

IMPARTIAL ANALYSIS OF MEASURE R

The City Council of the City of Rancho Cordova placed Measure R on the ballot to ask the City's voters whether to approve a one-half of one percent (0.50%) transactions and use tax. For example, the proposed tax would add 1/2¢ to the price of an item purchased for \$1, or 50¢ to the price of an item purchased for \$100.

In placing Measure R on the ballot, City staff reported on a recent survey of residents of Rancho Cordova that showed 77% are satisfied with City services. The Staff Report and accompanying documents discussed Rancho Cordova's accomplishments in infrastructure, public safety and other services, but asserted that the COVID-19 crisis, the likely recession that will follow, and potential future crises threaten the City's current and future efforts and aspirations.

Staff estimated that the proposed tax would provide approximately \$8 million to the City per year, increasing the City's ability to continue to advance community priorities, to provide relief and recover from the current crises, and to protect against unexpected future emergencies.

Measure R would not limit the use of the tax revenue; it is a "general tax," not a "special tax" that restricts the funds to any specific priorities or purposes. The City may use the funds from the tax for any legitimate governmental purposes.

Measure R would continue until repealed by a majority vote of the voters of the City, or until repealed or suspended by a majority vote of the City Council.

Measure R requires an annual audit by an independent auditor of the revenue received from the tax. The auditor's report must be presented to the Council and made available to the public. Measure R also requires the creation of a citizen committee that will report on the revenue and expenditures from the tax.

The current statewide sales tax rate is 7.25%, only a small portion of which goes directly to cities and counties. Sacramento County has an additional 0.50% tax for transportation maintenance and improvements, and Rancho Cordova has an existing 0.50% transactions and use tax, bringing the current sales tax rate in Rancho Cordova to 8.25%. If Measure R is approved Rancho Cordova's sales tax rate would increase to 8.75%.

Technically, the existing "sales tax" is a combination of "sales and use tax" and "transactions and use tax." With some exceptions, both are levied on the sale or use of tangible personal property sold at retail. Retailers collect the tax at the time of sale and remit the funds to the California Department of Tax and Fee Administration, which administers the tax. Measure R has exemptions typical of this type of tax.

Measure R would authorize a 0.50% transactions and use tax, increasing the total sales tax rate in Rancho Cordova to 8.75%. Revenue from the tax would go into the City's general fund and be available to support a full range of municipal services.

A "Yes" vote is a vote to approve a 1/2¢ sales tax. A "No" vote is a vote against the tax. Measure R would be approved if it received a simple majority of "Yes" votes.

DATED: August 5, 2020

Adam Lindgren, City Attorney of Rancho Cordova