

**Capitola 101**

# **DISCOVER CAPITOLA**

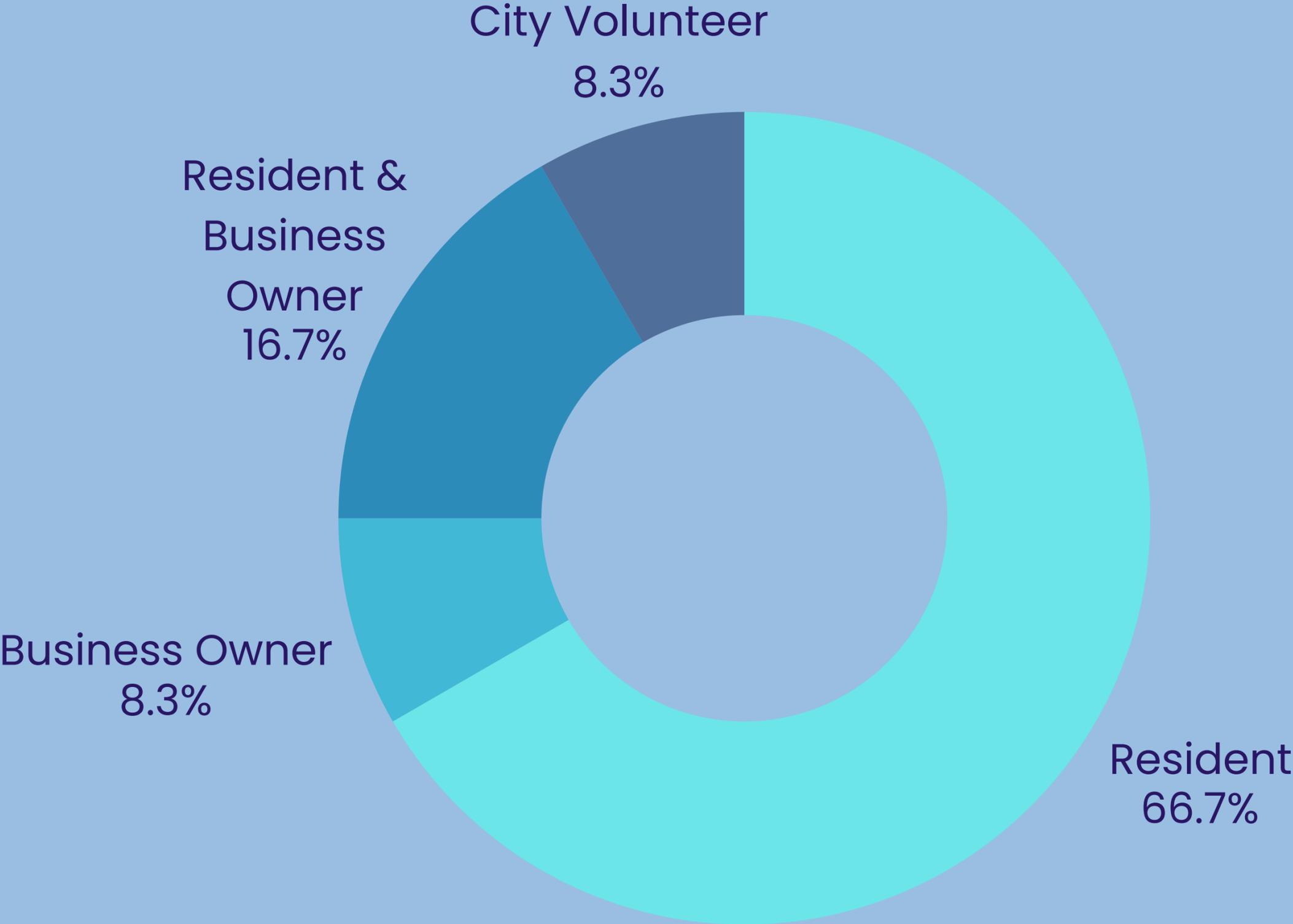
**February 11, 2026**



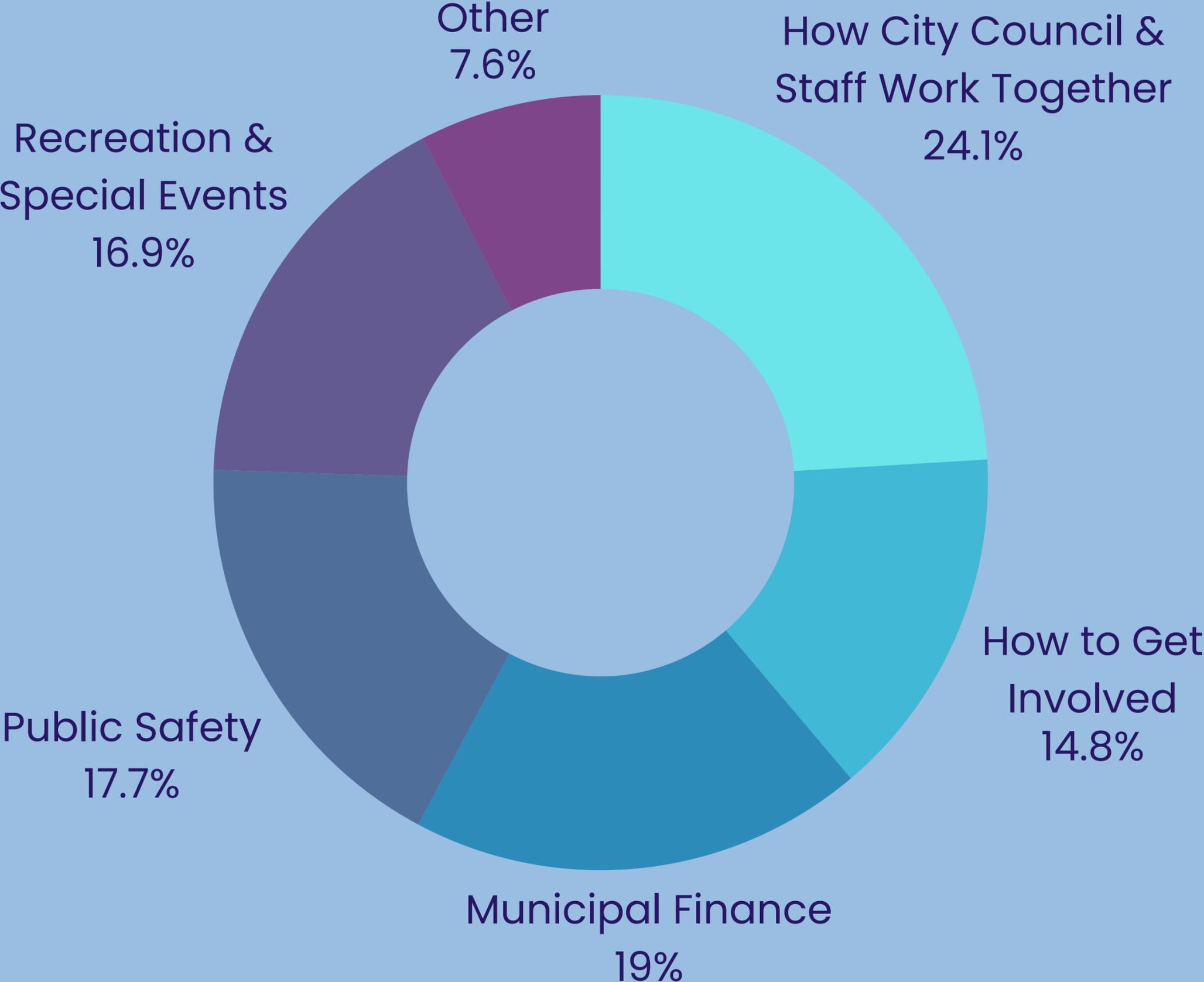
# Agenda

- 1 Mayor Intro & About You
- 2 Local Government Overview
- 3 Municipal Finance & Budgeting
- 4 Spotlight on Public Works
- 5 How to Stay Engaged

# Who You Are



# What You Want to Know



# Future Sessions

**February  
24**

**Public  
Safety**

**March  
3**

**Local  
Business**

**March  
19**

**Community  
Identity**

# Representative Government



Federal → State → County

City Government

National representation:

- Senators Padilla & Schiff
- Congressman Panetta

State representation:

- Senator Laird
- Assemblymember Addis

# California Local Government



## Counties & Cities

- Different responsibilities
- 58 Counties

# California Local Government



- 483 CA Cities
- Strong Mayor vs. elected / appointed Mayor
  - How many Strong Mayors?
- 21,000 = median city population
  - Which are the five largest cities?

# Capitola Facts

- Incorporated 1949
- ~10,000 residents
- Two square miles
- Median household income = \$102,976
- 24% residents = 65+ years old



# 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

## Council-Manager Form of Government

- Common structure for CA cities (98%)
- City Manager (CM) hired & reports to City Council
  - *All other City staff appointed by CM*

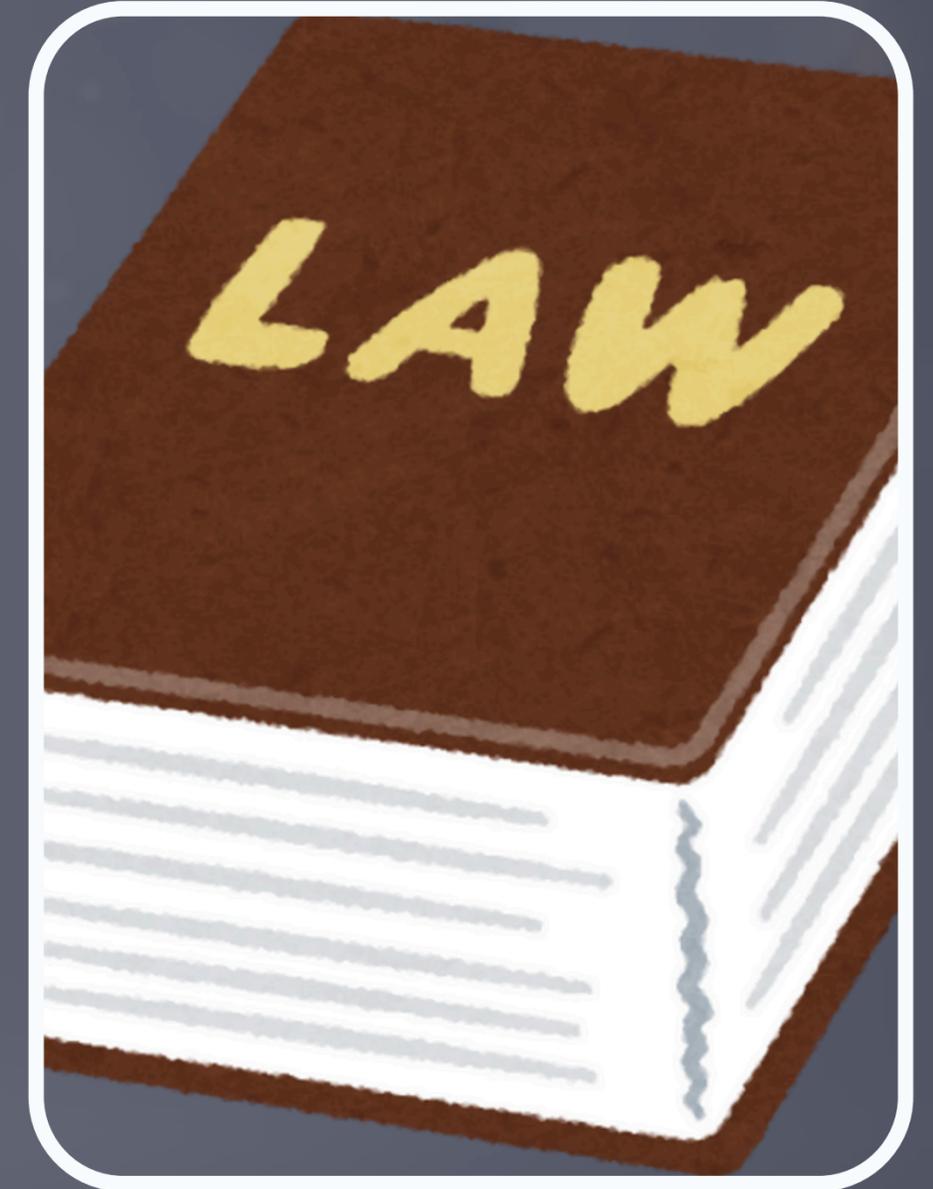
## City Employees

- Administratively support City Council initiatives, projects, & policy
- Hired & reports to CM
- Work for residents & community



