

VOTER'S 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.

CITY OF WATSONVILLE

L In order to maintain critical City services such as police, parks, fire and community services, neighborhood crime prevention, building code enforcement, gang prevention programs, road and pothole repair and other services provided by the City of Watsonville, shall the sales tax in Watsonville be increased by one quarter of one percent (0.25%) to be effective if the voters also cap the City's retirement tax collection rate at 7.7 cents per \$100.00 of assessed value?

FULL TEXT OF BALLOT MEASURE L CITY OF WATSONVILLE

ORDINANCE NO. (CM)

AN ORDINANCE OF THE OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE ADDING A NEW ARTICLE 10 TO CHAPTER 6 (TAXATION) OF TITLE 3 (FINANCE) OF THE WATSONVILLE MUNICIPAL CODE IMPOSING A TRANSACTIONS AND USE (SALES) TAX TO BE ADMINISTERED BY THE CALIFORNIA STATE BOARD OF EQUALIZATION

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, DO HEREBY ORDAIN AS FOLLOWS:

SECTION 1. ENACTMENT.

Article 10 Transactions and Use Tax Ordinance is hereby added to Chapter 6 (Taxation) of Title 3 (Finance) of the Watsonville Municipal Code to read as follows:

Article 10. Transactions and Use Tax Ordinance

Sec. 3-6.1001 Title.

This ordinance shall be known as the City of Watsonville Transactions and Use Tax Ordinance. The City of Watsonville hereinafter shall be called "City." This ordinance shall be applicable in the incorporated territory of the City of Watsonville.

Sec. 3-6.1002 Operative date.

"Operative Date" shall mean 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.

Sec. 3-6.1003 Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish these purposes:

(a) To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) and Section 7285.9 of Part 1.7 both in Division 2 of the Revenue and Taxation Code 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.

Sec. 3-6.1004 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.

Sec. 3-6.1005 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.

Sec. 3-6.1006 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. If 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.

Sec. 3-6.1007 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.

Sec. 3-6.1008 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.

Sec. 3-6.1009 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 therefor. 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.

(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:

VOTER'S 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.

(i) 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;

(ii) 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.

Sec. 3-6.1010 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.

Sec. 3-6.1011 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:

(i) 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 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

(ii) 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 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 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.

Sec.3-6.1012 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.

Sec. 3-6.1013 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.

Sec. 3-6.1014 Severability.

VOTER'S 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.

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.

Sec. 3-6.1015 Effective date.

This ordinance relates to the levying and collecting of the City transactions and use tax and shall take effect immediately.

IMPARTIAL ANALYSIS BY CITY ATTORNEY MEASURE L

If adopted, this Measure would increase the sales tax in Watsonville by one quarter of one percent ($\frac{1}{4}\%$). The sales tax is sometimes referred to as "transactions and use tax". The present sales tax rate in Watsonville is eight percent (8%). This Measure would increase the rate to eight and one quarter percent (8.25%). The proposed increase would be imposed just like the present tax; upon the sale of tangible personal property sold at retail within the City limits and upon the storage, use, or other consumption of tangible personal property purchased from any retailer in the City limits.

All revenue from the proposed tax would go into the City's General Fund and would therefore be used by the City to pay for general City operations and services including police, fire, parks, building code enforcement and street repair and improvements. This Measure is therefore a "general purpose tax" rather than a "special purpose tax" and requires a simple majority vote.

This Measure would be valid and effective if and only if the voters also approve Measure M which amends Subdivision (b) of the City Charter, capping the City retirement tax. This sales tax would replace part of the revenue lost by capping the retirement tax.

s/ Alan J. Smith
City Attorney

FISCAL IMPACT STATEMENT BY CITY FISCAL OFFICER MEASURE L

Measure L and Measure M are co-dependent. That is, both measures must be approved by the voters for either to take effect. Measure L would increase the sales tax rate in the City of Watsonville by $\frac{1}{4}\%$, increasing City revenues by approximately \$1.1 million. Measure M would reduce the property tax for the City employees' retirement program by 30% and place a new cap of 7.7 cents per \$100 of assessed value on the rate which could be charged. Measure M would decrease City revenues by approximately \$1.1 million.

