

Measure Y Sales Tax Update

City Council

Feb. 12, 2026

Background

Approved Nov 2024

- 67.5% approval

Replaced Measure F (one-quarter percent sales tax)

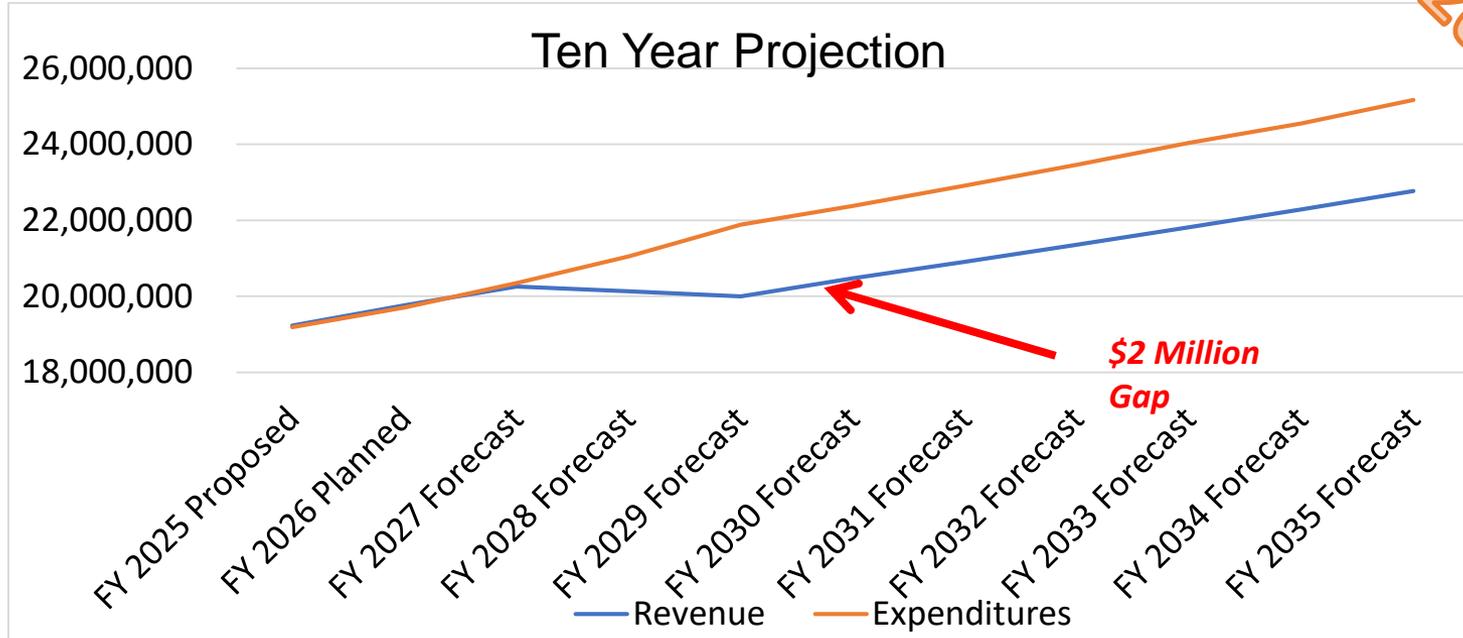
- \$1.1 million annually
- Sunset Dec. 31, 2027

Effective Apr 1, 2025 (one-half percent sales tax)

- Additional \$1.1 million annually
- Sunset Dec. 31, 2035

Budget Forecast

Presented
Aug 2024



	FY 2025 Proposed	FY 2026 Planned	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast
Revenue	19,229,066	19,761,838	20,257,304	20,134,596	19,997,928	20,477,768
Expenditures	19,185,566	19,708,435	20,353,218	21,051,107	21,889,456	22,376,566
Net Impact Fund Balance	43,500	53,403	(95,914)	(916,512)	(1,891,528)	(1,898,798)

