



Local ballot measure: Z

Z

City of Santa Cruz Sugar-Sweetened Beverage Tax

Ballot question

To sustain vital City services such as improving/ maintaining neighborhood parks/beaches/open space, providing safe routes to schools, expanding community recreational/youth/ senior programs, addressing crime/ public safety, improving bike/pedestrian safety, and help fight diabetes, heart disease, and childhood obesity, shall City of Santa Cruz's measure levying a two-cents per ounce tax for general governmental use on the wholesale distribution of sugar-sweetened beverages (e.g., sodas, energy drinks); generating \$1,300,000 annually, until ended by voters, be adopted?

Pregunta de Boleta

Para mantener los servicios vitales de la Ciudad, como mejorar/ mantener los parques/ playas/ espacios abiertos del vecindario, proporcionar rutas seguras a las escuelas, expandir los programas comunitarios/ recreativos/ juveniles/ para personas mayores, abordar el crimen/ seguridad pública, mejorar la seguridad de los ciclistas/ peatones y ayudar a combatir la diabetes, las enfermedades cardíacas y la obesidad infantil, ¿Se debería adoptar la medida de la Ciudad de Santa Cruz que impone un impuesto de dos centavos por onza para uso gubernamental general en la distribución mayorista de bebidas azucaradas-endulzadas (p. ej., refrescos, bebidas energéticas); generando \$1,300,000 anualmente, hasta ser terminado por los votantes?

What your vote means:

YES	NO
A "yes" vote is a vote to add to the City's Municipal code a Sugar-Sweetened Beverage Tax as detailed in the full text of the measure.	A "no" vote is a vote to keep the City's municipal code as is.

For and against Measure Z

Titles used by argument signers are for identification purposes only and does not necessarily reflect the position of the organization in question.

If an asterisk (*) follows a name, it means the person is signing on behalf of that agency/organization.

FOR	AGAINST
<p>Hollie Locatelli Chair, Friends of Parks & Rec.</p> <p>Karyn Schmidt Local Director/Preschool Teacher</p> <p>Faris Sabbah County Superintendent, County Office of Ed.</p> <p>Laura Marcus CEO, Dientes Community Dental</p> <p>Casey Coonerty Protti Owner, Bookshop Santa Cruz</p>	<p>Debbie Bouchard Owner, DJ's Mini Mart</p> <p>Miranda Leung Owner, Canton Westside</p> <p>Christopher Choi Owner, M.G Sushi</p> <p>Adolfo Hernandez Owner, Taqueria Jalapeños</p> <p>Dari Vogel Owner, Mobo Sushi</p>



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Arguments and replies are the opinions of the authors. We print them exactly as submitted, including errors.

