

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE R

The City Council has placed Measure R on the ballot. If approved, Measure R would add a community investment transactions and use tax at the rate of 0.5% (one-half percent) within the City of Watsonville ("City"). Although the tax is called a "transactions and use tax," it is commonly referred to as a sales tax. The tax would be assessed on the sale of tangible personal property and the storage, use, or other consumption of such property, unless and until repealed by the voters of the City. The ordinance would amend Title 3 (Finance) of the Watsonville Municipal Code by adding a new Article 15 (Community Investment Transactions and Use Tax) to Chapter 6 (Taxation).

Currently, the sales tax rate on retail sales within the City is 9.25%. This Measure would authorize an additional 0.5%, increasing the total sales tax rate within the City to 9.75%. The City estimates the increase would result in approximately \$5 million of additional annual revenue to the City. The California Department of Tax and Fee Administration would administer the tax.

City residents and visitors would pay this tax on retail sales. Certain necessary purchases, such as groceries or medicine, would be exempt from the tax.

The proposed tax is a "general tax," meaning that proceeds would be deposited into the City's general fund. The tax proceeds may be used for any legitimate municipal government purpose, including investing in repair and expansion of City parks, playgrounds and trails; creating safe places for kids; maintaining after-school and gang prevention programs; fixing potholes and maintaining streets; expanding library access and services for seniors; and creating employment opportunities.

This Measure would create a "City Revenue Measure Oversight Committee" to bi-annually review tax revenues and expenditures, provide independent verification that all expenditures are consistent with community needs, and submit its findings to the City Council for review at a public meeting.

A "Yes" vote is a vote in favor of the tax, thereby increasing the current sales tax rate from 9.25% to 9.75% unless and until repealed by the voters.

A "No" vote is a vote against the tax.

This Measure will be approved if it receives a simple majority (greater than 50%) of "Yes" votes.

The above statement is an impartial analysis of Measure R. The full text of Measure R is printed in the Voter's Information Pamphlet and is also available on the City of Watsonville's website at: <https://www.cityofwatsonville.org/2388/Measures---November-8-2022>. If you desire a copy of the Measure, please call the elections official's office at (831) 768-3040 and a copy will be mailed at no cost to you.

DATED: August 19, 2022

Samantha W. Zutler, Watsonville City Attorney