REVISED 6/11/2026 AT 4:00 PM

City of Capitola
City Council Meeting Agenda
Thursday, June 11, 2026 – 6:00 PM

City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Morgan
Vice Mayor: Gerry Jensen
Council Members: Joe Clarke, Melinda Orbach, Susan Westman

Regular Meeting of the Capitola City Council – 6 PM

1. Roll Call and Pledge of Allegiance

Council Members Joe Clarke, Melinda Orbach, Susan Westman, Vice Mayor Gerry Jensen, and Mayor Margaux Morgan

2. Additions and Deletions to the Agenda

3. Presentations

Presentations are limited to eight minutes.

A. Proclamation Declaring June 2026 as Older Americans Month

4. Additional Materials

Additional information related to an agenda item on this agenda and submitted to the City after distribution of the agenda packet pursuant to Government Code §54957.5. All correspondence received prior to 5:00 p.m. on the Wednesday preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that Wednesday may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.

A. Item 7C - Staff Memorandum with Updated Attachment

B. Item 8A - Correspondence Received

5. Oral Communications by Members of the Public

Oral Communications allows time for members of the Public to address the City Council on any "Consent Item" on tonight's agenda, or on any topic within the jurisdiction of the City that is not on the "General Government/Public Hearings" section of the Agenda. Members of the public may speak for up to three minutes, unless otherwise specified by the Mayor. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. ***A maximum of 30 minutes*** *is set aside for Oral Communications.*

6. Staff / City Council Comments

Comments are limited to three minutes.

7. Consent Items

All items listed as "Consent Items" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the City Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Government. Note that all Ordinances which appear on the public agenda shall be determined to have been read by title and further reading waived.

A. City Council Meeting Minutes
Recommended Action: Approve minutes from the regular meeting on May 28, 2026.

B. City Of Capitola Military Equipment Use
Recommended Action: Adopt a resolution renewing Chapter 2.60 of the Capitola Municipal Code entitled Military Equipment Use Ordinance, Capitola Military Equipment Use Policy 706 with no changes from the prior year, and finding that the annual Military Equipment Report complies with the standards of approval outlined in Government Code Section 7071(d).

C. Business Improvement Assessments for Fiscal Year 2026-27
Recommended Action: Adopt a resolution providing notice of the City's intent to levy business improvement assessments for Fiscal Year 2026-27, receiving the annual report and proposed budget of the Capitola Village and Wharf Business Improvement Area, setting the date for a public hearing to be held on Thursday, June 25, 2026; and outlining noticing requirements.

D. City Investment Policy Amendment
Recommended Action: Adopt a resolution affirming the City's Administrative Policy Number III-1, Investment Policy, as recommended by the Finance Advisory Committee.

8. General Government / Public Hearings

All items listed in "General Government / Public Hearings" are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.

A. Transition to Districts – Second Public Hearing
Recommended Action: 1) Conduct a duly noticed **time-certain public hearing at 6:15 PM** and receive public input regarding the composition of the potential Council election districts; 2) provide direction on Council's preference for five Council districts with a rotating Mayor, or for four Council districts with a Citywide-elected Mayor; and 3) if a Citywide-elected Mayor is preferred, provide guidance on whether the Mayoral term should be two years or four years.

B. Fiscal Year 2026-27 Operating Budget and Five-Year Capital Improvement Program
Recommended Action: Adopt a resolution adopting the Fiscal Year 2026-27 City Budget and Five -Year Capital Improvement Program.

C. 2026 General Municipal Election
Recommended Action: Adopt a resolution ordering the 2026 General Municipal Election, requesting the Santa Cruz County Department of Elections conduct the election, and requesting consolidation of the General Municipal Election in the City of Capitola on Tuesday, November 3, 2026.

9. Adjournment

The next regularly scheduled City Council meeting is on June 25, 2026, at 6:00 PM.

How to View the Meeting

Meetings are open to the public for in-person attendance at the Capitola City Council Chambers located at 420 Capitola Avenue, Capitola, California, 95010.

Other ways to Watch:

Spectrum Cable Television channel 8

City of Capitola, California YouTube Channel

How to Provide Comments to the City Council

Members of the public may provide public comments to the City Council in-person during the meeting. If you are unable to attend in-person, please email your comments to citycouncil@cityofcapitola.gov and they will be included as a part of the record for the meeting.

Notice regarding City Council: The City Council meets on the 2nd and 4th Thursday of each month at 6:00 p.m. in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City's website and at Capitola City Hall prior to the meeting. Need more information? Contact the City Clerk's office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk's office at least 24 hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Si desea asistir a esta reunión pública y necesita ayuda - como un intérprete de lenguaje de señas americano, español u otro equipo especial - favor de llamar al Departamento de la Secretaría de la Ciudad al 831-475-7300 al menos tres días antes para que podamos coordinar dicha asistencia especial o envié un correo electrónico a jgautho@cityofcapitola.gov.

Televised Meetings: City Council meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed "Live" on the City's website by clicking on the Home Page link "Meeting Agendas/Videos." Archived meetings can be viewed from the website at any time.

Memo

To: Julia Gautho, City Clerk

From: Jim Malberg, Administrative Services Director

Date: June 8, 2026

Re: Business Improvement Assessments for Fiscal Year 2026-27 – Additional Materials

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Good afternoon,

Please see the attached amended Capitola Village & Wharf Business Improvement Area budget page. The amended page includes an updated header with correct fiscal years, however the proposed budget remains unchanged.

Capitola Village & Wharf Business Improvement Area Estimated Actual for FY 2024-25, Adopted FY 2025-26 and Proposed Budget for FY 2026-27

	FY 24/25 Actual	FY 25/26 Adopted Budget	FY 26/27 Assessment Budget	FY 26/27 TOT Budget	FY 26/27 Total Budget
Beginning Fund Balance	$ 32,486	$ 19,608	$ 5,008		$ 5,008
Revenues					
Member Assessment	54,945	55,000	54,000		54,000
Associate Assessment		0			0
Assessment Revenues - Trade	0	0			0
Late Fees	0	0			0
TOT Revenue	37,315	35,000	0	37,000	37,000
Sip N' Stroll	46,665	54,000	54,800		54,800
Cookie Walk		5,000			0
Interest Revenue	1,535	100	500		500
Total Revenues	$ 140,460	$ 149,100	$ 109,300	$ 37,000	$ 146,300
Total Source of Funds	**$ 172,946**	**$ 168,708**	**$ 114,308**	**$ 37,000**	**$ 151,308**
Expenditures					
Charitable Donations	1,000	6,000	4,000		4,000
CDS Direct Distribution	0	4,000	4,000		4,000
Insurance	0	2,000	2,000		2,000
Office Supplies	278	500	500		500
Storage Unit	1,899	2,000	2,000		2,000
Renewal	0	800	800		800
Total Administration	$ 3,177	$ 15,300	$ 13,300	$ -	$ 13,300
City Accounting Services	$ 4,200	$ 4,200	$ 4,200		$ 4,200
City Public Works	3,000	3,000	3,000		3,000
Total City Services	$ 7,200	$ 7,200	$ 7,200	$ -	$ 7,200
Ambassador	$7,200	$7,200	$7,000		$7,000
Communications Manager	36,000	36,000	39,600		39,600
Directories Printing	5,457	4,500	3,500		3,500
VSC TV Partnership	17,596	25,000	20,000		20,000
VSC Map	0	0	0		0
Insurance	3,504	0			0
Miscellaneous Print	5,994	0			0
Miscellaneous Advertising		0	0		0
Miscellaneous Marketing		0	0		0
Monterey Travel Magazine		0			0
Print Explore		0			0
Social Media Boost	0	1,500	500		500
Website Management	9,444	10,000	7,000		7,000
Video Photo Production		3,000	5,000		5,000
Village Enhancement	19,827	14,000	10,000		10,000
Total Marketing	$ 105,022	$ 101,200	$ 92,600	$ -	$ 92,600
Holiday & Events	$1,974	$4,000	$4,000		$4,000
Palm Tree Lights		0	0		0
Sip N' Stroll - Cookie Walk	35,964	36,000	28,000		28,000
Total Special Events	$ 37,939	$ 40,000	$ 32,000	$ -	$ 32,000
Total Expenditures	$ 153,337	$ 163,700	$ 145,100	$ -	$ 145,100
Ending Fund Balance	**$ 19,608**	**$ 5,008**			**$ 6,208**

Gautho, Julia

From: Heidy <Heidy@cwo.com>
Sent: Sunday, June 7, 2026 4:57 PM
To: City Council
Subject: Item 8A June 11, 2026

Dear Capitola City Council,

I am writing regarding Item 8A, districting, on your June 11, 2026 agenda.

While I am disappointed Capitola must move to district-based elections, I do not believe the City should risk the substantial legal costs that have burdened other jurisdictions when challenging the California Voting Rights Act. Regardless of one's views on the merits of the law, Capitola cannot afford the potentially millions of dollars in legal fees that could result from prolonged litigation.

As the Council considers whether to adopt four districts with an at-large mayor or five districts with a rotating mayor, **I encourage you to consider which approach provides residents the greatest opportunity to participate in choosing their representatives.**

District elections reduce the number of elected officials for whom a voter can cast a ballot. Under a five-district system, residents would vote for only one councilmember representing their district. An at-large mayoral election would provide all voters with an additional opportunity to directly elect a citywide representative and maintain a broader connection between residents and their local government.

My perspective is informed by experience in a community that transitioned from at-large elections to districts. During that process, I helped recruit candidates, particularly women and individuals from historically underrepresented groups, to seek elected office. In practice, candidate recruitment proved challenging. In one district, we identified three highly qualified prospective candidates: a white man, a white woman, and a person of color. The latter two ultimately chose not to run because they believed the male candidate's name recognition and standing in the community made him the likely winner. Meanwhile, another district struggled to identify even a single interested candidate.

That experience demonstrated that district elections do not automatically produce greater participation or diversity among candidates. In some cases, they can limit opportunities for strong candidates who might otherwise be competitive in a citywide election. For that reason (and for many others I've shared previously), I believe there is value in preserving at least one citywide elected office through an at-large mayor.

Thank you for your consideration.

Best Regards,
Heidy Kellison

Gautho, Julia

From: Mick <qwakwak@gmail.com>
Sent: Monday, June 8, 2026 7:28 PM
To: City Council
Subject: Item 8A

Please have the city attorney explain how basing districts on communities of interest is in compliance with the U.S. Constitution in light of Louisiana vs Callais.

Mick Routh

From the 6/11 agenda packet

auai Wea | Ring.com... | Santa Cru... | Trailer car... | CHP Tr

ings) may change.

ill also need to comply with the Fair and Inclusive Redistricting for Municipalities and P
ns Act (Fair Maps Act), which provides criteria the City must use when establishing el
ndaries or when undertaking the redistricting process (which must occur every ten years
lation census). These criteria include compliance with the United States Constitutio
Constitution, CVRA, and the federal Voting Rights Act. The Fair Maps Act also prohib
f district boundaries for the purpose of favoring or discriminating against an incu
nber, political candidate, or political party.

026, Meeting Format: On May 28, 2026, the City Council provided direction to staff t
opportunities for public outreach before the June 11th public hearing. Staff intends to inv
ovide input through multiple opportunities:

-Submit Questions: Members of the public may submit questions about the Districting pr
email at districts@cityofcapitola.gov, or via the City's website. Questions received be
e 1 and June 11 will be addressed during the public hearing.

Sent from my iPhone

Gautho, Julia

From: Lindsey Roscoe <lindseyr@me.com>
Sent: Tuesday, June 9, 2026 3:45 PM
To: City Council
Subject: Item 8a

I strongly support the four-district model with an elected mayor.

Lindsey Roscoe
Capitola resident

Sent from my iPad

Gautho, Julia

From: John Mulry <jxmulry@icloud.com>
Sent: Tuesday, June 9, 2026 5:01 PM
To: City Council; City Clerk
Subject: Council Meeting Agenda Districting

My long time dream of districting is upon us. This brings me joy. I recommend 4 districts and a real mayor who serves a two year term. Might even lead to an increase in councillor quality. It's fun right. Somehow everything I advocate for comes to pass. One might think long range strategic planning is a super power.

Also fire Jamie. JM

Gautho, Julia

From: Joan Lambert <joanlambert013@gmail.com>
Sent: Tuesday, June 9, 2026 5:41 PM
To: City Council
Subject: Item 8A

Dear Council Members:

I support a district model with 4 districts and an elected mayor. I have personal experience with serving on an elected public school board that had 5 members and a board president that rotated each year.

I have seen that in the rotating model, there is a steep learning curve after someone assumes the role of the board president (or mayor in this case). It takes a number of months for someone to understand and get comfortable with their new role and duties. So if the mayor is appointed every year, much of each mayor's term will be spent on getting "up to speed." This would not be in the best interests of the residents of Capitola.

It makes more sense to have a person who is elected as a mayor so that that person has more time in the role once they are comfortable with the position, and also so that there is better continuity of leadership for the residents of Capitola.

Best regards,

Joan Lambert
(Capitola resident)

Gautho, Julia

From: Jennifer Cosgrove <jcosgrove@interorealestate.com>
Sent: Tuesday, June 9, 2026 7:04 PM
To: City Council
Subject: Regarding agenda 8A for June 11 meeting

I am a Capitola resident and support four districts and an elected mayor.
Thank you.

JENNIFER COSGROVE | Realtor
Intero, a Berkshire Hathaway affiliate
Presidents Circle Top 5% | Intero Value Award Winner
CFO Intero Foundation
408.930.8425 DRE# 01334273
my website | facebook | twitter | YouTube | blog
intero luxury international | intero foundation

Gautho, Julia

From: Misha Burich <misha@burich.com>
Sent: Tuesday, June 9, 2026 7:59 PM
To: City Council
Subject: Agenda item 8A in the June 11, 2026, City Council meeting

Dear Council members,

We will not be able to attend the June 11, 2026, City Council meeting.
Regarding the agenda item 8A in the meeting, we support the option with four districts with each district electing one council member and the entire city electing a mayor.

Sincerely,
Misha and Lisa Burich
101 Hollister Ave
Capitola, CA 95010

Gautho, Julia

From: Meghan D Morrissey <mdmorrissey@sbcglobal.net>
Sent: Wednesday, June 10, 2026 9:02 AM
To: City Council
Subject: Agenda Item 8A - Transition to Districts

Dear City Council members,

We are emailing regarding Agenda Item 8A, the transition to districts.

We strongly support the four-district model with an elected mayor and urge you to select this model for the future of our city.

There are several reasons why we believe a **four-district system with an elected mayor** deserves consideration:

1. More opportunities for residents to vote.

Under this model, residents would vote for both a district representative and a citywide mayor. Because the mayoral election would occur more frequently than district elections (assuming a 2 year term), voters would have a meaningful voice in city leadership every two years rather than only once every four years. (Under the current system we all vote every two years for 2 or 3 council members.) This promotes civic engagement, and in addition, each citizen will have a voice in the election of two city officials whom they feel represent their interests.

2. A citywide perspective and stronger leadership.

A mayor elected by all Capitola residents would be accountable to the entire community, not to just one district. This helps ensure that citywide issues remain a priority and that all neighborhoods have a voice in major decisions. Many of Capitola's most important challenges—including transportation, economic development, infrastructure, public safety, and housing—cross district boundaries and affect residents throughout the city. The mayor also works with the City Manager to help shape Council agendas and priorities. A mayor elected by the entire city may be better positioned to focus on the issues that matter most to Capitola as a whole rather than the concerns of a single district.

3. Greater continuity and experience.

An elected mayor serving a multi-year term has time to develop expertise, build relationships, and provide leadership on complex issues facing the city. There will be better consistency working with the City Manager, who is hired by and works directly for the City Council.

4. Stronger regional representation.

A citywide-elected mayor can serve as a visible representative for Capitola when working with regional agencies, neighboring jurisdictions, and state officials. An elected mayor has the backing of the entire Capitola electorate behind him/her and has more credibility with influences outside Capitola.

5. Larger districts and broader representation.

With five districts, each district would contain roughly 1,400 voters. With four districts, that number increases to approximately 1,750 voters, allowing each council member to represent a broader cross-section of the community.

Thank you for your time and for your service.

Meghan and Mike Morrissey

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June 10, 2026

Dear Members of the Capitola City Council,

Thank you for the information you mailed out concerning the proposed change in the way elections are held in Capitola for the members of the City Council. I continue to support at large elections but if it is necessary to make a change I would support four districts not five.

I hope your deliberations go well deliberations.
Also thank you for not implementing the round about at Bay and Hill.

Rosemary Brogan
622 Gilroy Dr.

Resident of Capitola since 1973

Rosemary Brogan

Gautho, Julia

From: Matt Wegner <matthew_wegner@yahoo.com>
Sent: Wednesday, June 10, 2026 2:12 PM
To: City Council
Subject: Districts & Mayor Election Change

I'd like the City Counsel to support four districts, with each district electing one council member and the entire city electing a mayor at large. Thank you.

Matt Wegner
100 Hollister Ave
Capitola, CA 95010

Gautho, Julia

From: Shauna Silva <shaunasilva2@gmail.com>
Sent: Wednesday, June 10, 2026 5:25 PM
To: City Council
Subject: Letter regarding Item 8A of 6/11/26 Agenda Packet

Dear Mayor and City Council Members,

I support the **four-district model with an elected mayor** and encourage the Council to give this option serious consideration as Capitola transitions to district-based elections.

I believe a four-district system with an elected mayor would offer several important benefits:

- A mayor elected by all Capitola voters would ensure accountability to the entire community, not simply one district.

- A multi-year mayoral term would provide greater continuity, experience, and consistency in city leadership while addressing long-term challenges.

- With four districts rather than five, each council member would represent a broader cross-section of residents, encouraging balanced representation and collaboration.

- Residents would have more frequent opportunities to vote and participate in selecting city leadership.

I believe this structure would provide both strong neighborhood representation and effective citywide leadership, and I respectfully urge the Council to adopt the four-district model with an elected mayor.

Thank you for your consideration.

Sincerely,

Shauna Silva
Capitola Resident

Gautho, Julia

From: Mara Palandrani <Mara@sierrautility.net>
Sent: Thursday, June 11, 2026 1:16 PM
To: City Council
Cc: Joe Palandrani
Subject: Re districting of Capitola

City Council:
Joe and I are not sure if we will make the meeting tonight – but wanted our "vote" be known for the re-districting of Capitola.

Four districts, with each district electing one council member and the entire city electing a mayor at large.

Mara & Joa Palandrani
105 Hollister Ave.
Capitola, CA 95010

Gautho, Julia

From: Em N. <emelinen.gov@gmail.com>
Sent: Thursday, June 11, 2026 5:24 PM
To: City Council
Subject: ATTN: Public Comment - Council Agenda Item 8A

Dear Mayor and Councilmembers,

As Council considers the choice between five districts with a rotating Mayor and four districts with a Citywide-elected Mayor, the question is not simply which structure is better. The more important question is which structure best positions Capitola for the future.

The challenges facing Capitola over the next decade - aging infrastructure, coastal resilience, housing requirements, economic vitality, and long-term fiscal sustainability - will affect the entire community regardless of district boundaries. Any governance structure adopted today should be evaluated based on its ability to address those challenges while maintaining public trust, accountability, and representation.

A Citywide-elected Mayor offers a single citywide voice and greater continuity in leadership. The tradeoff is that it creates a separate citywide elected office, concentrating visibility and influence in one position and requiring candidates to run a citywide campaign.

A five-district model with a rotating Mayor emphasizes shared leadership and district representation. Each Councilmember is directly accountable to a district, while the Mayor remains a member of the Council rather than a separately elected position. The tradeoff is less continuity in the Mayor's role from year to year.

Neither option guarantees better outcomes. Good governance will always depend on thoughtful decision-making, collaboration, and public engagement. However, governance structures can influence how decisions are made and whose voices are heard.

Many of the issues facing Capitola require citywide thinking, but they also require public confidence that every neighborhood has a seat at the table. For a city of Capitola's size, a five-district model with a rotating Mayor appears to provide a stronger balance between representation and governance. It preserves district accountability while maintaining a collaborative council structure that has been used successfully in many smaller California communities.

There is also a practical consideration. The City is in the middle of a legally required districting process. While the two options before Council are the appropriate focus for this phase of the process, alternative governance models may be worth exploring in the future. For example, a structure that preserves district-based representation while providing additional continuity in leadership may ultimately offer the best balance of both objectives.

The decision before Council tonight is more focused: which of the two options best supports the City's transition to district-based elections. For that reason, five districts with a rotating Mayor appears to be the more straightforward path forward while preserving the opportunity to revisit governance structure in the future, should circumstances warrant.

Thank you,

Em

CAPITOLA CITY COUNCIL MEETING 6/11/2026
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AGENDA ITEM #/SUBJECT: **Item # 8A – Transition to Districts**

Name (Optional): _____

Question: IF MAYOR IS ELECTED, HOW WOULD VICE MAYOR BE SELECTED COUNCIL DECISION/ROTATION? OR MAYOR APPOINTMENT? CAN THIS CHANGE W/EACH COUNCIL

CAPITOLA CITY COUNCIL MEETING 6/11/2026
QUESTION CARD
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AGENDA ITEM #/SUBJECT: **Item # 8A – Transition to Districts**

Name (Optional): _____

Question: How Are Renters AND Mobile Home Parks Considered AS Renters.

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AGENDA ITEM #/SUBJECT: **Item # 8A – Transition to Districts**

Name (Optional): _____

Question: We have an election 11/26. How will it work if the winners of those elections are in the same district when this goes into effect?

LEGAL BRIEFING FOR CAPITOLA CITY COUNCIL

Submitted by: Alla Mia Basaldua, Capitola Resident
June 11, 2026

RE: U.S. Supreme Court Ruling in *Louisiana v. Callais* and Its Impact on Capitola's Proposed District Elections

The Supreme Court Ruling — April 29, 2026

On April 29, 2026, the United States Supreme Court issued a landmark 6-3 ruling in *Louisiana v. Callais*, holding that Louisiana's congressional redistricting map — drawn specifically to create a second majority-Black district in compliance with the Voting Rights Act — constituted an **unconstitutional racial gerrymander** in violation of the Equal Protection Clause of the 14th Amendment.

The Court found that when race is the predominant factor in drawing district lines, it violates the Constitution — regardless of the intent to comply with federal voting rights law.

Why This Matters for Capitola

The firm of Shenkman & Hughes (Malibu, CA) threatened Capitola with litigation under the California Voting Rights Act (CVRA), claiming that the city's at-large election system dilutes the voting power of Latino residents (approximately 26.5% of Capitola's population of 9,200).

However, *Louisiana v. Callais* directly undermines that legal foundation. If the City of Capitola were to draw district lines with the express purpose of concentrating Latino voters — which is precisely what the CVRA demands — it may now be drawing those lines in violation of the U.S. Constitution.

No California city has yet successfully defended a CVRA challenge — but none have had the benefit of this ruling. The legal landscape has changed materially.

Recommended Actions for the Council

1. **Pause the district transition process** pending a formal legal review of how *Louisiana v. Callais* affects CVRA enforcement in California.

2. **Poll Capitola residents directly** on whether they support transitioning to district-based elections. The residents — not an outside law firm — should drive this decision.

3. **Consult with independent constitutional counsel** — separate from the firm advising on CVRA compliance — regarding the 14th Amendment implications of race-based redistricting in light of this ruling.

Citation: Louisiana v. Callais, U.S. Supreme Court, decided April 29, 2026 (6-3).

This briefing was prepared by a Capitola resident for informational purposes and does not constitute legal advice.

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PETITION TO SAVE THE CAPITOLA VOTE

A Petition of the Residents of the City of Capitola, California

TO: Mayor Margaux Morgan, Vice Mayor Gerry Jensen, and Council Members Joe Clarke, Melinda Orbach, and Susan Westman, City of Capitola City Council, 420 Capitola Avenue, Capitola, CA 95010.

RE: Item 7A — "Transition to Districts, First Public Hearing." We, the undersigned residents of Capitola, petition the City Council to **PAUSE** the transition to by-district elections and to **DECLINE TO ADOPT** any resolution permanently restructuring Capitola's at-large election system until the conditions below are met.

What Item 7A Actually Proposes

The recommended action under Item 7A would, in a single hearing, set in motion a permanent change to how every person in Capitola votes. Specifically, the Council is being asked to: **(1)** adopt a resolution updating the timeline for the City's transition to by-district elections under California Elections Code section 10010, and rescind the City's prior Resolution No. 4482; **(2)** conduct a time-certain public hearing and take public input on the composition of the potential Council districts; **(3)** direct staff on whether the Council prefers five districts with a rotating Mayor, or four districts with a Mayor elected citywide; and **(4)** if a citywide-elected Mayor is preferred, decide whether the Mayoral term should be two years or four years.

In plain terms: under the current at-large system, every Capitola voter helps elect every member of the City Council. Under the proposed by-district system, each voter would be placed in a single district and could vote for only one Council seat — losing the vote for the other seats entirely. With roughly 10,000 residents, a four-district map would place about 2,500 residents in each district; a single seat could turn on only a few hundred votes. This is a fundamental, lasting change to the structure of representation in Capitola, and it is being advanced on a compressed timeline rather than after independent review.

What We Are Asking the Council to Do

We respectfully urge a vote to **PAUSE NOW AND DECLINE TO ADOPT** on this timeline, and instead to:

1. Pause all further steps in the transition until an independent legal review is complete.
2. Commission independent outside counsel — with no prior relationship to the firm that sent the demand letter — to advise the City in light of the U.S. Supreme Court's April 29, 2026 decision in Louisiana v. Callais.

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3. Require full public disclosure of the named client and the legal basis for the demand letter before any vote.
4. Direct the City Attorney to state, on the public record, whether any binding court order or legal mandate actually requires Capitola to change its election system right now.
5. Keep Capitola's current at-large system in place until these questions are answered.

Why This Matters

No lawsuit has been filed. No court has ordered Capitola to do anything. The City has not been sued. The entire process began with a private demand letter — not a court order, not a statute, and not a directive from any government agency.

The law just changed. On April 29, 2026 — weeks before this hearing — the U.S. Supreme Court decided Louisiana v. Callais. The legal landscape underlying these demand letters is now unsettled. It would be reckless to permanently restructure how every Capitola resident votes while the controlling law is in flux.

Follow the money. The firm behind the demand letter operates a high-volume model: it has sent hundreds of such letters to small California cities, and the structure rewards a transition that can carry a $30,000 statutory fee — win, settle, or simply comply. Capitola's residents deserve to know who the named client is and whether this serves Capitola, or serves the business model.

This is permanent. Reducing the Council from five members elected citywide to four geographic districts would mean roughly 2,500 residents per district — and most voters would lose the ability to vote for most of their representatives. A change this fundamental should never be rushed.

The one question the Council must answer: *If no court has ordered this and the governing law changed three weeks ago, why is Capitola being asked to permanently surrender its vote tonight — instead of pausing to get an independent answer first?*

The Vote We Are Asking For

We ask the Council to vote **NO** on adopting the resolution under Item 7A on this timeline, and **YES** to pausing and obtaining independent counsel. A majority of three votes can protect the Capitola vote.

By signing below, I certify that I am a resident of the City of Capitola and I support this petition.
Optional — the last column: Capitola has not been sued, and no court has ordered this change. The process began with a private firm's demand letter sent "on behalf of residents" — and that letter names specific communities in this City as the people it claims to speak for. If you do *not* want that demand letter pursued in your name or on your behalf, check the box in the last column. If you wish, you may also write your own connection to the community the letter names — for example, "I am Latino and this firm does not speak for me." This is entirely voluntary, it is open to every signer, and leaving it blank does not change your support for this petition.

RECEIVED
JUN 11 2026
CITY OF CAPITOLA
CITY CLERK'S OFFICE

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 1 of 4

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Last column (optional, open to everyone): check ☐ if you do NOT consent to the demand letter being pursued in your name or on your behalf. You may also write your own connection to the community the letter names.

#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
1	Troy Welch, Jr	[redacted]		5/31/26	☒ *Optional — my connection to the community the letter names:*
2	Coni Welch	[redacted]		5/31/26	☐ *Optional — my connection to the community the letter names:*
3	Matt Arthur	[redacted]		5/31/26	☑ *Optional — my connection to the community the letter names:*
4	Jill Arthur	[redacted]		5/31/26	☑ *Optional — my connection to the community the letter names:*
5	Marlena Difresne	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 2 of 4

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
6	Kevin Maguire	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*
7	Robert Hackman	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*
8	Xiang Ling Hickman	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*
9	Stephen P. Walsh	[redacted]		6/7/26	☑ *Optional — my connection to the community the letter names:*
10	LILA RUTH WALSH	[redacted]		6/7/26	☑ *Optional — my connection to the community the letter names:*

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 3 of 4

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
11	MARC WARSHAW	[redacted]		5-31-2026	☑ *Optional — my connection to the community the letter names:*
12	BRIAN SANDEN	[redacted]		5-31 2026	☑ *Optional — my connection to the community the letter names:*
13	AllaMia Bacaldua	[redacted]		5/31/26	☑ *Optional — my connection to the community the letter names:*
14	LEAH KALTSAS	[redacted]		5/31/26	☑ *Optional — my connection to the community the letter names:*
15	Michael Eyster	[redacted]			☑ *Optional — my connection to the community the letter names:*

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 4 of 4

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
16	DAVID KALTSAS	[redacted]		5/31/26	☑ Optional — my connection to the community the letter names:
17	LEILANI Roberts	[redacted]		5.31.26	☑ Optional — my connection to the community the letter names:
18	Russ Crecca	[redacted]		5/31/26	☑ Optional — my connection to the community the letter names:
19	David Campbell	[redacted]		5/31/2	☑ Optional — my connection to the community the letter names:
20	Deborah Barnum	[redacted]		5/31/26	☑ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 5 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
21	Martin Lucich	[redacted]		5/31/26	☒ Optional — my connection to the community the letter names:
22	Kipp Woods	[redacted]		5/31/26	☒ Optional — my connection to the community the letter names:
23	MARK MURPHY	[redacted]		6/1/26	☒ Optional — my connection to the community the letter names:
24	Cynthia Murphy	[redacted]		6/1/26	☒ Optional — my connection to the community the letter names:
25	DENNIS NORTON	[redacted]		6/1/2026	☒ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 6 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
26	Rosemary Brogan	[redacted]		6/10	☑ Optional — my connection to the community the letter names:
27	Kathleen Arrieta	[redacted]		6/10	☒ Optional — my connection to the community the letter names:
28	Laurie Stephens	[redacted]		6/10	☒ Optional — my connection to the community the letter names:
29	Tom Henry	[redacted]		6/10	☒ Optional — my connection to the community the letter names:
30	Glenn MacPherson	[redacted]		6/10/26	☒ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
31	Ronald Hart	[redacted]		6/10/26	☑ *Optional — my connection to the community the letter names:*
32	Dale Wilson	[redacted]		6/11/26	☒ *Optional — my connection to the community the letter names:*
33	Carol Wilson	[redacted]		6/11/26	☒ *Optional — my connection to the community the letter names:*
34	Michelle Rough	[redacted]		6/11/26	☒ *Optional — my connection to the community the letter names:*
35					☐ *Optional — my connection to the community the letter names:*

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 2 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
36	TARYNN MYERS	[redacted]		6-2-26	☑ Optional — my connection to the community the letter names:
37	Colleen Stobbe	[redacted]		6/2/26	☑ Optional — my connection to the community the letter names:
38	JEFF STOBBE	[redacted]			☑ Optional — my connection to the community the letter names:
39	CHRIS STANGER	[redacted]			☑ Optional — my connection to the community the letter names:
40	Evangelina Acosta	[redacted]			☑ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 3 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
41	Albert Rebman	[redacted]		~~20~~ 2 JUN 2026	☑ *Optional — my connection to the community the letter names:*
42	Yukko Lebman ~~ZHST~~	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*
43	CAROLE PARKER	[redacted]		2 JUNE 2026	☒ *Optional — my connection to the community the letter names:*
44	Patricia Timberg	[redacted]		June 2, 2026	☑ *Optional — my connection to the community the letter names:*
45	Lisa Kirk-Williams	[redacted]		6/2/26	☑ *Optional — my connection to the community the letter names:*

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 5 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
51	Helen Bryce	[redacted]		06/02/2026	☑ Optional — my connection to the community the letter names:
52	Judy Radcliffe	[redacted]		06/02/2026	☐ Optional — my connection to the community the letter names:
53	ALLISON SMITH	[redacted]		6/2/26	☐ Optional — my connection to the community the letter names:
54	Andrew Wulf	[redacted]		6/2/2026	☐ Optional — my connection to the community the letter names:
55	MARGARITA NICOL	[redacted]		6.5.2026	☑ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 6 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
56	Todd Guild	[redacted]		6/5/26	☒ Optional — my connection to the community the letter names:
57	Andrea Santoro	[redacted]		6/5/26	☒ Optional — my connection to the community the letter names:
58	Jettson Hadland	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:
59	William McFarland	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:
60	Bruce Hunter	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

Signature Page 1 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
61	Arletta Campidonica	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:
62	KAREN Huntley KC	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:
63	Bruce Huntley	[redacted]		6/7/26	☒ Optional — my connection to the community the letter names:
64	MARLENE PORTER	[redacted]		6/8/26	☒ Optional — my connection to the community the letter names:
65	STAN WILSON	[redacted]		6/8/26	☒ Optional — my connection to the community the letter names:

PETITION TO SAVE THE CAPITOLA VOTE

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
66	Jeff Major	[redacted]		6/8/26	☒ *Optional — my connection to the community the letter names:*
67	Nancy McCalister	[redacted]		6/8/26	☒ *Optional — my connection to the community the letter names:*
68	Karla Villarreal	[redacted]		6/8/26	☒ *Optional — my connection to the community the letter names:*
69	Kayla Kienholz	[redacted]		6/8/26	☒ *Optional — my connection to the community the letter names:*
70	Cheryl Ban	[redacted]		6/8/26	☒ *Optional — my connection to the community the letter names:*

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
71	Patricia Fox	[redacted]		6-9-2026	☒ Optional — my connection to the community the letter names:
72	Sarah Alsberg	[redacted]		6-9-2026	☒ Optional — my connection to the community the letter names:
73	Terry Alsberg	[redacted]		6-9 2026	☒ Optional — my connection to the community the letter names:
74	Dave Fox	[redacted]		6-9 2026	☒ Optional — my connection to the community the letter names:
75	MARY ALLEN	[redacted]		6-9-26	☒ Optional — my connection to the community the letter names:

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Signature Page 4 of 6

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
76	Danny Sun	[redacted]		6/9/2026	☑ Optional — my connection to the community the letter names:
77	Mark Ban	[redacted]		6/9/26	☑ Optional — my connection to the community the letter names:
78	MEGAN J. COREY	[redacted]		6/9/26	☑ Optional — my connection to the community the letter names:
79	Kate Page	[redacted]			☑ Optional — my connection to the community the letter names:
80	Jennifer Webb	[redacted]		6/9/2026	☑ Optional — my connection to the community the letter names:

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
81	DAREN Diolosa	[redacted]		6/9/26	☒ *Optional — my connection to the community the letter names:*
82	Michael Miller	[redacted]		6.9.26	☒ *Optional — my connection to the community the letter names:*
83	EDWARD CLAYSPORT	[redacted]		6/9/26	☒ *Optional — my connection to the community the letter names:*
84	Jessica Finney	[redacted]		6/10/26	☒ *Optional — my connection to the community the letter names:*
85	Michael Borelli	[redacted]		6/11/26	☒ *Optional — my connection to the community the letter names:*

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
86	Michael R. White	[redacted]		6/11/2026	☑ *Optional — my connection to the community the letter names:*
87	Linda White	[redacted]		6/11/2026	☑ *Optional — my connection to the community the letter names:*
88	TIM WATLINGTON	[redacted]		6/11/2026	☑ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*

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#	Printed Name	Street Address (Capitola resident)	Signature	Date	I do NOT consent
89	Jennifer Pepiot	[redacted]		6/11	☒ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*
					☐ *Optional — my connection to the community the letter names:*

Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: City Manager Department

Subject: City Council Meeting Minutes

Recommended Action: Approve minutes from the regular meeting on May 28, 2026.

Background: Attached for City Council review and approval are the draft minutes from the regular meeting on May 28, 2026.

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government

Attachments:

1. Regular Meeting 5/28/2026

Report Prepared By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

City of Capitola
City Council Meeting Minutes
Thursday, May 28, 2026 – 6:00 PM

City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Morgan
Vice Mayor: Gerry Jensen
Council Members: Joe Clarke, Melinda Orbach, Susan Westman

Regular Meeting of the Capitola City Council – 6 PM

1. **Roll Call and Pledge of Allegiance –** *The meeting was called to order at 6:00 PM. In attendance: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan.*
2. **Additions and Deletions to the Agenda –** *None*
3. **Additional Materials**
   A. *Item 6A – Two emails received after publication of the agenda packet.*
   B. *Item 7A – Seven emails received after publication of the agenda packet.*
   C. *Item 7B – Three emails received after publication of the agenda packet.*
4. **Oral Communications by Members of the Public**
   - *Keith Cahalen*
   - *Rick Lorraine*
   - *Tiffany*
   - *Megan Reid, PG&E*
   - *Donna Hooper Danza*
   - *Kris Moran*
   - *Paula Bradley*

The City Council discussed Item 7A, as it was a time certain public hearing beginning at 6:15 PM. Following Item 7A, the Council took a recess at 7:41 PM and reconvened at 7:45 PM before returning to Item 5.

5. **Staff / City Council Comments**
   - *Community and Recreation Services Director Bryant advised the Council that the City has been approached about a public art donation in recognition of the Women on Waves.*
   - *Council Member Clarke thanked Public Works staff for keeping the lagoon intact despite rainy weather and for cleaning up graffiti at the Park at Rispin Mansion.*
   - *Council Member Westman inquired if the City will be issuing a Request for Proposals for the lifeguard organizational assessment. The City Manager responded that the City has already selected a consultant to conduct the assessment. Council Member Westman also requested that an item return to the Council about the onboarding process for new Council Members.*
   - *Vice Mayor Jensen shared concerns about the transition of the new City website and availability of search results for members of the public; inquired about the seasonal shuttle service; and thanked City staff for working with donors on the Women on Waves statue.*

- *Mayor Morgan thanked the Police Department for including her with the annual Torch Run and thanked staff for the meeting with Kings Plaza business owners.*
- *City Manager Goldstein confirmed that staff is working with public speakers about the plaque honoring Harry Hooper.*

6. Consent Items

A. City Council Meeting Minutes
Recommended Action: Approve minutes from the regular meeting on May 14, 2026, and the special meeting on May 21, 2026.

B. City Check Registers
Recommended Action: Approve check registers dated March 27, 2026, April 10, 2026, April 28, 2026, and May 8, 2026.

C. License and Right of Entry Agreement for Monterey Avenue Park Pathway Improvements
Recommended Action: Authorize the City Manager to execute the License and Right of Entry Agreement between the City of Capitola and the Soquel Union Elementary School District for pathway improvements connecting Monterey Avenue Park and New Brighton Middle School.

D. Mobile Home Park Rent Stabilization Anniversary Date
Recommended Action: Rescind Resolution No. 4362 establishing an anniversary date of July 1, pursuant to Capitola Municipal Code Chapter 2.18 Mobile Home Park Rent Stabilization, and adopt a resolution which specifies an anniversary date for rent increases at Cabrillo Mobile Home Estates to occur on October 1 of each year, and provides that other parks remain subject to the anniversary date of July 1. ***(Resolution No. 4487)***

E. GreenWaste Annual Rate Adjustment
Recommended Action: Adopt a resolution approving the contractual rate increase for collection and disposal of residential and commercial garbage, recycling, organics, food waste, yard waste, and construction and demolition debris, effective July 1, 2026, according to the Service Rate Schedule formula of the Franchise Agreement with GreenWaste Recovery, Inc. ***(Resolution No. 4488)***

F. Monterey Bay Area Regional Climate Project Working Group
Recommended Action: Authorize the City Manager to execute a Memorandum of Understanding (MOU) to join the Monterey Bay Area Regional Climate Project Working Group (RCPWG).

Council Member Jensen inquired about Item 6C, City Manager Goldstein provided clarification about resident concerns about privacy.

Motion to approve the Consent Calendar: Council Member Orbach
Second: Council Member Westman
Voting Yea: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan

7. General Government / Public Hearings

A. Transition to Districts – First Public Hearing
Recommended Action: 1) Adopt a resolution updating the timeline for the City's transition to by-district elections pursuant to California Elections Code Section 10010 and rescinding Resolution No. 4482; 2) Conduct a duly noticed **time-certain public hearing at 6:15 PM** and receive public input regarding the composition of the potential Council election districts; 3) provide direction on Council's preference for five Council districts with a rotating Mayor, or for four Council districts

with a Citywide-elected Mayor; and 4) if a Citywide-elected Mayor is preferred, provide guidance on whether the Mayoral term should be two years or four years.

City Clerk Gautho and Doug Johnson, the City's demographer, provided the staff report.

Public Comment:

- ***Heidy Kellison***
- ***Mark Warshaw***
- ***Linda Smith***
- ***Kevin Maguire***
- ***TJ Welch***

The City Council discussed opportunities for members of the public to participate and provide input on the districting process.

Motion to adopt Resolution No. 4489, with the addition of a community outreach event held from 4:30 to 5:30 on June 11th: Council Member Westman
Second: Council Member Orbach
Voting Yea: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan

B. 41st Avenue, Clares Street, and Capitola Road Corridor Plan
Recommended Action: Adopt a resolution adopting the 41st Avenue, Clares Street, and Capitola Road Corridor Plan and direct staff to publish a Request for Proposals (RFP) for an AB 1600 Nexus Study to establish a corridor impact fee.

Community and Economic Development Director Herlihy provided the staff report.

Public Comment:

- ***Linda Smith***
- ***Paula Bradley***
- ***Cami Corvin***

The City Council discussed the proposed plan, its impact on associated businesses, and provided feedback to staff. Council reiterated the importance of contacting all businesses involved, not just property owners.

Motion to direct staff to conduct additional outreach to businesses and publish an RFP for an AB 1600 Nexus Study, then return to City Council with updates: Council Member Orbach
Second: Vice Mayor Jensen
Amendment proposed to request that staff return with additional information about impact fees: Council Member Westman
Amendment accepted, with additional request for information on outreach efforts and proposed changes to the plan: Council Member Orbach
Amendments Accepted: Vice Mayor Jensen
Voting Yea: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan

C. Underground Utility District No. 6 and Rule 20A Program Update
Recommended Action: Receive information regarding Underground Utility District No. 6 and the Rule 20A utility undergrounding program, including district history, implementation considerations, and utility coordination issues, and provide direction as desired.

Public Works Director Kahn provided the staff report.

<u>Public Comment</u>: None
The City Council discussed applying Rule 20A credits to a project on Capitola Avenue, or pursue advancing projects in District 6A-1.

The Council originally directed staff to advance District 6A-1 using Rule 20A credits, begin easement coordination, and return to Council with further information once obtained from coordination with PG&E; then reopened discussions to discuss the possibility to include work on Capitola Avenue.

The City Council took a recess at 9:37 PM and reconvened at 9:38 PM.

The Mayor recommended that the Council continue the item to a future meeting to allow staff to clarify items discussed. Vice Mayor Jensen requested Council refrain from morbid comments.

D. FY 2026-27 SB 1 Project List and Measure D Five-Year Plan Update
<u>Recommended Action</u>: (1) Conduct a public hearing and adopt the FY 2026-27 Measure D Five-Year Program of Projects; and (2) Adopt the resolution approving the FY 2026-27 SB 1 Project List for the Road Maintenance and Rehabilitation Account (RMRA).

Public Works Director Kahn provided the staff report.

<u>Public Comment</u>: None

Motion to adopt Resolution No. 4490 and No. 4491: Council Member Westman
Second: Vice Mayor Jensen
Voting Yea: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan

E. MOU with the Capitola Police Officers Association
<u>Recommended Action</u>: Authorize the City Manager to sign a side letter agreement with the Capitola Police Officers Association with a term of June 1, 2026, through June 30, 2027.

Chloe Woodmansee, Assistant to the City Manager, provided the staff report.

<u>Public Comment</u>: None

Motion to authorize the City Manager to sign a side letter agreement with the Capitola Police Officers Association with a term of June 1, 2026, through June 30, 2027: Council Member Clarke
Second: Council Member Westman
Voting Yea: Council Members Clarke, Orbach, Westman, Vice Mayor Jensen, and Mayor Morgan

8. Adjournment – *The meeting adjourned at 9:48 PM. The next regularly scheduled City Council meeting is on June 11, 2026, at 6:00 PM.*

_____

Margaux Morgan, Mayor

ATTEST:

_____

Julia Gautho, City Clerk

Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: Police Department

Subject: City Of Capitola Military Equipment Use

Recommended Action: Adopt a resolution renewing Chapter 2.60 of the Capitola Municipal Code entitled Military Equipment Use Ordinance, Capitola Military Equipment Use Policy 707, and finding that the annual Military Equipment Report complies with the standards of approval outlined in Government Code Section 7071(d).

Background: Effective January 1, 2022, Assembly Bill 481 (codified in Government Code §§7070, et seq.) requires legislative bodies to adopt ordinances approving military equipment use policies. Adopting such policies was required before law enforcement agencies could continue to engage in activities related to the use of "military equipment" as defined in the Government Code. The Capitola Police Department has "military equipment" in its inventory and engages in critical public safety activities in coordination with other local jurisdictions.

Pursuant to AB 481, on April 28, 2022, the City Council adopted Ordinance No. 1051, adding Chapter 2.60 to the Capitola Municipal Code (CMC), which approved a military equipment use policy for Police services and included an inventory (report) of the City's military equipment. The Government Code and CMC require the City Council to conduct an annual review of the Military Equipment Use Ordinance and Policy and vote on whether to renew the Ordinance and Policy. As explained in more detail below, the Government Code also requires an annual review of the military equipment report.

Discussion: Staff is proposing no changes to the City's Military Equipment Use Policy this year. The proposed resolution (Attachment 1) would confirm that the City Council has reviewed the Capitola Military Equipment Use Ordinance (Attachment 2), the Capitola Police Military Equipment Use Policy 707 (Attachment 3) and the annual military equipment report (Attachment 4). As required by Government Code §7071(e)(1) and HMC 2.60.030(F): The City Council shall review any ordinance that it has adopted pursuant to this section approving the funding, acquisition, or use of military equipment at least annually and vote on whether to renew the ordinance at a regular meeting held pursuant to the Brown Act.

On April 28, 2022, the City Council adopted Ordinance No. 1051 implementing CMC Chapter 2.60 as well as the Capitola Police Military Equipment Use Policy 707 which are attached hereto as Attachments 2 and 3, respectively.

The Police Department is responsible for ensuring that all provisions of Government Code §§7071 and 7072 and CMC Chapter 2.60 are met. The City Council will continue to be required by law to review the ordinance and policy at least once per year and will have the opportunity to renew it or make any necessary changes.

Policy 707 approves the continued use of equipment currently in the Police Department's inventory by authorized and trained personnel when the use is necessary to maintain safety.

Policy 707 also allows continued collaboration with other law enforcement agencies in the deployment or other use of military equipment within the City when exigent circumstances require a swift response. The Department works closely with other local, county, state, and federal law enforcement agencies on police-related matters, including safeguarding the public's welfare and safety, working on regional task forces, conducting training exercises, providing mutual aid, and responding to emergencies. In exigent circumstances, there is sometimes the need to deploy military equipment from or lend military equipment to outside entities to promote the safety and security of the community. When military equipment is used under exigent circumstances, the proposed ordinance requires prompt reporting on the use to the City Council.

In addition, pursuant to Government Code § 7071(e)(2) and CMC 2.60.050, the City Council shall determine, based on the annual military equipment report (Attachment 4), whether each type of military equipment identified in that report has complied with the standards of approval outlined in §7071(d) and HMC 2.60.030(D). The standards for approval are set forth below.

1. Authorizing the use of military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety. The acquisition and use of this equipment is part of the Capitola Police Department's overall approach to Critical Incident Management, Use of Force, De-Escalation, and public safety. The equipment will enable department members to properly respond to both planned and unplanned events efficiently and effectively.

2. The Military Equipment Use Policy safeguards the public's welfare, safety, civil rights, and civil liberties by ensuring required reporting, providing opportunities for community engagement and feedback, and ensuring transparency and oversight regarding the acquisition and use of the specified military equipment in the City of Capitola.

3. If purchasing the equipment, it is required that the equipment is reasonably cost-effective compared to available alternatives that can achieve the same objective of officer and civilian safety.

4. Prior military equipment use complied with the Military Equipment Use Policy that was in effect at the time of the use.

Fiscal Impact: There would not be any new, unplanned direct fiscal impacts to continuing the use of equipment already in the Department's inventory or continuing to collaborate with other law enforcement agencies, including in mutual aid circumstances. The maintenance costs of existing equipment are within the Department's budget. No additional Military Equipment is being sought at this time.

There will be staff time associated with compliance, annual review, reporting, and community engagement meetings, all of which are required pursuant to applicable provisions of the Government Code.

Environmental Analysis: Pursuant to California Public Resources Code § 21065 and the California Environmental Quality Act ("CEQA") Guidelines § 15378, there is no possibility that this ordinance will have a significant impact on the physical environment and is not a project as defined under CEQA.

Attachments:

1. Resolution
2. Chapter 2.60 Military Equipment Use Ordinance
3. Military Use Policy (707)
4. 2025 Annual Military Equipment Report

Report Prepared By: Sarah Ryan, Chief of Police

Reviewed By:

Approved By:

CITY OF CAPITOLA

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA PURSUANT TO GOVERNMENT CODE SECTION 7071 RENEWING CHAPTER 2.60 OF THE CAPITOLA MUNICIPAL CODE ENTITLED MILITARY EQUIPMENT USE ORDINANCE, CAPITOLA MILITARY EQUIPMENT USE POLICY 707, AND FINDING THAT THE ANNUAL MILITARY EQUIPMENT REPORT COMPLIES WITH THE STANDARDS OF APPROVAL SET FORTH IN GOVERNMENT CODE SECTION 7071(d)

WHEREAS, effective January 1, 2022, Assembly Bill 481 (AB 481) (Government Code sections 7071 *et. seq*.) requires legislative bodies to adopt ordinances approving military equipment use policies, which are required before law enforcement agencies can continue to engage in activities related to the use of military equipment; and

WHEREAS, the Capitola Police Department has "military equipment" in its inventory and engages in critical public safety activities in coordination with other jurisdictions on police related matters, including safeguarding the public's welfare and safety, working on regional task forces, conducting training exercises, providing mutual aid and responding to emergencies; and

WHEREAS, in exigent circumstances, there is sometimes the need to deploy military equipment from or lend military equipment to other local jurisdictions to promote the safety and security of community members; and

WHEREAS, on April 14, 2022, the City Council adopted Ordinance No. 1051, adding Chapter 2.60 to the Capitola Municipal Code, which approved Military Equipment Use Policy 707 for police services, and included a report (inventory) of the City's military equipment; and

WHEREAS, Capitola Military Equipment Use Policy 707 sets forth a military equipment use policy that is consistent with the Police Department's current practices, complies with all the requirements of the Government Code and the Capitola Municipal Code, will continue to ensure ongoing regulation and compliance with the law going forward and will continue to provide a means of community engagement and transparency regarding use of military equipment by the Department; and

WHEREAS, the Government Code and the Capitola Municipal Code require the City Council to conduct an annual review of the Military Equipment Use Ordinance and Policy and vote on whether to the renew the Ordinance and Policy; and

WHEREAS, the City Council has conducted its annual review of the Military Equipment Use Ordinance contained in Chapter 2.60 of the Capitola Municipal Code as well as its annual review of Capitola Military Equipment Use Policy 707; and

WHEREAS, the City Council has also conducted its annual review of the military equipment report prepared and submitted pursuant to section 7072 of the Government Code and has considered the requirements contained in section 7071(d) of the Government Code;

WHEREAS, public notice has been provided in accordance with applicable law; and

WHEREAS, the City Council has reviewed and desires to renew Chapter 2.60 of the Capitola Municipal Code and the Capitola Military Equipment Use Policy 707.

NOW, THEREFORE, the City Council of the City of Capitola, California, **DOES HEREBY FIND** as follows:

Section 1. All of the statements and facts set forth above in the recitals are true and correct and incorporated herein by this reference. The recitals constitute findings in this matter and, together with the staff report, other written reports, public testimony and other information contained in the record, are an adequate and appropriate evidentiary basis for the actions taken herein.

Section 2. The City Council finds that Chapter 2.60 of the Capitola Municipal Code and Capitola Military Equipment Use Policy 707 are exempt from the provisions of the California Environmental Quality Act ("CEQA") because they will not result in a direct or reasonably foreseeable indirect physical change in the environment and are not a "project," as defined in Section 15378 of the CEQA Guidelines.

Section 3. The City Council has reviewed Chapter 2.60 of the Capitola Municipal Code and hereby renews that Chapter without change.

Section 4. The City Council has reviewed Capitola Military Equipment Use Policy 707 and hereby renews the Policy with any changes duly noted in the Policy.

Section 5. The City Council has reviewed the annual military equipment report and finds that it complies with the standards of approval set forth in subdivision (d) of Government Code section 7071 because of the following:

1. Authorizing the use of military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety. The acquisition and use of this equipment is part of the Capitola Police Department's overall approach to Critical Incident Management, Use of Force, De-Escalation and public safety. The equipment will enable department members to properly respond to both planned and unplanned events efficiently and effectively.

2. The Military Equipment Use Policy will safeguard the public's welfare, safety, civil rights, and civil liberties by ensuring required reporting out, the opportunity for community engagement and feedback, and transparency and oversight regarding the acquisition and use of the specified military equipment in the City of Capitola.

3. If purchasing the equipment, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety.

4. Prior military equipment use complied with the military equipment use policy that was in effect at the time of the use.

Section 4. Severability. If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, is for any reason held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases of this ordinance, or its application to any other person or circumstance. The City Council declares that it would have adopted each section, subsection, subdivision, paragraph, sentence, clause or phrase hereof, irrespective of the fact that any one or more other sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases hereof be declared invalid or unenforceable.

PASSED and ADOPTED by the City Council of the City of Capitola at a regular meeting thereof this 11th day of June, 2026, by the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

_____

Margaux Morgan

Mayor of the City of Capitola, California

ATTEST:

_____

Julia Gautho, City Clerk

City of Capitola, California

Chapter 2.60
MILITARY EQUIPMENT USE

Sections:

2.60.010 Name of chapter.

2.60.020 Definitions.

2.60.030 Military equipment use policy requirement.

2.60.040 Use in exigent circumstances.

2.60.050 Reports on the use of military equipment.

2.60.060 Severability.

2.60.010 Name of chapter.

A. This chapter shall be known as the military equipment use ordinance. (Ord. 1051 § 3 (Exh. A), 2022)

2.60.020 Definitions.

A. “Military equipment” includes all of the following (per Cal. Gov. Code § 7070):

1. Unmanned, remotely piloted, powered aerial or ground vehicles.

2. Mine-resistant ambush-protected (MRAP) vehicles or armored personnel carriers. However, police versions of standard consumer vehicles are specifically excluded from this definition.

3. High mobility multipurpose wheeled vehicles (HMMWV), commonly referred to as Humvees, two and one-half-ton trucks, five-ton trucks, or wheeled vehicles that have a breaching or entry apparatus attached. However, unarmored all-terrain vehicles (ATVs) and motorized dirt bikes are specifically excluded from this definition.

4. Tracked armored vehicles that provide ballistic protection to their occupants and utilize a tracked system instead of wheels for forward motion.

5. Command and control vehicles that are either built or modified to facilitate the operational control and direction of public safety units.

6. Weaponized aircraft, vessels, or vehicles of any kind.

7. Battering rams, slugs, and breaching apparatuses that are explosive in nature. However, items designed to remove a lock, such as bolt cutters, or a handheld ram designed to be operated by one person, are

specifically excluded from this definition.

8. Firearms of .50 caliber or greater. However, standard issue shotguns are specifically excluded from this definition.

9. Ammunition of .50 caliber or greater. However, standard issue shotgun ammunition is specifically excluded from this definition.

10. Specialized firearms and ammunition of less than .50 caliber, including assault weapons as defined in Sections 30510 and 30515 of the Penal Code, with the exception of standard issue service weapons and ammunition of less than .50 caliber that are issued to officers, agents, or employees of a law enforcement agency or a state agency.

11. Any firearm or firearm accessory that is designed to launch explosive projectiles.

12. “Flashbang” grenades and explosive breaching tools, “tear gas,” and “pepper balls,” excluding standard, service-issued handheld pepper spray.

13. Taser Shockwave, microwave weapons, water cannons, and the long range acoustic device (LRAD).

14. The following projectile launch platforms and their associated munitions: 40mm projectile launchers, “bean bag,” rubber bullet, and specialty impact munition (SIM) weapons.

15. Any other equipment as determined by a governing body or a state agency to require additional oversight.

16. Notwithstanding subsections (A)(1) through (15), “military equipment” does not include general equipment not designated as prohibited or controlled by the federal Defense Logistics Agency.

B. “City” means any department, agency, bureau, and/or subordinate division of the city of Capitola.

C. “Police department” means any division, section, bureau, employee, volunteer and/or contractor of the Capitola police department.

D. “City council” means the governing body that is the Capitola city council.

E. “Military equipment use policy” means a publicly released, written document that includes, at a minimum, all of the following:

1. A description of each type of military equipment, the quantity sought, its capabilities, expected lifespan, and product descriptions from the manufacturer of the military equipment.

2. The purposes and authorized uses for which the law enforcement agency or the state agency proposes to use each type of military equipment.

3. The fiscal impact of each type of military equipment, including the initial costs of obtaining the equipment and estimated annual costs of maintaining the equipment.

4. The legal and procedural rules that govern each authorized use.

5. The training, including any course required by the Commission on Peace Officer Standards and Training, that must be completed before any officer, agent, or employee of the law enforcement agency or the state agency is allowed to use each specific type of military equipment to ensure the full protection of the public's welfare, safety, civil rights, and civil liberties and full adherence to the military equipment use policy.

6. The mechanisms to ensure compliance with the military equipment use policy, including which independent persons or entities have oversight authority, and, if applicable, what legally enforceable sanctions are put in place for violations of the policy.

7. For a law enforcement agency, the procedures by which members of the public may register complaints or concerns or submit questions about the use of each specific type of military equipment, and how the law enforcement agency will ensure that each complaint, concern, or question receives a response in a timely manner.

F. "Exigent circumstances" means a law enforcement agency's good faith belief that an emergency involving the danger of, or imminent threat of death or serious physical injury to any person is occurring, has occurred, or is about to occur.

G. "State agency" means the law enforcement division of every state office, officer, department, division, bureau, board, and commission or other state body or agency, except those agencies provided for in Article IV (except Section 20 thereof) or Article VI of the California Constitution.