Argument for Measure Z	Rebuttal argument for Measure Z
<p>Vote Yes on Measure Z for a Safe, Healthy Santa Cruz! Santa Cruz is a community that cares about its people and environment.</p> <p>We're proud of our beautiful parks, beaches, and open spaces and committed to keeping them safe and enjoyable for everyone. By maintaining our welcoming neighborhoods and ensuring they remain clean and safe, we support the health and wellness of our entire community. Healthy communities contribute to healthier lives, and together, we can build a thriving, vibrant community for all.</p> <p>That's why we need Measure Z. It can provide locally controlled funding for vital services that keep Santa Cruz safe, healthy, and thriving, including:</p> <ul style="list-style-type: none"> • Improving and maintaining neighborhood parks, beaches, and open spaces • Providing safe routes to school • Expanding programs for children and seniors • Promoting bike and pedestrian safety • Investing in resources for youth mental health • Supporting health initiatives <p>Vote Yes on Z — A Simple Solution with Real Results By law, every penny of Measure Z stays here in Santa Cruz, directly benefiting essential city services and enhancing quality of life to align with Santa Cruz's commitment to healthy living. It includes a community advisory board to ensure local oversight and accountability. Without Measure Z, there are no other viable options to make these needed investments in our community.</p> <p>Measure Z Doesn't Increase Property Taxes or Affect Essential Purchases Measure Z is not an across-the-board tax. It includes exemptions for necessary, everyday items like dairy products, baby formulas, and medical purchases. It follows a strong record of successful measures for other communities that provide millions in locally controlled funding and promote healthier living. Adding a couple of pennies to sodas and energy drinks is a simple, logical mechanism to generate real results with long-term benefits.</p> <p>Let's protect what makes Santa Cruz a special place to live and promote a healthier future — vote Yes on Z!</p> <p>Hollie Locatelli, Chair, Friends of Parks & Rec. Karyn Schmidt, Local Director/Preschool Teacher Faris Sabbah, County Superintendent, County Office of Ed. Laura Marcus, CEO, Dientes Community Dental Casey Coonerty Protti, Owner, Bookshop Santa Cruz</p>	<p>There could not be a worse time to burden Santa Cruz working families and local businesses with a new beverage tax. Measure Z will raise prices dramatically, require an expensive legal battle to defend, and won't accomplish what supporters say it will.</p> <p>Despite what supporters say, the tax money can be spent on anything city authorities choose. The measure itself concludes: "for general governmental use." In Oakland, the majority of beverage tax revenue went to city administration. Most importantly, UC Davis researchers said beverage taxes in California have not accomplished significant health outcomes.</p> <p>This tax also violates a state law that prohibits local taxes on groceries. Our Mayor said this measure will cost the city "huge amounts of money to defend." Our tax dollars should be used for essential city services like firefighting, parks and housing — not on lawyers for an expensive legal battle.</p> <p>A 2-cent per ounce tax on beverages adds up fast. Cases of many everyday beverages — from iced tea to kombucha to soft drinks — could end up costing much more. This is on top of the recent hike in the Santa Cruz sales tax amid an already record high cost of living that hurts working families and college students hardest.</p> <p>We share in the goals of advancing public health, but a regressive tax is not the answer since it only hurts working families and small businesses.</p> <p>Vote NO on Measure Z.</p> <p>Rolando Loera, Small Business Owner Constance A. Hutchinson, Owner, Jack's Hamburgers Javier Corona, Owner, Restaurante Los Pinos Karukinattil Saji Stephen, Owner of Mission Liquors Kathleen Peppard, Santa Cruz Resident</p>

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Argument against Measure Z	Rebuttal argument against Measure Z
<p>Vote NO on Measure Z—Santa Cruz cannot afford the proposed new beverage tax amid record high increases in cost of living.</p> <p>Families and mom and pop shops are struggling to make ends meet with grocery prices sky high. This new beverage tax will cause increases of up to 85% in the price of some everyday beverages. Everything from iced tea to kombucha to soft drinks will see significant increases; the cost of a case of soft drinks may increase by almost \$6.</p> <p>Studies show beverage taxes don't improve public health and will do the most harm to families that can least afford it. A UC Davis study found that sugar-sweetened beverage (SSB) "taxes in Oakland and San Francisco were both largely ineffective in reducing SSB purchases and regressive in their incidence. We find no evidence that low-income households significantly reduced purchases of SSBs in response to the tax. They, therefore, bore the burden of the tax that was passed forward without improving their health outcomes."</p> <p>The Santa Cruz proposal offers no guarantee where tax dollars will go. It says the funds will be used "for general government use." San Francisco and Oakland also promised to direct the tax money to specific services only to divert it to political pet projects.</p> <p>If Measure Z passes, the mayor has already said that taxpayers will bear the burden of expensive legal fees. He has made clear that the city will face drawn-out litigation that could cost Santa Cruz huge amounts, cutting the \$1.3 million the tax is expected to raise. Supporters of the tax are intent on wasting taxpayer dollars to unnecessarily defy a state law that stopped grocery taxes.</p> <p>Santa Cruz should spend its resources addressing important issues not trying to tax residents who cannot afford it.</p> <p>Vote NO on Measure Z.</p> <p>Debbie Bouchard, Owner, DJ's Mini Mart Miranda Leung, Owner, Canton Westside Christopher Choi, Owner, M.G. Sushi Adolfo Hernandez, Owner, Taqueria Jalapeños Dari Vogel, Owner, Mobo Sushi</p>	<p>Big Soda is coming from out of town to spend millions of dollars convincing you that Measure Z is bad for OUR community. They're wrong.</p> <p>Measure Z simply and truthfully is:</p> <ul style="list-style-type: none"> • 2¢ per ounce on sugary drinks and ONLY on sugary drinks. Essentials are exempt. • Paid by <u>wholesale distributors of sugary drinks</u>, NOT small businesses. • Locally controlled funding — \$1,300,000 annually — helping to provide safer routes to school, maintain neighborhood parks, beaches, and open space, and keep our community healthy and thriving. <p>Big Soda doesn't want you to know this. They're threatened by Measure Z and putting their thumbs on the scale in our small beach town. Here's why:</p> <p>They only care about their bottom line, not the health of Santa Cruz families and residents. Sugary drinks are proven to increase risk for obesity, type 2 diabetes, cardiovascular disease, tooth decay, and some cancers.</p> <p>These measures have a proven track record of success. Voters in San Francisco, Berkeley, Oakland, and Albany have invested millions back into their communities through similar initiatives.</p> <p>Big Soda is terrified of becoming the next Big Tobacco.</p> <p>We know there's nothing to be afraid of. By law, every penny of Measure Z stays here in Santa Cruz, supporting local services for residents. It includes a community advisory board, <u>ensuring local oversight and accountability</u>.</p> <p>Santa Cruz educators, small businessowners, the American Heart Association, and the Santa Cruz County Medical Association all support Measure Z. Our opponents are supported by Big Soda. Who do you stand with?</p> <p>Money talks. We should listen. Vote Yes on Z — stand up for Santa Cruz!</p> <p>SafeHealthySantaCruz.org</p> <p>Damani Kobie Thomas, Small Businessowner, Oswald Restaurant Ian McRae, Local Small Business/Restaurant Owner Leslie Conner, Retired/Former CEO, Santa Cruz Community Health Centers Gabriela Triguero*, Executive Director, Big Brothers Big Sisters of Santa Cruz County Maria Ferreira, Local Educator and Parks Volunteer</p>

