ATTACHMENT A

ORDINANCE NO. _____

URGENCY ORDINANCE AMENDING CHAPTER 4.22 OF THE SANTA CRUZ COUNTY CODE TO ESTABLISH A TEMPORARY SUPPLEMENTAL ONE-HALF CENT TRANSACTIONS AND USE TAX TO ADDRESS CONDITIONS OF PERSISTENT FISCAL DISTRESS

The Board of Supervisors of Santa Cruz County hereby finds and declares the following:

WHEREAS, the County of Santa Cruz provides essential public services that protect the health, safety, and wellbeing of residents, including healthcare, mental health and substance abuse, public health, emergency medical services, human services, public safety, housing and homelessness programs, infrastructure, elections, and other governmental services; and

WHEREAS, recent federal legislative and administrative actions, including H.R. 1, substantially reduce local funding for healthcare, nutrition assistance, mental health and substance abuse, housing, homelessness response, public health, and other safety-net programs while shifting additional fiscal responsibility and administrative workload to counties; and

WHEREAS, these federal actions and related State fiscal impacts reduce funding annually by over $200 million for local healthcare and safety-net programs while shifting additional administrative responsibilities and costs to counties; and

WHEREAS, the County's Fiscal Year 2026-27 Budget totals approximately $1.29 billion, including an $844 million General Fund, and reflects the most challenging fiscal environment the County has faced since the Great Recession; and

WHEREAS, these federal actions and related State fiscal impacts more than doubled the County’s projected General Fund deficit from $23.2 million to $48.8 million, and absent corrective action that structural imbalance is projected to exceed $67 million in future fiscal years; and

WHEREAS, the Fiscal Year 2026-27 Budget relies upon approximately $43 million in one-time resources, including General Fund reserves and department trust funds, to maintain essential services and avoid layoffs, recognizing that these resources are not available on an ongoing basis and do not resolve the County's underlying structural imbalance; and

WHEREAS, the County has already implemented significant expenditure reductions, including a countywide hiring freeze on vacant General Fund positions, elimination of vacant positions across departments, reductions in operating expenditures, increased departmental restraint, and other cost containment measures while seeking to preserve core public services; and

WHEREAS, these fiscal conditions occur at a time when the County also faces continuing cost pressures associated with disaster recovery, inflation, aging and failing infrastructure, employee compensation, and other ongoing operational obligations; and

WHEREAS, counties possess limited revenue authority available to respond to extraordinary fiscal urgencies; and

WHEREAS, absent corrective action, the County will be required to make increasingly significant reductions in services, staffing, and community investments that would jeopardize the County's ability to fulfill its statutory responsibilities and maintain essential governmental services; and

WHEREAS, the Board of Supervisors finds that these combined circumstances constitute an extraordinary fiscal condition requiring immediate and sustained action to preserve the County's long-term fiscal stability and its ability to provide essential public services; and

WHEREAS, the Board of Supervisors is separately adopting a resolution on this day to declare that the County is experiencing a state of fiscal distress resulting from the combined effects of extraordinary federal funding reductions, structural budget imbalance, increasing service demands, and escalating operating costs; and

WHEREAS, said resolution directs the County Executive Officer to continue implementation of a comprehensive multi-year fiscal stabilization strategy, including expenditure reductions, organizational restructuring, operational efficiencies, revenue stabilization, long-term financial planning, and other actions necessary to restore ongoing structural balance; and

WHEREAS, said resolution documents the Board’s commitment to implement fiscal stabilization measures in a manner that advances the County's Strategic Plan by protecting essential services; preserving access to basic needs; supporting healthy, safe, and resilient communities; maintaining County assets, infrastructure, and natural resources; fostering economic opportunity; and strengthening the County's long-term operational excellence and fiscal sustainability; and

WHEREAS, said resolution documents the Board’s declaration of intent to pursue all lawful options available to stabilize County finances, including seeking state and federal assistance, advocating for legislative relief, pursuing operational efficiencies, evaluating organizational and workforce changes, considering locally controlled revenue options, and undertaking any additional actions necessary to maintain the County's long-term fiscal sustainability; and

WHEREAS, the Board has determined that urgent action must be taken to protect the health, safety, and welfare of the residents of Santa Cruz County during this time of fiscal distress; and

WHEREAS, the Board believes that the adoption of a supplemental half-cent increase to the transactions and use tax (sales tax) for a period of five years is a necessary and appropriate action to address the fiscal challenges created by the federal actions described above;

NOW THEREFORE the Board of Supervisors of Santa Cruz County hereby ordains as follows:

SECTION I

Section 4.22.056 is hereby added to the Santa Cruz County Code to read as follows:

4.22.056 Temporary supplemental transactions tax rate.

For the privilege of selling tangible personal property at retail, a temporary supplemental tax is hereby imposed upon all retailers Countywide at the rate of one-half (0.5) percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory through and including the termination date set forth below in Section 4.22.160.

SECTION II

Section 4.22.076 is hereby added to the Santa Cruz County Code to read as follows:

4.22.076 Temporary supplemental use tax rate.

A temporary supplemental excise tax is hereby imposed on the storage, use, or other consumption in the County of tangible personal property purchased from any retailer for storage, use, or other consumption in said territory at the rate of one-half (0.5) percent of the sales price of the property, said tax to be imposed through and including the termination date set forth below in Section 4.22.160.

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 III

Section 4.22.160 of the Santa Cruz County Code is hereby amended to read as follows:

4.22.160 Termination date.

The authority to levy the tax imposed under Sections 4.22.050 and 4.22.070 shall expire twelve (12) years after the Operative Date. The authority to levy the additional tax imposed under Sections 4.22.055 and 4.22.075 shall continue until ended by voters. The authority to levy the temporary supplemental tax imposed under Sections 4.22.056 and 4.22.076 shall expire five (5) years after the first day of the first calendar quarter commencing more than 110 days after the ordinance codifying the amendment to add the temporary supplemental tax is approved by a simple majority of the voters voting on the question.

SECTION IV

Effective Date. This ordinance shall take effect immediately as an urgency ordinance. This is based on the Board of Supervisors finding that this ordinance is adopted in compliance with Government Code section 25123, that it is necessary for the protection of the public peace, health and safety for the reasons contained in the findings set forth at the beginning of this ordinance, which are incorporated by reference herein, and that adoption of this ordinance as an urgency measure is necessary to prevent the negative impacts to Santa Cruz County residents that this ordinance is designed to prevent.

SECTION V

Operative Date. This ordinance relates to the levying and collection of temporary supplemental transactions and use taxes and shall become operative (i.e., the tax will begin being collected) on the first day of the first calendar quarter commencing more than 110 days after the ordinance is approved by a simple majority of the voters voting on the question.

PASSED AND ADOPTED this __ day of August 2026, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS
ABSTAIN: SUPERVISORS

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MONICA MARTINEZ
Chairperson of the Board of Supervisors

Attest: ___________________
JULIETTE REZZATO
Clerk of the Board

APPROVED AS TO FORM:

____
JASON M. HEATH
County Counsel