

**MOTION BY SUPERVISORS HILDA L. SOLIS  
AND MARK RIDLEY-THOMAS**

**April 23, 2019**

**Establishing a County Purchase Office**

In the next few years, the County of Los Angeles (County) will be going through a major transformation of local tax measures and investments. This transformation is made possible by voter approval of Measure M (1/2 cent sales tax) for transportation, Measure H (1/4 cent sales tax) to combat homelessness, and Measure A (parcel tax) for parks equity, all of which will provide viable revenue streams to local agencies within Los Angeles County. However, the rising costs for land acquisition, construction, and materials, combined with other factors, has made it challenging to increase the affordable housing stock and develop transit-oriented communities along the existing and future rail and bus rapid transit network. The County and its cities have to make tough choices about whether to use existing general fund revenues for the development and implementation of affordable housing and transit-oriented community plans.

For the County unincorporated areas, the sales tax rate is 9.50 percent, broken down as follows:

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**MOTION BY SUPERVISORS HILDA L. SOLIS  
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**April 23, 2019**

**PAGE 2**

State General Fund:	3.9375%
County Realignment:	1.5625%
Proposition 172 Public Safety:	0.5000%
Bradley-Burns - Local General Fund:	1.0000%
Bradley-Burns - Countywide Transportation:	0.2500%
<b>Transaction and Use Tax:</b>	
Los Angeles County Metro Proposition A:	0.2500%
Los Angeles County Metro Proposition C:	0.2500%
Los Angeles County Metro Measure R:	0.2500%
Los Angeles County Metro Measure M:	0.2500%
Los Angeles County Measure H:	0.2500%
<b>Total:</b>	<b>9.5000%</b>

There are 15 cities within Los Angeles County with a combined state, county and local sales tax rate of 10 percent – 10.25 percent. Of the above noted sales tax breakdown, Proposition 172 Public Safety (0.5 percent), Bradley Burns Uniform Sales and Use Tax (1.25 percent), and Transaction and Use Tax (Measure H as well as Metro Local Return Programs) funding to the County is associated with point of sale transactions where the sales tax distribution generally follows the location of purchased goods and the use tax follows the location of the buyer.

The County advertises approximately \$6 billion annually in procurements, contracts,

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**April 23, 2019**

**PAGE 3**

and services. It is imperative that the County seek and explore creative and unique ways to maximize the public benefit from the sales and use tax generated as a result of this \$6 billion in expenditures. While the County Board of Supervisors (Board) has passed various actions to promote local hire and small business initiatives, there are no local buy requirements and no strategies to address the higher local sales taxes that exist in certain parts of Los Angeles County are captured by and invested directly into local communities.

One unique way to approach this challenge would be by establishing a purchase office or order desk within the unincorporated areas, as well as introducing requirements within County construction contracts to establish a point of sale process. In this way, all procurements, contracts, and services will provide a meaningful sales tax return to the County and local communities. This is significant because in addition to regular procurements and contracts, the County will be embarking on the delivery of several major capital construction awards in the next few years.

In addition to the above, the Los Angeles County Metropolitan Transportation Authority's (Metro's) collection of local transaction and use tax revenues may also see an increase (Proposition A, Proposition C, Measure R, and Measure M) as a result of establishing a local purchase office/order desk and through the imposition of point of sale requirements on County and Metro construction contracts for sales and use tax. Metro will be expending approximately \$120 Billion over the next 40 years in Measure M revenues alone. If all four quarter-cent revenues are combined, the average expenditures in Metro contracts and procurements could be between \$5 billion to \$10 billion annually.

**MOTION BY SUPERVISORS HILDA L. SOLIS  
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**April 23, 2019**

**PAGE 4**

The County should partner with Metro in establishing a purchase office and contract requirements, such that the revenues from both agencies may be pooled for joint efforts related to affordable housing, transit-oriented communities, and economic development. Further, this all could be accomplished without the imposition of any new taxes, fees or issuance of debt. Benefits would also include the promotion of local buying and potentially an economic development tool to help track which local businesses are growing.

**WE, THEREFORE, MOVE THAT THE BOARD OF SUPERVISORS** direct the Chief Executive Officer to coordinate with County Counsel, the Auditor Controller, Treasurer and Tax Collector, Internal Services Department, Department of Public Works, Department of Consumer and Business Affairs, Metro and relevant State agencies, to:

- 1) Identify various policies and structures, including a purchase office, that increase opportunities for local communities to benefit from tax revenue.
- 2) Conduct analysis on the following as it relates to each identified structure and/or policy;
  - a. Feasibility, benefits, and legal authority of the County to establish identified tools and structures, within County unincorporated areas; and
  - b. Estimated capital, administrative and other associated costs.
- 3) Identify the potential increase in tax revenues attributed to the identified policies and structures and an analysis of the feasibility of tracking the collection of these taxes, and benefits to small businesses.
- 4) Assess the feasibility and conduct an analysis on amending County and Metro

**MOTION BY SUPERVISORS HILDA L. SOLIS  
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**April 23, 2019**

**PAGE 5**

construction contracts to require contractors to:

- a. Cooperate with the County in all matters relating to taxation and the collection of taxes, particularly with respect to the self-accrual of use tax;
  - b. Provide documentation for all leases and purchases of materials, equipment, supplies, or other tangible personal property totaling over \$100,000 shipped from outside California;
  - c. For construction contracts and subcontracts totaling \$5,000,000 or more, to obtain a sub-permit from the State Board of Equalization for the work site; and
  - d. Create and operate a buying company, as defined in State of California Board of Equalization Regulation 1699, subpart (h), in the unincorporated areas of the County if the contractor purchases over \$10,000 in tangible personal property subject to California sales and use tax.
2. Recommend policies on the use of such collected revenues, and in coordination with Metro, for Board priorities that may include affordable housing, transit-oriented communities, and economic development.
  3. Report back in writing to the Board within 90 days.

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