



# Agenda Report

**MEETING DATE:** Tuesday, June 28, 2022

**TO:** City Council

**FROM:** CITY MANAGER PRO TEMPORE VIDES

**SUBJECT:** ADOPT A RESOLUTION ORDERING A MUNICIPAL ELECTION ON NOVEMBER 8, 2022 ON WHETHER TO APPROVE A ONE-HALF OF ONE CENT SALES TAX FOR GENERAL SERVICES

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## **STATEMENT OF ISSUES:**

Consider a resolution ordering an election and placing a one-half cent general transactions and use tax for consideration on the November 8, 2022 ballot.

## **RECOMMENDED ACTION:**

Adopt a resolution:

1. Ordering a municipal election to be called on whether to approve a one-half of one percent sales tax for general services by adding a new Article 15 (Community Investment Transactions and Use Tax) of Chapter 6 (Taxation) of Title 3 (Finance) to the Watsonville Municipal Code; requesting Santa Cruz County Elections to conduct the election; requesting consolidation of the election to be held on November 8, 2022; and directing the City Clerk to take steps to place said measure on the ballot; and
2. Review proposed funding priorities for said tax measure  
Pursuant to Government Code Section 53724, placing this general tax measure on the ballot requires a 2/3 vote of the Council.

## **DISCUSSION:**

### **BACKGROUND**

As a first step towards ordering an election for approval of a one-half of one cent sales tax, on June 14, 2022, the Council approved proposed language for an ordinance adding a new Article 15 (Community Investment Transactions and Use Tax) of Chapter 6 (Taxation) of Title 3 (Finance) to the Watsonville Municipal Code, to be administered by the California Department of Tax and Fee Administration (CDTFA) and to be approved by voters. This measure would be a general tax measure, with revenues deposited into the City's general fund.

If the Council wishes to proceed, it must now adopt a resolution ordering the election for November 2022, and submit the resolution to the Santa Cruz County Elections Department by August 12, 2022.

Throughout the pandemic and in the recent couple of years, the City has conducted a series of community engagement efforts, budget workshops and community surveys. The City has received consistent feedback indicating the community's desire to increase investment in parks and roads infrastructure, citing the need for positive spaces and programs for youth and children and the need for maintenance of parks, trails and sloughs.

It is well researched and documented that parks and recreation facilities and programs have profound positive impacts on a community's health, well-being and quality of life. Close to home parks encourage active lifestyles and reduce health costs, increase community engagement and reduce crime, increase property values and make cities more climate resilient. Additionally, recreation programs play a key role in prevention and diversion as they provide young people with assets to become thriving adults, keep kids safe and away from crime, improve the health and well-being of youth and seniors and strengthen community unity.

The continued effect of COVID-19 on work environments, schools and daily life have encouraged community members to seek more time outdoors to get some fresh air, relieve stress, exercise and find a sense of normalcy. Throughout the pandemic, parks and public land have seen some of their highest usage in modern times, and Watsonville is no different. Numerous scientific studies demonstrate that the availability of accessible, safe and quality parks and open space is crucial to personal and community well-being. This fact has been underscored by the pandemic, especially in disadvantaged communities and communities of color.

According to the Trust for Public Land, "Parks are proving to be an essential part of how we cope and recover from this crisis...As officials reimagine park policy in real time, equitable access is becoming a driving factor in decision-making...Decisions made in the next few months will determine whether the outdoors become more accessible and equitable and further benefit the health of communities, or slide backward...The pandemic highlights that in too many communities, access to the outdoors is considered a privilege when it should be a right." Investment in our parks and open spaces is more crucial now than ever.

This community prioritization began to become apparent pre-pandemic, through polling of likely voters that was conducted in 2019 for the renewal of the Measure G Public Safety Sales Tax. Polling revealed that afterschool and youth violence prevention programs are a top community priority. Accordingly, the renewal measure (which became Measure Y), included an eight percent (8%) carve out for the Parks and Community Services Department, generating approximately \$340,000 annually or 5% of the Department's annual budget.

Following budget cuts implemented at the beginning of the pandemic in 2020, community members have repeatedly requested an increased investment in City services, such as parks and recreation, that affect the quality of life. As COVID restrictions began to lift and parks and recreation programs began to reopen, the Council restored many of these budget reductions. In addition, the Council highlighted identifying sustainable funding for parks and recreation services in its 2021-2023 Strategic Plan, specifically by prioritizing the following goals:

- 2- Fiscal Health – Sustainable Parks Funding
- 3- Infrastructure and Environment – Parks and Road Infrastructure

- 5 - Community Engagement and Well-Being – Parks Accessibility, Services for Youth
- 6 - Public Safety – Youth Development
- 7 - Efficient and High Performing Government – Financial Management

Furthermore, the City's Ad-Hoc Committee on Policing and Social Equity's Final Report included a recommendation to "Develop and Increase Programs for Youth and Families." This recommendation stated that "Prevention and early intervention programs are critical in creating better pathways for youth. Increasing the inventory of prevention and youth development programs will provide a greater range of support and opportunities for Watsonville youth and families in the Watsonville community."

