

City of Capitola

TOWN HALL MEETING

November 20, 2025

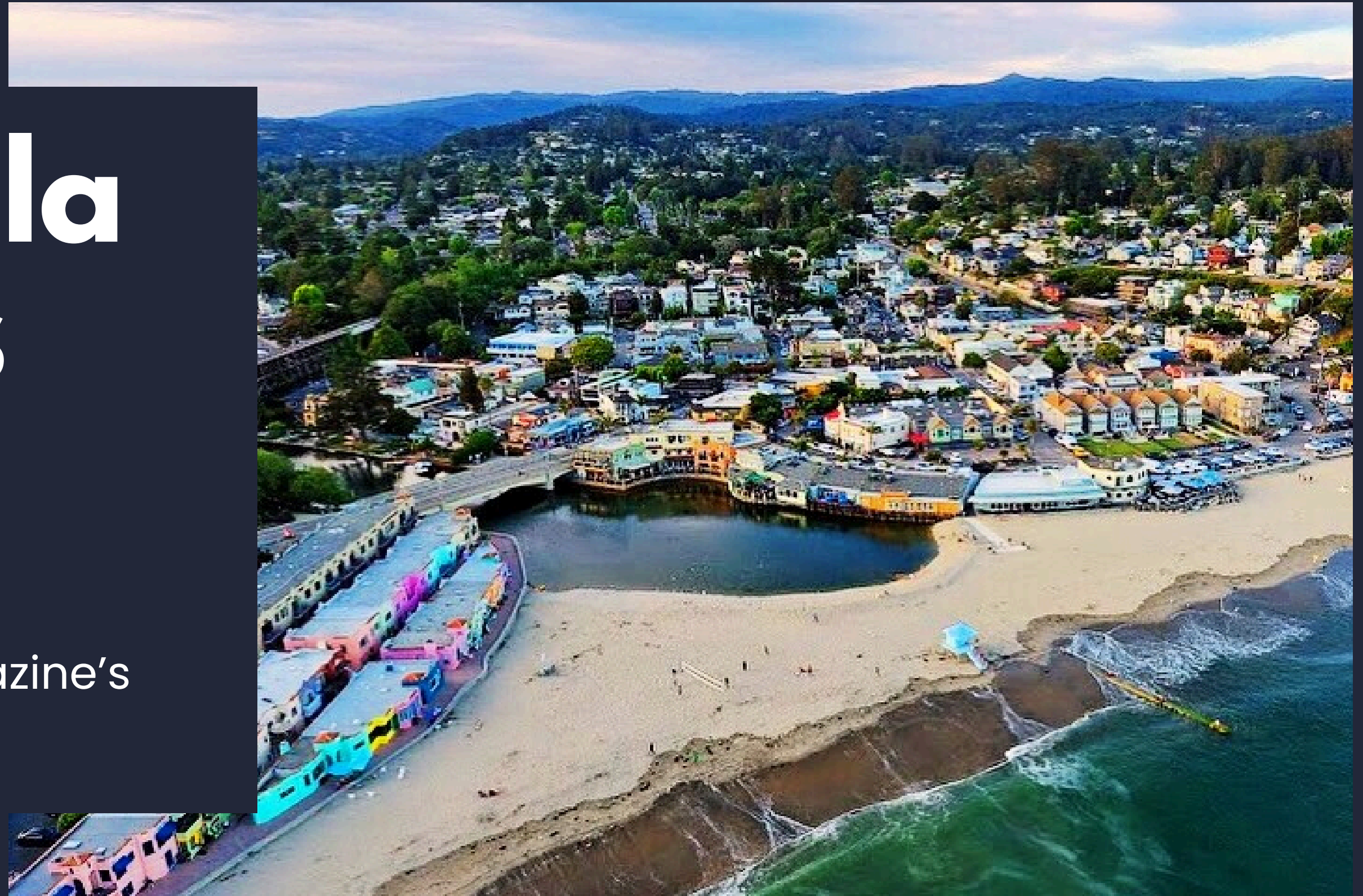


Agenda

- 1 City Overview
- 2 Capitola's Financial Outlook
- 3 Current & Upcoming Projects
- 4 How to Stay Connected

Capitola Facts

- Incorporated 1949
- 10,000 residents
- 2 square miles
- One of Sunset Magazine's *Best Beach Towns*



ABOUT THE CITY COUNCIL

- Elected representatives of the residents of the City
- Five members
- Four-year terms (limited to two consecutive)
- Mayor & Vice-Mayor appointed by body
- Set laws, policy, budget & priorities
- Provide direction via consensus in public meetings



ABOUT CITY STAFF

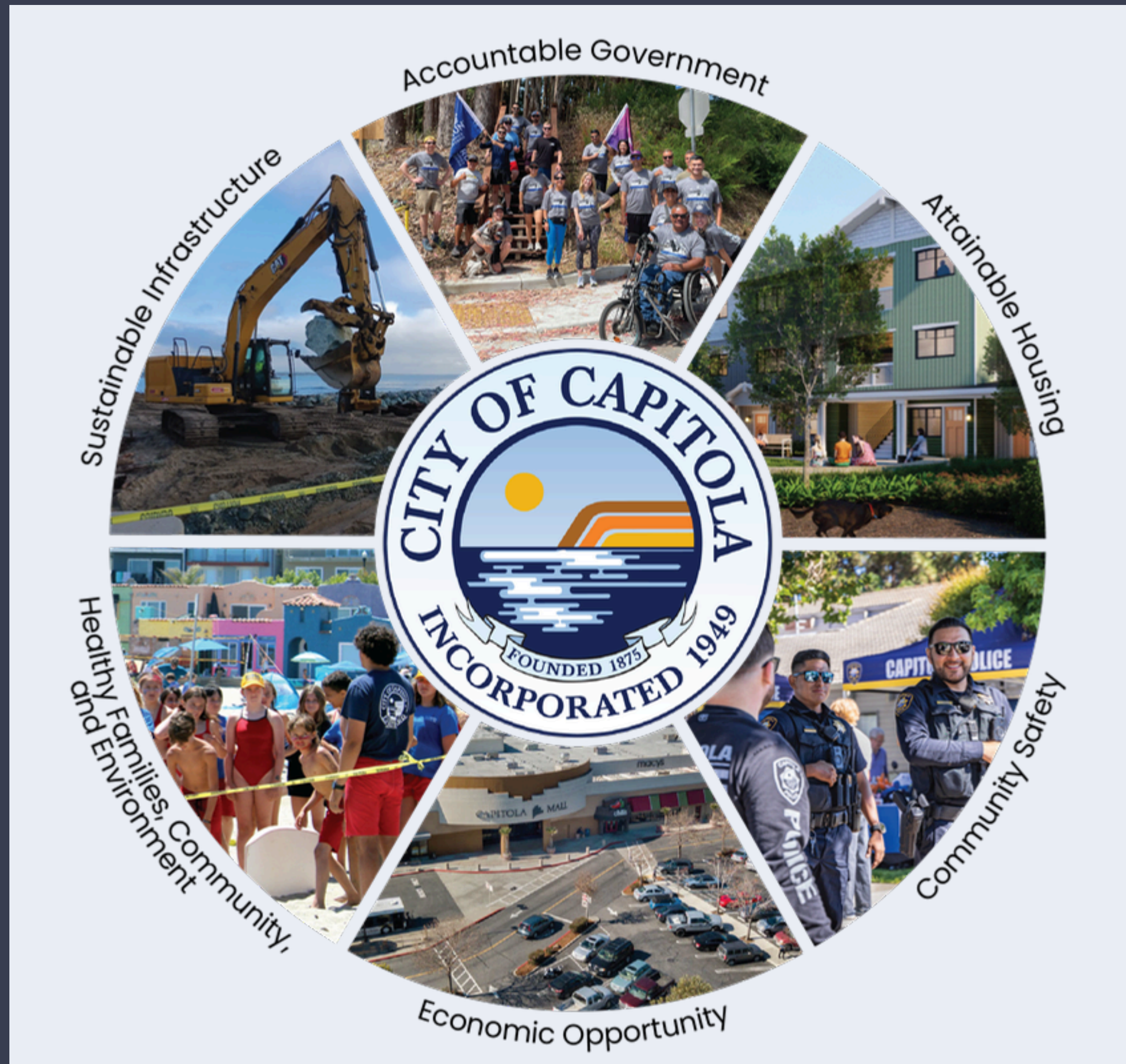
City staff:

- City Manager (CM) & Attorney hired by City Council
 - All other staff appointed by CM
- Carry out Council direction
- Administratively support initiatives, projects, and policy
- Work for residents & community



What the City Does

- City Administration
- Police & Emergency Response
- Public Works
- Building, Planning & Economic Development
- Recreation Programming
- Lifeguard Services
- Art & Cultural Events
- Historical Museum

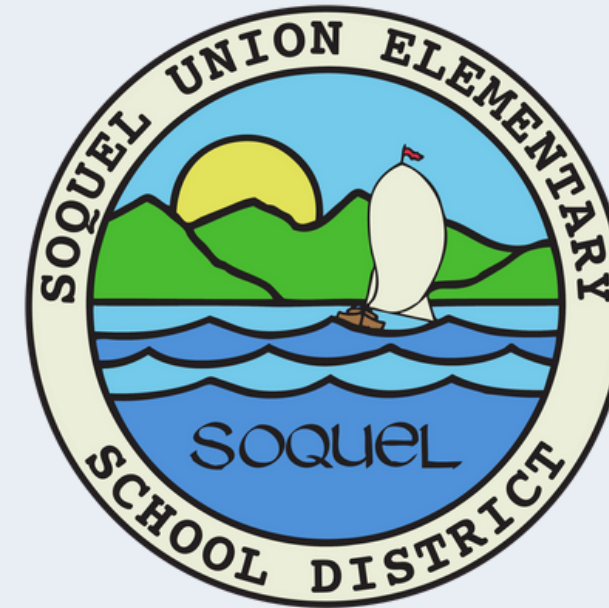
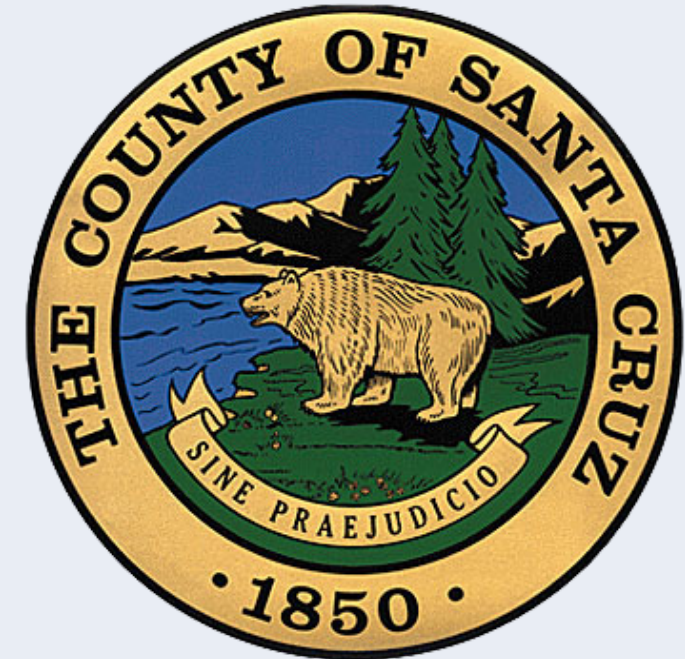


What Our Partners Do

- **Firefighting** (Central Fire)
- **Library** (SCPL)
- **K-12 Education** (SUESD, SCHSD)
- **Water** (Soquel Creek & Santa Cruz City)
- **Public Transportation** (METRO)
- **911 Emergency Dispatch** (Regional 911)



SANTA CRUZ
PUBLIC LIBRARIES



SANTA CRUZ
REGIONAL

9-1-1

SECONDS MATTER



City Finances

City government receives public funds to provide essential local services, maintain & develop public infrastructure, and create local laws through an elected city council.

Cities are not money-making ventures, and are not set up to “make a profit”.



Capitola's Annual Budget

Our 12-month operating plan

- July 1st through June 30th
- Directs City business, goals, policies & initiatives
- Prioritizes the 'big picture' and day-to-day efforts
- Discussed & adopted by City Council during public meetings
- Typically: April & May – June