# ABOUT THE CITY ATTORNEY

- Hired by the City Council
- Provides legal review, analysis & counsel
- Capitola contracts with a firm to receive expert advice on a wide range of topics:
  - Contract review & preparation
  - Litigation management
  - Compliance & risk mitigation



# What the City Does

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





# How?

## Six Departments

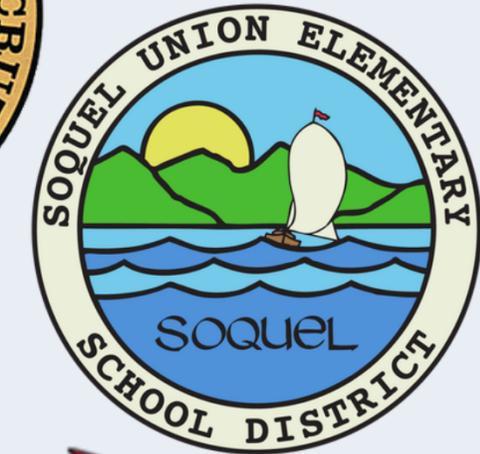
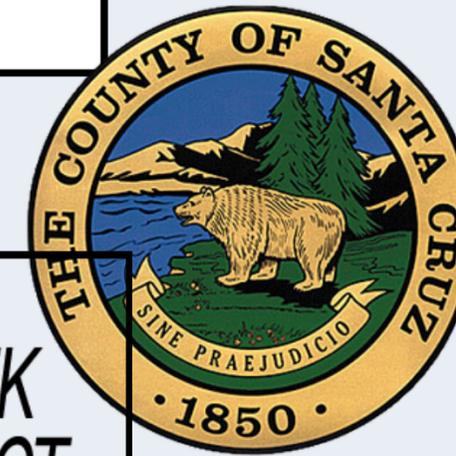
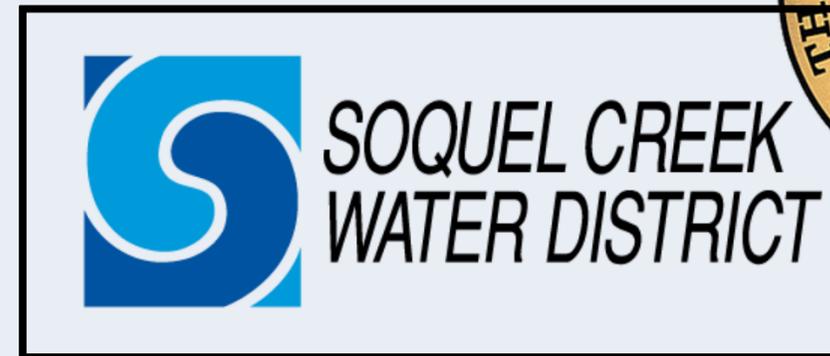
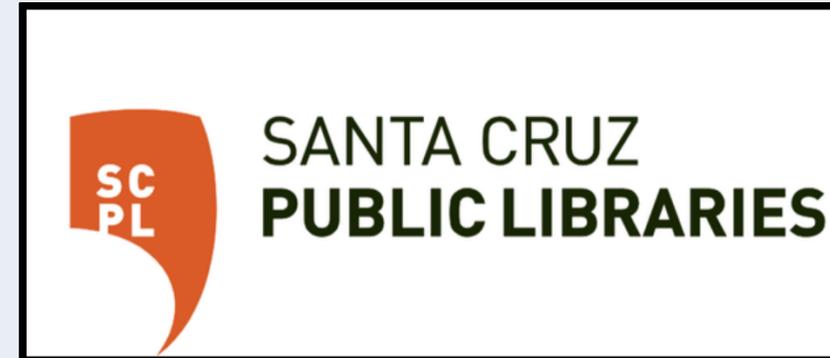
- 71 full-time employees
  - 28 office staff
  - 43 in the field
- 100+ temporary workers
  - mostly seasonal Recreation & PW jobs

## 100+ volunteers

- Serve on City Advisory Bodies
- Special events
- Keep our Museum open to the public

# What Our Partners Do

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



# 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



# Our Year's Operations

**After Budget adoption, during the approved fiscal year:** If changes are needed, a budget amendment is reviewed by the City Council to appropriate funds accordingly

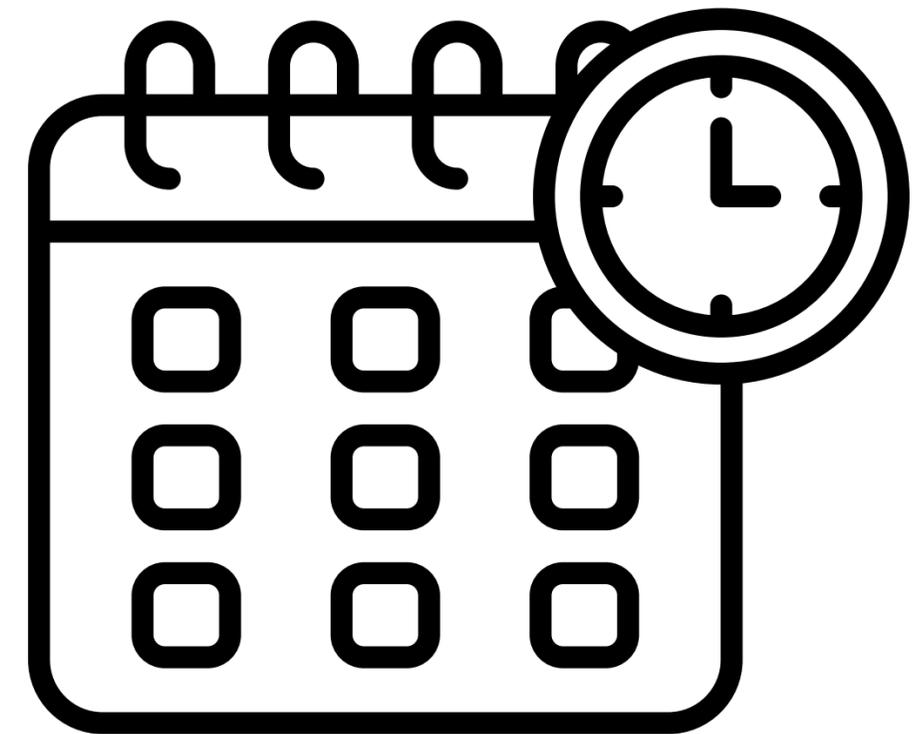
## **February: *Mid-Year Budget Review***

- Depending on how revenue & expenditures are tracking, budget amendments are possible

