

VOTER'S PAMPHLET
MEASURES, ANALYSES AND ARGUMENTS

(whichever is applicable to your ballot)
Arguments in support of, or in opposition to, the proposed laws are the opinions of the authors.

CITY OF CAPITOLA

D Shall the 2004 City of Capitola sales tax increase of one quarter of one percent, which is scheduled to sunset in 2010, be extended until December 31, 2017, in order to maintain general services including public safety and street improvements?

FULL TEXT OF BALLOT MEASURE D

Measure to be voted on: Extension of City of Capitola Transactions and Use Tax

ORDINANCE NO. _____

AN ORDINANCE OF THE PEOPLE OF THE CITY OF CAPITOLA AMENDING SECTION 16 OF ORDINANCE NO. 880 PERTAINING TO THE CITY OF CAPITOLA TRANSACTIONS AND USE TAX ADMINISTERED BY THE STATE BOARD OF EQUALIZATION

THE PEOPLE OF THE CITY OF CAPITOLA, CALIFORNIA, DO ORDAIN AS FOLLOWS:

Section 1. Section 16 of Ordinance No. 880 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, 2017."

**IMPARTIAL ANALYSIS BY CITY ATTORNEY
BALLOT MEASURE D**

**EXTENSION OF CITY ONE-QUARTER PERCENT
SALES TAX INCREASE**

In November 2004 Capitola voters voted to enact a temporary five-year one-quarter of one percent (¼%) increase to the sales tax rate in the City of Capitola. The sales tax is also referred to as a "transactions and use tax." The previous sales tax rate in the City of Capitola was eight percent (8%). Accordingly, the 2004 ballot measure increased the Capitola sales tax rate to eight-and-one-quarter (8¼%) percent for the five-year period ending on March 10, 2010, increasing the cost of retail sales subject to the tax by 25 cents for every \$100 of eligible sales consummated. This ballot measure, if adopted by the voters, would extend the current 2010 "sunset" date through the 2017 calendar year, meaning that the current eight-and-one-quarter (8¼%) percent sales tax rate would remain in effect through December 31, 2017. The extended Capitola sales tax, like the current Capitola sales tax, would be imposed upon the sale of all tangible personal property sold at retail within the jurisdictional limits of Capitola as well as upon the storage, use or other consumption of tangible personal property purchased from any retailer in the jurisdictional limits of Capitola.

All revenue generated from the proposed sales tax extension would be deposited into the City's General Fund and, accordingly, all monies collected pursuant to the sales tax extension would be used by the City to pay for general City operations and programs including public safety and street improvements. As such, this ballot measure proposes a "general purpose tax," rather than a "special purpose tax," and requires a simple majority vote for adoption.

DATE: 7-16-08

s/ John G. Barisone, City Attorney

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ARGUMENT IN FAVOR OF MEASURE D

In November 2004 with Capitola facing a severe fiscal plight, voters approved Measure P, authorizing an increase in the sales tax rate of one quarter of one percent. This tax increase annually generated about \$1 million solely for the City of Capitola. During the last three years, the City used this revenue to:

- CONSTRUCT ALMOST \$4 MILLION IN ROAD AND PUBLIC FACILITY IMPROVEMENTS. The City leveraged \$2.6 million of Measure P money with grant funds.
- ADD A POLICE OFFICER AND CAPTAIN POSITIONS TO THE POLICE DEPARTMENT
- Restored other important City services.

THE CITY HAS LOST REVENUES OR EXPERIENCED INCREASED COSTS FOR THE FOLLOWING REASONS:

- State reduction of local government funding sources
- State reduction of Vehicle In Lieu Taxes
- Unfunded mandated federal and state programs
- Decline in the economy

The State and federal governments are in fiscal distress and will likely find ways to take more City revenues.

The City of Capitola requests that the current tax measure be extended until December 31, 2017. This measure has broad community support because:

- It spreads the tax burden across a broad spectrum of people, including tourist and visitors.
- Nonresidents contribute 83 cents for each tax dollar collected.
- The added revenue will assist in the most critical areas of need including public safety and capital improvement programs.
- Capitola has no other special taxes, like a utility user tax.
- The tax impact is only 25 cents for every \$100 of taxable expenditure.

Capitola is a wonderful living environment, but the City's ability to provide needed public services and capital improvements is threatened. Help us to help you. Please, **VOTE "YES"** on this measure, and support your City in its efforts to deliver the most essential public services.

s/ Kirby Nicol
Mayor, City of Capitola

s/ Robert A. Begun
Vice Mayor, City of Capitola

s/ Charles P. Thomas, III
Business Owner

s/ Rick Halterman
County Mobile Home Commissioner

s/ Stephanie Harlan
Chairperson, Planning Commission

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE D

We're worried. Frankly, we've been hoping the City would see by now that the clear pattern of climbing budgets and eroding revenues cannot continue. But we read their argument, and it is ALL about spending more money and raising taxes. Nothing acknowledging that Capitola is spending more than it can afford. Not a word about getting costs under control. \$1 saved is better than \$1 of new taxes. We don't pay retirement benefits on money saved. Apparently the Council feels the public is happy at the prospect of tax increases.