~ \$23 Million Annual Budget

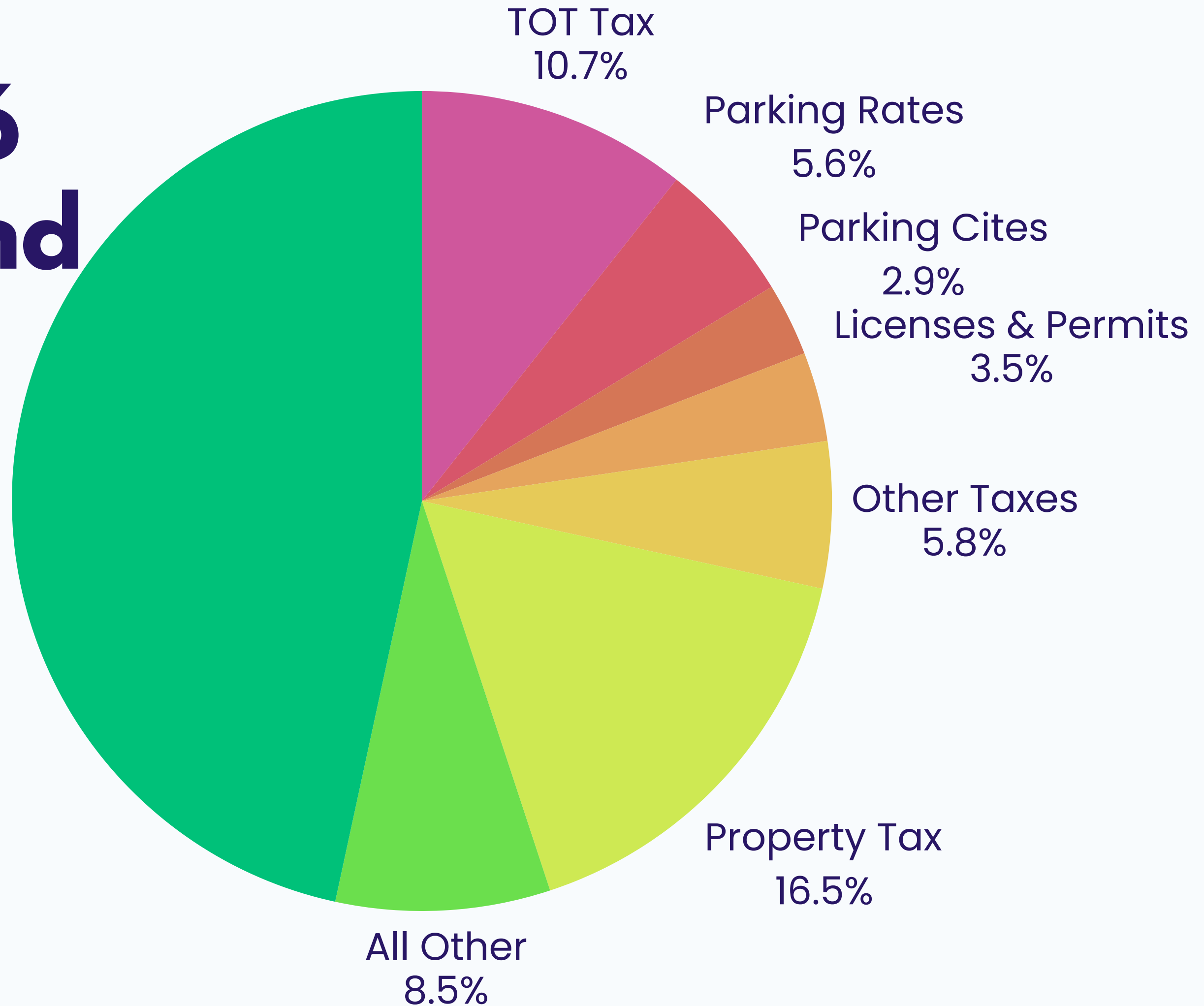


CITY REVENUE



FY 2025-26 General Fund Revenue

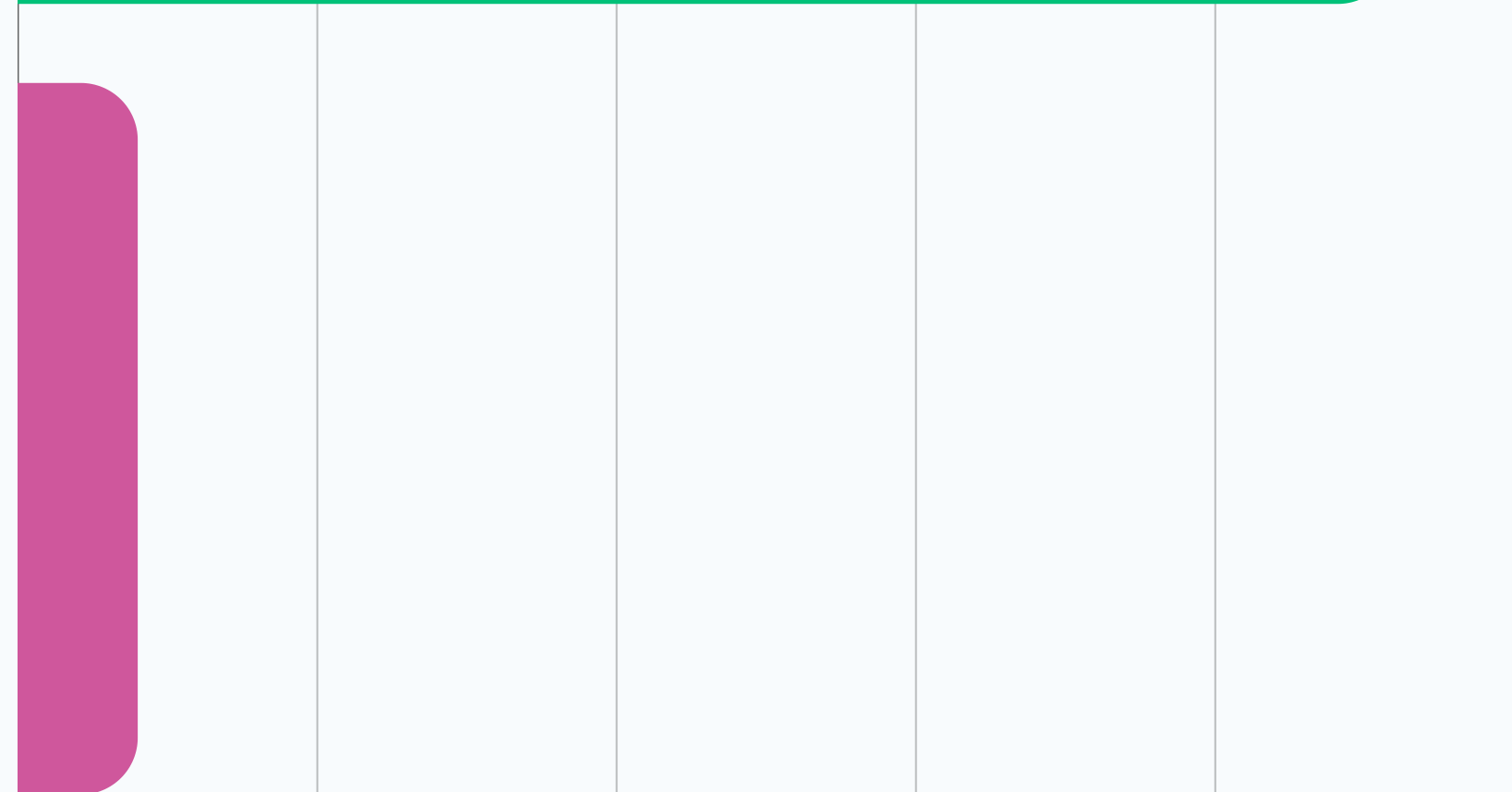
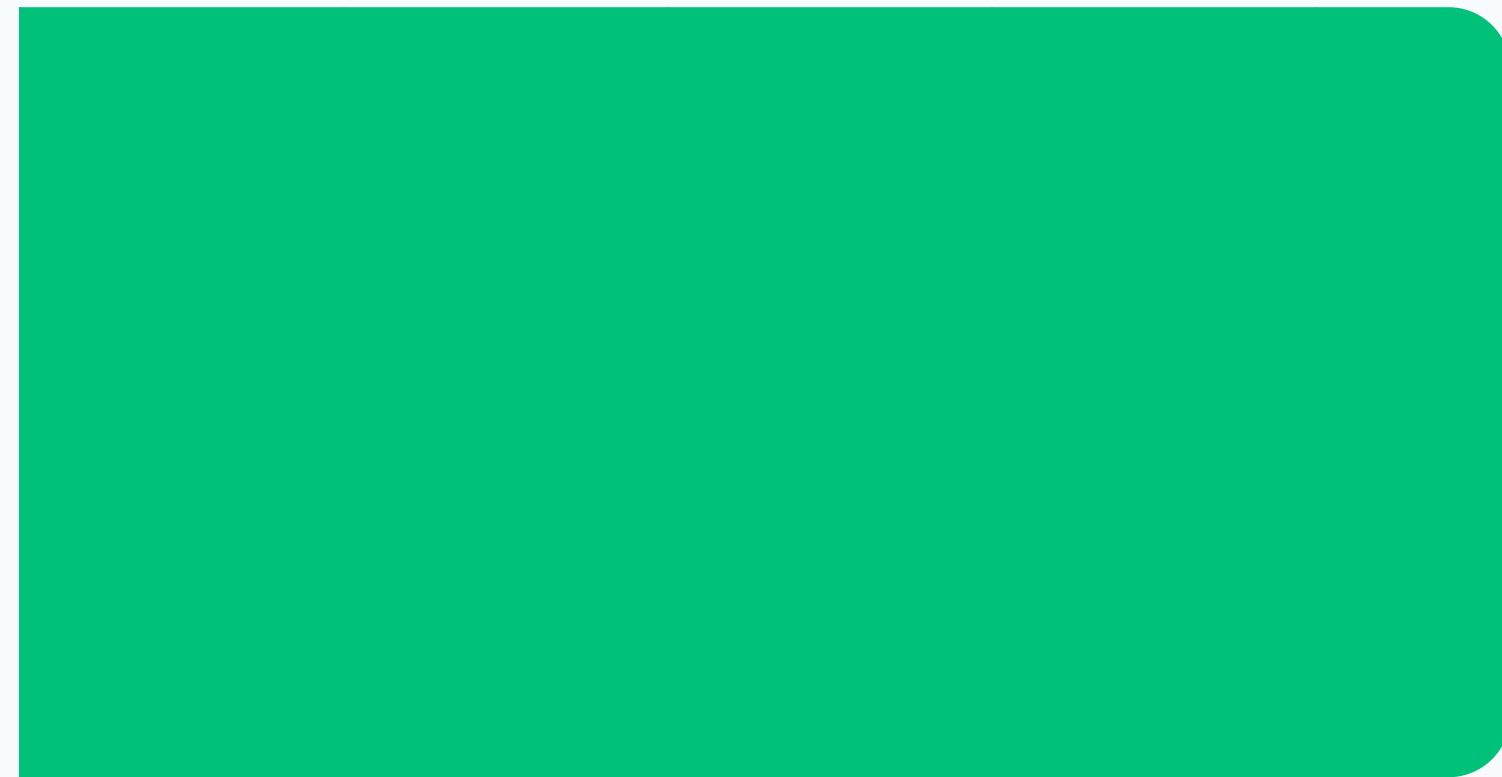
Sales Tax
46.6%



Taxes: How Much Stays in Capitola?