**May:** Special budget meetings for planning the coming fiscal year

**June:** Budget adoption

**July 1:** Start of new budget year

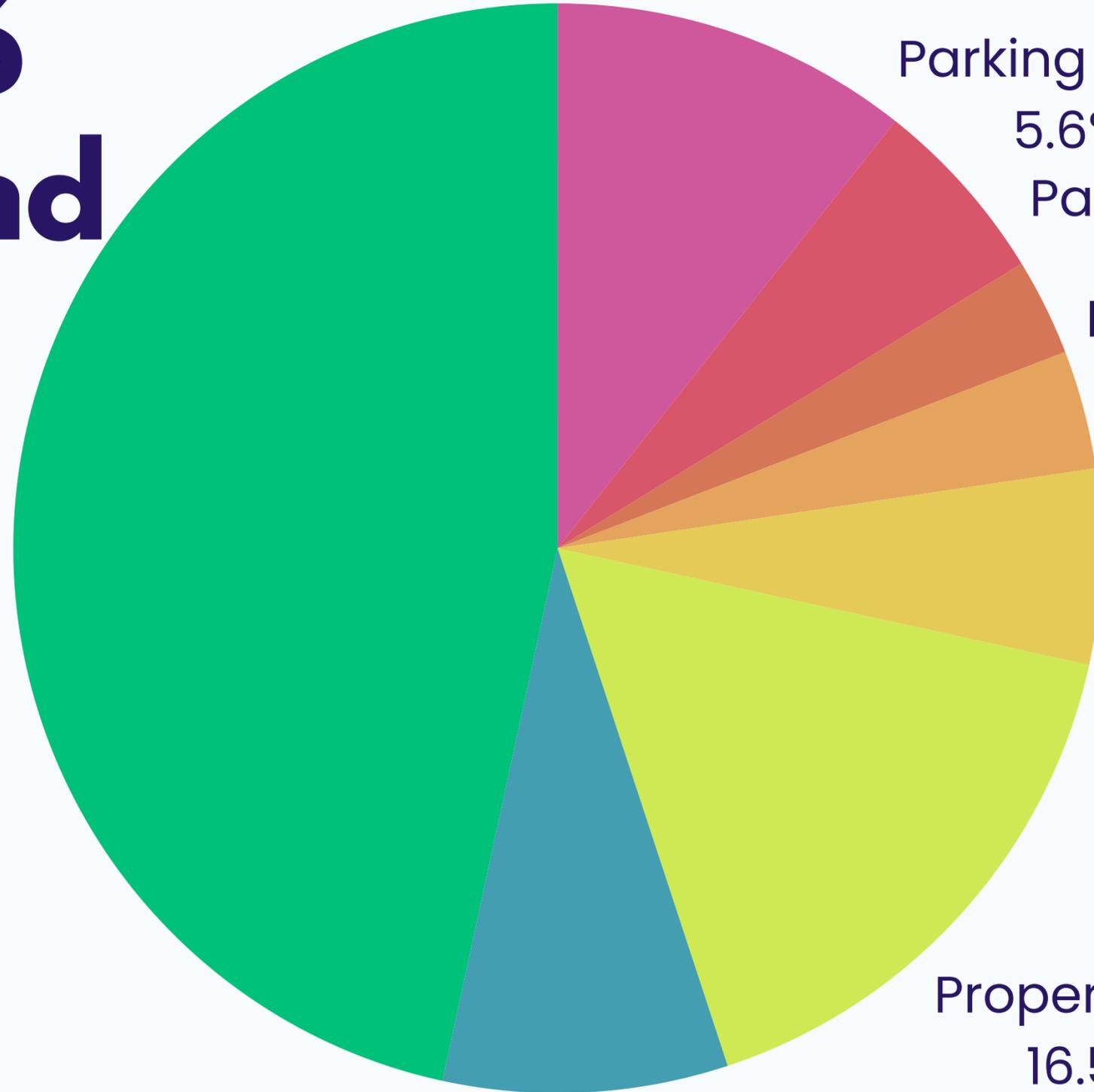


# CITY REVENUE



# FY 2025-26 General Fund Revenue

Sales Tax  
46.6%



TOT Tax  
10.7%

Parking Rates  
5.6%

Parking Cites  
2.9%

Licenses & Permits  
3.5%

Other Taxes  
5.8%

Property Tax  
16.5%

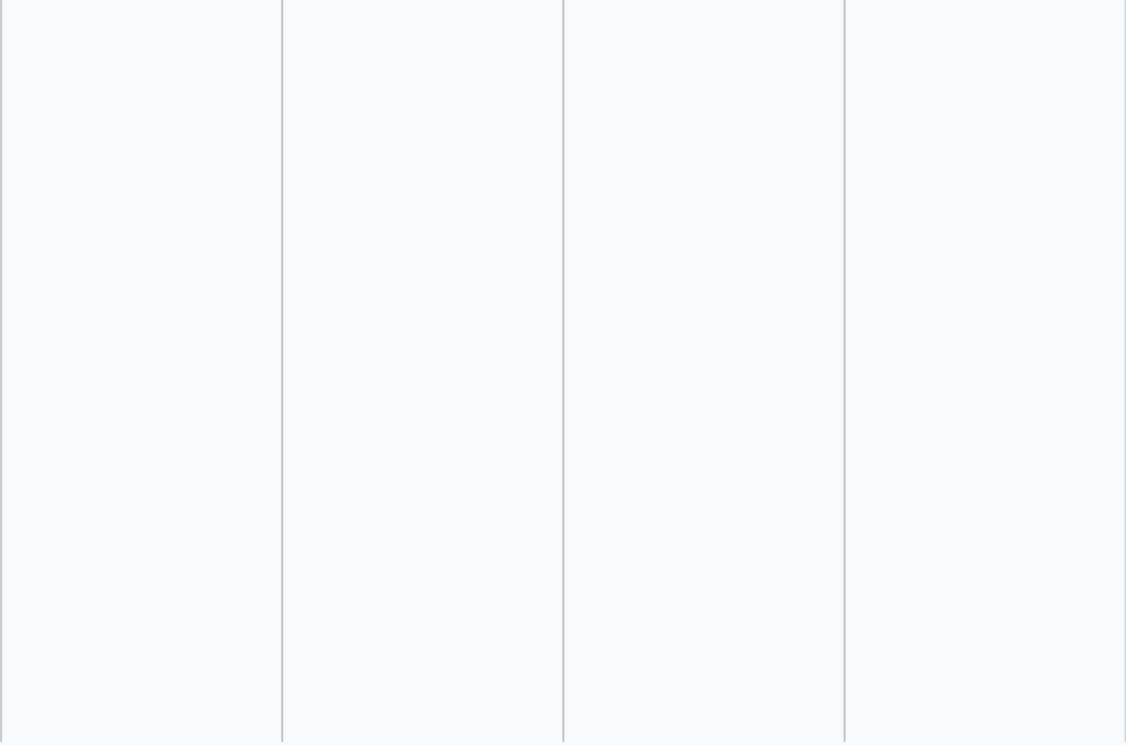
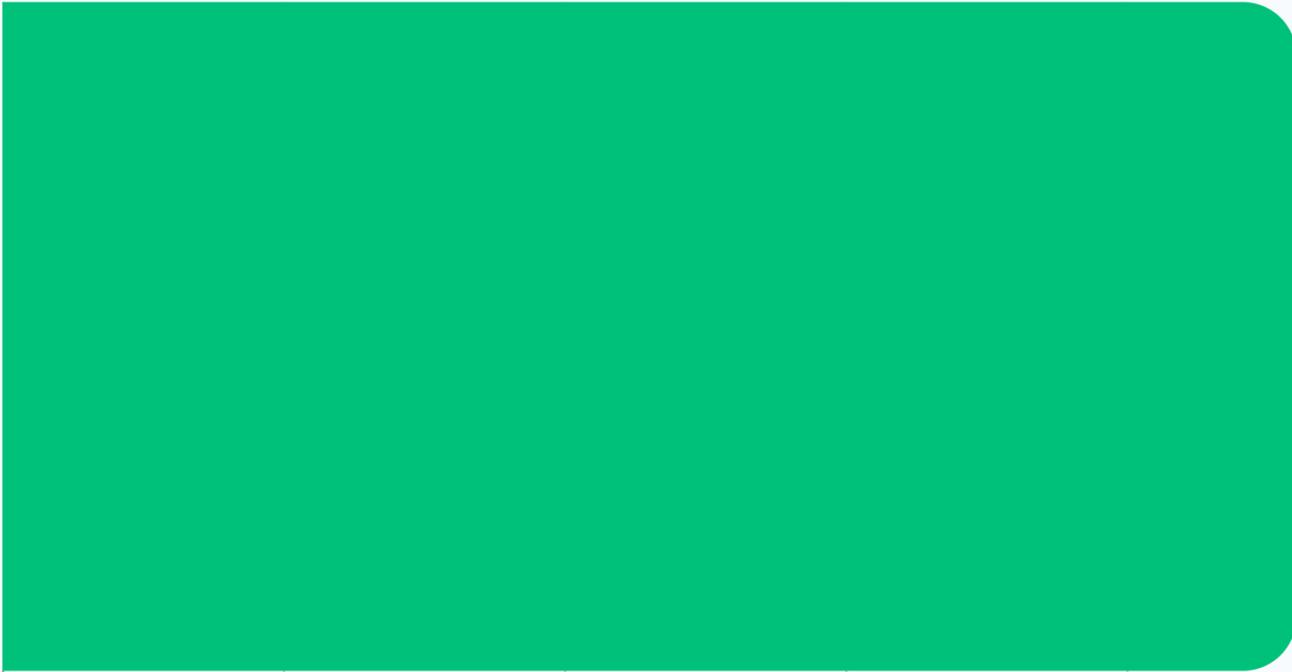
All Other  
8.5%

# Taxes: How Much Stays in Capitola?

| <b>Sales Tax</b>                   | <b>Property Tax</b>                 | <b>Income Tax</b>         | <b>TOT</b>                          |
|------------------------------------|-------------------------------------|---------------------------|-------------------------------------|
| \$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**

