

Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS DATE: NOVEMBER 18, 2021

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: DISCUSS MEASURE Z SALES TAX RECEIPT ALLOCATION AND WHAT IT

MEANS THAT NO FUNDS WILL GO TO SACRAMENTO ALL FUNDS TO

REMAIN IN RIVERSIDE

ISSUE:

To discuss Measure Z transaction and use tax receipt allocation and the language noted in the ballot verbiage indicating that no funds would go to Sacramento and all funds to remain in Riverside.

RECOMMENDATION:

That the Budget Engagement Commission discuss Measure Z tax receipt allocation and the meaning of ballot language, which included "no funds to Sacramento, all funds remaining in Riverside?"

BACKGROUND:

Measure Z is a one-cent transaction and use tax (similar to the City's sales tax), with revenues going directly to the City of Riverside. Measure Z was approved by voters on November 8, 2016, to help pay for critical unfunded City programs and services.

The ballot presented to voters asked them to consider a yes or no vote to "prevent cutting police, firefighters, paramedics, 911 emergency response, anti-gang/drug programs, homelessness reduction, and youth/after-school/senior/disabled services; to repair local streets/potholes/infrastructure, and to provide other general services, shall a one-cent transaction and use tax (sales tax) be implemented providing \$48,000,000 annually through 2036 unless extended by the voters, requiring independent audits with no funds to Sacramento, all funds remaining for Riverside?".

At the October 14, 2021, Budget Engagement Commission meeting, Commissioner Burns requested a discussion on what it means that "the Measure Z money must stay in Riverside and not go to Sacramento."

DISCUSSION:

Although Measure Z is entitled "transactions and use tax" it is commonly referred to as a sales tax. With some exceptions, transactions and use tax is levied on the sale or use of tangible personal property sold at retail. Retailers collect the tax at the time of sale and remit the funds to the State Board of Equalization, which administers the tax, including transmitting payment to the City.

All the proceeds of the Measure Z tax go only to the City to be placed into the general fund and do not go to the State or County.

STRATEGIC PLAN ALIGNMENT:

This item aligns with the **High Performing Government** strategic priority, **Goal 5.3**: Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.

This item also aligns with EACH of the five Cross-Cutting Threads as follows:

- Community Trust This item enhances transparency of the Measure Z ballot measure and facilitates a discussion item requested by the BEC about where the Measure Z tax revenue goes.
- 2. **Equity** This subject is discussed in an open forum with the BEC and is open to public comment from all members of the community.
- 3. **Fiscal Responsibility** This item clarifies that Measure Z funds remain within the City of Riverside for allocation to City priorities.
- 4. **Innovation** This item is neutral towards this cross-cutting thread.
- 5. **Sustainability & Resiliency –** Riverside voters passed Measure Z to sustain City services, as described in the ballot measure language.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved as to

availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Kris Martinez, Interim Assistant City Manager

Attachment:

1. Impartial Analysis

- 2. Measure Z Resolution
- 3. Local Government Guide to California Sales, Use and Transaction Tax