Because Measure L and Measure M would oppositely impact cost flow within the same fiscal year, projections show that the difference between the addition of increased sales tax collections and the reductions in retirement tax collections would be negligible. Therefore, if Measure L and Measure M are approved by the voters the impact on the City budget would be neutral.

The City of Watsonville currently has the lowest municipal sales tax rate in Santa Cruz County at 8%, or 8 cents on every dollar paid for a taxable item. Of this amount, the City of Watsonville receives 1%, or 1 cent on every dollar. These funds are used to pay for general City services such as police, parks, fire, neighborhood crime and gang prevention, community services, road and pothole repair and building code enforcement.

If voters approve Measure L, it would increase the total sales tax rate to $8\frac{1}{4}\%$, and would raise the local portion the City receives to $1\frac{1}{4}\%$. California cities are allowed to adopt increased rates above the 1% base rate as a "local option" based on State legislation.

Actual sales tax collections may vary from year to year depending upon economic conditions. The current sales tax rate generated \$5,879,813 for the annual period from July 2004 to June 2005 and is projected to generate \$6,513,353 for the annual period from July 2005 to June 2006. Based on projections, this proposed $\frac{1}{4}\%$ increase would generate an additional \$1,055,000 in General Fund revenue for the fiscal year beginning in July 2007.

Many large sales transactions that occur within the City would not be impacted by this increase and thus would not generate additional sales tax revenue. For example, auto vehicles sold to parties residing outside of the City would not be taxed at the Watsonville sales tax rate nor be allocated to the City of Watsonville. Accordingly, any of these transactions would not be impacted by the proposed $\frac{1}{4}\%$ increase.

Sales Tax is currently the number one revenue source for the City's General Fund and is almost 20% of total General Fund revenues. This demonstrates that the City's resources are balanced as many jurisdictions depend on much larger percentages for sales tax or their top revenue source, commonly between 30%-50%.

Many local jurisdictions have recently increased their sales tax rates. Salinas, Sand City and Scotts Valley have increased their rate by $\frac{1}{2}$ -cent and Santa Cruz and Capitola by $\frac{1}{4}$ -cent.

s/ Marc A Pimentel, CPA
Administrative Services Director
City of Watsonville

VOTER'S 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.

ARGUMENT IN FAVOR OF MEASURE L

As part of the recent election regarding an existing property tax known as the Retirement Tax, the Watsonville City Council committed to the formation of a Blue Ribbon Committee charged with identifying a sustainable resource base for City services including the possibility of eliminating or reducing the Retirement Tax.

This Blue Ribbon Committee included representatives appointed by:

- Business
- Industry
- Real estate
- Labor
- Tax repeal proponents
- Social services and
- Each council district

The committee voted to support a ¼ cent sales tax increase, to be combined with a significant reduction to the property tax known as the Retirement Tax. Measure L will increase the retail sales tax from 8% to 8 ¼%, generating approximately \$1.1 million annually to support essential City services. Accompanying Measure M will cap the Retirement Tax to 7.7 cents per \$100 of assessed value, which is a reduction of 30% from the current rate. The sales tax increase, Measure L, will only become effective if voters also approve Measure M.

The services that will be maintained by this revenue include:

- Police
- Fire
- Parks & Recreation
- Neighborhood crime prevention
- Building code enforcement
- Gang prevention programs
- Road and pothole repair
- Other services provided by the City

The Blue Ribbon Committee recommends this Measure because:

- It is the fairest tax, as it spreads the burden of funding City services across the entire population. We will all share the burden.
- The sales tax generated will stay in the City of Watsonville, protected from State and Federal government takeaways.
- Approval of this Measure and Measure M will result in lowering property taxes significantly while saving all City services.

Vote YES on Measure L. Lower your taxes while protecting City services!

s/ Todd McFarren
Chair, Blue Ribbon Committee

s/ Terry Medina
Police Chief, Watsonville

s/ Dana M. Sales
County Schools Trustee

s/ Bill Neighbors
Retired Businessman

s/ Lorraine E. Stucki
Retired

NO ARGUMENT AGAINST MEASURE L WAS FILED.