

VOTER INFORMATION PAMPHLET

MEASURES, ANALYSES AND ARGUMENTS

(whichever is applicable to your ballot)

Arguments in support of, or in opposition to, the proposed laws are the opinions of the authors.

F Shall a temporary sales tax rate increase of one-quarter of one percent, which will end after five years, be adopted to help limit further budget cuts in the City's General Fund?

FULL TEXT OF BALLOT MEASURE F

AN ORDINANCE OF THE CITY OF SANTA CRUZ IMPOSING A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE STATE BOARD OF EQUALIZATION

Section 1. TITLE. This ordinance shall be known as the City of Santa Cruz Temporary Transactions and Use Tax Ordinance. The City of Santa Cruz hereinafter shall be called "City." This ordinance shall be applicable in the incorporated territory of the City.

Section 2. OPERATIVE DATE. "Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

Section 3. PURPOSE. This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

A. To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.9 of Part 1.7 of Division 2 which authorizes the City to adopt this tax ordinance which shall be operative if a majority of the electors voting on the measure vote to approve the imposition of the tax at an election called for that purpose.

B. To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

C. To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefore that can be administered and collected by the State Board of Equalization in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes.

D. To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

Section 4. CONTRACT WITH STATE. Prior to the operative date, the City shall contract with the State Board of Equalization to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the City shall not have contracted with the State Board of Equalization prior to the

operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

Section 5. TRANSACTIONS TAX RATE. For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the incorporated and unincorporated territory of the City at the rate of one quarter of one percent (0.25%) of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

Section 6. PLACE OF SALE. For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

Section 7. USE TAX RATE. An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one quarter of one percent (0.25 %) of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

Section 8. ADOPTION OF PROVISIONS OF STATE LAW. Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

Section 9. LIMITATIONS ON ADOPTION OF STATE LAW AND COLLECTION OF USE TAXES. In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

A. Wherever the State of California is named or referred to as the taxing agency, the name of this City shall be substituted therefore. However, the substitution shall not be made when:

1. The word "State" is used as a part of the title of the State Controller, State Treasurer, State Board of Control, State Board of Equalization, State Treasury, or the Constitution of the State of California;

2. The result of that substitution would require action to be taken by or against this City or any agency, officer, or employee thereof rather than by or against the State Board of Equalization, in performing the functions incident to the administration or operation of this Ordinance.

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3. In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

a. Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

b. Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

4. In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

B. The word "City" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

Section 10. PERMIT NOT REQUIRED. If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

Section 11. EXEMPTIONS AND EXCLUSIONS.

A. There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

B. There are exempted from the computation of the amount of transactions tax the gross receipts from:

1. Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

2. Sales of property to be used outside the City which is shipped to a point outside the City, pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the City shall be satisfied:

a. With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Chapter 2 of Division 3.5 (commencing with Section 9840) of the Vehicle

Code by registration to an out-of-City address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

b. With respect to commercial vehicles, by registration to a place of business out-of-City and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

3. The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

5. For the purposes of subsections (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

C. There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this City of tangible personal property:

1. The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

2. Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

3. If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

4. If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

5. For the purposes of subsections (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or

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lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

6. Except as provided in subparagraph (7), a retailer engaged in business in the City shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the City or participates within the City in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the City or through any representative, agent, canvasser, solicitor, subsidiary, or person in the City under the authority of the retailer.

7. "A retailer engaged in business in the City" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Chapter 2 of Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the City.

D. Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district imposing, or retailer liable for a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to the person of the property the storage, use or other consumption of which is subject to the use tax.

Section 12. AMENDMENTS. All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

Section 13. ENJOINING COLLECTION FORBIDDEN. No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the City, or against any officer of the State or the City, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

Section 14. SEVERABILITY. If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 15. EFFECTIVE DATE. This ordinance relates to the levying and collecting of the City transactions and use taxes and shall take effect immediately.

Section 16. TERMINATION DATE. The authority to levy the tax imposed by this ordinance shall expire June 30, 2009.

Section 17. CODIFICATION. Upon adoption of this ordinance pursuant to the voter approval referenced in Section 3, the City Clerk, in consultation with the City Attorney, is hereby authorized and directed to codify this ordinance in the Santa Cruz Municipal Code.