Sales Tax	Property Tax	Income Tax	TOT
\$60 Million generated	\$46 Million generated	\$83.6 Million generated	\$2.1 Million generated
City receives \$9.7 Million or 16%	City receives \$3.4 Million or 7.5%	City receives \$0 or none	City receives \$2.1 Million or 100%

**Total Taxes
Generated in
Capitola:
\$191.7 Million**



**Capitola
receives ~
7.9%**

So, where do your taxes go?



**State & Federal
Government**

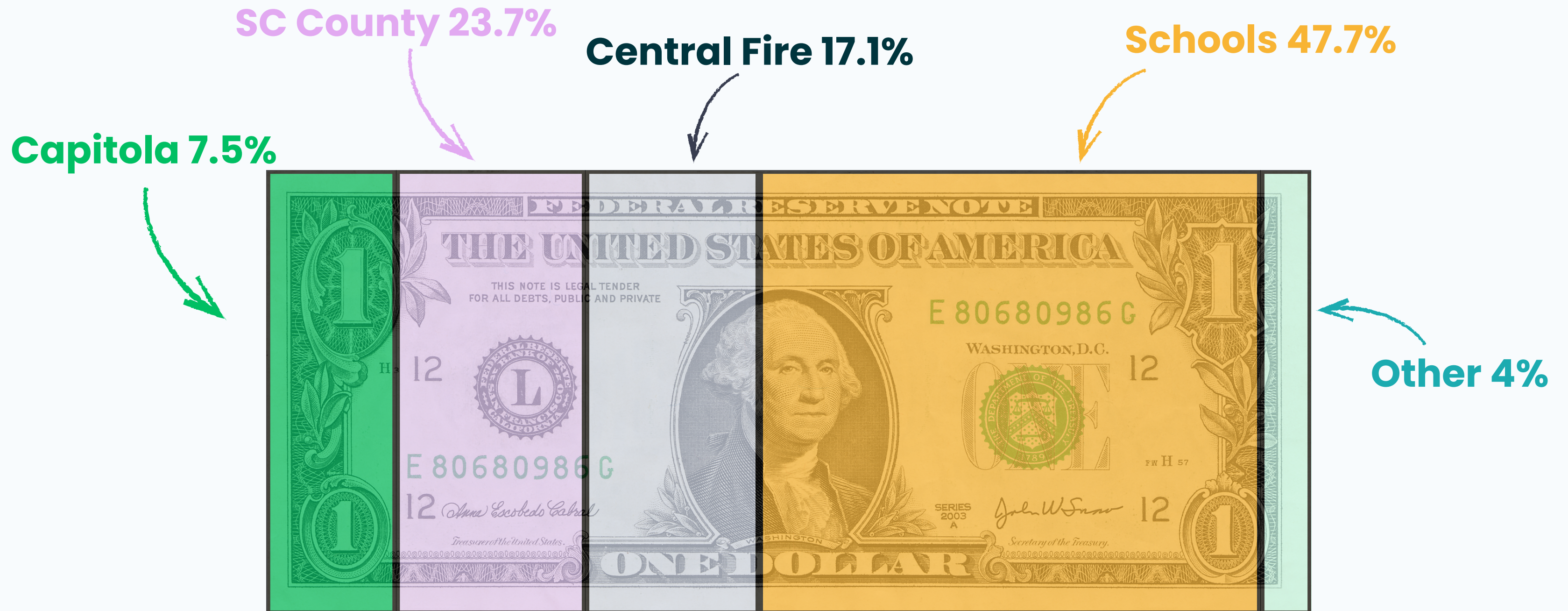


**Local K-12 Schools
Cabrillo College**

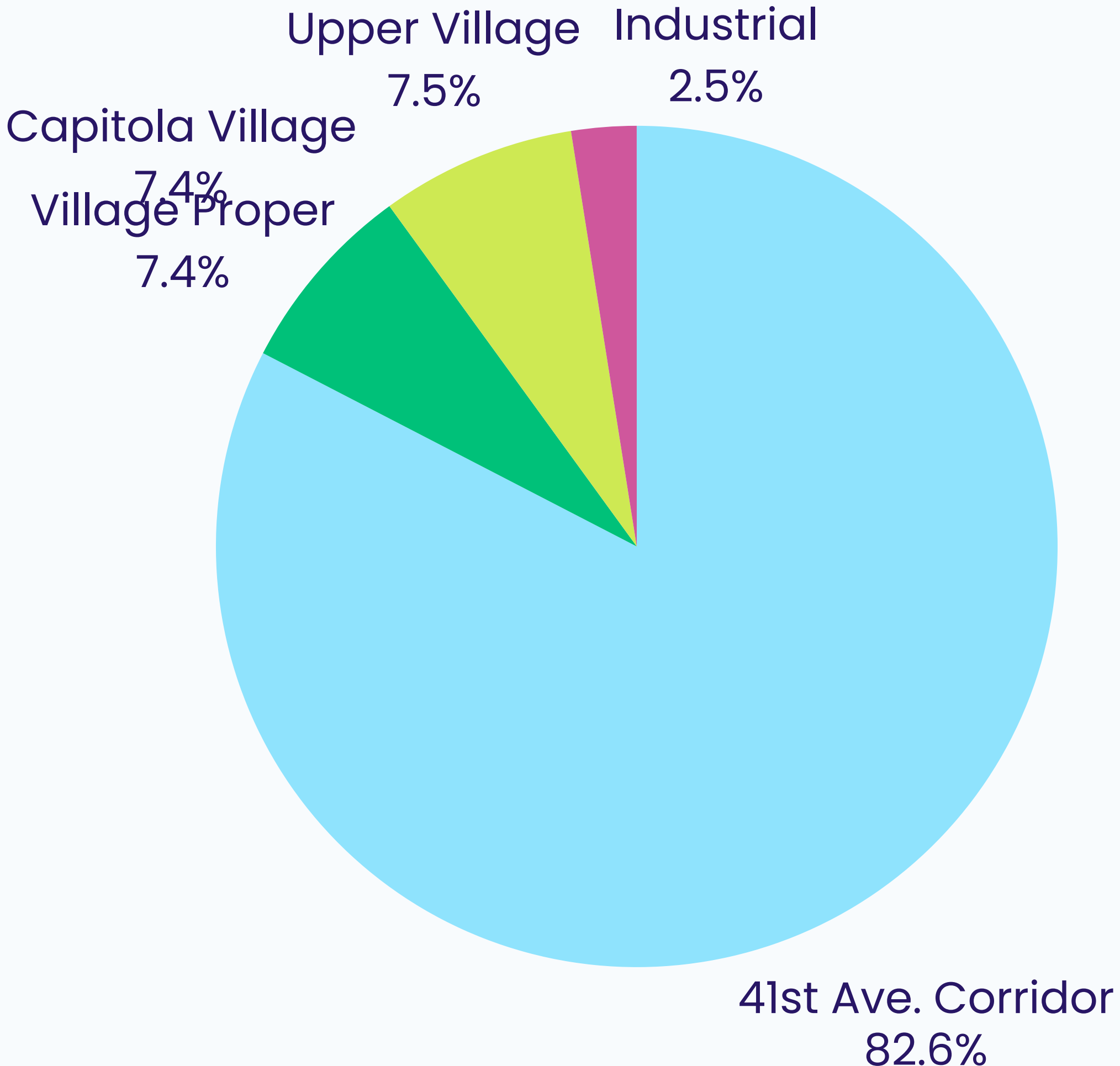


**SC County
Central Fire Protection
& Others**

Property Tax Dollar Breakdown



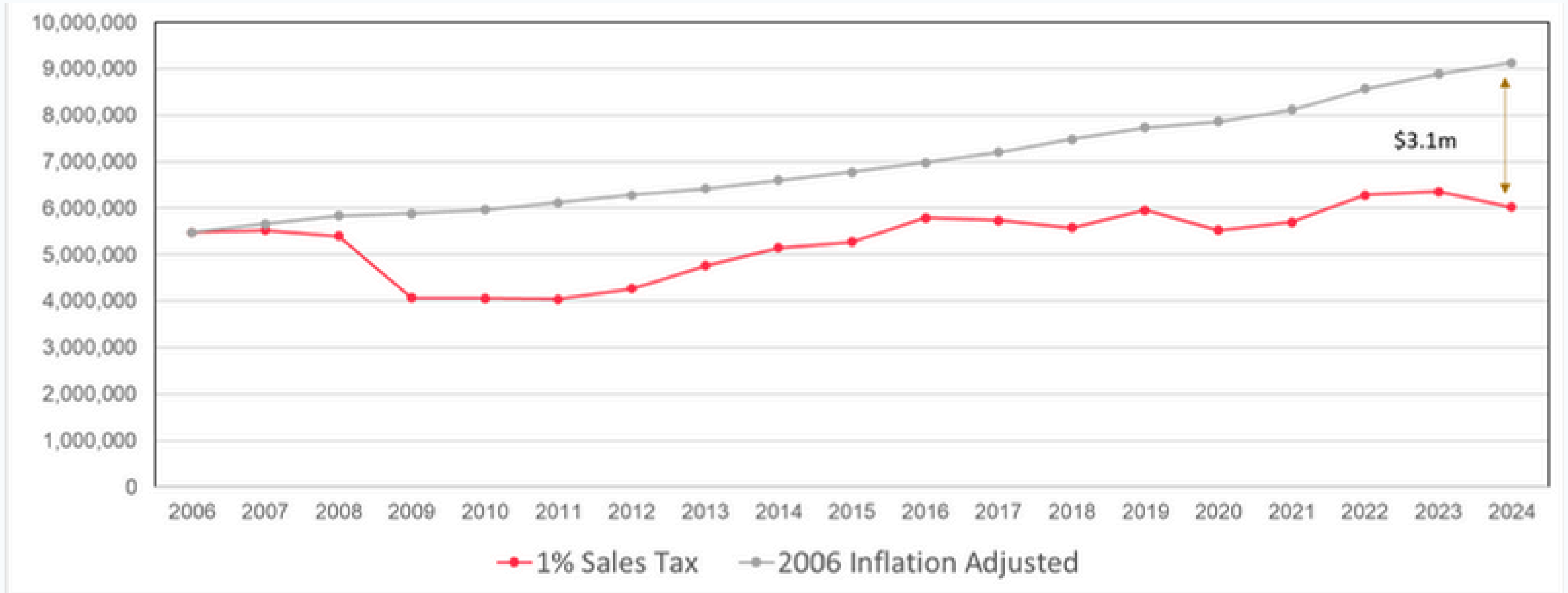
Sales Tax Revenue, by Place



- 100,000 square feet of **retail space generates \$665,000** annually, while:
- 100,000 square feet of **hotel space generates \$1.2 Million** annually

Hotels/STR: Transient Occupancy Tax is 100% retained by City

Sales Tax vs. Inflation



General vs. Special \$\$\$

1

General

2

**Special
Revenue**

General Revenue Funds

Definition

Can be used for any City expenses, independent of Department or project; includes paying employees for services.

Examples

Operations: Salaries & equipment

