

ORDINANCE NO. 1067

AN ORDINANCE OF THE CITY OF CAPITOLA AMENDING SECTIONS 3.10.050 AND 3.10.070 OF THE CAPITOLA MUNICIPAL CODE AND AMENDING SECTION 16 OF ORDINANCE 880 TO INCREASE THE TRANSACTION AND USE TAX TO 0.5% OF ONE CENT AND EXTENDING THE TERMINATION DATE OF THE TRANSACTIONS AND USE TAX THROUGH DECEMBER 31, 2034.

WHEREAS, on November 2, 2004, City of Capitola voters adopted Ordinance No. 880, imposing a one-quarter cent (0.25%) on the dollar transactions and use tax (“Sales Tax”) for general purposes, which would expire, or sunset, on June 30, 2010; and

WHEREAS, on November 4, 2008, Capitola voters adopted Ordinance No. 935, which extended the sunset date of the Sales Tax to December 31, 2017; and

WHEREAS, on November 8, 2016, the Capitola voters adopted Ordinance No. 1008, which again extended the sunset date of the Sales Tax to December 31, 2027; and

WHEREAS, proceeds generated by the Sales Tax are deposited into the City’s General Fund and support important City services such as police, fire, and paramedic services; 911 emergency response; emergency street repairs and maintenance; neighborhood park and recreation services; and

WHEREAS, the City’s budget forecast indicates a fiscal shortfall due to the impending expiration of the Sales Tax, increased pension liabilities, and the steady erosion of retail sales tax when adjusted for inflation; and

WHEREAS, as a result of this budget forecast, on April 11, 2024, the City Council directed staff to prepare a ballot measure replacing the existing one-quarter of one cent (0.25%) Sales Tax with a one-half of one cent (0.50%) Sales Tax, and further extending authority to collect the Sales Tax for another 10 years; and

WHEREAS, the City’s budget forecast anticipates budget shortfalls, which would impact the City’s ability to perform its functions and maintain the quality of life in the City of Capitola; and

WHEREAS, additional funding will help maintain the City of Capitola’s financial viability in coming years and improve the city’s local infrastructure, including repairing, paving and maintaining city streets, and maintaining city beaches, including the new Wharf infrastructure and services related thereto; and

WHEREAS, Revenue and Taxation Code Section 7285.9 authorizes the City Council for the City of Capitola to levy, increase or extend a general transactions and use tax if the ordinance proposing the tax is approved by a two-thirds vote of all members of the City Council, and the tax is approved by a simple majority (50%+1) vote of the qualified voters of the City voting in an election on the issue; and

WHEREAS, the City desires to levy an additional one-quarter of one percent (0.25%) Sales Tax for general purposes for a total Sales Tax rate of one-half of one percent (0.50%) for an additional 10 years through December 31, 2034; and

WHEREAS, the amendments proposed by this Measure do not purport to amend the provisions of Capitola Municipal Code Chapter 3.11; and

WHEREAS, if the voters do not adopt the additional 0.25% tax rate, for a total of 0.50%, the City wishes to retain the current 0.25% tax rate, until its sunset date of December 31, 2027.

NOW, THEREFORE, THE PEOPLE OF THE CITY OF CAPITOLA DO ORDAIN AS FOLLOWS:

Section 1. Findings

The People of the City of Capitola find that the above referenced recitals are true, correct, and material to the adoption of this Ordinance.

Section 2. Amend Section 3.10.050 – “Transactions tax rate” of the Capitola Municipal Code.

Section 3.10.050 of the Capitola Municipal Code is amended as indicated below, with amended text shown in underlined text, and deleted text shown in ~~strikeout~~ text.

Section 3.10.050 Transactions tax rate.

For the privilege of selling tangible personal property at retail, a tax is imposed upon all retailers in the incorporated territory of the city at the rate of ~~one-quarter~~ one-half of one percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the territory on and after the operative date of the ordinance codified in this chapter.

Section 3. Amend Section 3.10.070 – “Use tax rate” of the Capitola Municipal Code. Section 3.10.070 of the Capitola Municipal Code is amended as indicated below, with amended text shown in underlined text, and deleted text shown in ~~strikeout~~ text.

Section 3.10.070 Use tax rate.

An excise tax is imposed on the storage, use or other consumption in the city of tangible personal property purchased from any retailer on and after the operative date of the ordinance codified in this chapter for storage, use or other consumption in the territory at the rate of ~~one-quarter~~ one-half of one percent of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

Section 4. Amendment of Ordinance 880 (uncodified). Section 16 of Ordinance 880, as amended by Ordinance Nos. 935 and 1008, is hereby amended to read as follows:

“Section 16. Termination Date. The authority to levy the tax imposed by this ordinance shall expire December 31, 2034.”

Section 5. Operative Date.

"Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance.

Section 6. Voter Approval.

This ordinance shall be submitted to the voters at an election to be held on November 5, 2024.

Upon approval by a majority of the voters of the City voting on this ordinance, a Transactions and Use Tax shall be authorized.

Section 7. Severability.

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 8. Effective Date.

This Ordinance shall take effect ten (10) days after the certification by the City Council of the election returns indicating passage of the Ordinance by a majority of voters casting votes in the election.

Section 9. Codification. Sections 2 and 3 of this ordinance shall be codified in the Capitola Municipal Code.

Section 10. CEQA. For purposes of the California Environmental Quality Act (Public Resources Code Section 21000, et seq.), a “project” is defined in State CEQA Guidelines Section 15378 (a) as “the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment”. The people of the Capitola hereby find that the proposed Ordinance will not result in any change in the environment and thus is not a project subject to the requirements of CEQA. Additionally, the proposed Ordinance involves the creation of a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment and thus the proposed Ordinance is not a project subject to the requirements of CEQA pursuant to CEQA Guidelines Section 15378 (b)(4). Further, even if the adoption of this Ordinance was deemed to be a project subject to CEQA, the people of the City of Watsonville find the proposed Ordinance is exempt from CEQA under the common sense exemption set forth in Section 15061(b)(3), which provides that CEQA only applies to projects which have the potential for causing a significant effect on the environment, and thus where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

APPROVED by the following vote of the People of the City of Capitola on November 5, 2024:

3535 YES 1704 NO 5811 TOTAL VOTES

RESULTS DECLARED by the City Council of the City of Capitola on December 12, 2024.

SO ORDERED

ATTEST

Kristen Brown, Mayor

Julia Gautho, City Clerk

Dated: _____