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IMPARTIAL ANALYSIS BY CITY ATTORNEY MEASURE F

City of Santa Cruz Temporary Transactions and Use Tax

TEMPORARY (FIVE YEAR) CITY ONE-QUARTER PERCENT SALES TAX INCREASE

This ballot measure, if adopted by the voters, would enact a temporary five-year one-quarter of one percent ($\frac{1}{4}\%$) increase to the sales tax rate in the City of Santa Cruz. The sales tax is also referred to as a "transactions and use tax." The current sales tax rate in the City of Santa Cruz is eight percent (8%). Accordingly, if this ballot measure is adopted the sales tax rate would increase to eight-and-one-quarter ($8\frac{1}{4}\%$) percent for the next five years. The proposed increased sales tax, like the current sales tax, would be imposed upon the sale of all tangible personal property sold at retail within the jurisdictional limits of the City as well as upon the storage, use or other consumption of tangible personal property purchased from any retailer in the jurisdictional limits of the City.

All revenue generated from the proposed sales tax increase would be deposited into the City's General Fund and, accordingly, all monies collected pursuant to the sales tax increase would be used by the City to pay for general City operations and services. As such, this ballot measure proposes a "general purpose tax," rather than a "special purpose tax," and requires a simple majority vote for adoption.

s/ John G. Barisone
City Attorney

FISCAL IMPACT STATEMENT BY FINANCE DIRECTOR MEASURE F

City of Santa Cruz Temporary Transactions and Use Tax

TEMPORARY (FIVE YEAR) CITY ONE-QUARTER PERCENT SALES TAX INCREASE

The total sales tax rate in the City of Santa Cruz is currently 8%, or 8 cents on every dollar. Of this amount, the City currently receives 1%, or 1 cent on every dollar. These funds are used to pay for general City services such as police, fire, park maintenance, street repair, and recreational facilities and programs. If approved by voters, this measure would increase the total tax rate to $8\frac{1}{4}\%$, and would raise the local portion the City receives to $1\frac{1}{4}\%$.

The current 1% local sales tax rate generated \$8,291,243 for the annual period from July 2002 to June 2003. Based on that amount, the proposed one-quarter percent ($\frac{1}{4}\%$) increase in the local sales tax rate would generate an additional \$2,072,810 per year to support the same general City services noted above. This is an approximation of the amount that can be expected annually during the five-year period the tax would be in effect. Actual tax collections may vary from year to year depending upon economic conditions.

Note: The breakdown of the current 8% total sales tax is as follows:

5% - State
1% - City
 $\frac{1}{2}\%$ - County Mental Health/Welfare Programs
 $\frac{1}{2}\%$ - Santa Cruz Metro Transit District
 $\frac{1}{4}\%$ - Countywide Transportation Fund
 $\frac{1}{4}\%$ - Countywide Library System
 $\frac{1}{2}\%$ - Countywide Public Safety Programs
including County Sheriff, District Attorney,
County Probation, County Jail, Fire Districts,
and all city police departments

Total 8%

s/ David P. Culver
Director of Finance
City of Santa Cruz

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ARGUMENT IN FAVOR OF MEASURE F

The City of Santa Cruz faces an unprecedented financial crisis. City tax receipts have decreased by approximately \$3 million annually in this economic downturn, including both retail sales tax and tourism-related revenues.

Meanwhile, like most employers, the City must pay increased costs for employee health benefits and worker's compensation insurance. In addition, the State and its governors have repeatedly diverted funds (including property tax and Vehicle License Fees) which have traditionally gone to local government.

Cities throughout California are experiencing similar realities.

Faced with declining revenues and increasing costs, the City has already cut its General Fund budget by \$6 million and eliminated 50 positions over the past three years. Significant further cuts must be made next year even if new revenues are raised.

Measure F will help limit the damage to our community during this difficult period. It will increase the retail sales tax from 8% to 8 1/4%, generating approximately \$2 million annually to support essential City services. If passed, the sales tax increase will automatically end in five years.

Measure F has broad community support because:

- It spreads the burden of additional taxes across the entire population, instead of focusing on one group. We will all share the burden.
- Increased sales tax revenue will help address the most critical needs of the entire City, such as public safety, social services, parks and streets.
- Raising the sales tax by 1/4% will help offset future cuts the City will have to make.
- Increased tax funds will stay in the City of Santa Cruz, protected from State or Federal government takeaways.