Presented
Aug 2024

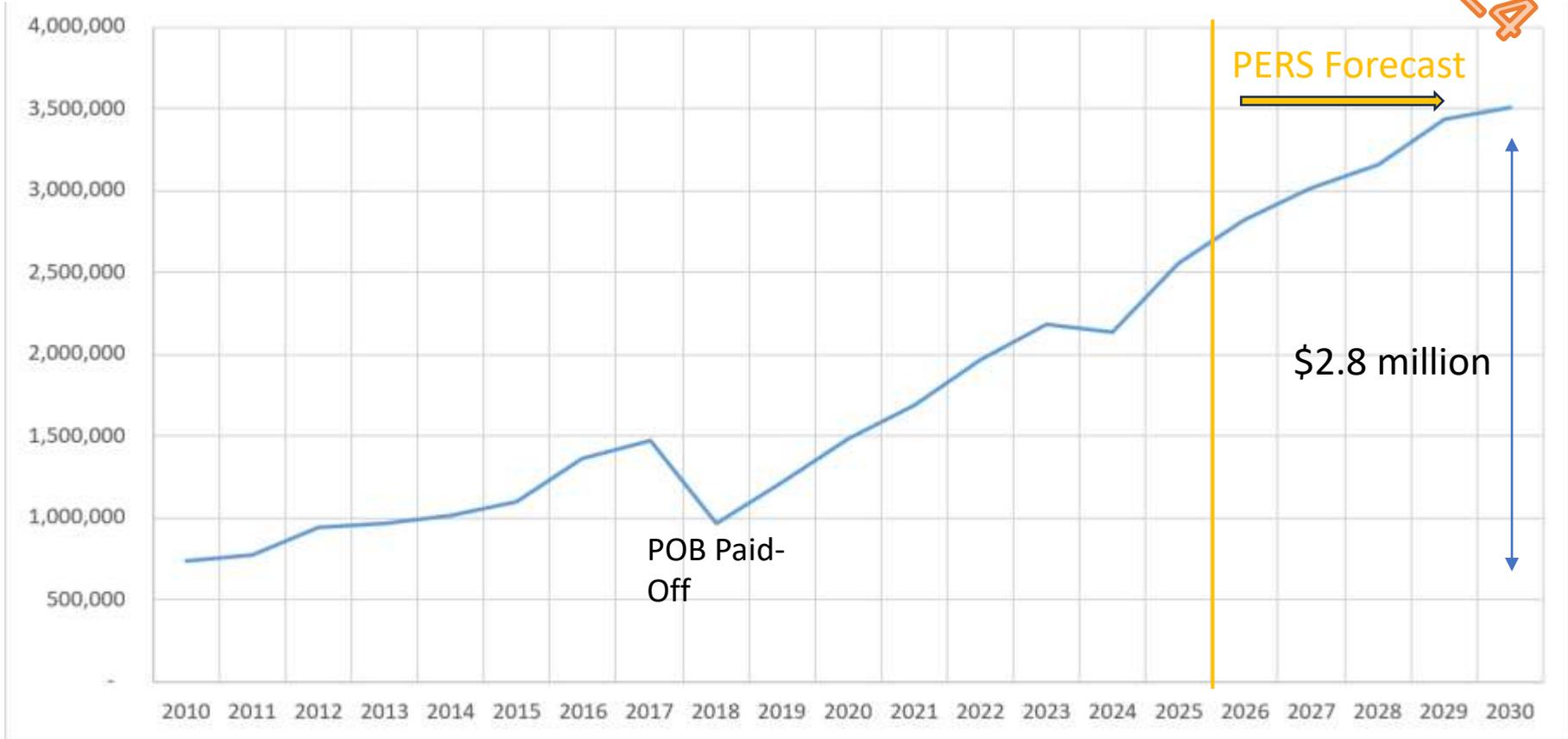
What was Driving Budget Shortfalls?

- Measure F expiring 2027
- Rising pension costs
- Sales tax not keeping up with inflation



Presented
Aug 2024

PERS Retirement Costs



Today 2030 PERS UAL payment is forecasted to be \$3.6 million

Presented
Aug 2024



Today Sales Tax gap is \$3.1 million

Presented
Aug 2024

Based on Polling, New Measure to Support

Majority of voters recognize the City's need for additional funding → willing to maintain services through taxes

Top priorities for voters:

- Public safety response
- Roads, sidewalks, and bike lanes
- Beach and new Wharf
- Youth recreation programs
- Support for small businesses

Presented
Aug 2024

Why a Sales Tax?



Projected fiscal challenges



Measure F will expire in 2027



Previous support for tax measures **high**



Less than **1/3** of **all sales tax paid** by City residents



Sales tax is a way to balance tax between **visitors and residents**

Presented
Aug 2024

Why a Sales Tax?

