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New Proposed Sales Tax: Questions and Impacts

By Sophie Braccini

The Town of Moraga is asking its residents to approve a local ballot measure that will increase the sales tax rate in Moraga from 8.25 percent to 9.25 percent. The one percent increase would sunset in 20 years.

The additional one percent tax would be collected on taxable items purchased in Moraga. Currently food, prescription drugs and services are exempt from sales tax. It will also be applied to items residents purchase anywhere in California that are delivered to their Moraga homes. The sales tax for vehicles is based on residence, not point of sale, so Moraga residents would be subject to Moraga's sales tax when they purchase that new car or private jet. The additional one percent will be returned to the Town of Moraga by the State and is estimated to produce over \$900,000 per year for 20 years. The tax is a General Purpose tax, which requires 50 percent plus 1 voter approval to pass. The revenue collected will go to the Town's General Fund to be spent at the discretion of the Town Council. We asked Town staff and the Yes on K campaign a few questions - although we are aware that there are some individuals and business owners who are opposed to the higher sales tax, we could not find an organized No on K campaign.

Why does the Town of Moraga need an additional tax?

In the recent "Pot Hole" report that studied pavement condition all over the Bay Area, Moraga's roads were rated 'at-risk,' in the bottom 15 percent. The town suffers from years of deferred maintenance, and if nothing is done, 10 years from now the cost of fixing the roads will jump from \$24 million to more than \$70 million, according to the road study. The Town says it needs a local revenue stream, independent of the State's takeaway, to fix its infrastructure.

Why has Moraga not maintained its roads?

"Our Town is under-funded, the maintenance of our infrastructure is not possible with our current income," says Moraga Town Manager Jill Keimach. She explains that Moraga derives its revenue from property tax and sales tax. "Moraga gets only 5.25 percent of what residents pay as property tax. This percentage is one of the lowest in the state; it was set once and for all when Prop 13 passed, and there is nothing we can do to change it," she adds.

Why not cut other expenses and save more for the roads?

"Our maintenance backlog would need an additional \$2.2 million per year to be completely erased," says Moraga Public Works Director Edric Kwan. "With a budget of about \$6 million, savings alone cannot be sufficient." Keimach agrees, "What we need is a long term revenue stream, to implement our long term maintenance strategy."

What if we unincorporate? Then the roads would become a County problem.

"In 1974 I was co-chair of the Moraga incorporation committee," says resident Dick Olsen who works on the Yes on Measure K campaign. "The County's attention to Moraga and its needs for public safety or infrastructure was dismal, that's why we incorporated. Today, the County has even less money than back then."

Measure K is a General Purpose tax; why not a tax just for the roads?

"A survey conducted by the Town showed that a tax measure that would require two-thirds of the votes would never pass," says John Haffner, Chair of the Yes on Measure K campaign. "A General tax requires only 50 percent plus 1 vote to pass. We need to do something now- this measure will stop the bleeding."

Since the tax is General Purpose, some residents are concerned that future Town Councils could use the money for other less pressing needs than the roads. Although he supports the sales tax, Town Council candidate Seth Freeman suggested that the money be managed by an independent Board of Trustees rather than a Town Council he does not trust.

"If the measure passes, the Council will have the option to bond part of the revenue stream from the tax," says Keimach. "According to our consultant, and depending on rates, the Town would be able to raise \$7 to \$8 million that will be serviced over the 20- year period with about \$600,000 a year. That money would then be completely committed for the whole period."

Mayor and candidate Mike Metcalf made a pledge that he would never ask for the money to be spent on something else. "The survey that the Town conducted clearly showed that the residents' priority is fixing the roads," he says.

"Spending the money for something else would not support what the people want. The Oversight Committee established by Measure K will see to it that the money is spent for that purpose only."

Won't a higher sales tax hurt local businesses?

"In July of 2011 the California base sales tax rate decreased by 1 percent-most people didn't even notice the difference," says Keimach. "We studied the effect of a sales tax increase, in local cities that passed a similar measure, since 2008. The total taxable sales varies with the economy, the variations are the same whether the cities have increased their sales tax or not." She adds that the tax will also be paid by non-residents who come to Moraga, which is fair since they use the Town's roads.

Lafayette resident and Moraga business owner Larry Pines disagrees. "Moraga must be very careful in not putting our businesses and families at a competitive disadvantage with all other surrounding towns and cities...I've heard and read the pro-tax rhetoric that most Moragans will hardly notice the higher tax rate, but in these troubled times, more people than you might think are watching their pennies and their dollars."

However, the Moraga Chamber of Commerce has announced that it supports the passage of Measure K.

What about the impact on seniors and others who live on fixed incomes?

"Ninety-five percent of the people on the Yes on Measure K campaign are retired residents," says Haffner. "We need that revenue stream for that period of time in order to bond a significant amount up front and make a serious dent in our maintenance backlog. Repairing the roads is a safety issue, seniors are very sensitive to that aspect. They want roads that are in good shape for themselves, and also for emergency vehicles when needed."

For More Information

Measure K: www.moraga.ca.us/about/measure-k

Pot Hole Report: www.mtc.ca.gov/library/pothole_report/Pothole_Report_2011.pdf

Orinda's 10-year plan: www.orinda.waterware.com/docushare/dsweb/Get/Document-4827/10%20yr%20Road%20Plan_FED.pdf

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