Other cities have already increased their sales tax to raise necessary revenues. **This is a local solution to help preserve the quality of life in Santa Cruz.**

Vote YES on Measure F.

s/ Charles L. Canfield, President Santa Cruz Seaside Co.

s/ Yolanda Henry, Executive Director of Familia Center

s/ John Laird, Assemblymember

s/ Trink Praxel, Founder, First Night Santa Cruz

s/ Michael R. Venezio, President, Santa Cruz Firefighter Association

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE F

THE ARGUMENT IN FAVOR OF MEASURE F SHOULD READ:

The city of Santa Cruz, ALWAYS, faces financial crisis. Even though we intend to increase our spending over last year, we will still be short of what we want to spend this year. **Never mind that our spending will grow by amounts that obscenely exceed the rate of inflation and population growth.**

Many employers can't afford employee benefit plans. They lay off employees they can't afford. Not us, we don't have to. Why, because we're THE CITY. Other cities get away with raising taxes, so can we. It worked when we were kids. Tell mom and dad that Johnny did it too and we'd be off the hook. **Assemblyman John Laird is for it, and we all know what a great job the California Assembly has done with the state budget.**

From 1999-2000 to 2003-2004, the general fund budget has risen from approximately \$41 million to approximately \$53.5 million, a whopping 7.4% per annum. **NOW THAT'S A CRISIS. A SPENDING CRISIS.**

DON'T ENCOURAGE BAD SPENDING BEHAVIOR BY REWARDING IT.

**PUT GOVERNMENT ON A DIET,
ON MARCH 2, 2004
VOTE NO ON MEASURE F**

Taxpayers Against Measure F

s/ Vernon C. Bohr Jr., Chairman

s/ Carolyn M. Busenhardt, Treasurer

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ARGUMENT AGAINST MEASURE F

Measure F isn't a simple ballot measure for a ¼ % sales tax it's a 2 ½ page small print initiative that will be codified into law if passed. If you can't follow all of the legalese in the full text of Measure F (and the legalese in the codes therein referenced), you shouldn't vote for it.

Whereas, the forgoing provides sufficient reasons to **VOTE NO ON MEASURE F**, what would an argument against a measure be if we didn't use all of our 300 allotted words in writing it?

The threat of budget cuts is akin to a guy walking into a store trying to rob it using his finger in his coat pocket as gun. All budget cuts are cuts in proposed spending and year to year increases in proposed spending bear little, if any, reality to annual inflationary costs. As if that weren't enough, the City regularly amends and exceeds its originally adopted budget. From FY 1999-2000 to FY 2003-2004, the city general fund budget has grown a whopping 7.4% per annum when the rate of inflation was 2 to 3% .

Do we want to help limit further budget cuts? Heck no. We want to increase them. Let's put this budget fatso on a diet and make him a lean, mean, fighting machine. It's time we got our money's worth and there's no way we're going to do that by giving them more to spend.

Tell you what. When our annual income increases start to rival those of the city we might, just might, find it in our hearts to vote for a SMALL sales tax increase. Like that's going to happen before hell freezes over.

ON MARCH 2, 2004

VOTE NO ON MEASURE F

Taxpayers Against Measure F
s/ Vernon C. Bohr Jr., Chairman

s/ Carolyn M. Busenhardt, Treasurer

REBUTTAL TO ARGUMENT AGAINST MEASURE F

Measure F authorizes a modest tax increase for a limited period of time to support essential City services.

If Measure F is approved by Santa Cruz voters, the local sales tax will increase from 8% to 8 1/4%, and raise approximately \$2 million annually for a period of five years. **This increased revenue will stay in the City of Santa Cruz to help local residents and businesses.**

It's reasonable and it makes sense.

Like cities throughout California, Santa Cruz has suffered a double whammy of decreased revenues and increased costs in recent years. In addition, the state has diverted traditional sources of local government funds in order to solve its own budget crisis.

City leaders have already made difficult cuts across the board in order to balance the City's budget. **If Measure F does not pass, the City will be forced to make an additional \$2 million in cuts** affecting police and fire, parks, community facilities, social services and street maintenance.

Measure F will help stabilize the City's finances right now, until the economy recovers and the City can benefit from longer term economic development efforts.

We live and work in the City of Santa Cruz. We are concerned about the quality of life in our community. **We value the City services and facilities that shape our community and its future.**

In times of crisis, the people of Santa Cruz have always come together to find solutions. This is one of those times.

Vote YES on Measure F.

s/ Lorette Wood, Former Mayor

s/ Scott Daly, President, Locally Owned Business Alliance

s/ George Ow, Jr., Developer and Philanthropist

s/ Bruce McPherson, State Senator

s/ Manuel Pastur, Jr., Economist and Professor, UC Santa Cruz