016, Long Beach voters approved Measure "A" (2016 Measure "A"), establishing a Transactions and Use Tax ("TUT") for a period of ten (10) years on the sale and/or use of all tangible personal property sold at retail in the City, to provide funding for improvements to and maintenance of public safety and municipal infrastructure, among other City services. The 2016 Measure "A" was initially approved by voters at a rate of one percent (1%) for the first six operative years of the tax (January 1, 2017 – December 31, 2022) and declining to one-half percent ($\frac{1}{2}\%$) for the remaining four operative years of the tax (January 1, 2023 – December 31, 2026), with the 2016 Measure "A" tax scheduled to sunset on January 1, 2027.

On March 7, 2017, Los Angeles County voters approved County Measure "H" (Sales Tax for Homeless Services and Prevention), a countywide sales and use tax assessed at the rate of one-quarter percent (0.25%) for a period of ten (10) years.

When County Measure "H" was approved, the City's overall sales and use tax rate was at the state-mandated cap of ten and one-quarter percent (10.25%). As a result, the City of Long Beach could not be assessed the County Measure "H" tax rate of one-quarter percent (0.25%) until the City's tax rates were either reduced or the cap was adjusted.

On March 3, 2020, Long Beach voters approved Measure "A" (2020 Measure "A"), extending the term of the 2016 Measure "A" transactions and use tax beyond 2027 by eliminating the 10-year sunset date. The 2020 Measure "A" temporarily reduced the City's then one percent (1%) tax rate to three-quarters of a percent ($\frac{3}{4}\%$) in order to accommodate the one-quarter percent (0.25%) assessed from the County Measure "H" tax to fit within the City's capped total tax rate of ten and one-quarter percent (10.25%) from January 1, 2023, through the sunset of Measure "H" on October 1, 2027.

2020 Measure "A" was structured to increase its tax rate from three-quarters of a percent ($\frac{3}{4}\%$) to one percent (1%) upon the sunset of Measure "H" on October 1, 2027.

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On October 10, 2023, California *Revenue and Taxation Code* Section 7286.01 became law and authorized Los Angeles County and cities in the County to exceed the previous sales tax cap of ten and one-quarter percent (10.25%) by an additional one-half percent (0.5%) to ten and three-quarter percent (10.75%).

On November 5, 2024, Los Angeles County voters approved Los Angeles County Measure "A," (County Measure "A") which changed the sunset date of County Measure "H" from October 1, 2027 to April 1, 2025. County Measure "A" replaced the one-quarter percent (0.25%) tax from County Measure "H" with a one-half percent (0.5%) tax.

Therefore, in light of the approval of County Measure "A" and the remaining one-quarter percent (0.25%) available under the ten and three-quarters percent (10.75%) cap, the 2020 Measure "A" tax shall return to one percent (1%) when County Measure "H" sunsets on April 1, 2025, as specified in County Measure "A" and contemplated by City's Measure "A." With the earlier sunset date of County Measure "H," the City's tax rate returned to one percent (1%) as provided in 2020 Measure "A."

City Council approval is requested to amend the Long Beach Municipal Code Subsections 3.62.030.C, 3.62.050.B, 3.62.140.B, 3.62.140.C, and 3.62.140.D to effectuate the language of County Measure "A" and specifically the County Measure "H" sunset date of April 1, 2025.

Additionally, due to a scrivener's error, it is requested that the word "cent" is amended to "percent" in the following subsections of the Long Beach Municipal Code: 3.62.030.A, 3.62.030.B, 3.62.030.C, 3.62.050.A, 3.62.050.B, and 3.62.050.C.

This matter was reviewed by Deputy City Attorney Ashleigh Stone on December 10, 2024, and by Revenue Management Officer Geraldine Alejo on December 10, 2024.

TIMING CONSIDERATIONS

City Council action is requested on December 12, 2024 to ensure that the Long Beach Municipal Code aligns with Los Angeles County Measure "A" which will allow for the City to levy and collect Measure "A" revenue at a one percent (1%) rate when County Measure "A" is implemented. State law requires the City to act no later than 110 days before the desired effective date of April 1, 2025. December 12, 2024, is 110 days before April 1, 2025.

FISCAL IMPACT

The recommendation amends the Long Beach Municipal Code to conform with Los Angeles County Measure "A" which repeals County Measure "H". With the City's current Measure "A" rate temporarily decreased to 0.75 percent to accommodate the 0.25 percent Measure H rate, the proposed Municipal Code amendment will allow the City's Measure "A" to return to the full 1 percent rate in FY 25. The estimated revenue impact from the 0.25 percent City Measure "A" rate increase is \$12 million in FY 25 and \$24 million in both FY 26 and FY 27. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Kevin Riper
Director
Financial Management

ATTACHMENT
Redline of Long Beach Municipal Code

APPROVED:



THOMAS B. MODICA
CITY MANAGER