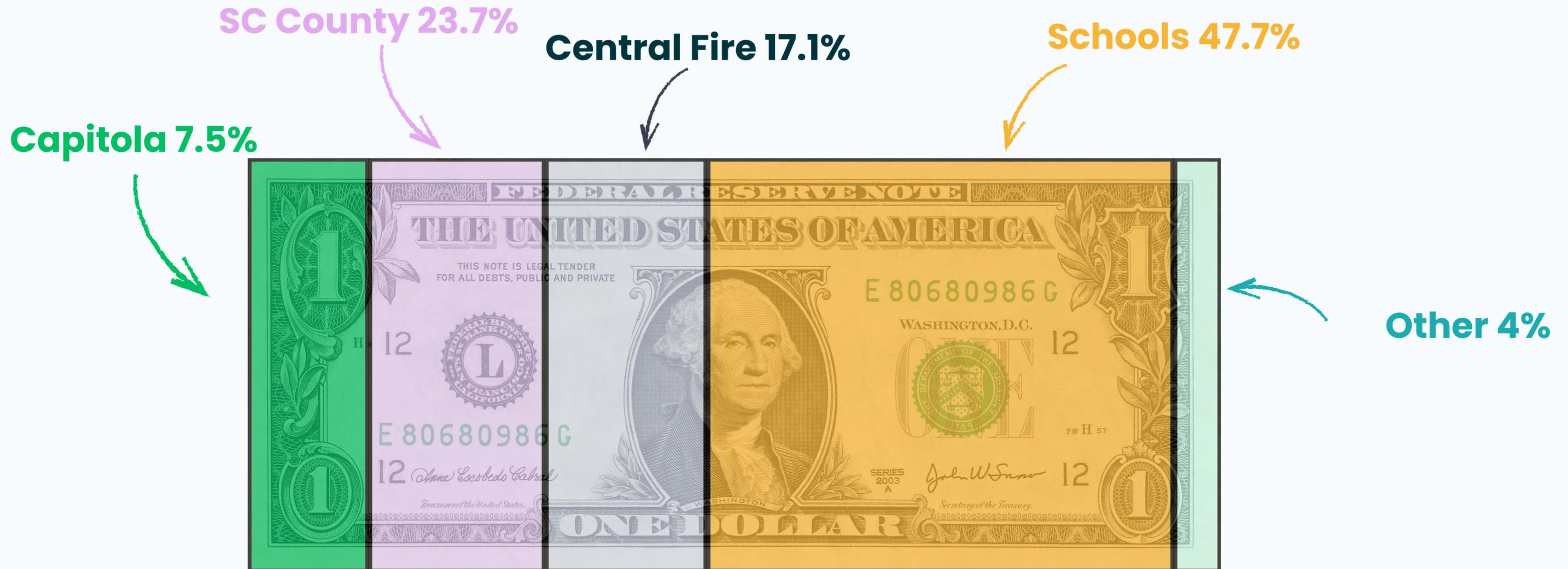


**Local K-12 Schools  
Cabrillo College**

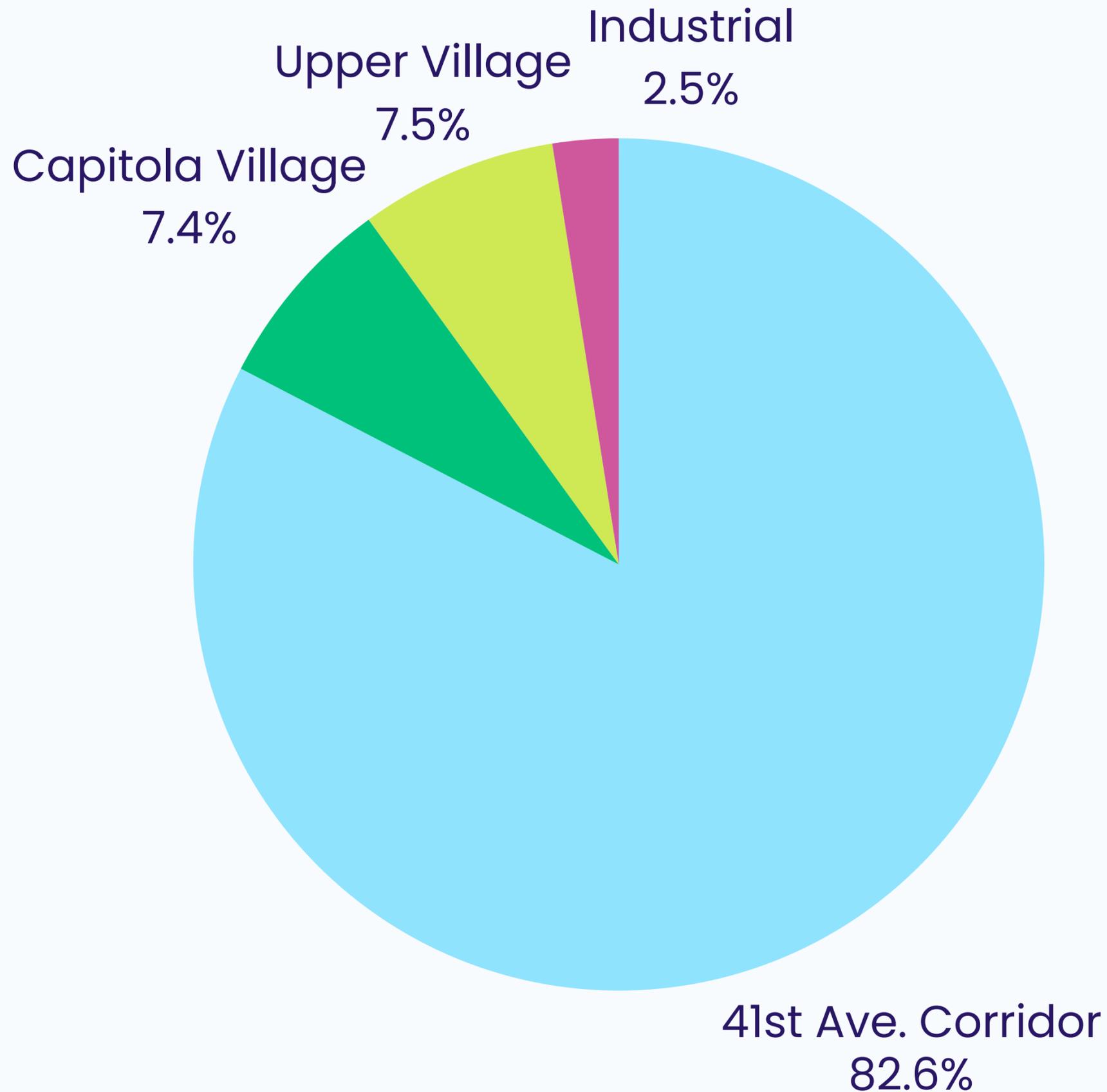


**SC County  
Central Fire Protection  
& Others**

# Property Tax Dollar Breakdown



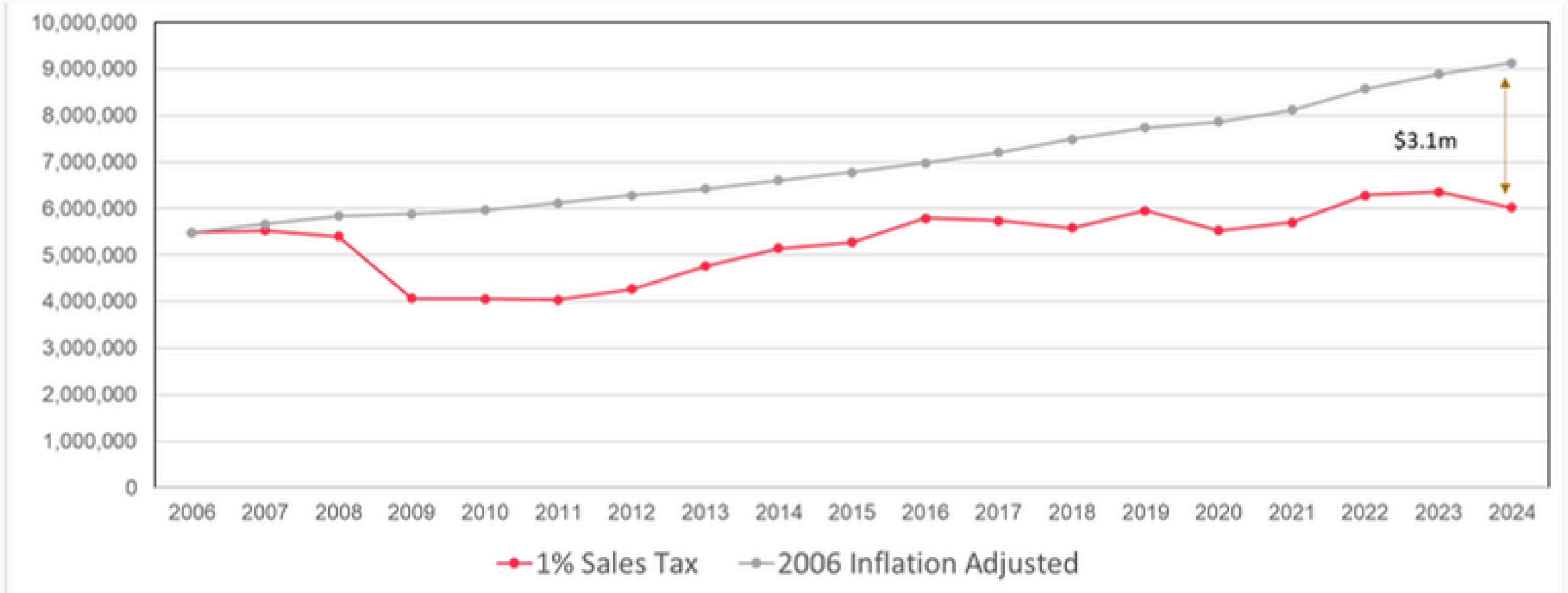
# Sales Tax Revenue, by Place



- 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  
Fund**

2

**Special  
Revenue  
Fund**

# General Revenue Funds

## Definition

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

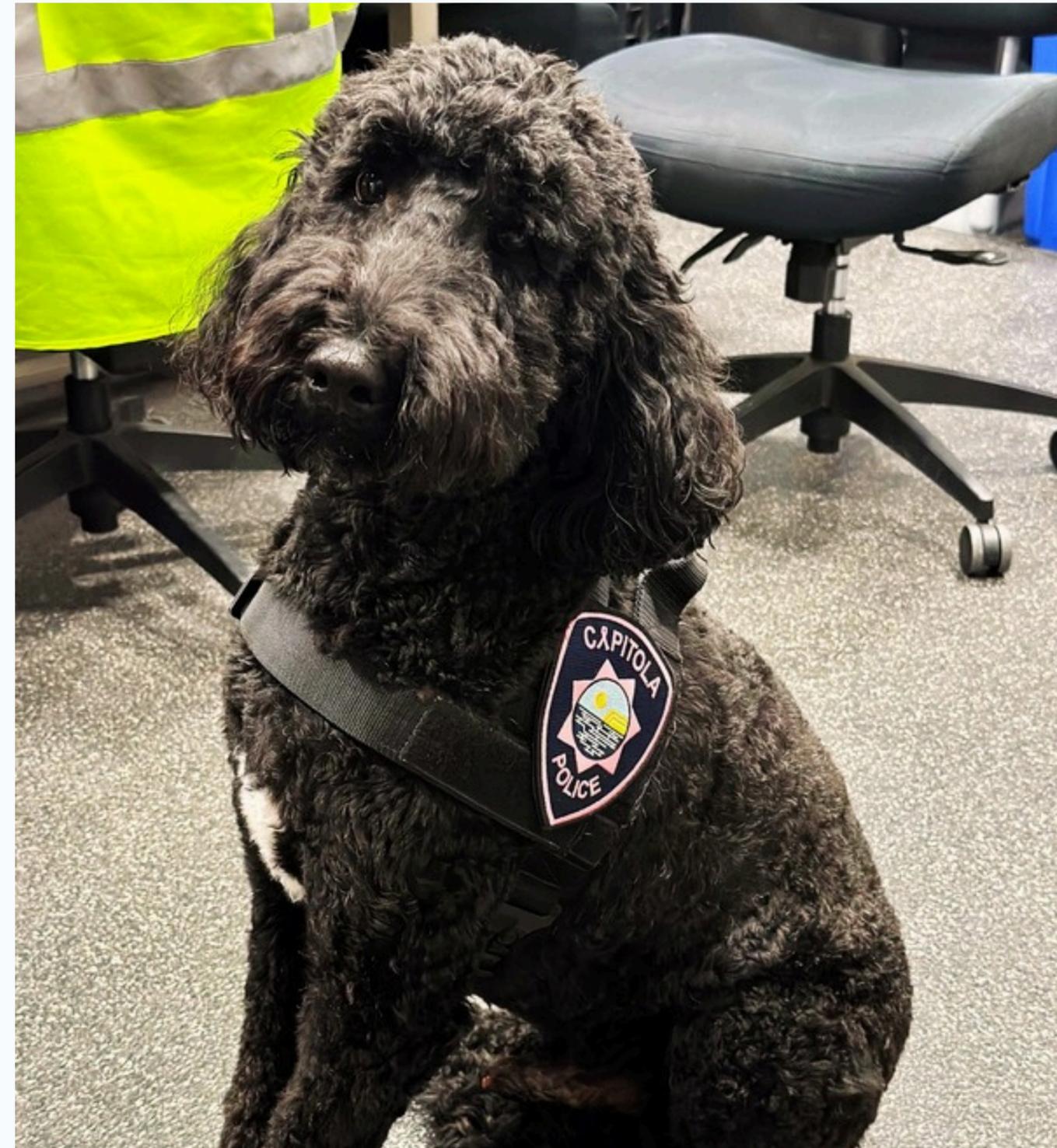
## Examples

**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

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



# Four Types of Revenue

1

**Taxes**

2

**Fees for  
Service**

3

**Fines**

4

**Grants**

# 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

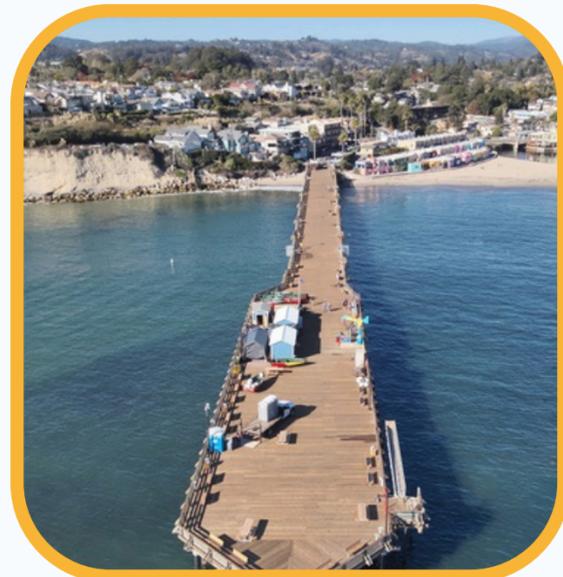
**Cost recovery, not profit**

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





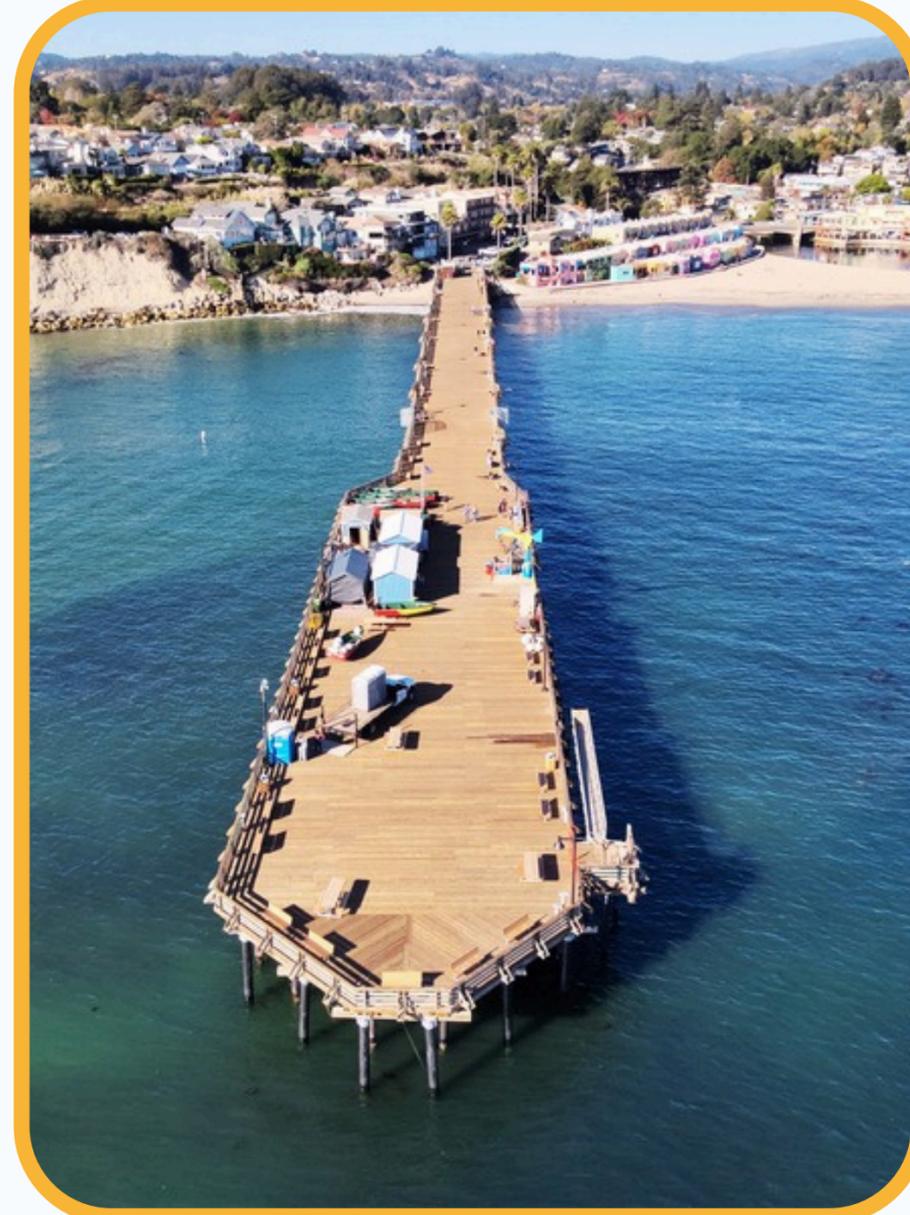
### 3 DISCRETIONARY CHARGES

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)





# 4 GRANTS

State, Federal, and other grants provide restricted funding to the City, generally tied to specific projects and initiatives.

