

## **Measure E - Impartial Analysis, Ballot Title, and Summary**

### **BALLOT TITLE**

City of San Diego Sales Tax.

### **BALLOT SUMMARY**

The City of San Diego (City) currently receives 1.00% (i.e., one cent per sale or use transaction) of the total 7.75% sales tax rate (Current Sales Tax) charged on transactions occurring within the City. According to the California Department of Tax and Fee Administration, the City's Current Sales Tax is tied for the fourth lowest out of the 482 individual cities in the State, and 9 of the 18 cities in San Diego County have a higher sales tax than the City.

This measure would amend the Municipal Code by adding Chapter 3, Article 2, Division 1, sections 32.0101 through 32.0120, relating to a General Transactions and Use Tax, to provide for the imposition and collection of a new one-cent transactions and use tax (i.e., a sales tax). The new tax is projected to generate approximately \$400 million of unrestricted annual revenue to the City's General Fund which can be used for infrastructure projects, core services, and general City needs.

In its Fiscal Year 2025-2029 Five-Year Capital Infrastructure Planning Outlook, the City has identified critical infrastructure maintenance and construction needs in areas such as the City's roads, sidewalks, streetlights, parks, libraries, and other facilities totaling \$9.25 billion over the next five fiscal years, which amount does not include the costs of maintaining public safety services like police, fire, and emergency services.

The City Council placed the measure on the ballot and it will pass if it is approved by a majority vote of those qualified voters who vote on the measure. The amendments would take effect after the results of the election are certified by a resolution of the City Council. If adopted, collection of the tax is expected to commence April 1, 2025.

### **CITY ATTORNEY’S IMPARTIAL ANALYSIS**

The City of San Diego (City) placed Measure E on the ballot for the voters to decide whether to amend the Municipal Code to add a one percent (1.00%) general transactions and use tax (commonly known as a “sales tax”) to the retail sales price, or one cent for an item that costs one dollar. Currently, the tax on retail sales within the City is 7.75%, of which the City receives 1.00% (i.e., one cent per transaction) directly from the State.

The City estimates that the 1.00% tax increase proposed by this measure would result in additional revenue of approximately \$400 million annually to the City until repealed by the voters. The revenues from the tax increase would supplement, not replace, existing expenditures from the City’s General Fund.

This is a “general tax,” not a “special tax,” because this measure does not legally restrict the use of tax revenue to any specific purposes. The proceeds may be used for general municipal services and all lawful public purposes including, but not limited to, providing public safety services; repairing and maintaining public infrastructure such as streets, sidewalks, and storm drains; and maintaining or improving upon the level of City services to residents.

On July 22, 2024, City Council approved the ordinance for submittal to the voters. If approved by a majority of the voters at the November 5, 2024 election, as authorized by California law, the City will levy the proposed one cent per dollar tax on the sale or use of all tangible personal property sold at retail within the City, with certain exceptions. The tax would

be collected in the same manner and at the same time as existing sales taxes. Proceeds will be deposited into the City's General Fund and subject to the same independent annual audit as other General Fund revenue. An accounting of revenues received and expenditures made from the tax will be presented annually to the City Council and made available for public review through the City's annual budgetary process.

A "Yes" vote is a vote in favor of the tax. A "No" vote is a vote against the tax. Measure E will be approved if it receives a simple majority of "Yes" votes. If this measure is approved, the current 7.75% total sales tax rate within the City will increase by 1.0% to 8.75%.

This measure was proposed by Mayor Todd Gloria and City Councilmember Raul Campillo, and the City Council voted to place it on the ballot. If approved by a majority of the qualified voters voting on the measure, the Municipal Code would be amended after the election results are certified by a resolution of the City Council. If adopted, the collection of the tax increase is expected to commence on April 1, 2025, and the measure will remain in effect until amended or repealed by the voters.