

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

M Shall the City of Watsonville amend Subdivision (b) of Section 1122 of Article XI of the Charter of the City of Watsonville by adding a new Subdivision (3) which caps the retirement tax rate at 7.7 cents per \$100.00 of assessed value, to be effective on July 1, 2007, if the voters also approve a one quarter of one percent (0.25%) sales tax increase?

**FULL TEXT OF BALLOT MEASURE M
CITY OF WATSONVILLE**

PROPOSED AMENDMENTS TO THE CHARTER OF THE CITY OF
WATSONVILLE SPECIAL MUNICIPAL CHARTER AMENDMENT ELECTION
NOVEMBER 7, 2006

The Council of the City of Watsonville hereby submits to the registered and qualified electors of the City for their adoption or rejection, the following proposal to amend the Charter of the City of Watsonville by adding a new Subdivision (3) to Subdivision (b) of Section 1122. Tax Limits to read as follows:

"(3) The tax provided for in Subdivision (b)(2) of this section shall not be collected at a rate exceeding 7.7 cents on each One Hundred and no/100th (\$100.00) Dollars of assessed value."

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
MEASURE M**

Subparagraph (1) of subdivision (b) of Section 1122 of the Watsonville City Charter, adopted by the voters in 1960, authorized an additional real estate tax in Watsonville to be collected with other real estate taxes. The purpose of this additional real estate tax was to pay all annual City obligations to the State Employees' Retirement System, or other system for the retirement of City employees.

This tax has been collected annually since 1950. The rate in 2004 was 13.4 cents per hundred dollars of assessed value.

This Measure, if approved by the voters, would amend the City Charter by adding new language to Section 1122 prohibiting the City from collecting this retirement tax at a rate exceeding 7.7 cents per hundred dollars of assessed value. This would reduce and cap the retirement tax paid by all owners of Watsonville real estate.

This Measure would become valid and effective only if the voters also approve proposed Measure L which would authorize a citywide ¼ cent sales tax. The City would use the sales tax increase to partially offset this reduction in the retirement tax.

s/ Alan J. Smith
City Attorney

**FISCAL IMPACT STATEMENT BY CITY FISCAL OFFICER
MEASURE M**

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 ¼%, 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 voters approved the retirement tax levy that partially funds the City of Watsonville's employee retirement system as part of the City Charter in 1949 and again in 1960. This levy is an ad-valorem tax. That is, the amount is based on the assessed value of the property and is above the 1% standard property tax rate. This tax is also a restricted tax as it can only be used to pay for the City's employee retirement system costs.

Annually, the City Council approves an ordinance setting the following year's retirement tax levy rate and instructs the County of Santa Cruz to levy that rate on all taxable property within the City. The collections are remitted to the City, held in a separate, audited fund and transferred into the General Fund as a cost reimbursement.

If approved by the voters, Measure M would amend the City Charter by placing a rate cap on the retirement tax levy of 7.7 cents per \$100 or \$77 per \$100,000 in assessed value. This would be a reduction of approximately 30% from the rate currently in place, which is 11 cents per \$100 in assessed value. This cap would set the maximum rate that could be collected for any annual period after June 30, 2007. In its 57 years of existence, the levy rate was below this proposed cap only once, in 1950, the first year it was established. Over this same period, it has averaged 22.3 cents per \$100 or \$223 per \$100,000 in assessed value.

Based on projections for the fiscal year beginning on July 1, 2007, this cap would limit the possible annual retirement tax collections to approximately \$2,400,000. This is \$1,103,177 less than the projected collections for the fiscal year beginning on July 1, 2006 which total \$3,503,177.

Due to assessed value increases, the City Council reduced the rate for the fiscal year beginning on July 1, 2006 to 11 cents per \$100 in assessed value while maintaining the amount required to adopt a balance budget.

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

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ARGUMENT IN FAVOR OF MEASURE M

The Watsonville City Council is committed to implementing the recommendations made by the Blue Ribbon Committee and this Measure is a reflection of that commitment.

When recently faced with a ballot measure regarding an existing property tax known as the Retirement Tax, the voters agreed to work with the City Council to find an alternate sustainable resource base for City services. Measure M would reduce the Retirement Tax while maintaining City services.

Vote yes on Measure M! This Measure sets a cap of 7.7 cents per \$100 of assessed value. Once this cap is in place, only Watsonville voters can change it.

This is your opportunity to reduce the Retirement Tax by 30%. Accompanying Measure L, if approved, will raise sales tax by ¼%. This will spread the tax burden across the entire population, while reducing taxes for property owners.

This proposal is recommended by the Blue Ribbon Committee, which included representatives appointed by:

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

Vote yes on Measure M! You can reduce your taxes without losing city services. This measure only becomes effective if Measure L is also approved.

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 M WAS FILED.