

## **MEASURE R**

### **City of Signal Hill Financial Stability Measure**

#### **IMPARTIAL ANALYSIS**

The Signal Hill City Council placed Measure R on the ballot for the November 3, 2020, general municipal election. Measure R adds a new Chapter 3.13 to the City of Signal Hill Municipal Code, imposing a 3/4 of a cent per dollar (\$.0075) transactions and use tax (the “sales tax”) for City general fund purposes until ended by voters.

State law allows certain entities including municipalities to increase sales taxes, if approved by the voters (Proposition 218). This Measure places a tax of 3/4 of a cent upon retailers’ gross receipts from the retail sale of most tangible personal property sold within the City, and a similar excise tax upon the use of tangible personal property purchased from any retailer within the City. If the City were not to impose this tax, the County or other local taxing entities with jurisdiction in Signal Hill could instead levy such tax.

It is estimated that revenues from this tax will generate approximately \$5,000,000 annually. The City’s successful economic redevelopment program ultimately made sales taxes two-thirds of the City’s revenue but redevelopment was ended by the State in 2012. The City is a low property tax city limiting such revenue, and a utility tax was rejected by the voters in November, 2005, so the City is very dependent on sales. If passed, this Measure would raise the sales tax to the same level as Long Beach.

The Covid-19 Pandemic has seriously impacted the City’s budget with sales tax declines estimated to range from 35% in the auto industry to 50% in restaurants and hotels. The City projects revenue losses of \$2.1M in the new budget and \$600,000 in the police department alone. The projected sales tax reduction would be covered by this Measure and a buffer would be provided for other projected increases in expenses.

Funds generated by the proposed tax would be placed in the City’s general fund, are unrestricted, and may be used for any City general fund purposes, including, but not limited to:

- Street, pothole, infrastructure repair
- Clean public areas
- 9-1-1 emergency response
- Crime prevention
- Other general services

Food purchased as groceries and prescription medication will not be taxed. Visitors to Signal Hill bear the burden of sales taxes due to certain major sales tax generators in the City but residents will also be subject to the tax. The specific retail sales and uses subject to the tax would be determined under California Department of Tax and Fee Administration (“CDTFA”) regulations. The tax would be administered by the CDTFA under contract with the City of Signal Hill. The ordinance provides provisions for independent audit.

While the ordinance permits future amendments by the City Council, any actual increase in the tax must be approved by the voters. The transactions and use tax proposed by Measure R would take effect only if it receives a majority “YES” vote at the November 3, 2020, general election.

**The above statement is an impartial analysis of Measure R. If you desire a copy of the ordinance or measure, please call the elections official's office (City Clerk) at 562-989-7305 and a copy will be mailed at no cost to you.**

Dated: August 13, 2020

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David J. Aleshire, City Attorney  
City of Signal Hill