H. "Type" means each item that shares the same manufacturer model number. (Ord. 1051 § 3 (Exh. A), 2022)

2.60.030 Military equipment use policy requirement.

A. The Capitola police department shall obtain approval of the city council, by a resolution adopting a military equipment use policy (MEUP) at a regular meeting of the city council held pursuant to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code) prior to engaging in any of the following:

1. Requesting military equipment made available pursuant to 10 U.S.C. Section 2576a.

2. Seeking funds for military equipment, including, but not limited to, applying for a grant, soliciting or

accepting private, local, state, or federal funds, in-kind donations, or other donations or transfers.

3. Acquiring military equipment either permanently or temporarily, including by borrowing or leasing.

4. Collaborating with another law enforcement agency in the deployment or other use of military equipment within the territorial jurisdiction of the city of Capitola.

5. Using any new or existing military equipment for a purpose, in a manner, or by a person not previously approved by the governing body pursuant to this chapter.

6. Soliciting or responding to a proposal for, or entering into an agreement with, any other person or entity to seek funds for, apply to receive, acquire, use, or collaborate in the use of, military equipment.

7. Acquiring military equipment through any means not provided by this section.

B. No later than May 1, 2022, if seeking to continue the use of any military equipment that was acquired prior to January 1, 2022, the Capitola police department shall commence a city council approval process in accordance with this section. If the city council does not approve the continuing use of military equipment, including by adoption pursuant to a military equipment use policy submitted pursuant to this code, within 180 days of submission of the proposed military equipment use policy to city council, the Capitola police department shall cease its use of the military equipment until it receives the approval of city council in accordance with this code.

C. In seeking the approval of city council, the Capitola police department shall submit a proposed military equipment use policy to the city council and make those documents available on the police department's internet website at least 30 days prior to any public hearing concerning the military equipment at issue.

D. The city council shall only approve a military equipment use policy pursuant to this chapter if it determines all of the following:

1. The military equipment is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety.

2. The proposed military equipment use policy will safeguard the public's welfare, safety, civil rights, and civil liberties.

3. If purchasing the equipment, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety.

4. Prior military equipment use complied with the military equipment use policy that was in effect at the time, or if prior uses did not comply with the accompanying military equipment use policy, corrective action has been taken to remedy nonconforming uses and ensure future compliance.

E. In order to facilitate public participation, any proposed or final military equipment use policy shall be made publicly available on the internet website of the police department for as long as the military equipment is available for use.

F. The city council shall review this chapter at least annually and vote on whether to renew it at a regular meeting held pursuant to the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code). (Ord. 1051 § 3 (Exh. A), 2022)

2.60.040 Use in exigent circumstances.

A. Notwithstanding the provisions of this chapter, the police department may acquire, borrow and/or use military equipment in exigent circumstances without following the requirements of this code.

B. If the police department acquires, borrows, and/or uses military equipment in exigent circumstances, in accordance with this section, it must take all of the following actions:

1. Provide written notice of that acquisition or use to the city council within 30 days following the commencement of such exigent circumstance, unless such information is confidential or privileged under local, state or federal law.

2. If it is anticipated that the use will continue beyond the exigent circumstance, submit a proposed amended military equipment use policy to the city council within 90 days following the borrowing, acquisition and/or use, and receive approval, as applicable, from the city council.

3. Include the military equipment in the police department's next annual military equipment report. (Ord. 1051 § 3 (Exh. A), 2022)

2.60.050 Reports on the use of military equipment.

A. The police department shall submit to city council an annual military equipment report for each type of military equipment approved by the city council within one year of approval, and annually thereafter for as long as the military equipment is available for use.

B. The police department shall also make each annual military equipment report required by this section publicly available on its internet website for as long as the military equipment is available for use.

C. The annual military equipment report shall, at a minimum, include the following information for the immediately preceding calendar year for each type of military equipment:

1. A summary of how the military equipment was used and the purpose of its use.

2. A summary of any complaints or concerns received concerning the military equipment.

3. The results of any internal audits, any information about violations of the military equipment use policy, and any actions taken in response.

4. The total annual cost for each type of military equipment, including acquisition, personnel, training, transportation, maintenance, storage, upgrade, and other ongoing costs, and from what source funds will be provided for the military equipment in the calendar year following submission of the annual military equipment report.

5. The quantity possessed for each type of military equipment.

6. If the law enforcement agency intends to acquire additional military equipment in the next year, the quantity sought for each type of military equipment.

D. Within 30 days of submitting and publicly releasing an annual military equipment report pursuant to this section, the police department shall hold at least one well publicized and conveniently located community engagement meeting, at which the general public may discuss and ask questions regarding the annual military equipment report and the law enforcement agency's funding, acquisition, or use of military equipment.

E. The city council shall determine, based on the annual military equipment report submitted pursuant to this section, whether each type of military equipment identified in that report has complied with the standards for approval set forth in this code and the military equipment use policy. If the city council determines that a type of military equipment identified in that annual military equipment report has not complied with the standards for approval, the city council shall either disapprove a renewal of the authorization for that type of military equipment or require modifications to the military equipment use policy in a manner that will resolve the lack of compliance. (Ord. 1051 § 3 (Exh. A), 2022)

2.60.060 Severability.

A. If any section, subsection, sentence, clause, phrase, or word of this chapter, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of this chapter.

B. The city council hereby declares that it would have passed this chapter and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this chapter or application thereof would be subsequently declared invalid or unconstitutional. (Ord. 1051 § 3 (Exh. A), 2022)

Military Equipment

707.1 PURPOSE AND SCOPE

The purpose of this policy is to provide guidelines for the approval, acquisition, and reporting requirements of military equipment (Government Code § 7070; Government Code § 7071; Government Code § 7072).

The Capitola Department (CPD) does not possess any tactical equipment that it has obtained from the military, nor does it possess any equipment that was designed for military use.Notwithstanding, California Government Code § 7071(b) requires that law enforcement agencies submit a proposed Military Equipment Use Policy to their governing board for approval.

California Government Code § 7070 provides a list of equipment types that are considered to be "military equipment" for purposes of this policy requirement, and this Military Equipment Use Policy includes information for any such equipment types that are possessed by the Capitola Police Department, or reasonably likely to be deployed in Capitola by other law enforcement partners.

707.1.1 DEFINITIONS

Definitions related to this policy include (Government Code § 7070):

Governing body – The elected or appointed body that oversees the Department.

Military equipment – Includes but is not limited to the following:

- Unmanned, remotely piloted, powered aerial or ground vehicles.
- Mine-resistant ambush-protected (MRAP) vehicles or armored personnel carriers.
- High mobility multipurpose wheeled vehicles (HMMWV), two-and-one-half-ton trucks, five-ton trucks, or wheeled vehicles that have a breaching or entry apparatus attached.
- Tracked armored vehicles that provide ballistic protection to their occupants.
- Command and control vehicles that are either built or modified to facilitate the operational control and direction of public safety units.
- Weaponized aircraft, vessels, or vehicles of any kind.
- Battering rams, slugs, and breaching apparatuses that are explosive in nature. This does not include a handheld, one-person ram.
- Firearms and ammunition of .50 caliber or greater, excluding standard-issue shotguns and standard-issue shotgun ammunition.
- Specialized firearms and ammunition of less than .50 caliber, including firearms and accessories identified as assault weapons in Penal Code § 30510 and Penal Code § 30515, with the exception of standard-issue firearms.
- Any firearm or firearm accessory that is designed to launch explosive projectiles.
- Noise-flash diversionary devices and explosive breaching tools.

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- Munitions containing tear gas or OC, excluding standard, service-issued handheld pepper spray.
- Area denial electroshock devices, microwave weapons, water cannons, long-range acoustic devices (LRADs), acoustic hailing devices, and sound cannons.
- Kinetic energy weapons and munitions.
- Any other equipment as determined by a governing body or a state agency to require additional oversight.

707.2 POLICY

It is the policy of the Capitola Police Department that members of this department comply with the provisions of Government Code § 7071 with respect to military equipment.

707.3 MILITARY EQUIPMENT COORDINATOR

The Chief of Police designates the Police Captain to act as the military equipment coordinator. The responsibilities of the military equipment coordinator include but are not limited to:

(a) Acting as liaison to the governing body for matters related to the requirements of this policy.

(b) Identifying department equipment that qualifies as military equipment in the current possession of the Department, or the equipment the Department intends to acquire that requires approval by the governing body.

(c) Conducting an inventory of all military equipment at least annually.

(d) Collaborating with any allied agency that may use military equipment within the jurisdiction of Capitola Police Department (Government Code § 7071).

(e) Preparing for, scheduling, and coordinating the annual community engagement meeting to include:

1. Publicizing the details of the meeting.
2. Preparing for public questions regarding the department's funding, acquisition, and use of equipment.

(f) Preparing the annual military equipment report for submission to the Chief of Police and ensuring that the report is made available on the department website (Government Code § 7072).

(g) Establishing the procedure for a person to register a complaint or concern, or how that person may submit a question about the use of a type of military equipment, and how the Department will respond in a timely manner.

1. A complaint, concern, or question related to Military Equipment utilization by the Capitola Police Department can be made:
   (a) Via email to:policechief@ci.capitola.ca.us
   (b) Via phone call to: 831.475.4242 and request to speak to the Military Equipment Coordinator.

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(c) Via mail sent to Capitola Police Department; Attn: Military Equipment Coordinator; 422 Capitola Avenue, Capitola, CA 95010

707.4 APPROVAL

The Chief of Police or the authorized designee shall obtain approval from the governing body by way of an ordinance adopting the military equipment policy. As part of the approval process, the Chief of Police or the authorized designee shall ensure the proposed military equipment policy is submitted to the governing body and is available on the department website at least 30 days prior to any public hearing concerning the military equipment at issue (Government Code § 7071). The military equipment policy must be approved by the governing body by May 1, 2022, for approval by the governing body within 180 days of the presentation (Government Code § 7071(2)) for continuing use of military equipment currently being utilized by the Department. Thereafter, the following must be approved by the governing body, prior to engaging in (Government Code § 7071):

(a) Requesting military equipment made available pursuant to 10 USC § 2576a.

(b) Seeking funds for military equipment, including but not limited to applying for a grant, soliciting or accepting private, local, state, or federal funds, in-kind donations, or other donations or transfers.

(c) Acquiring military equipment either permanently or temporarily, including by borrowing or leasing.

(d) Collaborating with another law enforcement agency in the deployment or other use of military equipment within the jurisdiction of this department.

(e) Using any new or existing military equipment for a purpose, in a manner, or by a person not previously approved by the governing body.

(f) Soliciting or responding to a proposal for, or entering into an agreement with, any other person or entity to seek funds for, apply to receive, acquire, use, or collaborate in the use of military equipment.

(g) Acquiring military equipment through any means not provided above.

707.5 COORDINATION WITH OTHER JURISDICTIONS

Military equipment used by any member of this Department shall be approved for use and in accordance with this Departmental policy.Military equipment used by other jurisdictions that are providing mutual aid to this Department, or otherwise engaged in a law enforcement operation in this jurisdiction, shall comply with their respective military equipment use policies in rendering mutual aid as defined by Government Code § 7070; Government Code § 7071; and Government Code § 7072.

707.6 ANNUAL REPORT

Upon approval of a military equipment policy, the Chief of Police or the authorized designee should submit a military equipment report to the governing body for each type of military equipment

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approved within one year of approval, and annually thereafter for as long as the military equipment is available for use (Government Code § 7072).

The Chief of Police or the authorized designee should also make each annual military equipment report publicly available on the department website for as long as the military equipment is available for use. The report shall include all information required by Government Code § 7072 for the preceding calendar year for each type of military equipment in department inventory.

707.7 COMMUNITY ENGAGEMENT

Within 30 days of submitting and publicly releasing the annual report, the Department shall hold at least one well-publicized and conveniently located community engagement meeting, at which the Department should discuss the report and respond to public questions regarding the funding, acquisition, or use of military equipment.

707.8 MILITARY EQUIPMENT INVENTORY

The attached list is divided into three sections.

- Section One - lists qualifying equipment that is owned and/or utilized by the Capitola Police Department.
- Section Two - lists qualifying equipment that is not owned or regularly utilized by the Capitola Police Department, but which is known to be owned and/or utilized by law enforcement agencies which the Capitola Police Department collaborates and/ or participates for law enforcement purposes.
- Section Three - lists qualifying equipment that the Capitola Police Department will be procuring, with anticipated dates of procurement.

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Military Equipment Use AB 481 – Annual Report
January 1, 2025 – December 31, 2025

Sarah A. Ryan, Chief of Police

1. Annual Reporting Requirements

AB 481 requires, on an annual basis, that the Police Department seek and obtain City Council approval for future acquisition and funding of military equipment and provide a report outlining how such equipment was used to ensure compliance with Department policy and City ordinance.

Capitola Municipal Code 2.60.050 requires the Police Department to submit an annual military equipment report to the City Council within one year of approval, and annually thereafter, for as long as the equipment is available for use. The report shall also be made publicly available on the Department's website.

This report includes the following information for the preceding calendar year:

- Summary of use and purpose
- Complaints or concerns
- Internal audits and policy compliance
- Annual costs and funding sources
- Quantity of equipment possessed
- Planned acquisitions

Within 30 days of publication, the Department will hold at least one community engagement meeting.

2. Summary of Uses

Lethal Firearms and Ammunition

Firearms and ammunition were deployed during daily operations and POST-approved training. No uses occurred outside of training or authorized operational readiness.

Less-Lethal Shotgun and Ammunition

Less-lethal weapons were deployed during daily operations, POST-approved training and maintained for operational readiness.

Unmanned Aircraft Systems (UAS)

UAS were utilized during calls for service including suspect searches and support to fire personnel during emergency incidents. Use improved operational efficiency and safety.

3. Complaints or Concerns

No complaints or concerns were received.

4. Internal Audits

Routine supervisory review was conducted. No policy violations were identified.

5. Annual Costs

All equipment is funded through the Department’s operating budget.

6. Section One : Inventory of Equipment

Lethal Firearms (Department Issued)

Equipment Type: Colt LE6945 Patrol Rifle These rifles are standard issue service weapons for our officers and therefore exempted from this Military Equipment Use Policy per CA Gov't Code §7070 (c)(10). They have been included in this document in an abundance of caution and in the interest of transparency.
Quantity: 6
Lifespan: 10 years
Capabilities: Intermediate cartridge rifle (.223/5.56) providing increased accuracy and range over a handgun.
Purpose: Address short- to long-distance threats while minimizing risk through precision.
Fiscal Impact: Approximately $200 Annually in maintenance.
Training: POST-certified 16 hour patrol rifle course and annual qualification.

Lethal Firearms (Personally Owned – Registered) These rifles are standard issue service weapons for our officers and therefore exempted from this Military Equipment Use Policy per CA Gov't Code §7070 (c)(10). They have been included in this document in an abundance of caution and in the interest of transparency.
Smith & Wesson M&P 15 (.223/5.56)
Quantity: 5
Sig Sauer M400 (.223/5.56)
Quantity: 1
Rainier Arms RUC Mod 2 (.223/5.56)
Quantity: 1
Black Rain Ordnance Spec-15 (.223/5.56)
Quantity: 1
All personally owned rifles are registered per Department policy and used under the same training and policy requirements as Department-issued rifles. No fiscal impact to the Department.
Training: POST-certified 16-hour patrol rifle course and annual qualification.

Lethal Firearms (Department issued) These rifles are standard issue service weapons for our officers and therefore exempted from this Military Equipment Use Policy per CA Gov't Code §7070 (c)(10). They have been included in this document in an abundance of caution and in the interest of transparency.
Primary Weapons Systems AR-15 with Suppressor
Quantity: 8
Lifespan: 10 years
Fiscal Impact: Approximately $600 annually in maintenance.

Training: POST-certified 16-hour patrol rifle course and annual qualification.
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Daniel Defense Delta 5 Pro (6.5 Creedmoor Precision Rifle)
Quantity: 1
Lifespan: 15 years
Fiscal Impact: Approximately $150 annually in maintenance.

Purpose of both systems is to provide precision engagement capability at extended distances when necessary.

Training: POST-certified sniper course and annual qualification.

Lethal Ammunition

Winchester Ranger Duty Rifle Ammunition (.223)
Quantity: 5,000 rounds
Fiscal Impact: Approximately $560 per 1,000 rounds.

Hornady 6.5 Creedmoor TAP Precision
Quantity: 200 rounds
Fiscal Impact: Approximately $35.80 per 20 rounds.

Training Ammunition

Winchester 5.56 Target Ammunition
Quantity: 7,000 rounds
Fiscal Impact: Approximately $380 per 1,000 rounds.

Less-Lethal Weapons

Remington 870 Less-Lethal Shotgun
Quantity: 4
Lifespan: 15 years

Capabilities: Deploys less-lethal munitions to de-escalate incidents.
Fiscal Impact: Approximately $250 annually in maintenance.

Less-Lethal Ammunition

CTS Super-Sock Bean Bag Rounds
Quantity: 100
Lifespan: 5 years

Effective Range: 5–20 yards
Fiscal Impact: Approximately $814 per 100 rounds.

Unmanned Aircraft Systems (UAS)

DJI Mavic 3T, Mini 3, and Avata Platforms
Quantity: 5 total systems
Lifespan: Approximately 5 years
Capabilities: Live and recorded video, thermal imaging, search and rescue support.
Fiscal Impact: None.

Authorized Uses: Search and rescue, suspect apprehension, emergency response, documentation, and hazard monitoring.

Training: FAA part 107 license certification before being allowed to operate UAS.

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7. Section Two: Equipment Use with Other Jurisdictions

Military equipment used during mutual aid or joint operations complies with Government Code §§7070–7072 and respective agency policies.

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8. Section Three: Planned Acquisitions

No new military equipment is planned for acquisition.

7

Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: Administrative Services Department

Subject: Business Improvement Assessments for Fiscal Year 2026-27

Recommended Action: Adopt a resolution providing notice of the City's intent to levy business improvement assessments for Fiscal Year 2026-27, receiving the annual report and proposed budget of the Capitola Village and Wharf Business Improvement Area, setting the date for a public hearing to be held on Thursday, June 25, 2026; and outlining noticing requirements.

Background: In June 2005, the City of Capitola adopted Ordinance No. 889, now codified as Capitola Municipal Code Chapter 5.10, which established the Capitola Village and Wharf Business Improvement Area (CVWBIA) to generate revenue for the exclusive purpose of promoting business in the CVWBIA. State law requires certain annual actions and a public hearing to continue this assessment district.

Discussion: In accordance with state law, the CVWBIA is required to submit an annual plan each year in order to levy assessments. The annual report (Attachment 2) was prepared by the CVWBIA and submitted to the City on May 14th. It fulfills the requirement for Fiscal Year (FY) 2026-27 and is submitted for Council review and approval. In addition, to continue levying the assessment, the City Council must, on an annual basis, adopt a resolution of intention notifying the business owners of the pending assessment, hold a public hearing, and adopt a resolution levying the assessment.

In November 2018, voters approved Measure J, which increased the local transient occupancy tax (TOT) from 10% to 12%. 20% of the TOT increase is designated for local business groups for marketing and community improvements. The proposed FY 2026-27 CVWBIA budget includes $37,000 of restricted TOT revenues.

Assessments for FY 2026-27 continue to be reduced by 25% while hotel/lodging dues are reduced by 50%. Gift certificates have been eliminated from all categories, and no late fee will be assessed. The CVWBIA Advisory Committee has recommended the assessment rates return to 100% over the next couple of fiscal years.

The annual report also outlines the CVWBIA's FY 2026-27 planned activities, goals, and proposed budget. These include:

- Improve access to information regarding the businesses and services provided by the CVWBIA to likely visitors to the area via newsletters, the internet, print, and television advertising;
- Provide fun, family-oriented events throughout the year, emphasizing the attributes of the Village and Wharf;
- Improve and enhance the appearance of the Village and Wharf in partnership with the City of Capitola;
- Enhance the ability of the CVWBIA to serve as a liaison between the business community and local governments.

Pursuant to state law, staff recommends the City Council adopt the proposed resolution of intention providing notification of the City's intent to levy business improvement assessments for FY 2026-27; the resolution officially receives the annual report and proposed budget of the CVWBIA; sets the date for a public hearing to be held on Thursday, June 25, 2026; and outlines noticing requirements.

A representative of the CVWBIA will attend the meeting; however, the CVWBIA's presentation will be made at the public hearing on June 25th.

Fiscal Impact: There is no fiscal impact to the City. CVWBIA billing and accounts payable costs incurred by the City are offset by assessment revenues. The City and CVWBIA have reviewed the amounts charged by the City for these services and agree that they are reasonable.

Attachments:

1. Proposed Resolution
2. CVWBIA Annual Report

Report Prepared By: Jim Malberg, Administrative Services Director

Reviewed By: Julia Gautho, City Clerk; Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA TO LEVY BUSINESS IMPROVEMENT ASSESSMENTS FOR FISCAL YEAR 2026-27 FOR THE CAPITOLA VILLAGE AND WHARF BUSINESS IMPROVEMENT AREA (CVWBIA)

WHEREAS, the Capitola Village and Wharf Business Improvement Area ("CVWBIA") has prepared a report to the City of Capitola for Fiscal Year 2026-27 pertaining to the Business Improvement Area assessments for the CVWBIA under California Streets and Highways Code §36533; and

WHEREAS, Capitola Municipal Code §5.10.050 requires annual assessments to be imposed within the CVWBIA pursuant to a formula set forth in City Council Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CAPITOLA AS FOLLOWS:

1. The Annual Report and Proposed Fiscal Year FY 2026-27 Budget of the CVWBIA pertaining to business improvement assessments, as presented in Exhibit A attached hereto, is received.

2. The City Council intends to levy and collect assessments within the CVWBIA for FY 2026-27.

3. The proposed activities authorized by Capitola Municipal Code Chapter 5.10 are described in the CVWBIA Annual Report. The activities financed from these funds include promotional information, media announcements, and advertising in regional magazines, broadcast services, and websites.

4. The CVWBIA is bounded per the map referenced in Municipal Code §5.10.020 and included in Ordinance 1003. The CVWBIA boundaries are not being altered this year.

5. The Annual Report of the CVWBIA and proposed assessments for FY 2026-27 attached as Exhibit A and on file with the City Clerk provide a full and detailed description of the improvements and activities to be provided during FY 2026-27 and the proposed assessments to be levied upon the businesses within the area.

6. The Capitola City Council will hold a public hearing at 6 p.m. on Thursday, June 25, 2026, to receive any oral or written protests or endorsements to the regularity or sufficiency of the proposed business improvement assessments. If written protests complying with Streets and Highways Code §36524 and §36525 are received from the owners of businesses which will pay fifty percent or more of the assessments, assessments will not be levied, the procedure will be terminated and will not be reconsidered until one full year has elapsed.

7. The City Clerk is directed to give notice of the public hearing to consider the levy of business improvement assessments for FY 2026-27 by publishing this Resolution of Intention in a newspaper of general circulation in the City once, at least seven days prior to the public hearing.

8. The CVWBIA Advisory Committee is directed to give notice of the public hearing to each business owner in the area by mailing a copy of the Council's Resolution of Intention to each business within its boundaries.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by

the City Council of the City of Capitola at its regular meeting held on the 11th day of June 2026, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Margaux Morgan, Mayor

ATTEST:

_____
Julia Gautho, City Clerk

EXHIBIT A

to

Resolution No. _____

Annual Report & Proposed Fiscal Year 2026-27 Budget
CVWBIA Assessment Basis
CVWBIA Business Listing and Assessment Method

Mission Statement

The objective of the CVWBIA is to provide a unified organization to promote, stimulate and improve the business conditions in the designated area, primarily during the shoulder season, September – May. The belief is that if the lodging properties and short-term rentals are full, the rest of the businesses in the area will benefit.

This can be achieved by the CVWBIA continuing to fund activities and projects that will:

- Improve access to information regarding the businesses and services provided by the CVWBIA to likely visitors to the area via newsletters, the internet, print and television advertising.
- Provide fun, family-oriented events throughout the year emphasizing the attributes of the Village and Wharf.
- Improve and enhance the appearance of the Village and Wharf in partnership with the City of Capitola.
- Enhance the ability of the CVWBIA to serve as a liaison between the business community and local governments.

In FY 2019-20 CVWBIA began to receive a portion of the Transient Occupancy Tax (TOT) collected by the City and made commitments based on projected TOT revenues. After the Covid closures, CVWBIA dues were reduced by 25%. In January 2023 storm related flooding caused major damage to the wharf and some village businesses. Recovery has moved swiftly and businesses are seeing a return to pre-Covid levels. Assessments will remain at the reduced level for this fiscal year.

As the CVWBIA begins its twenty-first year we will continue to expand successful programs from prior years, which include the following:

1. **Website** – In 2021-22 the CVWBIA marketing team created a new, up to date, mobile compatible, website (www.capitolavillage.com) for ease of use and connectivity to BIA member's businesses, lodging and short-term rentals. Each member has a unique page with links to their individual websites. There is a schedule of events and other helpful features. Visitors can sign up on the site to receive newsletters. This process will continue in 2025-26 as technology changes quickly. We will also take advantage of opportunities to direct visitors to our website through QR Codes for special events, parking, and other visitor information. Visitors can now access members' website or business phone directly from the CVWBIA website. Monthly summaries of traffic to the site have shown the businesses the value of the website. The website is managed by Craig Nunes, Board Member and Volunteer Web Administrator.

2. **Social Media** – Our Communication Team is Opposite of East, Santa Cruz. They create a monthly newsletter, manage all our social media channels and plan new avenues to promote the village. Their blogs and itineraries are shared on social media channels and are available

on the website. Our email newsletters are sent to over 24,000 subscribers each month. Our Facebook page has over 29,786 followers with our top 5 cities being: San Jose, Santa Cruz, Modesto, Sacramento, and Capitola. This is a 35% increase over last year. Our Instagram has 30,730 active followers, a 24% increase over last year. The purpose of the Communication Team is to collectively promote the Capitola Village businesses and to be a resource for ongoing growth. Our Village Ambassador continues to develop relationships with our members to facilitate sharing their promotions and announcements. She also creates spotlight features of business owners for the website.

3. **Advertising** – While placing an emphasis on our social media development, there is still a need for carefully placed advertising in quality visitor publications. In addition to our ongoing Hulu campaign, this holiday we launched a campaign on KSBW to capture the local and near local customer. In 2026-27 the BIA will be producing a high-quality video which can be used on social media and modified for TV commercials.

4. **Village Brochures** – We print 25,000 brochures and distribute them throughout Santa Cruz County. A new addition to the brochure is a QR Code taking the visitor directly to our website. Many visitors depend on their phones to access information while traveling.

   We contract with Certified Display Service. This company has exclusive rights to lobby racks in hotels, resorts, and visitor centers in the county. These brochures are also available in various places of business throughout the Village and Wharf. We feel it is important to make visitors to other areas in the county aware of Capitola Village and Wharf through these brochures. Additionally, there are distribution locations at the Gilroy Visitors Center on Hwy 101, San Jose Airport, and the Monterey Airport.

5. **Branding and Logo Development** – In 2025-26 a new logo and color palate was created by our marketing team, Opposite of East. These are being integrated into all marking materials, our website and brochure.

6. **Sip and Stroll & Cookie Walk** – These events benefit all the businesses in the village. We hold Sip and Stroll events in November, February and May. The Cookie Walk is family-oriented and takes place the weekend after Thanksgiving.

7. **Winter Festivities** – Window decorating contest, lighted wreaths and palm trees are components of the winter festivities, In 2025-26 we held our first Holiday Extravaganza with palm tree lighting accompanied by cookies and hot chocolate from Shadowbrook and Gayles, community caroling throughout the village, the annual VW Christmas parade and late-night shopping.

8. **Public Works and Village Enhancement** – The CVWBIA contributes annually to the City of Capitola Public Works Department. Our contribution is used to help maintain the Village and Wharf. This year we are concentrating on landscaping and cleanliness of the village both in public spaces and private planting areas. The BIA has been instrumental in providing and maintaining parking signage for Long Term Parking in Lots 1 & 2. For 2026-27 we are developing a directory to be placed in the village featuring mosaic art by the artists who created the mosaics for the CVWBIA.

Assessment Basis

The method of assessment classifies businesses within the CVWBIA boundaries into nine categories:

1. Retail / Service businesses
2. Restaurant - Full Bar
3. Restaurant - Beer and Wine
4. Restaurant - No Alcohol
5. Wine/Beer Service
6. Seasonal Food Service
7. Office and Professional businesses / Specialty
8. Short-term Rental businesses
9. Hotel / Motel / Inn businesses

Assessment fees are assigned to these nine business categories by the number of full-time equivalent employees, a flat rate, and a per unit amount. Registered non-profits are exempt from assessment fees.

The following table shows the assessment fees for the proposed CVWBIA for FY 2026-27 at same level as last fiscal year.

	Number of Full-Time Equivalent Employees*		
Business Category	0 – 5 employees	6 – 10 employees	More than 10 employees
Retail / Service	$315	$630	N/A
Restaurant Full Bar	N/A	$720	$1,080
Restaurant Beer and Wine	$367.50	$682.50	$1,042.50
Restaurant No Alcohol	$315	$630	N/A
	Flat Fee		
Wine/Beer Service	$315		
Office / Professional / Specialty	$90		
Short-term Rental**	$135		
Seasonal Food Service	$210		
	Per Unit Fee		
Hotel / Motel / Inn	$180 per unit		

Footnote* "Full-time employee" is an employee who works 2,000 hours per year or more. Multiple part-time employees are combined into a single full-time employee for the basis of this assessment calculation. (i.e. "fulltime equivalents")

Footnote "Short-term rental"** businesses are defined as those dwellings which, at least once per fiscal year, are rented to a tenant for a tenancy of less than thirty days.

Associate Membership. CVWBIA is authorized to accept "associate membership" financial contributions from businesses outside the CVWBIA with approval of the board. The category and assessment will be the same as if the business is within the CVWBIA area.

New Business Assessment. Assessments will be prorated by the quarter in which a business opens.

Business Closing. A business notifying the CVWBIA before the end of the first quarter of the fiscal year (September 30th) that it will close before December 31st will be exempt from paying the assessment for that fiscal year. If the business does not close before December 31st, it must pay the year's assessment in full.

Late Charge. No late charge will be assessed with the FY 20256-26 dues.

Delinquencies. CVWBIA has a clear policy relative to delinquent assessments. Businesses that have not paid their assessment by October 31, 2025, will be removed from the CVWBIA website and brochure. They will be ineligible to participate in any CVWBIA activity. Assessments that have not been paid by January 31, 2026, may be sent to collections.

Capitola Village & Wharf Business Improvement Area Estimated Actual for FY 2023-24, Adopted FY 2024-25 and Proposed Budget for FY 2025-26

	FY 24/25 Actual	FY 25/26 Adopted Budget	FY 26/27 Assessment Budget	FY 26/27 TOT Budget	FY 26/27 Total Budget
Beginning Fund Balance	$ 32,486	$ 19,608	$ 5,008		$ 5,008
Revenues					
Member Assessment	54,945	55,000	54,000		54,000
Associate Assessment		0			0
Assessment Revenues - Trade	0	0			0
Late Fees	0	0			0
TOT Revenue	37,315	35,000	0	37,000	37,000
Sip N' Stroll	46,665	54,000	54,800		54,800
Cookie Walk		5,000			0
Interest Revenue	1,535	100	500		500
Total Revenues	$ 140,460	$ 149,100	$ 109,300	$ 37,000	$ 146,300
Total Source of Funds	**$ 172,946**	**$ 168,708**	**$ 114,308**	**$ 37,000**	**$ 151,308**
Expenditures					
Charitable Donations	1,000	6,000	4,000		4,000
CDS Direct Distribution	0	4,000	4,000		4,000
Insurance	0	2,000	2,000		2,000
Office Supplies	278	500	500		500
Storage Unit	1,899	2,000	2,000		2,000
Renewal	0	800	800		800
Total Administration	$ 3,177	$ 15,300	$ 13,300	$ -	$ 13,300
City Accounting Services	$ 4,200	$ 4,200	$ 4,200		$ 4,200
City Public Works	3,000	3,000	3,000		3,000
Total City Services	$ 7,200	$ 7,200	$ 7,200	$ -	$ 7,200
Ambassador	$7,200	$7,200	$7,000		$7,000
Communications Manager	36,000	36,000	39,600		39,600
Directories Printing	5,457	4,500	3,500		3,500
VSC TV Partnership	17,596	25,000	20,000		20,000
VSC Map	0	0	0		0
Insurance	3,504	0			0
Miscellaneous Print	5,994	0			0
Miscellaneous Advertising		0	0		0
Miscellaneous Marketing		0	0		0
Monterey Travel Magazine		0			0
Print Explore		0			0
Social Media Boost	0	1,500	500		500
Website Management	9,444	10,000	7,000		7,000
Video Photo Production		3,000	5,000		5,000
Village Enhancement	19,827	14,000	10,000		10,000
Total Marketing	$ 105,022	$ 101,200	$ 92,600	$ -	$ 92,600
Holiday & Events	$1,974	$4,000	$4,000		$4,000
Palm Tree Lights		0	0		0
Sip N' Stroll - Cookie Walk	35,964	36,000	28,000		28,000
Total Special Events	$ 37,939	$ 40,000	$ 32,000	$ -	$ 32,000
Total Expenditures	$ 153,337	$ 163,700	$ 145,100	$ -	$ 145,100
Ending Fund Balance	**$ 19,608**	**$ 5,008**			**$ 6,208**

Capitola Village & Wharf Business Improvement Area
Budget Discussion

The CVWBIA will begin the Fiscal Year 2026-27 with an estimated fund balance of $5,000.
Revenues: The proposed revenue is derived from the CVWBIA business roster and corresponding assessment rates.

Expenditures:

Summary. The proposed expenditures are divided into these categories: Administration $16,800 City Services $7,200, Marketing & Village Enhancement $89,100, and Special Events $32,000.

The following is a roster of open businesses in the assessment area as of June 1, 2026

Capitola Village & Wharf Business Improvement Area
Business Listing and Assessment Method

Business Type	Assessment Method	Estimate Assessment	
AM = Associate Member	Associate Member	AM	$450
F1 = Restaurant Full Bar	Per employee category: 6-10 EEs, >10 EEs	F1	$7,200
F2 = Restaurant Beer & Wine	Per employee category: 0-5 EEs, 6-10 EEs, >10 EEs	F2	$2,888
F3 = Restaurant No Alcohol	Per employee category: 0-5 EEs, 6-10 EEs	F3	$3,465
F4 = Wine & Beer Service	Flat fee	F4	$1,575
F5 = Seasonal Food	Flat fee	F5	$210
H = Hotel/Motel/Inn	Flat fee per unit or room	H	$9,360
O = Office/Professional	Flat fee	O	$1,620
R = Retail/Service	Per employee category: 0-5 EEs, 6-10 EEs	R	$12,915
SR = Short Term Rental	Flat fee per unit	SR	$14,175
		Total	**$53,857**

Active Members

Business Name	Type	Est Size	FY26-27 Dues
Paradise Beach Grille	F1	11+	$1,080.00
Shadowbrook Restaurant	F1	11+	$1,080.00
Zelda's	F1	11+	$1,080.00
Britannia Arms Pub & Rest.	F1	0 - 10	$720.00
Bay Bar and Grill	F1	0-10	$720.00
The Sand Bar	F1	0 - 10	$720.00
Margaritaville	F1	11+	$1,080.00
Pete's Capitola	F1	0-10	$720.00
El Toro Bravo	F2	0 - 5	$367.50
Thai Basil	F2	0 - 5	$367.50
My Thai Beach / Sea Side Siam	F2	0 - 5	$367.50
Caruso's Tuscan Cuisine	F2	0 - 5	$367.50
Avenue Café	F2	0 - 5	$367.50
Tacos Moreno 3	F2	0 - 5	$367.50
Trestles Restaurant	F2	6 - 10	$682.50
Mr. Toots Coffee & Tea	F3	0 - 5	$315.00
Pizza My Heart	F3	6 - 10	$630.00

Castagnola Deli & Café	F3	0 - 5	$315.00
Polar Bear Ice Cream	F3	6 - 10	$630.00
Mijos Taqueria	F3	0 - 5	$315.00
Sandcastle Café	F3	0 - 5	$315.00
Schneider Consulting LLC dba Boba Bay	F3	0 - 5	$315.00
La Marea Café	F3	0-5	$315.00
Sandy Scoops	F3	0-5	$315.00
Armida Winery	F4		$315.00
Capitola Tap House	F4		$315.00
Brewtopia 831	F4		$315.00
Vin Vivant	F4		$315.00
Cocoa Vino	F4		$315.00
Left Coast Sausage Worx	F5		$210.00
Venetian Hotel	H	19	$3,420.00
Capitola Beach Suites	H	10	$1,800.00
Inn at Depot Hill	H	13	$2,340.00
Capitola Hotel	H	10	$1,800.00
David Lyng & Associates	O		$90.00
Katz & Lapides	O		$90.00
Michael Lavigne Real Estate	O		$90.00
Newman & Marcus,LLP	O		$90.00
Suess Insurance Agency	O		$90.00
Latta	O	0 - 5	$90.00
Ted Mendoza and Lisa Salinero Real Estate	O		$90.00
Law Offices of Sam Storey	O		$90.00
John H. McSpadden	O		$90.00
Miles J. Dolinger, Attorney at Law	O		$90.00
Art of Energy (Visions by Sheena)	O		$90.00
Capitola Village Massage	O		$90.00
Yellow Bus	O		$90.00
Monet Salon	O		$90.00
Community CPA	O		$90.00
Bare Skin & Body	O		$90.00
Andren Homes Property Management	O		$90.00
Wisemen Construction	O		$90.00
JFS Inc. dba Capitola Boat & Bait	R	0 - 5	
Big Kahuna Hawaiian Shirts	R	0 - 5	$315.00
Craft Gallery	R	0 - 5	$315.00
Craft Gallery Annex	R	0 - 5	$315.00
Euphoria Rio Mix	R	0 - 5	$315.00
Hot Feet	R	0 - 5	$315.00
Kickback	R	0 - 5	$315.00
Nubia Swimwear	R	0 - 5	$315.00
Oceania	R	0 - 5	$315.00

Phoebe's	R	0 - 5	$315.00
Rainbow City Limit	R	0 - 5	$315.00
Slap Happy	R	0 - 5	$315.00
Super Silver	R	0 - 5	$315.00
Sweet Asylum	R	0 - 5	$315.00
Yvonne	R	0 - 5	$315.00
Parking at the Mercantile	R	0 - 5	$315.00
Parking at the Theater	R	0 - 5	$315.00
Lumen Gallery	R	0 - 5	$315.00
Capitola Reef	R	0 - 5	$315.00
Art Inspired	R	0 - 5	$315.00
Sea Level T's	R	0 - 5	$315.00
Vanity by the Sea	R	0 - 5	$315.00
Xandra Swimwear	R	0 - 5	$315.00
Quality Market	R	0 - 5	$315.00
Capitola Seashells	R	0 - 5	$315.00
Pueblo Viejo Imports	R	0 - 5	$315.00
Ethos Santa Cruz	R	0 - 5	$315.00
Tony Pagliaro Photography	R	0 - 5	$315.00
Mercantile Arcade	R	0 - 5	$315.00
Carousel Taffy & Treats	R	0 - 5	$315.00
Capitola Candy Company	R	0 - 5	$315.00
Santa Cruz Apparel	R	0 - 5	$315.00
Capitola Paws	R	0 - 5	$315.00
Katalinas Boutique LLC	R	0 - 5	$315.00
Clementine & Co.	R	0 - 5	$315.00
Sun Drop	R	0 - 5	$315.00
Brilliant Stones Jewelery	R	0 - 5	$315.00
Surf Haus	R	0-5	$315.00
The Chocolate Market Place	R	0-5	$315.00
Jules Street Boutique	R	0-5	$315.00
Mona Liza Art	R	0-5	$315.00
Cove Lifestyle Boutique	R	0-5	$315.00
Capitola Pelican House	SR	1	$135.00
Capitola Venetian #5	SR	1	$135.00
Capitola Venetian #14	SR	1	$135.00
Capitola Venetian #8	SR	1	$135.00
Capitola Beach Bungalow	SR	1	$135.00
Capitola Beach Cottage	SR	1	$135.00
Capitola Cliffs Unit 3	SR	1	$135.00
Beach Bliss	SR	1	$135.00
Relaxing Family Condo by the River	SR	1	$135.00
Bridgepoint Bungalow	SR	1	$135.00
Capitola Cliffs Unit 4 / Begonia Beach Cottage	SR	2	$270.00

Capitola Venetian Unit 3	SR	1	$135.00
Capitola Venetian #1	SR	1	$135.00
Capitola Venetian #20	SR	1	$135.00
Capitola Cliffs #4960-2	SR	1	$135.00
Capitola Venetian #11	SR	1	$135.00
Beach Charmer	SR	1	$135.00
Capitola Venetian #2	SR	1	$135.00
Castillo Properties	SR	2	$270.00
Capitola Cliffs Unit #1	SR	1	$135.00
Deborah Cohen	SR	1	$135.00
Bayside Capitola Beach Condo	SR	1	$135.00
Capitola Vista #1	SR	1	$135.00
Capitola Vista #2	SR	1	$135.00
Capitola Vista #3	SR	1	$135.00
Capitola Vista #4	SR	1	$135.00
Capitola Sea Spray	SR	1	$135.00
Creekside Cottage	SR	1	$135.00
Capitola Cherry Ave.	SR	1	$135.00
Luxurious Historic Windmill Silo House	SR	2	$270.00
Grandma's Nest Capitola Venetian #9	SR	1	$135.00
CV Retreat with Garage	SR	1	$135.00
Capitola Seashell Sanctuary Units A and B	SR	2	$270.00
Vista Cortile Condo	SR	1	$135.00
Capitola Village Deco Beach House	SR	1	$135.00
Capitola Venetian #16	SR	1	$135.00
Capitola Breeze Condo & Seaview Condo	SR	2	$270.00
Capitola Riverview #421	SR	2	$270.00
Capitola Riverview #323	SR	1	$135.00
An Iconic Oceanfront Pink Venetian	SR	1	$135.00
114 - 116 Lawn Way LLC	SR	2	$270.00
Capitola Village Retreat Units A & B	SR	2	$270.00
Capitola Cliff House	SR	1	$135.00
208 Monterey Ave. #A	SR	1	$135.00
James Lin	SR	1	$135.00
Urban Chic Living / Life is Better at Capitola Beach	SR	2	$270.00
Capitola Oceanside	SR	1	$135.00
Capitola Dreamin'	SR	1	$135.00
Capitola Riverview #402	SR	1	$135.00
Capitola Riverview #310	SR	1	$135.00
Capitola Riverview #312	SR	1	$135.00
Oceanside Dream Beach House	SR	1	$135.00
Capitola Trestles #5	SR	1	$135.00
Paradise Properties Capitola Village #321-B	SR	1	$135.00
Bombora LLC Capitola Village #419	SR	2	$270.00

Colorful Capitola Village Cottage Unit A & Unit B	SR	2	$270.00
Capitola Riverfront Home with Parking	SR	1	$135.00
Surf Loft	SR	1	$135.00
425 Capitola Ave.	SR	1	$135.00
Beach Getaway in the Heart of CV / Brand New Luxury CV Home	SR	2	$270.00
CV Condo, Dog Friendly, Free Parking	SR	1	$135.00
CV Home with Parking Spot	SR	1	$135.00
Riverview Retreat (A) / Oceanview Oasis (B)	SR	2	$270.00
Capitola Hideaway	SR	1	$135.00
Capitola Sands	SR	1	$135.00
Kohala Properties 831	SR	1	$135.00
109 Monterey Avenue #9	SR	1	$135.00
Capitola Village Bungalow	SR	1	$135.00
Capitola Village Hideaway	SR	1	$135.00
321 Riverview Ave.	SR	1	$135.00
Capitola Seaglass Cottage	SR	1	$135.00
222 San Jose Ave.	SR	1	$135.00
201 Monterey Avenue Suite 2	SR	1	$135.00
Lawn Way	SR	1	$135.00
206 1/2 California Ave.	SR	1	$135.00
108 Park Place Unit B	SR	1	$135.00
1532 Wharf Rd	SR	1	$135.00
210 Stockton Ave. Unit B	SR	1	$135.00
318 Capitola Ave. #3	SR	1	$135.00
321 Capitola Ave.	SR	1	$135.00
327 Riverview Ave. Unit B	SR	1	$135.00
4960 Cliff Dr. #1	SR	1	$135.00
502 Beulah Dr.	SR	1	$135.00
206 Stockton Ave.	SR	1	$135.00
306 Riverview Ave.	SR	1	$135.00
304 Riverview Ave.	SR	1	$135.00
109 Monterey Avenue#2	SR	1	$135.00
Capitola Monterey 109-3	SR	1	$135.00
109 Monterey Ave. #6	SR	1	$135.00
Capitola Monterey 109-10	SR	1	$135.00
212 Stockton Ave.	SR	1	$135.00
The Capitola Cottage	SR	1	$135.00
427 Riverview Ave. Unit C	SR	1	$135.00
Capitola Dreaming	SR	1	$135.00

Associate Members

Fuse Architects	O		$90.00
Surf City Properties	O		$90.00
O'Neal Properties	O		$90.00

Beach Nest Vacation Rentals	O		$90.00
Kendall and Potter Property Management	O		$90.00

Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: Administrative Services Department

Subject: City Investment Policy Amendment

Recommended Action: Adopt a resolution affirming the City's Administrative Policy Number III-1, Investment Policy, as recommended by the Finance Advisory Committee.

Background: California Government Code §53630 et seq. contains State requirements for the deposit of City funds. Government Code §53635 requires that all money belonging to, or in the custody of, a local agency be deposited in certain allowable instruments. The current Investment Policy was approved by the City Council on August 9, 2001, by adoption of Resolution No. 3149, affirming the City's Investment Policy. This resolution was then incorporated into the City's Administrative Policies. California Government Code requires a city to annually review its investment policy.

Discussion: The California Debt and Investment Advisory Committee annually updates the Local Agency Investment Guidelines, which lists the allowable investment options for local public agencies. The City's Investment Policy states that the investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council.

Understanding the order of importance, the investment policy shall:

1. Provide for the safety of the funds
2. Assure the liquidity of the funds
3. Acquire earnings of the funds

At the May 26, 2026, Finance Advisory Committee (FAC) special meeting, the committee reviewed the investment policy and recommended confirming it without any changes at this time. However, the FAC did request that the policy be reviewed for updates during FY 2026-27. The City's current Investment Policy and Investment Portfolio comply with all state laws and regulations.

Fiscal Impact: None.

Attachments:

1. Resolution
2. Administrative Policy Number III-1, Investment Policy

Report Prepared By: Jim Malberg, Administrative Services Director

Reviewed By: Julia Gautho, City Clerk; Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA AMENDING ADMINISTRATIVE POLICY III-I – INVESTMENT POLICY

WHEREAS, on May 9, 1996, the City Council adopted Resolution No. 2788 governing the investment of cash held in the City Treasury; and

WHEREAS, on June 12, 2025, adopted Resolution No. 4430 affirming the City's Investment Policy; and

WHEREAS, the City Council is required to annually affirm the City's investment policy as part of the annual budget adoption process; and

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Capitola hereby approved Administrative Policy III-I – Investment Policy as shown on Exhibit A to this resolution; and

BE IT FURTHER RESOLVED that the City Treasurer is directed to invest cash held in the City Treasury in accordance with the City's Investment Policy.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 11th day of June, 2026, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Margaux Morgan, Mayor

ATTEST:

_____
Julia Gautho, City Clerk

ADMINISTRATIVE POLICY

Number: III-1
Issued: May 9, 1996
Revised: August 24, 2023
Jurisdiction: City Council

INVESTMENT POLICY

The policy for the investment of public funds shall at all times conform, by law, to Section 53601, et seq., of the California Government Code. In order of importance, the investment policy shall:

1. Provide for the safety of the funds
2. Assure the liquidity of the funds
3. Acquire earnings of the funds

This investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council and copies made available upon request.

The Treasurer's investment portfolio contains pooled investments of funds by both the City and of benefit assessment districts within the City. The earnings from pooled investments are shared proportionately with each investor.

City investment funds shall only be invested in the following permitted investments:

1. State of California Local Agency Investment Fund
2. U.S. Treasury Obligations
3. U.S. Agency Obligations
4. Negotiable Certificates of Deposit
5. Placement Service Deposits
6. Placement Service Certificates of Deposit
7. Guaranteed Investment Contracts (GIC) of AAA quality, for a term not to exceed fifteen (15) months*

The following limitations shall apply to permitted investments:

T-Bills: Total dollar investment not to exceed 60% of total portfolio at time of investment.

Certificates of Deposit:

A. Total dollar investment not to exceed 30% of total portfolio at time of investment.
B. Maturity date of securities shall not be more than five years from date of purchase.
C. Issuer must be FDIC insured and not more than $250,000 may be invested into any one bank to ensure FDIC insurance on all invested funds.

City funds placed in a qualified Other Post Employment Benefit (OPEB) Trust Fund for retiree healthcare can be invested in accordance with Government Codes 53620-53622.

Jim Malberg, City Treasurer

[City Council Resolution No. 2788, 5/9/96; Amended 3/22/01 by Resolution No. 3120 and 8/9/01 by Resolution No. 3149; Confirmed: 6/12/03; 6/10/04; 6/9/05; 5/25/06; 5/24/07; 6/12/08; 5/28/09; 5/13/10; 5/26/11; 5/24/12; 5/23/13; 3/27/14; 6/11/15; 6/9/16; 6/8/17; 6/14/18; 6/13/19; 6/11/20, 6/10/21, 6/9/22, 5/11/23, 8/24/23, 6/13/24, 6/12/25]

Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: City Manager Department

Subject: Transition to Districts – Second Public Hearing

Recommended Action: 1) Conduct a duly noticed **time-certain public hearing at 6:15 PM** and receive public input regarding the composition of the potential Council election districts; 2) provide direction on Council's preference for five Council districts with a rotating Mayor, or for four Council districts with a Citywide-elected Mayor; and 3) if a Citywide-elected Mayor is preferred, provide guidance on whether the Mayoral term should be two years or four years.

Background: The City Council was elected under an at-large election system, whereby Council Members are elected by voters of the entire City. On May 28, 2026, the City Council adopted Resolution No. 4489, updating the timeline for the transition to districts.

Timeline for District Development: The California Voting Rights Act (CVRA) requires the City to hold at least two public hearings over the next thirty (30) days, at which the public is invited to provide input regarding the composition of the districts. Those dates were established as May 28th and June 11th, and the public hearings both begin at 6:15 PM. No official maps can be drawn before the completion of these two (2) public meetings. Once the initial two meetings are complete, a demographer and the public can begin to draw maps that will be considered in the districting process.

The City will hold at least two additional public hearings over the following forty-five (45) days to receive input on the draft maps and the proposed election sequencing. Those dates are established as June 25 and July 23, both with a fixed 6:15 PM hearing start time. If a map is selected and is unchanged from what is presented at the 4th public hearing, then a first reading/introduction of an ordinance transitioning to districts and adopting that same map may be conducted at the 4th public hearing.

Thereafter, if the selected map continues to be unchanged, then a second reading/adoption of the ordinance may be conducted at a 5th public hearing. That date is established as August 28th. Anytime a map is changed, a seven (7) day notice must be published and made available, as applicable, and a subsequent public hearing would have to be held before the map can be considered for adoption. As such, depending on the number and timing of the changes, the tentative timeline (e.g., the number of public hearings) may change.

The City will also need to comply with the Fair and Inclusive Redistricting for Municipalities and Political Subdivisions Act (Fair Maps Act), which provides criteria the City must use when establishing election district boundaries or when undertaking the redistricting process (which must occur every ten years after each population census). These criteria include compliance with the United States Constitution, the California Constitution, CVRA, and the federal Voting Rights Act. The Fair Maps Act also prohibits the adoption of district boundaries for the purpose of favoring or discriminating against an incumbent councilmember, political candidate, or political party.

June 11, 2026, Meeting Format: On May 28, 2026, the City Council provided direction to staff to host additional opportunities for public outreach before the June 11th public hearing. Staff intends to invite the public to provide input through multiple opportunities:

- Pre-Submit Questions: Members of the public may submit questions about the Districting process via email at districts@cityofcapitola.gov, or via the City's website. Questions received between June 1 and June 11 will be addressed during the public hearing.

- Community Outreach Opportunity at 4:30 PM: Held in-person in the Community Room, the public can engage in a direct question-and-answer session with the demographer and staff. Staff will be present to record questions, provide printed materials, and offer additional input.
- Public Hearing at 6:15 PM: Held as a part of the regularly scheduled June 11th Council meeting, members of the public can attend the Council meeting to receive a presentation from the demographer and ask questions or provide comments to the Council. The following is an outline of the item order:
    - Staff/Demographer Presentation
        - Will include an outline of how the public may participate during the public hearing
    - Overview of available FAQs and recently submitted questions and answers
    - Council Questions
    - Questions from the Public – Members of the public may write questions down and submit them to staff until the conclusion of Council questions.
    - Demographer and staff respond to questions
    - Public Comment – 3 minutes per person
    - Council Deliberation/Direction

Discussion: The June 11th hearing partially fulfills the requirement of California Elections Code Section 10010 that states:

> "(1) Before drawing a draft map or maps of the proposed boundaries of the districts, the political subdivision shall hold at least two public hearings over a period of no more than thirty days, at which the public is invited to provide input regarding the composition of the districts."

The intention of this hearing is to identify the neighborhoods, other "communities of interest," and other local factors that should be considered or used as 'building blocks' when the drawing of draft maps begins. The public is welcome to propose complete districting maps, but it is not required.

Four vs. Five Districts: California Government Code Section 34886 enables cities to change to by-district elections by ordinance:

> "Notwithstanding Section 34871 or any other law, the legislative body of a city may adopt an ordinance that requires the members of the legislative body to be elected by district or by district with an elective mayor, as described in subdivisions (a) and (c) of Section 34871, without being required to submit the ordinance to the voters for approval. An ordinance adopted pursuant to this section shall comply with the requirements and criteria of Section 21130 of the Elections Code and include a declaration that the change in the method of electing members of the legislative body is being made in furtherance of the purposes of the California Voting Rights Act of 2001 (Chapter 1.5 (commencing with Section 14025) of Division 14 of the Elections Code)."

As noted, part of this process is the decision to change to four districts with an elective mayor, or to five districts with a Council-selected rotating mayor. In NDC's experience, the process goes smoother the earlier this decision is made, as residents then focus on how to draw and select the best four- or five-district map, rather than on whether to have four or five districts.

The resulting recommendation is for the Council to give (non-binding) direction on whether to develop four-district or five-district scenarios at the end of this public hearing.

The Council can reverse this decision at any time prior to second reading or the districting ordinance; however, changing this decision may require scheduling additional hearings prior to final adoption, which may affect the City's ability to complete the process in a timely manner.

Public Outreach: The transition to districts requires significant public outreach, and staff have already initiated efforts to make sure that the public is informed throughout the process.

- Staff created a dedicated webpage for district elections. The website is updated with all information, documents (like staff reports/presentations from Council meetings), and a section

with meeting video footage and a brief summary of action taken: https://www.cityofcapitola.gov/1001/District-Based-Elections
    - A subpage is available for access to the public mapping tool provided by NDC, including access to the printable PDF map for public use.
    - A subpage is available for access to map submissions received from the public.
    - The City's entire website is translatable into multiple languages, ensuring accessibility for non-English speaking residents.
    - Based on feedback at the May 14 meeting, staff updated the webpage to better clarify meeting dates and start times.
- Staff developed two frequently asked questions (FAQ) documents: one for general district questions, and one specifically tailored to the discussion about number of districts and the differences between an at-large mayor and rotating mayor.
    - Staff created a dedicated email address where members of the public can submit questions, comments, or send maps: districts@cityofcapitola.gov
    - Staff created a web form where members of the public can submit questions about the transition to districts. A link to the web form is available on the City's webpage, linked above.
    - The questions will be regularly summarized and answered in an updated FAQ document, uploaded to the webpage periodically.
- Staff sent out the first of two mailers to all residences in Capitola. The mailers will include information about upcoming meeting dates and how to participate in both English and Spanish. The second mailer will be sent out to align with the publication of the first round of maps and will include meeting dates and opportunities for public input regarding the maps.

Fiscal Impact: The City has already amended the FY 2025-26 Budget to allocate funds for the transition to districts. There is no fiscal impact associated with the recommended action. Additional costs will be incurred for legal fees and plaintiff costs. Those will be presented to Council at a future meeting, once determined.

Attachments:

1. Public Comments Received

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

Gautho, Julia

From: Ann Sullivan <studio1design@icloud.com>
Sent: Saturday, May 30, 2026 4:51 PM
To: City Council
Subject: Capitola districting vote

Dear Council,

My Husband and I will be out of town for the city meeting .You have asked for community input . We would like to state our preference for Capitola . We would prefer 4 districts and 1 elected mayor .
Thank you for your continuous service and dedication to our community!
Thank you for your time
Best regards,
Ann Sullivan and Eric Anderson
Full time residents 10 years
1575 Prospect Ave
Capitola , Ca

. from my iPhone

Gautho, Julia

From: michael routh <qwakwak@gmail.com>
Sent: Monday, June 1, 2026 7:41 AM
To: City Council
Cc: Goldstein, Jamie
Subject: Race based District elections and the CVRA

Council members,

This is an AI generated response from the question asked. It should generate pause in your reaction to the extortionate demand to form city election districts based on Communities of Interest. It is a more comprehensive response than any received from the city attorney thus far. It appears that creating any voting districts based on race can be subject to legal challenge and likely will have to be redrawn. If the city bases districts on geographical/community ties they will more likely withstand a legal test. It seems foolish to spend city funds on a demographic study to form voting districts based on race when they are likely to be subject to legal challenge. It would make more sense at this point in time, if it is determined to form voting districts, to base them on geographical/community ties

Question: Will Louisiana vs Callais render sections of the CVRA requiring cities to form districts of communities of interest unconstitutional?

This is a timely and important question, especially since Callais was only decided April 29, 2026. Here's what we know:
The short answer: Possibly yes — the CVRA is now legally vulnerable.
The Callais decision significantly limits race-based remedies for minority vote dilution, including race-conscious maps, making them more difficult to defend in court without clear evidence of discrimination.

Why the CVRA is at risk:
The CVRA permits, and effectively encourages, consideration of race in map drawing, setting up a potential conflict with federal law. Local governments should take a close look at how their current maps were drawn, as jurisdictions that relied heavily on race under the CVRA could face new legal challenges.

It's currently unclear how the Supreme Court's decision in Callais may affect state laws based on the VRA, such as the California Voting Rights Act (CVRA). However, the Supreme Court may have opened the door to new lawsuits challenging districts created under the CVRA.
The scale of potential disruption:
Maps across California — from congressional to city council seats — have been drawn along racial lines for decades. Since the CVRA was passed in 2001, hundreds of local governments have abandoned their at-large election systems for district-based voting, often resulting in race-conscious maps. All of that could now be in question.