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Impartial Analysis of Measure Z

Tony Condotti, City Attorney

SUGAR-SWEETEND BEVERAGE TAX ORDINANCE

If approved by the voters, Measure Z would add Chapter 3.38 "Sugar-Sweetened Beverage Tax Ordinance" (the "Ordinance") to the Santa Cruz Municipal Code, imposing a general excise tax (the "Sugar-Sweetened Beverage Tax" or "tax") in the amount of two cents (\$0.02) per fluid ounce on the distribution of sugar-sweetened beverage products ("SSBs") in the City. The stated purpose of the Ordinance is "to raise funds for unrestricted general revenue purposes, including, but not limited to, promoting community health & wellness, and sustaining vital City services." Under the Ordinance, a seven-member "Community Oversight Panel" would be established to make recommendations on the uses of future revenues "to promote community health & wellness and for general revenue purposes." At least five members of the panel would, to the extent feasible, represent various categories including healthcare, dental, wellness, education, and youth organizations.

For sugar-sweetened beverages, the tax would be based on the volume, in fluid ounces, of a sugar-sweetened beverage and, for concentrates, on the volume of beverage, in fluid ounces, that is produced from concentrate, in accordance with the manufacturer's instructions.

Certain beverages would be exempt from payment of the tax, such as:

- Beverages containing less than 40 calories per 12 fluid ounces of beverage;
- Baby formula;
- Beverages for medical use;
- Beverages designed as meal replacements (e.g., Ensure);
- Milk products;
- Concentrates directly purchased by consumers (e.g., Kool-Aid powder);
- Sweetened medications;
- Natural or common sweeteners (e.g., honey or molasses); or
- Alcoholic beverages.

The tax would be paid on the first nonexempt distribution of SSBs in the City. Thus, if there is a chain of distribution within the City involving more than one distributor, the tax would only be levied on the first distributor subject to the jurisdiction of the City.

The tax would be administrated by the City's "Tax Administrator", and would require each distributor of SSBs to register with the City, and thereafter to collect the tax and file a return and pay the tax in accordance with rules and regulations established by the Tax Administrator, or pay a 10% penalty, plus interest, from the due date until the date of payment.

The tax Administrator would be authorized to:

- Determine the amount of any tax paid erroneously or collected illegally, and make appropriate refunds;
- Examine and audit all books and records of persons responsible for payment of the tax;
- For any person who fails to collect the tax or refuses to provide records for audit, to make an estimate of and determine the amount of tax due and owing, subject to the right of appeal.

A violation of the Ordinance by a distributor would constitute a misdemeanor, punishable by a fine of up to one thousand dollars of imprisonment in the County jail up to six months, or both.

A simple majority is required to pass the measure.

The above statement is an impartial analysis of Measure Z.

Fiscal Impact Statement Measure Z

Elizabeth Cabell, Finance Director

The City Council of the City of Santa Cruz has placed a measure on the ballot asking voters to approve a tax of two cents (\$0.02) per ounce on the distribution in the City of Santa Cruz of sugar sweetened beverages. The tax would be payable by the distributor, not the consumer, and would include a small business exemption for those with less than \$500,000 in gross annual revenues. Should this measure be approved, it would result in the City receiving an additional estimated \$1.3 million in revenue in the first full year. This measure is not expected to add any significant amount of new administrative costs to the City.



