

**IMPARTIAL ANALYSIS BY COUNTY COUNSEL
MEASURE V**

California law requires voter approval of general/special taxes. The voter approval requirement is higher for special taxes than general taxes. General taxes may be used for any lawful governmental purpose. Special taxes may only be used for the purposes identified in the tax measure. General tax increases must be approved by a majority of the voters. Special tax increases must be approved by two-thirds of the voters.

The purpose of Measure "V" is to enable the voters to enact or reject an ordinance that will increase the Transient Occupancy Tax ("Hotel Tax"), the proceeds of which may only be used for general public purposes. Measure V does not authorize the funds generated as a result of the imposition of the increased rate to be restricted for any particular purpose. Measure "V" therefore involves the imposition of a general tax.

Napa County currently imposes a Hotel Tax of 10.5% upon guests of hotels, motels, and bed and breakfast inns located in Napa County but outside of any city. Measure "V", if approved, will increase that Hotel Tax rate to 12%.

If approved by the voters, the increased Hotel Tax revenues must be used for general public purposes.

A YES VOTE MEANS you want to increase the Hotel Tax by 1.5% and take related actions described above.

A NO VOTE MEANS you do not want to increase the Hotel Tax by 1.5%.

s/ Robert Westmeyer
County Counsel

The above statement is an impartial analysis of proposed Ordinance No. 04-06 (Measure "V"). If you desire a copy of the ordinance or measure, please call the elections official's office at (707) 253-4322 and a copy will be mailed at no cost to you. You can also access the full text of the ordinance on the County website at the following address: www.co.napa.ca.us/elections

**FISCAL IMPACT STATEMENT
MEASURE V**

This measure provides for an increase in the Transient Occupancy (Hotel) Tax (TOT) in the unincorporated area of Napa County. The TOT is a tax imposed upon those individuals for the privilege of occupying a room in a hotel, motel, or bed and breakfast. The tax is currently 10.5% of the room charge and is normally paid at the time the room is occupied. This ballot measure would increase the TOT from 10.5% to 12.0% effective January 1, 2005. Napa County Ordinance No. 04-06 (Ordinance) specifies that the increased TOT be treated as a general tax and be utilized for general governmental purposes.

Historically, the TOT has generated revenue for the County's General Fund as follows:

TOT History 10.5%	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
(Cash Basis)	\$5,230,900	\$5,543,100	\$4,693,500	\$4,674,400	\$4,618,700

The number of available rooms subject to the TOT in 1999-2000 was approximately 780 and remained relatively stable until 2003-2004. In 2003-2004 the number of available rooms increased to 870 due to the addition of a new facility. The fluctuation of TOT is indicative of economic trends over these past five years. The down turn beginning in 2001-2002 reflects the events of September 11, 2001 and the decrease of convention business as the result of the dot.com decline. To project future growth in the TOT is dependent upon the economic climate, room rate, occupancy rate, and the potential increase in the number of rooms subject to the tax. Using the actual revenues for the 2003-2004 year as a base year for TOT and assuming this amount had been generated based on a 12% TOT, the estimated TOT would have been approximately \$5.28 million.

The increased TOT will be placed in the County's general fund and used for general public purposes.

s/ Pamela A. Kindig
Auditor-Controller
County of Napa

ARGUMENT IN FAVOR OF MEASURE "V"

Measure "V" increases the Hotel Tax rate paid by visitors staying in hotel, motel, bed and breakfast rooms in the area of the County outside of the city limits from 10.5% to 12.0%, equal to the rate for the cities of Napa, Calistoga, St. Helena and the Town of Yountville. The increase is expected to raise approximately \$650,000 each year to be used by the County to address local public priorities. As this is a local tax, the State would not be able to directly appropriate any of these proceeds, under current state laws and regulations, should the state's financial crisis persist.

This tax is principally paid by tourists, not by the hospitality businesses. The original intent of this type of tax was to capture revenue from visitors to help pay for the impacts of their visits (emergency services, road improvements, parks, restaurant inspections, and the like). However, the revenues are treated as the proceeds of a General Tax and are not limited in their use.

As this increase will bring the rate in the areas outside of the above city limits equal to those inside city limits, it does not put these rooms at a competitive disadvantage. Rather it levels the playing field within the County.

As the State continues to take funds that had been dedicated to local service to balance its budget, it is increasingly important to capture revenues that are reserved for local use. The County discontinued many of its public partnerships (arts, parks, community services, visitor management, others) due to these budget cuts. These funds can help restore these services.

A "YES" vote on Measure "V" will benefit Napa County residents for generations to come.

s/ Mark Luce, Chair
Board of Supervisors
Napa County

**NO ARGUMENT AGAINST THIS MEASURE
WAS SUBMITTED**

