

Watsonville hikes motel tax to raise social-service funds

By JAMIE MARKS
Sentinel staff writer

WATSONVILLE — The City Council raised the motel tax 1.5 percent Tuesday night to raise more money for social service agencies, but delayed action on boosting the business license fees.

In increasing the so-called transient occupancy tax from 8 percent to 9.5 percent, the council voted to set aside half of the increased revenue for social services and to put the other half in the general fund.

Because the increase is coming midway through the year, Administrative Services Director Chuck Comstock estimated about \$10,780 would be collected. In a year, the increase would add about \$21,000 to the \$115,000 already collected through the tax on hotels and motels.

Although the council decided not to parcel out the the newly raised portion of the motel tax yet, the council went ahead and distributed approximately \$59,000 to seven agencies that help the young, old and sick.

Councilman Dennis Osmer criticized the manner in which the money was distributed.

"This is one of the most difficult tasks we face each year," Osmer said. "And it doesn't help that it is almost entirely an arbitrary decision."

But Mayor Betty Murphy replied by saying the council has set criteria in distributing the funds over the past three years.

The council traditionally hands out funding only to agencies that serve a large segment of Watsonville residents, or who have many Watsonville residents on their boards of directors.

The only objection to the tax hike came in a letter from Gerald Eidam, president of the Santa Cruz County Lodging Association, who complained that the average state motel tax is just 6.3 percent.

Watsonville's increase to 9.5 percent puts it in the same league as the city and county of Santa Cruz, pointed out Murphy. Scotts Valley charges 10 percent and Capitola, 8 percent, she said.

At the recommendation of Councilman Tony Campos, the council made the following allocations. The amount in parentheses is what the agency had requested.

Family Services Association

\$14,000 (\$15,000); YWCA Child Care Center \$24,000 (\$25,000); Youth Services \$9,000 (\$10,000); Volunteer Bureau \$6,000 (\$10,500); Pajaro Valley Children's Center \$6,000 (\$25,000); and Cabrillo College Stroke Center \$3,000 (\$3,000).

Also at Campos' request, the council deferred action on raising the business license fee until he has more time to put together a proposal. Campos has been ill, after his trip with the Watsonville Band to Australia.

Campos said his plan was "not to add more money to the city coffers but to hire someone to promote business. I'm really concerned with the 41st Avenue expansion, and the only thing I see is dropped revenue for the city of Watsonville."

But Councilman Vido Deretich said, "This is really a Chamber of Commerce thing. Let them raise their fees 10 percent."

Deretich pointed out a 10-percent increase in the business license fee would only bring in \$19,500 which, he said, "would only pay for half a person."

The city collected \$165,000 in business license fees during the fiscal year 1987-88.