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The tax is a general tax and proceeds would be deposited into the General Fund, and would be used to support essential City services including public safety, bike/pedestrian safety, recreation programs for people of all ages, maintenance of City facilities and essential infrastructure including streets, open spaces, parks and beaches.

The measure would add the Sugar-Sweetened Beverage Distribution Tax to Title 3 — Revenue and Finance of the City of Santa Cruz Municipal Code.

Full text of Measure Z

BE IT ORDAINED by the electorate of the City of Santa Cruz that Section 3.38 of the Santa Cruz Municipal Code is hereby added as follows:

ORDINANCE NO. 2024-XX

AN ORDINANCE OF THE CITY OF SANTA CRUZ IMPOSING AN EXCISE TAX OF TWO CENTS (\$0.02) PER FLUID OUNCE ON THE DISTRIBUTION OF SUGAR-SWEETENED BEVERAGE PRODUCTS IN THE CITY OF SANTA CRUZ

Section 1. Chapter 3.38 — SUGAR-SWEETENED BEVERAGE DISTRIBUTION TAX is hereby added to Title 3 — REVENUE AND FINANCE of the City of Santa Cruz Municipal Code, to read as follows:

“Chapter 3.38 - SUGAR-SWEETENED BEVERAGE DISTRIBUTION TAX

3.38.005 - SHORT TITLE

This chapter shall be known as the "Sugar-Sweetened Beverage Distribution Tax Ordinance."

3.38.010 – PURPOSE OF THIS CHAPTER

The purpose of this chapter is to impose a general excise tax on the Distribution of Sugar-Sweetened Beverage Products to raise funds for unrestricted general revenue purposes, including, but not limited to, promoting community health & wellness, and sustaining vital City services. The excise tax imposed by this chapter is also expected to lead to decreased consumption of sugary beverages in the City of Santa Cruz, which is anticipated to have a positive impact on health and wellness in the City of Santa Cruz, given that sugary drinks are linked to various health conditions, including type 2 diabetes, adult obesity, childhood obesity, heart disease, liver disease, and metabolic disorder.

3.38.015 - COMMUNITY OVERSIGHT PANEL

There is hereby established a Community Oversight Panel:

1. A Community Oversight Panel shall report on the impact of the tax, review expenditures, and include recommendations on the use of future revenues to promote community health & wellness and general revenue purposes, as consistent with this chapter.
2. The Community Oversight Panel shall be comprised of 7 members in total. The Parks & Recreation Commission may select one person to be a part of the Community Oversight Panel, and the Council may select one City Councilmember to be a part of the Community Oversight Panel. The remaining members shall be recommended by the City Manager's Office and ratified by the City Council, and shall, to the greatest extent possible, be comprised of community members representing categories that include: healthcare, dental, and/or wellness professional(s); representative(s) from the education industry; and representative(s) from youth organization(s).
3. The Community Oversight Panel will transmit its annual report and recommendations to the City Council.

3.38.020 - DEFINITIONS

Except where the context otherwise requires, the following definitions govern the construction of this chapter:

"Alcoholic Beverage" means any beverage that is subject to taxation as an Alcoholic beverage under California Revenue and Taxation Code, Sections 32001 et seq., as may be amended from time to time.

"Beverage for Medical Use" means a beverage suitable for human consumption and manufactured for use as an oral nutritional therapy for persons who cannot absorb or metabolize dietary nutrients from food or beverages, or for use as an oral rehydration electrolyte solution formulated to prevent or treat dehydration due to illness. "Beverage for Medical Use" also means a "medical food" as defined in Section 109971 of the California Health and Safety Code. "Beverage for Medical Use" shall not include beverages commonly referred to as "sports drinks" or any other common names that are derivations thereof.

"Business Entity" means any Person except for a natural person.

"City" means the City of Santa Cruz, California.

"Community Oversight Panel" means the Sugar-Sweetened Beverage Distribution Tax Community Oversight Panel described in this chapter.



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"Concentrate" means a syrup, powder, frozen or gel mixture, or other product containing one or more sweeteners as an ingredient, intended to be used in making, mixing, or compounding a sweetened beverage by combining the concentrate with one or more other ingredients. Concentrate does not include Natural or Common Sweeteners.