California's response:
California enacted the CVRA of 2001 as the nation's first state voting rights act, and since its passage more than 600 local governments have abandoned at-large elections, many in response to claims they were weakening the voting power of communities of color. Now, advocates are pushing to pass the CVRA of 2026 urgently to modernize the state's voting rights act and protect vulnerable populations from federal attacks.

The key legal distinction to watch is whether California's "communities of interest" framework is grounded primarily in race or in geographic/political community ties. Districts justified on race-neutral community-of-interest grounds have a stronger legal footing post-Callais than those where race was the predominant factor in drawing lines. Litigation will likely sort this out over the next few years. Sent from my iPad

Gautho, Julia

From: michael routh <qwakwak@gmail.com>
Sent: Monday, June 1, 2026 8:20 AM
To: City Council
Cc: Goldstein, Jamie
Subject: Recommended actions re: Shenkman threat

This is a follow up to the previous email. It is particularly important to look at Option #3 and ask why this option has not been recommended by our city attorney.

QUESTION: If a city is currently under threat of a lawsuit to form city council voting districts based on Communities of Interest (race), what should the city's response be?

This is exactly the kind of situation where the city needs legal counsel — I'm not a lawyer and can't give legal advice. But I can outline the general strategic considerations cities are weighing right now post-Callais.
The core tension the city faces:
The old playbook was: settle quickly, form districts, avoid liability under the CVRA. That calculus has shifted. Forming race-conscious districts now could expose the city to a racial gerrymandering lawsuit under the 14th Amendment — the very theory that won in Callais. The city is potentially caught between two legal risks.

General options being discussed:

1. Do nothing / contest the lawsuit — argue that Callais changed the legal landscape and the threatened claim is now weaker or unviable. Higher litigation risk but may be defensible.

2. Form districts on race-neutral grounds — draw districts based on genuine communities of interest defined by geography, shared interests, neighborhood boundaries, language, etc. — not race as the predominant factor. This is probably the most defensible path under current law.

3. Seek a declaratory judgment — proactively ask a court to clarify what the city is legally required to do given the conflicting legal landscape post-Callais.

4. Wait for California legislative clarity — the CVRA of 2026 is moving through the state legislature right now and may redefine the legal framework.
The practical advice most election law attorneys are giving cities right now is to document that any district formation was driven by race-neutral criteria — compactness, neighborhoods, political subdivisions — even if those districts happen to provide minority representation. The why behind how lines are drawn matters enormously under Callais.
The city should get specialized election law counsel immediately, ideally someone tracking the post-Callais litigation landscape in California specifically.
Sent from my iPad

TRANSITION TO DISTRICTS PUBLIC HEARING #2

June 11, 2026, 6:15 PM

June 11: City Council PH # 2

- Staff/Consultant Presentation
- Council Questions
- Questions from Public
  - Cards Available
- Answers from Staff/Demographer
- Public Comment
- Council Deliberation

Recommended Action

1) Conduct a public hearing to discuss the transition to districts;
2) Receive community input;
3) Provide direction on composition/number of voting districts

Districting Background To Date

1. City receives letter alleging violation (3/19)
2. Adopted resolution of intent (4/30)
3. Hired NDC as demographer (4/30)
4. Launched website (4/27)
    1. Q&A
    2. Mapping tool
5. Mailer (5/22)
6. Informational meeting (5/14)
7. First Public Hearing (5/28)
8. In Person Community Q & A (6/11)

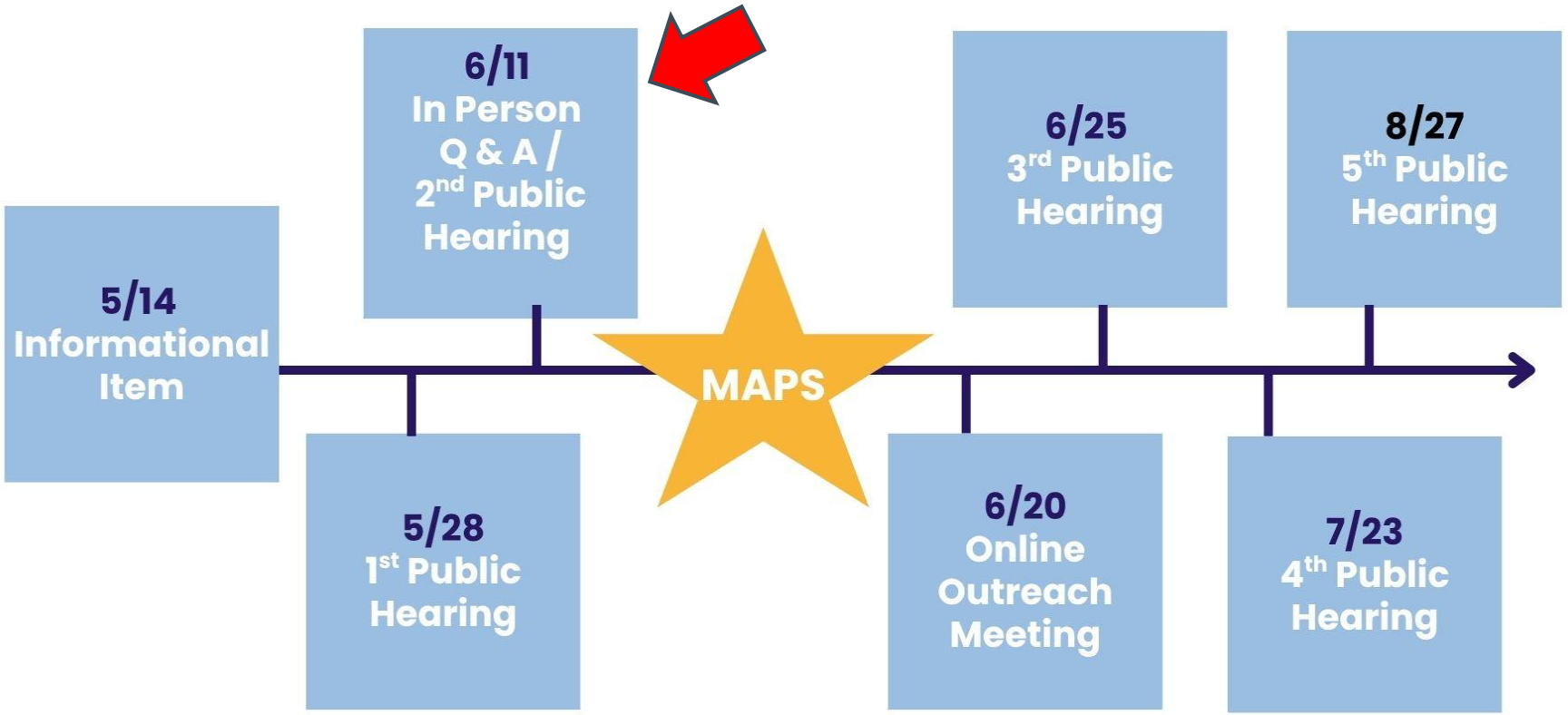
Public Outreach

- Website updates
  - General Districting Info
  - Public Mapping Tool
  - Submit Questions/Comments
  - Map Submissions
- FAQ documents – will continue to create more based on public input
- Dedicated email address: districts@cityofcapitola.gov
- Direct mailers to residences of Capitola – 1 of 2 sent

Updated Timeline Moving Forward

1. Two public hearings to receive input on district composition (5/28 & 6/11)
    1. **No official maps drawn/discussed till after this stage**
2. 2nd Mailer sent to residents
3. Publish first draft maps for feedback (6/17)
4. Weekend Community Outreach Meeting (6/20) to obtain public input
5. Hold two more public hearings to receive feedback/refine maps (6/25 & 7/23)
6. Final maps adopted 8/27, before extended deadline (8/28)

Total Meeting Timeline



Community Q&A Session 6/11

- Held in Community Room from 4:30-5:30 PM
- Approx. 24 attendees
- 20 questions received/answered
- Topics:
  - Population balancing
  - Census data
  - Map submissions
  - Term limits

Public Input To Date

- Input at Council Meetings:
  - 4/23: 2 emails, 4 speakers
  - 4/30: 8 emails, 8 speakers
  - 5/14: 1 email, 3 speakers
  - 5/28: 7 emails, 5 speakers
  - 6/11: 12 emails
- Public Map Submissions
  - 10 as of 6/5/2026
- Questions/Comments Submitted Via Form
  - 7 total as of 6/10/2026

Previously Submitted Questions

- FAQ Documents (3)
  - General
  - Mayor Specific
  - Questions Received in May
- Question Form
- Social Media/Website

- Pre-Submitted Questions to Answer Tonight submitted since June 1: Three

Pre-Submitted Question 1

- "Please post this question in its entirety. The information prior to the specific question gives context and credence for the purpose of the question. In 2025, Council Member Alexander Pedersen was forced to resign when it became known his primary residence was not within Capitola City limits, a requirement by California State law and a state felony when violated. Capitola City Attorney, Samantha Zutler stated in several meetings (May 22, 2025, June 12, 2025, and July 24 that the City lacked an established policy for it (residency). She also stated that she would need to check the legal limitations and see if the city even had the authority to force candidates to hand over those specific documents. The City Clerk also stated that she has never heard of city with a requirement to prove residency. This issue is problematic and will become more so with the proposal of districts. To this date the City has not addressed the issue.
- So, will the City establish AND enforce a policy requiring candidates to show proof of residency in the city and the district they run for? If so, what steps will be required."

Pre-Submitted Question 2/3

- "Please have the city attorney explain how basing districts on communities of interest is in compliance with the U.S. Constitution in light of Louisiana vs Callais."
- "Are there any examples of cities Capitola's size that have transitioned to districts?"

Share Your Thoughts

Website

CityOfCapitola.gov/1001/District-Based-Elections

Phone

(831) 475-7300

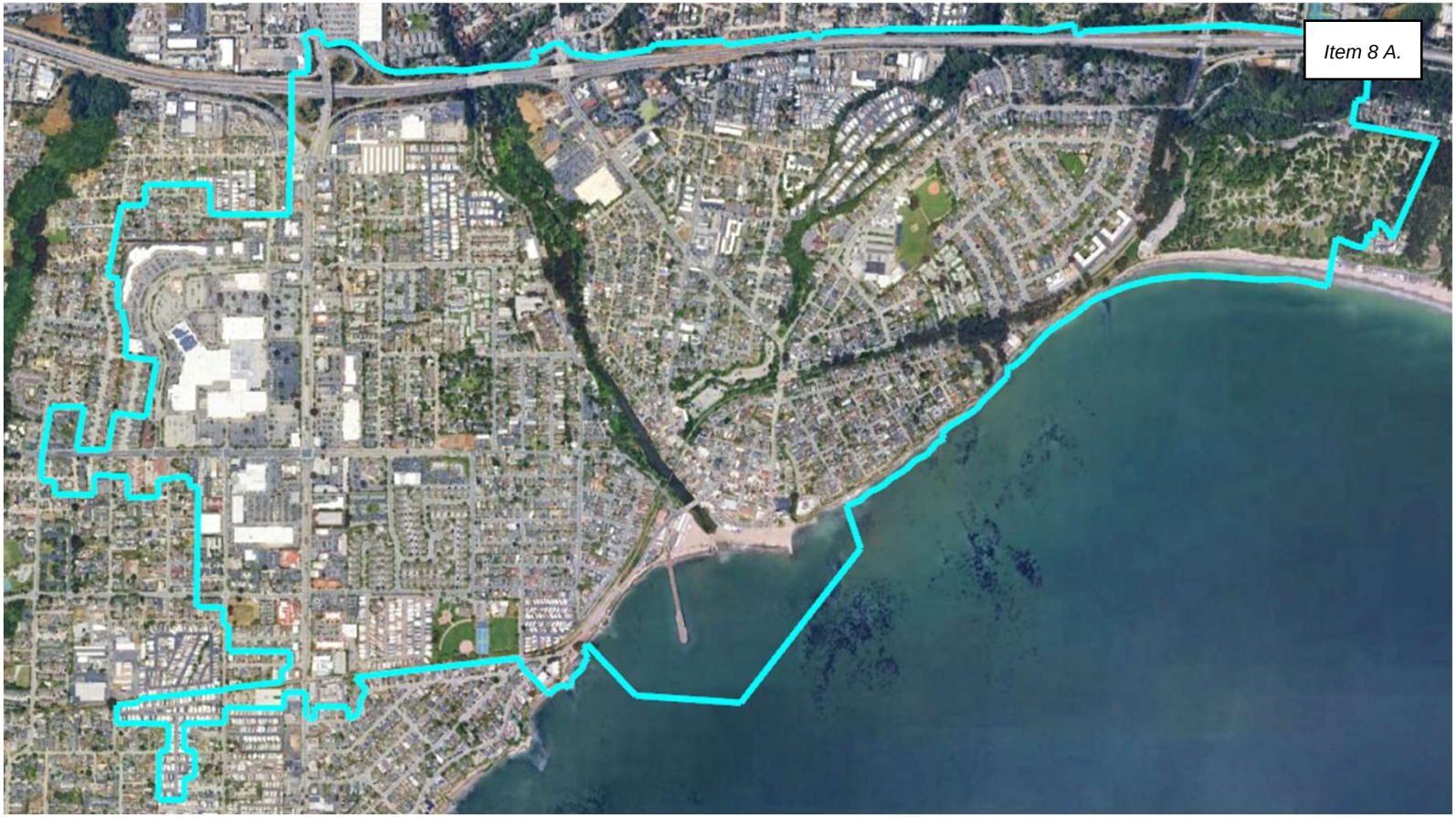
Email

districts@cityofcapitola.gov

Recommended Action

1) Conduct a public hearing to discuss the transition to districts;
2) Receive community input;
3) Provide direction on composition/number of voting districts

National Demographics Corporation



City of Capitola
Introduction to Districting

June 11, 2026

Districting Rules and Goals

1. Federal Laws

Equal Population

Federal Voting Rights Act

No Racial Gerrymandering



2. California Criteria

In prioritized order:

1. **Geographically contiguous**
2. **Avoid division of neighborhoods and "communities of interest"**
   (Socio-economic geographic areas that should be kept together)
3. **Easily identifiable boundaries**
4. **Compact**
   (Do not bypass one group of people to get to a more distant group of people)

2. California Prohibition

"Shall not adopt election district boundaries for the purpose of favoring or discriminating against an incumbent, political candidate, or political party."

3. Other Traditional Redistricting Principles

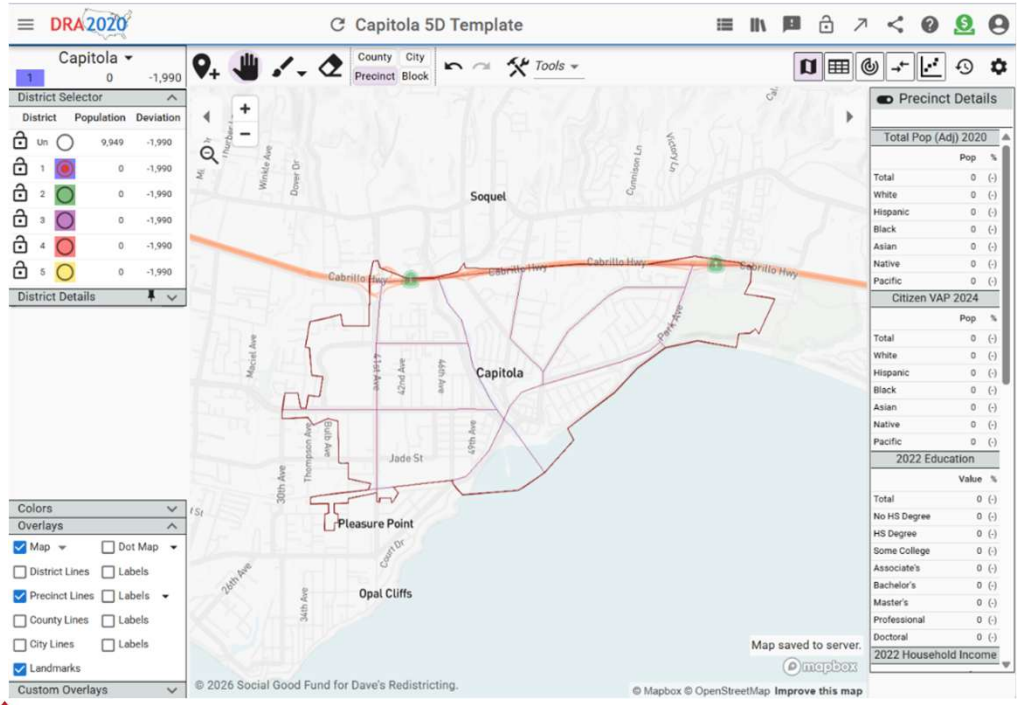
Future population growth

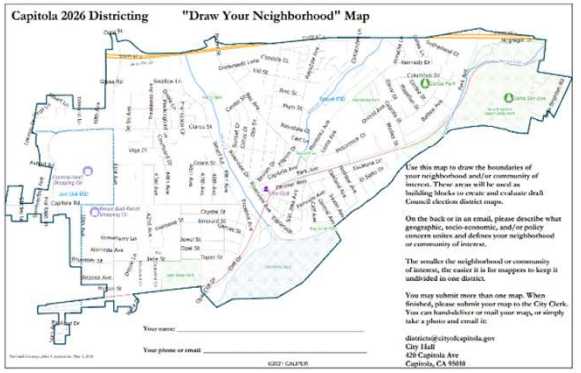
Public Mapping and Map Review Tools

- **Different tools for different levels of technical skill and interest**

1. Simple "review draft maps" tool
2. Easy-to-use "Draw your neighborhood" tool
3. Paper-based simple "Draw a draft map" tool
4. Powerful, data-rich online "Draw a draft map" tool









Share Your Thoughts

Website

CityOfCapitola.gov/1001/District-Based-Elections

Phone

(831) 475-7300

Email

districts@cityofcapitola.gov

Your Turn: Hearing #2

1. **Do you prefer 5 districts or 4 districts with a Citywide-elected Mayor?**
2. **What area do you consider your neighborhood?**
3. **What are your "communities of interest"?**





Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: Administrative Services Department

Subject: Fiscal Year 2026-27 Operating Budget and Five-Year Capital Improvement Program

Recommended Action: Adopt a resolution adopting the Fiscal Year 2026-27 City Budget and Five -Year Capital Improvement Program.

Background: The Proposed Fiscal Year (FY) 2026-27 Budget and Planned FY 2027-28 Budget was first presented to the City Council at a special meeting on May 5, 2026. At that meeting, the Council received input from the Finance Advisory Committee (FAC) and requested additional information, which was presented at the second special meeting on May 21, 2026. During that meeting, the Council reviewed updates to the proposed budget and heard public comments.

At the May 21st special meeting, the Council discussed including a general fund summary page showing a line item for Measure Y projects to improve transparency. Additionally, Council requested that staff return early during FY 2026-27 to follow up on one-time revenues and reserve fund balances, paid parking rates, holiday parking in the Village, and Junior Guard Parking Permits. Ultimately, the Council directed staff to provide any additional FAC recommendations following their May 26th meeting, cancel remaining special meetings, and prepare a resolution to adopt the budget.

Discussion: The Proposed FY 2026-27 Budget estimates the General Fund ending balance on June 30, 2027, to be $94,957, well below the City's traditional target fund balance of $500,000. In addition, the Contingency and Emergency Reserve levels are cumulatively approximately $900,000 below policy targets due to impacts from the 2023 storms and delays in reimbursements from CalOES/FEMA and insurance. Since the last budget hearing, the City has received confirmation of a $1,000,000 insurance reimbursement from the 2023 storms, which when received will bring Reserve levels back to policy targets. Staff will return to Council in September to report on FY 2025-26 final sale tax revenue and actual ending General Fund balance, as well as FY 2026-27 pending one-time revenues.

Pursuant to City Council direction and the recommendation of the FAC, staff has included additional information regarding Measure Y district sales tax revenues.

The CIP budget document is organized to present a Citywide overview of capital investment by fiscal year and funding source. The financial summary tables provide a Citywide overview of projects, while the detailed project sheets present individual project descriptions, estimated costs, funding sources, and schedules. Project detail sheets include active projects, planning efforts, concept projects, completed projects, and emerging capital needs identified through ongoing infrastructure and facility planning.

The Finance Advisory Committee (FAC) met on May 5th and again on May 26th to review the proposed budget. The FAC unanimously recommended that the City Council adopt the FY 2026-

27 Proposed Budget with the same request that staff return early during FY 2026-27 with follow-up on the same items identified by the City Council during their May 21st special meeting.

The resolution necessary to adopt the Fiscal Year 2026-27 Budget and Capital Improvement Program includes a General Fund overview and an estimation of FY 2026-27 fund balances. In addition, the FY 2026-27 Proposed Budget and the FY 2026-27 to FY 2030-31 Proposed Capital Improvement Plan Budget are available on the City's website.

Fiscal Impact: The fiscal impact is shown in the attached General Fund overview and fund balance summary.

Attachments:

1. Resolution
    a. FY 2026-27 Proposed Budget
    b. Five-Year Capital Improvement Program
2. General Fund Summary
3. Fund Balance Summary

Report Prepared By: Jim Malberg, Administrative Services Director

Reviewed By: Julia Gautho, City Clerk; Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA APPROVING AND ADOPTING THE FISCAL YEAR 2026-27 CITY BUDGET AND THE FISCAL YEAR 2026-27 TO FISCAL YEAR 2030-31 CAPITAL IMPROVEMENT PROGRAM BUDGET

WHEREAS, City staff has prepared a proposed a proposed Fiscal Year 2026-27 City budget;

WHEREAS, the City annually adopts and updates a long-range program of proposed capital improvement projects with single and multiple-year capital expenditures to guide the planning, scheduling, and budgeting of capital improvement projects during the next five-year period; and

WHEREAS, City staff has prepared a proposed Capital Improvement Plan for Fiscal Years 2026-27 to 2030-31 which includes appropriations for each capital improvement project presented in the annual budget, with some projects spanning multiple fiscal years; and

WHEREAS, it is necessary to adopt the Fiscal Year 2026-27 City Budget for all City funds and the Fiscal Year 2026-27 to Fiscal Year 2030-31 Capital Improvement Program Budget; and

WHEREAS, the City Council has conducted budget study sessions, has heard and considered public comments, has modified the proposed Fiscal Year 2026-27 Budget and the Fiscal Year 2026-27 to Fiscal Year 2030-31 Capital Improvement Program Budget, and wishes to adopt such budgets for the Fiscal Year July 1, 2026, through June 30, 2027.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2026-27 Fiscal Year Budget attached hereto as Exhibit A is hereby approved and adopted;

BE IT FURTHER RESOLVED that the Capital Improvement Program Budget attached hereto as Exhibit B is hereby approved and adopted; and

BE IT FURTHER RESOLVED that the Finance Director is directed to enter the adopted budget into the City's accounting records in accordance with appropriate accounting practices, and the City Manager, with the Finance Director's assistance, shall assure compliance therewith.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 11th day of June, 2026, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Margaux Morgan, Mayor

ATTEST:

_____
Julia Gautho, City Clerk

PROPOSED BUDGET

FISCAL YEAR 2026-27







CITY OF CAPITOLA

Capitola, California

CITY COUNCIL

Margaux Morgan, Mayor
Gerry Jensen, Vice Mayor
Joe Clarke
Melinda Orbach
Susan Westman

Jamie Goldstein, City Manager

Sarah Ryan, Chief of Police
Jessica Kahn, Public Works Director
Jim Malberg, Administrative Services Director / Treasurer
Katie Herlihy, Community & Economic Development Director
Nikki Bryant, Community Services & Recreation Director
Chloe Woodmansee, Assistant to the City Manager
Julia Gautho, City Clerk

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California Society of Municipal Finance Officers

Certificate of Award

Operating Budget Excellence Award
Fiscal Year 2025-2026

Presented to the

City of Capitola

For meeting the criteria established to achieve a CSMFO Award in Budgeting.

February 5, 2026

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS

Jennifer Wakeman
2025 CSMFO President

James Russell-Field, Chair
Recognition Committee

Dedicated to Excellence in Municipal Financial Reporting

Mission and Values

Mission - Why we're here

We are a vibrant coastal community committed to delivering dependable, accessible services that foster connection and belonging through participatory governance.

Vision - Where we're going

The City of Capitola is a thriving, family-friendly community that prioritizes resident needs while fostering a healthy balance between sustainable tourism, economic growth, and coastal environment and lifestyle.

Values – The Capitola Way

- Collaborative Engagement
- Dynamic Innovation
- Fiscal Sustainability
- Resilient Community
- Respectful Service
- Responsible Growth

Strategic Priorities:

1. Accountable Government
2. Attainable Housing
3. Community Safety
4. Economic Opportunity
5. Healthy Families, Community, and Environment
6. Sustainable Infrastructure

Approved March 2025

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TO: City Council

FROM: City Manager

SUBJECT: FY 2026-27 Proposed and FY 2027-28 Planned Budget.

CITY MANAGER'S MESSAGE - STATE OF THE CITY

On behalf of City staff, I am pleased to submit the proposed budget for Fiscal Year (FY) 2026-27. Staff was tasked with developing a budget that continues to deliver the high-quality services the community is accustomed to while also allocating available resources to City Council goals and strategic priorities. The result is a balanced budget, however the projected ending General Fund balance of $94,957 is well below the typical minimum target general fund balance of $500,000.

The fund balance in the General Fund is projected to remain positive for the next fiscal year, however, based on known increases related to CalPERS pension costs and current assumptions regarding inflation, the General Fund will become structurally imbalanced in FY 2028-29. With overwhelming voter approval, Measure Y became a new revenue stream in early 2025. That revenue is critical in the proposed FY 2026-27 budget to avoid deep service level cuts. Without the Measure Y revenue, the City would have likely had to reduce staffing by approximately 6% this fiscal year, eliminate all discretionary contracts and eliminate funding for nonprofit service providers. More significant cuts would likely have been necessary in 2027, which was the expiration of Measure F.

The budget provides resources to maintain a high level of service for Capitola residents this coming fiscal year. Nevertheless, the City must also remain focused on the long-term budget picture, which not only includes a great deal of uncertainty around general fund revenues but must continue to address increasing pension costs. The erratic revenue data, uncertain economic stability at the national level, and projected rising pension costs will likely result in very challenging budgetary decisions for several years. In the coming fiscal year, staff will continue to closely monitor general fund revenues, paying extra attention to sales and transient occupancy tax performance, and continue to report to the City Council on a regular basis. Additionally, staff will develop options for Council consideration to balance the near- and longer-term budgets as well as focus on the long-term structural budget issues.

Storm damages from 2023 and 2024 were categorized into fifteen projects of which FEMA and Cal OES have approved fourteen for reimbursement totaling $291,918 with the City responsible for matching funds of $8,360. To date, we have received $291,918 with $962,069 still outstanding for wharf repairs.

Staff recommends the City hold off on allocating any additional FEMA/Cal OES reimbursement until those funds are received. One potential use for these funds is to replenish reserve funding used to respond to the recent series of emergency events.

The Capitola Mall remains a major funding source for the City; however, long-term national and local trends have put significant pressure on existing brick-and-mortar retailers to remain

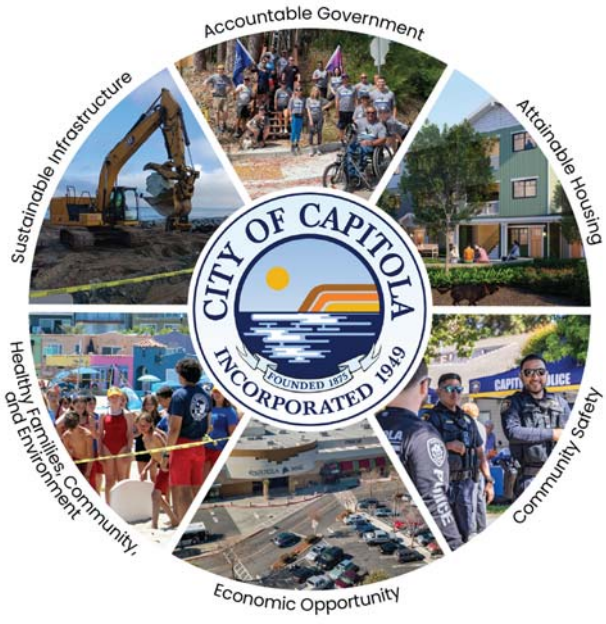
competitive with internet options. The Mall was purchased in 2016 by Merlone Geier Partners, which also acquired the old Sears building in 2018. In FY 2019-20 the new owners initiated a public process, including a public meeting and regional survey of residents to begin evaluating options to redevelop the Mall.

City staff remains actively engaged with Mall ownership to help them navigate the development review processes; however, the pandemic put the project on pause. Obviously, the long-term fiscal health of the City is closely related to a successful Mall that meets the community's needs. As the outcome of any potential Mall redevelopment is unknown at this time, the site remains a major opportunity, and challenge, as the City evaluates its long-term fiscal position.

In 2016 voters passed Measure F to extend a temporary quarter percent local sales tax for an additional 10 years. The primary purpose of Measure F was to utilize the funding to protect City infrastructure from storms and rising sea levels. The City completed Measure projects , including rebuilding the wharf, flume and jetty earlier than anticipated. In response to early project completion, the City put Measure Y on the ballot in 2024 to repeal Measure F and replace it with a new half percent local sales tax for 10 years. Voters passed Measure Y with 67% approval. The City implemented salary adjustments for most of city staff in January 2025 as a result of this tax measure passing to maintain competitive salary ranges.

BUDGETARY GOALS AND PRINCIPLES

The FY 2026-27 General Fund budget was developed with an emphasis on financial stability and maintaining core programs and services for Capitola residents and visitors. As a first step in developing the Budget, the City Council adopted the 2025-2029 Strategic Plan in the previous year. Budget highlights and proposed changes are presented in consideration of the six priorities included in the plan:



OTHER BUGETARY HIGHLIGHTS AND PROPOSED CHANGES

While the budget was largely prepared to maintain core services and keep expenditures at the lowest level possible, there are several changes identified.

41st Avenue Pavement Rehabilitation and Multimodal Improvements

This project rehabilitates pavement and implements multimodal safety improvements along 41st Avenue, a key regional corridor serving residential neighborhoods, commercial areas, and access to State Route 1. The project includes pavement rehabilitation along 41st Avenue, bicycle and pedestrian safety improvements, curb ramp upgrades, and updated pavement striping and signage

Stockton Avenue Bridge

The Stockton Avenue Bridge is a critical connection within Capitola and serves as a primary access route to Capitola Village and the surrounding coastal areas. On August 24, 2023, the City Council accepted $500,000 in grant funding from the California Department of Water Resources for the Stockton Bridge Debris Mitigation Project. The adopted FY 2022–23 budget also allocated $350,000 for the initial phase of the project, bringing total available funding to approximately $850,000.

Cliff Drive Resiliency Project

In January 2023, major storm events caused significant erosion along the bluff southwest of Hooper Beach, undermining a retaining wall originally installed in the mid-1990s. Following this damage, the City received approval from Caltrans and the Federal Highway Administration (FHWA) to pursue permanent improvements through the Emergency Relief (ER) program. The Cliff Drive Resiliency Project aims to stabilize the roadway and protect the critical infrastructure it contains, while also improving public access and pedestrian safety along this important coastal segment in Capitola. The project area extends along cliff drive from the parking area where Portola Drive becomes Cliff Drive to the staircase leading to the beach near the base of the Capitola Wharf—an arterial roadway serving residents, utility infrastructure, and coastal visitors.

Esplanade Park

The project, currently in the design phase following an award of $275,000 from the State Coastal Conservancy, will evaluate sea level rise, coastal flooding, and storm impacts at Esplanade Park and develop conceptual design alternatives to improve long-term resilience and maintain public coastal access. This project also includes $50,000 from the general fund for total available funding of $325,000.

Monterey Park

The FY 2025-26 provided initial $10,000 of seed money from the general fund to begin conceptual planning for a small play structure at Monterey Park. Staff plans to begin initial neighbor outreach in Spring.

Countywide Radio Project

FY 2026-27 Budget proposes using general fund and restricted SLEF funding to fund the City's portion of the major countywide public safety radio upgrade project known as RING. The project

will facilitate high-quality radio frequency across Santa Cruz County and increase interagency law enforcement collaboration. The project includes significant new radio infrastructure in the City, compliant with new DOJ standards. The County, which is leading this effort, plans to enter into a contract with all the public safety organizations in the County and a vendor this fall. While final costs to the City have not yet been established, staff anticipates the cost will be roughly $45,000 a year for the next 10-years.

Measure S

Measure S is a special tax on all developed property within the Santa Cruz Public Libraries District boundary (all of Santa Cruz County except the City of Watsonville); it was approved by voters in 2016 for a 30-year period. Tax funds are restricted to repair, upgrade, and modernize the local library facilities. The Santa Cruz Libraries Financing Authority Community Facilities District was formed for the purpose of levying the special tax to each of the four members: Cities of Capitola, Santa Cruz, and Scotts Valley and the County of Santa Cruz.

The City of Capitola completed the $16.5 million Capitola Branch library in 2022 using $10,476,529 in Measure S funding, funds from the County Library Fund, former Redevelopment Agency Funds, and $856,000 in City general fund.

Recent projections indicate that Measure S will generate more revenue than initially anticipated, with the City expected to receive approximately $165,000 annually for eligible library expenditures. The FY 2026–27 Budget proposes allocating this amount to the General Fund to continue repaying the $856,000 previously advanced for the construction of the Capitola Library.

General Fund Balance

The general fund balance is estimated to end FY 2025-26 below the minimum target of $500,000. Additionally, both the Contingency and Emergency reserves are currently below their target balance amounts pending reimbursements from FEMA and Cal OES. The FY 2026-27 Proposed Budget currently does not return the general fund to the $500,000 target balance; staff will be updating year end estimates once the Jan. – Mar. sales tax is received at the end of May.

Current revenue and expenditure projections show revenues not keeping pace with expenditures, requiring usage of Measure Y revenues to structurally balance the budget in the 5-year forecast. Staff will continue to closely monitor revenues, expenditures, and fund balance throughout FY 2026-27 and will report to the Council during the mid-year budget report.

PRIOR YEAR ACCOMPLISHMENTS

In FY 2025-26 the City completed several significant projects, which provided residents and visitors with increased recreational and public art opportunities, while continuing to strengthen public safety and community development activities. Some of the City's accomplishments include:

- Redesigned the City's website to enhance user experience, improve accessibility, and modernize digital engagement.
- Completed the Community Center Renovation project.
- Completed the Treasure Cove Playground project.
- Completed Jade Street Park restroom renovation
- Completed the Rispin Park project.

- Completed the FY25/26 Pavement Management Program
- Updated and amended zoning code and general plan to facilitate housing production on the Capitola Mall Site.
- Completed Housing Element-required rezones of multi residential sites in the City
- Worked with Kings Plaza property owners to bring Tesla dealership to Capitola
- Implemented a system that allows the public to pay for business licenses and other city services such as permits online.
- Received more than $1,200,000 in grant funding for key projects such as Esplanade Park redesign, traffic and sidewalk improvements and key public safety efforts.
- Bid and awarded the 41st Avenue Pavement Rehabilitation and Multimodal Improvements project contract, construction begins summer 2026.

Goal Setting

On March 26, City Council received a presentation regarding ongoing projects and future potential projects, programs and goals, and identified potential new goals. At that meeting, the following ongoing CIP projects were identified by staff.

Project	Current Phase	Status / Key Milestone
Stockton Bridge Rehabilitation	Assessment / Design	Structural evaluation underway; results expected Spring 2026.
Community Center Complex	Construction	Construction underway; opening scheduled for Summer 2026.
Cliff Drive	Planning / Engineering	Technical studies underway; advancing toward environmental clearance and funding for construction phases.
Park at Rispin Mansion: Landscaping and Additional Elements	Implementation	Park open; funding needed for additional landscaping; community fundraiser identified for additional elements (MOU in April). Measure Q grant for restoration and interpretive signs submitted.
41st Avenue Pavement Rehabilitation and Multimodal Improvements	Construction Bids Received	Council contract approved
Pavement Management	Ongoing Program	Annual street resurfacing and pavement preservation program (FY 2025-26: 41st Avenue Rehab & Multimodal; FY 2026-27: residential street project)
Esplanade Park Design	Concept Planning / Design	$275,000 Coastal Conservancy grant award and $50,000 from general fund. RFP for design team issued.
Grand Avenue Pathway (Depot Hill)	Feasibility / Alignment Study	**4/9: Council action: funding could be considered during Budget process**

Bay Avenue Corridor Improvements	Design Development	Corridor study and design underway with RTC funding. Council review of draft design scheduled in April.
Five-Year Capital Improvement Program	Program Development	Draft FY 2026-31 CIP anticipated for Council review in Spring 2026.
Capitola Wharf Master Plan	Project Planning	Design presentation scheduled for Council review in April.
Climate Action Plan Update	Project Planning	Update underway; completion anticipated within ~6 months.
Active Transportation Plan (ATP)	Project Planning	Planning and community outreach to begin May 2026.

The following projects and programs were proposed by staff at the City Council Goal setting meeting.

Department	**Draft Goals**
City Manager	Election: three Council seats
	Employee contract negotiations
	Beach Lifeguard Service Organizational Study
Police	Anti Human Trafficking Ordinance
	Countywide records management system rollout
	Continued funding for: Drone Program, RING, Body Worn Cameras
Community & Economic Development	Continue working with Mall, Village hotel owners and other economic development opportunities.
	Ordinance updates: Community Benefits, ADUs, Bicycle Parking, Hotel Incentives
	Review Outdoor Dining Program
	Development impact fees - 41st Avenue
	Housing Element Implementation: Down payment assistance program, update nexus study for rental housing.
Community Services & Recreation	Update Community Center rental package
	Explore and develop new opportunities related to renovated facilities
Administrative Services	Improve fiscal transparency
	Transition to paperless HR Division
	Return TOT administration to internal staff

Also, during the goal setting session City Council identified the following potential new goals for next fiscal year. The table below notes if a majority of the members mentioned the item at the meeting as a goal, and if the item would require funding or just staff time.

Funding Required	Goal	Majority of Council	Notes
Yes	Evaluation opportunity to use Trestle	✓	
Yes	Seek funding for sidewalk infill Projects		$125k funding from RTC obtained in FY 25/26
Yes	Examine if bike-detection technology can help with bike safety		
No	Look at rent control costs/risks		
No	Report back on Economic Development opportunities		
No	Options to manage PERS costs		
No	Review options for revenue-neutral programs in		
No	Ensure CS&R balance of programs for youth and seniors		
No	Community engagement (fun facts)		
Yes	Ebike safety plan		Program initiated 2026
No	Parking rate evaluation		Rates last updated in 2024
Yes	Village cleanup & new trashcans		
No	Work with community groups to help fund projects		
No	Tree maintenance near streetlights		
Yes	Funds to match private donation at Rispin Park		
Yes	Improved bike facilities on 38th Avenue		
No	Present info about GF spend by geographic area		
No	Study Citywide vacation rental zone revenue		
Yes	Additional sidewalk cleaning when weather is nice, off season		

CONCLUSION

The development of the annual budget takes a great amount of staff time and effort and must be completed in a compressed timeline. I sincerely appreciate all the department directors and departmental budget liaisons for their contributions. Special recognition is extended to the Finance Department for its efforts in coordinating the budget process and preparing the annual budget document.

As the new fiscal year approaches, I wish to express my thanks and appreciation to the Mayor, and members of the City Council for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I know that with continued citizen participation, City Council leadership, and ongoing efforts of dedicated employees, Capitola will continue to be a great place to live, work, and enjoy.

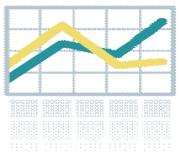
SUMMARY INFORMATION

Budget Process Overview

Each year the City of Capitola prepares an Operating Budget, a Successor Agency Budget, and a five-year Capital Improvement Program (CIP) budget. The Operating Budget contains the summary and detail information for revenue and expenditure appropriations for the fiscal year (beginning July 1st and ending June 30th) for several funds as well as a projection for the second fiscal year. The information from the CIP is incorporated, in summary form, in the City's annual budget. The Successor Agency budget is included in its entirety in the City's annual budget.

Capitola municipal code (3.200.010 E.) defines a balanced budget as one in which "financing uses including expenditures, inter-fund transfers out, reserves and contingencies should equal financing sources including beginning available fund balance, revenues and inter-fund transfers in." A key concept in the developmental process for the General Fund Budget revolves around City fiscal policy that current year expenditures are balanced with current year revenue.

The City's budget process continues throughout the year, with quarterly financial updates published on the Finance Department website and at weekly department head meetings with the City Manager. An outline of the on-going budget process is listed below:



Month	Responsibility	Budget Function
December	Finance	Budget Cycle Begins
January	Finance	Finance prepares mid-year calculations
	City Manager / Departments	Review accomplishments related to prior year Budget Principles
	Finance / Departments	Provides year-end estimates
	Finance	Publishes quarterly reports for October - December
February	Finance / City Manager	Presents mid-year report to Council and FAC
	City Council	Establishes Budget Principles
	Finance	Projects non-departmental revenues and position costs
	Departments	Prepares budget and CIP
March	Finance / Departments	Continue budget projections
	Finance Advisory Committee	FAC discusses elements of the budget
April	City Manager	Reviews departments budget requests
	Finance	Adjusts proposed budget based on City Manager review
	Planning Commission	Reviews CIP
	Finance	Publishes quarterly reports for January - March
May	Finance Advisory Committee	Distributes proposed budget
	Finance / City Manager	Presents proposed budget and CIP to City Council
	Finance Advisory Committee	Provides recommendations to Council
	Community Organizations	Provides funding request information to Council
June	City Council	Deliberates
	City Council	Adopts Budget
July	Finance	Publishes quarterly reports for April - June
October	Finance	Publishes quarterly reports for July - September

Basis of Accounting

The City's operating budget consists of governmental funds that include the General Fund, Special Revenue Funds, Internal Service Funds, Debt Service Funds and Capital Project Funds for both the City and the Successor Agency. Governmental fund types and agency fund budgets are developed using the modified accrual basis of accounting. This method is consistent with the presentation of the City's Annual Financial Statements. Under this basis, revenues are estimated for the fiscal year under the condition that they are identifiable and will be collected within sixty (60) days, and sales tax within ninety (90) days, of the close of the fiscal year. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period or shortly thereafter.

Level of Budget Control

Both the City and the Successor Agency appropriate (control) the budget at the Budget Unit level. The Budget Unit level is defined as "department, fund, or other organizational unit whose financial activities are accounted for separately."

Expenditures for the General Fund are considered a Budget Unit at the Department level, with Community Grants controlled at the grantee level. The Successor Agency are considered Budget Units to be at the category level as defined in the budget document.

Budget Adjustments

After the budget is adopted, any supplemental appropriations of fund balance, or budget transfers over $25,000 within a Budget Unit will require Council approval. Budget adjustments that are less than $25,000 and within the same Budget Unit may be approved by the City Manager.

All requests for budget adjustments will include an explanation for the change along with a discussion of fiscal impact. This information will also be documented on a Budget Adjustment Form, which will be reviewed by the Finance Department for fiscal impact, correct account coding, and policy consistency prior to receiving City Council or City Manager approval.

Financial Committees and Boards

The following committees and boards assist the City in the budget review and development process:

Finance Advisory Committee

The Finance Advisory Committee (FAC) works closely with the Finance Director/Treasurer to make recommendations on financial projections or policies identified by the City Council or City Manager. The Committee consists of four Council-appointed members, the Mayor, and a Council Member. The FAC meets several times throughout the year and operates in an advisory capacity with the overall fiscal well-being of the City serving as its guiding principle.

Financial Forecast

The City maintains a ten-year fiscal forecast model for the long-term budget picture, which includes unpredictable CalPERS costs, and a challenging economy in coming years. The first five years include conservative revenue and expenditure projections as well as the estimated amount of the City's CalPERS Unfunded Actuarial Liability (UAL) provided by CalPERS Annual Actuarial reports. Years six through ten are estimates that follow the trends of the first 5 years of the model and subject to bigger swings each year when the new actuarial reports are released. Below is a summary of the 5-year financial forecast including revenue and expenditure assumptions.

	FY 2027 Proposed	FY 2028 Planned	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast	FY 2032 Forecast
Revenue	22,359,126	22,901,102	23,394,208	23,903,767	24,255,535	24,705,978
Expenditures	22,302,469	22,597,785	23,412,210	24,047,929	24,653,321	25,328,338
Net Impact Fund Balance	**56,657**	**303,316**	**(18,001)**	**(144,163)**	**(397,786)**	**(622,360)**

REVENUE ASSUMPTIONS	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Property Tax (%)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Sales Tax (%)	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
TOT (%)	3.50%	1.00%	1.00%	1.00%	1.00%	1.00%
Business License (%)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Building Permits (%)	20.00%	-10.00%	2.00%	2.00%	2.00%	2.00%
Cannabis Business Tax	-3.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Parking (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
New Revenue	**100,000**	**200,000**	**200,000**	**200,000**	**200,000**	**200,000**

EXPENDITURES ASSUMPTIONS	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Personnel (COLA & Steps)	3.90%	4.00%	4.00%	4.00%	4.00%	4.00%
Contracted Services (%)	3.24%	-2.15%	2.00%	2.00%	2.00%	2.00%
Training & Memberships	-32.00%	26.70%	1.50%	1.50%	1.50%	1.50%
Supplies	9.70%	2.60%	1.50%	1.50%	1.50%	1.50%
Community Grants	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Internal Service Funds	2.90%	2.40%	2.40%	2.40%	2.40%	2.40%
CalPERS UAL Amount	$ 3,271,340	$ 3,387,000	$ 3,624,000	$ 3,662,000	$ 3,689,000	$ 3,765,000
CalPERS UAL Amount Increase	$ 375,954	$ 115,660	$ 237,000	$ 38,000	$ 27,000	$ 76,000
CalPERS UAL % Increase	12.98%	3.54%	7.00%	1.05%	0.74%	2.06%

Measure Y

In November 2024 Capitola voters approved Measure Y, a one-half percent district sales tax replacing Measure F, a one-quarter percent district sales tax. The Measure Y ballot language stated: “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?”

The table below shows $250,000 of Measure Y revenue programmed towards eligible projects. The intent of this table is to allow the City Council to see the impact on the general fund balance of the of Measure Y revenue programmed for projects.

General Fund Summary

Major Categories	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Revenues						
Taxes	$ 14,495,884	$ 15,087,639	$ 16,883,877	$ 16,883,877	$ 17,477,145	$ 18,039,441
Licenses and permits	767,635	745,316	734,500	734,500	805,300	778,918
Intergovernmental revenues	230,640	142,486	106,700	106,700	213,678	217,818
Charges for services	2,126,976	2,236,200	2,550,679	2,470,679	2,673,128	2,673,128
Fines and forfeitures	425,043	503,122	690,000	690,000	920,000	920,000
Use of money & property	355,181	59,779	139,000	139,000	167,000	167,000
Other revenues	365,348	104,481	97,000	97,000	102,875	104,797
Revenues Totals	**$18,766,706**	**$18,879,022**	**$21,201,756**	**$21,121,756**	**$22,359,126**	**$22,901,102**
Expenditures						
Personnel	$12,099,946	$12,692,358	$14,457,933	$14,260,987	$14,984,534	$15,417,535
Contract services	3,704,267	3,799,530	3,851,191	3,820,000	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	150,000	115,380	146,230
Supplies	958,158	854,877	801,700	850,000	879,350	856,350
Grants and Subsidies	125,000	125,000	133,425	133,425	133,425	133,425
Internal service fund charges	1,617,841	1,523,579	1,663,200	1,663,200	1,711,218	1,651,644
Other financing uses	3,271,324	2,288,788	407,344	407,344	487,116	486,881
Expenditures Totals	**$21,919,860**	**$21,399,008**	**$21,484,273**	**$21,284,956**	**$22,302,469**	**$22,597,784**
Impact on Fund Balance	**$ (3,153,154)**	**$ (2,519,986)**	**$ (282,517)**	**$ (163,200)**	**$56,657**	**$303,318**
Budgetary Fund Balance	**$ 2,721,486**	**$ 201,500**	**$ (81,017)**	**$ 38,300**	**$ 94,957**	**$ 398,275**
Designations						
Measure Y Projects	**$ -**	**$ -**	**$ -**	**$ -**	**$ (250,000)**	**$ (250,000)**
Revised Budgetary Fund Balance	**$ 2,721,486**	**$ 201,500**	**$ (81,017)**	**$ 38,300**	**$ (155,043)**	**$ 148,275**

General Fund Summary

The General Fund balance remained steady during FY 2025-26. The projected General Fund FY 2025-26 ending budgetary fund balance totals $38,300. The FY 2026-27 Proposed Budget is estimating the general fund to have an ending balance of $94,957.

The chart below summarizes projected and historical General Fund revenues, expenditures, and fund balances. The table illustrates the effects the improving local economy has had on general fund revenue. Revenue variances primarily include an increase in sales and property tax revenues.

An overview of district taxes (Measure O and Y), reserves, and internal service funds are provided within this summary section.

General Fund Summary

Major Categories	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Revenues						
Taxes	$ 14,495,884	$ 15,087,639	$ 16,883,877	$ 16,883,877	$ 17,477,145	$ 18,039,441
Licenses and permits	767,635	745,316	734,500	734,500	805,300	778,918
Intergovernmental revenues	230,640	142,486	106,700	106,700	213,678	217,818
Charges for services	2,126,976	2,236,200	2,550,679	2,470,679	2,673,128	2,673,128
Fines and forfeitures	425,043	503,122	690,000	690,000	920,000	920,000
Use of money & property	355,181	59,779	139,000	139,000	167,000	167,000
Other revenues	365,348	104,481	97,000	97,000	102,875	104,797
Revenues Totals	**$18,766,706**	**$18,879,022**	**$21,201,756**	**$21,121,756**	**$22,359,126**	**$22,901,102**
Expenditures						
Personnel	$12,099,946	$12,692,358	$14,457,933	$14,260,987	$14,984,534	$15,417,535
Contract services	3,704,267	3,799,530	3,851,191	3,820,000	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	150,000	115,380	146,230
Supplies	958,158	854,877	801,700	850,000	879,350	856,350
Grants and Subsidies	125,000	125,000	133,425	133,425	133,425	133,425
Internal service fund charges	1,617,841	1,523,579	1,663,200	1,663,200	1,711,218	1,651,644
Other financing uses	3,271,324	2,288,788	407,344	407,344	487,116	486,881
Expenditures Totals	**$21,919,860**	**$21,399,008**	**$21,484,273**	**$21,284,956**	**$22,302,469**	**$22,597,784**
Impact on Fund Balance	**$ (3,153,154)**	**$ (2,519,986)**	**$ (282,517)**	**$ (163,200)**	**$56,657**	**$303,318**
Budgetary Fund Balance	**$ 2,721,486**	**$ 201,500**	**$ (81,017)**	**$ 38,300**	**$ 94,957**	**$ 398,275**

Revenue Summary

	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
General Fund	**$ 18,766,706**	**$18,879,022**	**$21,201,756**	**$21,121,756**	**$22,359,126**	**$22,901,102**
Designated Reserves						
Contingency Reserve	131,000	172,000	-	-	-	-
PERS Contigency Reserve	283,497	343,370	10,000	70,000	50,000	50,000
Emergency Reserve	250,000	250,000	-	-	-	-
Facility Reserve	-	100,000	-	-	-	-
Total Designated Reserves	**$ 664,497**	**$ 865,370**	**$ 10,000**	**$ 70,000**	**$ 50,000**	**$ 50,000**
Debt Service						
Pac Cove Lease Financing	165,139	670,000	-	-	-	-
Pacific Cove Park	127,000	87,788	87,568	87,568	87,344	87,116
Total Debt Service	**$ 292,139**	**$ 757,788**	**$ 87,568**	**$ 87,568**	**$ 87,344**	**$ 87,116**
Capital Improvement Fund	**$ 8,038,284**	**$ 3,399,369**	**$10,108,000**	**$10,108,000**	**$ -**	**$ -**
Internal Service Funds						
Stores Fund	$ 27,001	$ 27,015	$ 27,000	$ 27,000	$ 27,000	$ 27,000
Information Techology	510,068	272,068	352,000	472,000	401,000	411,200
Equipment Replacement	709,271	125,885	197,000	197,000	200,000	200,000
Self-Insurance Liability	622,136	760,037	688,201	688,201	832,311	852,009
Workers Compensation	447,705	403,542	403,018	403,018	350,907	361,434
Compensated Absences	225,000	200,000	200,000	200,000	300,000	200,000
Total Internal Service Funds	**$ 2,541,180**	**$ 1,788,547**	**$ 1,867,219**	**$ 1,987,219**	**$ 2,111,218**	**$ 2,051,644**
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	$ 107,524	$ 108,875	$ 104,000	$ 104,000	$ 104,000	$ 104,000
TOT Restricted Revenue	104,484	105,897	97,250	97,250	106,417	107,471
Gas Tax	280,848	291,481	279,546	279,546	289,747	295,502
RTC Streets	379,314	464,305	397,732	397,732	389,000	389,000
SB1 RMRA	265,779	297,140	258,668	258,668	276,629	267,300
Wharf	5,373	19,294	24,000	24,000	26,500	24,000
General Plan Update and Maint	137,542	161,548	62,000	117,000	85,000	85,000
Green Building Education	46,307	23,590	15,000	35,000	30,000	30,000
Public Arts Fee	-	54,460	25,000	25,000	25,000	25,000
Parking Reserve	469,000	-	-	-	-	-
Technology Fee	18,726	15,395	17,000	17,000	17,000	17,000
PEG-Public Education and Gov.	12,450	11,972	11,500	11,500	11,500	11,500
BIA-Capitola Village-Wharf BIA	134,254	140,460	149,100	149,100	147,300	147,300
CDBG Grants	160,560	495,515	4,010,392	4,010,392	-	-
CDBG Program Income	1,373	163,227	-	-	-	-
Library	2,103	1,820	165,000	165,000	165,000	165,000
HOME Reuse	77,005	128,715	20,000	20,000	20,000	20,000
Housing Trust	95,787	88,049	75,000	75,000	75,000	75,000
PLHA	105,092	376,640	184,763	184,763	-	-
Cap Hsg Succ- Program Income	136,276	192,679	20,000	20,000	20,000	20,000
Total Special Revenue Funds	**$ 2,539,797**	**$ 3,141,061**	**$ 5,915,951**	**$ 5,990,951**	**$ 1,788,093**	**$ 1,783,073**
Total Revenues - All Funds	**$ 32,842,603**	**$28,831,158**	**$39,190,494**	**$39,365,494**	**$26,395,781**	**$26,872,934**

Expenditure Summary

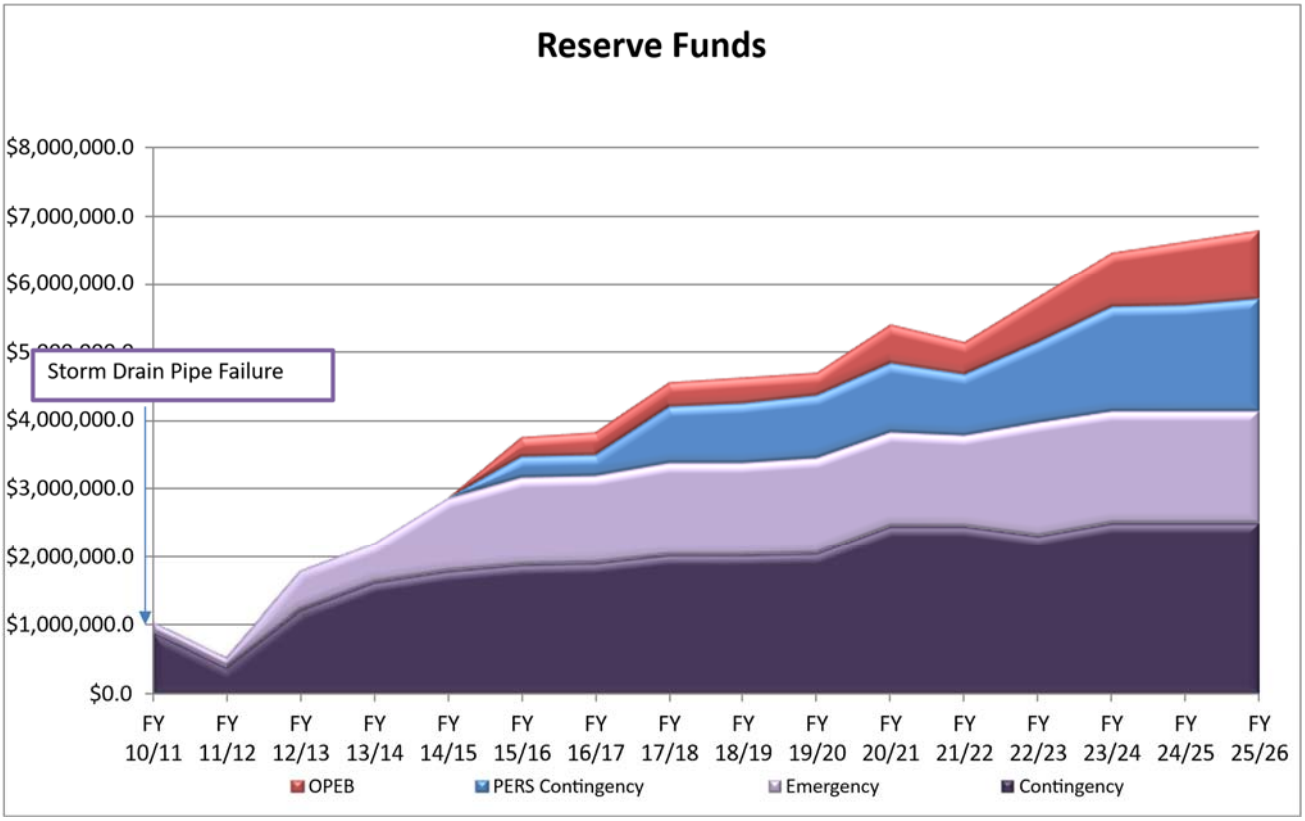
	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
General Fund	**$ 21,919,860**	**$ 21,399,008**	**$ 21,287,327**	**$ 21,284,956**	**$ 22,302,469**	**$ 22,597,784**
Designated Reserves						
Contingency Reserve	-	-	-	-	-	-
PERS Contingency Reserve	-	-	-	-	-	-
Emergency Reserve	80,000	250,000	-	-	-	-
Facilities Reserve	-	250,000	-	-	-	-
Total Designated Reserves	**$ 80,000**	**$ 500,000**	**$ -**	**$ -**	**$ -**	**$ -**
Debt Service						
Pac Cove Lease Financing	165,066	649,940	-	-	-	-
Pac Cove Park	88,002	87,788	87,568	87,568	87,344	87,116
Total Debt Service Funds	**$ 253,068**	**$ 737,727**	**$ 87,568**	**$ 87,568**	**$ 87,344**	**$ 87,116**
Internal Service Funds						
Stores	$ 25,595	$ 35,878	$ 27,000	$ 27,000	$ 27,000	$ 27,000
Information Techology	301,063	287,792	354,744	380,000	401,000	411,200
Equipment Replacement	1,035,582	315,174	351,454	351,454	100,000	100,000
Self-Insurance Liability	720,403	835,082	688,200	727,700	832,311	852,009
Workers' Compensation	446,257	403,542	403,000	403,000	350,907	361,434
Compensated Absences	-	868,610	200,000	175,000	200,000	200,000
Total Internal Service Funds	**$ 2,528,901**	**$ 2,746,078**	**$ 2,024,398**	**$ 2,064,154**	**$ 1,911,218**	**$ 1,951,644**
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	$ 84,360	$ 82,501	$ 158,900	$ 158,900	$ 104,000	$ 104,000
TOT Restricted Revenue	99,740	98,030	36,000	36,000	99,333	99,717
Gas Tax	275,741	216,070	355,356	355,356	285,000	295,000
RTC Streets	33,061	17,869	1,309,215	1,309,215	389,000	389,000
SB1 RMRA	21,801	16,190	1,020,151	1,020,151	276,629	267,300
Wharf	46,778	59,450	116,770	107,770	60,800	119,700
General Plan Update and Maint.	119,265	112,105	280,418	280,418	70,500	70,500
Green Building Education	7,710	10,000	70,500	70,500	7,500	7,500
Public Arts Fee	7,731	92,765	80,500	80,500	85,000	-
Parking Reserve	469,000	-	-	-	-	-
Technology Fee	-	10,375	16,000	16,000	16,000	16,000
PEG-Public Education and Gov.	-	1,408	16,000	16,000	30,500	30,500
BIA-Capitola Village-Wharf BIA	146,011	153,715	165,500	163,300	145,100	145,100
CDBG Grants	239,612	238,836	3,449,592	3,449,592	-	-
CDBG Program Income	-	209,443	-	-	-	-
Library	-	37,426	165,000	165,000	165,000	165,000
HOME Reuse	3,700	4,450	979,000	10,000	1,000,000	-
Housing Trust	201,000	15,693	60,000	60,000	10,000	10,000
PLHA	5,256	9,043	76,812	526,188	31,525	31,525
Cap Hsg Succ- Program Income	324,528	51,732	1,000,000	1,000,000	41,500	41,500
Total Special Revenue Funds	**$ 2,085,295**	**$ 1,437,101**	**$ 9,355,716**	**$ 8,824,892**	**$ 2,817,387**	**$ 1,792,342**
Total Expenditures - All Funds	**$ 41,079,778**	**$ 30,821,230**	**$ 42,455,009**	**$ 41,961,570**	**$ 27,118,418**	**$ 26,428,885**

Emergency, PERS Contingency and Contingency Reserves

In 2000 the City adopted Financial Management policies, establishing a fifteen percent Contingency and a ten percent Emergency Reserve Fund. The Contingency Reserve provides a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The Emergency Reserve protects against significant one-time costs, which might arise from major unpredictable emergency events.