This recommendation specifically outlined the following actions:

- Develop programs and services that keep youth from becoming police involved as well as stopping deeper involvement in the criminal justice system.
- Prioritize funding for Parks & Recreation services, in order to create and sustain more programs for community youth that are not affiliated with the Police Department.
- Expand youth prevention and intervention programs in the 2022-2023 budget that have demonstrated success.
- Consider the expansion of parks and recreation activities and service as a form of prevention and a support for families.
- Explore feasibility of a special sales tax measure for voters to consider on the November 2022 ballot that provides long term sustainable funding for Parks and Community Services Programs.
- Provide a fund that supports families in receiving low cost to free programming in the Parks and Recreation Department.
- Keep parks clean, well maintained and provide adequate lighting.
- Create public spaces for youth to create art.

Additional funding is needed to help maintain after-school programs, anti-gang activities, and recreation programs that keep youth and teens off the streets, out of trouble and away from drugs and gangs as these places and programs have proven to be even more critical during hard times. Sustainable funding is also needed for other services that contribute to the quality of life. Further investment is needed in other priority areas that make Watsonville a great place to live, work and play, such as road safety and conditions, maintenance of community infrastructure and facilities and Library services.

In alignment with both the Council Strategic Plan and the Ad Hoc Committee's recommendations, staff worked with Godbe Research to conduct a poll to test support of a half-cent sales tax for parks and recreation services. In February 2022, Godbe conducted a telephone and online poll of 486 likely voters for the November 2022 election. Staff and Godbe shared poll results with the Council at the meeting on April 26, 2022. This poll revealed that about 68% of voters would support such a measure.

A special tax, which would designate the specific uses for revenues, requires 2/3 approval by the voters. Godbe reported that, when adding arguments against the measure to the poll, approval dropped to 63%. Godbe noted that passing a general sales tax, which require 50%

voter approval, had a higher chance for success and could also address the community's priorities of funding for roads and libraries, as identified in the poll.

### **Funding Priorities**

The poll also tested support for various elements of a measure and features that voters would likely support. Over 20 features were tested, including creating safe places for kids, maintaining streets, improving parks and playgrounds, affordable housing, homeless and mental health services and senior and library programs. Of these features, the following ranked the highest in terms of likely voter support:

- Fix potholes and maintain streets
- Keep Watsonville Slough trails area safe and clean
- Create safe places for kids to play
- Maintain after-school and summer programs serving at-risk youth and teens to keep them safe and out of trouble
- Repair, maintain and improve aging parks, fields, playgrounds and trails
- Support senior meal programs at various locations throughout Watsonville

Based on this poll and previously collected community input data, staff estimates that revenue from this tax measure could be allocated in the following manner:

<b>Priority</b>	<b>Annual Estimated Budget</b>
Streets, roads and park renovations	\$2,500,000
Youth and teen afterschool, summer and prevention programs; programs for families and seniors	\$1,450,000
Playground and trail maintenance	\$700,000
Library programs and services	\$350,000

If the tax measure is approved by voters, the Council would adopt a budget to allocate funds to these priorities. As this is a general tax measure that will be enacted with a simple majority of the votes, all revenues will be deposited in the City's general fund. However, the Council may commit to use those funds in a way that is consistent with the feedback it receives from the community. Staff recommends that the Council adopt a resolution identifying these tested features as priority for funding should the proposed tax measure be approved by voters.

### **PROPOSED ORDINANCE**

The proposed ordinance implements a new general half-cent sales tax that creates sustainable funding for parks, recreation and other quality of life services, facilities and programs. Specifics of the measure include:

- Would not affect essential purchases, such as groceries and medicine.
- A sales tax would be paid both by residents and visitors who work or shop in Watsonville.
- Would provide locally controlled revenue to keep neighborhoods, parks and recreational facilities clean, safe and well maintained, provide youth and senior programming and other essential city services.
- Funds could not be taken by the State or County and all local sales tax dollars would stay in Watsonville.

- The measure would require fiscal accountability protections, including independent citizen oversight, mandatory financial audits, and yearly reports to the community.
- Requires periodic assessment of community needs.
- Would last until repealed by voters.

**STRATEGIC PLAN:**

- 2- Fiscal Health – Sustainable Parks Funding, Capital Planning
- 3- Infrastructure and Environment – Parks and Road Infrastructure
- 5 - Community Engagement and Well-Being – Parks Accessibility, Partnerships & Health, Services for Youth
- 6 - Public Safety – Youth Development
- 7 - Efficient and High Performing Government – Financial Management

**FINANCIAL IMPACT:**

The proposed half-cent transactions and use tax measure would generate approximately \$4-\$5 million annually to assist the City with funding parks and recreation services, quality of life services and other general government use.

The County of Santa Cruz Elections Department estimates the cost between \$2.50 - \$4.00 per voter. The City of Watsonville currently has 22,055 registered voters. Therefore, the cost could range from \$55,137.50 to \$88,220.

**ALTERNATIVE ACTION:**

The Council could elect to not order the election, or could direct staff to make changes to the ordinance. The deadline for the Council adopts a resolution placing the measure on the ballot is August 12.

**ATTACHMENTS AND/OR REFERENCES (If any):**

None.