"Consumer" or "Consumers" means a natural person or persons who purchase a Sugar- Sweetened Beverage Product(s) in the City for a purpose other than resale in the ordinary course of business.

"Distribution", "Distribute" or "Distributing" means the transfer of title, ownership, or possession other than by a common carrier: (a) from one Business Entity to another for consideration; or (b) within a single Business Entity, such as by a wholesale or warehousing unit to a retail outlet or between two or more employees or contractors of said Business Entity. "Distribution" or "Distribute" shall not mean the retail sale to a Consumer.

"Distributor" means any Person who engages in the business of Distribution of Sugar- Sweetened Beverage Product(s) within the City.

"General Tax" means any tax imposed for unrestricted general governmental purposes.

"Milk Product" means: (a) any beverage in which natural milk secreted by an animal is the primary and first ingredient in the product ingredient list; and (b) any plant-based substance or combination of substances in which (i) water and (ii) grains, nuts, legumes, or seeds, constitute the first two ingredients in the product ingredient list. For purposes of this definition, "Milk Product" includes concentrate and dehydrated forms, whether or not reconstituted. For purposes of this definition, "Milk Product" includes, but is not limited to, soy milk, almond milk, rice milk, coconut milk, hemp milk, oat milk, hazelnut milk, flax milk.

"Natural Fruit Juice" means the original liquid resulting from the pressing of fruit, and includes natural fruit juice concentrate, and dehydrated natural vegetable juice.

"Natural Vegetable Juice" means the original liquid resulting from the pressing of vegetables, and includes natural vegetable juice concentrate, and dehydrated natural vegetable juice.

"Natural or Common Sweetener" means: a sweetening agent on its own and independent of any Sugar-Sweetened Beverage Product, including but not limited to, granulated white sugar, brown sugar, honey, molasses, xylem sap of maple trees, agave nectar, or corn syrup.

"Nonalcoholic Beverage" means any beverage that is not subject to tax under California Revenue and Taxation Code sections 32001 et seq.

"Person" means any natural person, partnership, cooperative, association, Limited Liability Company, corporation, personal representative, receiver, trustee, assignee, or any other legal entity.

"Retailer" means any Person who serves a Sugar-Sweetened Beverage Product(s) to Consumer(s) for payment.

"Small Business" means any Person with less than \$500,000 in annual gross receipts in the most recent calendar year that distributes, sells, serves or provides Sugar-Sweetened Beverage Product(s) directly to final Consumers.

"Sugar-Sweetened Beverage" means any nonalcoholic beverage prepared in any form intended for human consumption to which one or more Caloric Sweeteners has been added and that contains 40 or more calories per 12 fluid ounces of beverage including, but not limited to, drinks and beverages commonly referred to as "soda," "pop," "cola," "soft drinks," "sports drinks," "energy drinks," "slushies," "sweetened ice teas and coffees," or any other common names that are derivations thereof.

"Sugar-Sweetened Beverage Distribution Tax" or "Tax" is the general excise tax imposed under Section 3.38.030.

"Sugar-Sweetened Beverage Product(s)" means a Sugar-Sweetened Beverage and/or a Concentrate.

"Tax Administrator" means the Director of Finance for the City of Santa Cruz or a designee of the Director of Finance.

3.38.025 - EXEMPTIONS

"Sugar-Sweetened Beverage" and "Sugar-Sweetened Beverage Product" shall not include:

- 1) Any beverage that contains less than 40 calories per 12 fluid ounces of beverage;
- 2) Any beverage sold for consumption by infants, which is commonly referred to as "infant formula" or "baby formula," or oral rehydration fluids for children;
- 3) Any beverage for medical use;
- 4) Any beverage designed as supplemental, meal replacement, or sole-source nutrition that includes proteins, carbohydrates, and multiple vitamins and minerals;
- 5) Milk Products;
- 6) 100 percent natural fruit or vegetable juice or combination thereof with no added caloric sweetener (e.g., sugar, corn



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syrup);

- 7) Any concentrate that the Consumer directly purchases as a Concentrate and then may combine with other ingredients to create a Sugar Sweetened Beverage;
- 8) Sweetened medication such as cough syrup, liquid pain relievers, fever reducers, and similar products;
- 9) Natural or Common Sweeteners, or;
- 10) Any alcoholic beverage.

The Tax shall **not** apply to:

1. Any Distributor that is not subject to taxation by the City under the laws of the United States or the State of California.
2. The Distribution of any Sugar-Sweetened Beverage Product to a Small Business as defined in this chapter.