As the 2011 pipe failure demonstrated, a sufficient Emergency Reserve Fund is needed to respond quickly to local disasters, as well as sustain low debt ratios. Due to the City's location in an active geologic region, adjacency to the ocean, and proximity to a major creek and highway, the City chose to also increase the Emergency Reserve funding level to ten percent of operating expenditures. In FY 15/16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases.

The City was able to navigate the fiscal impacts associated with the COVID-19 Pandemic without utilizing reserve funds, however, the atmospheric river storms on Jan. 5, 2023, caused the City to utilize funds from the Emergency Reserve to make emergency repairs. Additionally, as the City made storm damage repairs the general fund balance has been drawn down and therefore the FY 2026-27 Proposed Budget does not include any general fund transfers into the reserves. As storm damage repair costs are reimbursed through FEMA and Cal OES the City anticipates returning reserves to minimum target balances.



OPEB and PERS Trust Funds

The City has been proactive in planning for future liabilities. The City has established two trust funds for future retirement costs. The two trust funds are the OPEB (Other Post-Employment Benefits) Trust Fund, which is used for retiree health premiums, and the PERS Trust Fund, which is used for future PERS retirement costs.

OPEB Trust Fund:

Balance 6/30/2025	$1,104,842
FY 2025/26 Contributions	67,050
Estimated Interest Earned	5,000
Estimated Balance 6/30/2026	$1,042,792
FY 2026/27 Contributions	0
FY 2026/27 Expenditures	50,000
Estimated Interest Earned	40,000
Estimated Balance 6/30/2027	$1,032,792

PERS Trust Fund:

Balance 6/30/2025	$1,561,142
Estimated Interest Earned	30,000
FY 2025/26 Contributions	0
Estimated Balance 6/30/2026	$1,591,142
Estimated Interest Earned	30,000
Estimated Balance 6/30/2027	$1,621,142

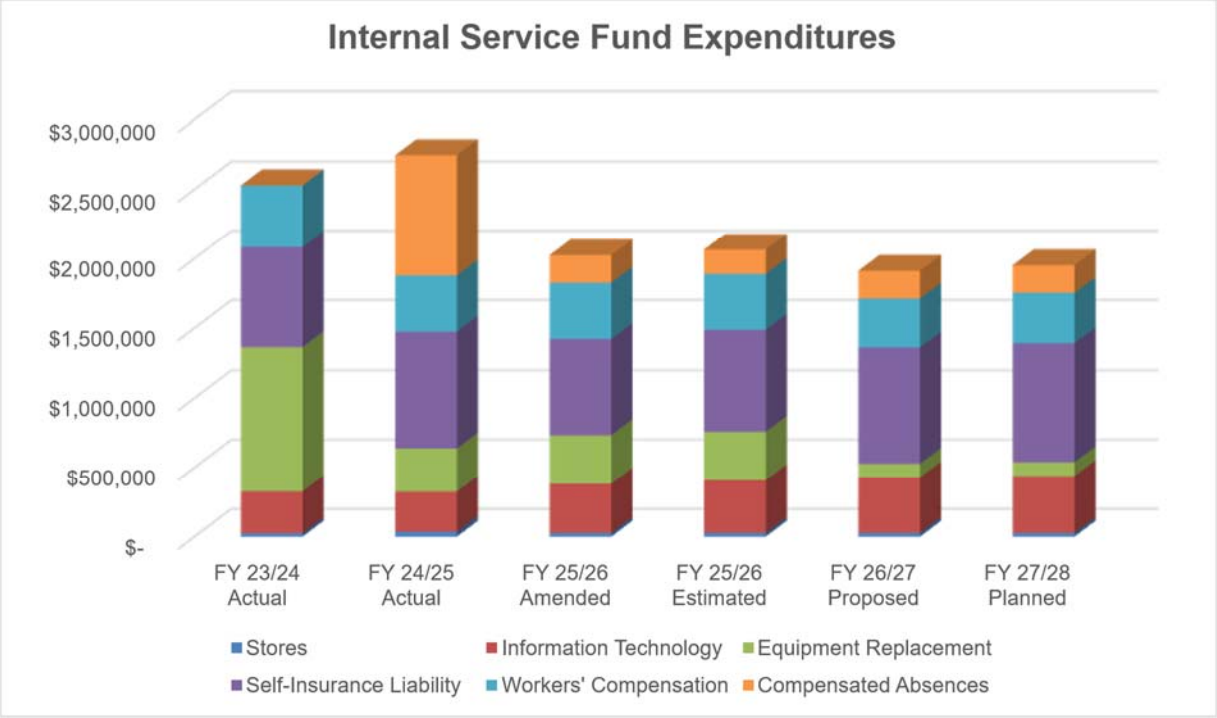
General Fund Resources

General Fund resources include reserve funds (Emergency, Contingency, PERS Contingency, Facilities) and Internal Service Funds designated for funding equipment purchases, risk management, workers' compensation, and compensated absences. The reserve funds have specific purposes and require a vote of the Council to expend.

The following table shows the estimated General Fund available resources:

Estimated Year End Fund Balance	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
General Fund	$ 38,300	$ 94,957	$ 398,275
Designated Reserves			
Emergency	1,631,506	1,631,506	1,631,506
Contingency	2,495,346	2,495,346	2,495,346
PERS Contingency	1,601,142	1,651,142	1,701,142
Facilities Reserve	282,714	282,714	282,714
Internal Service Funds			
Stores	55,219	55,219	55,219
Information Technology	602,932	602,932	602,932
Equipment Replacement	205,914	305,914	405,914
Self-Insurance Liability	65,376	65,376	65,376
Workers' Compensation	118,767	118,767	118,767
Compensated Absences	(87,724)	12,276	12,276
Total General Fund Resources	**$ 7,009,491**	**$ 7,316,148**	**$ 7,769,466**

The corresponding chart and graph illustrate internal service fund expenditures and the impact of transfers on the affected funds.



Fund Balance Summary

	Estimated Balance 7/1/2026	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2027
General Fund	**$ 38,300**	**$22,359,126**	**$ -**	**$ 21,815,353**	**$ 487,116**	**$ 94,957**
Designated Reserves						
Contingency Reserve	$2,495,346	$ -	$ -			$ 2,495,346
PERS Contingency Reserve	1,601,142	50,000	-	-	-	1,651,142
Emergency Reserve	1,631,506		-	-	-	1,631,506
Donations	-	-	-	-	-	-
Facility Reserve	282,714	-	-	-	-	282,714
Total Designated Reserves	**$ 6,010,707**	**$ 50,000**	**$ -**	**$ -**	**$ -**	**$ 6,060,707**
Debt Service						
Pac Cove Lease Financing	75,204	-	-		-	75,204
Pac Cove Park	12	-	87,568	87,568	-	12
Total Debt Service	**$ 75,216**	**$ -**	**$ 87,568**	**$ 87,568**	**$ -**	**$ 75,216**
Internal Service Funds						
Stores	$ 55,219	$ 27,000		$ 27,000	$ -	$ 55,219
Information Techology	602,932	$ 401,000	-	401,000	-	602,932
Equipment Replacement	205,914	200,000	-	100,000	-	305,914
Self-Insurance Liability	65,376	832,311		832,311	-	65,376
Workers' Compensation	118,767	350,907		350,907	-	118,767
Compensated Absences	(87,724)	-	300,000	200,000	-	12,276
Total Internal Service Funds	**$ 960,484**	**$ 1,811,218**	**$ 300,000**	**$ 1,911,218**	**$ -**	**$ 1,160,484**
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	$ 146,251	$ 104,000		$ 104,000		$ 146,251
TOT Restricted Revenue	132,333	106,417		99,333		139,417
SB1 RMRA	52,593	276,629		276,629		52,593
RTC Streets	67,096	389,000		389,000		67,096
Gas Tax	261,173	289,747		285,000		265,920
Wharf	863	26,500		60,800		(33,437)
General Plan Update and Maint	152,709	85,000		70,500		167,209
Green Building Education	241,494	30,000		7,500		263,994
Public Art	64,700	25,000		85,000		4,700
Parking Reserve	737	-		-	-	737
Technology Fee	118,059	17,000		16,000		119,059
PEG-Public Education and Govt.	63,594	11,500		30,500		44,594
Capitola Village/Wharf BIA	5,031	147,300	-	145,100		7,231
CDBG Grants	667,539	-		-		667,539
CDBG Program Income	949	-		-		949
Library	17,105	165,000		165,000		17,105
HOME Reuse	1,015,956	20,000		1,000,000		35,956
Housing Trust	364,479	75,000		10,000		429,479
PLHA	126,008	-		31,525		94,483
Cap Hsg Succ- Program Income	1,053,609	20,000		41,500		1,032,109
Total Special Revenue Funds	**$ 4,552,277**	**$ 1,788,093**	**$ -**	**$ 2,817,387**	**$ -**	**$ 3,522,983**
Total Fund Balance - All Funds	**12,988,295**					**10,914,346**

Fund Balance Summary

	Estimated Balance 7/1/2027	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2028
General Fund	**$ 94,957**	**$ 22,901,102**	**$ -**	**$ 22,110,903**	**$ 486,881**	**$ 398,275**
Designated Reserves						
Contingency Reserve	$ 2,495,346	$ -	$ -		$ -	$ 2,495,346
PERS Contingency Reserve	1,651,142	50,000	-	-	-	1,701,142
Emergency Reserve	1,631,506	-	-	-	-	1,631,506
Donations	-	-	-	-	-	-
Facility Reserve	282,714	-	-	-	-	282,714
Total Designated Reserves	**$ 6,060,707**	**$ 50,000**	**$ -**	**$ -**	**$ -**	**$ 6,110,707**
Debt Service						
Pac Cove Lease Financing	75,204	-	-	-	-	75,204
Pac Cove Park	12	-	87,344	87,344	-	12
Total Debt Service	**$ 75,216**	**$ -**	**$ 87,344**	**$ 87,344**	**$ -**	**$ 75,216**
Internal Service Funds						
Stores	$ 55,219	$ 27,000	$ -	$ 27,000	$ -	$ 55,219
Information Techology	602,932	411,200	-	411,200	-	602,932
Equipment Replacement	305,914	200,000	-	100,000	-	405,914
Self-Insurance Liability	65,376	852,009	-	852,009	-	65,376
Workers' Compensation	118,767	361,434	-	361,434	-	118,767
Compensated Absences	12,276	-	200,000	200,000	-	12,276
Total Internal Service Funds	**$ 1,160,484**	**$ 1,851,644**	**$ 200,000**	**$ 1,951,644**	**$ -**	**$ 1,260,484**
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	$ 146,251	$ 104,000		$ 104,000		$ 146,251
TOT Restricted Revenue	139,417	107,471		99,717		147,171
SB1 RMRA	52,593	267,300		267,300		52,593
RTC Streets	67,096	389,000		389,000		67,096
Gas Tax	265,920	295,502		295,000		266,422
Wharf	(33,437)	24,000		119,700		(129,137)
General Plan Update and Maint	167,209	85,000		70,500		181,709
Green Building Education	263,994	30,000		7,500		286,494
Public Art	4,700	25,000		-		29,700
Parking Reserve	737	-	-	-	-	737
Technology Fee	119,059	17,000		16,000		120,059
PEG-Public Education and Govt.	44,594	11,500		30,500		25,594
BIA-Capitola Village-Wharf BIA	7,231	147,300		145,100		9,431
CDBG Grants	667,539	-		-		667,539
CDBG Program Income	949	-		-		949
Library	17,105	165,000		165,000		17,105
HOME Reuse	35,956	20,000		-		55,956
Housing Trust	429,479	75,000			10,000	494,479
PLHA	94,483	-		31,525		62,958
Cap Hsg Succ- Program Income	1,032,109	20,000		41,500		1,010,609
Total Special Revenue Funds	**$ 3,522,983**	**$ 1,783,073**	**$ -**	**$ 1,782,342**	**$ 10,000**	**$ 3,513,713**
Total Fund Balance - All Funds	**10,914,346**					**11,358,395**

GENERAL FUND REVENUES

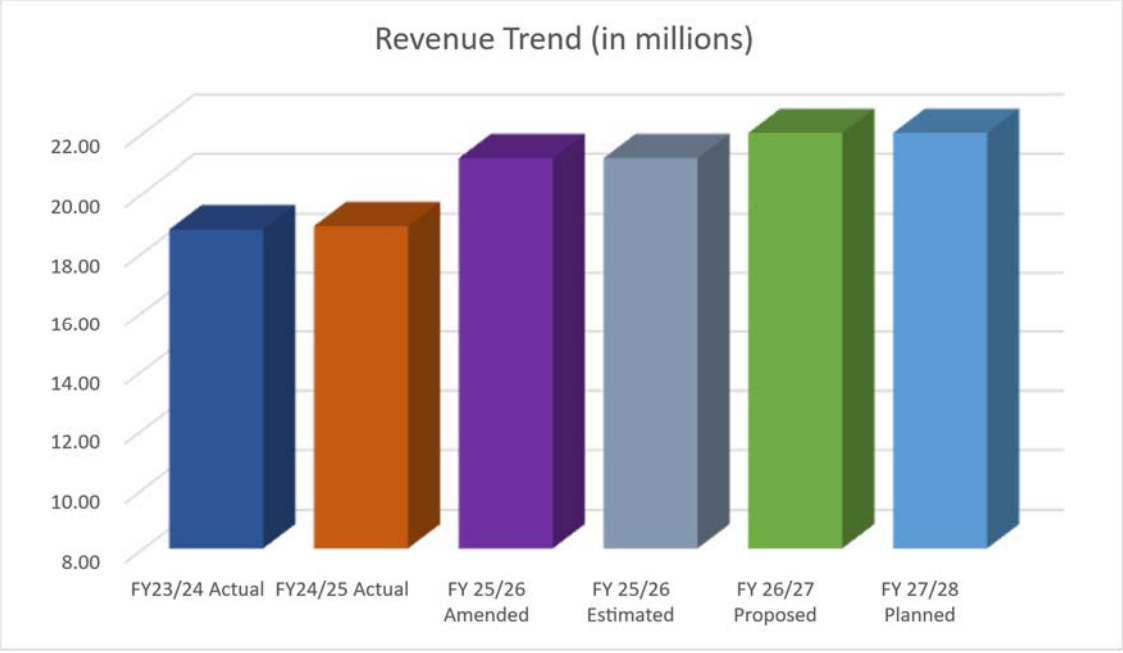
General Fund Revenues

Revenues for the FY 2026-27 General Fund operating budget total $22.4 million, an increase of approximately $1.2 million or 5.7 percent above FY 2025-26 estimated revenue. Property tax revenues remain strong as assessed values (basis for property tax levies) continue to increase with changes in ownership and an additional 2% CPI increase per Prop 13 provisions. Staff anticipates sales tax revenue to increase around 2% over FY 2025-26 as the economy shows signs of slowing. Transient occupancy tax is expected to increase approximately 3.5%.

A summary of major revenue changes between the FY 2025-26 proposed and FY 2026-27 proposed budgets is listed below:

General Fund Revenues

	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Taxes	$ 14,495,884	$15,087,639	$16,883,877	$16,883,877	$17,477,145	$18,039,441
Licenses and permits	767,635	745,316	734,500	734,500	805,300	778,918
Intergovernmental revenues	230,640	142,486	106,700	106,700	213,678	217,818
Charges for services	2,126,976	2,236,200	2,495,741	2,495,741	2,673,128	2,673,128
Fines and forfeitures	425,043	503,122	690,000	690,000	920,000	920,000
Use of money & property	355,181	59,779	139,000	139,000	167,000	167,000
Other revenues	365,348	104,481	97,000	97,000	102,875	104,797
General Fund Revenues	**$ 18,766,706**	**$18,879,022**	**$21,146,818**	**$21,146,818**	**$22,359,126**	**$22,901,102**



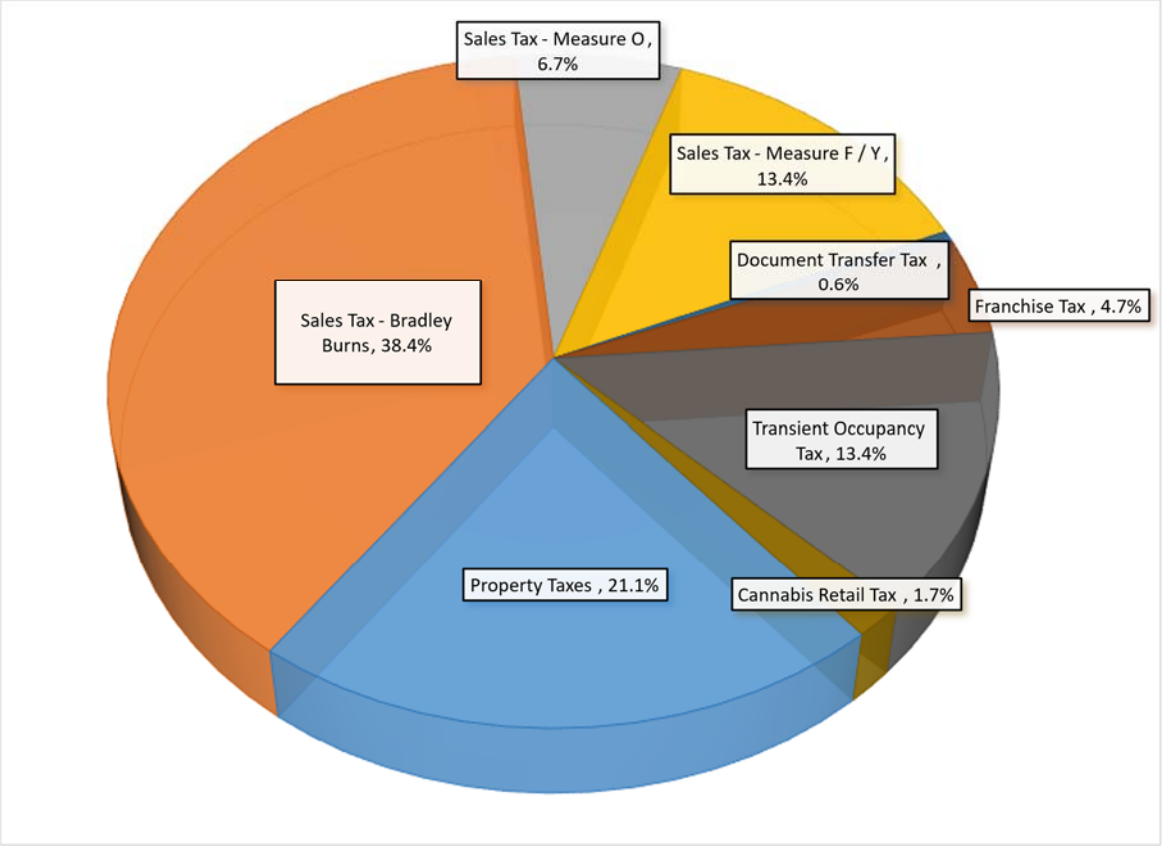
General Revenue Information

The City does not receive General Fund revenues in equal monthly increments. While the City receives some revenue regularly throughout the fiscal year, some is received quarterly or annually. The variable nature of these revenues results in an uneven cash flow. For example, the City of Capitola's lowest cash balances occur in April and again in mid-December prior to property tax revenue being received. The City developed a cash flow model to assist with on-going cash flow variability and to identify reserve requirements. While monitoring the City's cash flow has always been a priority, the need to identify patterns became more critical during the disaster recovery period when reserves were nearly depleted. In FY 2012-13 the City approved increasing the Contingency Reserve balance from 10 percent to 15 percent to assist in covering potential cash flow deficits.

Projections for each source of revenue include a review of historical trends, the local economy, new business development, and pending legislation. Due to significant changes, the City is closely monitoring the following five core revenues, which represent over 80 percent of the General Fund:

• Sales Tax	$10,010,195
• Transient Occupancy Tax	2,300,000
• Parking Meters	1,166,000
• Parking Fines	850,000
• Property Taxes	3,613,050
	$17,939,245

Additional information related to the five core revenues is detailed within this section. In addition, five-year trends for each revenue source are provided in the Revenue Summary.



Sales Tax

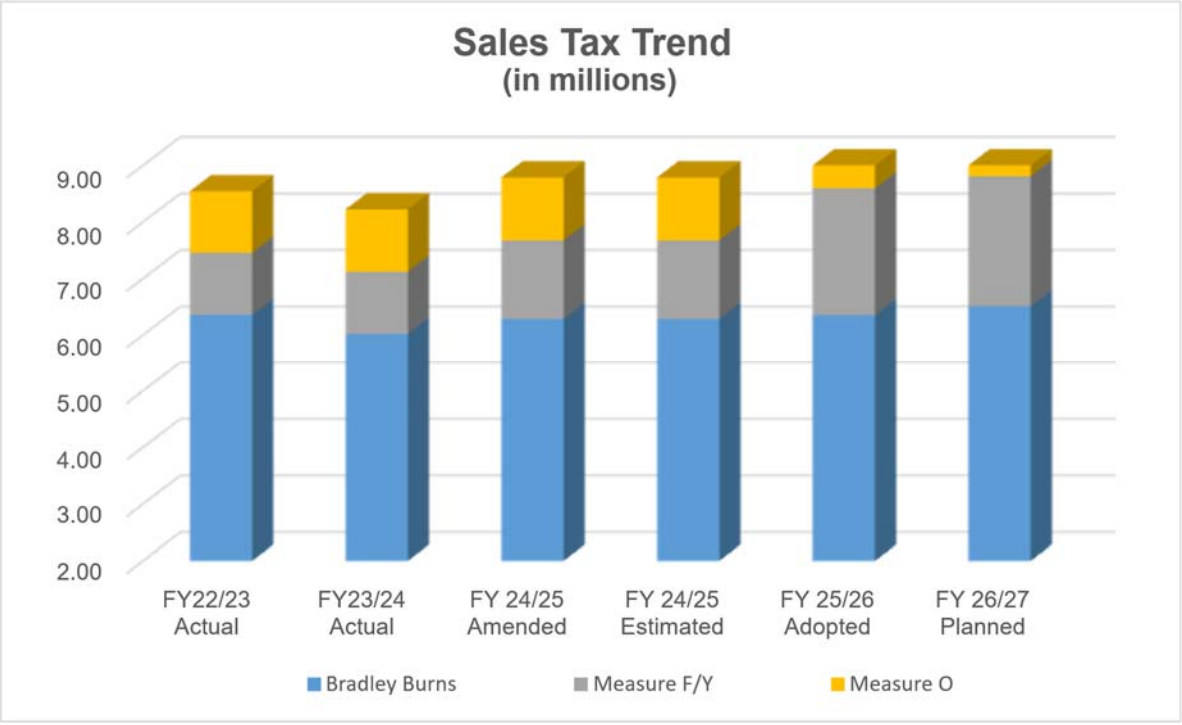
The City of Capitola sales tax consists of one percent Bradley Burns, a half percent Capitola District Tax (Measure Y), and a permanent quarter percent Capitola District Tax (Measure O). In FY 2026-27 annual sales tax revenue is estimated to be $10 million, with approximately $3.4 million in revenues contributed by Measure O, and Measure Y.

Sales tax by Geographic Area

Area	% of Total
41st Ave. Corridor	82.6%
Capitola Village	7.4%
Upper Village	7.5%
Light Industrial Distr.	2.5%
	100.0%

The Finance Department works closely with HdL, the City's sales tax consultant, on tax recovery, statistics, and projections. Sales tax projections are based on a combination of "most likely" estimates provided by HdL, internal quarter over quarter analyses, and the impact of one-time events. In FY 2026-27, Bradley Burns sales tax revenue is anticipated to increase by approximately 2 percent, or $294,318 above the FY 2025-26 estimated sales tax receipts. The City's sales tax collections are heavily dependent on the top five generators.

The chart below illustrates sales tax performance including the sunset of Measure D and end of Measure F and start of Measure Y.



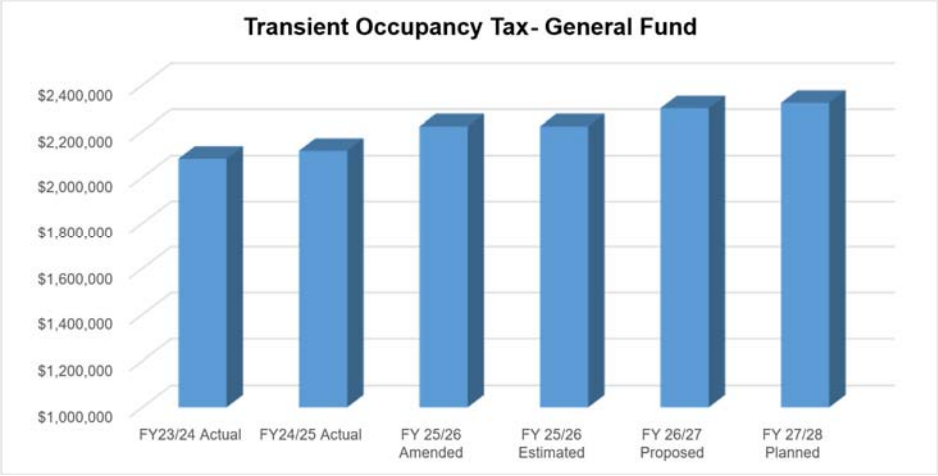
Transient Occupancy Taxes (TOT)

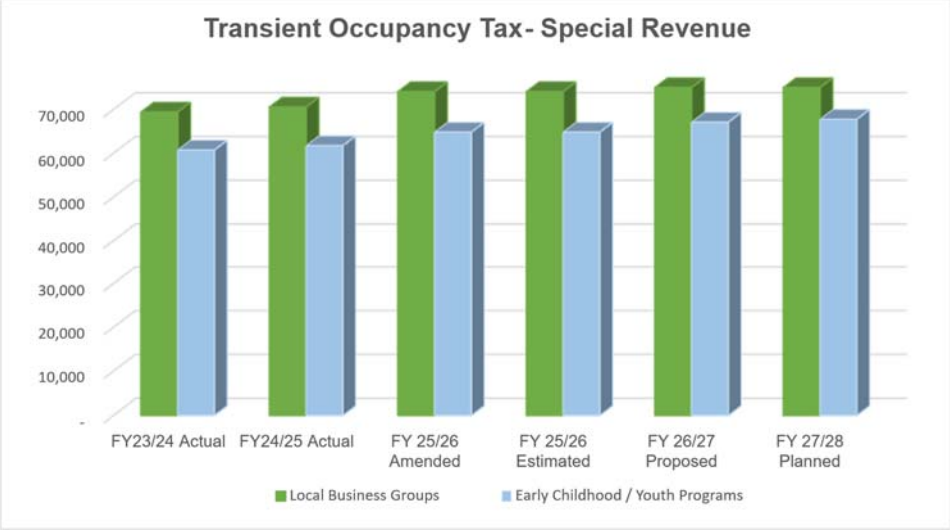
Hotel tax, also known as the Transient Occupancy Tax (TOT), charges rental accommodation of less than 30 days a 12 percent tax of which 0.75 percent is restricted for local business groups and early childhood and youth programs. In FY 2025-26 TOT tax generally accounts for approximately 13 percent of General Fund operating revenues. The City's TOT revenues come from the following sources:

- Hotels, Motels and Inns
- Other Rentals
    - Bed and Breakfasts
    - Vacation Rentals

TOT revenues are anticipated to increase during FY 2026-27. For the last several years, hotels have experienced high occupancy rates leaving little room for increased TOT revenues. As the industry slows down little revenues are expected to continue to grow slightly as has been the case for the last couple of years.

The following chart illustrates TOT revenues within the City. Due to Capitola's seaside location, proximity to regional attractions, and continued signs of economic recovery, the City is continuing efforts to attract another hotel to the area.



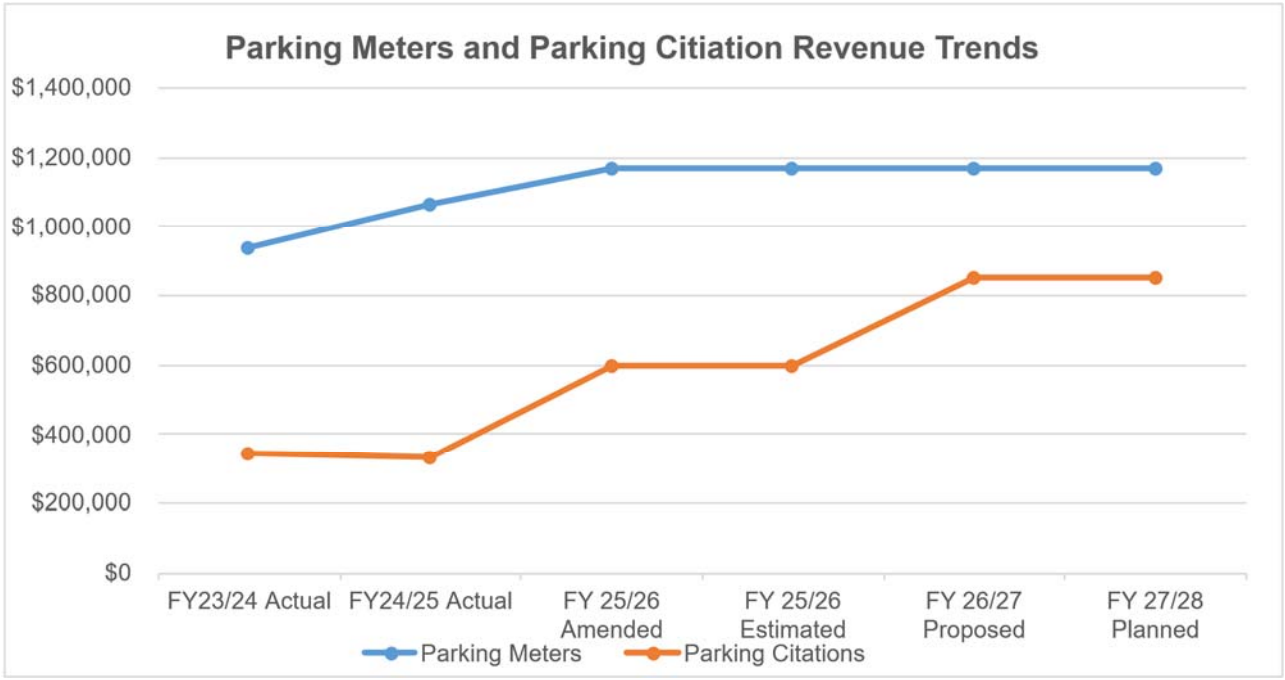


Parking Meters and Parking Fines

In FY 2026-27 parking meter and parking fine revenues are estimated to contribute approximately $2.0 million to the General Fund. Revenue sources include fees collected from the meters and fines resulting from expired meters and improper parking. Factors affecting these revenues include tourism and seasonal trends. During the summer, the City offers shuttle bus service from the parking lots to the Village, beach, and Capitola Wharf. Projected revenues for each location are estimated below:

Location	Spaces	FY 25/26 Adopted	Avg. Meter Rev. per Space
Village	191	$ 766,000	$ 4,010
Cliff Drive	65	$ 162,500	$ 2,500
Pacific Cove - Upper Lot	232	$ 175,000	$ 754
Pacific Cove - Lower Lot	226	$ 62,500	$ 277

The following chart illustrates parking meter revenue and parking citation revenue trends within the City. Overall, the revenue trend reflects the previously mentioned parking meter rate increase while showing citation revenue remaining flat. In FY 2015/16 the City implemented 3-hour parking in the Village. The change has had a positive impact on meter revenue while decreasing citations.



Property Taxes

Property Taxes, an Ad Valorem Tax imposed on real property and tangible personal property, are levied at one percent of the assessed value of the property. The City receives 7.47 percent of each one percent, or 75 cents per $1,000 of assessed property value.

In FY 2026-27 property tax revenue is estimated to be $3.6 million, representing a five percent increase over the estimated collection amount from FY 2025-26. The City's collections are slightly higher than the information from the County Auditor-Controller's Office due to the increased cost of housing and a robust housing market.

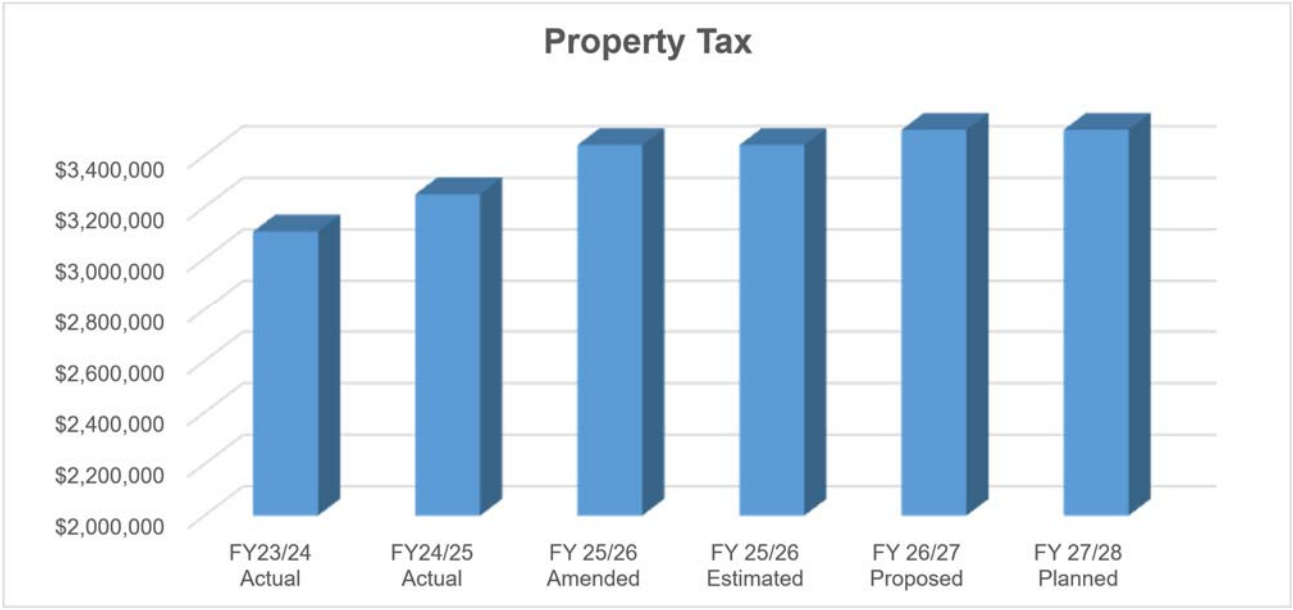
In the FY 2026-27 proposed budget, base property tax revenues are projected to increase approximately five percent. The City based the projection on information from the Auditor-Controller's Office, historical trends, and a review of the current housing market.

Property taxes are received based on the following distribution schedule:

- December: 50%
- April: 45%
- June: 5%

Property Taxes in-lieu-of Vehicle License Fees

Property Tax in-lieu-of Vehicle License Fee revenue has increased an average of six percent per year over the last several years. This increase continues to be consistent with the rising property values outlined by the Auditor-Controller's Office. Due to the relatively flat history associated with these revenues, conservative estimates of four percent have been applied to the upcoming fiscal years.



Revenue Summary

	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Taxes						
Property Taxes	$ 3,105,788	$ 3,250,204	$ 3,441,000	$ 3,441,000	$ 3,613,050	$ 3,793,703
Sales Tax- Bradley Burns	6,023,319	6,063,691	6,349,456	6,349,456	6,576,445	6,838,356
Sales Tax- Measure O	1,098,473	1,141,023	1,122,140	1,122,140	1,144,583	1,173,198
Sales Tax- Measure F / Y	1,099,849	1,429,202	2,244,281	2,244,281	2,289,167	2,346,396
Measure Q	-	-	150,000	150,000	200,000	200,000
Measure S (GF repayment)	-	-	165,000	165,000	165,000	165,000
Document Transfer Tax	95,108	89,865	100,000	100,000	100,000	100,000
Franchise Tax	729,485	742,443	790,000	790,000	797,900	805,879
Transient Occupancy Tax	2,082,097	2,116,422	2,222,000	2,222,000	2,300,000	2,323,000
Cannabis Retail Tax	261,764	254,790	300,000	300,000	291,000	293,910
Total	**$ 14,495,884**	**$15,087,639**	**$ 16,883,877**	**$16,883,877**	**$17,477,145**	**$18,039,441**
Licenses and permits						
Business License	$ 323,755	$ 334,274	$ 324,000	$ 324,000	$ 330,300	$ 333,603
Building Permits	276,019	260,712	250,000	250,000	300,000	270,000
Cannabis Annual License Fee	10,324	5,476	6,500	6,500	5,000	5,000
Encroachment Permits	30,247	35,520	35,000	35,000	36,000	36,000
Special events permit	2,592	7,672	5,000	5,000	10,000	10,000
Entertainment permit	4,072	5,092	4,500	4,500	4,500	4,500
Parking Permits	46,506	46,708	45,500	45,500	55,500	55,500
Planning Permits	73,892	48,218	63,000	63,000	63,000	63,315
Other Permits	230	1,644	1,000	1,000	1,000	1,000
Total	**$ 767,635**	**$ 745,316**	**$ 734,500**	**$ 734,500**	**$ 805,300**	**$ 778,918**
Intergovernmental revenues						
Federal and State Grants	$ 223,791	$ 135,547	$ 100,000	$ 100,000	$ 206,978	$ 211,118
Gen gov't BIA - Fin. support svcs.	4,200	4,200	4,200	4,200	4,200	4,200
Gen gov't CVC - Fin. support svcs.	2,649	2,739	2,500	2,500	2,500	2,500
Total	**$ 230,640**	**$ 142,486**	**$ 106,700**	**$ 106,700**	**$ 213,678**	**$ 217,818**
Charges for Svcs.						
Gen gov't Pay stations-Village	$ 656,816	$ 703,223	$ 766,000	$ 766,000	$ 766,000	$ 766,000
Gen gov't Pay stations-Cliff Dr.	80,384	106,351	162,500	162,500	162,500	162,500
Gen gov't Pay station-upper Pac Cove	141,841	181,753	175,000	175,000	175,000	175,000
Gen gov't Pay stations-lower Pac Cove	56,274	72,854	62,500	62,500	62,500	62,500
Public safety Vehicle release fee	9,675	11,204	9,000	9,000	9,000	9,000
Public safety Police reports	1,103	1,429	1,000	1,000	1,000	1,000
Public safety Booking fees	-	-	-	-	-	-
Public safety DUI collections	7,186	1,961	5,000	5,000	5,000	5,000
Public safety Spec. events - Police Svcs.	32,261	63,546	60,000	60,000	80,000	80,000
Public works BIA - public works Svcs.	3,000	3,000	3,000	3,000	3,000	3,000
Public Works - Special Events	3,318	5,088	5,000	5,000	6,000	6,000
Public works Stormwater dev. Review	4,328	4,016	4,000	4,000	4,000	4,000
Building fees Building plan check fees	145,772	106,453	110,000	110,000	150,000	150,000
Bldg. Official Reimbursement	-	-	-	-	-	-
Comm dev Planning fee - Sr./Assoc plnr cost	45,700	35,724	50,000	50,000	50,000	50,000
Comm Planning fee - assist plnr cost	2,080	1,000	-	-	20,000	20,000
Comm dev Planning fee - director cost	19,017	12,023	15,000	15,000	15,000	15,000
Comm dev Subdivisions	-	-	-	-	-	-
Comm dev Planning plan check fee	34,118	22,778	30,000	30,000	30,000	30,000
Comm dev Planning application fee	-	-	-	-	-	-
Comm dev Planning - Gen Plan	-	-	30,000	30,000	30,000	30,000

	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Comm dev Planning - other fees	5,288	7,746	4,000	4,000	4,000	4,000
Comm dev Planning - Code Enforcement	-	100	-	-	-	-
Recr. fees Class fees	265,704	215,911	200,000	200,000	275,000	275,000
Recr. fees Jr. Guard fees	294,508	338,594	364,308	364,308	377,000	377,000
Recr. School Support Program	32,500	36,000	-	-	-	-
Recr. fees Sports fees	15,933	18,425	19,350	19,350	15,000	15,000
Recr. fees Camp Capitola fees	192,966	198,509	216,867	216,867	235,237	235,237
Recr. Afterschool Program	74,857	78,218	131,316	131,316	132,591	132,591
Recr. Events	2,347	10,295	71,900	71,900	65,300	65,300
Total	**$ 2,126,976**	**$ 2,236,200**	**$ 2,495,741**	**$ 2,495,741**	**$ 2,673,128**	**$ 2,673,128**
Fines and forfeitures						
Redlight camera enforcement	$ 35,551	$ 63,718	$ 20,000	$ 20,000	$ -	$ -
Parking Cititation	345,452	330,644	600,000	600,000	850,000	850,000
General Fines	44,040	108,761	70,000	70,000	70,000	70,000
Total	**$ 425,043**	**$ 503,122**	**$ 690,000**	**$ 690,000**	**$ 920,000**	**$ 920,000**
Use of money & property						
Investment earnings	$ 304,172	$ 36,584	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Rents Jade Street facility	16,103	13,628	2,000	2,000	30,000	30,000
Rents Esplanade restaurants	5,827	5,127	5,500	5,500	5,500	5,500
Rents Esplanade - surf trailer	1,964	1,733	2,000	2,000	2,000	2,000
Rents Esplanade bandstand	4,428	2,706	4,500	4,500	4,500	4,500
Rents Outdoor Dining	22,687	-	25,000	25,000	25,000	25,000
Total	**$ 355,181**	**$ 59,779**	**$ 139,000**	**$ 139,000**	**$ 167,000**	**$ 167,000**
Other revenues						
Donations - Recreation	$ 2,000	$ 844	$ -	$ -	$ -	$ -
Grants, donations, contrib	-	1,000	-	-	2,000	2,000
Arts-Twilight Concert Sponsors	25,000	8,500	-	-	-	-
Arts-Movies at the Beach Sponsor	-	-	-	-	2,000	2,000
Arts-Art at the Beach Booth Fee	4,120	522	-	-	-	-
Arts-Sunday Art & Music Sponsors	23,918	21,378	-	-	-	-
Museum donations-Box Revenue	2,405	2,086	2,000	2,000	2,000	2,000
Museum Donations-Fundraising	8,270	6,192	10,000	10,000	10,000	10,000
Memorial plaques and benches	10,380	10,632	10,000	10,000	10,000	10,000
Miscellaneous revenues	209,255	53,327	75,000	75,000	76,875	78,797
Interfund Transfer In - Library	80,000	-	-	-	-	-
Total	**$ 365,348**	**$ 104,481**	**$ 97,000**	**$ 97,000**	**$ 102,875**	**$ 104,797**
Grand Totals	**$ 18,766,706**	**$18,879,022**	**$ 21,146,818**	**$21,146,818**	**$22,359,126**	**$22,901,102**

GENERAL FUND EXPENDITURES

General Fund Expenditures

The total FY 2026-27 General Fund expenditure budget proposes an increase of approximately $1 million from the FY 2025-26 Amended Budget as existing resources are programmed towards City Council Goals. Increases have been programed in most major categories as inflation continues to impact City expenditures. Key differences between the two fiscal years include:

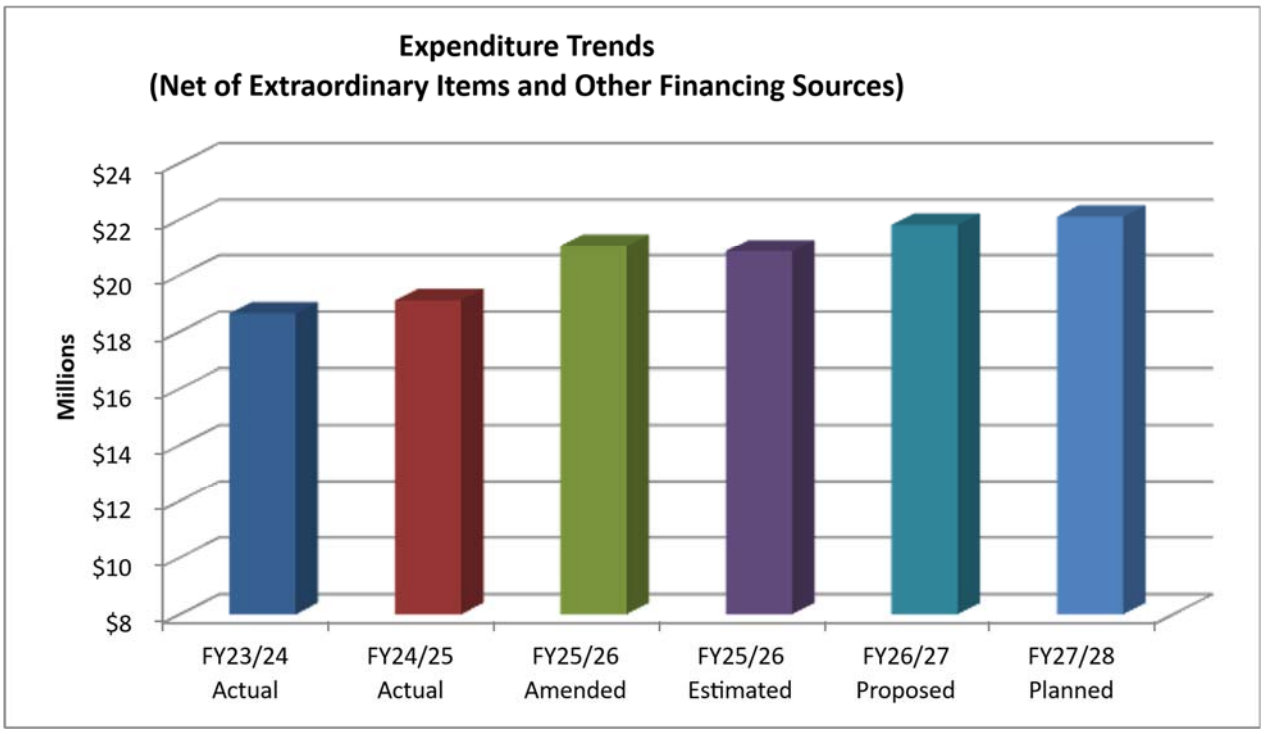
- Total personnel costs (salary and benefits) are estimated to increase $527,000 from the FY 2025-26 Amended Budget due to significant increases in the annual CalPERS Unfunded Actuarial Liability payment, cost of living adjustments, increased employee health care contributions, scheduled step increases in 2026.
    - Salary costs are estimated to decrease $42,000 due to the elimination of a part-time position and several long-time employees leaving.
    - Salary – Seasonal/Temp increased $53,000 as summer recreations programs remain at full capacity.
    - Overtime is anticipated to increase $57,000 primarily in the Police, however the increased cost is offset by additional grant revenue.
    - Specialty Pay – decreased $13,400.
    - Benefits – increased $472,000 as a result of CalPERS rates increasing.
- Contract services are slightly above the prior year.

The following chart provides an overview of expenditures for FY 2023-24 to FY 2027-28. A complete description of major changes will follow in the related expenditure detail pages.

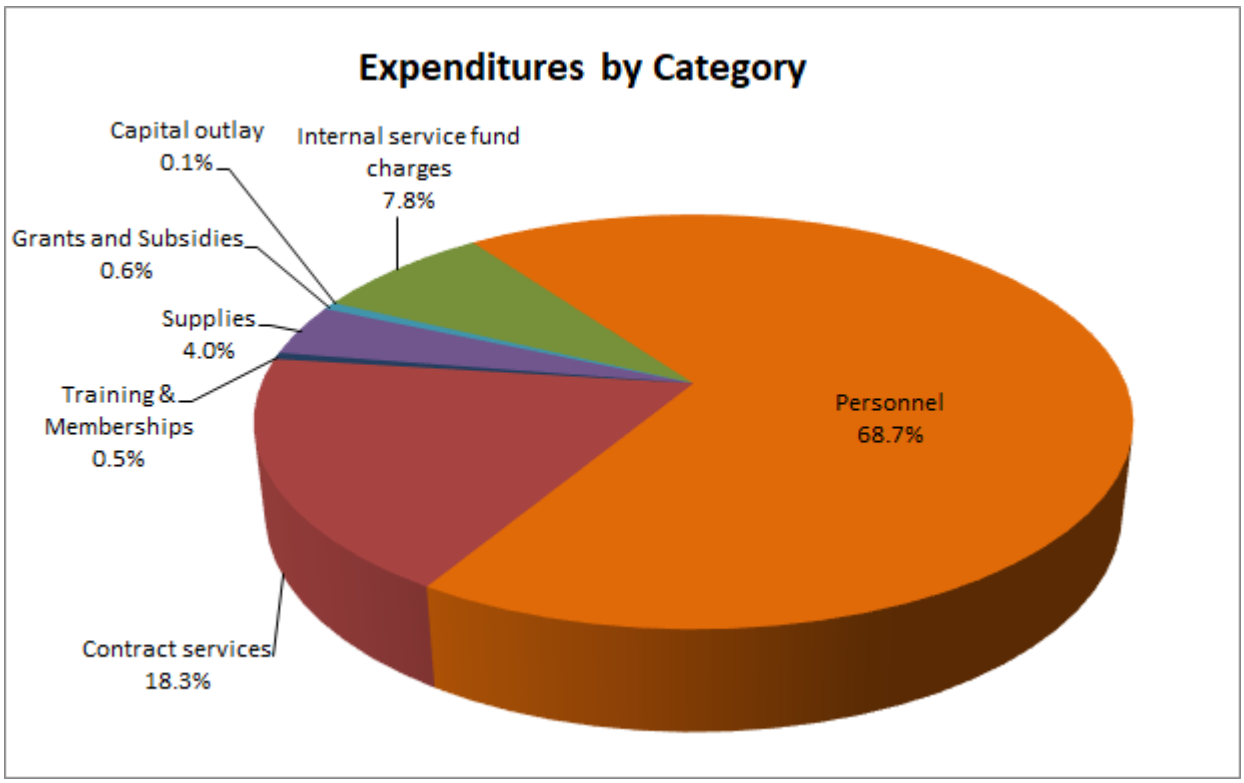
General Fund Expenditures Summary

Major Categories	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Personnel	$12,099,946	$12,692,358	$14,457,933	$14,260,987	$14,984,534	$15,417,535
Contract services	3,704,267	3,799,530	3,851,191	3,851,191	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	170,530	115,380	146,230
Supplies	958,158	854,877	801,700	802,000	879,350	856,350
Grants and Subsidies	125,000	125,000	125,000	125,000	133,425	133,425
Internal service fund	1,617,841	1,523,579	1,657,404	1,657,404	1,711,218	1,651,644
Subtotal	**$18,648,536**	**$19,110,220**	**$21,062,708**	**$20,867,112**	**$21,815,353**	**$22,110,903**
Other financing uses	3,271,324	2,288,788	287,568	287,568	487,116	486,881
Expenditure Total	**$21,919,860**	**$21,399,008**	**$21,350,276**	**$21,154,680**	**$22,302,469**	**$22,597,785**

The following chart provides an overview of expenditure trends, excluding transfers. Expenditures are trending down as we complete several City Council goals utilizing one-time funding.

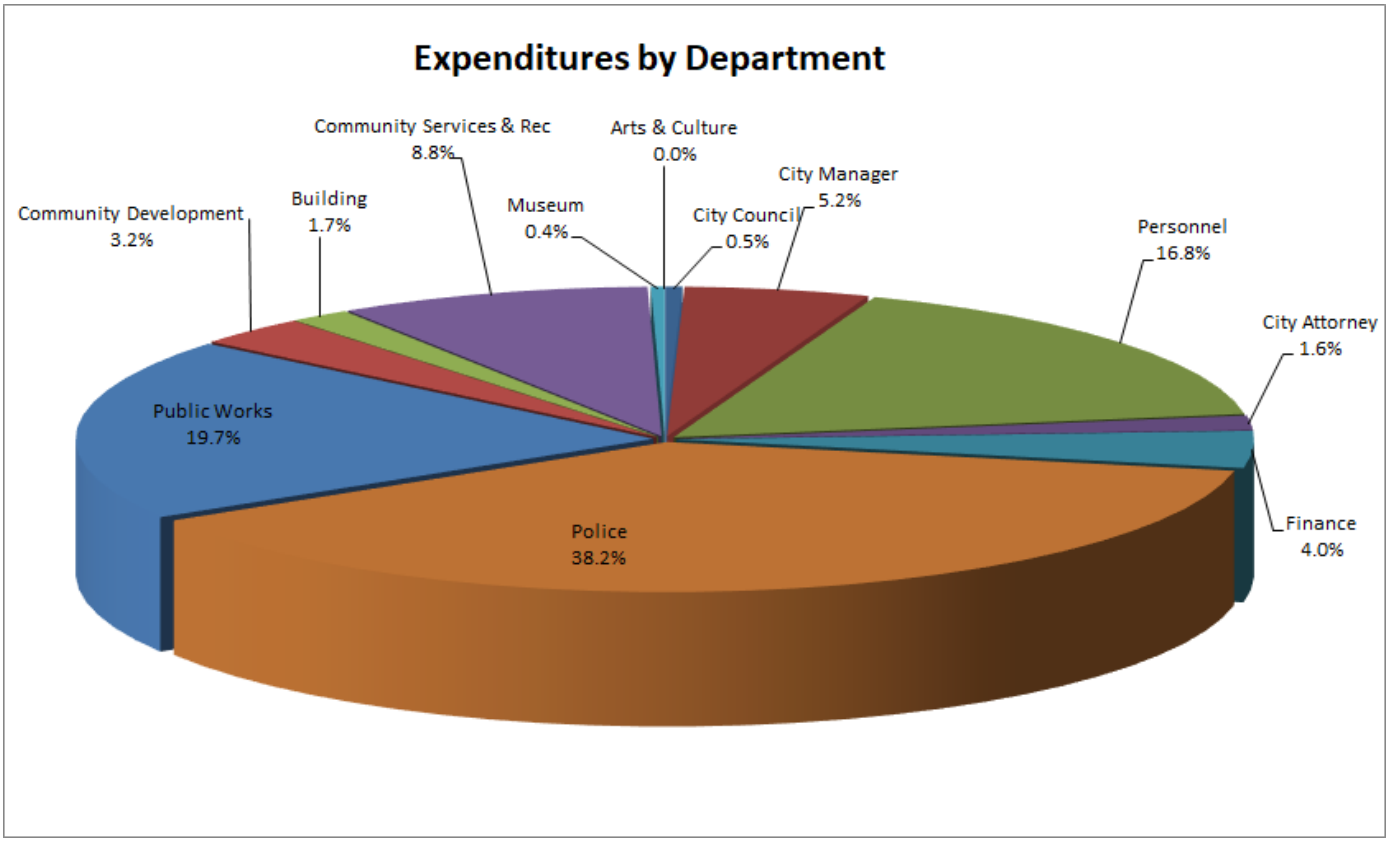


A chart displaying the percentage of expenditures by category is also provided for reference. Personnel costs are estimated to increase $724 thousand from the prior fiscal year causing the ratio of personnel services to total expenditures to increase from 67.5 percent to 68.7 percent. Other notable changes were in contract services, which decreased from 18.6 percent to 18.3 percent.