- FY 2021-22: \$2.2 Million
- FY 2022-23: \$486K
- FY 2023-24: \$5.6 Million
- FY 2024-25: \$2.3 Million

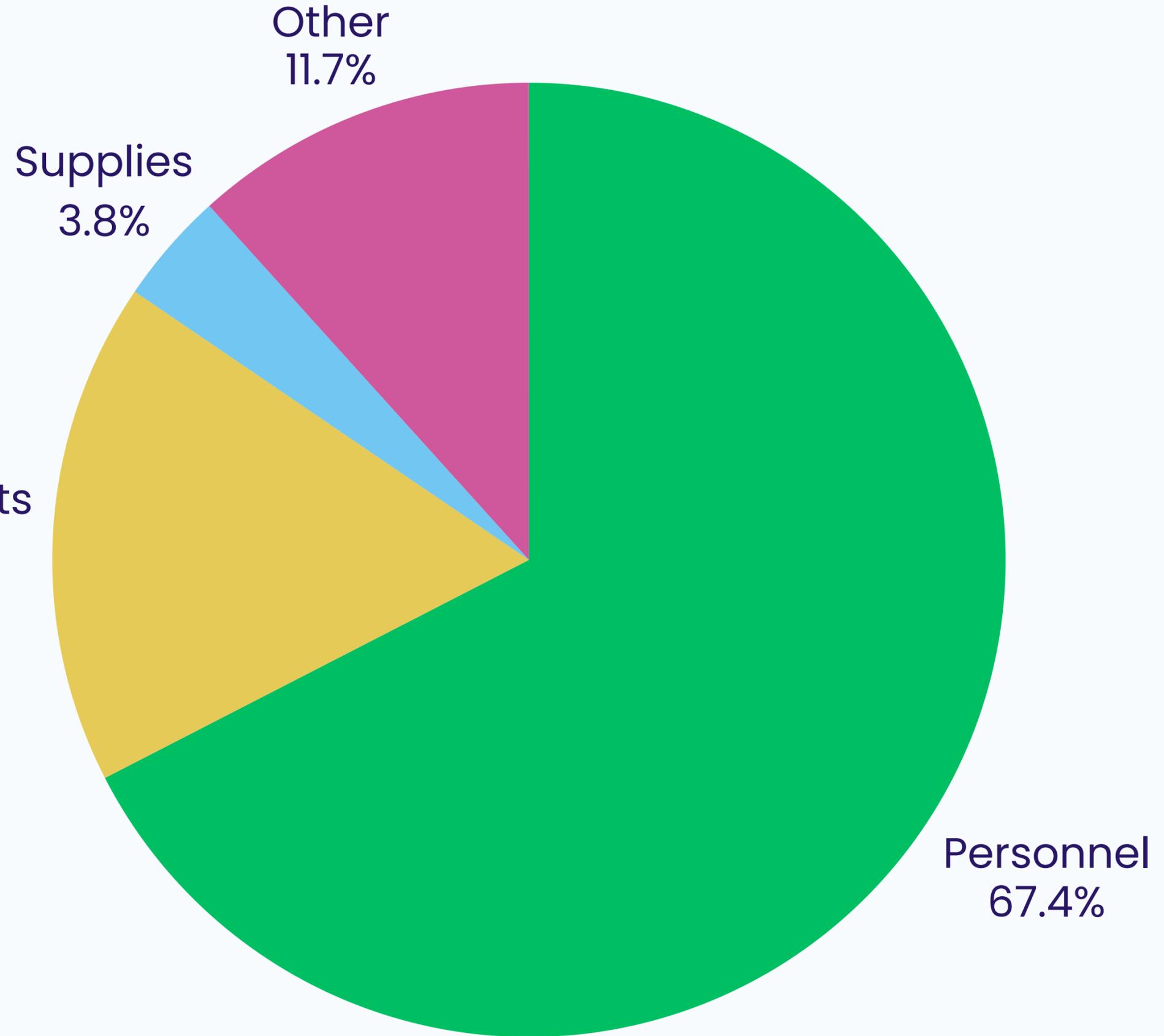


# CITY EXPENDITURES



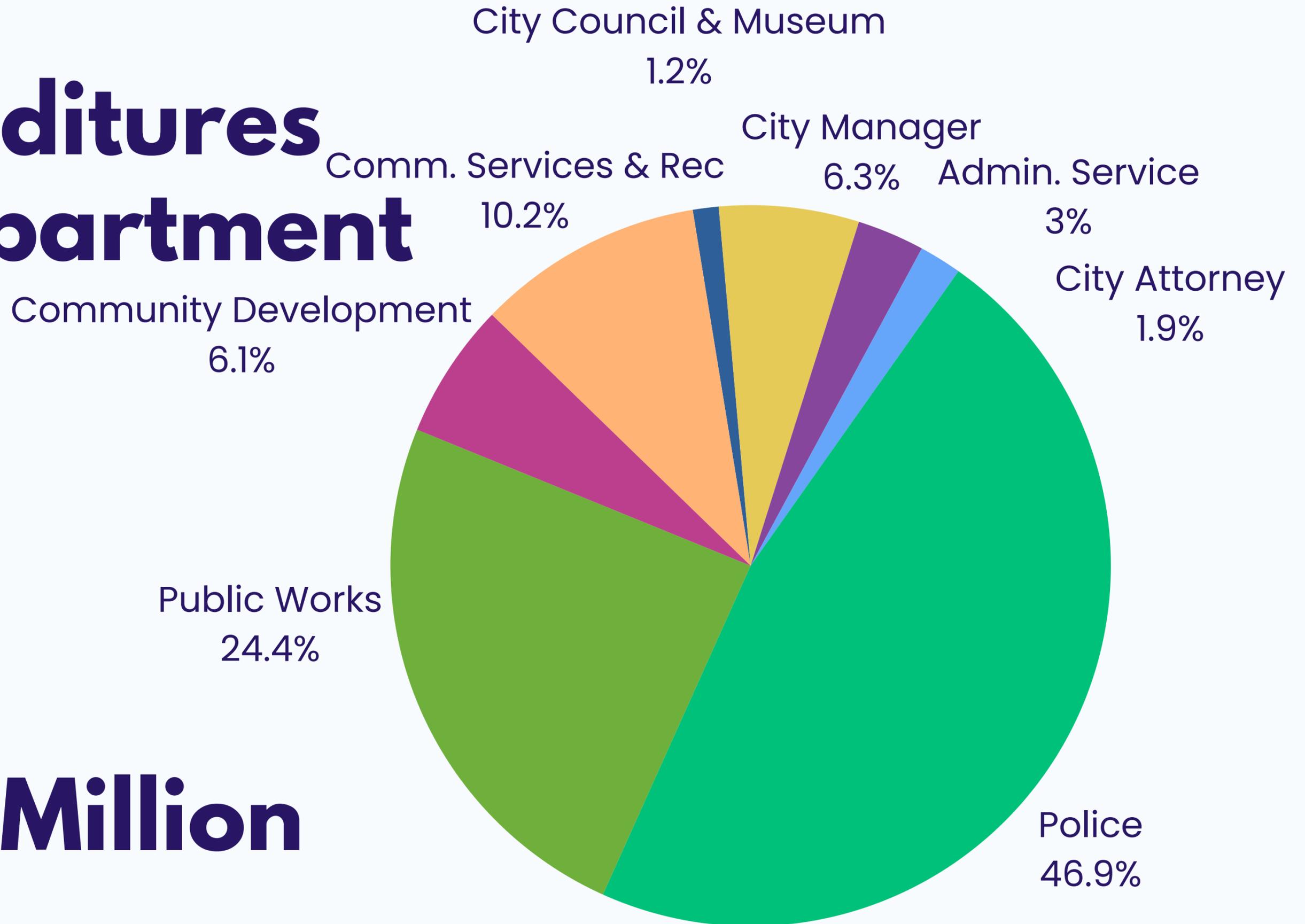
# FY 2025-26 General Fund Expenditures

**\$21.2 Million**



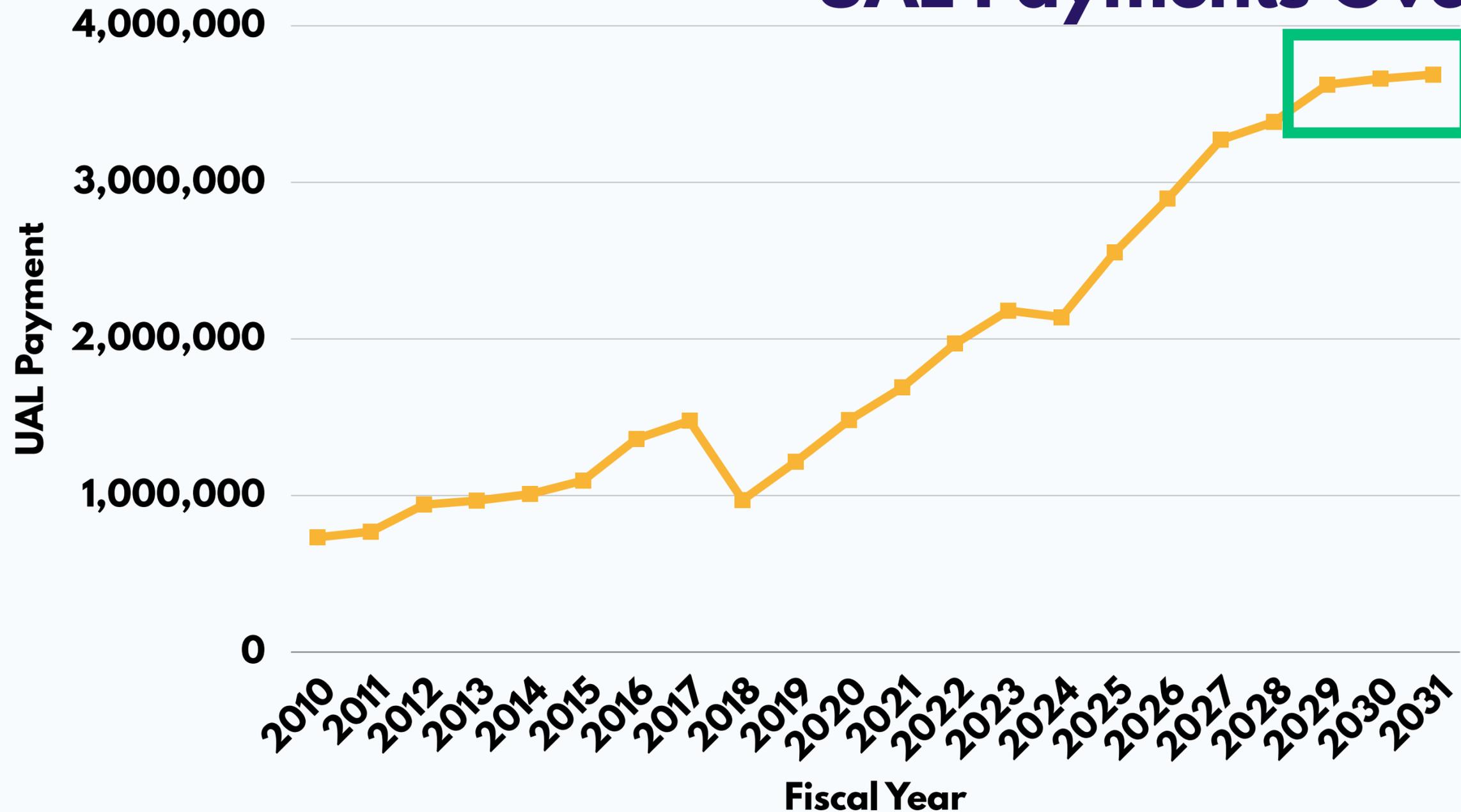
# Expenditures by Department

**\$21.2 Million**



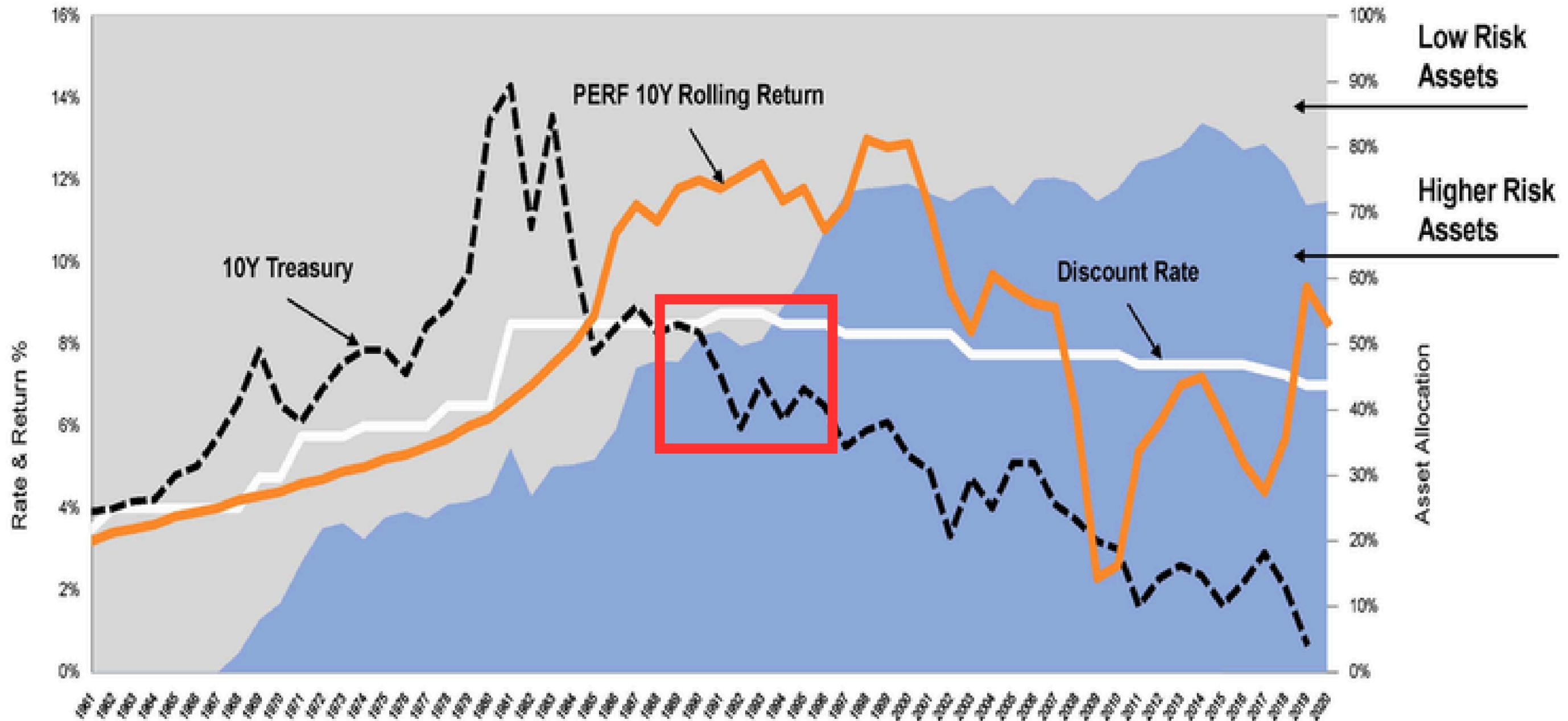
# PERs Retirement Costs

## UAL Payments Over Time

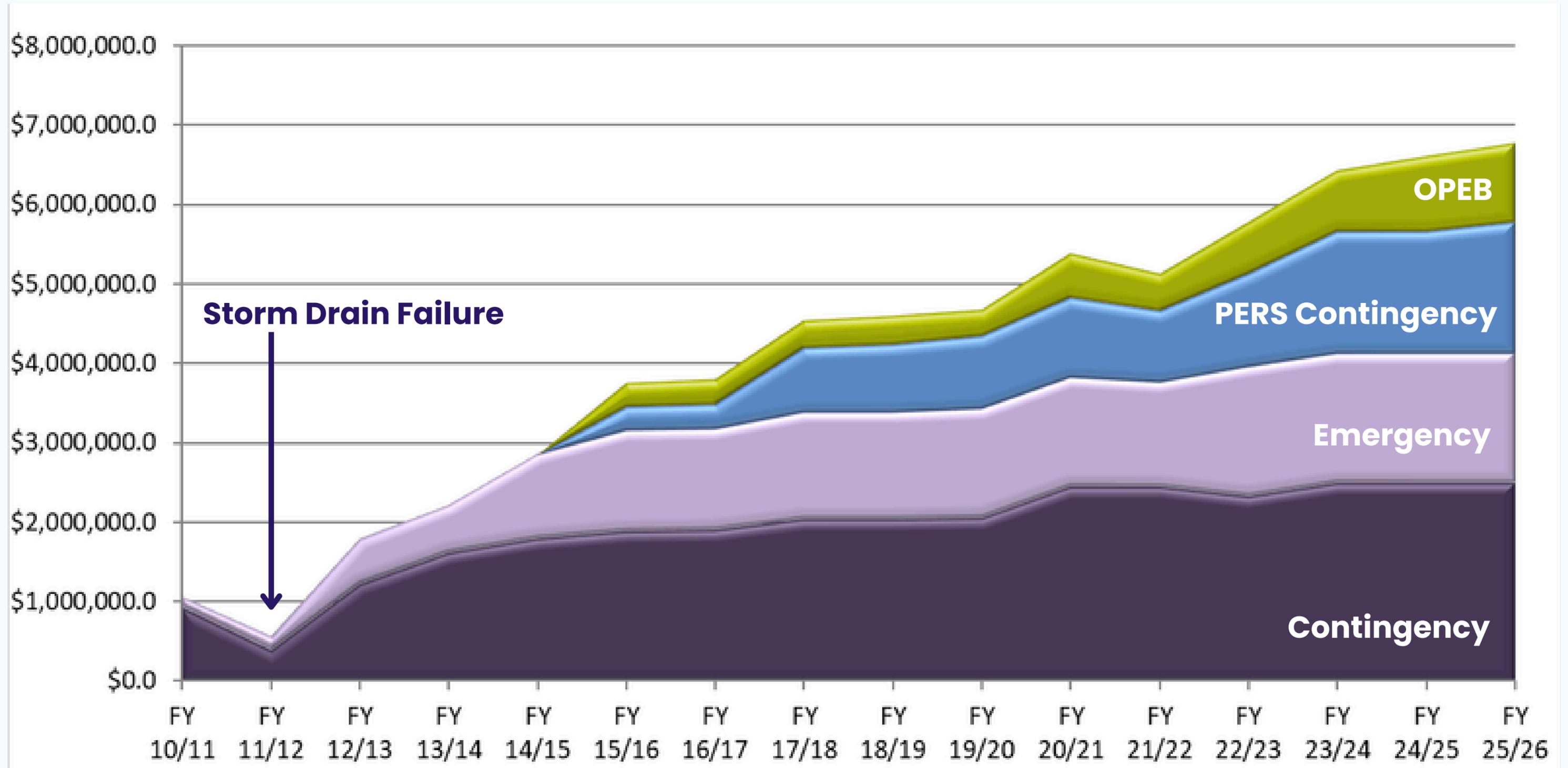


# Challenges to Achieving Target Returns

## US Treasury Yields Reduced to Near Zero

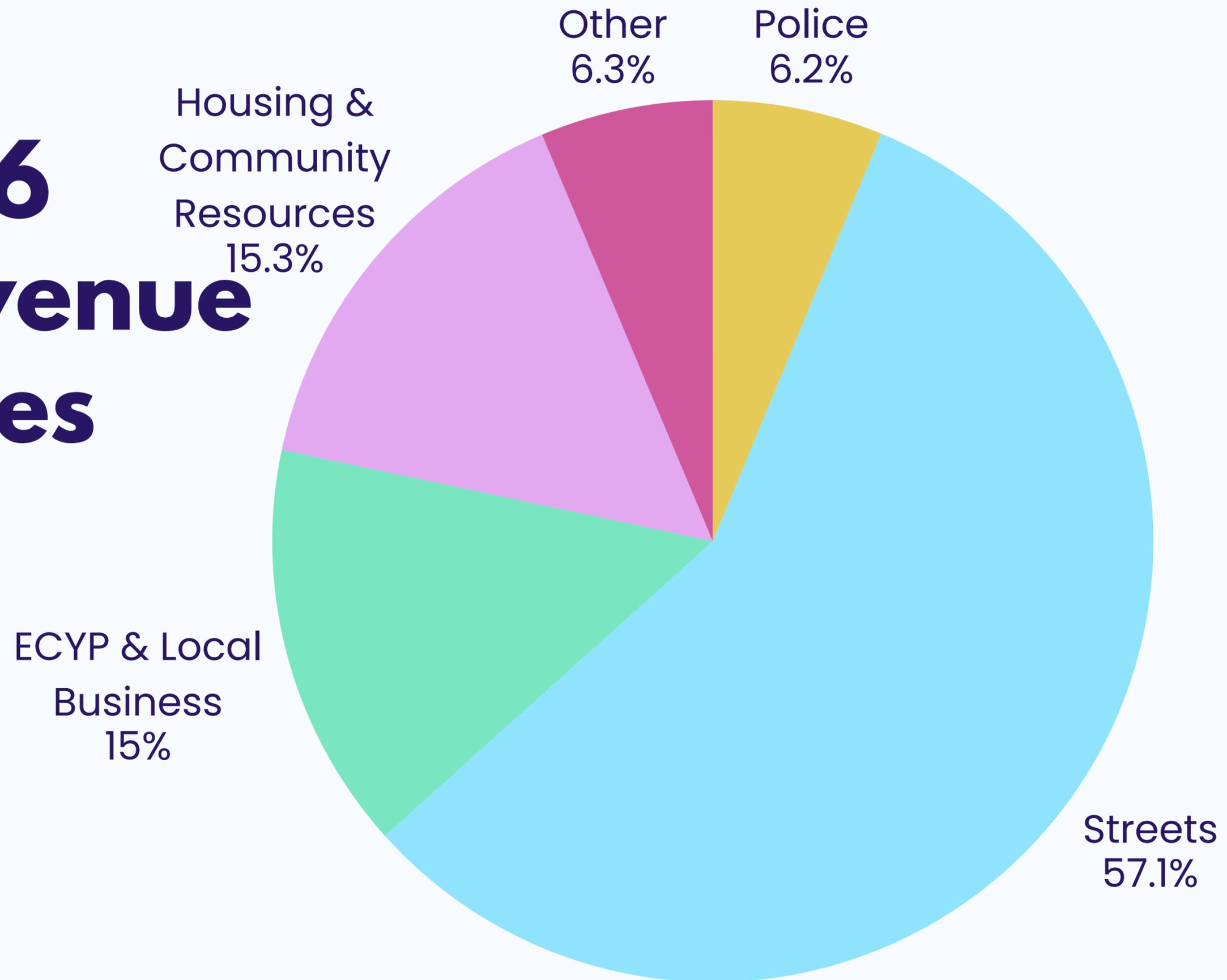


# Reserve Funds



# FY 2025-26 Special Revenue Expenditures

**\$1.7 Million**



# CITY OUTLOOK



# Five Year Projection

|                                    | <b>FY 2026<br/>Adopted</b> | <b>FY 2027<br/>Planned</b> | <b>FY 2028<br/>Forecast</b> | <b>FY 2029<br/>Forecast</b> | <b>FY 2030<br/>Forecast</b> | <b>FY 2031<br/>Forecast</b> |
|------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>                     | 21,146,818                 | 21,638,720                 | 22,137,329                  | 22,652,437                  | 23,184,674                  | 23,547,865                  |
| <b>Expenditures</b>                | 21,229,614                 | 21,648,345                 | 22,214,057                  | 22,913,410                  | 23,426,412                  | 24,021,965                  |
| <b>Net Impact Fund<br/>Balance</b> | (82,796)                   | (9,625)                    | (76,728)                    | (260,974)                   | (241,738)                   | (474,100)                   |

