

Capitola City Council

Agenda Report



Meeting: June 27, 2024

From: City Manager Department

Subject: 2024 General Municipal Election

Recommended Action: 1) Adopt a resolution ordering the 2024 General Municipal Election, requesting the Santa Cruz County Department of Elections conduct the election, and requesting consolidation of the General Municipal Election in the City of Capitola on Tuesday, November 5, 2024; and

2) Adopt a resolution submitting a ballot measure to Capitola voters to increase the City's transactions and use tax through December 31, 2034 at the General Municipal Election to be held on Tuesday, November 5, 2024, requesting consolidation by the Santa Cruz County Board of Supervisors of the election regarding said measure with the Statewide General Election to be held on the same date and that Santa Cruz County provide election services with full reimbursement by the City of Capitola, directing the City Attorney to prepare an impartial analysis, authorizing the City Council to appoint two City Council Members to an ad hoc subcommittee to submit an argument supporting the Measure, and releasing the rebuttal argument.

Background: Pursuant to Chapter 1.30 of the Capitola Municipal Code, General Municipal Elections are to be held on the same day as statewide General Elections. The 2024 General Municipal Election will be held in Capitola on November 5, 2024. At the 2024 General Election, voters will elect two members of the City Council, each for a term of four years, and vote on a City-sponsored ballot measure to repeal an existing 0.25% transactions and use ("Sales Tax") and replace it with a 0.5% Sales Tax through December 2034. An information sheet regarding the offices to be filled and the nomination procedure is included as Attachment 1.

The City of Capitola's elections have traditionally been consolidated with other Santa Cruz County local elections, and conducted by the Santa Cruz County Elections Department, at the City's request. Pursuant to Elections Code section 10403, the City Council must adopt a resolution ordering an election, requesting consolidation, and requesting the County conduct the election.

California Elections Code requires the City to publish a Notice of Election between July 1 and July 15, 2024.

History of Sales Tax Measure:

Capitola voters first approved a Temporary 5-year 0.25% (1/4 cent) Sales Tax in 2004 (Measure P) and then extended the tax through December 31, 2017, with the passage of Measure D in 2008.

In 2012, assuming the Temporary Sales Tax authorized by Measure P would expire in 2017, the City adopted a Permanent Sales Tax of 0.25%, codified in Capitola Municipal Code Chapter 3.11. This 0.25% Sales Tax is unaffected by the Proposed Sales Tax Measure.

In 2016, Capitola voters passed Measure F, extending the Temporary Sales Tax through December 31, 2027. Measure F provides funding for essential City services, including Wharf storm repair projects, and public safety operations during the pandemic. Since the passage of Measure F, the City has used Measure F funds to purchase a new Beach Loader to grade and rake beach sand to prepare it for summer usage and lagoon management, rehabilitated the flume and jetty, and is in the final stages of completing the Wharf Resiliency and Public Access Project.

As of July 1, 2024, the average sales tax rate in California is currently 8.75%. Cities in Santa Cruz County have the following sales tax rates:

Capitola	9.0%
Santa Cruz	9.75%
Watsonville	9.75%
Scotts Valley	9.75%
Unincorporated Santa Cruz County	9.50%

Capitola's current 9.0% Sales Tax rate includes the statewide rate of 7.25% plus 0.5% of Capitola-specific district taxes and 1.25% of regional district taxes (Metro, RTC, Library) . Of the total 9.0% collected, Capitola receives 1.50%.

Over the past decade, Capitola's revenues have not kept pace with the growing costs of providing and maintaining essential municipal services and facilities. It is becoming increasingly challenging to maintain the quality of City services, such as crime prevention, pothole repair, and street maintenance. Demand for services continues to increase and, despite cost-reducing measures, the City will face a structural deficit beginning in FY 2027-28 when Measure F expires. To maintain service levels for residents and visitors, additional revenue sources are needed.

Polling Results:

On November 21, 2023, the City Council authorized an Agreement with EMC Research to conduct polling with Capitola voters on potential revenue measures to be placed on the November 2024 ballot. EMC Research returned to the City Council on March 14, 2024, to present the results of the polling.

EMC Research conducted a multi-modal survey by using email, telephone, and text-to-web options from January 10-28, 2024. They conducted 206 interviews in English and Spanish by trained, professional interviewers. Overall, polling showed that a majority of voters recognize the City's need for additional funding and are willing to maintain services through taxes. The survey results show that support for a renewal of the expiring one-quarter cent sales tax is well above the threshold. The survey also identified voter priorities, such as maintaining public safety response, maintenance of roads, sidewalks, and bike lanes, continuing recreation programs for youth, and protection of the beach and the Wharf.

On April 11, City Council received an update regarding the overall projected ballot landscape for the November 2024 election and directed staff to pursue a measure to replace Measure F with a new 0.5% Sales Tax.

In order to continue to obtain community input on priorities as well as to educate the community on the City's current and projected financial condition and services, staff met with residents and community groups. In addition, staff held a joint City advisory body meeting to provide information to appointed board, committee, and commission members and City volunteers.

Working with EMC Research and the City Attorney's Office, staff prepared the following language for presentation to the voters:

To protect essential city services including public safety and emergency services; repair potholes, maintain streets, sidewalks, bike lanes, beaches, the new wharf, and recreation programs for youth; improve traffic safety; and support local businesses, shall City-of-Capitola replace its quarter-percent sales tax, approved by voters in 2016, with a one-half percent sales tax, generating an estimated \$2.2 million annually for general government use, for ten years, with independent audits, and all funds staying local?

