

Capitola City Council

Agenda Report



Meeting: December 12, 2024
From: City Manager's Department
Subject: Interest Rate for Tenant's Security Deposits

Recommended Action: Adopt a resolution setting the interest rate for tenant's security deposits for 2025 at zero percent (0%).

Background: The City Council adopted Ordinance No. 804 on February 12, 1998, adding Chapter 5.48 to the Municipal Code requiring interest on security deposits for residential rental properties. Resolution No. 2948 set the interest rate for 1998 at 2%, which became effective March 14, 1998.

It was the City Council's practice to set its interest rate for tenant security deposits consistent with the amount set by the Board of Supervisors of Santa Cruz County. However, starting in 2011 after the County set the rate at an extremely low level, the City Council determined the administrative burden of computing interest rates of around 0.01% were not worth the minor benefit to renters. For example, 0.01% interest on a \$3,000 security deposit would total 30 cents a year. Therefore, the City's interest rate has been set at 0% since January 2011. A history of interest rates since adoption of the implementing Ordinance is included with this report as Attachment 1.

Discussion: Pursuant to Municipal Code Section 5.48.025, "*On or before December 31 of each year, the City Council shall set the minimum interest rate (for tenant security deposits) for the next calendar year,*" the City Council reviews the interest rate and adopts a resolution setting the rate for the next year.

The City's Finance Director has completed a survey of annual simple interest rates on passbook savings accounts among the largest banks finding that the average interest rate is 0.01%. In accordance with this action, the Capitola Municipal Code, and past practice, staff recommends adoption of an interest rate of 0%.

Upon adoption of the proposed resolution, staff will publish a notice (Attachment 3) in the Santa Cruz Sentinel and share information regarding the interest rate on our City website and social media pages.

Fiscal Impact: There is no fiscal impact to the City related to this item.

Attachments:

1. Historical Interest Rates
2. Proposed Resolution
3. Notice

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Jim Malberg, Finance Director

Approved By: Jamie Goldstein, City Manager