Capital Improvements: Capitola Wharf, Capitola Branch Library, Jetty/Flume

Traffic Safety: Traffic flow & street improvements

Emergency Response: Police & partnerships



Special Revenue Funds

Definition

Restricted to specific uses

Cannot be “re-programmed” for operations

Examples

TOT Tax: Early Childhood Youth Programming & Local Business Groups

Housing Trust Fund: Housing

Public Art Fund: Public Art development & installation

Specific Tax \$ like SB 1: Road improvements & paving, other infrastructure



Three Types of Revenue

1

Taxes

2

**Fees for
Service**

3

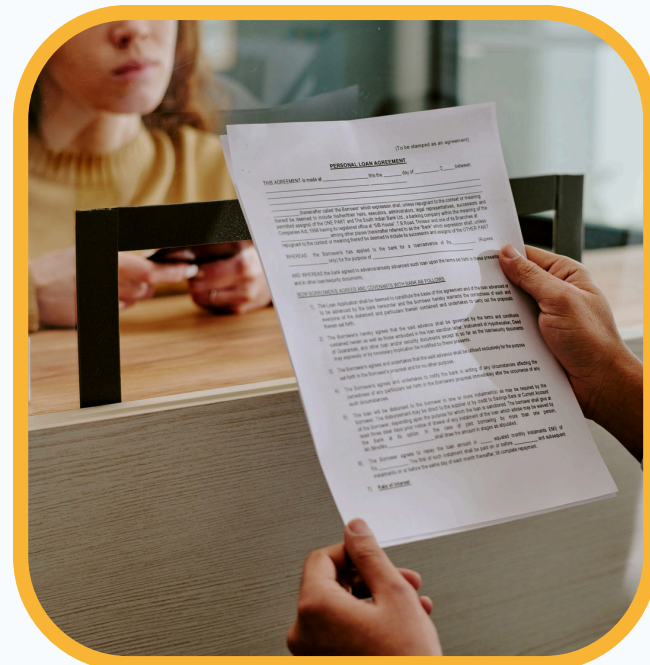
Fines



1 TAXES

- City can place tax measures on the ballot
- Must be approved by voters
 - Certain taxes require super-majority approval





2 FEES FOR SERVICE

Cost recovery, not profit

Fees are carefully calculated based on hours spent & the resources used to carry out the work charged for

Changing fees require:

- Formal Study
- Extensive public noticing





3 DISCRETIONARY CHARGES

City has ability to set costs for certain things, but must weigh public opinion and public benefit with profit potential.

Examples include:

- Paid parking rates
- City held leases
- Infractions / fines (like the cost of a parking ticket)