3.38.030 - EXCISE TAX

In addition to any other taxes imposed by the City, the City hereby levies a General Tax of two cents (\$0.02) per fluid ounce on the Distribution of Sugar-Sweetened Beverage Products in the City.

For the purposes of this chapter, the volume, in ounces, of a Sugar-Sweetened Beverage Product shall be calculated as follows:

1. For a Sugar-Sweetened Beverage, the volume, in fluid ounces, of Sugar-Sweetened Beverages distributed to any Person in the course of business in the City.
2. For Sugar-Sweetened Beverage Products that are Concentrates, the tax shall be calculated using the largest volume, in fluid ounces, of Sugar-Sweetened Beverage that could be produced from the Concentrate. In accordance with rules and regulations promulgated by the City pursuant to Section 3.38.040, the largest volume, in fluid ounces, that would typically be produced from the Concentrates shall be determined based on the manufacturer's instructions or, if the Distributor uses that Concentrate to produce a Sugar-Sweetened Beverage, the regular practice of the Distributor.
3. The Tax shall be paid upon the first nonexempt Distribution of a Sugar-Sweetened Beverage Product in the City. To the extent that there is a chain of Distribution within Santa Cruz involving more than one Distributor, the tax shall be levied on the first Distributor subject to the jurisdiction of the City. To the extent the Tax is not paid as set forth above for any reason, it shall be payable on subsequent Distributions and by subsequent Distributors; provided, that the Distribution of Sugar-Sweetened Beverage Products may not be taxed more than once in the chain of commerce.

3.38.040 - ADMINISTRATION OF TAX

It shall be the duty of the Tax Administrator to collect and receive all taxes imposed by this chapter, and to keep an accurate record thereof.

The Tax Administrator is hereby charged with the enforcement of this chapter, except as otherwise provided herein, and may prescribe, adopt, and enforce rules and regulations relating to the administration and enforcement of this chapter. Such rules and regulations shall include, but are not limited to:

1. Clarification regarding the inclusion or exclusion of particular products.
2. The calculation of tax for concentrates based on manufacturer's instructions or industry practice and the designation of caloric sweeteners.
3. The reexamination and correction of returns and payments, and for reporting.
4. Prescribing the methods, frequency, and schedules for the calculation, collection and payment of the tax.
5. The manner and form in which a Distributor must register with the City, and report and remit the tax.
6. How a Distributor or a Retailer who receives, in the City, Sugar-Sweetened Beverage Product(s) from a Distributor must report to the City the name of that Distributor and the volume of Sugar-Sweetened Beverage Product(s).
7. The documentation to be created or maintained by a Distributor or a Retailer.
8. The administrative process and procedures for any Person against whom a determination is made by the Tax Administrator under this chapter or any Person directly interested in such determination, shall follow to dispute or otherwise challenge a determination, and the form, manner and time within which a determination may be disputed or challenged.

Adoption and implementation by the Tax Administrator of rules and regulations authorized by this Section shall not constitute a new or increased tax requiring approval by the voters of the City.

The Tax Administrator shall annually verify that the taxes owed under this chapter have been properly applied, exempted, collected and remitted.



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3.38.050 - COLLECTION OF TAX AND REGISTRATION OF DISTRIBUTORS

Every Person engaged in or about to engage in business as a Distributor in the City shall immediately register with the City in the manner and form determined by the Tax Administrator. Persons engaged in such business must be registered no later than thirty (30) days after the date the tax imposed by this chapter becomes effective on May 1, 2025, but such privilege of such registration after the date of imposition of such tax shall not relieve any Person from the obligation or payment or collection of tax on and after the date of imposition thereof, regardless of registration.

In order to aid in the collection of taxes due to the City under this chapter, any Distributor or Retailer that distributes, receives or sells Sugar-Sweetened Beverage Product(s) shall provide information to the City regarding the Distribution of these products in accordance with rules and regulations adopted by the Tax Administrator.

The City Council is authorized to have the taxes imposed by this chapter collected by the County of Santa Cruz or the California Board of Equalization in conjunction with the collection of other taxes for the City. If the City Council exercises this authorization, the duties and responsibilities of the Tax Administrator shall be given, as appropriate, to the County of Santa Cruz or the California Board of Equalization, which may delegate such duties and responsibilities as necessary and as authorized by law.