Beginning July 1, 2024, sales tax rates in the County were:

- Capitola: 9.00%
- Santa Cruz: 9.75%
- Watsonville: 9.75%
- Scotts Valley: 9.75%
- Unincorporated Santa Cruz County: 9.50%

General fund tax to pay for essential City services and infrastructure needs

Presented
Aug 2024

General Revenue = Services for the Community

- Public Safety & Community Policing
- Capitola Beach, Roads & Parks
- Newly Rebuilt Capitola Wharf
- Recreation & Youth Programming



Voter Information

“The proposed 0.5% sales tax will help Capitola sustain vital services. Services such as providing for our police and workforce, enhancing public safety and maintaining our beautiful parks, beaches and wharf, and improving our streets, infrastructure, and recreation programs. This measure is also crucial for securing nearly \$8 million in federal funding to stabilize Cliff Drive against coastal erosion”

Argument for Measure Y	Argument against Measure Y
<p>In 2016, Capitola voters overwhelmingly approved Measure F, a 10-year 0.25% sales tax to revitalize our ocean-front infrastructure, including the flume, jetty, and iconic Capitola wharf. We're pleased to report that though careful planning, these projects, including the impressive \$11 million renovation of the wharf, have been completed ahead of schedule.</p> <p>Now, the City proposes an early repeal of Measure Y, to be replaced by a new 0.5% sales tax initiative to secure Capitola's financial future. This new measure addresses financial challenges due to inflation and the expiration of Measure F in 2027. With this step, the City can avoid a likely deficit in the next few years.</p> <p>The proposed 0.5% sales tax will help Capitola sustain vital services. Services such as providing for our police and workforce, enhancing public safety and maintaining our beautiful parks, beaches and wharf, and improving our streets, infrastructure, and recreation programs. This measure is also crucial for securing nearly \$8 million in federal funding to stabilize Cliff Drive against coastal erosion.</p> <p>After careful consideration, the City Council determined that a sales tax is the fairest way to address our budget challenges. Both visitors and residents contribute to our local economy, sharing the responsibility of maintaining our community's well-being. Importantly, City Staff estimates that less than one-third of Capitola's sales tax revenue is paid by residents; the vast majority is paid by visitors.</p> <p>Even with this new measure, Capitola will maintain the lowest tax rate in the County, staying 0.5% below other cities' rates. Capitola is a special community that we cherish. Let's ensure it remains vibrant and sustainable for future generations.</p> <p>Vote YES on Measure Y to Protect Capitola's Future.</p> <p>To learn more visit votemeasureY.com</p> <p>Yvette Brooks*, Capitola Vice Mayor</p> <p>Joe Clarke*, Capitola City Council Member</p> <p>Kristen Brown*, Capitola Mayor</p> <p>Margaux Morgan*, Capitola City Council Member</p> <p>Alexander Pedersen*, Capitola City Council Member</p>	<p>No Argument against Measure Y was filed.</p>

Voter Information

Ballot question

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?

If Measure Y Failed

Compensation adjustments negotiated in MOUs approved by City Council in June 2024 would not have taken effect

- Police Officer pay 6% and PW Crew 2% lower
- Monthly health care costs for all employees would rise \$50 for employee only, \$75 for employee plus one, and \$100 for employee plus family, each year compounding
- Other positions pay would decrease between 0 - 16.95%
- No longer have parity in longevity pay between groups
- Probable impacts to recruitment and retention

If Measure Y Failed

- **City revenue and expenditures would be different**
 - City costs in 2025-26 would be \$500,000 lower due to MOU negotiated changes not taking effect
 - City Revenue in 2025-26 would be \$1.1 million lower
 - City would need to identify an additional \$600,000 in service level reductions this FY
 - Measure F expiring in FY 2027-28 would reduce revenue an additional \$1.1 million
 - Additional \$1.1 million in service level reductions would have been needed