# Five Year Projection

## -1% sales tax assumption

|                                    | <b>FY 2026<br/>Adopted</b> | <b>FY 2027<br/>Planned</b> | <b>FY 2028<br/>Forecast</b> | <b>FY 2029<br/>Forecast</b> | <b>FY 2030<br/>Forecast</b> | <b>FY 2031<br/>Forecast</b> |
|------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>                     | 21,050,621                 | 21,477,253                 | 21,908,016                  | 22,352,625                  | 22,811,629                  | 23,165,678                  |
| <b>Expenditures</b>                | 21,229,614                 | 21,648,345                 | 22,214,057                  | 22,913,410                  | 23,426,412                  | 24,021,965                  |
| <b>Net Impact Fund<br/>Balance</b> | (178,993)                  | (171,092)                  | (306,041)                   | (560,786)                   | (614,783)                   | (856,287)                   |

# Five Year Projection

## +1% sales tax assumption

|                                    | <b>FY 2026<br/>Adopted</b> | <b>FY 2027<br/>Planned</b> | <b>FY 2028<br/>Forecast</b> | <b>FY 2029<br/>Forecast</b> | <b>FY 2030<br/>Forecast</b> | <b>FY 2031<br/>Forecast</b> |
|------------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Revenue</b>                     | 21,243,015                 | 21,795,779                 | 22,364,682                  | 22,954,164                  | 23,565,039                  | 23,937,647                  |
| <b>Expenditures</b>                | 21,229,614                 | 21,648,345                 | 22,214,057                  | 22,913,410                  | 23,426,412                  | 24,021,965                  |
| <b>Net Impact Fund<br/>Balance</b> | 13,401                     | 147,434                    | 150,625                     | 40,753                      | 138,627                     | (84,319)                    |

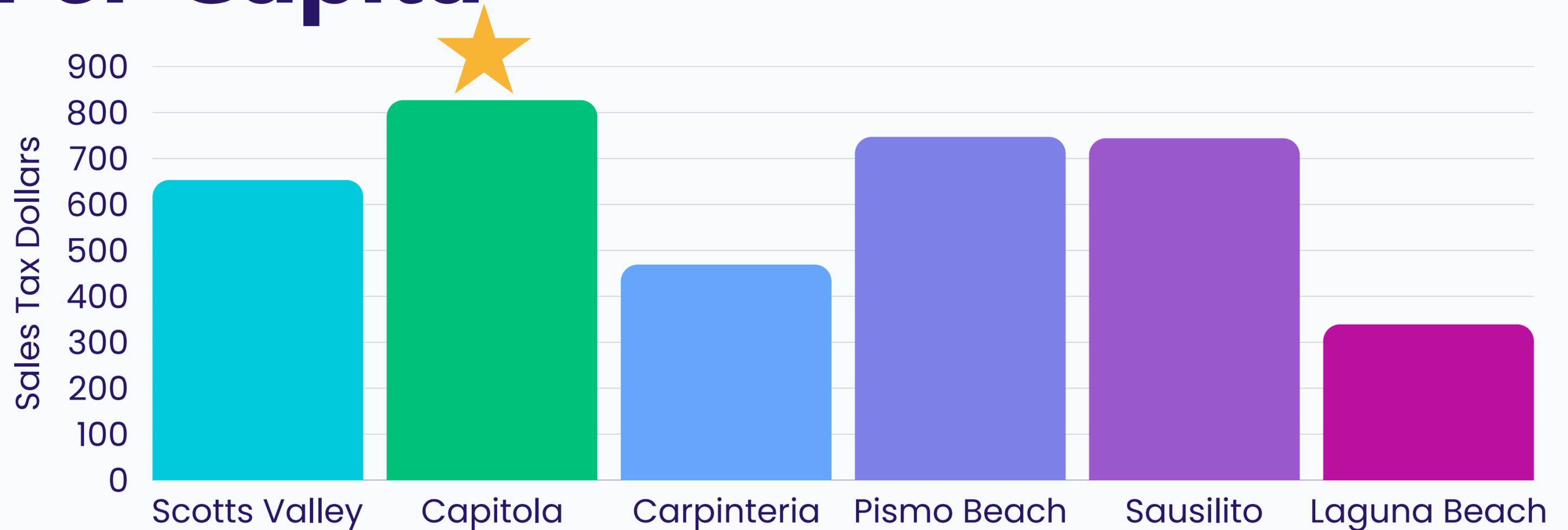
# Filling the Funding Gap

## Responding to UAL & Inflation

- Cannabis tax
- ECYP Grants shifted to Special Revenue
- TOT increase
- Fee studies: charges aligned w/ cost
- Parking meter rate increase
- Property tax growth is faster than inflation
- Measures O/F/Y
- Economic Development: Fairfield Hotel
- SB 1 & Measure D
- Service adjustments (Great Recession & Pandemic)

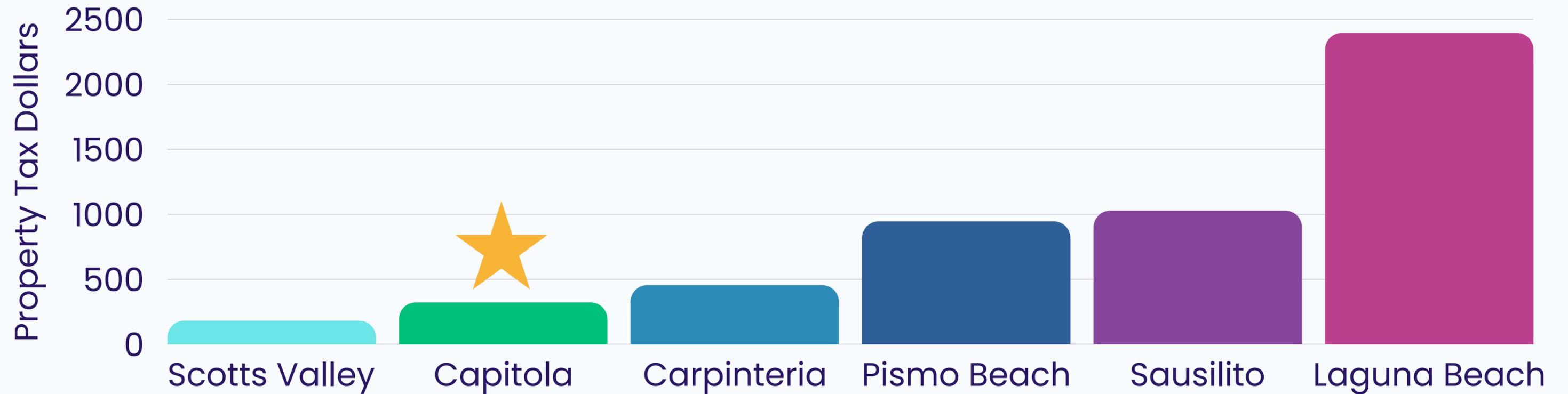


# Sales Tax, Per Capita



**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!



# Spotlight on Public Works

## We Build & Fix Infrastructure!

- 18 Full-Time Staff
- 11 Maintenance Workers
- Develop, maintain, and operate the City's infrastructure & natural resources, provide environmental stewardship for the benefit of our residents, businesses & visitors



# Pavement Management Program (PMP)

## Updated and approved in 2022:

- Evaluated all City streets to determine current pavement condition
- Established a five-year maintenance and rehabilitation plan (2022–2027)

## How It's Used:

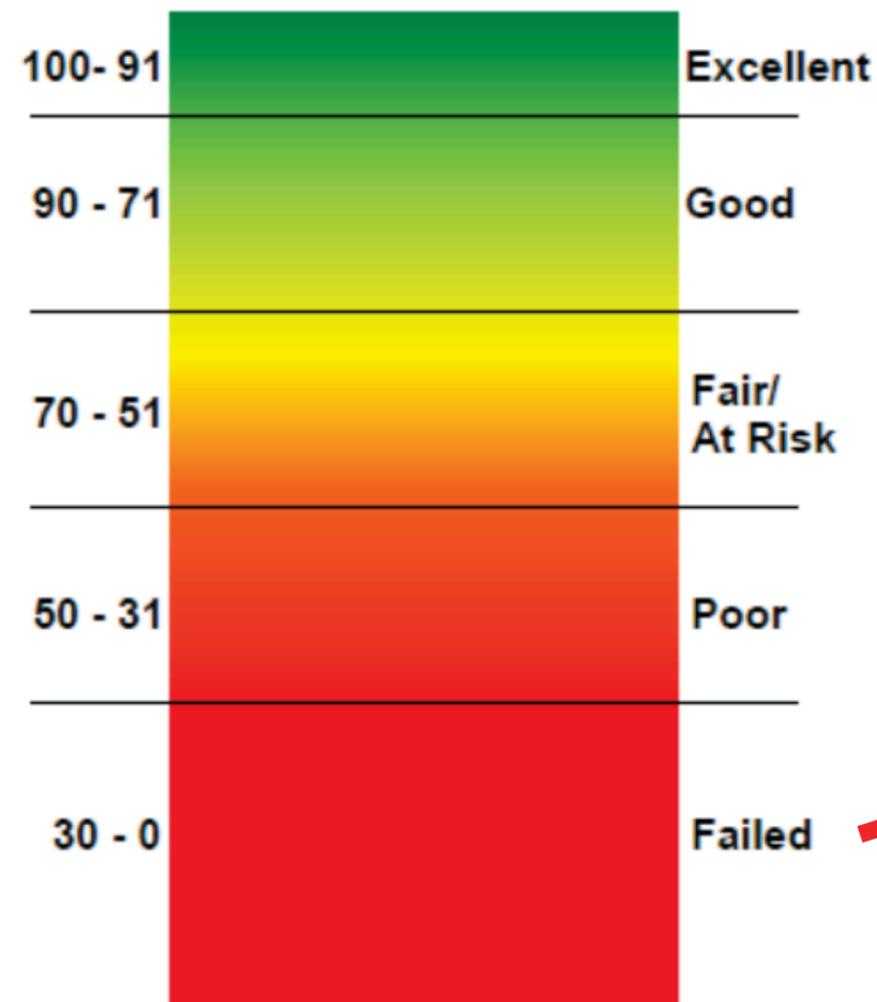
- Guides annual resurfacing priorities
- Streets may shift between years based on coordination and funding
- Strategic approach to paving is efficient use of funding

## Funding:

- Measure D, SB 1, and grant supplements.