3.38.055 - PENALTIES AND INTEREST

Any Distributor who fails to file a tax return and pay any amount of tax required to be collected and paid to the City within the time required by the rules and regulations established by the Tax Administrator shall pay a penalty of ten (10) percent of the tax, in addition to the tax, plus interest, computed on the amount of delinquent tax, inclusive of penalties, at the rate of one and one-half (1.5) percent per month, or fraction thereof, from the date on which the tax or the amount of tax required to be collected became due and payable to the City and until the date of payment.

If the Tax Administrator determines that any tax found to be due under this chapter or the delinquent filing of a tax return is due to fraud, intentional disregard or an intent to evade this part or authorized rules and regulations, a penalty of fifteen (15) percent shall be added thereto in addition to any other penalties which may be imposed.

3.38.060 - TAX DEEMED DEBT TO CITY

The amount of any tax, penalties and interest imposed by the provisions of this chapter shall be deemed a debt to the city and any Person carrying on any business taxable under this chapter without first having paid such tax shall be liable in an action in the name of the City in any court of competent jurisdiction for the amount of the tax, and penalties and interest imposed on such Person and for any and all cost recovery, including attorneys' fees in the enforcement of this chapter.

3.38.070 - CREDITS AND REFUNDS

Any tax under this chapter that has been paid more than once or has been erroneously or illegally collected or received by the City shall be refunded as determined by the Tax Administrator.

Any tax under this chapter that has been returned to the Distributor within six (6) months of the initial Distribution and for which the entire purchase price has been refunded in cash or credit shall be refunded as determined by the Tax Administrator.

Claims must be filed with the Tax Administrator and determined in accordance with the rules and regulations to be established by the Tax Administrator, within one year from the date of payment of the tax to the City. No refund shall be paid under this section unless claimant establishes entitlement thereto by written documentation.

3.38.080 - EXAMINATION OF BOOKS, RECORDS, WITNESSES - CONFIDENTIALITY OF INFORMATION - PENALTY

It shall be the duty of a Distributor liable for the payment to the City of the tax imposed by this chapter to keep and preserve, for a period of four years, all records, complete and accurate, as may be necessary to determine the amount of such tax, interest, penalties and enforcement charges as the Distributor may be liable for payment to the City.

The Tax Administrator shall have the power to audit and examine all books and records of every Person liable for the payment to the City of the tax imposed by this chapter, including both state and federal income tax returns, California sales tax returns, or other evidence documenting the gross receipts of Persons engaged in Distribution in the City for the purpose of ascertaining the amount of tax, if any, required to be paid by the provisions hereof, and for the purpose of verifying any statements or any item thereof when filed by any Person pursuant to the provisions of this chapter. If such Person, after written demand by the Tax administrator, refuses to make available for audit, examination or verification such books, records or other evidence as the Tax Administrator requests, the Tax Administrator may, after full consideration of all information within his or her knowledge concerning the business and activities of the Person, make an assessment in the manner provided in this chapter of any taxes estimated to be due.

Every Person subject to the provisions of this chapter is directed and required to furnish to the Tax Administrator or duly authorized agent or employee, the means, facilities and opportunity for making such examination and investigations. The Tax Administrator is authorized to examine a Person under oath, for the purpose of verifying the accuracy of any



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declaration made, or if no declaration was made, to ascertain the tax or, if applicable, registration fees, due under this chapter. In order to ascertain the tax due under this chapter, the Tax Administrator may compel, by administrative subpoena, the production of relevant books, papers and records and the attendance of all Persons as parties or witnesses.

Except for disclosures to agents, attorneys, or employees of the City necessary to the purpose of administering or enforcing the tax, or in compliance with a court order, or in connection with an appeal, hearing or court action, City employees shall maintain the confidentiality of all business and personal information and documents furnished to or obtained by the Tax Administrator in connection with the collection or administrative proceedings relating to the determination and assessment of taxes.

The refusal to submit to such examination or production by any employer or Person subject to the provisions of this chapter shall be deemed a violation of this chapter, and administrative subpoenas shall be enforced pursuant to applicable state law.

3.38.085 - FAILURE TO COLLECT AND REPORT TAX – DETERMINATION OF TAX BY DIRECTOR OF FINANCE

If any Person shall fail or refuse to provide records for audit, or to collect the tax and to make, within the time provided any report and remittance of said tax or any portion thereof required by this chapter, the Tax Administrator shall have the discretion to make an estimate of the tax due based on the facts and information available.

As soon as Tax Administrator shall procure such facts and information upon which to base the assessment of any tax imposed by this chapter and payable by the Distributor who has failed or refused to provide any requested records, the Tax Administrator shall proceed to determine and assess against such Distributor the tax, interest and penalties provided for by this chapter.

