

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE _

The City Council of Redwood City voted 7-0 to place Measure __ on the ballot. The Measure would establish a one-half of one cent use and transaction (sales) tax for general city purposes.

The proposed City of Redwood City Essential Services Protection Measure has the following key components:

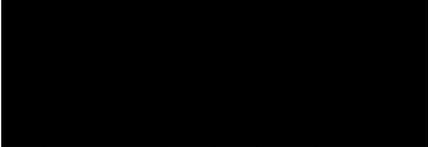
- It imposes a one-half cent sales tax on local sales transactions, excluding such essentials as groceries and medicines.
- All funds generated by the measure would be placed in the City's General Fund to be used for the provision of City services. None of the funds could be taken by the State.
- All funds generated by the measure would be included in the City's annual independent audit conducted by a certified public accountant.
- A simple majority vote is needed for adoption (50% plus 1). The measure if enacted stays in effect unless and until changed by the voters.

The City faces significant fiscal challenges in the coming years, mirroring dynamics throughout California. Though new development and increased downtown activity have increased property tax receipts and somewhat offset sales tax declines, projected revenue growth is not sufficient to cover increasing operating costs. The City is projected to have a multi-million dollar budget deficit in 2018-19 growing to over \$12 million annually (10% of its operating budget) in five years, and increasing after that. To meet the deficit, the City has raised fees on development activity (\$2 million) and made cost reductions in this year's adopted budget (approximately \$3.7 million), including the elimination of 14.5 (vacant) and 1 filled staff positions. The City also has proactively moved to contain pension costs, requiring the highest employee contribution rates in the Bay Area and providing more modest benefits to new hires. Despite these efforts, the deficit will grow unless new revenues are generated or more significant cuts are made to essential City services.

If the measure is not approved by the voters, the City will have to meet a budget deficit by making deeper reductions to City services such as police, fire and paramedic services, library service hours, after school programs and the like. Approximately 60% of the City's General Fund is budgeted for essential public safety services including police, fire and paramedics.

If the proposed measure is approved by the voters, the annual General Fund revenues from the sales tax are estimated at around \$8.0 million. This amount would fluctuate depending upon economic conditions. Funds generated from this half-cent sales tax would be locally generated and would therefore be protected by the State Constitution from being captured by the State.

The above statement is an impartial analysis of Measure _____. If you desire a copy of the full text of the measure, please call the City Clerk's office at (650) 780-7220 and a copy will be mailed at no cost to you.



Veronica Ramirez, City Attorney
City of Redwood City