Measure Y Summary

Presented
May 2025

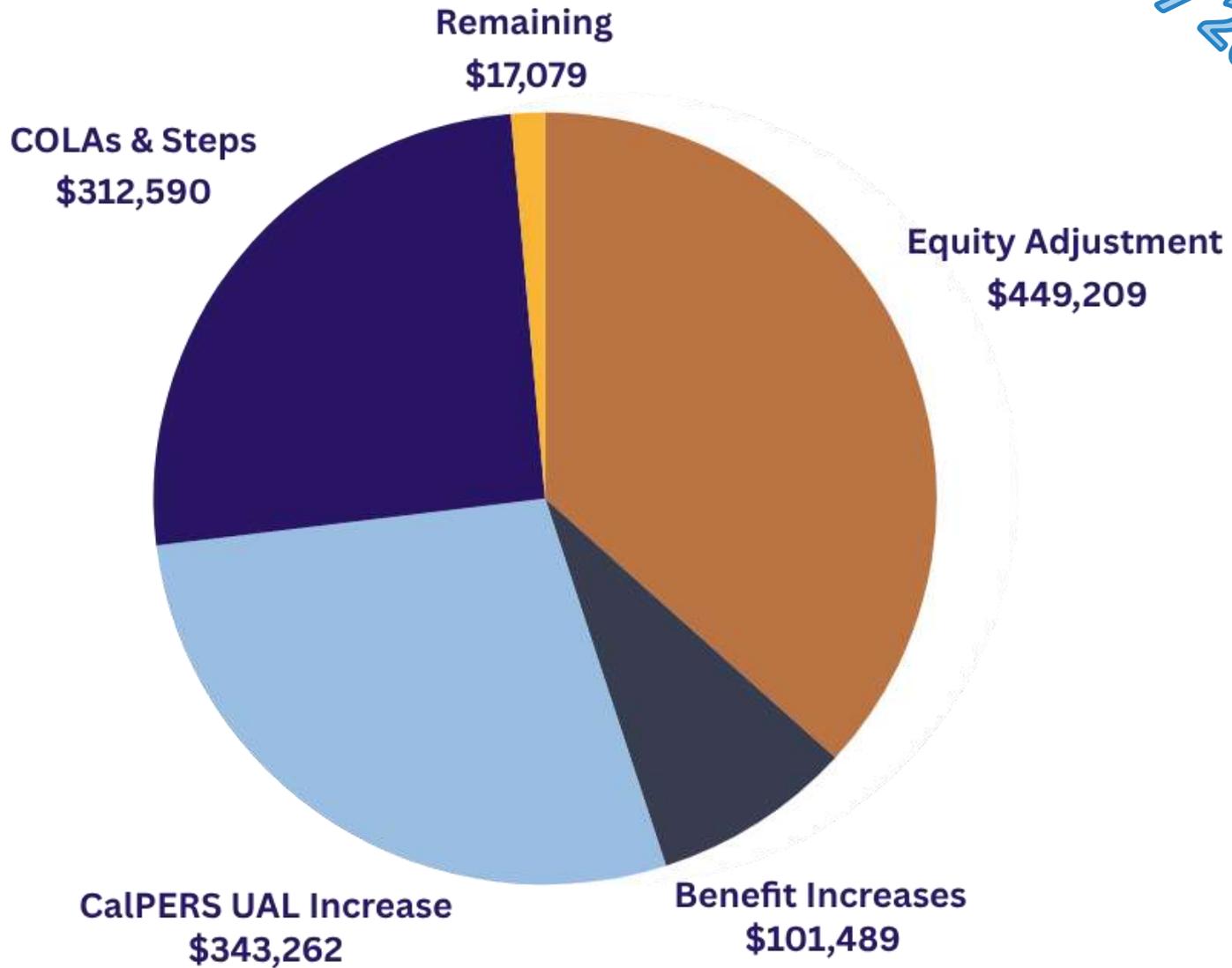
Measure Y Estimated Revenue: \$1,122,140

Increase in Personnel Costs: \$1,105,061

- Personnel Costs: \$449,209
 - One-time Equity Adjustment: \$347,720
 - Benefit increase: \$101,489
- CalPERS Unfunded Actuarial Liability (UAL) Increase: \$343,262
 - Increase of \$756,000 over last two fiscal years
- Cost of Living Adjustment (negotiated), step increases: \$312,590

FY 2025-26 Measure Y

Presented
May 2025



FY 2024-25 Receipts

Q4 receipts: \$574,709

- \$287k new revenue
- \$287k replaced Measure F

FY 2024-25 mid-year budget review

- Est. \$277k Measure Y (Apr. 1, 2025 – June 30, 2025)
 - Effective Apr. 1, 2025, per CDTFA policy
- \$227k salary market adjustments (Dec. 22, 2024 – June 30, 2025)
 - Negotiated effective 1st full pay period following certification of election

Bradley-Burns 1% tax

- FY 24-25 \$151k below budget
- Measure Y offset \$60k

FY 2025-26 Year-to-Date Measure Y Receipts

First Quarter (July – Sept.)

- \$556,597 slightly below budget

Second Quarter (Oct. – Dec.)

- \$353,369 – estimates for Oct. & Nov.
- Tracking slightly above budget

CDTFA Payment Timing

- Two months in arrears
- True-up quarterly
- 1st two quarters have been volatile last few FY's

Conclusion

Measure Y performing as expected

- Monitoring continues

2nd quarter true-up

- Statement released Feb. 19, 2026
- Electronic payment Feb. 24, 2026

Mid-year budget review

- Feb. 26, 2026
- Budget amendment, if any, during mid-year review