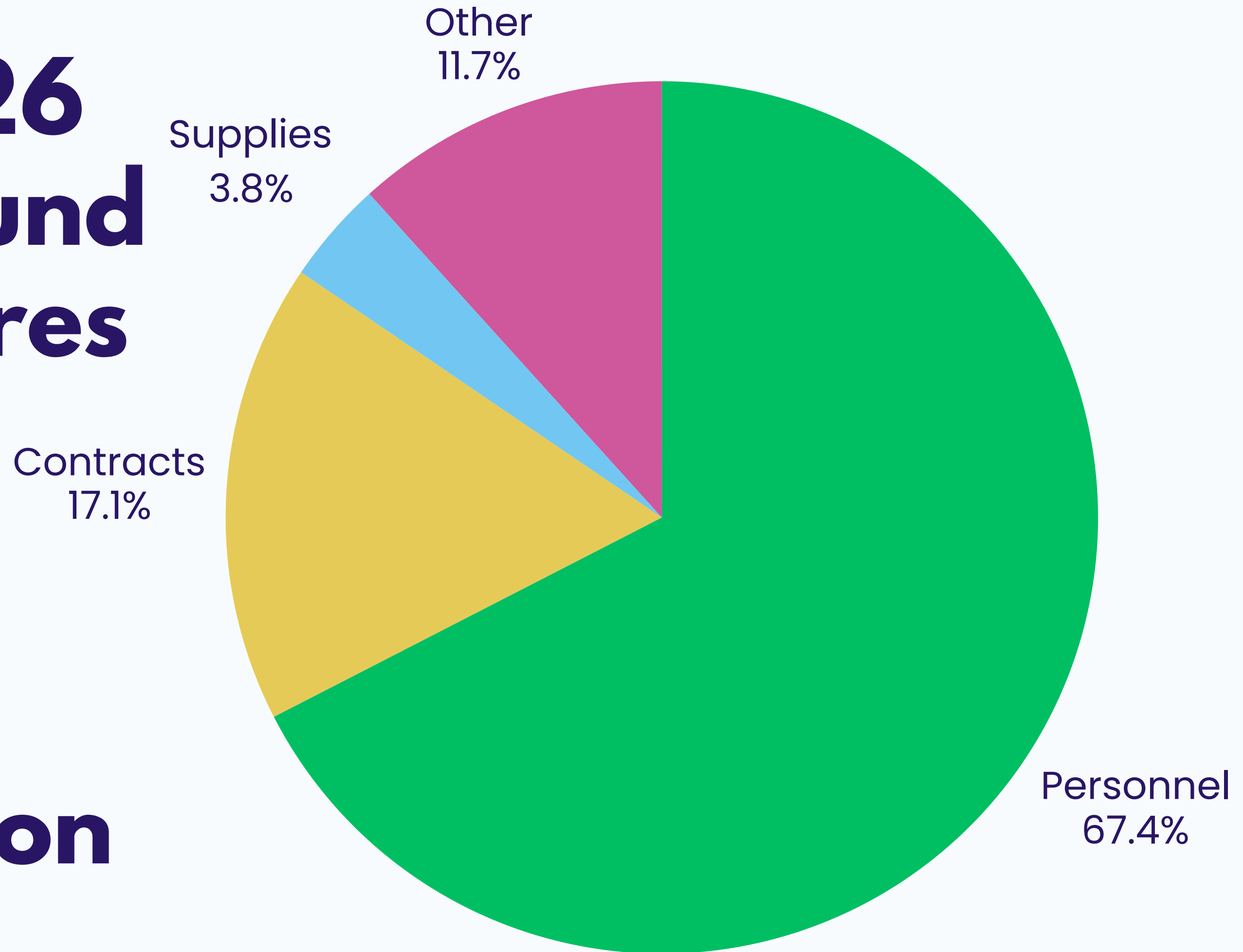


CITY EXPENDITURES



FY 2025-26 General Fund Expenditures

\$21.2 Million



FY 2025-26 Special Revenue Expenditures

\$1.7 Million

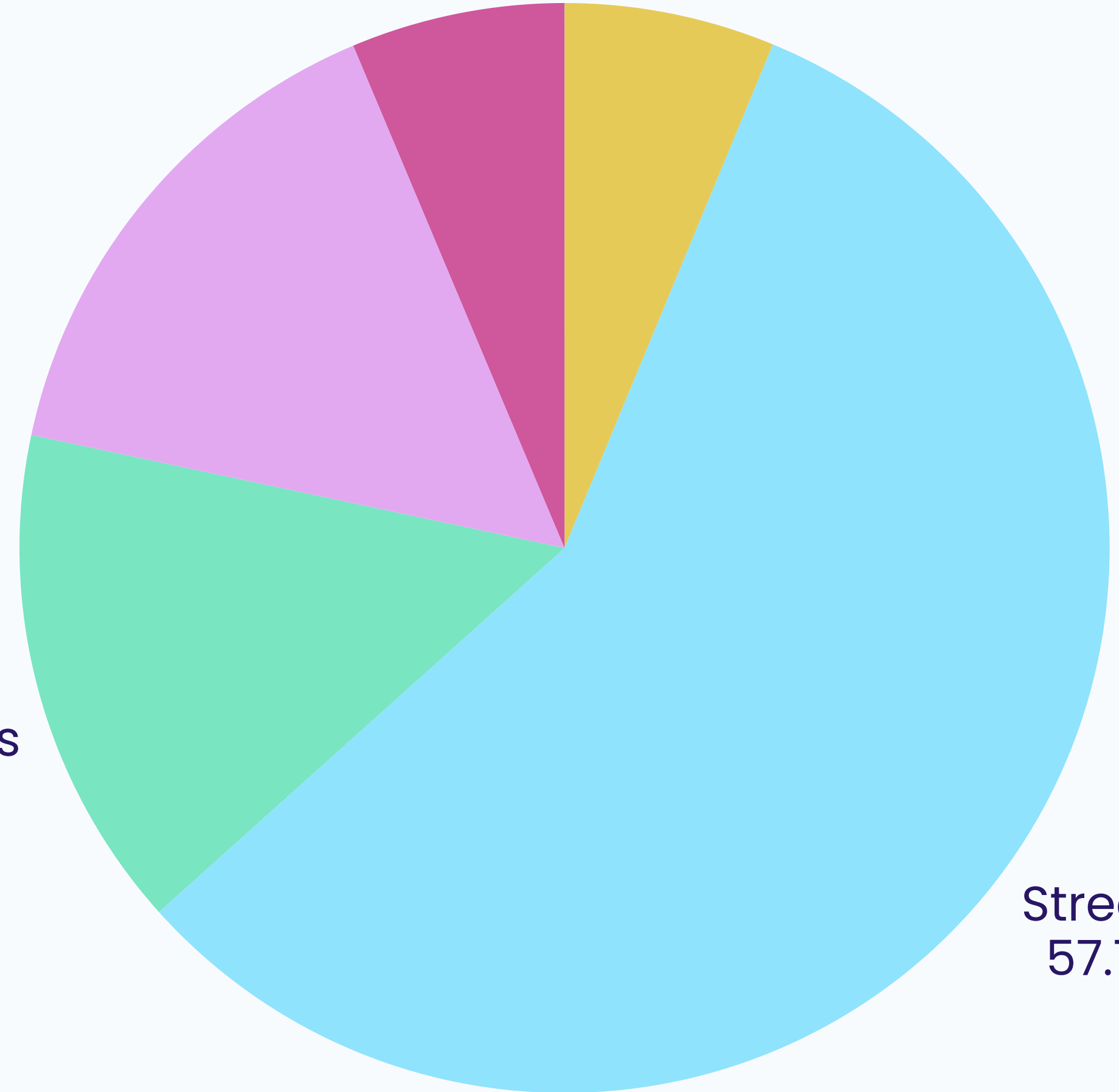
Housing & Community Resources
15.3%

Other
6.3%

Police
6.2%

ECYP & Local Business
15%

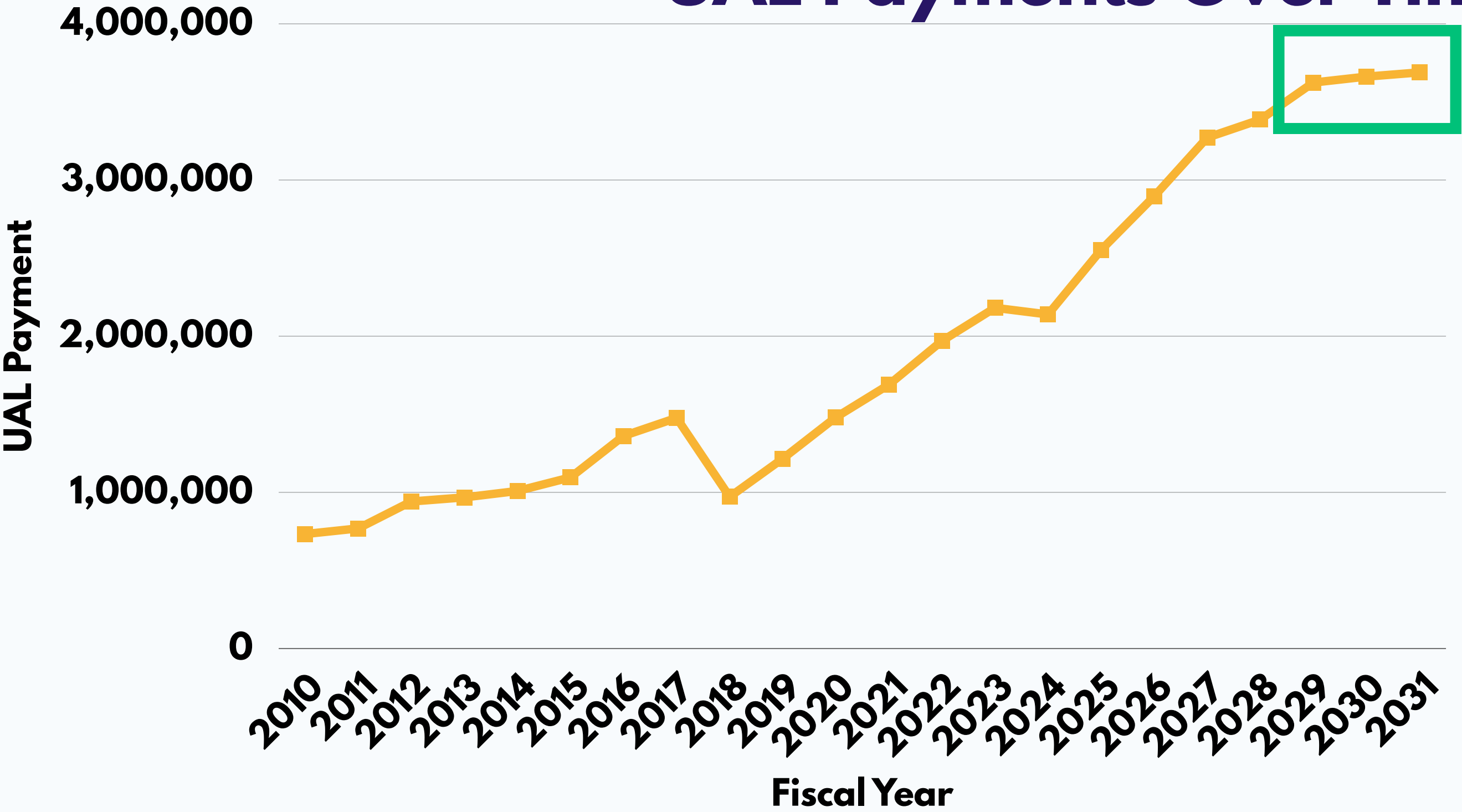
Streets
57.1%



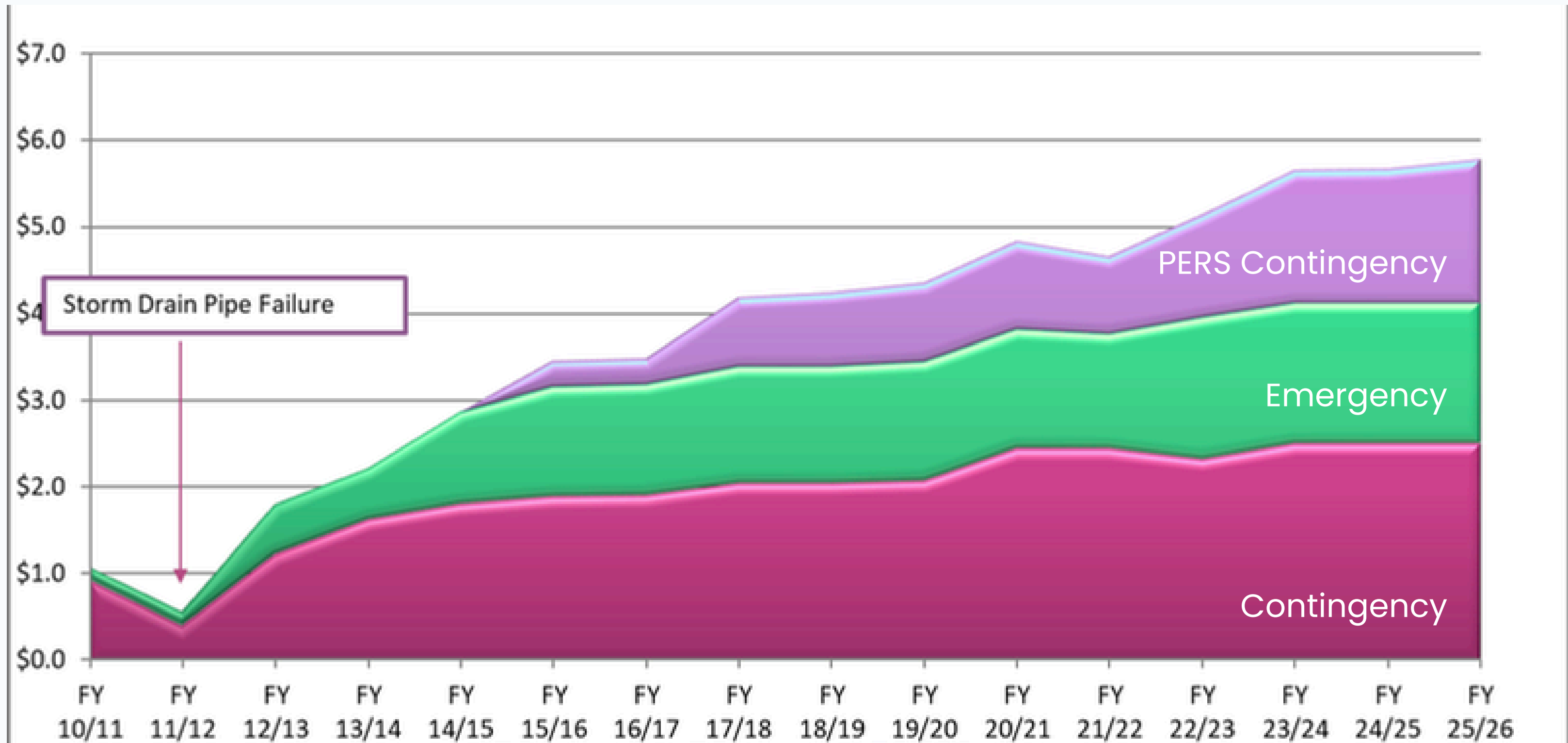
PERS Retirement Costs

Fiscal Year	UAL Payment
2010	732,212
2011	750,000
2012	941,471
2013	967,740
2014	1,008,729
2015	1,095,814
2016	1,361,407
2017	1,476,905
2018	971,353
2019	1,216,016
2020	1,480,350
2021	1,689,461
2022	1,969,574
2023	2,181,640
2024	2,139,191
2025	2,552,124
2026	2,895,386
2027	3,271,340
2028	3,387,000
2029	3,624,000
2030	3,662,000
2031	3,689,000

