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Administrative Services Director Impartial Financial Analysis of Measure Y

Measure Y authorizes the City of Watsonville to extend the existing special sales and use tax (sales tax) of one-half of one percent (0.50%) on transactions in the City of Watsonville until repealed by voters. The current measure, approved in 2014, is scheduled to sunset in 2021 unless it is renewed. The tax proceeds will continue to be deposited into a special and segregated account to be used only for Public Safety Services, including safe spaces for youth (Police, Fire, and Parks and Recreation).

The Measure currently funds eight (8) positions at the fire department, seven (7) Firefighters and one (1) Administrative Assistant; and fourteen (14) positions at the police department, seven (7) police officers, two (2) Police Service Specialists, one (1) Crime Analyst, one (1) Property and Evidence Specialist, one (1) Youth Employment Specialist, and one (1) Recreation Supervisor and one (1) Recreation Specialist as part of the Police Activities League (PAL). Since enacted in 2014, the funding has also been used by the Fire and Police departments to replace and update aging equipment and technology, including fire engines, a tiller/ladder truck, patrol vehicles, police body cameras, and more. In the Fiscal Year 2019-20 budget, this funding represents 17% of the Fire department budget and 12% of the Police department budget.

As this is a special tax, monies may only be used for the specific purposes described in the proposed ordinance and ballot language. I estimate this sales tax measure will generate approximately \$4.0 million annually, which would be split 54% for police services, 38% for fire services, and 8% for parks and recreation. The tax rate cannot be increased by action of the City Council without voter approval. In addition, the following restrictions are imposed on this tax.

- The measure will remain in effect until repealed by voters.
- The measure will require 2/3 vote for enactment.
- A Revenue Oversight Committee will review the annual budget. The Committee will include various members of the community to ensure funds are spent on the specific areas indicated by the measure and as approved by voters.
- The Maintenance of effort requirement will be updated each year by the consumer price index (CPI).
- An independent annual audit will be performed on these funds.
- Independent third-party assessment of community fire and police needs.

Based on my analysis of past sales tax revenues provided by City staff, the projected revenues appear accurate. In this analysis, I relied on the best data available at this time; however, actual revenues may be more or less than City staff's estimates due to increased or decreased sales due to changes in the general economy.


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Administrative Services Director