General Fund Department Expenditures

Department	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Council	$ 99,496	$ 137,761	$ 127,259	$ 127,259	$ 104,580	$ 114,156
City Manager	1,214,203	1,275,163	1,067,938	1,067,938	1,124,241	1,129,594
Personnel	397,852	465,845	3,343,009	3,344,359	3,652,665	3,768,013
City Attorney	506,544	438,331	325,000	325,000	342,000	335,000
Admin Services	920,606	1,007,281	843,952	843,952	863,640	883,362
Community Grants	133,425	133,425	133,425	133,425	133,425	133,425
Police - Law Enforcement	7,932,934	8,136,429	7,263,466	7,263,466	7,543,031	7,656,454
Police - Pkg. Enforcement	592,774	497,290	517,981	517,981	581,837	589,623
Police - Animal Services	99,478	133,935	140,803	140,803	152,103	159,667
Public Works - Streets	2,268,122	2,260,755	2,197,648	2,197,648	2,057,763	2,106,025
Public Works-Storm Water	98,529	210,932	224,105	224,105	293,364	257,777
Public Works - Facilities	363,733	413,121	439,685	439,685	501,337	463,284
Public Works - Fleet	433,981	471,717	504,357	504,357	556,558	569,029
Public Works - Parks	808,975	763,862	820,352	820,352	868,429	864,978
Community Development	595,467	576,802	663,096	663,096	691,278	708,925
Building	405,337	326,080	455,466	455,466	366,630	374,286
Community Services & Rec	1,632,964	1,701,252	1,731,306	1,731,306	1,898,958	1,912,077
Museum	88,393	95,865	75,339	75,339	83,514	85,228
Art & Cultural	99,075	109,957	0	0	0	0
Subtotal	**$18,691,886**	**$19,155,802**	**$20,874,187**	**$20,875,537**	**$21,815,353**	**$22,110,902**
Transfers & Other	$3,271,324	$2,288,788	$287,568	$287,568	$487,116	$486,881
Expenditure Total	**$21,963,210**	**$21,444,590**	**$21,161,755**	**$21,163,105**	**$22,302,469**	**$22,597,783**



General Fund Expenditures

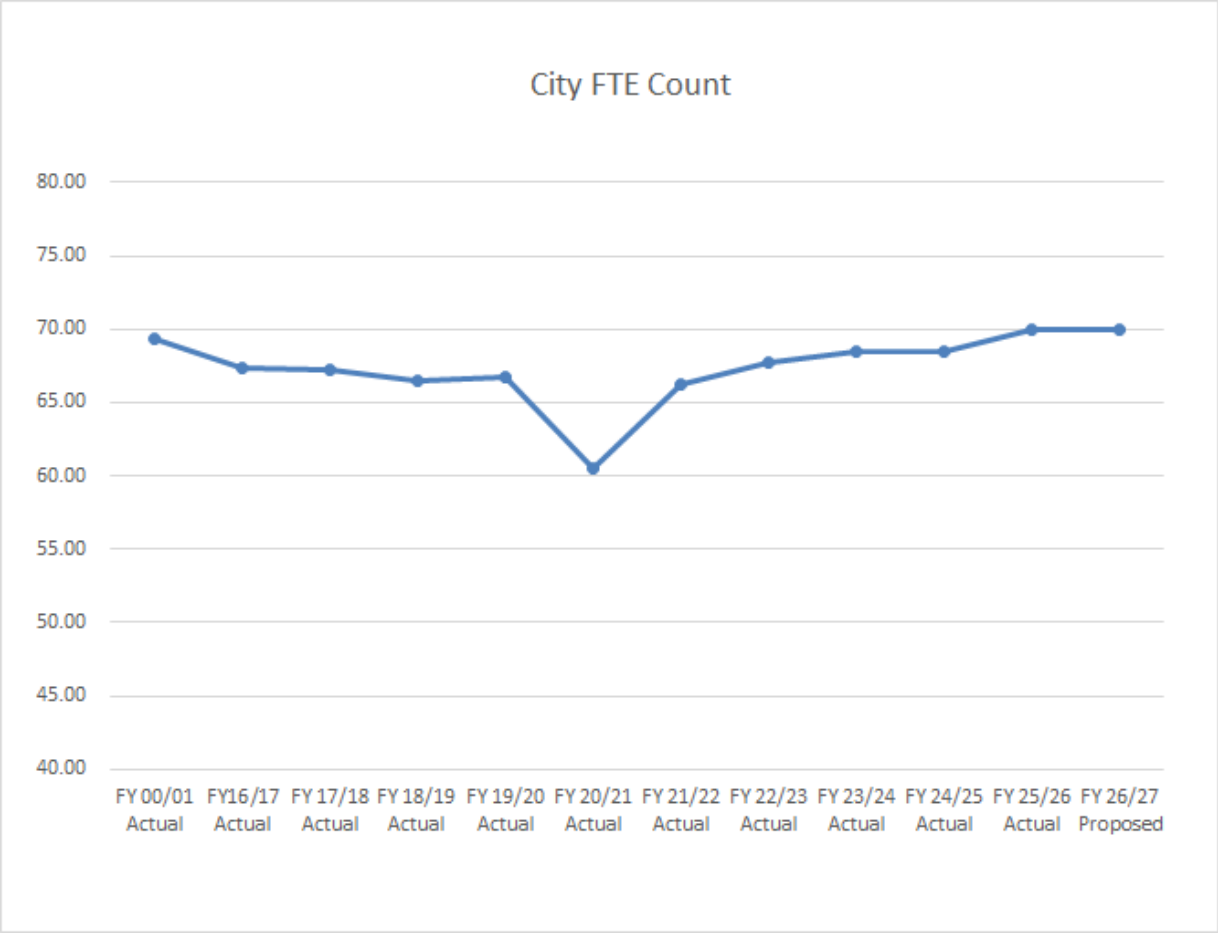
SALARIES & BENEFITS

All positions listed in the General Fund are fully funded with full benefit costing. Fully benefited positions are budgeted at their current step plus an assumption that they will move to the next step unless they are already at the top step of their classification. Specialty pays are budgeted as a separate line item.

Positions budgeted for in FY 2025-26 include the addition of two maintenance workers in the public works department and the reorganization of the City Manager and Finance Departments.

The table below summarizes the total FTE count by department, and the following page provides a detailed summary of the staffing budget changes.

General Fund	FY 00/01 Actual	FY16/17 Actual	FY 17/18 Actual	FY 18/19 Actual	FY 19/20 Actual	FY 20/21 Actual	FY 21/22 Actual	FY 22/23 Actual	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Actual	FY 26/27 Proposed
Elected												
City Council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Elected - Total FTE's	**6.00**	**6.00**	**6.00**	**6.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Fully Benefited by Dept												
City Attorney	1	-	-	-	-	-	-	-	-	-	-	-
Admin Services	5.25	4.50	4.50	3.75	2.75	2.75	2.75	3.00	4.00	4.00	5.00	5.00
City Manager	5.50	7.00	6.00	6.00	7.00	5.00	5.50	6.50	6.50	6.50	5.00	5.00
Museum	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Police	31.30	31.65	31.50	30.50	30.50	29.50	30.50	30.50	31.00	31.00	31.00	31.00
CDD	6.67	5.00	5.00	6.00	6.00	5.00	5.50	5.75	5.00	5.00	5.00	5.00
Public Works	14.33	15.00	16.00	16.00	15.50	14.00	16.00	16.00	16.00	16.00	18.00	18.00
Community Services & Rec	4.50	3.75	3.75	3.75	4.50	3.75	5.50	5.50	5.50	5.50	5.50	5.50
Dept - Total FTEs	**69.30**	**67.40**	**67.25**	**66.50**	**66.75**	**60.50**	**66.25**	**67.75**	**68.50**	**68.50**	**70.00**	**70.00**



General Fund Expenditures

SALARIES & BENEFITS

City services are primarily staff delivered; therefore, staffing is the most significant expenditure. The FY 2026-27 proposed budget estimated staffing costs total $15 million. This represents a 3.63% increase from the prior year's amended budget. This is primarily due to significant increases in the CalPERS Unfunded Actuarial Liability annual payment, estimated cost of living adjustments, and scheduled step increases.

Staffing by Category	FY23/24 Actual	FY24/25 Actual	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Salary	$ 6,714,211	$ 6,315,626	$ 7,210,251	$ 7,694,611	$ 7,925,450
Salary Elected / Temp	644,163	776,947	731,963	784,701	788,738
Overtime	366,707	471,999	593,978	427,978	427,978
Specialty Pay	297,038	399,766	473,340	459,974	473,774
Benefits	4,077,828	4,728,020	5,251,455	5,617,270	5,801,594
Total	**$12,099,946**	**$12,692,358**	**$ 14,260,987**	**$ 14,984,534**	**$15,417,534**

Staffing by Department	FY23/24 Actual	FY24/25 Actual	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Council	$ 40,752	$ 41,200	$ 40,689	$ 40,689	$ 40,689
City Manager	962,045	952,951	808,847	826,228	850,379
Personnel	287,608	385,395	3,268,866	3,533,499	3,656,848
Finance	629,425	707,377	559,475	566,690	583,567
Law Enforcement	6,004,382	6,194,376	5,251,370	5,459,988	5,612,202
Pkg. Enforcement	198,325	184,969	187,159	229,707	236,390
Streets	1,555,228	1,555,913	1,494,753	1,427,665	1,469,108
Storm Water	23,116	121,538	72,798	136,864	141,277
Fleet	129,170	185,545	226,206	236,250	243,149
Parks	323,859	341,287	369,521	384,293	395,613
Planning	475,536	503,578	510,333	545,601	561,933
Building	308,162	209,396	185,109	233,835	240,811
Community Services & Rec	1,081,435	1,214,323	1,238,291	1,313,647	1,334,502
Museum	52,053	57,011	47,570	49,578	51,065
Art & Cultural	28,850	37,500	-	-	-
Total	**$12,099,946**	**$12,692,358**	**$14,260,987.00**	**$14,984,534**	**$15,417,535**

General Fund Expenditures

Salaries & Benefits - Salary Assumptions

There are five bargaining groups in the City. Management employees are hired by the City Manager pursuant to a City Council approved compensation plan. Seasonal and temporary hourly employees are not included in any of these groups and are not represented by a union. The following table lists the different groups and the start and end dates of their current agreements.

Group	Current Agreement	Expiration Date
Assoc. of Capitola Employees/Gen. Govt.	6/23/2024	6/30/2027
Confidential	6/23/2024	6/30/2027
Mid-Management	7/7/2024	6/30/2027
Police Captains	7/7/2024	6/30/2027
Police Officers Association (POA)	6/7/2021	6/30/2027

Overtime

The following table provides the details for the overtime budget. The overtime budget for the Police Department increases this year in anticipation of additional special events.

Overtime	FY23/24 Actual	FY24/25 Actual	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Manager	$ 196	$ 238	$ 1,000	$ -	$ -
Finance	571	0	0	0	0
Police*	292,588	383,681	520,978	351,978	351,978
Public Works	36,378	52,831	50,000	50,000	50,000
Community Development	0	0	0	0	0
Community Services & Rec	36,055	35,049	22,000	26,000	26,000
Total	**$365,789**	**$471,800**	**$593,978**	**$427,978**	**$427,978**
**Funding Sources for Police Overtime*					
General Fund	$ 229,227	$ 294,694	$ 374,000	$ 225,000	$ 225,000
Grant Funded	63,362	88,987	146,978	126,978	126,978
	$292,588	**$383,681**	**$520,978**	**$351,978**	**$351,978**

Specialty Pay

The FY 2026-27 proposed budget includes the following specialty pays in the calculation of staffing costs, which are also included in overtime calculations: education, longevity, bilingual, motorcycle, detective pay, senior officer, canine, and shift differential pay.

Specialty Pay	FY23/24 Actual	FY24/25 Actual	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Manager	$ -	$ 9,737.36	$ 21,061.00	$ 20,661.00	$ 21,280.83
Finance	3,928	4,252	4,490	5,184	5,340
Police	267,054	334,723	374,776	366,357	377,348
Public Works	22,564	40,821	53,615	51,952	53,511
Community Dev.	3,492	8,711	14,047	14,468	14,902
Community Services & Rec	-	1,522	5,351	1,352	1,393
Total	**$297,038**	**$399,766**	**$473,340**	**$459,974**	**$473,774**

Benefits – Post Retirement Medical Benefit

The City of Capitola contributes the minimum amount toward retired employees' health insurance premiums in accordance with Government Code Section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA). This expenditure is accounted for in the City Manager's personnel department budget. Below is a table showing the PEMHCA minimum over the last 10 years.

- January 1, 2017 $128
- January 1, 2018 $133
- January 1, 2019 $136
- January 1, 2020 $139
- January 1, 2021 $143
- January 1, 2022 $149
- January 1, 2023 $151
- January 1, 2024 $157
- January 1, 2025 $158
- January 1, 2026 $162

Benefits – Public Employee Retirement System (PERS)

The City offers various defined benefit retirement plans to safety and miscellaneous employees. These retirement plans are administered by the California Public Employee Retirement System ("CalPERS" or "PERS"). The safety plan benefit formula is 3% @ 50, and the miscellaneous plan is 2.5% @ 55 for "classic" PERS members. For employees hired after January 1, 2013, who are subject to the Public Employees' Pension Reform Act (PEPRA), the safety benefit formula is 2.7% @ 57, and the miscellaneous plan is 2% @ 62. A CalPERS member becomes eligible for retirement benefits upon reaching the age of 50 with at least 5 years of service credit (total service across all CalPERS employers).

The City's retirement costs are defined as a percentage of payroll, along with a fixed dollar amount to address the City's Unfunded Actuarial Liability (UAL), which is actuarially determined annually by CalPERS. The UAL in FY 2025-26 was $2,895,386 and is increasing to $3,271,340 (12.98%) in FY 2026-27. The most recent CalPERS actuarial reports estimate the UAL through FY 2030-31 at an amount of $3,789,000 which equates to an increase of approximately 176% over ten years from FY 2020-21.

PERS Rates. The FY 2026-27 PERS total rate for classic safety members is 39.7%, with employees paying 15% and the city 24.7%. Safety PEPRA members are responsible for 13.75% and the city pays 13.99%. For classic miscellaneous members, the total contribution rate is 24%, with employees paying 13.4% and the city 10.6%. Miscellaneous PEPRA employees pay 7.75% and the city pays 7.96%.

The FY 2025-26 PERS total rate for classic safety members was 39.6%, with employees paying 15% and the city 24.6%. Safety PEPRA members are responsible for 13.75% and the city pays 13.76%. For classic miscellaneous members, the total contribution rate was 23.9%, with employees paying 13.4% and the city 10.5%. Miscellaneous PEPRA employees pay 7.75% and the city pays 7.87%.

Public Employees' Pension Reform Act (PEPRA). On September 12, 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA became effective on January 1, 2013, and requires all employees who are not previously members of the PERS reciprocal system to be placed in an alternate retirement plan. The City's PEPRA plan for Safety employees is 2.7% at 57 and 2% at 62 for Miscellaneous employees. This new plan requires that the City and plan members contribute an equivalent share of retirement costs. The rates for public safety and miscellaneous employees are 13.75% and 7.75%, respectively.

Retirement Costs Summary

Retirement Costs	FY22/23 Actual	FY23/24 Actual	FY24/25 Amended	FY25/26 Adopted	FY26/27 Planned
Ret. cost - PERS Safety	$ 436,575	$ 435,788	$ 386,338	$ 439,677	$ 458,364
Ret. cost - PERS Safety UAL	1,002,849	1,121,718	1,107,637	1,324,947	1,469,000
Ret. cost - PERS Miscellaneous	281,723	291,538	279,615	292,860	305,306
Ret. cost - PERS Misc UAL	966,725	1,059,922	1,031,554	1,227,177	1,358,000
Ret. cost - Retirement PARS	3,890	5,651	6,169	8,332	8,332
Ret. health OPEB - Retiree health	39,482	44,684	38,750	38,750	38,750
OPEB Trust Fund	60,250	67,048	67,050	67,050	67,050
Total Retirement Costs	**$ 2,791,494**	**$3,026,349**	**$2,917,113**	**$3,398,793**	**$3,704,802**
Total Employee Paid Costs	$ 1,004,938	$1,089,486	$1,050,161	$1,223,565	$1,333,729
Total City Paid Costs	$ 2,791,494	$3,026,349	$2,917,113	$3,398,793	$3,704,802
Total Costs Employee and City	$ 3,796,432	$4,115,835	$3,967,274	$4,622,358	$5,038,530
Unfunded Actuarial Liability-Safety	13,594,061	14,685,285	11,169,617	17,213,533	18,074,210
Unfunded Actuarial Liability-Misc	12,422,127	13,354,880	9,924,040	15,324,728	16,090,964
Unfunded OPEB Liability	1,572,208	1,572,208	1,642,315	1,642,315	1,642,315
Funding Ratio PERS Safety	71.3%	72.40%	77.10%	66.60%	66.60%
Funding Ratio PERS Misc	69.7%	69.70%	77.40%	67.20%	67.20%

General Fund Expenditures - Contract Services (4 pages)

Department	Contract Description		FY25/26 Amended	FY26/27 Proposed	FY27/28 Planned
City Council	CS-Gen/Admin Beach Festival		$ 5,000	$ 5,000	$ 5,000
City Council	CS-Gen/Admin Community TV		19,000	-	-
City Council	CS-Gen/Admin Contracts - general		5,711	5,711	5,711
City Council	Other contract services Legal notices		-	-	-
		Total	**$ 29,711**	**$ 10,711**	**$ 10,711**
City Manager	CS-Environmental Svcs JPA-Pollution control		$ -	$ -	$ -
City Manager	CS-Environmental Svcs Mosquito and vector control		-	-	-
City Manager	CS-Environmental Svcs Recycling services		-	-	-
City Manager	CS-Environmental Svcs SCC-Hazardous waste disp fee		-	-	-
City Manager	CS-Gen/Admin Contracts - general		40,000	47,000	47,000
City Manager	CS-Gen/Admin Council Election		-	25,000	-
City Manager	CS-Gen/Admin Document imaging		8,500	8,500	8,500
City Manager	CS-Gen/Admin Document storage		5,000	5,000	5,000
City Manager	CS-Gen/Admin Muni code codification services		8,000	8,000	8,000
City Manager	CS-Gen/Admin Newsletter		10,000	5,000	5,000
City Manager	CS-Gen/Admin Public Outreach		10,000	10,000	12,000
City Manager	Other contract services Legal notices		8,000	8,000	8,000
City Manager	Other contract services Unanticipated events		10,000	10,000	10,000
		Total	**$ 99,500**	**$ 126,500**	**$ 103,500**
Personnel	CS-Gen/Admin Contracts - general		$ 1,000	$ 34,600	$ 26,100
Personnel	CS-Legal svcs Labor and personnel related		-	-	-
Personnel	CS-Personnel Svcs Background investigations		10,000	15,000	15,000
Personnel	CS-Personnel Svcs Education reimbursement		10,000	10,000	10,000
Personnel	CS-Personnel Svcs Employee Engagement/Holiday Prty		12,000	12,000	12,000
Personnel	CS-Personnel Svcs Medical examinations		5,000	7,500	7,500
Personnel	CS-Personnel Svcs Recruitment services		5,000	7,500	7,500
Personnel	Other contract services Flex-Health-Dental-Vision Admin		4,000	4,000	4,000
		Total	**$ 47,000**	**$ 90,600**	**$ 82,100**
City Attorney	CS-Gen/Admin Contracts - general		$ 10,000	$ 10,000	$ 10,000
City Attorney	CS-Legal svcs Labor and personnel related		15,000	22,000	15,000
City Attorney	CS-Legal svcs Legal services - general		300,000	310,000	310,000
City Attorney	CS-Legal svcs Rent control		-	-	-
City Attorney	CS-Legal svcs Special services		-	-	-
		Total	**$ 325,000**	**$ 342,000**	**$ 335,000**
Finance	CS-Fin Svcs Audit-Annual financial audits		$ 51,000	$ 53,100	$ 53,100
Finance	CS-Fin Svcs Audit-OPEB valuation		1,000	1,500	1,500
Finance	CS-Fin Svcs Audit-Sales tax (1%)		12,000	12,000	12,000
Finance	CS-Fin Svcs Audit-Sales tax(city Spec Dist)		4,000	4,000	4,000
Finance	CS-Fin Svcs Bank fees (excl cr card fees)		-	-	-
Finance	CS-Fin Svcs Credit card merchant fees		3,000	3,000	3,000
Finance	CS-Fin Svcs HdL TOT fees		19,000	-	-
Finance	CS-Fin Svcs State Admin fee - Bradley-Burns		45,000	45,000	45,000
Finance	CS-Fin Svcs State Admin fee - Measure O		18,000	18,000	18,000
Finance	CS-Fin Svcs State Admin fee - Measure Y		18,000	18,000	18,000
Finance	CS-Fin Svcs State Architect fee - SB1186		500	500	500
Finance	CS-Gen/Admin Contracts - general		-	20,000	20,000
		Total	**$ 171,500**	**$ 175,100**	**$ 175,100**

Department	Contract Description		FY25/26 Amended	FY26/27 Proposed	FY27/2 Planne
Law Enforcement	CS-Fin Svcs Collections-DUI cost recovery		$ 2,000	$ 2,000	$ 2,050
Law Enforcement	CS-Gen/Admin Contracts - general		26,500	26,500	27,163
Law Enforcement	CS-Prop & equip Comm - local & long distance		8,000	8,000	8,200
Law Enforcement	CS-Prop & equip Comm - mobile phone		25,000	25,000	25,625
Law Enforcement	CS-Prop & equip Comm - T-1 line		20,000	20,000	20,500
Law Enforcement	CS-Prop & equip Equipment repairs & maintenance		5,000	5,000	5,125
Law Enforcement	CS-Prop & equip Property alarm service		-	-	-
Law Enforcement	Other contract services Outside security service		20,000	35,000	35,000
Law Enforcement	Other contract services Uniform cleaning services		12,000	15,000	15,000
Law Enforcement	Police Svcs Hazardous material response - SV		8,900	11,000	11,275
Law Enforcement	Police Svcs Red light enforcement		-	-	-
Law Enforcement	Police Svcs SCC-Anti-Crime Team		25,000	36,000	36,900
Law Enforcement	Police Svcs SCC-Blood alcohol trust fund		500	1,275	1,307
Law Enforcement	Police Svcs SCC-Booking fees		2,500	2,500	2,563
Law Enforcement	Police Svcs SCCECC JPA-SCRMS		47,987	73,506	75,344
Law Enforcement	Police Svcs SCCECC-911 JPA		696,994	699,029	716,505
Law Enforcement	Police Svcs SCC-Info svcs for SCAN chgs		8,000	11,000	11,275
Law Enforcement	Police Svcs SCC-Sexual assault response prog		22,000	22,600	23,165
Law Enforcement	Police Svcs Towing service		4,000	5,000	5,000
Law Enforcement	Rental contracts Equipment and vehicles		2,500	2,500	2,563
		Total	**$ 936,881**	**$ 1,000,910**	**$ 1,024,558**
Pkg. Enforcement	CS-Fin Svcs Courier-Cash & Coin		$ 3,500	$ 3,500	$ 3,500
Pkg. Enforcement	CS-Fin Svcs Credit card merchant fees		60,000	60,000	60,000
Pkg. Enforcement	CS-Prop & equip Pay Station Repair & Maintenance		35,000	25,000	25,000
Pkg. Enforcement	Police Svcs SCC-Citation processing		52,500	65,000	65,000
Pkg. Enforcement	Police Svcs SCC-Courthouse surcharge		11,000	11,000	11,000
Pkg. Enforcement	Police Svcs SCC-Criminal Justice Fac surchg		11,000	11,000	11,000
Pkg. Enforcement	Police Svcs State of CA-DMV processing fee		6,000	6,000	6,000
Pkg. Enforcement	Police Svcs State of CA-Equip Assess		-	-	-
Pkg. Enforcement	Police Svcs State of CA-Immed & Critical nd		20,000	20,000	20,000
Pkg. Enforcement	Police Svcs State of CA-Reg assess		45,500	58,000	58,000
Pkg. Enforcement	Police Svcs State of CA-St Court Facilities		10,000	10,000	10,000
Pkg. Enforcement	Police Svcs State of CA-Trial Court Trust Fd		20,000	20,000	20,000
		Total	**$ 274,500**	**$ 289,500**	**$ 289,500**
Animal Svcs.	Police Svcs Animal services		$ 139,497	$ 150,524	$ 158,050
		Total	**$ 139,497**	**$ 150,524**	**$ 158,050**

Department	Contract Description		FY25/26 Amended	FY26/27 Proposed	FY27/2 Planne
Streets	CS-Gen/Admin Contracts - general		$ 30,000	$ 30,000	$ 30,000
Streets	CS-Prop & equip Comm - mobile phone		13,000	13,000	13,000
Streets	CS-Prop & equip Esplanade sidewalk cleaning		31,000	32,500	32,500
Streets	CS-Prop & equip Eucalyptus maintenance -Park Ave		15,000	15,000	15,000
Streets	CS-Prop & equip Riparian Restoration		15,000	15,000	15,000
Streets	CS-PW & Trans. Electrical services		-	-	-
Streets	CS-PW & Trans. Lagoon grading		15,000	15,000	15,000
Streets	CS-PW & Trans. PW Engineering services		15,000	15,000	15,000
Streets	CS-PW & Trans. Soquel Crk monitoring-fish		50,000	52,000	52,000
Streets	CS-PW & Trans. Transportation-Beach shuttle svc		104,454	92,000	96,000
Streets	CS-Temp. Staff & Instr. Hope Services		24,000	25,000	25,000
Streets	CS-Temp. Staff & Instr. Temporary staff		80,000	80,000	80,000
Streets	Other contract services Legal notices		1,500	1,500	1,500
Streets	Other contract services Unanticipated events		10,053	10,000	10,000
Streets	Rental contracts Union Pacific RR yearly		1,000	1,000	1,000
		Total	**$ 405,007**	**$ 397,000**	**$ 401,000**
Storm Water	CS-Environmental Svcs Central coast recycling media		$ 5,000	$ 5,000	$ 5,000
Storm Water	CS-Environmental Svcs JPA-Pollution control		-	-	-
Storm Water	CS-Environmental Svcs Recycling services		19,807	25,000	-
Storm Water	CS-Environmental Svcs SCC-Hazardous waste disp fee		75,000	75,000	75,000
Storm Water	CS-PW & Trans. CA NPDES-storm water mgmt prog		40,000	40,000	25,000
Storm Water	CS-PW & Trans. Regional Water Mgmt Foundation		5,000	5,000	5,000
Storm Water	CS-PW & Trans. Soquel Crk monitoring-water qual		5,000	5,000	5,000
		Total	**$ 149,807**	**$ 155,000**	**$ 115,000**
Facilities	CS-Gen/Admin Contracts - general		$ -	$ 2,500	$ 2,500
Facilities	CS-Prop & equip Comm - local & long distance		1,200	1,700	1,700
Facilities	CS-Prop & equip Comm - T-1 line		7,500	7,500	7,500
Facilities	CS-Prop & equip Equipment repairs & maintenance		16,000	27,700	17,200
Facilities	CS-Prop & equip Janitorial services		35,000	38,000	39,000
Facilities	CS-Prop & equip Property alarm service		3,400	3,400	3,400
Facilities	CS-Prop & equip Property repairs & maintenance		95,500	82,000	52,000
Facilities	CS-Prop & equip Utility serv - gas & electric		117,500	132,000	133,000
Facilities	CS-Prop & equip Utility serv - sanitation distr		4,000	8,100	8,100
Facilities	CS-Prop & equip Utility serv - water		15,000	16,600	16,600
Facilities	CS-PW & Trans. ADA compliance		15,000	20,000	20,000
Facilities	CS-PW & Trans. Electrical services		-	20,000	20,000
Facilities	CS-PW & Trans. Inspections		-	-	-
Facilities	CS-PW & Trans. Tree services		2,000	2,000	2,000
Facilities	Rental contracts Equipment and vehicles		7,000	8,000	8,000
		Total	**$ 319,100**	**$ 369,500**	**$ 331,000**
Fleet	CS-Gen/Admin Contracts - general		$ -	$ -	$ -
Fleet	CS-Prop & equip Equipment repairs & maintenance		10,000	12,000	12,000
		Total	**$ 10,000**	**$ 12,000**	**$ 12,000**
Parks	CS-Gen/Admin Contracts - general		$ 8,000	$ 5,000	$ 5,000
Parks	CS-Prop & equip Bike track maintenance		-	-	-
Parks	CS-Prop & equip Equipment repairs & maintenance		6,000	6,000	6,000
Parks	CS-Prop & equip Janitorial services		37,500	38,600	38,600
Parks	CS-Prop & equip Property repairs & maintenance		26,000	33,000	31,000
Parks	CS-Prop & equip Utility serv - gas & electric		6,300	6,300	6,400
Parks	CS-Prop & equip Utility serv - sanitation distr		25,000	26,000	26,000
Parks	CS-Prop & equip Utility serv - water		177,400	180,900	180,400
Parks	CS-PW & Trans. Electrical services		2,000	1,000	1,000
Parks	CS-PW & Trans. Tree services		16,000	19,000	19,000
Parks	Rental contracts Equipment and vehicles		10,500	10,000	10,000
		Total	**$ 314,700**	**$ 325,800**	**$ 323,400**

Department	Contract Description		FY25/26 Amended	FY26/27 Proposed	FY27/2 Planne
Planning	CS-Gen/Admin Contracts - general	$	80,000	$ 70,000	$ 70,000
Planning	CS-Plan Svc Admin services		-	-	-
Planning	Other contract services Legal notices		5,000	5,000	5,000
		Total	**$ 85,000**	**$ 75,000**	**$ 75,000**
Building	CS-Bldg Svcs Bldg plan checks - outsourced	$	81,138	$ 85,000	$ 85,000
Building	CS-Bldg Svcs Engineering & Inspections		155,000	10,000	10,000
		Total	**$ 236,138**	**$ 95,000**	**$ 95,000**
Comm Srvs. & Rec	CS-Fin Svcs Credit card merchant fees	$	10,000	$ 19,000	$ 19,000
Comm Srvs. & Rec	CS-Gen/Admin Contracts - general		29,000	31,000	29,500
Comm Srvs. & Rec	CS-Info Tech Contracts Recreation technology system		19,000	25,000	25,000
Comm Srvs. & Rec	CS-Other, Events & Tourism CS-July IS		1,600	1,600	1,600
Comm Srvs. & Rec	CS-Other, Events & Tourism CS-Movies @ Beach-Screen		2,100	2,100	2,100
Comm Srvs. & Rec	CS-Other, Events & Tourism Food Truck Fridays		5,500	5,500	5,500
Comm Srvs. & Rec	CS-Other, Events & Tourism Plein Air Other		10,000	20,000	20,000
Comm Srvs. & Rec	CS-Other, Events & Tourism Plein Air Vendors		5,000	5,000	5,000
Comm Srvs. & Rec	CS-Other, Events & Tourism Rapid Weddings		3,700	-	-
Comm Srvs. & Rec	CS-Other, Events & Tourism Twilight concert - Bands		15,000	15,000	15,000
Comm Srvs. & Rec	CS-Other, Events & Tourism Twilight concert-Sound Engin		14,000	15,000	15,000
Comm Srvs. & Rec	CS-Other, Events & Tourism Weekend Music		6,000	6,600	6,600
Comm Srvs. & Rec	CS-Other, Events & Tourism Wharf Music		6,750	-	-
Comm Srvs. & Rec	CS-Personnel Svcs Background investigations		-	-	-
Comm Srvs. & Rec	CS-Prop & equip Comm - local & long distance		-	-	-
Comm Srvs. & Rec	CS-Prop & equip Comm - T-1 line		-	-	-
Comm Srvs. & Rec	CS-PW & Trans. Transportation-Rec program		2,200	1,500	1,500
Comm Srvs. & Rec	CS-Temp. Staff & Instr. Rec contract inst and sports off		112,500	147,500	147,500
Comm Srvs. & Rec	Other contract services Advertising		-	-	-
Comm Srvs. & Rec	Other contract services Copying, printing and binding		15,000	21,000	21,000
Comm Srvs. & Rec	Other contract services Events liability insurance		8,000	8,000	8,000
Comm Srvs. & Rec	Other contract services Mailing service		18,000	21,000	21,000
Comm Srvs. & Rec	Other contract services Photography		8,000	10,000	10,000
		Total	**$ 291,350**	**$ 354,800**	**$ 353,300**
Museum	Rental contracts Land and buildings	$	15,000	$ 20,000	$ 20,000
Museum	Other contract services Museum curation		1,500	1,500	1,500
		Total	**$ 16,500**	**$ 21,500**	**$ 21,500**
		Grand Total	**$ 3,851,191**	**$ 3,991,445**	**$ 3,905,719**

Community Based Social Service Providers

Community Based Social Service Providers are funded by the General Fund and restricted Transient Occupancy Tax (TOT) revenue. Each year a determination is made regarding funds available and allocation. Due to COVID-19 the Community Grant program continues to be funded in FY 2026-27 with a combination of general fund, restricted TOT, and federal grants. The table below shows the general fund and restricted TOT funding while the federal grant funding is highlighted in the Community Development Block Grant Special Revenue funds.

AGENCY	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY26/27 Proposed	FY27/28 Planned
Community Services					
Homeless Action Partnership (HAP)	$ 8,425	$ 8,425	$ 8,425	$ 8,425	$ 8,425
Advocacy, Inc.	10,000	10,000	10,000	10,000	
Bay Avenue Senior Apartments	0	0	5,000	5,000	
Blue Circle	0	0	0	0	
Cabrillo College Stroke and Disability Center	10,000	10,000	8,000	8,000	
Central Coast Center for Independent Living	0			0	
Community Action Board, Inc.	10,000	10,000	10,000	10,000	
Community Bridges	0			0	
Community Bridges - Lift Line	0			0	
Community Bridges - Live Oak Community Resources	0			0	
Community Bridges - Meals on Wheels	0			0	
Arts Council of Santa Cruz County	2,500	2,500	2,500	2,500	
Dientes Community Dental Care	0			0	
Diversity Center	0			0	
Encompass Santa Cruz AIDS Project	0			0	
Family Service Agency of Santa Cruz	7,500	7,500	7,000	7,000	
Grey Bears, Inc.	0			0	
Habitat for Humanity	0	0	4,000	4,000	
Homeless Svcs. Center	0			0	
Hospice Caring Project	3,000	3,000	0	0	
MidCounty Senior Center	7,500	7,500	7,000	7,000	
Monarch Services Servidios Monarca	7,500	7,500	7,000	7,000	
Monterey Bay National Marine Sancuturary	5,000	5,000	0	0	
NAMI Santa Cruz County	12,000	12,000	10,000	10,000	
Native Animal Rescue	0			0	
Second Harvest Food Bank	0			0	
Senior Network Services	7,500	7,500	10,000	10,000	
Srs Council - SCC/San Benito Co.	10,000	10,000	10,000	10,000	
Survivors' Healing Center	0			0	
United Way	7,500	7,500	7,500	7,500	
United Way - 2-1-1 Help Line	0			0	
Vista Center for the Blind	5,000	5,000	10,000	10,000	
Volunteer Center of Santa Cruz County	7,500	7,500	7,000	7,000	
Community Grants-Unassigned	0			0	0
	$ 112,500	**$ 112,500**	**$ 115,000**	**$ 115,000**	**$ -**

AGENCY	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY26/27 Proposed	FY27/ Plann
Children/Youth Services (General Fund)					
Big Brothers/Big sisters	$ -	$0	$0	-	-
Campus Kids Connection - After School	-			-	-
Community Bridges - Child Development Division	-		-	-	-
Court-Appointed Special Advocates	7,500	7,500	-	-	-
Encompass Youth Services Counseling	-		-	-	-
Families in Transition - Santa Cruz Co.	-		-	-	-
O'Neill Sea Odyssey	-	-	8,500	8,500	
Parents Center, Inc.	7,500	7,500	-	-	-
Toddler Care Center	-	-	-	-	-
United Way - Community Assessment Project	-		2,500	2,500	
Childcare Center Fee Grant	-		-	-	-
	$15,000	**$15,000**	**$11,000**	**$11,000**	**$0**
General Fund Total	**$ 135,925**	**$ 135,925**	**$ 134,425**	**$ 134,425**	**$ 8,425**
Early Childhood / Youth Services (TOT Children's Fund)				$ -	$ -
Early Childhood & Youth Services			$ -		
Big Brothers/Big sisters	7,500	7,500	5,000	5,000	
Community Bridges - Child Development Division	0			0	
Diversity Center SC County	7,500	7,500	7,100	7,100	
Court-Appointed Special Advocates	7,500	7,500	0	0	
Jacob's Heart	0	0	7,000	7,000	
O'Neill Sea Odyssey	10,000	10,000	0	0	
Monterey Bay National Marine Sancuturary	7,500	7,500	10,000	10,000	
Parents Center, Inc.	0	0	7,400	7,400	
Toddler Care Center	0	0		0	
United Way - Youth Action Network (YAN) youth liason program	0	0	5,000	5,000	
Santa Cruz Museum of Discovery	12,500	12,500	14,500	14,500	
Casa of Santa Cruz	0	0		0	
Boys and Girls Club of Santa Cruz County	7,500	7,500	0	0	
Childcare Center Fee Grant	0			0	
Recreation Programming	0	0		0	
TOT Youth Funding Total	**$60,000**	**$60,000**	**$56,000**	**$56,000**	**$0**
Estimated Children's Fund Revenue	**$60,728**	**$61,729**	**$64,808**	**$67,083**	**$67,754**
Remaining Funds	**$728**	**$1,729**	**$8,808**	**$11,083**	**$67,754**
Total Social Service Program Funding	**$195,925**	**$195,925**	**$190,425**	**$190,425**	**$8,425**

SUPPLIES

The following table provides a history of the supply budgets by department. Additional information is available in the General Fund Department section.

Supplies	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Council	$ 2,082	$ 2,411	$ 5,500	$ 5,500	$ 6,800	$ 6,800
City Manager	20,621	11,042	10,000	10,300	7,500	7,500
Finance	4,182	2,562	4,600	4,600	4,600	4,600
Police Department	160,401	157,374	109,400	109,400	119,700	119,700
Public Works	625,328	548,449	572,700	572,700	623,600	615,100
Community Development	978	6,433	2,500	2,500	2,500	2,500
Community Services & Rec	88,943	77,555	94,650	94,650	112,300	97,800
Museum	20,324	13,750	2,350	2,350	2,350	2,350
Arts & Culture	35,300	35,300	0	0	0	0
Total	**$958,158**	**$854,877**	**$801,700**	**$802,000**	**$ 879,350**	**$856,350**

TRAINING AND MEMBERSHIPS

The following table provides a history of the training and memberships budgets by department. Refer to the General Fund Department section for additional information.

Training	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Council	$ 20,531	$ 19,380	$ 31,380	$ 31,380	$ 23,380	$ 32,380
City Manager	17,171	7,304	11,200	12,250	2,200	2,200
Finance	4,872	5,859	7,500	7,500	1,000	1,000
Police	77,379	60,958	79,500	79,500	63,250	79,500
Public Works	4,684	4,049	6,000	6,000	3,000	3,000
Community Development	3,928	3,221	16,250	16,250	11,850	11,850
Community Services & Rec	13,592	12,578	16,650	16,650	9,700	15,300
Museum	1,167	1,527	1,000	1,000	1,000	1,000
Total	**$143,324**	**$114,877**	**$169,480**	**$170,530**	**$ 115,380**	**$146,230**

INTERNAL SERVICES

Internal Service Funds finance special activities and services performed by one City department for another on a cost and reimbursement basis. These funds share costs, designate targeted reserves levels, and allocate costs to all departments benefiting from the activities and services. The methodology for cost allocation for each Internal Service Fund is described in the Internal Service Fund section.

The FY 2026-27 proposed budget provides funding for increased insurance premiums as well as equipment purchases for equipment funded in prior years.

Internal Services	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Stores	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 27,000
Information Technology	271,000	268,001	346,044	346,044	401,000	411,200
Equipment Replacement	250,000	65,000	197,000	197,000	$ 100,000	-
Self-Insurance Liability	622,136	760,037	685,248	685,248	832,311	852,009
Workers' Compensation	447,705	403,541	402,112	402,112	350,907	361,434
Total	**$1,617,841**	**$1,523,579**	**$1,657,404**	**$1,657,404**	**$1,711,218**	**$1,651,644**

GENERAL FUND TRANSFERS

General Fund Transfers move funds from the General Fund to a specific fund for a designated purpose. The CIP is detailed in a separate section and debt issuances are detailed in the Multi-Year Assets and Obligations section. Below is a summary of the transfers from the General Fund to other funds/reserves.

General Fund Transfers	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Contingency Reserves	$ 131,000	$ 172,000	$ -	$ -	$ -	$ -
Emergency Reserves	147,300	250,000	-	-	-	-
Facilities Fund	-	100,000	-	-	-	-
PERS Contingency Reserve	250,000	-	-	-	-	-
CIP Capital Projects	2,205,000	550,000	-	-	-	-
Stores ISF	-	-	-	-	-	-
Information Technology	-	235,000	-	-	-	-
Equipment Replacement	-	200,000	-	-	100,000	200,000
Interfund transfer Library fund	50,958	-	-	-	-	-
Compensated Absences	220,000	225,000	200,000	200,000	300,000	200,000
RTC Streets	-	-	-	-	-	-
Gas Tax	-	-	-	-	-	-
Wharf Fund	-	-	-	-	-	-
Parking Reserve	100,000	469,000	-	-	-	-
OPEB Trust Fund	-	-	-	-	-	-
Pacific Cove Lease	40,066	-	-	-	-	-
Pacific Cove Park	127,000	87,788	87,568	87,568	87,116	86,881
			-	-	-	-
Total	**$ 3,271,324**	**$ 2,288,788**	**$ 287,568**	**$ 287,568**	**$ 487,116**	**$ 486,881**

DEPARTMENTAL BUDGETS

CITY COUNCIL

GENERAL GOVERNMENT

DEPARTMENT PURPOSE

The City Council is composed of five generally elected Council Members, serving four-year staggered terms. Council members select a Mayor and Vice Mayor annually. In 2002, the voters approved a consecutive term limit of two terms for Council Members. The City's Municipal elections are held the first Tuesday of November in even-numbered years. The Council meets regularly twice monthly, on the second and fourth Thursday.

The City Council establishes local law, sets policy, approves programs, allocates funds, and provides direction to the City Manager and staff to implement its policy. Council also appoints members to local and regional committees, commissions, and boards. Capitola is a General Law City, organized under the general laws of the state. Local laws are established by ordinance, compiled in the Municipal Code, and enforceable by the City. Other directives and policies of the City Council are implemented through Council Resolutions and recorded in Council Minutes.

ESTABLISHED PRINCIPLES OF THE CITY

- **Fiscal Policy** – practice sound financial management
- **Public Service** – uphold the public trust.
- **Public Improvement** – maintain a safe and healthy environment.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Provide services, staff, and equipment to ensure public safety and trust
- Develop projects and programs to maintain and enhance the quality of life in Capitola
- Collect public input and determine path forward for Capitola Wharf Master Plan
- Review and update, if necessary, the City Council Code of Conduct
- Adopted 47 resolutions and 8 ordinances

FISCAL YEAR GOALS: FY 2026-27

- Balanced budget while using resources for public improvements
- Provided services, staff, and equipment to ensure public safety and trust
- Approved projects and programs to maintain and enhance the quality of life in Capitola

CITY COUNCIL

1000-10-10-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$ 99,496	$ 137,761	$ 127,259	$ 127,259	$ 104,580	$ 114,156
Revenue Total	**$ 99,496**	**$ 137,761**	**$ 127,259**	**$ 127,259**	**$ 104,580**	**$ 114,156**
Expenditures						
Personnel	$ 40,752	$ 41,200	$ 40,689	$ 40,689	$ 40,689	$ 40,689
Contract services	19,150	56,602	29,711	29,711	10,711	10,711
Training & Memberships	20,531	19,380	31,380	31,380	23,380	32,380
Supplies	2,082	2,411	5,500	5,500	6,800	6,800
Internal service fund charges	16,981	18,168	19,979	19,979	23,000	23,576
Expenditure Totals	**$ 99,496**	**$ 137,761**	**$ 127,259**	**$ 127,259**	**$ 104,580**	**$ 114,156**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Mayor	1.00	1.00	1.00	1.00	1.00	1.00
Vice Mayor	1.00	1.00	1.00	1.00	1.00	1.00
Council Members	3.00	3.00	3.00	3.00	3.00	3.00
FTE Total	5.00	5.00	5.00	5.00	5.00	5.00

CITY ATTORNEY

GENERAL GOVERNMENT

DEPARTMENT PURPOSE

The City Attorney represents the City as primary Counsel in all legal matters. The City Attorney is appointed by the City Council. The City Attorney provides legal analysis and advice on interpretation and application of municipal code, State law, and Federal law, drafting legal documents, and labor-related issues. The City Attorney is currently a contract position with the firm Burke, Williams & Sorensen

KEY CHANGES

Marc Tran of Burke, Williams & Sorensen is Capitola's City Attorney

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Advised City on matters associated with pending legal actions.
- Advised City on legal matters related to City policies and procedures.
- Represented the City in litigation.

FISCAL YEAR GOALS: FY 2026-27

- Advise Council on potential and pending litigation.
- Assist and advise staff on contracts, labor relations, and other legal assessments.
- Resolve existing litigation.
- Assist City in labor negotiations with all employee groups.

CITY ATTORNEY

1000-10-16-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$506,544	$438,331	$325,000	$ 325,000	$342,000	$335,000
Revenue Totals	**$506,544**	**$438,331**	**$325,000**	**$ 325,000**	**$342,000**	**$335,000**
Expenditures						
Outside Legal Services	$ 3,862	$ 11,749	$ 10,000	$ 10,000	$ 10,000	$ 10,000
City Attorney Contract	381,687	333,101	300,000	300,000	310,000	310,000
City Attorney Special Services	69,988	63,502	-	-	-	-
City Attorney Rent Control	10,076	7,746	-	-	-	-
City Attorney - Labor & Personnel	40,931	22,233	15,000	15,000	22,000	15,000
Expenditure Totals	**$506,544**	**$438,331**	**$325,000**	**$ 325,000**	**$342,000**	**$335,000**

CITY MANAGER

GENERAL GOVERNMENT

MISSION STATEMENT
The mission of the City Manager's Office is to ensure that all City programs and services are provided effectively and efficiently.

DEPARTMENT PURPOSE
The City of Capitola is a Council-Manager form of government, under which the City Council appoints a City Manager who serves as the City's chief administrative officer and is responsible for implementing Council policies. The purpose of this department is to implement the policies of the City Council and provide leadership and direction to the city departments. Core services of the City Manager's Office are administrative direction and leadership for City departments, programs, and services to ensure the community receives a high level of service.

KEY CHANGES
The City Manager Department internally promoted the former Office Coordinator to the Deputy City Clerk position and hired a new Office Coordinator.

The FY2025/26 Budget includes a proposed organizational change, shifting Human Resources and Information Systems from the City Manager Department into the newly titled Administrative Services Department, along with Finance services (formerly the Finance Department). With this new structure, the City Manager remains the Personnel Officer, with the ability to designate these duties to other staff as needed. The City Manager Department will keep the Assistant to the City Manager position, now allocated to the department 100% rather than 50% with 50% Personnel, to support expanding public outreach and community engagement efforts, managing special projects and contracts, such as the Annexation Feasibility Study, and providing support to the City Manager and all City departments.

FISCAL YEAR 2025-26 ACCOMPLISHMENTS
- Successfully facilitated a 30+ attendee, updated, civic-engagement program, Discover Capitola.
- Completed annexation feasibility study and partnered with LAFCO to modify the City's Sphere of Influence.
- Expanded following of City social media platforms and subscriptions to the City digital newsletter.
- Prepared content for and facilitated a positively received Town Hall meeting.
- Planned and executed Library solar panel opening, Treasure Cove groundbreaking, and Jade Street Reimagined grand opening events; hosted elected representatives.
- Partnered with County Park Friends on the Treasure Cove Playground project.
- Clerked 33 City Council meeting agendas and 244 staff reports.
- Produced 300 PRA requests.
- Began an update to the City's Municipal Code to revise information relating to the governance of City advisory bodies, along with associated policies.
- Began the transition to by-district elections – estimated to be completed within FY 2026-27.
- Debut of the updated City website, updated City website URL, and updated City email domains, consistent with AB 1637.

FISCAL YEAR GOALS: FY 2026-27

FISCAL POLICY

- Evaluate potential revenue ballot measures.
- Continue city-wide Economic Development efforts including working with the Capitola Mall to improve the mall facility.
- Continue to work to create a safer work environment and reduce employee injuries.
- Review and prioritize City services.
- Support economic development.
- Increase branding efforts to highlight funding sources for City projects/
- Seek opportunities to partner with other agencies for greater outcome or savings.

PUBLIC SERVICE

- Facilitate 2026 City Council Election – 3 seats
- Complete the City's transition to by-district elections and continue to promote outreach following the 2026 Election and leading into the 2028 Election
- Complete recruitment for and appointments to the City's advisory bodies

PUBLIC IMPROVEMENT

- Work with community partners to enhance public serving spaces, like the fundraising partnership with Capitola Cares
- Continue increased street and facility maintenance through use of Measure D resources.

CITY MANAGER ADMINISTRATION

1000-10-11-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$1,210,131	$1,270,071	$1,063,938	$1,063,938	$1,119,741	$1,125,094
Licenses and permits	4,072	5,092	4,000	4,000	4,500	4,500
Revenue Totals	**$1,214,203**	**$1,275,163**	**$1,067,938**	**$1,067,938**	**$1,124,241**	**$1,129,594**
Expenditures						
Personnel	$ 962,045	$ 952,951	$ 808,847	$ 808,847	$ 826,228	$ 850,379
Contract services	109,836	178,691	99,500	99,500	126,500	103,500
Training & Memberships	12,551	7,911	8,200	8,200	1,200	1,200
Supplies	5,811	4,686	4,000	4,000	1,000	1,000
Internal service fund charges	123,959	130,923	147,391	147,391	169,313	173,515
Expenditure Totals	**$1,214,203**	**$1,275,163**	**$1,067,938**	**$1,067,938**	**$1,124,241**	**$1,129,594**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Manager	0.80	0.80	0.80	0.80	0.80	0.80
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00
Deputy City Clerk	0.50	1.00	1.00	1.00	1.00	1.00
Assistant to the City Manager	0.50	0.50	0.50	0.50	1.00	1.00
Human Resources Analyst	1.00	1.00	1.00	1.00	0.00	0.00
Information System Specialist	0.50	0.50	0.50	0.50	0.00	0.00
Receptionist	1.00	1.00	1.00	1.00	1.00	1.00
FTE Total	5.30	5.80	5.80	5.80	4.80	4.80

ADMINISTRATIVE SERVICES - PERSONNEL

GENERAL GOVERNMENT

MISSION STATEMENT

To provide excellent internal and external customer service and assist departments in recruiting and retaining exceptional employees.

DEPARTMENT PURPOSE

Personnel functions are the responsibility of the City Manager. Functions include employee recruitment and selection, benefits coordination, insurance and retirement programs, labor negotiations, compensation plan maintenance, regulatory training, and risk management.

PERSONNEL

1000-10-12-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$397,852	$465,845	$3,343,009	$3,344,359	$3,652,665	$3,768,013
Revenue Totals	**$397,852**	**$465,845**	**$3,343,009**	**$3,344,359**	**$3,652,665**	**$3,768,013**
Expenditures						
Personnel	$287,608	$385,395	$3,268,866	$3,268,866	$3,533,499	$3,656,848
Contract services	74,211	55,576	47,000	47,000	90,600	82,100
Training & Memberships	4,620	(607)	3,000	4,050	1,000	1,000
Supplies	14,809	6,355	6,000	6,300	6,500	6,500
Internal service fund charges	16,604	19,126	18,143	18,143	21,066	21,565
Expenditure Totals	**$397,852**	**$465,845**	**$3,343,009**	**$3,344,359**	**$3,652,665**	**$3,768,013**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
City Manager	0.20	0.20	0.20	0.20	0.20	0.20
Finance Director	-	-	-	-	0.25	0.25
Human Resources Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Assistant to the City Manager	0.50	0.50	0.50	0.50	-	0.00
FTE Total	1.70	1.70	1.70	1.70	1.45	1.45

ADMINISTRATIVE SERVICES – FINANCE AND INFORMATION TECHNOLOGY

GENERAL GOVERNMENT

MISSION STATEMENT

The Finance Department's mission is to present timely, accurate and transparent financial information to the public while providing City Management with financial data to facilitate informed decision-making on the allocation of City resources. The department strives to provide excellent customer service to the public, elected officials, and all departments within the City.

DEPARTMENT PURPOSE

The Finance Department oversees all financial transactions of the City to ensure legal and accounting policies are adhered to. The Department maintains all City funds and oversees budget development, the Annual Comprehensive Financial Report, accounts payable, payroll, accounts receivable, cash receipts, banking, business licenses, and transient occupancy tax. The Department provides quarterly and annual financial reports to the City Council and the public.

The FY2025/26 Budget included an organizational change, shifting Human Resources and Information Systems from the City Manager Department into the newly titled Administrative Services Department, along with Finance services (formerly the Finance Department). With this new structure, the City Manager remains the Personnel Officer, with the ability to designate these duties to other staff as needed. The new structure allows for the personnel, finance, and information technology divisions to improve communications and efficiencies as the City continues to implement more and more technology solutions, personnel and finance.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Continued TOT vacation rental audit and enforcement program.
- Implemented new bail schedule
- Implemented transition of IT to a contracted service
- Provided analytical support to operations departments.

FISCAL YEAR GOALS: FY 2026-27

- Prepare and maintain a balanced budget.
- Plan for and meet future PERS increases.
- Work with the Finance Advisory Committee to identify future revenue opportunities and address increasing costs.
- Meet regulatory financial reporting requirements and provide reports on the City website.
- Develop long term financial plan for Measure Y
- Continue partnerships with departments to maintain financial accountability and transparency.
- Continue to improve City financial transparency to the public.

ADMIN SERVICES - FINANCE & IT

1000-10-17-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 574,082	$ 655,119	$ 498,252	$ 498,252	$ 514,640	$ 531,059
Licenses & Permits	323,755	334,237	324,000	324,000	330,300	333,603
Intergovernmental	6,849	6,939	6,700	6,700	6,700	6,700
Use of money & property	12,220	9,566	12,000	12,000	12,000	12,000
Other revenue	3,700	1,420	3,000	3,000	-	-
Revenue Totals	**$ 920,606**	**$1,007,281**	**$ 843,952**	**$ 843,952**	**$ 863,640**	**$ 883,362**
Expenditures						
Personnel	$ 629,425	$ 707,377	$ 559,475	$ 559,475	$ 566,690	$ 583,567
Contract services	195,003	196,786	171,500	171,500	175,100	175,100
Training & Memberships	4,872	5,859	7,500	7,500	1,000	1,000
Supplies	4,182	2,562	4,600	4,600	4,600	4,600
Internal service fund charges	87,124	94,697	100,877	100,877	116,250	119,094
Expenditure Totals	**$ 920,606**	**$1,007,281**	**$ 843,952**	**$ 843,952**	**$ 863,640**	**$ 883,362**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Finance Director	1.00	1.00	1.00	1.00	0.75	0.75
Senior Accountant	1.00	1.00	-	-	-	0.00
Accountant II	-	-	1.00	1.00	2.00	2.00
Accountant I	-	-	1.00	1.00	-	0.00
Account Clerk	0.75	-	1.00	1.00	1.00	1.00
Account Technician	-	1.00	-	-	-	-
Information System Specialist	-	-	-	-	0.50	0.50
FTE Total	2.75	3.00	4.00	4.00	4.25	4.25

POLICE SUMMARY

MISSION STATEMENT

The Capitola Police Department prides itself in providing the highest level of safety and service to enhance the quality of life of our community through professional, engaged, and empowered employees.

DEPARTMENT PURPOSE

The Capitola Police Department is dedicated to protecting life and property, preserving the peace, and enhancing the quality of life for residents, businesses, and visitors through professional policing services, community partnerships, and proactive problem-solving strategies. The Department is committed to delivering fair, compassionate, and unbiased public safety services while maintaining the highest standards of integrity, accountability, and ethical conduct.

To provide these services, the Department is organized into several operational divisions.

Patrol Division

The Patrol Division is responsible for the day-to-day delivery of police services throughout the community. Officers respond to emergency and non-emergency calls for service, enforce traffic and criminal laws, conduct preliminary investigations, and engage in proactive patrol efforts to maintain public safety and order. The division also emphasizes community-oriented policing and relationship building with residents, businesses, and visitors.

Investigations Division

The Investigations Division conducts follow-up investigations related to criminal incidents occurring within the City. Detectives gather evidence, interview victims and witnesses, prepare cases for prosecution, and collaborate with allied agencies and the District Attorney's Office. The division also oversees specialized investigations and crime analysis functions.

Professional Standards and Administrative Services Division

The Professional Standards and Administrative Services Division provides administrative, personnel, training, records management, budgeting, and policy support functions for the Department. The division is responsible for maintaining compliance with state and federal regulations, overseeing professional standards and accreditation efforts, coordinating employee development and training programs, and supporting transparency and accountability initiatives.

Community Services and Special Programs

The Department works closely with community members, schools, businesses, and partner agencies to provide crime prevention programs, public education, emergency preparedness, and community engagement initiatives. These efforts support collaborative problem-solving, strengthen public trust, and enhance the overall safety and wellbeing of the Capitola community.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Converting CSO to MSO
- Filling PEO positions
- Successful PO recruitment ongoing

- Axon interview room
- EOP- almost complete
- Grants- Cannabis, ABC, Body Armor
- Pay station replacement plan completed
- Ecite technology rolled out for use

FISCAL YEAR GOALS: FY 2026-27

- Incorporate the increased use of technology subscriptions and equipment into the city budget
    - Axon
    - Drones
    - RMS
    - RING
    - ALPR
- MSO onboarded and embedded in NBMS, community outreach, Ebike safety
- Recruit new Chief Advisory Committee Members
- Utilize grants for traffic safety operations
    - Cannabis Grant
    - OTS- traffic safety
- Ongoing training for all Patrol Officers in the use of radar and LIDAR equipment to support effective traffic enforcement
- Community engagement townhall with Chief of Police and administrative staff to improve communication and goal setting, incorporating the public's input
- Establish a collaborative working group focused on developing innovative recruitment and retention strategies that address the evolving expectations and long-term career needs of PEPRA employees while ensuring the organization remains competitive in attracting and retaining qualified personnel.