Discussion: Revenue and Tax Code section 7285.9 authorizes the City Council to levy, increase, or extend a general Sales Tax if the ordinance proposing the tax is approved by two-thirds of all members of the Council (four affirmative votes), and the tax is then approved by a majority of voters in the City voting on the measure. The deadline to place a measure on the November 2024 ballot is August 9, 2024.

The proposed Ordinance amends Capitola Municipal Code sections 3.10.050 and 3.10.070, to increase the temporary sales tax rate from 0.25% to 0.50%. The Ordinance would also amend the sunset date to extend the Sales Tax through December 31, 2034.

The proposed increased general Sales Tax of one-half of one percent (0.50%) for a 10-year period is projected to generate an estimated \$22 million in additional revenues over the ten-year life of the proposed measure (assuming an average sales tax revenue increase of 1% per year); with the actual revenues determined by economic conditions.¹

The revenue from the proposed Sales Tax Measure would be paid in addition to the existing Sales Tax and would be collected at the same time and in the same manner as the existing Sales Tax.² All revenue generated would be dedicated to Capitola and would not be diverted to the state or other agencies. Because the proposed Sales Tax Measure is a general tax, the revenues would go into the City's General Fund and could be used for any general municipal purpose.

Under Revenue and Tax Code section 7265, if adopted by the voters, the increased Sales Tax would go into effect on the first day of the first calendar quarter commencing more than 110 days after adoption of the Ordinance. The Ordinance is considered "adopted" when the vote is declared by the City Council. (Elec. Code § 9217.)

Revenue from the proposed Sales Tax Measure would be reviewed in the following ways:

- In an annual audit, conducted by independent auditors;
- In an annual review of revenues by the City's Finance Advisory Committee; and
- In an annual review of the City's operating budget and revenues by the City Council.

Ballot Arguments: Elections Code Section 9282 allows the legislative body, any member or members of the legislative body authorized by the body, any individual voter who is eligible to vote on the measure, bona fide association of citizens, or any combination of voters and associations, to submit an argument for or against a measure placed on the ballot by the legislative body. Arguments may not exceed 300 words in length and must be submitted to the Capitola City Clerk by a deadline to be established by the Santa Cruz County Elections Department. The draft resolution authorizes the City Council to submit arguments in favor of the measure on behalf of the City Council.

¹ Pursuant to the California Revenue and Taxation Code, food items (groceries), prescriptions, certain medical devices, and other "Necessities of Life" are exempt from sales tax.

² District taxes on vehicle sales are treated differently and depend on where the vehicle will be registered, rather than where the vehicle is sold.

Pursuant to Elections Code 9285 (a)(2) the author or the majority of the authors of an argument relating to a City Measure may prepare and submit a rebuttal argument or may authorize in writing another person or persons to prepare, submit, or sign the rebuttal argument. A rebuttal argument shall not exceed 250 words. The draft resolution authorizes the release of the City Council's rebuttal argument, to allow other individuals to draft and submit a rebuttal argument.

Fiscal Impact: The Santa Cruz County Elections Department has provided the following cost estimate: \$4.50 to \$6.50 per voter per contest. The contest refers to the question being posed to the voters. The City Council seats up for election count as one contest. Capitola has approximately 6,900 registered voters. The estimate for two contests is \$62,100. The FY 2024-25 Budget has funds allocated for the election.

Staff estimates that the proposed half-cent Sales Tax would generate \$2.2 million annually. This increase is projected to generate an estimated \$24 million in additional revenues over the ten-year life of the measure (assuming an average increase in sales tax revenues of 2.5% per year); with actual revenues determined by economic conditions.

Attachments:

1. General Municipal Election Information Sheet
2. Resolution Calling the Election
3. Resolution, with proposed Ordinance Amending Municipal Code Sections 3.10.050 and 3.10.070 and Sec. 16 of Ordinance No. 880 as Exhibit A – Ballot Measure

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager

HOW TO RUN: JULY 15 - AUGUST 9

1) MEET WITH CITY CLERK:

- Schedule an appointment to learn more info and collect forms and nomination papers.

2) GET SIGNATURES:

- Collect 20 to 30 signatures of registered Capitola voters (verified by the County Clerk).

3) FILE ON TIME:

- Turn in all required forms and paperwork by August 9.



CITY HALL:

420 CAPITOLA AVENUE
CAPITOLA, CA, 95010

CONTACT:

JULIA GAUTHO, CAPITOLA CITY CLERK
JGAUTHO@CI.CAPITOLA.CA.US



831-475-7300

Call For Details



Run for
Office!

Capitola City Council Election 2024

2 SEATS UP FOR ELECTION
ON NOVEMBER 5



WHAT DOES CITY COUNCIL DO?

The purpose of the City Council is to establish local laws, establish programs, allocate funds, and provide direction through the City Manager to City staff.

Capitola City Council is composed of five council members, all of whom are directly elected by the voters in the City of Capitola to serve four-year terms. The Council appoints a mayor and vice mayor annually.

Capitola City Council generally meets twice a month. In addition, Council members may serve on other City & Countywide Boards. City Council members receive a monthly stipend.



ELIGIBILITY FOR OFFICE

You must be:

- **Capitola resident**
- **Registered voter**
- **18+ years old**

You should be:

- **Passionate**
- **Collaborative**
- **Dedicated to Capitola's future**

www.cityofcapitola.org



WHO CONDUCTS THE ELECTION?

Capitola Municipal Elections are conducted by the Santa Cruz County Clerk / Elections Office and often consolidated with State and Federal regular elections.

Capitola City Council candidates work and file papers with the Capitola City Clerk to have their name on the November 5 general election ballot.