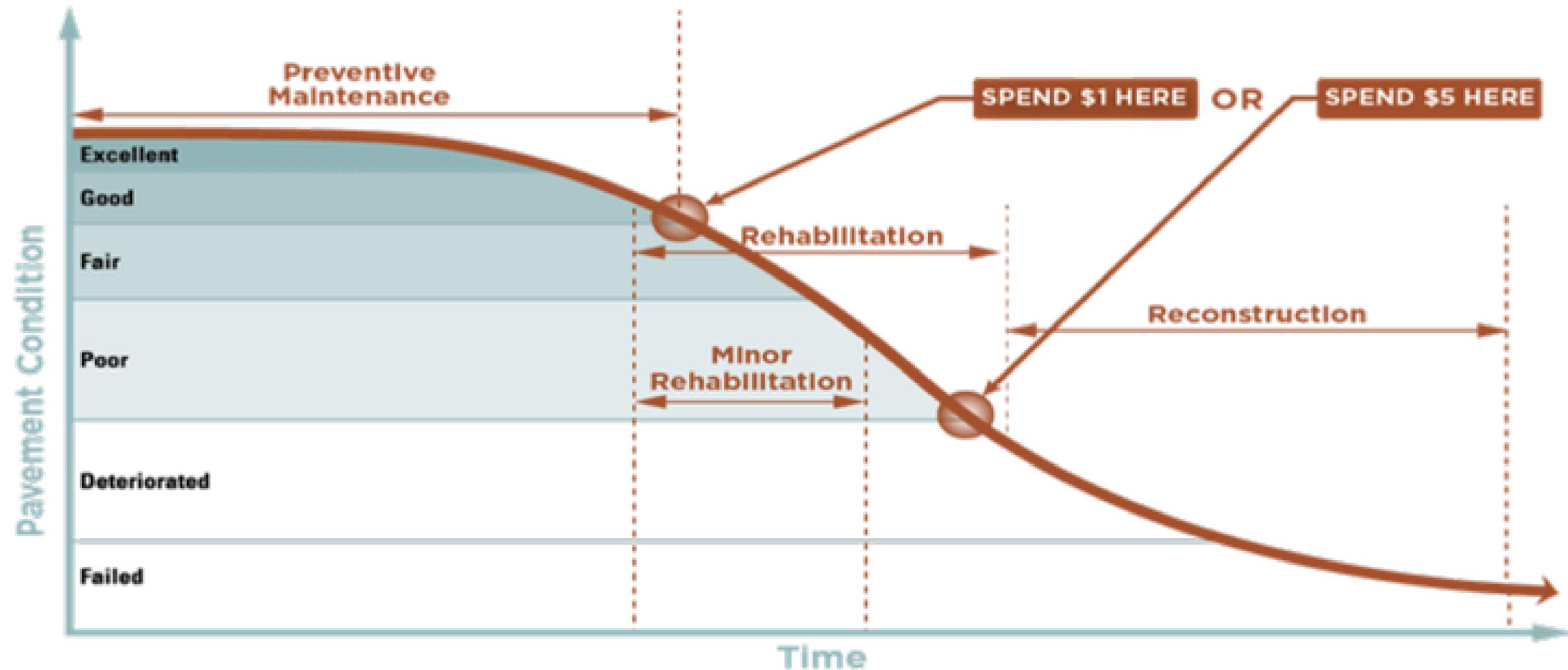


# PMP Overview: Pavement Condition Index



# PMP Overview: Management Strategies

- Best-First: "Top Down" Management
- Worst-First: "Bottom Up" Management
- Critical-Point Management



# Jade Street Park Improvements



## Largest community park and recreation complex in Capitola

### Four coordinated projects under construction:

- **Treasure Cove Playground:** universally accessible, ocean-themed
- **Restroom Renovation:** modern, ADA-compliant
- **Community Center Renovation:** modernization & upgrades
- **Patio Improvements:** new outdoor gathering space

### Community Partnerships:

- Supported by County Park Friends
- Implements Long-Term Use Agreement with Soquel Union Elementary School District





**Total Budget ≈ \$10.8M**

**Funding sources:**

- CDBG ('24 & '25): \$6.6M
- County Park Friends: \$965k
- CNRA Grant: \$1.0M
- General Fund: ≈ \$2.2M

**Status:**

All projects in construction  
Quarterly Council updates  
Next in March 2026  
Complex re-opening  
Summer 2026

# Managing a Beach and Lagoon

## What Happens Every Year (and Why)

- Capitola Beach sits at the mouth of Soquel Creek
- Beach width and lagoon conditions change seasonally
- Influenced by waves, tides, storms, and sand supply
- Active management has always been necessary



# The Flume

## What's happening under the sand

- 1920s era
- Allows creek flow without an open channel across the beach
- Enables a continuous, usable beach during the dry season
- Supports seasonal lagoon formation
- Later adapted for environmental requirements



# A Long History of Active Management

- Hand raking and beach maintenance as early as the 1950s
- City-managed since incorporation
- Early focus on beach use and water quality
- Environmental role expanded over time



# How the Lagoon Is Managed Today

- Seasonal lagoon closure in late spring
- Controlled breaching in fall or storm conditions
- Daily monitoring during summer
- Beach raking, trash removal, & sand maintenance 7 days/week in season
- Biologist oversight and fish relocation when required
- Management plan in place for 30+ years



JOIN US FOR THE 2<sup>ND</sup> ANNUAL  
SANTA CRUZ COUNTY CLEANUP DAY!

## CAPITOLA BEACH CLEANUP

5.10.2025

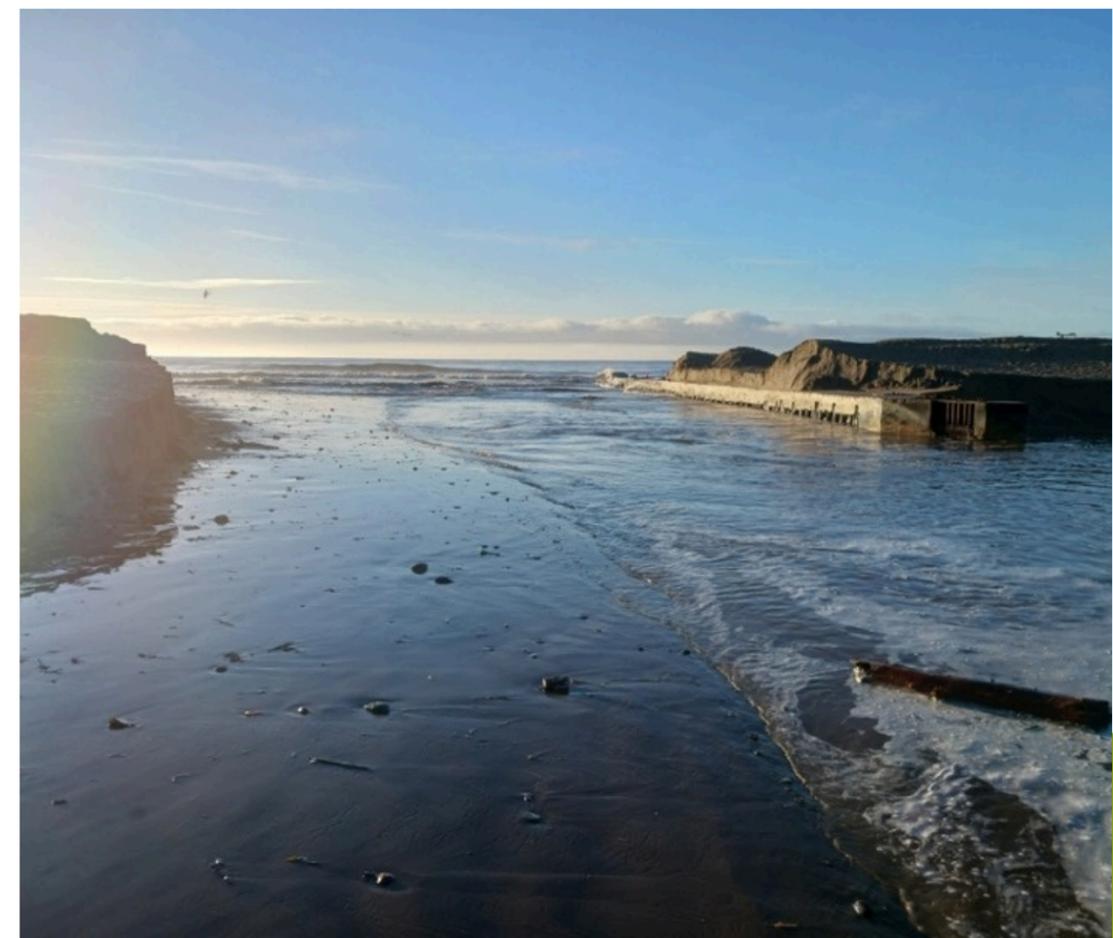
9 - 11 A.M.

MEET SAVE OUR SHORES BY THE SEAL STATUE.  
JUST BRING YOURSELF, CLOSED-TOED SHOES  
AND A REUSABLE WATER BOTTLE. WE'VE GOT  
THE REST!



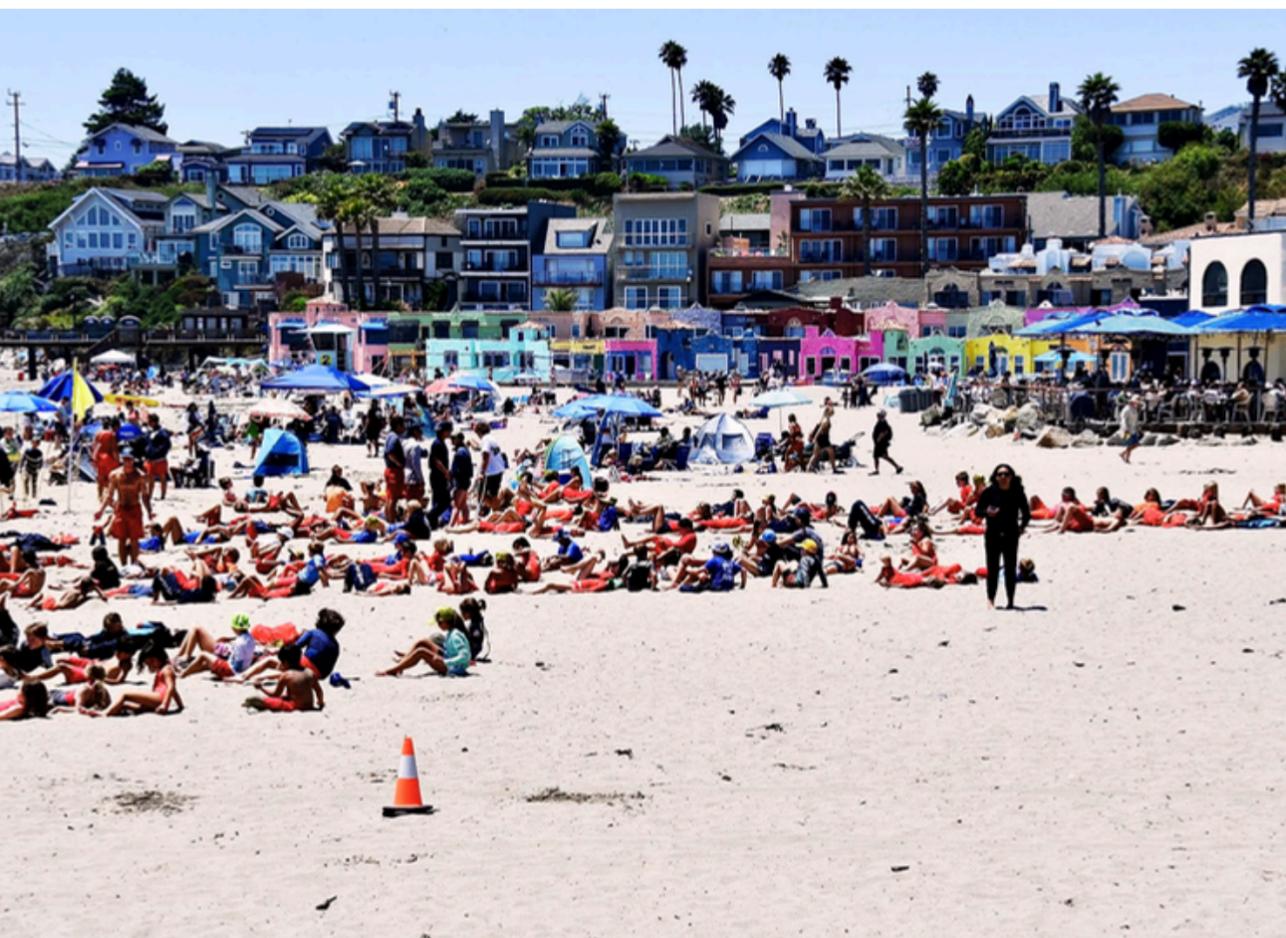
REGISTER TODAY:







# This Makes Capitola Unique!



- Maintains a safe, accessible public beach
- Protects lagoon water quality and fish habitat
- Breaching only under defined, permitted conditions
- Long-term coordination with environmental agencies
- Few communities manage a system this intensively



# Upcoming PW Projects



- Bay Avenue Corridor
- Cliff Drive Resiliency
- Esplanade Park
- 41st Avenue Multimodal Improvements
- Sidewalk Infill

# Questions & Answers

**See you on February 24 for**

*Public Safety*

Thank  
you!

for attending our first session