POLICE SUMMARY

Police Department Summary	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 7,986,740	$ 8,021,104	$ 7,078,272	$ 7,093,272	$ 6,999,493	$ 7,128,266
Licenses and permits	49,327	56,024	45,500	45,500	55,500	55,500
Intergovernmental revenues	82,760	98,683	130,378	130,378	201,978	201,978
Charges for services	60,548	83,616	101,500	101,500	100,000	100,000
Fines and forfeitures	425,043	503,122	540,000	525,000	920,000	920,000
Other revenues	1,433	5,305	26,600	26,600	-	-
Revenue Totals	**$ 8,605,851**	**$ 8,767,854**	**$ 7,922,250**	**$ 7,922,250**	**$ 8,276,971**	**$ 8,405,744**
Expenditures						
Personnel	$6,202,707	$6,379,345	$5,438,529	$5,438,529	$5,689,695	$5,848,592
Contract services	1,299,851	1,285,100	1,350,878	1,350,878	1,440,934	1,472,108
Training & Memberships	77,379	60,958	79,500	79,500	63,250	79,500
Supplies	160,401	157,374	109,400	109,400	119,700	119,700
Internal service fund charges	884,847	884,878	943,943	943,943	963,392	885,845
Expenditure Totals	**$ 8,625,185**	**$ 8,767,654**	**$ 7,922,250**	**$ 7,922,250**	**$ 8,276,971**	**$ 8,405,745**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00
Police Captain	1.00	1.00	1.00	1.00	2.00	2.00
Police Sergeant	5.00	5.00	5.00	5.00	4.00	4.00
Police Officer	15.00	15.00	15.00	15.00	15.00	15.00
Community Service Officer	2.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement Officer	2.00	2.00	3.00	3.00	3.00	3.00
Records Manager	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Records Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Records Technician	1.75	1.75	2.00	2.00	2.00	2.00
Administrative Assistant	0.75	0.75	-	-	-	-
FTE Total	30.50	30.50	31.00	31.00	31.00	31.00

LAW ENFORCEMENT

POLICE

LAW ENFORCEMENT

1000-20-20-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 7,659,276	$ 7,720,322	$ 6,869,488	$ 6,884,488	$ 7,115,553	$ 7,228,976
Licenses and permits	49,327	56,024	45,500	45,500	55,500	55,500
Intergovernmental revenues	82,760	98,683	130,378	130,378	201,978	201,978
Charges for services	60,548	83,616	101,500	101,500	100,000	100,000
Fines and forfeitures	79,590	172,479	90,000	75,000	70,000	70,000
Other revenues	1,433	5,305	26,600	26,600	-	-
Revenue Totals	**$ 7,932,934**	**$ 8,136,429**	**$ 7,263,466**	**$ 7,263,466**	**$ 7,543,031**	**$ 7,656,454**
Personnel	$ 6,004,382	$ 6,194,376	$ 5,251,370	$ 5,251,370	$ 5,459,988	$ 5,612,202
Contract services	860,848	891,444	936,881	936,881	1,000,910	1,024,558
Training & Memberships	77,379	60,958	79,500	79,500	63,250	79,500
Supplies	143,922	149,156	93,400	93,400	103,700	103,700
Internal service fund charges	846,403	840,496	902,315	902,315	915,183	836,494
Expenditure Totals	**$ 7,932,934**	**$ 8,136,429**	**$ 7,263,466**	**$ 7,263,466**	**$ 7,543,031**	**$ 7,656,454**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00
Police Captain	1.00	1.00	1.00	1.00	2.00	2.00
Police Sergeant	5.00	5.00	5.00	5.00	4.00	4.00
Police Officer	15.00	15.00	15.00	15.00	15.00	15.00
Community Service Officer	2.00	2.00	2.00	2.00	2.00	2.00
Records Manager	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Records Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Records Technician	1.75	1.75	2.00	2.00	2.00	2.00
Administrative Assistant	0.75	0.75	-	-	-	-
FTE Total	28.50	28.50	28.00	28.00	28.00	28.00

PARKING ENFORCEMENT

POLICE

DEPARTMENT PURPOSE

The Parking Enforcement Unit is responsible for enforcing California Vehicle Code regulations and Municipal Parking Ordinances to promote safe, accessible, and efficient use of public parking throughout the City. The Unit works to minimize parking violations, reduce traffic congestion, and maximize parking availability for residents, businesses, and visitors while supporting overall community mobility and public safety.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Maintain existing pay stations.
- Begin upgrading pay stations with a new payment interface.
- Begin incorporating the “park mobile” pay option
- Explore hybrid vehicle options for parking enforcement vehicles.

FISCAL YEAR GOALS: FY 2026-27

- Continue pay station maintenance and continuously evaluate their locations for best accessibility
- Evaluate the cost of hourly parking and the bail schedule for parking violations
- Evaluate the amount of parking passes provided for events and programs

PARKING ENFORCEMENT

1000-20-21-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 227,986	$ 166,846	$ (30,019)	$ (30,019)	$(268,163)	$(260,377)
Fines and forfeitures	345,452	330,644	600,000	600,000	850,000	850,000
Use of money & property	19,335	(200)	-	-	-	-
Revenue Totals	**$ 592,774**	**$ 497,290**	**$ 569,981**	**$ 569,981**	**$ 581,837**	**$ 589,623**
Expenditures						
Personnel	$ 198,325	$ 184,969	$ 224,159	$ 224,159	$ 229,707	$ 236,390
Contract services	340,705	261,163	289,500	289,500	289,500	289,500
Supplies	16,480	8,218	16,000	16,000	16,000	16,000
Internal service fund charges	37,264	42,940	40,322	40,322	46,630	47,734
Expenditure Totals	**$ 592,774**	**$ 497,290**	**$ 569,981**	**$ 569,981**	**$ 581,837**	**$ 589,623**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Parking Enforcement Officer	2.00	2.00	3.00	3.00	3.00	3.00
FTE Total	2.00	2.00	3.00	3.00	3.00	3.00

ANIMAL SERVICES

POLICE

DEPARTMENT PURPOSE

The Animal Services Unit (ASU) promotes and protects public safety and animal care through sheltering, pet placement programs, education, and animal law enforcement. Our purpose is to provide responsive, efficient, and quality animal control services that preserve and protect the public and promote animal safety.

ANIMAL SERVICES

1000-20-23-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 99,478	$133,935	$140,803	$ 140,803	$ 152,103	$159,667
Charges for services	-	-	-	-	-	-
Revenue Totals	**$ 99,478**	**$133,935**	**$140,803**	**$ 140,803**	**$ 152,103**	**$159,667**
Expenditures						
Contract services	$ 98,298	$132,493	$139,497	$ 139,497	$ 150,524	$158,050
Internal service fund charges	1,180	1,442	1,306	1,306	1,579	1,617
Expenditure Totals	**$ 99,478**	**$133,935**	**$140,803**	**$ 140,803**	**$ 152,103**	**$159,667**

PUBLIC WORKS SUMMARY

MISSION STATEMENT
The Capitola Department of Public Works, through our valued employees, develops, maintains, and operates the City's infrastructure and natural resources and provides environmental stewardship for the benefit of our residents, businesses, and visitors.

DEPARTMENT PURPOSE
Public Works stewards Capitola's public infrastructure. We are dedicated to providing safe, functional and sustainable systems improving the quality of life for the residents, businesses and visitors of the City of Capitola in a responsive and cost-effective manner and in accordance with local, state and federal regulations.

To provide this stewardship, the department has three divisions.

The *Maintenance* Division is responsible for the day-to-day operations, maintenance, and repair of the public infrastructure and facilities including streets and medians, streetlights and traffic signals, street trees, sidewalks and pathways, parks, public buildings, and maintains the City's fleet of vehicles and equipment.

The *Engineering* Division designs and oversees the construction of all capital improvement projects for the City's public infrastructure systems and public buildings/facilities; prepares technical studies/reports; regulates construction activities within the public right-of-way by private entities and utility companies; and maintains infrastructure records. The Engineering Division also works closely with the Community Development Department and Building Division to perform plan review and inspection services of tract/parcel maps for subdivisions and grading and drainage improvements on private property; provides technical support to the Public Works Maintenance Division.

The *Environmental* Division provides environmental support services to Public Works and other City Departments to ensure compliance with federal, state, and local environmental laws, regulations, and policies. The Environmental Division also manages the City's Storm Water Management Program and Solid Waste Franchise Agreement which includes industrial, construction, and municipal activities and operations within the City; staffs the Commission on the Environment.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Completed Community Center Renovation
- Completed Treasure Cove Playground
- Completed Jade Street Restroom Renovation
- Completed 41st Avenue Multimodal Improvements
- Advanced Bay Avenue Corridor Project through planning and concept development
- Advanced Cliff Drive Resiliency Project through preliminary design
- Secured grant funding for Esplanade Park Improvement development

FISCAL YEAR GOALS: FY 2026-27

- Complete Citywide Active Transportation Plan (ATP)
- Complete update of the Climate Action Plan
- Advance Esplanade Park Improvements into design and implementation phases
- Advance Cliff Drive Resiliency Project into final design
- Advance additional capital improvement projects

PUBLIC WORKS SUMMARY

Public Works Summary	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 3,876,663	$ 4,029,629	$ 4,124,147	$ 4,124,147	$ 4,213,451	$ 4,197,093
Licenses and permits	30,247	35,520	35,000	35,000	36,000	36,000
Charges for services	10,646	12,104	12,000	12,000	13,000	13,000
Other revenues	15,138	40,032	10,000	10,000	10,000	10,000
Revenue Totals	**$ 3,973,340**	**$ 4,120,387**	**$ 4,186,147**	**$ 4,186,147**	**$ 4,277,451**	**$ 4,261,093**
Expenditures						
Personnel	$ 2,031,373	$ 2,204,283	$ 2,163,278	$ 2,163,278	$ 2,185,072	$ 2,249,147
Contract services	1,019,783	1,174,213	1,198,614	1,198,614	1,259,300	1,182,400
Training & Memberships	4,684	3,479	5,500	5,500	3,000	3,000
Supplies	625,328	548,449	572,700	572,700	623,600	615,100
Internal service fund charges	292,172	189,392	245,555	245,555	206,478	211,446
Expenditure Totals	**$ 3,973,339**	**$ 4,119,816**	**$ 4,185,647**	**$ 4,185,647**	**$ 4,277,450**	**$ 4,261,093**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Public Works Director	1.00	1.00	1.00	1.00	1.00	1.00
Engineer / Project Manager	1.00	1.00	1.00	1.00	1.00	1.00
Operations Maint. Supervisor	-	1.00	1.00	1.00	1.00	1.00
Field Supervisor	1.00	-	-	-	-	-
Maintenance Worker I & II	9.00	9.00	7.50	7.50	9.00	9.00
Maintenance Worker III	2.00	1.00	2.00	2.00	2.00	2.00
SR. Mechanic/Mechanic	1.00	1.00	1.50	1.50	2.00	2.00
Development Services Tech	-	1.00	1.00	1.00	1.00	1.00
Environmental Projects Manager	1.00	1.00	1.00	1.00	1.00	1.00
FTE Total	16.00	16.00	16.00	16.00	18.00	18.00

STREETS

PUBLIC WORKS

STREETS

1000-30-30-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$ 2,180,505	$ 2,174,013	$ 2,139,648	$ 2,139,648	$ 1,997,763	$ 2,046,025
Licenses and permits	30,247	35,520	35,000	35,000	36,000	36,000
Intergovernmental revenues	40,647	3,103	5,000	5,000	5,000	5,000
Charges for services	6,318	8,088	8,000	8,000	9,000	9,000
Other revenues	10,405	40,032	10,000	10,000	10,000	10,000
Revenue Totals	**$ 2,268,122**	**$ 2,260,755**	**$ 2,197,648**	**$ 2,197,648**	**$ 2,057,763**	**$ 2,106,025**
Expenditures						
Personnel	$ 1,555,228	$ 1,555,913	$ 1,494,753	$ 1,494,753	$ 1,427,665	$ 1,469,108
Contract services	365,784	505,159	405,007	405,007	397,000	401,000
Training & Memberships	4,174	1,421	3,000	3,000	-	-
Supplies	120,183	89,709	125,000	125,000	115,000	115,000
Internal service fund charges	222,753	108,553	169,888	169,888	118,098	120,917
Expenditure Totals	**$ 2,268,122**	**$ 2,260,755**	**$ 2,197,648**	**$ 2,197,648**	**$ 2,057,763**	**$ 2,106,025**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Public Works Director	1.00	1.00	1.00	1.00	1.00	1.00
Engineer / Project Manager	1.00	1.00	1.00	1.00	1.00	1.00
Operations Maint. Supervisor	-	1.00	1.00	1.00	1.00	1.00
Field Supervisor	1.00					
Maintenance Worker I & II	7.00	7.00	6.50	7.00	7.00	7.00
Maintenance Worker III	1.00					
Development Services Tech	-	1.00	1.00	1.00	1.00	1.00
Environmental Projects Manager	1.00	1.00	1.00	1.00	1.00	1.00
FTE Total	12.00	12.00	11.50	12.00	12.00	12.00

PUBLIC WORKS

STORM WATER

1000-30-30-301	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$ 94,201	$ 206,916	$ 220,105	$ 220,105	$ 289,364	$ 253,777
Charges for services	4,328	4,016	4,000	4,000	4,000	4,000
Revenue Totals	**$ 98,529**	**$ 210,932**	**$ 224,105**	**$ 224,105**	**$ 293,364**	**$ 257,777**
Expenditures						
Personnel	$ 23,116	$ 121,538	$ 72,798	$ 72,798	$ 136,864	$ 141,277
Contract services	75,413	88,372	149,807	149,807	155,000	115,000
Training & Memberships	-	-	-	-	-	-
Supplies	-	1,022	1,500	1,500	1,500	1,500
Expenditure Totals	**$ 98,529**	**$ 210,932**	**$ 224,105**	**$ 224,105**	**$ 293,364**	**$ 257,777**

FACILITIES

1000-30-31-xxx	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$363,733	$413,121	$439,685	$ 439,685	$501,337	$463,284
Other revenues	-	-	-	-	-	-
Revenue Totals	**$363,733**	**$413,121**	**$439,685**	**$ 439,685**	**$501,337**	**$463,284**
Expenditures						
Contract services	$208,951	$272,508	$319,100	$ 319,100	$369,500	$331,000
Supplies	140,938	124,056	105,000	105,000	113,100	113,100
Internal service fund charges	13,843	16,557	15,585	15,585	18,737	19,184
Expenditure Totals	**$363,733**	**$413,121**	**$439,685**	**$ 439,685**	**$501,337**	**$463,284**

PUBLIC WORKS

FLEET

1000-30-32-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$429,248	$471,717	$504,357	$504,357	$556,558	$569,029
Other revenues	4,733	-	-	-	-	-
Revenue Totals	**$433,981**	**$471,717**	**$504,357**	**$504,357**	**$556,558**	**$569,029**
Expenditures						
Personnel	$129,170	$185,545	$226,206	$226,206	$236,250	$243,149
Contract services	18,360	9,995	10,000	10,000	12,000	12,000
Training & Memberships	-	570	500	500	500	500
Supplies	267,891	253,523	247,500	247,500	284,000	289,000
Internal service fund	18,560	22,083	20,151	20,151	23,808	24,380
Expenditure Totals	**$433,981**	**$471,717**	**$504,357**	**$504,357**	**$556,558**	**$569,029**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Mechanic/Sr. Mechanic	1.00	1.00	1.50	1.50	2.00	2.00
FTE Total	1.00	1.00	1.50	1.50	2.00	2.00

PARKS

1000-30-33-xxx	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenues						
General Fund	$ 808,975	$ 763,862	$ 820,352	$ 820,352	$ 868,429	$ 864,978
Revenue Totals	**$ 808,975**	**$ 763,862**	**$ 820,352**	**$ 820,352**	**$ 868,429**	**$ 864,978**
Expenditures						
Personnel	$ 323,859	$ 341,287	$ 369,521	$ 369,521	$ 384,293	$ 395,613
Contract services	351,274	298,179	314,700	314,700	325,800	323,400
Training & Memberships	510	2,058	2,500	2,500	2,500	2,500
Supplies	96,316	80,139	93,700	93,700	110,000	96,500
Internal service fund charges	37,016	42,199	39,931	39,931	45,836	46,964
Expenditure Totals	**$ 808,975**	**$ 763,862**	**$ 820,352**	**$ 820,352**	**$ 868,429**	**$ 864,978**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Maintenance Worker I & II	2.00	2.00	1.00	0.50	2.00	2.00
Maintenance Worker III	1.00	1.00	2.00	2.00	2.00	2.00
FTE Total	3.00	3.00	3.00	2.50	4.00	4.00

COMMUNITY AND ECONOMIC DEVELOPMENT

MISSION STATEMENT

The Building, Planning, and Economic Development Department (BPED) promotes development which supports attainable housing, economic opportunities, community wellbeing, and the environment. The Department provides responsive, high-quality services and programs which enhance the quality of life for the City's residents, businesses, and visitors within the built and natural environment.

DEPARTMENT PURPOSE

The BPED administers the City's land use policies and standards adopted by the City Council including Zoning Code (Title 17), Housing and Development Administration (Title 18), General Plan, Housing Element, Local Coastal Program, and other regulations. The Department's key functions include review of development applications, application of CEQA, maintenance of regulatory and long-range planning documents, implement economic development strategy, building plan check and inspection services, code compliance, administration of the affordable housing programs, and grant administration related to planning, housing, economic development, public facilities, and public services. The Department provides staff support to the Planning Commission and City Council.

KEY CHANGES

During the past fiscal year, the department focused implementation of the Housing Element related to the Capitola Mall redevelopment, the 41st Avenue Corridor Plan, the Wharf Master Plan, and recruitments for the Building Official and Senior Planner. Priorities for FY2026-27, include ongoing collaboration toward redevelopment of the Capitola Mall, implementation of the Wharf Master Plan, implementation of the 41st Avenue Corridor Plan, and ongoing housing element implementation.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Rebrand the department as the Community and Economic Development Department and realign priorities toward housing and economic development initiatives.
- Promoted economic growth through place making and branding initiatives of commercial corridors and adopted zoning incentives to catalyze redevelopment of the Capitola Mall.
- Implementation of the 6th Cycle Housing Element including objective standards for Mall Redevelopment and amendments to the Multifamily Residential zoning.
- Adopted the Capitola Wharf Master Plan and solicited proposals for development.
- Adopted the 41st Avenue corridor study incorporating Clares Street and Capitola Road.
- Issued occupancy for a 36-unit 100% affordable development at 4401 Capitola Road.
- Administered CDBG Grant of $300,000 to nonprofit for low-income food and transit services.
- Administered CDBG Grant of $3.3 million for renovation of the Jade Street Community Center and $3.3 million for Treasure Cove Park.
- Initiated rehabilitation program with Habitat for Humanity. 7 applications received, 2 completed
- 80 planning and 407 building permit application submitted July 1, 2025, through April 15, 2026.

FISCAL YEAR GOALS: FY 2026-27

- Engage property owners of economic development opportunity sites including Capitola Mall, Redtree's 1 Bay Avenue, and Swenson's 120 Monterey.
- Issue building permits for new 52-unit affordable housing development at 1098 38th Ave.
- Issue occupancy of Tesla Dealership at 1601 41st Avenue
- Provide training opportunities for building staff to bring building plan review in as an internal staff function to encourage growth and job satisfaction while providing savings to the City.
- Apply for 2026 CDBG grant for Community Facilities or Public Infrastructure for up to $5 million
- Issue building permits for new hotel at 720 Hill Street and affordable housing at 1098 38th Ave.
- Issue occupancy of 36-unit, 100% affordable housing at 4401 Capitola Road.
- Complete Capitola Wharf Master Plan and research funding opportunities for implementation.

- Complete 41st Avenue corridor study.
- Administer grants to support Capitola residents with food services and housing production.
- Provide training opportunities for all staff to encourage growth, job satisfaction, and longevity.

COMMUNITY AND ECONOMIC DEVELOPMENT

Community Development	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 398,918	$ 408,128	$ 516,562	$ 588,062	$ 411,408	$ 436,711
Licenses and permits	349,910	308,930	313,000	277,000	347,500	347,500
Charges for services	251,975	185,724	289,000	253,500	299,000	299,000
Fines and forfeitures	-	100	-	-	-	-
Revenue Totals	**$1,000,804**	**$ 902,882**	**$ 1,118,562**	**$1,118,562**	**$ 1,057,908**	**$1,083,211**
Expenditures						
Personnel	$ 783,697	$ 712,974	$ 695,442	$ 695,442	$ 779,436	$ 802,744
Contract services	136,706	97,425	321,138	321,138	170,000	170,000
Training & Memberships	3,928	3,221	16,250	16,250	11,850	11,850
Supplies	978	6,433	2,500	2,500	2,500	2,500
Internal service charges	75,495	82,829	83,232	83,232	94,122	96,116
Expenditure Totals	**$1,000,804**	**$ 902,882**	**$ 1,118,562**	**$1,118,562**	**$ 1,057,908**	**$1,083,211**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Community Dev. Director	1.00	1.00	1.00	1.00	1.00	1.00
Senior Planner	-	-	1.00	1.00	1.00	1.00
Associate Planner	-	1.00	1.00	1.00	1.00	1.00
Assistant Planner	2.00	1.00	-	-	-	-
Building Official	1.00	1.00	1.00	1.00	1.00	1.00
Building Inspector	1.00	1.00	-	-	-	-
Development Services Tech	0.50	0.75	1.00	1.00	1.00	1.00
FTE Total	5.50	5.75	5.00	5.00	5.00	5.00
Officials Positions						
Planning Commissioners	5.00	5.00	5.00	5.00	5.00	5.00
Arch & Site Committee	2.00	2.00	-	-	-	-
Total	7.00	7.00	5.00	5.00	5.00	5.00
Officials Annual Pay						
Planning Commissioners	$ 9,250	$ 9,250	$ 7,500	$ 7,500	$ 8,750	$ 8,750
Arch & Site Committee	6,000	6,000	-	-	-	-
Total	$ 15,250	$ 15,250	$ 7,500	$ 7,500	$ 8,750	$ 8,750

COMMUNITY AND ECONOMIC DEVELOPMENT

PLANNING

1000-40-40-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 415,372	$ 449,213	$ 471,096	$ 492,596	$ 494,778	$ 512,425
Licenses and permits	73,892	48,218	63,000	27,000	47,500	47,500
State grants	1,065	-	-	-	-	-
Charges for services	106,203	79,271	129,000	143,500	149,000	149,000
Fines and forfeitures	-	100	-	-	-	-
Revenue Totals	**$ 596,532**	**$ 576,802**	**$ 663,096**	**$ 663,096**	**$ 691,278**	**$ 708,925**
Expenditures						
Personnel	$ 475,536	$ 503,578	$ 510,333	$ 510,333	$ 545,601	$ 561,933
Contract services	64,335	11,321	85,000	85,000	75,000	75,000
Training & Memberships	1,769	2,159	8,000	8,000	3,500	3,500
Supplies	322	1,197	1,000	1,000	1,000	1,000
Internal Svc. Funds	53,506	58,547	58,763	58,763	66,177	67,492
Expenditure Totals	**$ 595,467**	**$ 576,802**	**$ 663,096**	**$ 663,096**	**$ 691,278**	**$ 708,925**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Community Dev. Director	1.00	1.00	1.00	1.00	1.00	1.00
Senior Planner	-	-	1.00	1.00	1.00	1.00
Associate Planner	-	1.00	1.00	1.00	1.00	1.00
Assistant Planner	2.00	1.00	-	-	-	-
FTE Total	3.00	3.00	3.00	3.00	3.00	3.00
Officials Positions						
Planning Commissioners	5.00	5.00	5.00	5.00	5.00	5.00
Arch & Site Committee	2.00	2.00	-	-	-	-
Total	7.00	7.00	5.00	5.00	5.00	5.00

COMMUNITY AND ECONOMIC DEVELOPMENT

BUILDING

1000-40-41-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ (16,454)	$ (41,084)	$ 45,466	$ 95,466	$ (83,370)	$ (75,714)
Licenses and permits	276,019	260,712	250,000	250,000	300,000	300,000
Charges for services	145,772	106,453	160,000	110,000	150,000	150,000
Revenue Totals	**$ 405,337**	**$ 326,080**	**$ 455,466**	**$ 455,466**	**$ 366,630**	**$ 374,286**
Expenditures						
Personnel	$ 308,162	$ 209,396	$ 185,109	$ 185,109	$ 233,835	$ 240,811
Contract services	72,371	86,104	236,138	236,138	95,000	95,000
Training & Memberships	2,159	1,062	8,250	8,250	8,350	8,350
Supplies	656	5,236	1,500	1,500	1,500	1,500
Internal service fund charges	21,989	24,282	24,469	24,469	27,945	28,625
Expenditure Totals	**$ 405,337**	**$ 326,080**	**$ 455,466**	**$ 455,466**	**$ 366,630**	**$ 374,286**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Building Official	1.00	1.00	1.00	1.00	1.00	1.00
Building Inspector	1.00	1.00	-	-	-	-
Development Services Tech	0.50	0.75	1.00	1.00	1.00	1.00
FTE Total	2.50	2.75	2.00	2.00	2.00	2.00

COMMUNITY SERVICES AND RECREATION

CULTURE & LEISURE

MISSION

The City of Capitola Community Services and Recreation Department is dedicated to providing safe, affordable, and enjoyable recreational opportunities that enrich the quality of life for residents and visitors of all backgrounds and abilities. Committed to excellence and public safety, the Department continuously strives to enhance its programs, services, and operations to best serve the evolving needs and interests of the community.

DEPARTMENT PURPOSE

The Community Services and Recreation Department enhances the quality of life for Capitola residents and the broader community by offering a wide range of recreation and leisure services. These include City-run programs such as Junior Lifeguards, Camp Capitola, and community events, as well as over 500 classes provided by contracted instructors. Youth programs serve more than 2,000 children annually. The Department also manages key community assets, including the Capitola Community Center, Jade Street Park, and Monterey Park. From Memorial Day weekend through the end of October, the Department operates a USLA-certified Lifeguard Division to ensure the safety of beachgoers at Capitola Beach. The Department represents the City through its staff, instructors, seasonal hires, and the condition of its facilities. It also fosters youth development through job training programs like the Junior Lifeguard Captains Corps and Camp Capitola Junior Leader Program and promotes access through scholarships for under-resourced youth.

KEY CHANGES

With the Community Center remodel project complete, the Community Services and Recreation Department will return offices and programs.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Provided Lifeguard services to event organizers and maintained tower services at Capitola Beach through the end of October.
- Sustained a robust schedule of Classes for Adults and Youth with minimal disruption during Community Center remodel.
- Provided Wharf programming with fun, family friendly activities by hosting a new “Boogie on the Wharf” dance event series.
- Modified Camp Capitola in response to the Community Center remodel while maintaining the program’s high quality at the temporary location
- Celebrated the 10th annual Plein Air event with new artist engagement opportunities for the public and record exhibition attendance.
- Introduced two new music events: “New Music Sundays” featuring local youth bands, and “Dueling Pianos” offering a fresh and interactive community opportunity.
- Enhanced Junior Guard youth development by redistributing age division throughout the session providing smaller group sizes for effective instruction.

FISCAL YEAR GOALS: FY 2026-27

- Strengthen partnerships with county recreation agencies to expand regional initiatives such as Park Rx, Family Fun Day, and other collaborative programs.
- Develop a new Community Center Rental package incorporating new use opportunities provided by the Community Center Remodel.
- Enhance structure of the Beach Lifeguard Service and Junior Guard program.
- Provide Camp Capitola with an increased capacity and utilize the new Jade St Park features and Treasure Cove Playground.
- Utilize lessons learned for new music events “Dueling Pianos” and New Music Sunday’s” and provide an improver series for residents.

COMMUNITY SERVICES AND RECREATION

Recreation Summary 1000-50-50-xxx	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 741,225	$ 792,864	$ 717,565	$ 717,565	$ 768,830	$ 781,949
Recreation Classes	$ 265,704	$ 215,911	$ 200,000	$ 200,000	$ 275,000	$ 275,000
Capitola Junior Guards	297,008	352,558	364,308	364,308	377,000	377,000
Sports	15,933	18,425	19,350	19,350	15,000	15,000
Camp Capitola	194,966	198,509	216,867	216,867	235,237	235,237
Afterschool Program	104,857	99,062	131,316	131,316	132,591	132,591
Events	2,347	10,295	71,900	71,900	65,300	65,300
Total Charges for Svcs.	$ 880,816	$ 894,760	$ 1,003,741	$ 1,003,741	$ 1,100,128	$ 1,100,128
Jade St. Rentals	$ 16,103	$ 13,628	$ 10,000	$ 10,000	$ 30,000	$ 30,000
Revenue Totals	**$ 1,638,144**	**$ 1,701,252**	**$ 1,731,306**	**$ 1,731,306**	**$ 1,898,958**	**$ 1,912,077**
Expenditures						
Personnel	$1,081,435.28	$1,214,323.26	$1,238,291.00	$1,238,291.00	$1,313,647.00	$1,334,502.40
Contract services	335,258	300,763	291,350	291,350	354,800	353,300
Training & Memberships	13,592	12,578	16,650	16,650	9,700	15,300
Supplies	88,943	77,555	94,650	94,650	112,300	97,800
Internal service fund charges	118,917	96,033	90,365	90,365	108,511	111,175
Expenditure Totals	**$ 1,638,144**	**$ 1,701,252**	**$ 1,731,306**	**$ 1,731,306**	**$ 1,898,958**	**$ 1,912,077**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Community Srvs. & Recreation Director					1.00	1.00
Recreation Division Manager	1.00	1.00	1.00	1.00	-	-
Recreation Coordinator	3.00	3.00	3.00	3.00	3.00	3.00
Customer Srvc./Off. Coord.	1.00	1.00	1.00	1.00	1.00	1.00
Rec. Facilities Custodian	0.50	0.50	0.50	0.50	0.50	0.50
FTE Total	5.50	5.50	5.50	5.50	5.50	5.50
Hourly Allocation						
Beach Lifeguard Captain	-	-		-	-	-
Beach Lifegurad/JG Instructor	12,648	12,091	14,084	14,084	14,424	14,424
Jr. Lifeguard Coordinator	-	-		-	-	-
Lifegurad Lieutenant/ JG Asst. Cord.	1,296	2,801		-		-
Recreation Leader I	3,503	4,492	1,748	1,748	3,690	3,690
Recreation Leader II	2,952	3,142	986	986	3,738	3,738
Recreation Coordinator	-	-		-		-
Recreation Asst. Coordinator	857	960	882	882	2,018	2,018
Youth Program Coordinator	687	-	5,160	5,160	813	813
Youth Program Leader	-	-	824	824		-
Recreation Admin Temps	-	-	860	860	1,360	1,360
Sports Scorekeepers	-	-		-		-
Recreation Facilities Assistant	-	-	506	506	336	336
Recreation Specialist I	300	570	900	900	900	900
Recreation Specialist II	-	460	290	290	290	290
Hours Total	22,243	24,516	26,240	26,240	27,569	27,569

MUSEUM

CULTURE & LEISURE

MISSION

The Capitola Historical Museum preserves and promotes the history of Capitola through creating exhibitions, maintaining a collection of historic photographs and artifacts, conducting oral histories, and participating in special events.

DEPARTMENT PURPOSE

To promote, through the establishment and maintenance of a museum and allied projects, a program that will bring a better understanding and appreciation by the Capitola community of its history, architecture, culture, technology, and its creative and natural environments.

FISCAL YEAR ACCOMPLISHMENTS: FY 2025-26

- Installed “Multiple Personalities: the stories behind Capitola’s historic buildings” exhibition
- Installed rotating exhibits at the Capitola Library.
- Increased visitation to museum
- Increased volunteer count for continuous museum open hours
- Installed Whard model in City Council Chambers for public viewing
- Increased donations with advent of online payments and QR Code deployment

FISCAL YEAR GOALS: FY 2026-27

- Continue exhibition “Multiple Personalities: the stories behind Capitola’s historic buildings”
- Recognize the Museum’s 60th anniversary
- Continue to scan images to digitize collections
- Review collections to reduce storage need
- Continue to develop Museum Membership
- Shift museum newsletters to digital platform

MUSEUM

Capitola Museum 1000-50-51-000	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Revenue						
General Fund	$ 77,718	$ 87,587	$ 63,339	$ 63,339	$ 71,514	$ 73,228
Other revenues	10,675	8,278	12,000	12,000	12,000	12,000
Revenue Totals	**$ 88,393**	**$ 95,865**	**$ 75,339**	**$ 75,339**	**$ 83,514**	**$ 85,228**
Expenditures						
Personnel	$ 52,053	$ 57,011	$ 47,570	$ 47,570	$ 49,578	$ 51,065
Contract services	7,926	16,044	16,500	16,500	21,500	21,500
Training & Memberships	1,167	1,527	1,000	1,000	1,000	1,000
Supplies	20,324	13,750	2,350	2,350	2,350	2,350
Internal service fund charges	6,922	7,533	7,919	7,919	9,086	9,312
Expenditure Totals	**$ 88,393**	**$ 95,865**	**$ 75,339**	**$ 75,339**	**$ 83,514**	**$ 85,228**

Authorized Positions	FY23/24 Actual	FY24/25 Actual	FY 25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Museum Curator	0.50	0.50	0.50	0.50	0.50	0.50
FTE Total	0.50	0.50	0.50	0.50	0.50	0.50

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

Stores (City Manager): The Stores Fund accounts for general supplies, postage, and rental of office equipment.

Information Technology (City Manager): The Information Technology Fund provides funding for the replacement and upgrade of the existing computer network. The number of personal computers, laptops, printers, and servers each department uses forms the basis for department allocations.

Equipment Replacement (Public Works): The Equipment Replacement Fund provides funding for the replacement of city vehicles, including passenger cars, parks maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation expense of existing vehicles. This fund also receives the revenue received from the sale, or trade-in, of surplus vehicles.

Self-Insurance Liability (City Manager): The Self-Insurance Liability Fund collects funding from departments to pay for self-insured liability and property protection insurance premiums provided through the Monterey Bay Area Self Insurance Authority (MBASIA) joint powers authority.

Workers' Compensation (City Manager): The Workers' Compensation Fund collects funding from departments to pay for Workers' Compensation coverage through the MBASIA.

Compensated Absences (Finance): The Compensated Absences Fund accumulates money to pay future employee benefit costs, such as vacation and sick leave payouts, at termination or retirement. The City Council sets the policy to ensure the City can fulfill future obligations.

STORES FUND

The Stores Fund accounts for general supplies and postage. This also includes the rental of the postage machine and the repair and maintenance of shared office equipment.

SOURCES AND USES

Fund - 2210	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 62,677	$ 64,083	$ 55,219	$ 55,219	$ 55,219	$ 55,219
Revenue						
Other Revenues	$ 1	$ 15	$ -	$ -	$ -	$ -
Internal Service Charges	$27,000	$27,000	$27,000	$27,000	$27,000	$27,000
General Fund Transfers	-	-	-	-	-	-
Revenue Totals	$ 27,001	$ 27,015	$ 27,000	$ 27,000	$ 27,000	$ 27,000
Expenditures						
Contract Services	$ 6,732	$ 7,951	$ 7,000	$ 7,000	$ 7,000	$ 7,000
Supplies	18,863	27,926	20,000	20,000	20,000	20,000
Expenditure Totals	$ 25,595	$ 35,878	$ 27,000	$ 27,000	$ 27,000	$ 27,000
Fund Balance at 06/30	**$ 64,083**	**$ 55,219**	**$ 55,219**	**$ 55,219**	**$ 55,219**	**$ 55,219**

INFORMATION TECHNOLOGY FUND

The Information Technology Fund collects and designates funds for the future replacement of citywide hardware and software. Annual on-going information technology costs are allocated based on the distribution of resources.

SOURCES AND USES

Fund - 2211	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 317,651	$ 526,656	$ 510,932	$ 510,932	$ 602,932	$ 602,932
Revenue						
Other Revenues	$ 4,068	$ 4,068	$ 4,000	$ 4,000	$ -	$ -
Internal Service Charges	271,000	268,000	348,000	348,000	401,000	411,200
Other Financing Sources	$235,000	$0	$0	120,000	$0	$0
Revenue Totals	$ 510,068	$272,068	$ 352,000	$ 472,000	$ 401,000	$ 411,200
Expenditures						
Contract Services	$ 206,441	$214,817	$ 205,000	$ 300,000	$ 313,000	$ 323,200
Supplies	91,171	72,976	134,744	80,000	88,000	88,000
Capital Outlay	3,451	0	15,000	0	0	0
Expenditure Totals	$ 301,063	$287,792	$ 354,744	$ 380,000	$ 401,000	$ 411,200
Fund Balance at 06/30	**$ 526,656**	**$510,932**	**$ 508,188**	**$ 602,932**	**$ 602,932**	**$ 602,932**

Contract services: on-going technology licenses

Supplies: replacement technology equipment

EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund is designed to provide funding for replacement of City vehicles, including passenger cars, maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation costs of existing vehicles. This fund receives revenue from trade-ins and surplus equipment sales. The General Fund charges for services based on the prior year fleet depreciation costs adjusted by the CPI index.

During the annual budget process, the Public Works and the Police Department review the current vehicle inventory listing and make recommendations for vehicle acquisitions and replacements, considering on-going maintenance costs.

FY 2025-26 CAPITAL OUTLAY

PD Patrol vehicles	$ 75,000
Gem Car	25,000

FY 2027-28 CAPITAL OUTLAY

Depreciation	$ 200,000

SOURCES AND USES

Fund - 2212	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 875,969	$ 549,657	$ 360,368	$ 360,368	$ 205,914	$ 305,914
Revenue						
Other revenues	$ 259,271	$ 60,885	$ -	$ -	$ -	$ -
Internal Service Charges	250,000	65,000	197,000	197,000	-	-
Other Financing Sources	200,000	-	-	$ -	200,000	200,000
Revenue Totals	709,271	125,885	197,000	197,000	200,000	200,000
Expenditures						
Capital Outlay	$1,035,582	$315,174	$351,454	$351,454	$100,000	$100,000
Expenditure Totals	$ 1,035,582	$ 315,174	$ 351,454	$ 351,454	$ 100,000	$ 100,000
Fund Balance at 06/30	**$ 549,657**	**$ 360,368**	**$ 205,914**	**$ 205,914**	**$ 305,914**	**$ 405,914**

SELF-INSURANCE LIABILITY FUND

The Self-Insurance Liability Fund accumulates funds for deductible expenditures and excess incidents above the City's liability coverage. The fund pays for the following expenses:

- Excess Insurance Premiums - The City belongs to the Monterey Bay Area Self Insurance Authority (MBASIA) joint powers authority. MBASIA covers all liability expenses, fire, property protection, and general liability claims up to $10,000 per occurrence.

- Property Insurance – The City receives property insurance through the Public Entity Property Insurance Program and is insured by Lexington. The City's premium is $100,000.

- Vehicle and Equipment Insurance Coverage - Coverage for vehicles and equipment with a purchase value of $25,000 or more. The annual premium is $7,500 with a $2,000 deductible.

- Unemployment Insurance - The California Employment Development Department (EDD) defines the City as a "State Unemployment Insurance Reimbursement Client." The City does not pay unemployment insurance premiums to the State. When an employee files for and receives unemployment benefits from the State, the City is responsible for that benefit.

Charges for services are allocated to each General Fund department based on their percentage of the total operating budget from the prior fiscal year less the budget for unanticipated events.

SOURCES AND USES

Fund - 2213	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 278,187	$ 179,920	$ 104,875	$ 104,875	$ 65,376	$ 65,376
Revenue						
Other Revenue	$ -	$ -	$ -	$ -	$ -	$ -
Internal Service Charges	$622,136	$760,037	$688,201	$688,201	$832,311	$852,009
Other Financing Sources	-	-	-	-	-	-
Revenue Totals	$ 622,136	$ 760,037	$ 688,201	$ 688,201	$ 832,311	$ 852,009
Expenditures						
Contract Services	$ 720,403	$ 835,082	$ 688,200	$ 727,700	$ 832,311	$ 852,009
Supplies	-	-	-	-	-	-
Expenditure Totals	$ 720,403	$ 835,082	$ 688,200	$ 727,700	$ 832,311	$ 852,009
Fund Balance at 06/30	**$ 179,920**	**$ 104,875**	**$ 104,876**	**$ 65,376**	**$ 65,376**	**$ 65,376**

WORKERS' COMPENSATION FUND

The Workers' Compensation Fund satisfies the requirements of Capitola municipal code section 3.24.030, which states, "The City Manager and City Treasurer shall establish a reserve fund for purposes of paying future workers' compensation claims and shall, hereafter, make such annual deposits into that fund as the city is advised are actually necessary to provide a suitable reserve." This program also covers City volunteers.

The City belongs to a Joint Powers Authority (JPA), Monterey Bay Area Self Insurance Authority, composed of several local agencies: Del Rey Oaks, Gonzales, Greenfield, Hollister, King City, Marina, Sand City, Scotts Valley, and Soledad. The City retains exposure to temporary disability payments as long as the injured worker remains an employee of the City. MBASIA purchases excess coverage beyond $500,000 per occurrence up to statutory requirements.

The annual premium that is assessed to each of the participating cities in the JPA is based on three primary factors: the number of employees in each of the two major categories (Safety & Miscellaneous), the experience rate (cost incurred) of each participating agency, and debt service allocation.

When an employee files a claim, the City pays the employee's salary portion directly from the general fund based upon the standard workers' compensation formula, for the "temporary" claim. The formulas for employees receiving workers' compensation are as follows:

1. Public Safety: Compensation is 100% of salary, non-taxable.
2. Miscellaneous: Compensation is 2/3 of salary with a cap of $840 per week, non-taxable.

For non-safety staff, City policy allows that accruals (i.e., sick, vacation, etc.) may be used to supplement workers' compensation payments. If the person becomes "permanently disabled" then the JPA picks up the salary portion. The JPA pays all other costs including legal and medical. While on workers' compensation status, the safety and non-safety staff continue to accrue sick and vacation leave balances.

Distribution to General Fund Departments:

The allocation methodology for workers' compensation charges to the General Fund Departments corresponds closely to the cost allocation method used by the JPA. The City divides employees into three classifications: Sworn, Non-Sworn and Volunteers, with cost per FTE calculated. A fund balance accommodates future premium fluctuations, deductibles, and excess liability.

SOURCES AND USES

Fund - 2214	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 117,301	$ 118,749	$ 118,749	$ 118,749	$ 118,767	$ 118,767
Revenue						
Other Revenue	-	-	-	-	-	-
Internal Service Charges	$447,705	$403,542	$403,018	$403,018	$350,907	$361,434
Revenue Totals	$ 447,705	$ 403,542	$ 403,018	$ 403,018	$ 350,907	$ 361,434
Expenditures						
Contract Services	$446,257	$403,542	$403,000	$403,000	$350,907	$361,434
Other Financing Uses	-	-	-	-	-	-
Expenditure Totals	$ 446,257	$ 403,542	$ 403,000	$ 403,000	$ 350,907	$ 361,434
Fund Balance at 06/30	**$ 118,749**	**$ 118,749**	**$ 118,767**	**$ 118,767**	**$ 118,767**	**$ 118,767**

COMPENSATED ABSENCES LIABILITY FUND

The Compensated Absences Liability Fund accumulates reserves to pay for employee cash-outs, such as accumulated sick leave and vacation, due to employees upon termination or retirement. The following is an itemized description of the various liabilities of this fund.

Vacation > 360 hours: An employee who has accumulated more than 360 hours (504 hours for POA) as of the last pay period in April of any year shall be paid in cash at a rate equal to 100% of his/her current hourly rate for hours exceeding 360 (504 for POA). The hourly rate includes specialty pays.

Vacation - Voluntary Cash Out: In accordance with various memoranda of understanding between the employee bargaining groups and the City of Capitola, employees may elect voluntary cash outs up to 80 hours of vacation.

Police Captain Cashable Sick Leave: Refer to contract.

Final Pay: Upon resignation, employees are eligible for vacation cash outs.

Severance Pay: The City provides the following severance payout packages:

City Manager	12 months
Police Chief	6 months
Public Works Director	4 months
Community Development Director	4 months
Finance Director	4 months

SOURCES AND USES

Fund - 2216	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 330,886	$ 555,886	$(112,724)	$(112,724)	$ (87,724)	$ 12,276
Revenue						
Other financing sources	$225,000	$200,000	$200,000	$200,000	$300,000	$200,000
Revenue Totals	$ 225,000	$ 200,000	$ 200,000	$ 200,000	$ 300,000	$ 200,000
Expenditures						
Personnel	$0	$868,610	$200,000	$175,000	$200,000	$200,000
Expenditure Totals	$ -	$ 868,610	$ 200,000	$ 175,000	$ 200,000	$ 200,000
Fund Balance at 06/30	**$ 555,886**	**$ (112,724)**	**$(112,724)**	**$ (87,724)**	**$ 12,276**	**$ 12,276**

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services (Police): Funds provided by a State of California COPS grant to provide funding for Community Oriented Policing & Problem Solving (COPPS) programs.

Restricted Transient Occupancy Tax (TOT) (City Council): Capitola voters passed Measure J in 2018, increasing the TOT from 10% to 12% and restricting 0.4% for local business groups and 0.35% for early childhood and youth programming.

Road Maintenance and Rehabilitation Act (SB1) (Public Works): Funds received from the state and used for road maintenance, rehabilitation, and critical safety projects on local streets and roads.

Regional Transportation Commission (RTC) Streets (Public Works): Santa Cruz County voters passed a 0.5 percent user sales tax to fund local roads. The RTC Streets fund will be utilized to increase the City's Street program.

Gas Tax (Public Works): Funds received from gasoline tax revenue from the state and used for new construction, maintenance, and the reconstruction of City streets.

Wharf (Public Works): Accounts for rental income generated from wharf operations and expended on operations and major repairs and improvements.

General Plan Update and Maintenance (Community Development): Funds received as General Plan Maintenance Fee to support future updates to the City's General Plan, implementing ordinances and plans.

Green Building (Community Development): Green Building funds are solely for program management, training, publications, public educational purposes, incentive programs, materials, and supplies to promote sustainable development, water conservation, storm water pollution prevention, and climate action planning.

Public Art (City Manager): This fund accumulates money received as public art fees to acquire works of art to be displayed in or about public places within the city.

Parking Reserve (Public Works): In 2009 the Council authorized a special reserve fund from the Village parking meters for parking-related projects.

Technology Fee (Community Development): 5% of building permit fee funds permit processing technology.

Public Education & Government Cable TV Access (City Manager): This special revenue fund accounts for PEG cable television fees. The expenditures are restricted to PEG access-related activities.

Capitola Village & Wharf Business Improvement Area (Finance): Established to generate revenue for the exclusive purpose of promoting business in the Capitola Village and Wharf Business Improvement Area.

Community Development Block Grants (Community Development): This fund accounts for active CDBG reimbursement grants that are awarded to the City on a project-by-project basis.

Community Development Block Grant Program Income (Community Development): This fund accounts for income from housing loans that are funded with Community Development Block Grant funds. Loans and interest repaid to the fund are restricted to CDBG approved uses.

Library (City Manager): The new Capitola Branch Library opened in June 2021. The Friends off the Capitola Branch Library raised over $600,000 of donations for project enhancements with approximately $50,000 remining in the Library fund.

HOME Program Reuse (Community Development): This fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME program re-use guidelines.

Housing Trust (Community Development): The City Council adopted an Inclusionary Housing Ordinance in November 2004, which created an Affordable Housing Trust Fund. It is funded from in-lieu fees, which can be used for new affordable housing and rehabilitation of existing affordable housing.

Permanent Local Housing Allocation (PLHA): In 2017, Senate Bill 2 (SB 2) established a $75 recording fee on real estate documents and created the Permanent Local Housing Allocation Fund (PLHA). PLHA funds are allocated to local governments for eligible housing and homelessness activities and provide a permanent, on-going source of funding for housing-related projects and programs that address the unmet housing needs of communities.

Capitola Housing Successor (Community Development): When the Capitola Redevelopment Agency dissolved, the City elected to become the Housing Successor to the former Low- and Moderate-Income Housing Fund of the RDA.

SUPPLEMENTAL LAW ENFORCEMENT SERVICES

POLICE

In 1996, California's state legislature (AB 3229) established the Citizens Options for Public Safety (COPS) program, allocating $100,000,000 annually to local governments for front-line law enforcement. These funds are administered through the Supplemental Law Enforcement Services Fund (SLESF) program. The COPS program received its initial funding in the 1996-1997 California state budget and has been consistently funded since then. Section 30061 (c) (1) of the Government Code outlines the future funding details for the COPS program through SLESF.

SLESF funds are grants, and the legislation requires that each municipality receive annual funds to be used for "front-line law enforcement services." These funds cannot be used to replace existing resources but must be used to enhance them. Eligible expenses include salaries, services, supplies, equipment, and administrative costs.

Furthermore, SLESF funds cannot be redirected to a municipality's general fund but must be exclusively used for front-line law enforcement services. The total award to each recipient entity is based on population size, with a minimum annual award of $100,000 for all entities. For example, the Capitola Police Department receives an annual award of $100,000. Fund distributions are made regularly throughout the year.

SOURCES AND USES

Fund - 1300 SLESF	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$151,613**	**$ 174,777**	**$201,151**	**$ 201,151**	**$146,251**	**$146,251**
Revenue						
Intergovernmental revenues	$100,000	$ 100,000	$100,000	$ 100,000	$100,000	$100,000
Use of money & property	7,524	8,875	4,000	4,000	4,000	4,000
Revenue Totals	**$107,524**	**$ 108,875**	**$104,000**	**$ 104,000**	**$104,000**	**$104,000**
Expenditures						
Contract services	$ 1,473	$ 1,443	$ 24,000	$ 24,000	$ 24,000	$ 24,000
Supplies	40,545	49,058	58,400	58,400	50,000	50,000
Capital outlay	42,343	32,000	76,500	76,500	30,000	30,000
Expenditure Totals	**$ 84,360**	**$ 82,501**	**$158,900**	**$ 158,900**	**$104,000**	**$104,000**
Fund Balance at 06/30	**$174,777**	**$ 201,151**	**$146,251**	**$ 146,251**	**$146,251**	**$146,251**

Contract Services: Utility services – Gas & Electric

Supplies: Front line law enforcement

Capital Outlay: Online report writing, electronic ticket writing

RESTRICTED TRANSIENT OCCUPANCY TAX (TOT)

CITY COUNCIL

This fund accounts for the 0.75% of restricted Transient Occupancy Tax (TOT) as approved by Capitola voters in 2018. The Restricted TOT Fund is used to receive and distribute half of the 0.40% of restricted TOT revenues for local business groups with the other half going directly to the Capitola Village & Wharf Business Improvement Area fund and the 0.35% of restricted TOT revenue dedicated to early childhood and youth programming.

SOURCES AND USES

Fund - 1305 TOT Restricted Revenue	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 58,473**	**$ 63,217**	**$ 71,083**	**$ 71,083**	**$ 132,333**	**$ 132,333**
Revenue						
Transient Occupancy Tax	101,092	102,617	96,250	96,250	97,000	97,000
Other revenue	3,392	3,280	1,000	1,000	1,000	1,000
Revenue Totals	**$104,484**	**$105,897**	**$ 97,250**	**$ 97,250**	**$ 98,000**	**$ 98,000**
Expenditures						
ECYP Supplies	$ 1,600	$ -	$ -	$ -	$ -	$ -
ECYP Enrichment	1,380	715	1,000	1,000	1,000	1,000
ECYP Scholarships	-	-	-	-	-	-
Chamber of Commerce	36,761	37,315	35,000	35,000	37,000	37,000
ECYP Programs	-	-	-	-	-	-
ECYP Community Grants	60,000	60,000	-	-	60,000	60,000
Expenditure Totals	**$ 99,740**	**$ 98,030**	**$ 36,000**	**$ 36,000**	**$ 98,000**	**$ 98,000**
Fund Balance at 06/30	**$ 63,217**	**$ 71,083**	**$132,333**	**$132,333**	**$ 132,333**	**$ 132,333**
Local Business Groups [1]	$ 36,761	$ 37,315	$ 35,000	$ 35,000	$ 37,000	$ 37,000
Early Childhood/Youth Programs	$ 64,331	$ 65,301	$ 61,250	$ 61,250	$ 60,000	$ 60,000
	$101,092	$102,617	$ 96,250	$ 96,250	$ 97,000	$ 97,000

(1) Does NOT include protion paid directly to the BIA (50% of Local Business Groups amount)

ECYP Enrichment

- Field Trips and similar activities

Community Grants – Early Childhood & Youth Community Grants - $60,000

Other financing uses – payment to Capitola-Soquel Chamber of Commerce - $37,000

- Equal amount distributed directly to Capitola BIA fund.

ROAD MAINTENANCE & REHABILITATION ACT (SB1)

PUBLIC WORKS

This fund accounts for receipt and expenditure of revenue as provided by state law. The Road Maintenance & Rehabilitation Act Fund is primarily used to cover the expenses related to street maintenance and rehabilitation projects on City roads and streets.

SOURCES AND USES

Fund - 1308 RMRA SB 1	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 289,149**	**$ 533,126**	**$ 814,076**	**$ 814,076**	**$ 52,593**	**$ 52,593**
Revenue						
Intergovernmental revenues	$ 249,261	$ 267,984	$ 258,668	$ 258,668	$ 276,629	$ 267,300
Other financing sources	16,517	29,156	-	-	-	-
Revenue Totals	**$ 265,779**	**$ 297,140**	**$ 258,668**	**$ 258,668**	**$ 276,629**	**$ 267,300**
Expenditures						
Contract services	$ 21,801	$ 16,190	$ 1,020,151	$ 1,020,151	$ 276,629	$ 267,300
Capital outlay	-	-	-	-	-	-
Expenditure Totals	**$ 21,801**	**$ 16,190**	**$ 1,020,151**	**$ 1,020,151**	**$ 276,629**	**$ 267,300**
Fund Balance at 06/30	**$ 533,126**	**$ 814,076**	**$ 52,593**	**$ 52,593**	**$ 52,593**	**$ 52,593**

Capital Outlay – Annual pavement management plan.

REGIONAL TRANSPORTATION COMMISSION (RTC) STREETS

PUBLIC WORKS

This fund accounts for receipts and expenditures of money received from the Santa Cruz County Regional Transportation Commission. A description of proposed projects is listed in the summary section of this budget.

SOURCES AND USES

Fund - 1309 RTC Streets	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 185,891**	**$ 532,144**	**$ 978,579**	**$ 978,579**	**$ 67,096**	**$ 67,096**
Revenue						
Intergovernmental revenues	$ 359,670	$ 431,353	$ 397,732	$ 397,732	$ 389,000	$ 389,000
Other financing sources	19,644	32,952	-	-	-	-
Revenue Totals	**$ 379,314**	**$ 464,305**	**$ 397,732**	**$ 397,732**	**$ 389,000**	**$ 389,000**
Expenditures						
Contract services	$ 33,061	$ 16,190	$1,309,215	$1,309,215	$ 389,000	$ 389,000
Capital outlay	-	1,679	-	-	-	-
Expenditure Totals	**$ 33,061**	**$ 17,869**	**$1,309,215**	**$1,309,215**	**$ 389,000**	**$ 389,000**
Fund Balance at 06/30	**$ 532,144**	**$ 978,579**	**$ 67,096**	**$ 67,096**	**$ 67,096**	**$ 67,096**

Capital Outlay – Annual pavement management plan.

GAS TAX

PUBLIC WORKS

This fund accounts for receipt and expenditure of gasoline tax revenue as provided by state law. The Gas Tax Fund is primarily used to cover the expenses related to maintenance and operation of the City's traffic signals and streetlights. Other Gas Tax Fund programs include street maintenance patching and striping projects, street sweeper lease payments, and engineering.

The Gas Tax funds must be spent within 5 years of receipt. Future Gas Tax funds cannot be pledged for current projects with future repayment; therefore, the funds can only be spent once they have been received.

SOURCES AND USES

Fund - 1310 Gas Tax	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$256,466**	**$261,573**	**$336,984**	**$ 336,984**	**$261,173**	**$265,920**
Revenue						
Intergovernmental revenues	$270,231	$277,849	$279,546	$ 279,546	$289,747	$295,502
Use of money & property	10,618	13,631	-	-	-	-
Other revenues	-	-	-	-	-	-
Revenue Totals	**$280,848**	**$291,481**	**$279,546**	**$ 279,546**	**$289,747**	**$295,502**
Expenditures						
Contract Services	$275,741	$216,070	$355,356	$ 355,356	$285,000	$295,000
Debt service	-	-	-	-	-	-
Interfund Transfer	-	-	-	-		
Expenditure Totals	**$275,741**	**$216,070**	**$355,356**	**$ 355,356**	**$285,000**	**$295,000**
Fund Balance at 06/30	**$261,573**	**$336,984**	**$261,173**	**$ 261,173**	**$265,920**	**$266,422**

Contract Services:

- Admin & Engineering - $50,000
- Streetlights & traffic signals - $140,000
- Street & sidewalks - $35,000
- Street painting - $30,000
- Street sweeper maintenance - $30,000

WHARF

PUBLIC WORKS

The Wharf Fund accounts for rental income generated from Capitola Wharf operations and is used to cover ongoing maintenance, operating costs, and periodic repairs. Revenues accumulate in the fund to help meet expenditure needs; however, major repairs—typically required on a 3–5-year cycle—have occasionally required General Fund support to keep the facility safe and accessible.

Following the passage of Measure F, the City reconstructed and reopened the Wharf in September 2024. Measure F revenues are managed through the Capital Improvement Fund (CIP) and supported the design and construction of the improved Wharf. The Wharf Fund continues to be used for maintenance and repair of the now-rebuilt facility.

SOURCES AND USES

Fund - 1311 Wharf	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 166,194**	**$ 124,789**	**$ 84,633**	**$ 84,633**	**$ 863**	**$ (33,437)**
Revenue						
Use of money & property	$ 5,373	$ 19,294	$ 24,000	$ 24,000	$ 26,500	$ 24,000
Other financing sources	-	-	-	-	-	-
Revenue Totals	**$ 5,373**	**$ 19,294**	**$ 24,000**	**$ 24,000**	**$ 26,500**	**$ 24,000**
Expenditures						
Contract services	$ 46,690	$ 51,524	$ 106,770	$ 102,770	$ 50,800	$ 109,700
Supplies	88	7,926	10,000	5,000	10,000	10,000
Capital Outlay	-	-	-	-	-	-
Expenditure Totals	**$ 46,778**	**$ 59,450**	**$ 116,770**	**$ 107,770**	**$ 60,800**	**$ 119,700**
Fund Balance at 06/30	**$ 124,789**	**$ 84,633**	**$ (8,137)**	**$ 863**	**$ (33,437)**	**$ (129,137)**

Contract Services:

- Utilities - $36,500
- Janitorial services - $7,000
- Property & Equipment repairs & maintenance - $4,500
- Rentals (portable toilets) - $10,000

GENERAL PLAN UPDATE & MAINTENANCE

COMMUNITY DEVELOPMENT

In 2002, the State Legislature passed AB 2936 to enable cities to collect fees "reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations". The General Plan Maintenance Fee is currently 0.5 percent of the total building valuation to cover the cost of a comprehensive future update of the City's General Plan.

The City adopted a comprehensive update to the General Plan in 2013. To implement the General Plan, the City updated the Zoning Code in 2018 which was certified by the California Coastal Commission in 2021. In 2024, the 6th Cycle Housing Element Update was certified by the state. The adopted budget provides adequate resources to implement the General Plan and the 6th Cycle Housing Element in FY 2026-27. The City plans for the next comprehensive update of the General Plan around 2033.
The City adopted a comprehensive update to the Zoning Code which was certified by the California Coastal Commission in 2021. The 6th Cycle Housing Element Update was certified by the state in 2024. The adopted budget provides adequate resources to fund consultant contracts and staff time to finalize the Housing Element implementation efforts in FY 2026-27.