In case such determination is made, the Tax Administrator shall give a notice of the amount so assessed by serving it personally or by depositing it in the United States mail, postage prepaid, addressed to the Distributor so assessed at the last known place of address.

Such Distributor may within ten (10) days after the serving or mailing of such notice make application in writing to the Tax Administrator for a hearing on the amount assessed. If application by the Person for a hearing is not made within the time prescribed, the tax, interest and penalties, if any, determined by the Tax Administrator shall become final and conclusive and immediately due and payable. If such application is made, the Tax Administrator shall give not less than five (5) days' written notice in the manner prescribed herein to the Person to show cause at a time and place fixed in the notice why the amount specified therein should not be fixed for such tax, interest and penalties. At such hearing the Distributor may appear and offer evidence why such specified tax, interest and penalties should not be so fixed.

After such hearing the Tax Administrator shall determine the proper tax to be remitted and shall thereafter give written notice to the Distributor in the manner prescribed herein of such determination and the amount of such tax, interest and penalties. The amount determined to be due shall be payable after fifteen days unless an appeal is taken as provided in Section 3.38.090.

3.38.090 - APPEAL

Any Distributor aggrieved by any decision of the Tax Administrator with respect to the amount of such tax, interest and penalties, if any, owed under this chapter, may appeal to the city council in accordance with the provisions of Chapter 1.16 of the Santa Cruz Municipal Code.

3.38.100 - PENALTY FOR VIOLATIONS

Any Distributor violating any of the provisions of this chapter shall be guilty of a misdemeanor and shall be punishable by a fine of not more than one thousand dollars or by imprisonment in the county jail for a period of not more than six months or by both fine and imprisonment, as provided in Title 4 of this code, in addition to the penalties provided for in this chapter or elsewhere in this code.

Any Distributor who fails or refuses to register as required in this chapter, or to furnish any return required to be made or who fails or refuses to furnish a supplemental return or other data required by the Tax Administrator, or who renders a false or fraudulent return or claim, is guilty of a misdemeanor, and is punishable as stated above, in addition to being subject to the other penalties provided for in this chapter or code, or elsewhere. Any Person required to make, render, sign or verify any report or claim who makes any false or fraudulent report or claim with intent to defeat or evade the determination of any amount due required by this chapter to be made is guilty of a misdemeanor and is punishable as stated above, in addition to the penalties provided for in this chapter or code, or elsewhere.

All remedies prescribed by this chapter or code, or any other provisions of law, and the use of one or more remedies by the City are cumulative, and shall not bar the use of any other remedy for the purpose of enforcing the provisions of this chapter.



Local ballot measure: Z

3.38.110 - COLLECTION DATE

Distributors shall start collecting the tax on May 1, 2025.

3.38.120 - UNRESTRICTED GENERAL REVENUE PURPOSES

All tax revenue collected and remitted to the City pursuant to this chapter shall be deposited in the City of Santa Cruz unrestricted general fund and can be spent for unrestricted general revenue purposes.

3.38.130 - NOT A SALES AND USE TAX

The tax imposed by this measure is a general excise tax on conducting business within the City of Santa Cruz. It is not a sales tax or use tax or other excise tax on the sale, consumption, or use of Sugar-Sweetened Beverage Product(s).

3.38.140 – SEVERABILITY

Should any provision of this chapter, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this chapter or the application of this chapter to any other person or circumstance and, to that end, the provisions hereof are severable.

3.38.150 AMENDMENT

This ordinance may only be amended by a vote of the people, if the amendment would result in the tax being imposed, extended, or increased in a manner not authorized by this ordinance as originally approved by the voters. The City Council of the City of Santa Cruz is hereby authorized to amend Chapter 3.38 of the Santa Cruz Municipal Code as adopted by this ordinance in any manner that does not increase the tax rates, or otherwise constitute a tax increase for which voter approval is required by Article XIII C of the California Constitution.”

Section 2. **EFFECTIVE DATE.** This ordinance relates to the levying and collecting of a general excise tax, and shall take effect immediately if the ordinance is approved by a simple majority of voters voting on the question at the November 5, 2024 election. If approved by the voters, collection of the tax shall commence as specified in Section 3.38.110.

PASSED AND ADOPTED by a majority vote of the electorate of the City of Santa Cruz on November 5, 2024. Pursuant to Section 2, above, the ordinance became effective immediately upon such adoption.