Any money raised by extending Measure P is effectively already spent on increased costs for personnel and on bonds to pay old retirement costs. Yet revenues are declining across the board. Sales tax revenues are down double digits. A major auto dealership is leaving town soon. Make no mistake – a financial crisis is coming fast!

Yet the big pay raises continue to grow for the next 3 years without let-up. Personnel costs jumped over a half million just this year. An \$850 city popcorn machine just purchased shows that Capitola feels no sense of urgency or restraint about spending.

We need to hear the City Council start talking about cost cutting, about pulling in the financial reins. We need to hear it NOW. The best way to deliver this message is to turn up the pressure and vote NO on extending Measure P.

s/ Tony Gualtieri
City Treasurer

s/ Bruce R. Arthur
Former Mayor & Council Member

s/ Susan Westman
Former City Manager

s/ Kathryn Gualtieri
Former Planning Commissioner

s/ Nels Westman
Capitola Resident

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ARGUMENT AGAINST MEASURE D

In 2004 Capitola asked voters to approve a TEMPORARY ¼ % sales tax increase to kick start some long deferred street repairs, add beat cops and buy time for the City Council to correct some serious budget problems resulting from very high personnel costs. In 2004 City expenditures were \$10,086,000. This year's expenditures are \$13,051,300 and climbing, an increase of \$3 million. Capitola does not have a revenue problem. It has a spending problem.

With that new sales tax revenue Capitola hired yet another planner (\$100,000/yr), a beat cop (\$120,000) and a police Captain (essentially a \$170,000 administrator) – not what we thought we were getting when we asked for police on the streets – all PERMANENT positions. Subsequently Capitola borrowed \$5.9 million to finance the backlog of unfunded personnel retirement costs, a bond which costs \$700,000 annually. Between new hires and these bond costs, proceeds of the TEMPORARY sales tax are totally offset by PERMANENT personnel cost increases.

Meantime, nothing has been done to get skyrocketing personnel costs under control. Despite the cruel reality check of having to borrow \$5.9 million to finance its earlier unfunded retirement costs, Capitola compounded the problem in recent years by granting new, expanded retirement benefits and generous salary increases to its employees.

We voted for a TEMPORARY tax increase in 2004 to see Capitola through a bad patch. Silly us. No solutions; only higher PERMANENT personnel costs. The current temporary ¼% sales tax lasts until 2010 though clearly Capitola considers it an almost certain permanent tax. Send a clear message to the City Council that we want staggering personnel costs brought under control by rejecting the SEVEN YEAR extension. We want solutions NOW!

We are all tightening our belts. So should Capitola. Please vote NO on Measure P's Extension.

s/ Tony Gualtieri
City Treasurer

s/ Bruce R. Arthur
Former Mayor & Council Member

s/ Susan Westman
Former City Manager

s/ Kathryn Gualtieri
Former Planning Commissioner

s/ Richard H. Novak
CEO

REBUTTAL TO THE ARGUMENT AGAINST MEASURE D

Contrary to the assertions of those arguing against this Measure, Measure P delivered exactly what was promised, and more. This tax was originally proposed as a stopgap measure "to pay for general City operations including public safety and street improvements". The Argument in favor of Measure P noted that vital police and planning services were being reduced and essential public works improvements were being eliminated due to budget shortfalls. Those services have now been restored by adding a Police Captain, an Officer, and a Planner, while much-needed road improvements and other facilities have been constructed. Measure P dollars have been leveraged for the benefit of our City by more than 50% through outside grants.

In recent years, under prudent leadership, our once depleted reserves have been restored, and our debt has been reduced or refinanced to great advantage. But not all our financial concerns have been solved yet. Capitola's budget is precariously balanced as both tax revenues and State and Federal subsidies decline. The economy is in a dramatic downturn. Our City is fighting for its fiscal future. Significant steps are being taken to develop new revenue sources for the future, but those monies will not be available for several years. Nonresidents pay about 83% of this tax. It has been, and still is, a crucial part of Capitola's solution.

In a recent survey more than 75% of the respondents rated City services as excellent or good. Support our City and continue the excellence. Vote YES on Measure D.

s/ Kirby A. Nicol
Mayor

s/ Sam Storey
Councilmember

s/ Ed Newman
Planning Commissioner

s/ Sean Saldavia
RDA Treasurer

s/ Jacques Bertrand
Finance Committee Member