SOURCES AND USES

Fund - 1313 General Plan	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$248,407**	**$266,684**	**$ 316,128**	**$ 316,128**	**$ 152,709**	**$ 167,209**
Revenue						
Intergovernmental revenues	$ -	$ 62,306	$ -	$ -	$ -	$ -
Charges for services	127,005	85,109	55,000	110,000	85,000	85,000
Use of money & property	10,538	14,133	7,000	7,000	-	-
Revenue Totals	**$137,542**	**$161,548**	**$ 62,000**	**$ 117,000**	**$ 85,000**	**$ 85,000**
Expenditures						
Contract services	$119,265	$112,105	$ 279,918	$ 279,918	$ 70,000	$ 70,000
Supplies	-	-	500	500	500	500
Expenditure Totals	**$119,265**	**$112,105**	**$ 280,418**	**$ 280,418**	**$ 70,500**	**$ 70,500**
Fund Balance at 06/30	**$266,684**	**$316,128**	**$ 97,709**	**$ 152,709**	**$ 167,209**	**$ 181,709**

Contract services:

- RRM - $10,000 – Housing Element
- Update Housing Impact Fee – Rental - $30000
- City Staff time – Housing Element - $30,000

GREEN BUILDING

COMMUNITY DEVELOPMENT

The Green Building Ordinance (Chapter 17.10 to the Capitola Municipal Code) was adopted in May 2008 and later amended in November 2014. The Green Building Ordinance establishes the Green Building Fund, which provides funding for the administration and implementation of the Green Building program and related sustainability initiatives. The intent of the Green Building fund is to provide resources for programs and initiatives which promote environmental sustainability, resource conservation, greenhouse gas emission reductions, and solid waste reduction. The fund is utilized for the City's participation in regional climate action planning as a member of the Resilient Central Coast, fund a consultant contract to update the Climate Action Plan, and implement the Green Halo construction waste tracking system.

Application and Use of Funds (per City municipal code): The Capitola Green Building Regulation applies to non-residential additions and/or exterior remodels totaling 1,000 or more square feet and residential additions and/or remodels totaling 350 square feet or more. Building permits which are required to comply with the Green Building Regulations shall be assessed a fee of 0.0025 times the overall valuation of the project. Revenues collected shall be maintained by the Finance Department as a revolving Green Building Fund and shall be used only for program management, training, publications, public educational purposes, incentive programs, materials and supplies necessary to promote sustainable development, water conservation, storm water pollution prevention, and climate action planning activities.

SOURCES AND USES

Fund - 1314 Green Building	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$224,808**	**$263,404**	**$276,994**	**$276,994**	**$241,494**	**$263,994**
Revenue						
Charges for services	$ 46,307	$ 23,590	$ 15,000	$ 35,000	$ 30,000	$ 30,000
Revenue Totals	**$ 46,307**	**$ 23,590**	**$ 15,000**	**$ 35,000**	**$ 30,000**	**$ 30,000**
Expenditures						
Contract services	$ 2,710	$ 5,000	$ 68,000	$ 68,000	$ 5,000	$ 5,000
Supplies	5,000	5,000	2,500	2,500	2,500	2,500
Expenditure Totals	**$ 7,710**	**$ 10,000**	**$ 70,500**	**$ 70,500**	**$ 7,500**	**$ 7,500**
Fund Balance at 06/30	**$263,404**	**$276,994**	**$221,494**	**$241,494**	**$263,994**	**$286,494**

Contract services:

Resilient Coast California Working Group - $5,000

PUBLIC ART

CITY MANAGER

The City established a Public Arts fee in 2004. The purpose is to ensure that 2% of the cost of eligible municipal capital improvement, renovation, or restoration projects funded in whole or in part by the City of Capitola or any private, non-residential development project with a total building permit valuation of $250,000 or more is set aside for the acquisition of works of art to be displayed in or about public places within the City. For private development, there is an in-lieu option to contribute 1% of the total budget to the Public Art Program. As part of the program expenses, up to 20% of the art allocations may be expended on program administration, project management and community outreach activities.

Projects completed in FY 2025-26

- Monterey Ave Railing Public Art Project-June 2026

Projects for FY 2026-27

- Bandstand Weathervane Public Art Project
- Rispin Reflecting Pool Public Art Project

SOURCES AND USES

Fund - 1315 Public Art	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$166,236**	**$ 158,505**	**$120,200**	**$120,200**	**$ 64,700**	**$ 4,700**
Revenue						
Charges for services	$ -	$ 34,460	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Other Revenues	-	20,000	-	-	-	-
Revenue Totals	**$ -**	**$ 54,460**	**$ 25,000**	**$ 25,000**	**$ 25,000**	**$ 25,000**
Expenditures						
Personnel	$ -	$ -	$ -	$ -	$ -	$ -
Contract services	7,152	92,655	80,000	80,000	85,000	-
Supplies	579	110	500	500	-	-
Expenditure Totals	**$ 7,731**	**$ 92,765**	**$ 80,500**	**$ 80,500**	**$ 85,000**	**$ -**
Fund Balance at 06/30	**$158,505**	**$ 120,200**	**$ 64,700**	**$ 64,700**	**$ 4,700**	**$ 29,700**

Contract services: Contracts with artists on various projects - $85,000

PARKING RESERVE

PUBLIC WORKS

In 2009, as part of a parking meter rate increase, the City Council established the Parking Reserve Fund. Revenues deposited into this fund represent 16% of parking meter revenues from the Village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the Village. As part of the FY 2023-24 City Council Goals this debt was paid off.

SOURCES AND USES

Fund - 1316 Parking Reserve	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 737**	**$ 737**	**$ 737**	**$ 737**	**$ 737**	**$ 737**
Revenue						
Other financing sources	$469,000	$ -	$ -	$ -	$ -	$ -
Revenue Totals	**$469,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenditures						
Capital outlay	$ -	$ -	$ -	$ -	$ -	$ -
Other financing uses	469,000	-	-	-	-	-
Expenditure Totals	**$469,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance at 06/30	**$ 737**	**$ 737**	**$ 737**	**$ 737**	**$ 737**	**$ 737**

TECHNOLOGY FEE

COMMUNITY DEVELOPMENT

On November 12, 2009, the City of Capitola adopted a resolution establishing the Technology Fee. The fee is 5% of the Community Development and Public Works permit fees. The City has updated building, planning, and public works permitting software. The system better coordinates plan review activities among departments and will allow the public to inquire and search records and monitor progress of applications through the internet. The City will continue to make changes to the system in order to provide better service to the public and to improve internal processes. The zoning update process and its implementation will also benefit from the system's data resources and enhanced reporting capabilities.

SOURCES AND USES

Fund - 1317 Technology Fee	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 93,312**	**$112,038**	**$117,059**	**$117,059**	**$118,059**	**$119,059**
Revenue						
Charges for services	$ 18,726	$ 15,395	$ 17,000	$ 17,000	$ 17,000	$ 17,000
Revenue Totals	**$ 18,726**	**$ 15,395**	**$ 17,000**	**$ 17,000**	**$ 17,000**	**$ 17,000**
Expenditures						
Contract services	$ -	$ 10,375	$ 16,000	$ 16,000	$ 16,000	$ 16,000
Supplies	-	-	-	-	-	-
Expenditure Totals	**$ -**	**$ 10,375**	**$ 16,000**	**$ 16,000**	**$ 16,000**	**$ 16,000**
Fund Balance at 06/30	**$112,038**	**$117,059**	**$118,059**	**$118,059**	**$119,059**	**$120,059**

Contract Services:

- iWorQ annual fee – Public Works - $3,500
- iWorQ annual fee – Community Development - $12,500

PUBLIC EDUCATION/GOVERNMENT CABLE TV ACCESS (PEG)

CITY MANAGER

This Special Revenue Fund accounts for Public, Education & Government (PEG) cable television fees. The PEG Access fee from all cable service providers is 64 cents per subscriber and is due to the City concurrent with the Franchise Fee Payments. The City is required to segregate PEG access fees and related purchases.

The funds received through PEG fees are retained by the City and utilized for capital equipment purchases in support of PEG access only. PEG channels are set aside for the following purposes:

- Public - available for use by the public
- Education - available for use by educational institutions for educational programming
- Government – available for programming by local governments

SOURCES AND USES

Fund - 1320 Public Education & Gov't.	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 45,080**	**$ 57,530**	**$ 68,094**	**$ 68,094**	**$ 63,594**	**$ 44,594**
Revenue						
Licenses and permits	$ 10,453	$ 9,215	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Use of money & property	1,997	2,757	1,500	1,500	1,500	1,500
Revenue Totals	**$ 12,450**	**$ 11,972**	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 11,500**
Expenditures						
Contract services	$ -	$ 1,408	$ 6,000	$ 6,000	$ 24,000	$ 24,000
Supplies	-	-	-	-	-	-
Capital Outlay	-	-	10,000	10,000	6,500	6,500
Expenditure Totals	**$ -**	**$ 1,408**	**$ 16,000**	**$ 16,000**	**$ 30,500**	**$ 30,500**
Fund Balance at 06/30	**$ 57,530**	**$ 68,094**	**$ 63,594**	**$ 63,594**	**$ 44,594**	**$ 25,594**

Contract Services – Community Television
Capitola Outlay – Technology upgrades – City Council Chambers

CAPITOLA VILLAGE/WHARF BUSINESS IMPROVEMENT AREA (BIA)

FINANCE

In June 2005, the City of Capitola adopted Ordinance No. 889, which added Chapter 5.10 to the Capitola Municipal Code establishing the Capitola Village and Wharf Business Improvement Area (BIA). It was established to generate revenue for the sole purpose of promoting business in Capitola village and on the wharf. State law requires certain annual actions and public hearing to continue this assessment district. The program is run with the assistance of a BIA Board of Directors, which provides city council with an annual budget proposal.

SOURCES AND USES

Fund - 1321 CVWBIA	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 44,242**	**$ 32,485**	**$ 19,231**	**$ 19,231**	**$ 5,031**	**$ 6,231**
Revenue						
Charges for services	$ 53,854	$ 54,945	$ 55,000	$ 55,000	$ 54,000	$ 54,000
Use of money & property	43,640	48,200	59,100	$ 59,100	$ 55,300	$ 55,300
Restricted TOT	36,761	37,315	35,000	$ 35,000	$ 37,000	$ 37,000
Revenue Totals	**$134,254**	**$140,460**	**$ 149,100**	**$ 149,100**	**$ 146,300**	**$ 146,300**
Expenditures						
Contract services	$ 46,642	$ 22,878	$ 25,500	$ 25,500	$ 25,100	$ 25,100
Supplies	99,369	130,836	140,000	137,800	$ 120,000	$ 120,000
Expenditure Totals	**$146,011**	**$153,715**	**$ 165,500**	**$ 163,300**	**$ 145,100**	**$ 145,100**
Fund Balance at 06/30	**$ 32,485**	**$ 19,231**	**$ 2,831**	**$ 5,031**	**$ 6,231**	**$ 7,431**

Contract services and supplies: Capitola Village & Wharf Business Improvement Area annual report to be submitted to the Capitola City Council in late May or early June.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The program is funded though the Federal Department of Housing and Urban Development (HUD) and Capitola participate in the competitive Small Cities Grant Program administered by the California Department of Housing and Community Development.

In recent years, the City has been awarded CDBG grants to fund the City's Local Hazard Mitigation Plan (LHMP), Safety Element of the General Plan Update, CARES Act funding in response to the pandemic and food assistance and transit in cooperation with local nonprofits. In FY 2025-26, the City was awarded two CDBG Grants including $3.3 million for the Jade Street Community Center, $3.3 million for Treasure Cove Park, and $300,000 for food services. In 2026-27 the City plans to apply for another $5 million CDBG grant.

SOURCES AND USES

Fund - 1350 CDBG Grants	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ (70,889)**	**$(149,941)**	**$ 106,739**	**$ 106,739**	**$ 667,539**	**$ 667,539**
Revenue						
Intergovernmental revenues	$ 160,560	$ 495,515	$4,010,392	$4,010,392	$ -	$ -
Revenue Totals	**$ 160,560**	**$ 495,515**	**$4,010,392**	**$4,010,392**	**$ -**	**$ -**
Expenditures						
Contract services	$ 83,548	$ 65,590	$ 169,080	$ 169,080	$ -	$ -
Grants and subsidies	156,064	173,246	80,512	80,512	-	-
Other financing uses	-	-	3,200,000	3,200,000	-	-
Expenditure Totals	**$ 239,612**	**$ 238,836**	**$3,449,592**	**$3,449,592**	**$ -**	**$ -**
Fund Balance at 06/30	**$(149,941)**	**$ 106,739**	**$ 667,539**	**$ 667,539**	**$ 667,539**	**$ 667,539**

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME

This special revenue fund accounts for issuance and repayment of CDBG-funded housing loans made by the City to income-qualifying households. These funds are referred to as CDBG Program Income. CDBG Program Income must be used for CDBG-approved purposes. The three primary sources of CDBG Program Income are the payoff of Loma Vista Mobile Home Park resident loans, CDBG-funded First Time Homebuyer Program loans, and CDBG-funded Rehabilitation Program loans.

If the total amount of Program Income received in any fiscal year is less than $25,000, the funds received are not subject to Federal CDBG regulations. If the amount exceeds $25,000, all Program Income received during that fiscal year is restricted to CDBG-approved Federal spending guidelines.

During FY2025-26, one CDBG loan was paid off in the amount of $8,894.32.

SOURCES AND USES

Fund - 1351 CDBG Program Income	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 45,792**	**$ 47,165**	**$ 949**	**$ 949**	**$ 949**	**$ 949**
Revenue						
Loan pymt Principle	$ -	$ 160,241	$ -	$ -	$ -	$ -
Use of money & property	1,373	2,986	-	-	-	-
Revenue Totals	**$ 1,373**	**$ 163,227**	**$ -**	**$ -**	**$ -**	**$ -**
Expenditures						
Contract services	$ -	$ -	$ -	$ -	$ -	$ -
other financing uses	-	209,443	-	-	-	-
Expenditure Totals	**$ -**	**$ 209,443**	**$ -**	**$ -**	**$ -**	**$ -**
Available Fund Balance at 06/30	**$ 47,165**	**$ 949**	**$ 949**	**$ 949**	**$ 949**	**$ 949**

LIBRARY

CITY MANAGER

This special revenue fund accounts for revenue and expenses related to the design and construction of the new Capitola Branch Library. The former Redevelopment Agency contributed $2.6 million to the County of Santa Cruz which was held in a trust fund for the future construction of a new branch library.

The Voters of Santa Cruz County authorized the Santa Cruz Libraries Facilities Financing Authority to issue general obligation bonds in an aggregate principal amount not exceeding $67 million. The City of Capitola will receive $10.0 million from the bonds to be used towards the construction of the new branch library, bringing the City's total available funds to $12.6 million.

The City started utilizing the County Trust Fund money in FY 2016-17 to hire a project manager to oversee the development of plans and ultimately the construction of the Library. Under the trust fund agreement, the City can utilize 15 percent of the funds for pre-construction activities.

In addition to the funding sources mentioned above, the Friends of the Capitola Branch Library (Friends) conducted a fundraising campaign raising over $600,000. The funds donated to the Friends were utilized for enhancement projects throughout the Library. The City completed construction of the new Library in June 2021, however, there remains approximately $50,000 of donated funds that the Friends are evaluating for the best use of those remaining funds.

Additionally, Capitola is scheduled to receive approximately $165,000 annually for the next 20 years as a result of additional Measure S revenues. The first $855,000 will be used to repay the general fund for contributions to the Library project.

SOURCES AND USES

Fund - 1360 Library	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 50,608**	**$ 52,711**	**$ 17,105**	**$ 17,105**	**$ 17,105**	**$ 17,105**
Revenue						
Intergovernmental	$ -	$ -	$ 165,000	$ 165,000	$ 165,000	$ 165,000
Othe financing sources	2,103	1,820	-	-	-	-
Revenue Totals	**$ 2,103**	**$ 1,820**	**$ 165,000**	**$ 165,000**	**$ 165,000**	**$ 165,000**
Expenditures						
Contract Services	$ -	$ 36,872	$ -	$ -	$ -	$ -
Supplies	-	554	-	-	-	-
Other financing uses	-	-	165,000	165,000	165,000	165,000
Expenditure Totals	**$ -**	**$ 37,426**	**$ 165,000**	**$ 165,000**	**$ 165,000**	**$ 165,000**
Fund Balance at 06/30	**$ 52,711**	**$ 17,105**	**$ 17,105**	**$ 17,105**	**$ 17,105**	**$ 17,105**

HOME PROGRAM REUSE

COMMUNITY DEVELOPMENT

This special revenue fund accounts for revenue from the repayment of Federal Home Investments Partnership Program (HOME) loans. Expenditures in this fund must be used for affordable housing activities in accordance with the Federal HOME Program Reuse Guidelines, including first-time homebuyer loans, owner-occupied rehabilitation projects, and affordable housing assistance projects. As loans are paid off, those funds are returned to the Home Program Reuse Fund and become available for affordable housing activities.

Annual revenue represents principal and interest payments on the 30-year $238,000 Wharf Road Manor Mobile Homeowners Association Acquisition and Rehabilitation Project loan from 2004 as well as other HOME loan payoffs.

In January 2009, the City of Capitola entered a Standard Agreement with the California Department of Housing and Community Development for a HOME grant in the amount of $2,000,000 for rehabilitation expenses related to the 109-unit Bay Avenue Senior Apartments Project. Construction of the project was completed in May 2011. The grant was provided to First Community Housing, the Bay Avenue Senior Apartments project developer, as a residual receipts loan at 3% interest. In May 2011, the HOME program increased the grant award by $1.2 million dollars to cover additional costs related to required rent level revisions, which are lower than estimated in the original pro-forma. The grant funds have been received and dispersed. In recent years, multiple loans have been paid off creating a healthy fund balance for future HOME projects.

The adopted budget provides adequate resources to assist an existing affordable housing development through a rehabilitation project and provide resources to an affordable housing developer to acquire land or develop a project. The budget also covers long-term monitoring of the Bay Avenue Senior Apartments

SOURCES AND USES

Fund - 1370 HOME Reuse	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 808,386**	**$ 881,691**	**$1,005,956**	**$1,005,956**	**$1,015,956**	**$ 35,956**
Revenue						
Use of money & property	$ 77,005	$ 128,715	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Revenue Totals	**$ 77,005**	**$ 128,715**	**$ 20,000**	**$ 20,000**	**$ 20,000**	**$ 20,000**
Expenditures						
Contract services	$ 3,700	$ 4,450	$ 979,000	$ 10,000	$1,000,000	$ -
Other financing uses	-	-	-	-	-	-
Expenditure Totals	**$ 3,700**	**$ 4,450**	**$ 979,000**	**$ 10,000**	**$1,000,000**	**$ -**
Available Fund Balance at 06/30	**$ 881,691**	**$1,005,956**	**$ 46,956**	**$1,015,956**	**$ 35,956**	**$ 55,956**

HOUSING TRUST

COMMUNITY DEVELOPMENT

In November 2004, the City Council adopted an inclusionary housing ordinance as part of the City's ongoing efforts to provide affordable housing. This ordinance created the Affordable Housing Trust Fund to use as a flexible local source of funding for the creation of new affordable housing, rehabilitation of existing affordable housing, funding of local programs to assist lower and moderate-income buyers purchase affordable housing, or as leverage of local funds for larger State and Federal grants. This housing activity is funded through in-lieu fees collected from development projects and does not impact on the General Fund.

The Affordable Inclusionary Housing Ordinance refers to a City Municipal Code Section that requires that fifteen percent (15%) of the units in a new for-sale residential construction project be made available to low or moderate-income buyers. Condominium conversion projects are also covered under this ordinance. As outlined in the ordinance, project developers provide affordable set-aside units or under certain conditions can pay an in-lieu fee.

The City's Housing Trust Fund allows for up to $75,000 per year to be spent on affordable housing program administration. This includes working with developers on fee collection, administration of the Housing Trust Fund, and implementation of the Inclusionary Ordinance.

A housing rehabilitation program was initiated on FY2025-26. The housing rehabilitation program had seven applications of which two were completed. The City has funding to assist up to 16 deed restricted households through the rehab program.

A homebuyer assistance program was initiated in FY 2025-26. This program is being set up to provide up to $20,000 of down payment assistance to prospective buyers of affordable deed restricted units within the City of Capitola.

SOURCES AND USES

Fund - 1372 Housing Trust	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$382,336**	**$277,123**	**$349,479**	**$349,479**	**$ 364,479**	**$ 429,479**
Revenue						
Charges for services	$ 78,188	$ 70,423	$ 65,000	$ 65,000	$ 65,000	$ 65,000
Other revenue	17,599	17,627	10,000	10,000	10,000	10,000
Revenue Totals	**$ 95,787**	**$ 88,049**	**$ 75,000**	**$ 75,000**	**$ 75,000**	**$ 75,000**
Expenditures						
Contract services	$ -	$ 15,693	$ 60,000	$ 60,000	$ 10,000	$ 10,000
Other Financing Uses	201,000	-	-	-	-	-
Expenditure Totals	**$201,000**	**$ 15,693**	**$ 60,000**	**$ 60,000**	**$ 10,000**	**$ 10,000**
Available Fund Balance at 06/30	**$277,123**	**$349,479**	**$364,479**	**$364,479**	**$ 429,479**	**$ 494,479**

Contract Services: Down Payment Assistance

PERMANENT LOCAL HOUSING ALLOCATION

COMMUNITY DEVELOPMENT

In 2017, Senate Bill 2 (SB 2) established a $75 recording fee on real estate documents and created the Permanent Local Housing Allocation Fund (PLHA). PLHA funds are allocated to local governments for eligible housing and homelessness activities and provide a permanent, on-going source of funding for housing-related projects and programs that address the unmet housing needs of communities.

On May 10, 2023, the City of Capitola was awarded $481,732 in PLHA funds for the first three years of the allocation (2019-2021) and a total five-year estimate of $630,557. The City anticipates additional funding on an annual basis. The first PLHA activity approved is for predevelopment costs related to affordable housing developments. The second activity is to fund the very low income homeless through an annual contribution of $35,000 to the Housing for Health Partnership to support year-round emergency shelter operations in Santa Cruz County. A portion of the funding will cover administrative expenses.

The Adopted budget proved adequate resources to support the development of the 52-unit 100% affordable housing development project at 1098 38th Avenue.

SOURCES AND USES

Permanent Local Housing Allocation (PLHA)	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ -**	**$ 99,836**	**$ 467,433**	**$ 467,433**	**$ 126,008**	**$ 94,483**
Revenue						
Intergovernmental revenues	$105,092	$376,640	$ 184,763	$ 184,763	$ -	$ -
Other revenue	-	-	-	-	-	-
Revenue Totals	**$105,092**	**$376,640**	**$ 184,763**	**$ 184,763**	**$ -**	**$ -**
Expenditures						
Contract services	$ 5,256	$ 9,043	$ 76,812	$ 76,812	$ 31,525	$ 31,525
Other Financing Uses	-	-	-	449,376	-	-
Expenditure Totals	**$ 5,256**	**$ 9,043**	**$ 76,812**	**$ 526,188**	**$ 31,525**	**$ 31,525**
Available Fund Balance at 06/30	**$ 99,836**	**$467,433**	**$ 575,384**	**$ 126,008**	**$ 94,483**	**$ 62,958**

Contract services: Affordable housing and homelessness program development and activities.

CAPITOLA HOUSING SUCCESSOR

COMMUNITY DEVELOPMENT

In 2011, the California State Legislature passed ABX1 26 to dissolve redevelopment agencies. The legislation was contested and upheld by the California Supreme Court. It requires a number of actions to be taken by the city in the winding down of the RDA. Among other things, it allows cities to elect to retain the former RDA Low- and Moderate-Income Housing Fund. The Capitola City Council elected to retain the former RDA Housing with the following new city special revenue fund, the Capitola Housing Successor.

A further requirement of the legislation is the establishment of a program income fund to segregate loan payoffs received by the Housing Successor after the dissolution of the Redevelopment Agency. These funds were initially restricted in their use, repayment, and reuse and the Housing Successor continues this restriction. As payments are received on loans associated with the original RDA Low- and Moderate-Income Housing Fund or the Capitola Housing Successor will be applied to the Capitola Housing Successor.

Newly implemented SB341 requires annual reporting on the Housing Successor Assets to be included with the Annual Financial Statements and the Housing and Community Development (HCD) Annual Progress Report on the Housing Element of the General Plan.

The Adopted budget provides adequate resources to continue supporting security deposit assistance, emergency rental assistance, administration of the City's affordable housing program, and the MidPen loan to help fund the preconstruction and construction for the 52-unit 100% affordable development at 1098 38th Avenue.

SOURCES AND USES

Fund - 5552 Capitola Housing	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 2,080,914**	**$ 1,892,662**	**$2,033,609**	**$2,033,609**	**$1,053,609**	**$1,032,109**
Revenue						
Use of money & property	$ 136,276	$ 192,679	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Other revenues	-	-	-	-	-	-
Revenue Totals	**$ 136,276**	**$ 192,679**	**$ 20,000**	**$ 20,000**	**$ 20,000**	**$ 20,000**
Expenditures						
Personnel	$ 16,382	$ -	$ -	$ -	$ -	$ -
Contract Services	36,020	32,485	-	-	-	-
Supplies	-	-	-	-	-	-
Grants and Subsidies	272,126	19,247	1,000,000	1,000,000	41,500	41,500
Expenditure Totals	**$ 324,528**	**$ 51,732**	**$1,000,000**	**$1,000,000**	**$ 41,500**	**$ 41,500**
Available Fund Balance at 06/30	**$ 1,892,662**	**$ 2,033,609**	**$1,053,609**	**$1,053,609**	**$1,032,109**	**$1,010,609**

Contract Services: Homeless Action Plan

RESERVES

RESERVES

Emergency Reserves (Finance Department): The City Council established the Emergency Reserve Fund to accumulate funds to meet future unanticipated needs. The City of Capitola Administrative Policy III-3, Financial Management Policy, amended on February 28, 2013, to increase the required level of emergency reserves from five to ten percent of operating expenditures.

Contingency Reserve (Finance Department): The City Council established the Contingency Reserve Fund to accumulate a prudent level of financial resources to protect the City against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The City of Capitola Administrative Policy III-3, Financial Management Policy, amended on February 28, 2013, to increase the level of contingency reserves from 10 to 15 percent of operating expenditures.

PERS Contingency Reserve (Finance Department): The City Council established the PERS Contingency Reserve Fund in FY 2015/16. The Council discussed possible uses of a General Fund positive ending balance and wanted to set aside funds for future PERS increases. In FY 2022-13 an additional $500,000 was deposited into the Trust to add to the previously deposited $800,000.

Facilities Reserve (Finance Department): The City Council established the Facilities Reserve Fund to serve as a resource to fund capital improvements and major repairs on City facilities. Based on the National Research Council Stewardship of Federal Facility guidelines, the City's goal is to provide annual contributions equal to two percent of the facility replacement values. This annual contribution will be determined each budget year.

EMERGENCY RESERVES

The City of Capitola adopted an Emergency Reserve Policy as part of the City's Financial Management Policies. This reserve protects against significant one-time costs that arise from major unpredictable emergency events. In FY 2012/13, the City amended the Financial Management Policies to increase the funding level of Emergency Reserves from five to ten percent of the General Fund budgeted expenditures, or approximately $1.6 million in FY 2024-25.

The Emergency Reserve fund was nearly depleted in March of 2011 due to an underground storm drain failure that flooded Capitola Village and the surrounding area. The City was required to recognize a $1.4 million extraordinary loss on the FY 2010/11 and FY 2011/12 financial statements. An additional $200,000 was needed to fund a related retaining wall project. In FY 2012/13, a settlement was reached with the City's insurance carrier to pay $1.35 million in damages to the City.

The March 2011 pipe failure repairs were paid from the City's Emergency Reserve Fund. As funding in the Emergency Reserve Fund fell short of the flood-related costs, additional funding to respond to the flood event was provided through interfund loans from the Contingency Reserve Fund and Capital Improvement Fund. In FY 2011/12, the Emergency Reserve Fund balance was $410,000 lower than the targeted balance. In FY 2012/13, funds were transferred from the internal service funds, Measure O revenue receipts, and the General Fund operating balance to assist in replenishing the reserves.

In FY 2014/15 and FY 2015/16, $465,100 and $213,000, respectively, were budgeted for transfer to the fund to prepare for any unforeseeable emergencies and to meet the new Emergency Reserve targeted levels. As the chart below shows, the reserve balance is currently below the target level for FY 2024-25 in part due to the transfer of $80,000 for damages from the Jan. 2023 storms. The City anticipates receiving reimbursements from FEMA and Cal OES and plans to fund reserves to target balances once received.

SOURCES AND USES

Fund - 1020	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 1,461,506	$ 1,631,506	$ 1,631,506	$ 1,631,506	$ 1,631,506	$ 1,631,506
Revenue						
Other Financing Sources	$ 250,000	$ 250,000	$ -	$ -		
Revenue Totals	$ 250,000	$ 250,000	$ -	$ -	$ -	$ -
Expenditures						
Other Financing Uses	$ 80,000	$ 250,000	$ -	$ -		$ -
Expenditure Totals	$ 80,000	$ 250,000	$ -	$ -	$ -	$ -
Fund Balance at 06/30	**$ 1,631,506**	**$ 1,631,506**	**$ 1,631,506**	**$ 1,631,506**	**$ 1,631,506**	**$ 1,631,506**

Reserve Target equals 10% of General Fund expenditures excluding transfers and internal service charges						
Personnel	$12,099,946	$12,692,358	$14,260,987	$14,260,987	$14,984,535	$15,417,536
Contract Services	3,704,267	3,799,530	3,851,191	3,820,000	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	150,000	115,380	146,230
Supplies	958,158	854,877	801,700	850,000	879,350	856,350
Grants	125,000	125,000	133,425	133,425	133,425	133,425
Total GF Expenditures	$17,030,695	$17,586,641	$19,216,783	$19,214,412	$20,104,136	$20,459,260
Target Balance (10%)	$ 1,703,070	$ 1,758,664	$ 1,921,678	$ 1,921,441	$ 2,010,414	$ 2,045,926
Over / (Short) of Target	$ (71,564)	$ (127,159)	$ (290,173)	$ (289,936)	$ (378,908)	$ (414,420)

CONTINGENCY RESERVES

The City of Capitola adopted a Contingency Reserve Policy as part of the City's Financial Management Policies. This reserve was established to provide a prudent level of financial resources to protect against temporary revenue shortfalls, unanticipated operating costs, and/or to meet short-term cash flow requirements. In FY 2012/13, the City amended the Financial Management Policies to increase the Contingency Reserve target from 10 to 15 percent of General Fund budgeted expenditures, or approximately $2.6 million in FY 2024-25.

Due to the expenses associated with the March 2011 pipe failure, a loan was made from the Contingency Reserves Fund to the Emergency Reserves Fund. As a result, Contingency Reserves were $727,000 below their Financial Management Policy funding goal in FY 2011/12. In FY 2012/13, funds were transferred from the Internal Service Funds, Measure O revenue receipts, and the General Fund operating balance to assist in replenishing and building the reserves.

In FY 2014/15 and FY 2015/16, a total of $182,600 and $89,400 were transferred to the fund to meet the new Contingency Reserve targeted levels. As the chart below shows, the reserve balance is currently estimated to be below the target level for FY 2024-25. The City anticipates receiving reimbursements from FEMA and Cal OES and plans to fund reserves to target balances once received.

SOURCES AND USES

Fund - 1010	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 2,192,346	$ 2,323,346	$2,495,346	$2,495,346	$2,495,346	$2,495,346
Revenue						
Other Financing Sources	$ 131,000	$ 172,000	$ -	$ -		
Revenue Totals	$ 131,000	$ 172,000	$ -	$ -	$ -	$ -
Expenditures						
Other Financing Uses	$ -	$ -	$ -	$ -	$ -	$ -
Expenditure Totals	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balance at 06/30	**$ 2,323,346**	**$2,495,346**	**$2,495,346**	**$2,495,346**	**$2,495,346**	**$2,495,346**
Reserve Target equals 15% of General Fund expenditures excluding transfers and internal service charges						
Personnel	$12,099,946	$12,692,358	$14,260,987	$14,260,987	$14,984,535	$15,417,536
Contract Services	3,704,267	3,799,530	3,851,191	3,820,000	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	150,000	115,380	146,230
Supplies	958,158	854,877	801,700	850,000	879,350	856,350
Grants	125,000	125,000	133,425	133,425	133,425	133,425
Total GF Expenditures	$17,030,695	$17,586,641	$19,216,783	$19,214,412	$20,104,136	$20,459,260
Target Balance (15%)	$ 2,554,604	$ 2,637,996	$ 2,882,517	$ 2,882,162	$ 3,015,620	$ 3,068,889
Over / (Short) of Target	$ (231,259)	$ (142,651)	$ (387,172)	$ (386,816)	$ (520,275)	$ (573,543)

PERS CONTINGENCY RESERVES

The City of Capitola established a PERS Contingency Reserve as part of the FY 2015/16 Budget process. The fund was set up to help stabilize the City's finances and help manage future increases in PERS contributions.

The PERS Contingency Fund was initially funded with a $300,000 transfer from the General Fund. The $300,000 allows for two years of PERS projected increases and time to evaluate options to address the larger unfunded liability and yearly obligations.

In December 2016, $300,000 was invested in a moderately conservative trust fund with Public Agency Retirement Services (PARS). The FY 17/18 budget transferred an additional $500,000 into the PERS trust fund to offset rising pension costs. During the FY 2022-23 goal setting session the City Council allocated $500,000 of existing fund balance to the PERS Trust reserve.

SOURCES AND USES

Fund - 1015	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 904,275	$ 1,187,772	$ 1,531,142	$ 1,531,142	$ 1,601,142	$ 1,651,142
Revenue						
Use of money & property	33,497	93,370	10,000	70,000	50,000	50,000
Other Financing Sources	250,000	$ 250,000	-	-	-	-
Revenue Totals	$ 283,497	$ 343,370	$ 10,000	$ 70,000	$ 50,000	$ 50,000
Expenditures						
Other Financing Uses	$ -	$ -	$ -	$ -	$ -	$ -
Expenditure Totals	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balance at 06/30	**$ 1,187,772**	**$ 1,531,142**	**$ 1,541,142**	**$ 1,601,142**	**$ 1,651,142**	**$ 1,701,142**

FACILITIES RESERVES

The Facilities Reserve Fund was established in FY 2014-15 to serve as a resource to fund capital improvements and major repairs on City facilities. The National Research Council Stewardship of Federal Facilities recommends setting aside two to four percent of building replacement costs to preserve or extend the life of facilities. The estimated replacement value of the City's facilities is $17.5 million.

The Facilities Reserve is used to fund future facility needs of the City. The Proposed FY 2026-27 Budget does not include nay funding for the Facilities Reserve.

SOURCES AND USES

Fund - 1025	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	$ 432,714	$ 432,714	$ 282,714	$ 282,714	$ 282,714	$ 282,714
Revenue						
Other Financing Sources	0	100,000	-	-	-	-
Revenue Totals	$ -	$ 100,000	$ -	$ -	$ -	$ -
Expenditures						
Contract Services	$ -				$ -	$ -
Other Financing Uses	-	250,000			-	-
Expenditure Totals	$ -	$ 250,000	$ -	$ -	$ -	$ -
Fund Balance at 06/30	$ 432,714	$ 282,714	$ 282,714	$ 282,714	$ 282,714	$ 282,714

MULTI-YEAR ASSETS & OBLIGATIONS

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MULTI-YEAR ASSETS & OBLIGATIONS

City & Joint Powers Authority (JPA) Multi-Year Obligations: The City of Capitola has six multi-year obligations, two of which are part of a Joint Powers Authority. The obligations are paid from various funding sources.

Pacific Cove Lease Financing: In March 2011, a pipe failure flooded the City-owned Pacific Cove Mobile Home Park. The City of Capitola entered into a $2,390,000 lease/sublease agreement to finance the relocation of mobile home residents and close the park.

Beach and Village Parking Lot II: The City of Capitola initiated a $1,372,500 California Infrastructure and Economic Development Bank (I-Bank) loan to fund the development of a parking lot and related improvements at the site of the former Pacific Cove Mobile Home Park.

CITY/JOINT POWERS AUTHORITY MULTI-YEAR ASSETS & OBLIGATIONS

The City of Capitola has seven multi-year obligations, three of which are part of a Joint Powers Authority. The obligations are paid from various funding sources. All obligations are shown in the budgets of the applicable funds and all payments are current.

City Multi-Year Obligations	Principal balance June 30, 2026	Form of payment	Original Obligation	Other Terms
Current employee compensated absences (a)	$ 1,103,832	Accrual	Ongoing	On-going. No interest due. (Refer to Compensated Absence Fund)
Net Pension Liability	$ 33,952,398	Actuarial	N/A	Pension Liability to CalPERS.
Beach & Village Parking Lot II Lease Financing	$ 694,313	Tax Exempt Lease	20 years	$1,372,500 I-Bank loan - 20 year term beginning FY 2013/14, 2.26% interest.
Total City Multi-Year Obligation	**$ 35,750,543**			

(a) Compensated absenses and Net Pension Liability are as of June 30, 2023.

JPA Bond Obligations	Original Principal	Form of payment	Original Obligation	Other Terms
Santa Cruz Consolidated Emergency Communications Center (SCCECC) JPA Bond	$ 3,965,000	JPA membership and paid via premiums	22 years	In 2002, SCCECC issued $5.76 milion in lease revenue refunding bonds, which were refinanced in April 2012, at $3,965,000. Payments are made to Santa Cruz Regional 911 from the Police Department's contracts services budget. The Use Agreement between Capitola and SCCECC is effective through June 15, 2034.

PACIFIC COVE LEASE FINANCING

DEBT SERVICE

The City of Capitola owns 426 Capitola Avenue, which formerly housed the 41 mobile home Pacific Cove Mobile Home Park. On March 24, 2011, a 72" storm drain that carries Noble Gulch Creek water from Bay Avenue to Soquel Creek catastrophically failed following a heavy rain storm. This resulted in flooding of the Pacific Cove Mobile Home Park, City Hall and village residences and businesses. The initial estimate to bring the park up to code was $1.33 million. Due to the high cost and potential for future liability, Capitola City Council approved a Relocation Impact Report (RIR) for the closure of Pacific Cove Mobile Home Park in January 2012. The RIR provided a cost estimate for relocating residents and professional relocation consultants to help displaced residents find suitable replacement housing. The City executed a $2.39 million lease/sublease agreement using the existing City Hall site and adjacent upper parking lot as the pledged property. The City verified income status as part of the relocation process and determined that a percentage of Housing Trust Fund monies could be used to repay the debt service at a proportion no greater than the number of low income mobile home occupants that were relocated. The funding sources for debt service payments will be determined annually. Any General Fund monies for the share of allowable costs from other funding sources may be reimbursed in subsequent years as funds become available.

At the time the loan was issued, there was some uncertainty as to whether the property would be developed for public or private use. This resulted in the City entering into a 20–year taxable lease/sublease agreement at an interest rate of 5.14%. In FY 12/13, the City determined that the site would be converted to a public parking lot, now named Beach & Village Parking Lot II (BVPL II). This public use allows the City to refinance the existing debt at a 3.25% tax-exempt interest rate with a 10-year Treasury Bill reset + 1.5% in year 10. As a result of the refinancing, annual loan payments were reduced by approximately $28,000, with an estimated nine-year interest savings of approximately $350,000. In FY 12/13 the City reached a $1.35 million insurance settlement related to the pipe failure. This resulted in a principal reduction of $476,200, with a prepayment penalty of $23,800. During the FY 2023-24 City Council Goal setting the Council allocated $725,000 to pay off the outstanding balance saving approximately $150,000 of interest costs over the next several years.

SOURCES AND USES

Fund - 1420	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 55,217**	**$ 75,277**	**$ 75,277**	**$ 75,277**	**$ 75,277**	**$ 75,277**
Revenue						
Use of money & property	$ -		$ -	$ -	$ -	$ -
Other Financing Sources	670,000	-	-	-	-	-
Revenue Totals	**$ 670,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Expenditures						
Contract Services	$ -	$ -	$ -	$ -	$ -	$ -
Debt Service	649,940	-	-	-	-	-
Other financing uses	-	-	-	-	-	-
Expenditure Totals	**$ 649,940**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance at 06/30	**$ 75,277**	**$ 75,277**	**$ 75,277**	**$ 75,277**	**$ 75,277**	**$ 75,277**

Pacific Cove Financing Lease Debt Service

Payment Date	Principal	Interest /Prepmt penalty	Total	Fiscal Year
9/1/2012	$ 30,815	$ 53,893	$ 84,708	
3/1/2013	35,871	60,632	96,503	
6/28/2013	476,200	23,810	500,010	$ 681,221
9/1/2013	42,440	22,843	65,283	
3/1/2014	53,207	29,326	82,533	147,816
9/1/2014	46,196	36,337	82,533	
3/1/2015	46,947	35,586	82,533	165,066
9/1/2015	47,710	34,823	82,533	
3/1/2016	48,485	34,048	82,533	165,066
9/1/2016	49,273	33,260	82,533	
3/1/2017	50,074	32,459	82,533	165,066
9/1/2017	50,887	31,645	82,533	
3/1/2018	51,714	30,819	82,533	165,066
9/1/2018	52,555	29,978	82,533	
3/1/2019	53,409	29,124	82,533	165,066
9/1/2019	54,277	28,256	82,533	
3/1/2020	55,159	27,374	82,533	165,066
9/1/2020	56,055	26,478	82,533	
3/1/2021	56,966	25,567	82,533	165,066
9/1/2021	57,891	24,641	82,533	
3/1/2022	58,832	23,701	82,533	165,066
9/1/2022	59,788	22,745	82,533	
3/1/2023	60,760	21,773	82,533	165,066
9/1/2023	61,747	20,786	82,533	
3/1/2024	62,751	19,782	82,533	165,066
9/1/2024	63,770	18,763	82,533	
3/1/2025	64,807	17,726	82,533	165,066
9/1/2025	65,860	16,673	82,533	
3/1/2026	66,930	15,603	82,533	165,066
9/1/2026	68,017	14,515	82,533	
3/1/2027	69,123	13,410	82,533	165,066
9/1/2027	70,246	12,287	82,533	
3/1/2028	71,387	11,145	82,533	165,066
9/1/2028	72,548	9,985	82,533	
3/1/2029	57,304	7,887	65,191	147,724
9/1/2029	-	-	-	
3/1/2030	-	-	-	-
9/1/2030	-	-	-	
3/1/2031	-	-	-	-
9/1/2031	-	-	-	
3/1/2032	-	-	-	-
TOTAL	**$2,390,000**	**$897,681**	**$3,287,681**	**$ 3,287,681**

BEACH & VILLAGE PARKING II – LEASE FINANCING

DEBT SERVICE

In April 2013, the City of Capitola received $1,372,000 in funding from the California Infrastructure and Economic Development Bank (I-Bank) for development of a parking lot on the former Pacific Cove Mobile Home Park site. The funding was used to create the 226 space Beach & Village Parking Lot II. The project included grading, pay station installation, shuttle bus stops, landscaping, pedestrian walkways, and pay stations for the upper parking lot. The I-Bank loan is 2.26% tax exempt reimbursement financing.

This project improved parking capacity for Capitola Village, Capitola Beach, and Capitola Wharf, and is especially helpful during peak seasons. The additional parking spaces are also anticipated to facilitate the development of a hotel. The parking lot contributes about $62,500 annual revenue to the General Fund and the I-Bank annual debt service of $87,116 is paid with funds transferred from the General Fund.

SOURCES AND USES

Fund - 1421	FY23/24 Actual	FY24/25 Actual	FY25/26 Amended	FY25/26 Estimated	FY26/27 Proposed	FY27/28 Planned
Beginning Fund Balance	**$ 12**	**$ 12**	**$ 12**	**$ 12**	**$ 12**	**$ 12**
Revenue						
Interfund Transfers	$ 87,788	$ 87,568	$ 87,345	$ 87,345	$ 87,116	$ 86,881
Other Financing Sources	-	-	-	-	-	-
Revenue Totals	**$ 87,788**	**$ 87,568**	**$ 87,345**	**$ 87,345**	**$ 87,116**	**$ 86,881**
Expenditures						
Construction Svcs. & Supplies	$ -	$ -	$ -	$ -	$ -	$ -
Debt Service	87,788	87,568	87,345	87,345	87,116	86,881
Expenditure Totals	**$ 87,788**	**$ 87,568**	**$ 87,345**	**$ 87,345**	**$ 87,116**	**$ 86,881**
Fund Balance at 06/30	**$ 12**	**$ 12**	**$ 12**	**$ 12**	**$ 12**	**$ 12**

Beach & Village Parking Lot II Lease Financing
Debt Service

Payment Dates	Principal	Interest	Total	Fiscal Year
8/1/2014	$ 55,040	15,922	70,962	
2/1/2015		14,887	14,887	$ 85,849
8/1/2015	56,284	18,840	75,124	
2/1/2016		14,251	14,251	89,375
8/1/2016	57,556	18,035	75,591	
2/1/2017		13,601	13,601	89,192
8/1/2017	58,857	17,212	76,069	
2/1/2018		12,936	12,936	89,004
8/1/2018	60,187	16,370	76,557	
2/1/2019		12,256	12,256	88,812
8/1/2019	61,547	15,509	77,056	
2/1/2020		11,560	11,560	88,616
8/1/2020	62,938	14,629	77,567	
2/1/2021		10,849	10,849	88,416
8/1/2021	64,360	13,729	78,089	
2/1/2022		10,122	10,122	88,211
8/1/2022	65,815	12,809	78,624	
2/1/2023		9,378	9,378	88,002
8/1/2023	67,302	11,868	79,170	
2/1/2024		8,618	8,618	87,788
8/1/2024	68,823	10,905	79,728	
2/1/2025		7,840	7,840	87,568
8/1/2025	70,379	9,921	80,300	
2/1/2026		7,045	7,045	87,344
8/1/2026	71,969	8,915	80,884	
2/1/2027		6,231	6,231	87,116
8/1/2027	73,596	7,886	81,482	
2/1/2028		5,400	5,400	86,881
8/1/2028	75,259	6,833	82,092	
2/1/2029		4,549	4,549	86,641
8/1/2029	76,960	5,757	82,717	
2/1/2030		3,680	3,680	86,396
8/1/2030	78,699	4,657	83,356	
2/1/2031		2,790	2,790	86,146
8/1/2031	80,478	3,531	84,009	
2/1/2032		1,881	1,881	85,890
8/1/2032	82,297	2,380	84,677	
2/1/2033		951	951	85,627
8/1/2033	84,156	1,204	85,360	85,360
Total	**$ 1,372,500**	**$ 375,736**	**$ 1,748,236**	**$ 1,748,236**

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CITY OF

CAPITOLA

Capital Improvement Program

Fiscal Years 2026/27 – 2030/31

CITY COUNCIL

Margaux Morgan, Mayor

Gerry Jensen, Vice Mayor

Joe Clarke

Melinda Orbach

Susan Westman

PREPARED BY

Jessica Kahn, Public Works Director

Jim Malberg, Administrative Services Director

Adopted: June x, 2026

Resolution Number: 2026-xx

Capital Improvement Program (CIP)

Overview and How to Use This Document

What This Document Is

The Capital Improvement Program (CIP) is the City's five-year planning document for major capital investments, including transportation infrastructure, parks and recreation facilities, municipal buildings, stormwater systems, and coastal resilience improvements.

The CIP identifies projects the City expects to plan, design, fund, or construct over the next five fiscal years. While the CIP presents a five-year outlook, only the first fiscal year is formally appropriated through the annual budget process. Projects identified in future years may change based on funding availability, project readiness, regulatory requirements, and City Council direction.

What Is Included in the CIP

Projects are generally included in the CIP if they:

- Have a total estimated cost of $50,000 or greater
- Involve the construction, rehabilitation, replacement, or significant improvement of a public asset
- Represent planning, feasibility, or design work necessary to advance a future capital project

Routine maintenance and operational activities funded through annual operating budgets are generally not included in the CIP.

How Capital Projects Are Developed

Most capital projects advance through multiple phases over several years:

Planning / Feasibility
Studies, alternatives analysis, environmental review, and conceptual development

Design & Permitting
Engineering, cost refinement, regulatory coordination, and permit approvals

Construction
Implementation of physical improvements and project closeout

Not all projects move through these phases at the same pace. Some projects included in the CIP are planning-only efforts, while others are actively under construction or substantially complete. Inclusion in the CIP allows the City to track infrastructure needs over time, coordinate funding and project delivery, position projects for grant opportunities, and support long-term asset management and replacement planning.

How Projects Are Funded

Capital projects are funded through a combination of City, regional, state, federal, and partnership sources. Project sheets identify currently assigned funding sources, as well as future funding needs where additional resources will be required.

Common funding sources used in the CIP include:

General Fund and Capital Reserves
Used selectively for facilities, parks, accessibility improvements, required grant match, and high-priority capital needs

Transportation Funds
Including SB 1, Measure D, Gas Tax, Regional Transportation Commission (RTC) funding, and transportation grant programs

State and Federal Grants
Competitive and formula-based funding programs that often require project readiness, local match, or defined eligibility

Community Development Block Grant (CDBG) Funds
Used for eligible accessibility, community facility, and neighborhood improvement projects

Donations and Partnerships
Primarily supporting park, recreation, and community projects

Future Funding Needs
Used to identify projects or future phases where costs are known or anticipated but funding has not yet been secured

Capital funding sources are subject to important constraints. Restricted funds must be used for eligible purposes, grant funding often depends on project readiness, and larger capital projects may require local match or additional leveraging sources. Construction

cost escalation, permitting requirements, and coastal construction complexity may also increase funding needs as projects advance.

To address these constraints, the City prioritizes restricted and external funding wherever possible and uses local capital funding strategically for grant match, urgent asset repair needs, and projects with clear community benefit that lack dedicated funding sources. The City will continue to evaluate grant, partnership, financing, and other revenue opportunities as capital needs evolve.

How Projects Are Prioritized

Projects included in the CIP reflect a combination of factors, including:

- Public safety and risk reduction
- Asset condition and lifecycle needs
- Regulatory or legal requirements
- Consistency with adopted plans and City Council priorities
- Funding availability and project readiness
- Long-term maintenance and operational considerations

Projects that address multiple factors or demonstrate higher readiness for implementation typically advance earlier within the five-year program.

Project Funding Status

Projects in the CIP may be identified as:

Funded
Sufficient funding has been identified to proceed

Partially Funded
Some funding has been identified; additional funding sources are needed

Unfunded
An identified capital need with no secured funding currently available

Emerging Capital Need
A potential future capital project or infrastructure need identified for long-term planning that is not yet fully scoped or funded

Unfunded, conceptual, and emerging capital need projects are included to support long-term planning, funding strategy development, and future project readiness as opportunities arise.

How to Read the CIP

This document is organized as follows:

Financial Summary Tables
Provide a citywide overview of capital investment by fiscal year and funding source.

Project Detail Sheets
Present individual project descriptions, estimated costs, funding sources, schedules, and project status information.

Projects are also grouped into general infrastructure categories, such as transportation, parks and recreation, municipal facilities, and stormwater/coastal resilience, to help identify the primary infrastructure focus of each project.

Project detail sheets include active projects, planning efforts, concept projects, completed projects, and emerging capital needs identified through ongoing infrastructure and facility planning.

Annual Review

The CIP is reviewed and updated annually to reflect project progress, updated cost estimates, new funding opportunities, and City Council direction.

Staff will continue to monitor funding conditions, asset performance, regulatory requirements, and project readiness and will return to City Council with recommendations

CIP Financial Summary – Funding Sources

Completed or Substantially Completed

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Park at Rispin Mansion								
	General Fund/RDA	$ 1,218,844	-	-	-	-	-	$1,218,844
	Measure Q	$ 50,000	-	-	-	-	-	$50,000
	State Parks Grant	$ 178,000	-	-	-	-	-	$178,000
	Project Total							**$1,446,844**
Treasure Cove Playground & Restroom Improvements								
	General Fund (Design)	$351,000	-	-	-	-	-	$351,000
	Fundraising	$965,000	-	-	-	-	-	$965,000
	CDBG (2025)	$2,207,500	-	-	-	-	-	$2,207,500
	Project Total							**$3,523,500**
Community Center Renovation								
	General Fund	$1,867,000	-	-	-	-	-	$1,867,000
	CNRA Grant	$1,000,000	-	-	-	-	-	$1,000,000
	CDBG 2024	$3,365,000	-	-	-	-	-	$3,365,000
	CDBG 2025	$1,055,000	-	-	-	-	-	$1,055,000
	Project Total							**$7,287,000**
41st Avenue Multimodal Improvements								
	RTC Measure D	$695,000	-	-	-	-	-	$695,000
	RMRA SB1	$587,000	-	-	-	-	-	$587,000
	Gas Tax	$60,000						$60,000
	Transportation Grant	$1,000,000	-	-	-	-	-	$1,000,000
	Project Total							**$2,342,000**

Active Programs and Funded Projects

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Stockton Bridge – Bridge Alternatives Evaluation								
	General Fund	$350,000	-	-	-	-	-	$350,000
	WRCB Grant	$500,000	-	-	-	-	-	$500,000
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**$850,000**
Esplanade Park Improvements								
	Coastal Conservancy Grant	$275,000	-	-	-	-	-	$275,000
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**$275,000**
Pavement Management Program (FY26–31)								
	RTC Measure D	-	$ 398,000	$ 409,000	$ 422,000	$ 435,000	$ 448,000	$2,112,000
	RMRA SB1	-	$ 277,000	$ 285,000	$ 294,000	$ 302,000	$ 311,000	$1,469,000
	Program Total							**$3,581,000**

Partially Funded Projects

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Cliff Drive Resiliency Project - Phase 1								
	FHWA Emergency Relief	$ 743,000	-	$ 9,658,000	-	-	-	$10,401,000
	Coastal Commission Grant	$ 450,000	-	-	-	-	-	$450,000
	Non-Federal Match (TBD)	-	-	$ 1,108,000	-	-	-	$1,108,000
	Project Total							**$11,959,000**
Sidewalk Infill Program								
	RTC Grant	-	$100,000	-	-	-	-	$100,000
	Future Funding Needs (Estimate)	-	-	-	-	-	-	$1,300,000
	Program Total							**$1,400,000**
Bay Avenue Corridor								
	General Fund	271,096	-	-	-	-	-	271,096
	Gas Tax	50,285	-	-	-	-	-	50,285
	RTC Grant	-	500,000	-	-	-	-	500,000
	Federal Grant	-	250,000	-	-	-	-	250,000
	Unfunded Needs (To Be Determined)	-	-	-	-	-	-	TBD
	Project Total							**$1,071,381**
Monterey Park Play Area								
	General Fund	$10,000	-	-	-	-	-	$10,000
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**
Grand Avenue Bluff Overlook Improvements								
	General Fund	$31,090	-	-	-	-	-	$31,090
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**

Conceptual / Unfunded Projects

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Cliff Drive Resiliency Project - Future Phases								
	Future Funding Needs (Estimate)	-	-	-	-	-	-	$33,000,000
	Project Total							**$33,000,000**
Noble Gulch Dog Park								
	Future Funding Needs (Estimate)	-	-	-	-	-	-	$75,000
	Project Total							**$75,000**
Corporation Yard EV Charging Infrastructure								
	Future Funding Needs (Estimate)	-	-	-	-	-	-	$300,000
	Project Total							**$300,000**

Emerging Capital Needs

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Perry Park Bridge Rehabilitation								
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**
Noble Gulch Culvert and Drainage System								
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**
Corporation Yard Facility Modernization								
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**
City Hall / Police Station Facility Improvements								
	Future Funding Needs	-	-	-	-	-	-	TBD
	Project Total							**TBD**

CIP Financial Summary – Projected Expenditures

Completed or Substantially Completed

Project	Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Park at Rispin Mansion								
	Construction/Improvements	$ 1,446,844	-	-	-	-	-	$1,446,844
	Project Total							**$1,446,844**
Treasure Cove Playground & Restroom Improvements								
	Design	$351,000	-	-	-	-	-	$351,000
	Construction/Improvements	$2,930,500	-	-	-	-	-	$2,930,500
	Construction Management	$242,000	-	-	-	-	-	$242,000
	Project Total							**$3,523,500**
Community Center Renovation								
	Design	$650,000	-	-	-	-	-	$650,000
	Construction/Improvements	$6,337,000	-	-	-	-	-	$6,337,000
	Construction Management	$300,000	-	-	-	-	-	$300,000
	Project Total							**$7,287,000**
41st Avenue Multimodal Improvements								
	Design/Permitting	$357,377	-	-	-	-	-	$357,377
	Construction/Improvements	-	$1,980,623	-	-	-	-	$1,980,623
	Project Total							**$2,338,000**

Active Programs and Funded Projects

Project	Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Stockton Bridge – Bridge Alternatives Evaluation								
	Planning/Alternatives Analysis	$134,602	$ 715,398	-	-	-	-	$850,000
	Construction/Improvements	-	-	-	-	-	-	TBD
	Project Total							**$850,000**
Esplanade Park Improvements								
	Design Development	-	$ 275,000	-	-	-	-	$275,000
	Construction/Improvements	-	-	-	-	-	-	TBD
	Project Total							**$275,000**
Pavement Management Program (FY26–31)								
	Construction/Improvements	-	$ 675,000	$ 694,000	$ 716,000	$ 737,000	$ 759,000	$3,581,000
	Program Total							**$3,581,000**

Partially Funded Projects

Project	Funding Source	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Cliff Drive Resiliency Project - Phase 1								
	Design/Permitting	$ 512,668	$ 680,332	-	-	-	-	$1,193,000
	Construction/Improvements	-	-	$ 10,766,000	-	-	-	$10,766,000
	Project Total							**$11,959,000**
Sidewalk Infill Program								
	Construction/Improvements	-	$100,000	-	-	-	-	$100,000
	Future Improvements	-	-	-	-	-	-	TBD
	Project Total							**$100,000**
Bay Avenue Corridor								
	Pilot – Alternatives Analysis/Design	161,741	0	0	0	0	0	161,741
	Pilot – Construction/Improvements	83,998	0	0	0	0	0	83,998
	Corridor Planning/Development	$75,642	0	0	0	0	0	75,642
	Future Improvements (TBD)	0	0	0	0	0	0	TBD
	Project Total							**$321,381**
Monterey Park Play Area								
	Planning	-	-	-	-	-	-	TBD
	Construction/Improvements	-	-	-	-	-	-	TBD
	Project Total							**TBD**
Grand Avenue Bluff Overlook Improvements								
	Planning/Alternatives Analysis	$12,308		-	-	-	-	$12,308
	Construction/Improvements	-	-	-	-	-	-	TBD
	Project Total							**$12,308**

Park at Rispin Mansion

Park Development and Public Access Improvements

Project Category	Parks & Recreation
Project Status	Complete
Project Initiated	FY15-16
Total Funding	$1,446,844
City Funding FY26-27	$0
External Funding	$228,000
Funding Sources	General Fund, Parks Grants
Strategic Plan Alignment	Healthy Families, Community, and Environment
Location	Rispin Mansion Property, Wharf Road



Project Description

The Park at Rispin Mansion project transformed the grounds surrounding the historic Rispin Mansion into a publicly accessible neighborhood park with pathways, seating areas, and landscaping. The project preserves the historic setting while providing a high-quality passive recreation space. Development occurred over multiple years with community engagement and planning. Funding shown reflects construction-related costs associated with park improvements dating back to the Rispin ADA pathway project in FY17-18.