UAL Payments Over Time



Reserve Funds



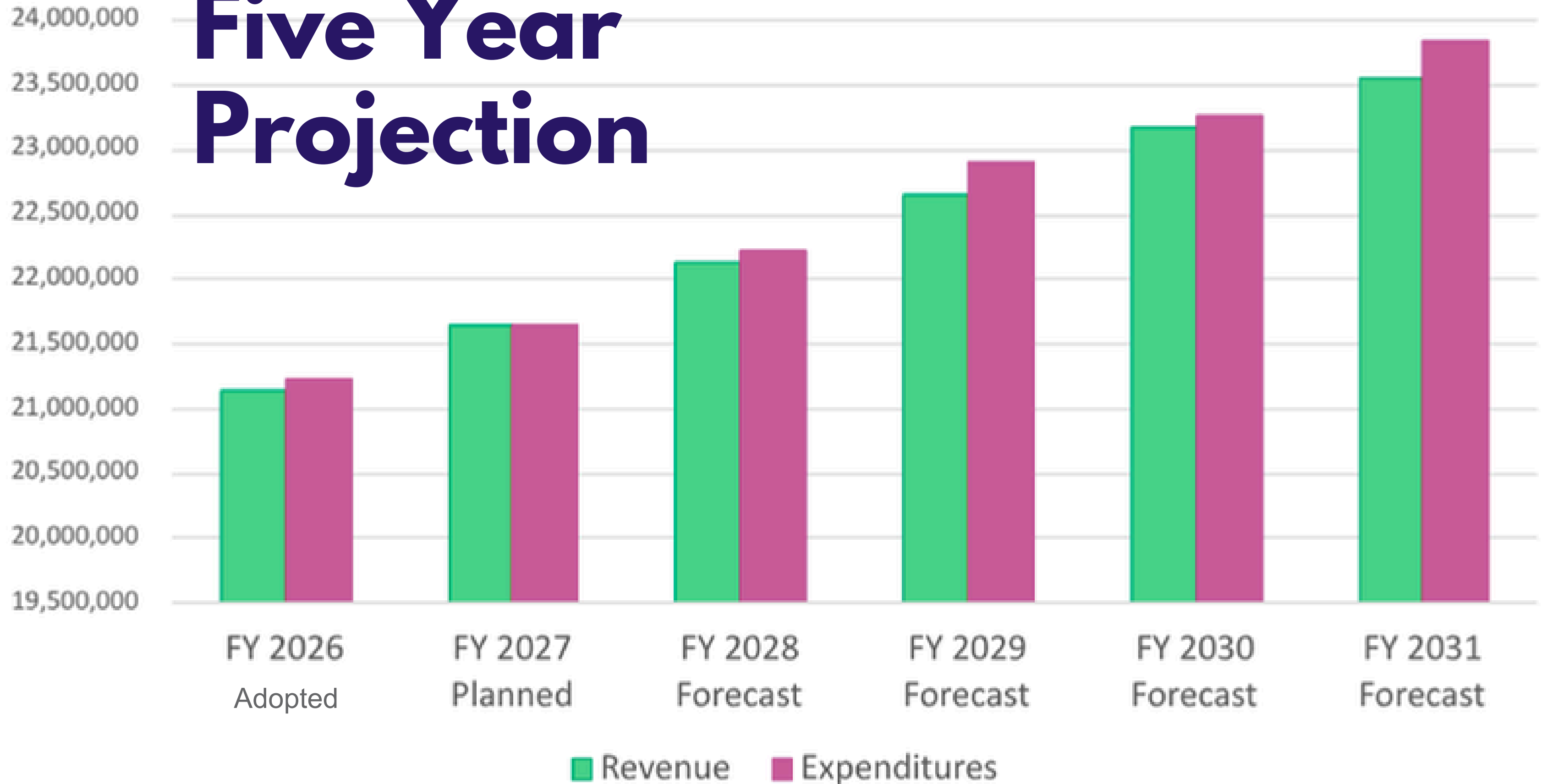
CITY OUTLOOK



Five Year Projection

	FY 2026 Proposed	FY 2027 Planned	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Revenue	21,146,818	21,638,720	22,137,329	22,652,437	23,184,674	23,547,865
Expenditures	21,229,614	21,648,345	22,214,057	22,913,410	23,258,023	23,841,235
Net Impact Fund Balance	(82,796)	(9,625)	(76,728)	(260,974)	(73,349)	(293,370)

Five Year Projection



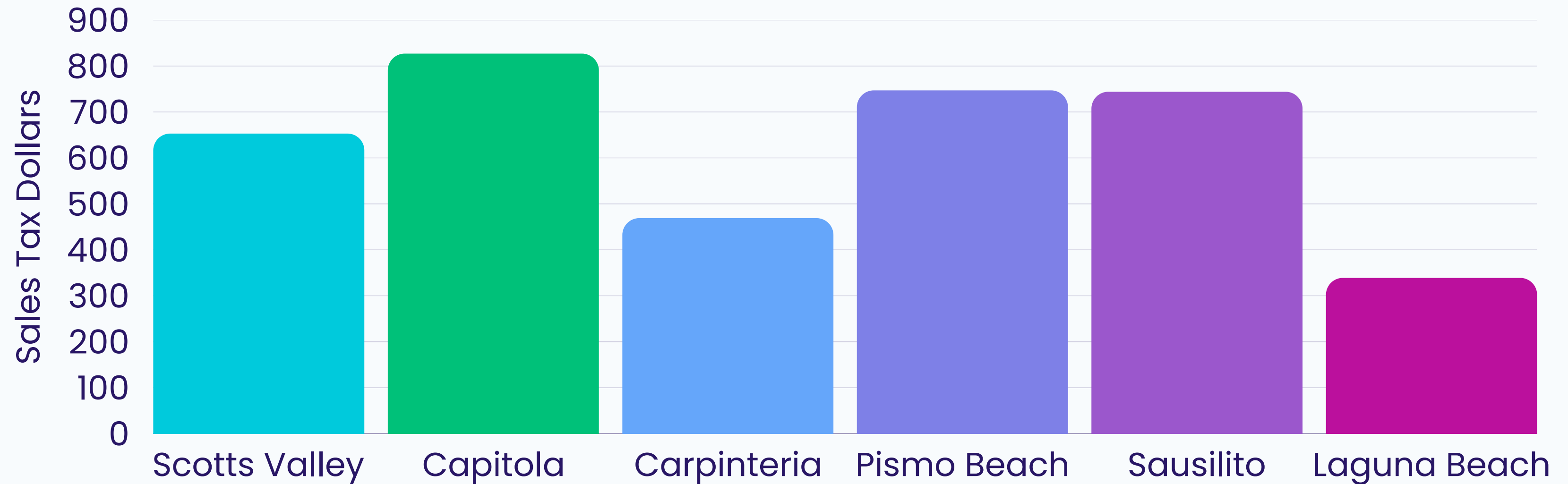
Filling the Funding Gap

Responding to UAL & Inflation

- Transient Occupancy Tax increase
- Fee Study to align charges w/ costs
- Increase to parking rates
- Cannabis tax
- ECYP grants shifted to Special Revenue
- Property tax growth is faster than inflation
- Measures O/F/Y
- Economic Development (Fairfield Hotel)
- Senate Bill 1 & Measure D
- Service adjustments (Great Recession & Pandemic)

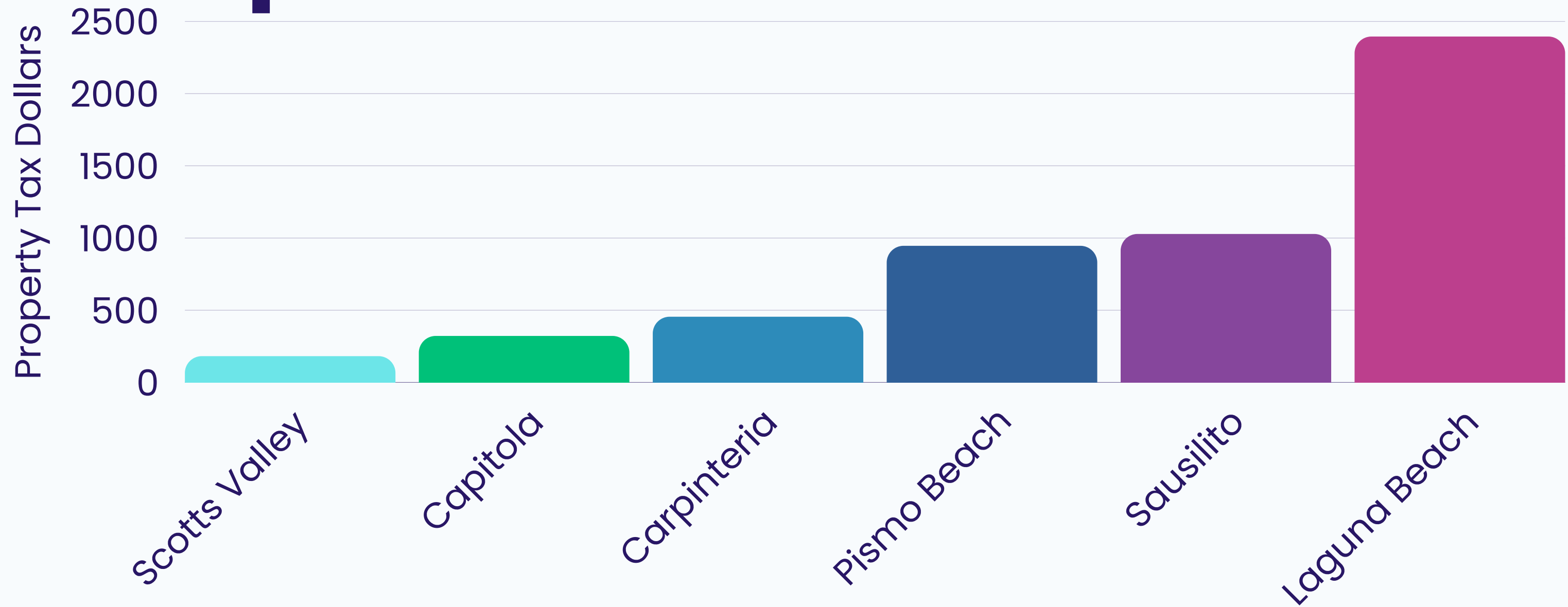


Sales Tax, Per Capita



By comparison, Carmel by-the-Sea = \$3,228

Property Tax, Per Capita



By comparison, Carmel by-the-Sea = \$2,809

The Capitola Way

Challenges & Gifts

- More Police per capita than neighbors
- High level of service
- Art & Cultural Events
- Childhood & youth programming
- State-of-the-art library branch
- Community Center, playground & Recreation for all
- Tourist & shopping destination
- Amazing place!