Project Justification

Prior to construction, the site was overgrown, fenced, and inaccessible to the public. Development of the park fulfilled a long-standing community goal to open the Rispin property, provide new neighborhood green space, enhance habitat, and stabilize the landscape surrounding the historic structure.

Projected Schedule/5-year Plan Information

Completed. The park is open and actively used by the community. Future enhancements or amenities may be evaluated as opportunities and funding become available.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Construction/Improvements	1,466,844	0	0	0	0	0	1,446,844
Total	**1,466,844**	**0**	**0**	**0**	**0**	**0**	**1,446,844**

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
General Fund/RDA	1,218,844	0	0	0	0	0	**1,218,844**
Measure Q	50,000	0	0	0	0	0	**50,000**
State Parks Grant	178,000	0	0	0	0	0	**178,000**
Total	**1,466,844**	**0**	**0**	**0**	**0**	**0**	**1,446,844**

Operating Budget Impacts

The addition of this park increases ongoing maintenance needs. Two additional maintenance staff positions were added in FY 2025–26 to support this park and other citywide responsibilities. Ongoing costs are incorporated into the Public Works maintenance budget.

Treasure Cove Playground & Restroom Improvements

Universal Play Area, Restroom Renovation, and Park Accessibility Upgrades

Project Category	Parks & Recreation
Project Status	Substantially Completed
Project Initiated	FY22-23
Total Funding	$3,523,500
City Funding FY26-27	$0
External Funding	$3,172,500
Funding Sources	CDBG, Fundraising
Strategic Plan Alignment	Healthy Families, Community, and Environment
Location	Jade Street Park

Project Description

This project upgrades Jade Street Park through construction of the Treasure Cove Playground and renovation of existing restrooms. Improvements include a fully inclusive play area with new equipment, poured-in-place surfacing, seating, and site improvements, along with restroom upgrades addressing accessibility, reliability, and code compliance.

Project Justification

The existing playground has exceeded its useful life and does not meet accessibility standards. The new inclusive playground expands equitable play opportunities and reflects strong community support through fundraising and CDBG investment. Restroom improvements address aging infrastructure, reduce maintenance needs, and support increased park use associated with the playground and Community Center.

Projected Schedule/5-year Plan Information

Construction is underway and expected to be completed by the end of FY 2025–26.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Design	351,000	0	0	0	0	0	**351,000**
Construction/Improvements	2,930,500	0	0	0	0	0	**2,930,500**
Construction Management	242,000	0	0	0	0	0	**242,000**
Total	**3,523,500**	**0**	**0**	**0**	**0**	**0**	3,523,500

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
General Fund	351,000	0	0	0	0	0	**351,000**
Fundraising	965,000	0	0	0	0	0	**965,000**
CDBG 2025	2,207,500	0	0	0	0	0	**2,207,500**
Total	**3,523,500**	**0**	**0**	**0**	**0**	**0**	3,523,500

Operating Budget Impacts

The new playground equipment and poured-in-place surfacing are expected to reduce near-term maintenance needs. Restroom upgrades will improve reliability and reduce repair frequency. No significant increase in operating costs is anticipated.

Community Center Renovation

Facility Upgrades and Accessibility Improvements

Project Category	Municipal Facilities
Project Status	Completed / Substantially Completed
Project Initiated	FY22-23
Total Funding	$7,287,000
City Funding FY26-27	$0
External Funding	$5,420,000
Funding Sources	CNRA, CDBG
Strategic Plan Alignment	Healthy Families, Community, and Environment; Sustainable Infrastructure
Location	Jade Street Park



Project Description

The Community Center Renovation Project upgrades the facility to improve safety, accessibility, and overall functionality. Improvements include restroom renovations, new outdoor patios, interior and exterior repairs, accessibility upgrades, replacement of aging building systems, and installation of EV charging equipment.

Project Justification

Many building components are outdated, do not meet current codes, and require renovation to maintain safe and accessible community use. Under the Long-Term Use Agreement (LTUA) with the school district, the City is responsible for maintaining and improving major building systems. The project leverages CNRA and CDBG funding to complete improvements that would otherwise exceed local resources, while reducing long-term maintenance needs and supporting sustainability goals.

Projected Schedule/5-year Plan Information

Construction is underway and expected to be completed within FY 2025–26.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Design	650,000	0	0	0	0	0	**650,000**
Construction/Improvements	6,337,000	0	0	0	0	0	**6,337,000**
Construction Management	300,000	0	0	0	0	0	**300,000**
Total	**7,287,000**	**0**	**0**	**0**	**0**	**0**	**7,287,000**

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
General Fund	1,867,000	0	0	0	0	0	**1,867,000**
CNRA Grant	1,000,000	0	0	0	0	0	**1,000,000**
CDBG 2024	3,365,000	0	0	0	0	0	**3,365,000**
CDBG 2025	1,055,000	0	0	0	0	0	**1,055,000**
Total	**7,287,000**	**0**	**0**	**0**	**0**	**0**	**7,287,000**

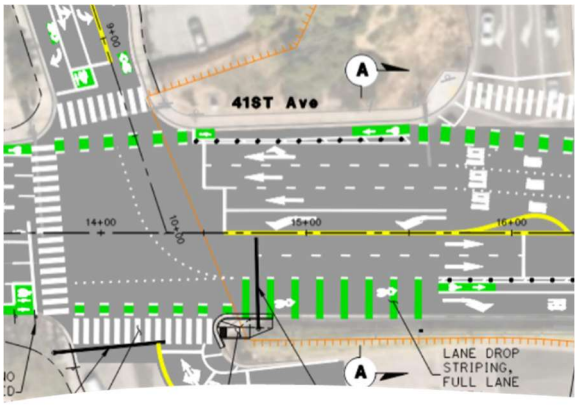
Operating Budget Impacts

The project is expected to reduce long-term maintenance needs and improve operational efficiency. No significant increase in operating costs is anticipated.

41st Avenue Multimodal Improvements

Corridor Safety and Multimodal Upgrades

Project Category	Transportation & Mobility
Project Status	Construction
Project Initiated	FY24-25
Total Funding	$2,342,000
City Funding FY26-27	$0
External Funding	$1,000,000
Funding Sources	RTC, SB1, Transportation Grant
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	41st Avenue, Clares Street to northern City Limits



Project Description

The 41st Avenue Multimodal Improvements Project will reconstruct pavement and upgrade bicycle, pedestrian, and wayfinding features along Capitola's busiest corridor. Improvements include pavement rehabilitation, resurfacing, enhanced bike lanes, high-visibility crossings, new curb ramps, and improved SR-1 wayfinding.

Project Justification

41st Avenue has significant pavement distress, outdated striping, and inconsistent multimodal facilities identified through the Pavement Management Plan and corridor evaluations. The project addresses long-standing safety and access issues while improving overall roadway condition. Design and construction are funded through RTC and related transportation funding sources, reducing local cost impacts.

Projected Schedule/5-year Plan Information

Design and Caltrans coordination were completed in late 2025. Construction will begin in spring 2026.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Design/Permitting	357,377	0	0	0	0	0	**357,377**
Construction/Improvements	0	1,980,623	0	0	0	0	**1,980,623**
Total	**357,377**	**1,980,623**	**0**	**0**	**0**	**0**	**2,338,000**

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
1309 RTC Measure D	**695,000**	0	0	0	0	0	**695,000**
1308 RMRA SB 1	**587,000**	0	0	0	0	0	**587,000**
Gas Tax	**60,000**	0	0	0	0	0	**60,000**
Transportation Grant	**1,000,000**	0	0	0	0	0	**1,000,000**
Total	**2,342,000**	**0**	**0**	**0**	**0**	**0**	**2,342,000**

Operating Budget Impacts

Ongoing maintenance will be incorporated into routine street and sign maintenance activities. No significant increase in operating costs is anticipated.

Stockton Bridge

Bridge Alternatives Evaluation and Future Improvement Planning

Project Category	Transportation & Mobility
Project Status	Planning / Evaluation
Project Initiated	FY23-24
Total Funding	$850,000
City Funding FY26-27	$0
External Funding	$500,000
Funding Sources	General Fund, WRCB Grant
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	Stockton Bridge



Project Description

This project expands ongoing work to evaluate options for the future of the Stockton Avenue Bridge, including replacement, retrofit, and deck rehabilitation alternatives. Work is expected to include preliminary concepts, cost estimates, environmental and permitting considerations, anticipated timelines, expected service life evaluations, and potential funding strategies.

Project Justification

The Stockton Avenue Bridge is an aging structure with known flood and debris risks and limited remaining service life. On April 9, 2026, Council directed staff to return with a proposed scope of work to evaluate a full range of alternatives and support selection of a preferred long-term approach.

Projected Schedule/5-year Plan Information

Staff is preparing an additional scope of work under the existing consultant contract and will return to Council for consideration. Alternatives analysis will follow, with a future decision point to select a preferred approach. Final design, permitting, and construction will proceed based on Council direction and funding availability.

Funding Information

Expenditures	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Planning/Alternatives Analysis	134,602	715,398	0	0	0	0	**850,000**
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**134,602**	**715,398**	**0**	**0**	**0**	**0**	**850,000**
Funding Sources	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
General Fund	350,000	0	0	0	0	0	350,000
WRCB Grant	500,000	0	0	0	0	0	500,000
Future Funding Needs	-	-	-	-	-	-	**TBD**
Total	**850,000**	**0**	**0**	**0**	**0**	**0**	**850,000**

Operating Budget Impacts

No significant impacts during the evaluation phase. Future operating and maintenance costs will depend on the selected alternative. Some options may reduce long-term maintenance needs, while others may require continued maintenance.

Esplanade Park

Shoreline Adaptation and Park Enhancements

Project Category	Parks & Recreation; Stormwater & Coastal Resilience
Project Status	Planning / Evaluation
Project Initiated	FY25-26
Total Funding	$325,000
City Funding FY26-27	$0
External Funding	$275,000
Funding Sources	Coastal Conservancy Grant
Strategic Plan Alignment	Healthy Families, Community, and Environment; Sustainable Infrastructure



Project Description

The Esplanade Park Improvements Project focuses on planning and design to enhance the park's appearance, amenities, and accessibility while addressing long-term coastal conditions. The project will develop conceptual improvements and adaptation strategies to create a more functional and resilient waterfront space.

Project Justification

Esplanade Park is a highly visited coastal space, but aging features, storm impacts, and shoreline exposure affect comfort, safety, and usability. Upgrades are needed to refresh the park experience and improve resilience to coastal conditions. In FY 2025–26, City Council allocated $50,000 to initiate planning. Early planning and design are funded through a Coastal Conservancy grant, allowing the City to advance improvement concepts and position the project for future construction funding.

Projected Schedule/5-year Plan Information

Consultant work will begin in FY 2025–26, including concept development and community engagement. Preliminary design, environmental review, and coastal permitting will follow. Construction will advance as additional funding becomes available.

Funding Information

Expenditures	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Design Development	0	275,000	0	0	0	0	**275,000**
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**0**	**275,000**	**0**	**0**	**0**	**0**	**275,000**
Funding Sources	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
General Fund	**50,000**	0	0	0	0	0	**50,000**
Coastal Conservancy Grant	**275,000**	0	0	0	0	0	**275,000**
Future Funding Needs	-	-	-	-	-	-	**TBD**
Total	**325,000**	**0**	**0**	**0**	**0**	**0**	**325,000**

Operating Budget Impacts

No significant operating impacts are anticipated during planning. Long-term improvements may reduce emergency maintenance needs associated with storm events.

2026-2027 Pavement Management Program

Annual Street Maintenance and Rehabilitation Program

Total Funding (5-Year Cycle)	$3,581,000
City Funding FY26-27	$0
External Funding	$3,581,000
Funding Sources	RTC, SB1
Project Category	Pavement & Streets
Project Status	Active
Location	Various
Origin of Request	Public Works

Initiated FY21-22



Project Description

The Pavement Management Program provides annual funding to resurface and repair City streets. Typical work includes slurry seals, thin overlays, pavement patching, striping refresh, and minor curb and gutter repairs. Street selections are based on pavement condition data, available funding, and coordination with other capital projects. In some years, larger roadway segments are delivered as standalone capital projects and tracked separately in the CIP (e.g., 41st Avenue improvements in FY 2025–26).

Project Justification

Routine pavement maintenance prevents streets from deteriorating into costly reconstruction and helps preserve the City's roadway network. The 2022 Pavement Management Plan reported a citywide PCI of 54, indicating many streets are in "fair" condition and require ongoing maintenance. Annual funding allows staff to apply cost-effective treatments at the appropriate time and coordinate work with utilities and other capital projects.

Projected Schedule/5-year Plan Information

This is an ongoing annual program. Specific streets and treatment types are determined each fiscal year based on updated pavement condition data, available funding, and coordination needs. The next Pavement Management Plan update is anticipated in FY 2027–28.

Funding Information

Expenditures		**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Construction/Improvements		675,000	694,000	716,000	737,000	759,000	**3,581,000**
	Total	**675,000**	**694,000**	**716,000**	**737,000**	**759,000**	**3,581,000**

Funding Sources		**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
1309 RTC Measure D		398,000	409,000	422,000	435,000	448,000	**2,112,000**
1308 RMRA SB 1		277,000	285,000	294,000	302,000	311,000	**1,469,000**
	Total	**675,000**	**694,000**	**716,000**	**737,000**	**759,000**	**3,581,000**

Operating Budget Impacts

Ongoing maintenance is incorporated into routine operations. No significant increase in operating costs is anticipated.

Cliff Drive Resiliency Project – Phase 1

Critical Bluff Stabilization and Resiliency Improvements

Project Category	Stormwater & Coastal Resilience
Project Status	Planning / Design
Project Initiated	FY23-24
Total Funding	$11,959,000
City Funding FY26-27	$0
External Funding	$10,851,000
Funding Sources	FHWA ER, Coastal Commission Grant
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	Cliff Drive



Project Description

The Cliff Drive Resiliency Project – Phase 1 focuses on the most critical bluff failure area along Cliff Drive. The project includes geotechnical evaluation, coastal hazard modeling, drainage assessment, environmental review, permitting, and preparation of engineering plans for bluff stabilization and roadway protection improvements.

Project Justification

Ongoing bluff retreat and storm damage along Cliff Drive present risks to roadway stability, underground utilities, emergency access, and adjacent coastal resources. Phase 1 addresses the most vulnerable section of the corridor and is intended to stabilize critical infrastructure while advancing long-term coastal resiliency planning. The broader Cliff Drive corridor includes additional bluff stabilization and resiliency needs that are expected to require future phased improvements beyond the scope of this initial project. Initial planning, engineering, and future construction funding for Phase 1 are supported through FHWA Emergency Relief and Coastal Commission grant funding.

Projected Schedule/5-year Plan Information

Technical studies, engineering design, environmental review, and permitting for Phase 1 are underway. Construction is anticipated following completion of permitting and final funding coordination.

Funding Information

Expenditures	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Design/Permitting	859,000	334,000	0	0	0	0	**1,193,000**
Construction/Improvements	0	0	10,766,000	0	0	0	**10,766,000**
Total	**859,000**	**334,000**	**10,766,000**	**0**	**0**	**0**	**11,959,000**

Funding Sources	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
FHWA ER	743,000	0	9,658,000	0	0	0	**10,401,000**
Coastal Commission Grant	450,000	0	0	0	0	0	**450,000**
Non-Federal Match (TBD)	0	0	1,108,000	0	0	0	**1,108,000**
Total	**1,193,000**	**0**	**10,766,000**	**0**	**0**	**0**	**11,959,000**

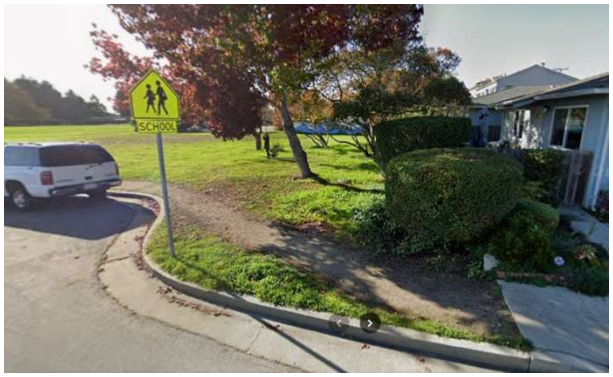
Operating Budget Impacts

No significant operating impacts are expected during planning and design. Future improvements may reduce emergency maintenance needs along the corridor.

Sidewalk Infill Program

Ongoing Sidewalk Infill and Gap Closure Program

Project Category	Transportation & Mobility
Project Status	Partially Funded
Project Initiated	FY25-26
Total Funding	$100,000
City Funding FY26-27	$0
External Funding	$100,000
Funding Sources	RTC Grant
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	Various



Project Description

The Sidewalk Infill Program addresses missing sidewalk segments throughout the City to improve pedestrian safety, accessibility, and neighborhood connectivity. The program focuses on closing short but critical gaps where pedestrians currently walk in the roadway or along narrow shoulders. Funding identified for FY 2026–27 will support construction of a priority segment, with additional locations to be advanced as future funding becomes available.

Project Justification

Staff has identified approximately $1.4 million in citywide sidewalk infill needs. These gaps create safety concerns and limit access to schools, parks, and neighborhood destinations. The City was awarded approximately $100,000 in Regional Transportation Commission (RTC) funding, which may support construction of one priority segment in FY 2026–27. Additional funding will be required to address remaining identified gaps over time. Future sidewalk infill projects may also be competitive for Community Development Block Grant (CDBG) funding where projects support accessibility, neighborhood connectivity, or low/moderate-income areas

Projected Schedule/5-year Plan Information

This is an ongoing program. A priority segment will be constructed in FY 2026–27 based on available funding. Additional segments will be implemented as funding becomes available.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Construction/Improvements	0	100,000	0	0	0	0	**100,000**
Total	**0**	**100,000**	**0**	**0**	**0**	**0**	**100,000**

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
RTC Grant	0	100,000	0	0	0	0	**100,000**
Future Funding Needs (Estimate)	0	0	0	0	0	0	**1,300,000**
Total	**0**	**100,000**	**0**	**0**	**0**	**0**	**1,400,000**

Operating Budget Impacts

Ongoing maintenance will be incorporated into routine sidewalk maintenance activities. No significant increase in operating costs is anticipated.

Bay Avenue Corridor

Traffic, Pedestrian, and Bicycle Improvements



Project Category	Transportation & Mobility
Project Status	Planning / Evaluation
Project Initiated	FY22-23
Total Funding	$1,071,381
City Funding FY26-27	$0
External Funding	$750,000
Funding Sources	General Fund, RTC Grant, Federal Grant
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	Bay Avenue, Monterey Avenue to Highway 1

Project Description

The Bay Avenue Corridor Improvements Project evaluates transportation safety, pedestrian, bicycle, and circulation improvements along Bay Avenue from Monterey Avenue to the Highway 1 ramps. Work has included corridor analysis, safety review, community outreach, operational evaluation, and temporary pilot improvements used to evaluate corridor safety and circulation.

Project Justification

Bay Avenue serves schools, neighborhoods, commercial areas, and regional traffic and experiences congestion, turning conflicts, pedestrian safety concerns, and bicycle access challenges. The Bay Avenue / Hill Street Pilot Project evaluated near-term safety improvements and provided operational data and community feedback that informed the broader corridor planning effort and future evaluation of potential improvements within the corridor.

Projected Schedule/5-year Plan Information

Corridor analysis, conceptual planning, community outreach, and pilot project evaluation have been completed. Future efforts may include lower-cost operational, pedestrian, bicycle, or traffic safety improvements as funding opportunities are identified. The project has secured RTC funding for future project development and $250,000 in federal funding for eligible construction activities.

Funding Information

Expenditures	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
Pilot – Alternatives Analysis/Design	161,741	0	0	0	0	0	161,741
Pilot – Construction/Improvements	83,998	0	0	0	0	0	83,998
Corridor Planning/Development	75,642	0	0	0	0	0	75,642
Future Improvements (TBD)	0	0	0	0	0	0	TBD
Total	**321,381**	**0**	**0**	**0**	**0**	**0**	**321,381**

Funding Sources	Prior FYs	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	Total
General Fund	271,096	0	0	0	0	0	271,096
Gas Tax	50,285	0	0	0	0	0	50,285
RTC Grant	0	500,000	0	0	0	0	500,000
Federal Grant	0	250,000	0	0	0	0	250,000
Unfunded Needs (TBD)	0	0	0	0	0	0	TBD
Total	**321,381**	**750,000**	**0**	**0**	**0**	**0**	**1,071,381**

Operating Budget Impacts

No significant operating impacts are anticipated during planning and project development. Future improvements may add minor maintenance needs that can be incorporated into routine Public Works operations.

Monterey Park Play Area

Play Area Evaluation and Neighborhood Outreach



Project Category	Parks & Recreation
Project Status	Planning / Outreach
Project Initiated	FY25-26
Total Funding	$10,000
City Funding FY26-27	$0
External Funding	$0
Funding Sources	General Fund
Strategic Plan Alignment	Healthy Families, Community, and Environment

Project Description

The Monterey Park Play Area Project will explore options to add or improve recreational amenities at Monterey Park. The project is in the early planning stage and will begin with community outreach and concept development to identify desired improvements for this neighborhood park, which currently includes a walking loop and sports field.

Project Justification

In FY 2025–26, City Council allocated $10,000 to initiate planning for potential upgrades at Monterey Park. The park serves a residential neighborhood and currently lacks defined play features. Outreach and concept development are needed to identify community priorities and determine the scale, cost, and feasibility of future improvements. A defined concept will position the City to pursue design and construction funding.

Projected Schedule/5-year Plan Information

Initial community outreach is underway in FY 2025–26. Based on outreach results, concept development may continue into FY 2026–27. Future design and construction will depend on identified priorities and funding availability.

Funding Information

Expenditures	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Planning	0	0	0	0	0	0	**0**
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Funding Sources	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
General Fund	10,000	0	0	0	0	0	10,000
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**10,000**	**0**	**0**	**0**	**0**	**0**	**10,000**

Operating Budget Impacts

Minimal impacts are expected during planning. Future operating needs will depend on the type of improvements selected.

Grand Avenue Bluff Overlook Improvements

Bluff-Top Overlook and Safety Improvements

Project Category	Parks & Recreation
Project Status	Planning/Concept Development
Project Initiated	FY25-26
Total Funding	$31,090
City Funding FY26-27	$0
External Funding	$0
Funding Sources	General Fund
Strategic Plan Alignment	Community Safety; Healthy Families, Community, and Environment
Location	Grand Avenue street ends



Project Description

This project will evaluate and develop concepts for public safety and coastal access improvements at the Grand Avenue street termini along the Depot Hill bluff. The project focuses on small-scale overlook improvements rather than a continuous pathway, including evaluation of bluff stability, drainage, and basic features such as viewing areas, fencing, seating, and signage.

Project Justification

This area has a long history of bluff erosion, storm damage, and drainage issues that have affected prior pathway concepts and limit long-term feasibility. On April 9, 2026, City Council directed staff to shift focus from a continuous pathway to smaller, safer improvements at bluff-top street ends. This approach maintains public access and coastal views while responding to ongoing erosion and site constraints.

Projected Schedule/5-year Plan Information

Concept development may occur in FY 2026–27. Future design, permitting, and construction will depend on feasibility, Coastal permitting, and funding availability.

Funding Information

Expenditures	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
Planning/Alternatives Analysis	12,308	-	-	-	-	-	**12,308**
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**12,308**	**0**	**0**	**0**	**0**	**0**	**12,308**

Funding Sources	**Prior FYs**	**FY26-27**	**FY27-28**	**FY28-29**	**FY29-30**	**FY30-31**	**Total**
General Fund	31,090	-	-	-	-	-	**31,090**
Construction/Improvements	-	-	-	-	-	-	**TBD**
Total	**31,090**	**0**	**0**	**0**	**0**	**0**	**31,090**

Operating Budget Impacts

Minimal impacts are expected during planning. Future operating needs will depend on the type of improvements selected.

Noble Gulch Park – Dog Park Improvements

Concept Development and Future Implementation



Project Category	Parks & Recreation
Project Status	Concept Phase / Unfunded
Project Initiated	FY22-23
Total Funding Need (Estimate)	$75,000
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Healthy Families, Community, and Environment
Location	Noble Gulch Park

Project Description

The Noble Gulch Dog Park Project would create a small dog park area within Noble Gulch Park, improving accessibility and providing new recreational space within a constrained site. Concept improvements include fencing, an accessible entry, ADA-compliant pathways, waste receptacles, and signage. Final design, drainage solutions, and amenities will be shaped by site constraints and community input.

Project Justification

Noble Gulch Park has known ADA access deficiencies and seasonal drainage issues, and the proposed dog park area currently lacks accessible routes. City Council supported the concept and approved a Coastal Development Permit in 2024 but deferred funding, noting the need for additional design refinement and potential community fundraising.

A dog park would expand recreational opportunities in an underutilized portion of the park; however, additional work is needed to define scope, cost, and feasibility before the project can advance. A prior conceptual estimate for the project was approximately $75,000; however, costs will be refined through future design.

Projected Schedule/5-year Plan Information

No work is currently scheduled. Future steps such as community outreach, concept refinement, and design will proceed only if funding is identified in a future budget cycle or through donations.

Funding Information

No funding is currently identified. Project costs will be determined through future concept development and design. Potential funding sources may include City funds, grants, or community fundraising.

Operating Budget Impacts

No operating impacts are anticipated until the project advances. If constructed, the dog park would add minor annual maintenance needs related to fencing, waste management, and seasonal closures.

Corporation Yard EV Charging Infrastructure

Fleet Electrification Support Improvements

Project Category	Municipal Facilities
Project Status	Grant Dependent
Project Initiated	FY26-27
Total Funding Need (Estimate)	$300,000
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Sustainable Infrastructure; Accountable Government
Location	Corporation Yard



Project Description

The Corporation Yard EV Charging Infrastructure Project would install the on-site ("behind-the-meter") electrical infrastructure needed to support electric vehicle (EV) charging. Improvements include electrical service upgrades, trenching, conduit, wiring, and infrastructure to support Level 2 and Level 3 chargers.

Utility-side upgrades up to the meter are being provided separately through Pacific Gas and Electric Company and are not part of this project.

Project Justification

State regulations adopted by the California Air Resources Board require public agencies to transition to zero-emission vehicles over time, including requirements for new light-duty vehicle purchases to be zero-emission beginning in 2027. The Corporation Yard currently lacks the electrical capacity needed to support future fleet electrification.

Utility upgrades to the meter are being provided at no cost through Pacific Gas and Electric Company, though program availability is limited. The City is responsible for on-site charging infrastructure improvements. Grant funding and rebates are expected to offset project costs.

Projected Schedule/5-year Plan Information

No construction is currently scheduled. The project is dependent on securing grant funding and utility coordination. If funding is not secured, the project will be deferred.

Funding Information

The total estimated project cost is approximately $300,000. Potential funding sources may include future grants through the Monterey Bay Air Resources District, along with incentives from Central Coast Community Energy and Pacific Gas and Electric Company. No City funding is currently identified, and the project will not proceed without securing sufficient external funding.

Operating Budget Impacts

No significant operating impacts are anticipated. The project supports transition to electric vehicles, which may reduce long-term fuel and maintenance costs.

Perry Park Bridge Rehabilitation

Potential Future Rehabilitation Need

Project Category	Parks & Recreation
Project Status	Emerging Capital Need
Project Initiated	FY25-26
Total Funding Need (Estimate)	TBD
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Community Safety; Healthy Families, Community, and Environment
Location	Perry Park / Rispin Property Crossing



Project Description

The Perry Park Bridge rehabilitation effort would address aging structural components, corrosion, and long-term maintenance needs associated with the pedestrian and bicycle bridge connecting Perry Park and the Rispin property. Potential future work may include steel repairs, repainting, deck improvements, drainage modifications, and rehabilitation of structural connections and bearings.

Project Justification

The bridge was constructed in 1996 and consists of parallel pedestrian and bicycle bridge spans crossing Soquel Creek. A 2021 structural evaluation identified moderate to severe corrosion in several bridge components, including end vertical members, floor beams, chord splices, welded joints, and bearing areas. The evaluation also identified localized areas of through-thickness corrosion and recommended ongoing repair and maintenance work to extend the bridge's service life.

Since that time, the City has completed targeted repair work and additional investigation of concealed structural elements, including repairs to corroded floor beams and end vertical members. Staff continues to monitor bridge condition and remaining service life as part of ongoing infrastructure maintenance planning.

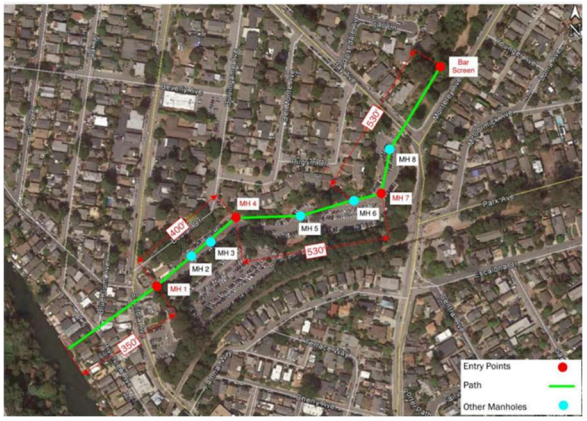
Funding Information

Currently unfunded. Future scope, schedule, and project costs will be determined following completion of ongoing evaluation and maintenance work.

Noble Gulch Culvert and Drainage System

Potential Future Drainage and Culvert Rehabilitation Need

Project Category	Stormwater & Coastal Resilience
Project Status	Emerging Capital Need
Project Initiated	FY25-26
Total Funding Need (Estimate)	TBD
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Community Safety; Sustainable Infrastructure
Location	Lower Noble Gulch Drainage System



Project Description

This project would address long-term rehabilitation and replacement needs within the lower Noble Gulch culvert and drainage system. Potential future work may include culvert rehabilitation or replacement, storm drain improvements, drainage capacity upgrades, bank stabilization, and related infrastructure improvements needed to improve long-term system reliability and flood resilience.

Project Justification

The lower Noble Gulch drainage system includes aging stormwater infrastructure with a history of flooding and ongoing maintenance needs. A 2024 condition assessment of the Noble Gulch Culvert identified areas of deterioration, prior repairs, and infrastructure components that may require future rehabilitation or replacement as part of long-term system planning.

The drainage system also functions as part of the broader Zone 5 regional stormwater network evaluated through the 2023 Zone 5 Storm Drain Master Plan Update. Future capital improvements may be necessary to improve long-term condition, drainage performance, maintenance access, and resilience to future storm events and climate impacts. Future evaluation, maintenance coordination, and funding efforts may also occur pursuant to the existing cooperative agreement between the City, Zone 5, and the County regarding portions of the Noble Gulch drainage system.

Funding Information

Currently unfunded. Future scope, schedule, and project costs will be determined through additional evaluation, coordination with Zone 5 regional planning efforts, and future condition assessment work.

Corporation Yard Facility Modernization

Long-Term Facility and Operational Needs

Project Category	Municipal Facilities
Project Status	Emerging Capital Need
Project Initiated	FY25-26
Total Funding Need (Estimate)	TBD
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Sustainable Infrastructure; Accountable Government
Location	Corporation Yard



Project Description

This project would evaluate long-term modernization and operational improvements at the Corporation Yard. Potential future work may include rehabilitation or phased improvements to aging buildings and site infrastructure; improved circulation and storage areas; utility and drainage upgrades; fleet and equipment accommodations; employee support facilities; and operational efficiency improvements.

Project Justification

The Corporation Yard serves as the primary operations, maintenance, fleet, and equipment facility for the Public Works Department. Existing buildings and site infrastructure were developed incrementally over time and may no longer fully support current operational, storage, maintenance, fleet, safety, accessibility, sustainability, and employee facility needs.

Original facility plans indicate the site was developed for a smaller-scale municipal operation and includes aging building systems, utility infrastructure, fuel system components, and operational layouts that predate many current building, accessibility, energy, and operational standards. The site may require substantial long-term investment to support continued Public Works operations, emergency response readiness, and long-term continuity of City maintenance and field operations.

Funding Information

Currently unfunded. Future scope, schedule, and project costs will be determined through additional facility planning, operational evaluation, condition assessment, and identification of future funding opportunities.

City Hall / Police Station Facility Improvements

Long-Term Facility and Operational Needs

Project Category	Municipal Facilities
Project Status	Emerging Capital Need
Project Initiated	FY25-26
Total Funding Need (Estimate)	TBD
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Community Safety; Accountable Government; Sustainable Infrastructure
Location	City Hall / Police Station Campus



Project Description

This project would address long-term facility and operational needs associated with City Hall and the Police Station. Potential future improvements may include accessibility upgrades, replacement of aging building systems, space reconfiguration, flood resilience measures, modernization of public service areas, and evaluation of long-term facility options needed to support continued City operations and public services.

Project Justification

The City Hall and Police Station facilities were expanded into their current configuration in 1976 and are reaching a stage where significant investment may be required to maintain long-term functionality and operational reliability. A 2024 Facility Needs Assessment identified deficiencies related to building systems, accessibility, space limitations, operational functionality, and floodplain constraints.

The assessment identified aging roofing, HVAC, drainage, lighting, accessibility, and exterior circulation systems, along with space limitations that no longer meet accepted operational standards for City Hall and Police Department functions. Future capital planning will be needed to evaluate long-term facility needs, operational requirements, and potential improvement strategies to support continued public service operations.

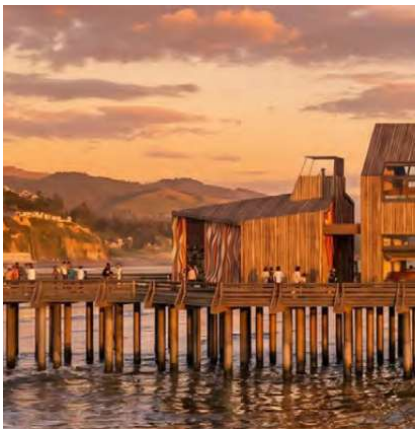
Funding Information

Currently unfunded. Future scope, schedule, and project costs will be determined through additional facility planning, operational evaluation, and future City Council direction.

Wharf Lifeguard, Marine Safety, and Public Facilities

Long-Term Wharf Public Safety and Visitor Services Improvements

Project Category	Municipal Facilities
Project Status	Emerging Capital Need
Project Initiated	FY25-26
Total Funding Need (Estimate)	TBD
City Funding FY26-27	$0
External Funding	$0
Funding Sources	Future Funding Needs
Strategic Plan Alignment	Community Safety; Healthy Families, Community, and Environment; Sustainable Infrastructure
Location	Capitola Wharf



Project Description

This project would implement public safety and visitor-serving facility improvements identified in the Wharf Master Plan. Potential future work may include construction of a lifeguard and marine rescue facility, public restroom facilities, public access amenities, storage areas for marine rescue equipment, and related utility, accessibility, and site improvements necessary to support year-round Wharf operations and public use.

Project Justification

The adopted Wharf Master Plan identifies additional public facilities needed to support public safety, visitor services, and long-term operation of the Wharf. Proposed improvements include a dedicated lifeguard station with marine rescue watercraft storage and lookout area, as well as additional public restroom facilities to serve Wharf visitors. These facilities would enhance emergency response capabilities, support increasing visitor use, and improve the overall public experience while maintaining the Wharf as a key recreational, coastal access, and visitor-serving destination.

Funding Information

Currently unfunded. Future scope, schedule, and project costs will be determined through additional facility planning, operational evaluation, and future City Council direction.

General Fund Summary

Major Categories	FY 23/24 Actual	FY 24/25 Actual	FY 25/26 Amended	FY 25/26 Estimated	FY 26/27 Proposed	FY 27/28 Planned
Revenues						
Taxes	$ 14,495,884	$ 15,087,639	$ 16,883,877	$ 16,883,877	$ 17,477,145	$ 18,039,441
Licenses and permits	767,635	745,316	734,500	734,500	805,300	778,918
Intergovernmental revenues	230,640	142,486	106,700	106,700	213,678	217,818
Charges for services	2,126,976	2,236,200	2,550,679	2,470,679	2,673,128	2,673,128
Fines and forfeitures	425,043	503,122	690,000	690,000	920,000	920,000
Use of money & property	355,181	59,779	139,000	139,000	167,000	167,000
Other revenues	365,348	104,481	97,000	97,000	102,875	104,797
Revenues Totals	**$18,766,706**	**$18,879,022**	**$21,201,756**	**$21,121,756**	**$22,359,126**	**$22,901,102**
Expenditures						
Personnel	$12,099,946	$12,692,358	$14,457,933	$14,260,987	$14,984,534	$15,417,535
Contract services	3,704,267	3,799,530	3,851,191	3,820,000	3,991,445	3,905,719
Training & Memberships	143,324	114,877	169,480	150,000	115,380	146,230
Supplies	958,158	854,877	801,700	850,000	879,350	856,350
Grants and Subsidies	125,000	125,000	133,425	133,425	133,425	133,425
Internal service fund charges	1,617,841	1,523,579	1,663,200	1,663,200	1,711,218	1,651,644
Other financing uses	3,271,324	2,288,788	407,344	407,344	487,116	486,881
Expenditures Totals	**$21,919,860**	**$21,399,008**	**$21,484,273**	**$21,284,956**	**$22,302,469**	**$22,597,784**
Impact on Fund Balance	**$ (3,153,154)**	**$ (2,519,986)**	**$ (282,517)**	**$ (163,200)**	**$56,657**	**$303,318**
Budgetary Fund Balance	**$ 2,721,486**	**$ 201,500**	**$ (81,017)**	**$ 38,300**	**$ 94,957**	**$ 398,275**

	Estimated Balance 7/1/2026	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2027
General Fund	**$ 38,300**	**$22,359,126**	**$ -**	**$ 21,815,353**	**$ 487,116**	**$ 94,957**
Designated Reserves						
Contingency Reserve	$2,495,346	$ -	$ -			$ 2,495,346
PERS Contingency Reserve	1,601,142	50,000	-	-	-	1,651,142
Emergency Reserve	1,631,506		-	-	-	1,631,506
Donations	-	-	-	-	-	-
Facility Reserve	282,714	-	-	-	-	282,714
Total Designated Reserves	**$ 6,010,707**	**$ 50,000**	**$ -**	**$ -**	**$ -**	**$ 6,060,707**
Debt Service						
Pac Cove Lease Financing	75,204	-	-		-	75,204
Pac Cove Park	12	-	87,568	87,568	-	12
Total Debt Service	**$ 75,216**	**$ -**	**$ 87,568**	**$ 87,568**	**$ -**	**$ 75,216**
Internal Service Funds						
Stores	$ 55,219	$ 27,000		$ 27,000	$ -	$ 55,219
Information Techology	602,932	$ 401,000	-	401,000	-	602,932
Equipment Replacement	205,914	200,000	-	100,000	-	305,914
Self-Insurance Liability	65,376	832,311		832,311	-	65,376
Workers' Compensation	118,767	350,907		350,907	-	118,767
Compensated Absences	(87,724)	-	300,000	200,000	-	12,276
Total Internal Service Funds	**$ 960,484**	**$ 1,811,218**	**$ 300,000**	**$ 1,911,218**	**$ -**	**$ 1,160,484**
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	$ 146,251	$ 104,000		$ 104,000		$ 146,251
TOT Restricted Revenue	132,333	98,000		98,000		132,333
SB1 RMRA	52,593	276,629		276,629		52,593
RTC Streets	67,096	389,000		389,000		67,096
Gas Tax	261,173	289,747		285,000		265,920
Wharf	863	26,500		60,800		(33,437)
General Plan Update and Maint	152,709	85,000		70,500		167,209
Green Building Education	241,494	30,000		7,500		263,994
Public Art	64,700	25,000		85,000		4,700
Parking Reserve	737	-		-	-	737
Technology Fee	118,059	17,000		16,000		119,059
PEG-Public Education and Govt.	63,594	11,500		30,500		44,594
Capitola Village/Wharf BIA	5,031	146,300	-	145,100		6,231
CDBG Grants	667,539	-		-		667,539
CDBG Program Income	949	-		-		949
Library	17,105	165,000		165,000		17,105
HOME Reuse	1,015,956	20,000		1,000,000		35,956
Housing Trust	364,479	75,000		10,000		429,479
PLHA	126,008	-		31,525		94,483
Cap Hsg Succ- Program Income	1,053,609	20,000		41,500		1,032,109
Total Special Revenue Funds	**$ 4,552,277**	**$ 1,778,676**	**$ -**	**$ 2,816,054**	**$ -**	**$ 3,514,899**
Total Fund Balance - All Funds	**12,988,295**					**10,906,262**

PROPOSED BUDGET
FISCAL YEAR 2026-27







CITY OF CAPITOLA
Capitola, California

Budget Process

Proposed Budget distributed:
April 17th

FAC Meetings:
May 5th and May 26th

City Council Meetings:
May 6th and May 21st

City Council provided direction for budget adoption tonight

General Fund

- Overall Budget balanced
- Estimated ending General Fund balance: $94,957
  - Below $500,000 traditional target fund balance
- Reserve funds $899,000 below policy targets:
  - Contingency Reserve: $520,000
  - Emergency Reserve: $379,000

Other Budget Highlights

- PERS costs continue to rise faster than revenue growth
- Increased parking citation revenue
  - Return to full staffing
- Reductions made to discretionary training
  - City Council: $9,000
  - City-wide departments: $46,000
- Measure Y Projects
  - Measure Y line item added
  - Utilizing $250,000 in FY 2026-27 results in imbalanced budget
  - Measure Y project funding potentially available in FY 2027-28
- Potential for significant one-time revenue

One-Time Revenues

- Received $1 million insurance proceeds
  - Staff recommends returning reserves to policy target amounts
- Still awaiting FEMA/Cal OES 2023 Storm Reimbursements
  - FEMA: $769,655
  - Cal OES: $192,414
- Building Permits
  - $300,000 possibly in fall 2026
- Back payment TOT
  - $300,000 – monthly payments began in May 2026
- Surplus land sale
  - $90,000 – possibly during FY 2026-27

Proposed Five Year Capital Improvement Program

Project Summary

Completed or Substantially Completed

- Four Projects
- $14.2M

Active / Funded

- Three Projects
- $4.7M

Partially Funded / Active Planning

- Five Projects
- Current estimate $14.3M

Unfunded / Concept

- Two Projects

Summary

General Fund

- Current projections show budget structurally balanced utilizing Measure Y funding through FY 2028-29
- FY 2029-30 and beyond: current forecasts show general fund to become imbalanced
- General Fund below target level awaiting FEMA/Cal OES reimbursements. Reserves will be fully funded if insurance payment allocated to reserves

General Fund Revenues

- Potential for several additional one-time revenues in FY 2026-27
- Staff will continue to closely monitor revenues, including sales tax, TOT, parking

General Fund Expenditures

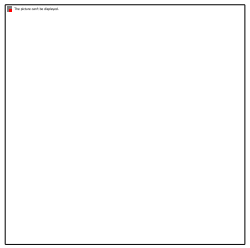
- Maintaining high service levels
- Continued evaluation of contract service costs

Future Council Budget Reports

- September 2026
  - Report on final FY 2025-26 sales tax revenue
  - Update FY 2025-26 ending General Fund balance
  - Update status FY 2026-27 one-time revenues
- December 2026
  - FY 2026-27 1st quarter budget review, including key revenue (sales tax, TOT, parking)
  - Update status FY 2026-27 one-time revenues
- February 2027
  - FY 2026-27 mid-year budget review

Recommended Action

- Approve the Resolution adopting Fiscal Year 2026-27 Operating Budget and Five-Year Capital Improvement Program



Capitola City Council

Agenda Report

Meeting: June 11, 2026

From: City Manager Department

Subject: 2026 General Municipal Election

Recommended Action: Adopt a resolution ordering the 2026 General Municipal Election, requesting the Santa Cruz County Department of Elections conduct the election, and requesting consolidation of the General Municipal Election in the City of Capitola on Tuesday, November 3, 2026.

Background: Pursuant to Chapter 1.30 of the Capitola Municipal Code, General Municipal Elections are to be held on the same day as statewide General Elections. The 2026 General Municipal Election will be held in Capitola on November 3, 2026. At the 2026 General Election, voters will elect three at-large members of the City Council, each for a term of four years. An information sheet regarding the offices to be filled and the nomination procedure is included as Attachment 1.

The City of Capitola's elections have traditionally been consolidated with other Santa Cruz County local elections, and conducted by the Santa Cruz County Elections Department, at the City's request. Pursuant to Elections Code section 10403, the City Council must adopt a resolution ordering an election, requesting consolidation, and requesting the County conduct the election.

California Elections Code requires the City to publish a Notice of Election (Attachment 2) between June 29 and July 13, 2026.

Candidate Information: The City hosted a Candidate Information Night with assistance from the Santa Cruz County Elections Department on June 10, 2026. In addition, the City has two webpages where the public and candidates can seek information about the election and requirements:

- For those thinking about running for City Council: https://www.cityofcapitola.gov/899/Thinking-about-running-for-a-position-on
- For information about the November 2026 Election: https://www.cityofcapitola.gov/982/November-3-2026-Election-Information

The second webpage listed will be updated with candidate information during the nomination period.

Fiscal Impact: The Santa Cruz County Elections Department has provided the following cost estimate: $5 to $7 per voter per contest. The contest refers to the question being posed to the voters. The City Council seats up for election count as one contest. Capitola has approximately 6,900 registered voters. The estimate for one contest is $34,500. The FY 2026-27 Budget has funds allocated for the election.

Attachments:

1. General Municipal Election Information Sheet
2. Notice of Election
3. Resolution Calling Election

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

HOW TO RUN: JULY 13 – AUGUST 7

1) MEET WITH CITY CLERK:

- Schedule an appointment to learn more info and collect forms and nomination papers.

2) GET SIGNATURES:

- Collect 20 to 30 signatures of registered Capitola voters (verified by the County Clerk).

3) FILE ON TIME:

- Turn in all required forms and paperwork by August 7.





CITY HALL:
420 CAPITOLA AVENUE
CAPITOLA, CA, 95010

CONTACT:
JULIA GAUTHO, CAPITOLA CITY CLERK
CITYCLERK@CITYOFCAPITOLA.GOV

831-475-7300
Call For Details



Run for Office!

Capitola City Council Election 2026

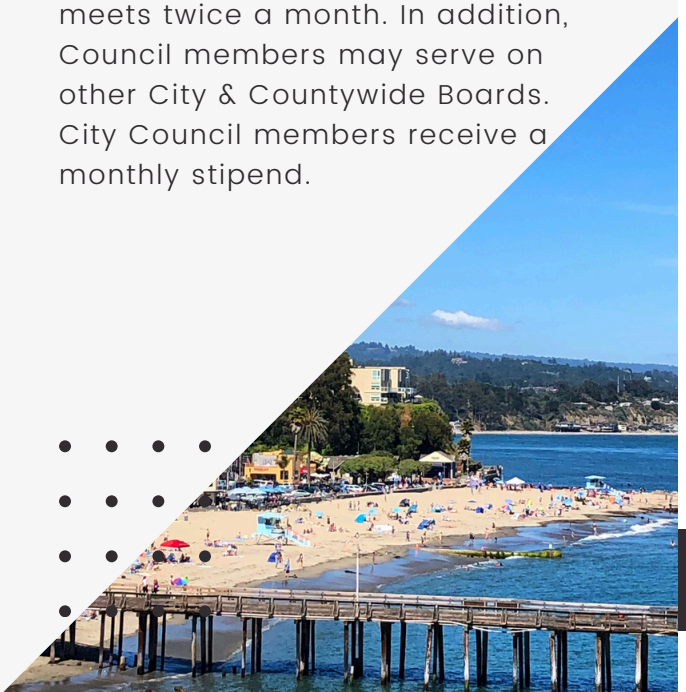
3 SEATS UP FOR ELECTION ON NOVEMBER 3

WHAT DOES CITY COUNCIL DO?

The purpose of the City Council is to establish local laws, establish programs, allocate funds, and provide direction through the City Manager to City staff.

Capitola City Council is composed of five council members, all of whom are directly elected by the voters in the City of Capitola to serve four-year terms. The Council appoints a mayor and vice mayor annually.

Capitola City Council generally meets twice a month. In addition, Council members may serve on other City & Countywide Boards. City Council members receive a monthly stipend.





ELIGIBILITY FOR OFFICE

You must be:

- Capitola resident
- Registered voter
- 18+ years old

You should be:

- Passionate
- Collaborative
- Dedicated to Capitola's future

www.cityofcapitola.gov

WHO CONDUCTS THE ELECTION?

Capitola Municipal Elections are conducted by the Santa Cruz County Clerk / Elections Office and often consolidated with State and Federal regular elections.

Capitola City Council candidates work and file papers with the Capitola City Clerk to have their name on the November 3 general election ballot.





CITY OF CAPITOLA
NOTICE OF ELECTION FOR PUBLIC OFFICE

NOTICE IS HEREBY GIVEN that a General Municipal Election will be held in the City of Capitola, California on Tuesday, November 3, 2026, for the following offices:

THREE (3) MEMBERS OF THE CITY COUNCIL

Terms are four (4) years. Candidate nomination papers will be available beginning July 13, 2026. To pull and submit nomination papers, individuals should inquire with the Capitola City Clerk (cityclerk@cityofcapitola.gov). Nomination papers are issued and filed with the Capitola City Clerk.

The Candidate nomination period is July 13 to August 7*. (*August 12 will be the extended deadline should an eligible incumbent Council Member fail to file for re-election)

If no one or only one person is nominated for an elective office, appointment to the elective office may be made as prescribed in California Elections Code §10229.

The Vote Centers will be open between the hours of 7:00 AM and 8:00 PM on Election Day. Additionally, every registered voter will be mailed a Vote-by-Mail ballot starting 29 days before Election Day. This ballot can be returned by mail, in person at a voting location, or at an official ballot drop box. More information on the voting locations can be found at the Santa Cruz County Elections Department on the Votes Count website at www.votescount.us

For further information, contact the City Clerk's office at 831-475-7300, extension 228, or email cityclerk@cityofcapitola.gov.

CIUDAD DE CAPITOLA
AVISO DE ELECCIÓN PARA PUESTO PÚBLICO

POR LA PRESENTE SE DA AVISO que se llevará a cabo una Elección Municipal General en la Ciudad de Capitola, California el martes, 3 de noviembre de 2026, para los siguientes puestos:

TRES (3) MIEMBROS DEL CONCEJO MUNICIPAL

Los términos son cuatro (4) años. Las personas interesadas en convertirse en candidatos deben presentar documentos de nominación ante el Secretario de la Ciudad (cityclerk@cityofcapitola.gov). El período de nominación se extiende desde el lunes, 13 de julio de 2026, hasta el viernes, 7 de agosto de 2026.

Si los documentos de nominación para un funcionario titular de la Ciudad no se presentan antes de las 5:00 p.m. el X de agosto de 2026, el período de nominación se extenderá hasta el miércoles, 12 de agosto de 2026, a las 5:30 p.m. para nominar sólo a candidatos no titulares. Esta extensión no es aplicable cuando no hay un titular elegible para ser elegido.

Si no se nomina a nadie o sólo se nomina a una persona para un puesto electivo, la designación al puesto electivo se puede hacer según lo prescrito por EC §10229.

El Día de la Elección, las urnas de votación estarán abiertas entre las 7:00 a.m. y 8:00 p.m.

Para obtener más información, comuníquese con Julia Gautho, Secretario de la Ciudad at 831-475-7300, ext. 228, cityclerk@cityofcapitola.gov.

Special Districts and Cities MUST file by .....July 1, 2026

Attachment "D"

Notice to County Clerk of Elective Offices to be Filled And Transmittal of Map and Boundaries

City of Capitola

Name of District/City as it will appear on the ballot

To the County Clerk of Santa Cruz County:

(1) Notice is hereby given that the elective offices of the district/city to be elected

Check one: ☒ at large or
☐ by division

at the General Election scheduled for November 3, 2026, are as follows:

Office	Incumbent's name	Term	District/Division (if app)
City Council Member	Joe Clarke, Elected in 2022	4 Years	N/A
City Council Member	Margaux Morgan, Appointed in 2025	4 Years	N/A
City Council Member	Susan Westman, Appointed in 2025	4 Years	N/A

Special Districts: No election will be held if there is an insufficient number of nominees.

Cities: If there is an insufficient number of nominees, city council will decide to fill the office by appointment by E-75 (August 20) or proceed with the election. If any city measure is on the ballot, the election is held regardless.

(2) The qualifications of a nominee of an elective officer of the district/city are as follows (i.e. a registered voter in the district/city, homeowner in district):

Resident & Registered Voter in the City

(3) The Candidate's Statement of Qualifications shall be limited to

Check one: ☒ 200 words
☐ 400 words (double the cost)

Candidates are permitted to file a statement to be posted online only
Check one: ☒ 200 words
☐ 400 words (double the cost)

Candidates are responsible for paying the cost of printing their Candidate's Statement of Qualifications in the County Voter Information Guide or posting online at the time of filing his/her statement.

Check one: ☒ Yes
☐ No. The District/City will pay the cost.

Candidates for special districts pay the County Clerk. Candidates for city offices pay the City Clerk.

(4) Tie votes for City and District elections are resolved by lot according to Elections Code §15651 and §10551. In lieu of resolving a tie vote by lot the District/City may resolve a tie vote by the conduct of a special runoff election, pursuant to §15651 (b). A special runoff election shall be held only if the legislative body adopts the provisions of this code prior to the conduct of the election. If a legislative body decides to call a special runoff election in the event of a tie vote, all future elections conducted by that body shall be resolved by the conduct of a special runoff election, unless the legislative body later repeals the authority for the conduct of a special runoff election.

To conduct a tie vote by special runoff election for this election and all future elections, check here. ☐

(5) Date of last map change: _____. Who should we contact from your jurisdiction to come to our office at 701 Ocean St., Room 310, in Santa Cruz, to review the map on file to confirm the district boundaries?

Name: _____ Phone: _____

E-mail: _____

(Seal of the District/City)

CITY OF CAPITOLA
INCORPORATED
JANUARY 11, 1949
CALIFORNIA

Julia Gautho
Signature (District Secretary/City Clerk)

Dated: 6/11/2026

****

RESOLUTION NO. XXXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA ORDERING AN ELECTION, REQUESTING THE SANTA CRUZ COUNTY DEPARTMENT OF ELECTIONS TO CONDUCT THE ELECTION, AND REQUESTING CONSOLIDATION OF THE GENERAL MUNICIPAL ELECTION IN THE CITY OF CAPITOLA ON TUESDAY, NOVEMBER 3, 2026

WHEREAS, pursuant to Elections Code Section 10002, the governing body of any City may, by Resolution, request the Board of Supervisors of the County to permit the County Elections Official to render specified services to the City relating to the conduct of an election; and

WHEREAS, the Resolution of the governing body of the City shall specify the services requested; and

WHEREAS, pursuant to Elections Code Section 10002, the City shall reimburse the County in full for the services performed upon presentation of a bill to the City; and

WHEREAS, pursuant to Elections Code Section 10400, whenever two or more elections, including bond elections, of any legislative or congressional District, Public District, City, County, or other political subdivision are called to be held on the same day, in the same territory, or in territory that is in part the same, they may be consolidated upon the order of the governing body or bodies or officer or officers calling the elections; and

WHEREAS, pursuant to Elections Code Section 10400, such election for cities may be either completely or partially consolidated; and

WHEREAS, pursuant to Elections Code Section 10403, whenever an election called by a district, city or other political subdivision for the submission of any question, proposition, or office to be filled is to be consolidated with a statewide election, and the question, proposition, or office to be filled is to appear upon the same ballot as that provided for that statewide election, the district, city or other political subdivision shall, at least 88 days prior to the date of the election, file with the board of supervisors, and a copy with the elections official, a resolution of its governing board requesting the consolidation, and setting forth the exact form of any question, proposition, or office to be voted upon at the election, as it is to appear on the ballot, acknowledging that the consolidation election will be held and conducted in the manner prescribed in Section 10418. Upon such request, the Board of Supervisors may order the consolidation; and

WHEREAS, pursuant to Elections Code Section 10418, if consolidated, the consolidated election shall be held and conducted, election boards appointed, voting precincts designated, candidates nominated, ballots printed, polls opened and closed, voter challenges determined, ballots counted and returned, returns canvassed, results declared, certificates of election issued, recounts conducted, election contests presented, and all other proceedings incidental to and connected with the election shall be regulated and done in accordance with the provisions of law regulating the statewide or special election, or the election held pursuant to Section 1302 or 1303, as applicable.

WHEREAS, the Resolution requesting the consolidation shall be adopted and filed at the same time as the adoption of the Ordinance, Resolution, or order calling the election; and

WHEREAS, various District, County, State and other political subdivision elections may be or have been called to be held on November 3, 2026; and

WHEREAS, the City Clerk is directed to forward without delay to the Board of Supervisors and to the County Election Department, each a certified copy of this Resolution; and

WHEREAS, the City Clerk shall certify the passage and adoption of this Resolution.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the City Council of the City of Capitola hereby orders an election be called and consolidated with any and all elections also called to be held on November 3, 2026, insofar as said elections are to be held in the same territory or in territory that is in part the same as the territory of the City of Capitola and requests the Board of

Supervisors of the County of Santa Cruz to order such consolidation under Elections Code Sections 10401, 10403 and 10418.

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED that the City Council of the City of Capitola acknowledges that the consolidated election will be held and conducted in the manner prescribed in Elections Code section 10418.

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED that the City Council of the City of Capitola hereby requests the Board of Supervisors to permit the Santa Cruz County Elections Department to provide any and all services necessary for conducting the election and agrees to pay for said services; and

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED that the City Clerk shall (i) publish a notice of elections, including all information required by Elections Code Section 12101; (ii) take necessary actions to ensure the placement of all three of the below mentioned vacant City Council seats on the November 3, 2026 ballot; and (iii) coordinate with the County of Santa Cruz and take all necessary actions to oversee and certify the November 3, 2026 election process as required by the Elections Code; and

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED the notice of the

time and place of holding the election is given and the City Clerk is authorized, instructed, and directed to give further or additional notice of the election, in time, form and manner as required by law; and

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED that the City Clerk is hereby directed to file a certified copy of this resolution with the Board of Supervisors and the Registrar of Voters of the County of Santa Cruz. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used; and

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED in all particulars not recited in this resolution, the election shall be held and conducted as provided by State law for holding municipal elections; and

NOW, THEREFORE, BE IT FURTHER RESOLVED AND ORDERED that the Santa Cruz County Elections Department conduct the election for the following offices to be voted on at the November 5, 2024, election:

Seats Open	Office	Term
Three (3)	Member of the City Council	Four (4) Years

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 11th day of June, 2026, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Margaux Morgan, Mayor

ATTEST:

_____
Julia Gautho, City Clerk