

# City of Capitola

## City Council Workshop Agenda

### Wednesday, March 01, 2023 – 6:00 PM



City Council Chambers  
420 Capitola Avenue, Capitola, CA 95010

**Mayor:** Margaux Keiser  
**Vice Mayor:** Kristen Brown  
**Council Members:** Yvette Brooks, Joe Clarke, Alexander Pedersen

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### Special Meeting of the Capitola City Council – 6 PM

*All correspondences received prior to 5:00 p.m. on the day preceding a Special Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that day may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.*

#### 1. Roll Call and Pledge of Allegiance

*Council Members Yvette Brooks, Joe Clarke, Alexander Pedersen, Kristen Brown and Mayor Margaux Keiser.*

#### 2. Additions and Deletions to the Agenda

#### 3. Additional Materials

*Additional information submitted to the City after distribution of the agenda packet.*

#### 4. Oral Communications by Members of the Public

*Please review the Notice of Remote Access for instructions. 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.*

#### 5. Staff / City Council Comments

*Comments are limited to three minutes.*

#### 6. 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.** FY 2023-24 Budget Calendar

Recommended Action: Approve Budget Calendar for Fiscal Year (FY) 2023-24.

#### 7. 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.** FY 2022-23 Mid-Year Budget Report

Recommended Action: Adopt the proposed resolution amending the Fiscal Year 2022-23 Budget.

**B.** FY 2023-24 Budget Principles and Goals

Recommended Action: 1) Review progress and status of Fiscal Year 2022-23 budget goals; 2) Adopt the Fiscal Year 2023-24 budget principles; and 3) Identify goals and related key projects/programs for Fiscal Year 2023-24.

## 8. Adjournment

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### Notice of In-Person & Remote Access

**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

**To Join Zoom Application or Call in to Zoom:**

Meeting

link: <https://us02web.zoom.us/j/83328173113?pwd=aVRwcWN3RU03Zzc2dkNpQzRWVXAydz09>

Or dial one of these phone numbers: **1 (669) 900 6833, 1 (408) 638 0968, 1 (346) 248 7799**

Meeting ID: **833 2817 3113**

Meeting Passcode: **678550**

**To make a remote public comment:**

**Via Zoom Application:** Use participant option to “raise hand”. The moderator will unmute you

**Via Zoom phone call:** Dial \*9 on your phone to “raise your hand”. The moderator will unmute you

**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: [www.cityofcapitola.org](http://www.cityofcapitola.org) and at Capitola City Hall prior to the meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue Capitola. 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.

**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 at [www.cityofcapitola.org](http://www.cityofcapitola.org) by clicking on the Home Page link “**Meeting Agendas/Videos.**” Archived meetings can be viewed from the website at any time.

# Capitola City Council

## Agenda Report

**Meeting:** March 1, 2023  
**From:** Finance Department  
**Subject:** FY 2023-24 Budget Calendar

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Recommended Action: Approve Budget Calendar for Fiscal Year (FY) 2023-24.

Background: Capitola Municipal Code Section 3.20.010 requires the City to prepare and disseminate a budget calendar on or before March 1 of any fiscal year. The attached draft calendar provides dates for budget study sessions, hearings, meetings, and other significant budget events.

Discussion: Staff has prepared the attached draft Budget Calendar for FY 2023-24. The budget cycle begins with a City Council Meeting on March 1, 2023. This meeting will focus on establishing the FY 2023-24 Budget Principles and Goals. The budgeting principles and goals will serve to guide staff's preparation of the Proposed Budget.

Pursuant to this calendar, the Proposed Budget will be distributed on Friday, April 28, 2023, and the presentation of the City and Successor Agency Budgets is scheduled for a Special Meeting on Wednesday, May 3, 2023. This is a tentative schedule that may be changed as necessary by the City Manager and/or City Council. Some meetings may be cancelled if they become unnecessary based on prior sessions.

Fiscal Impact: None.

Attachments:

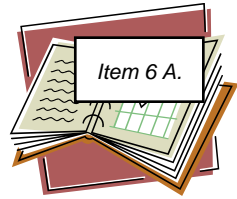
1. FY 2023-24 Draft Budget Calendar

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk

Approved By: Jamie Goldstein, City Manager

# CITY OF CAPITOLA BUDGET CALENDAR – 2023-24 FISCAL YEAR



The City Manager and/or the City Council may change this tentative schedule.

NOTE: Some meetings may be cancelled if they become unnecessary based on prior sessions.

Meeting Date 2023	Week/Day	Nature of Meeting	Description
Feb. 21	3 <sup>rd</sup> Tuesday	Finance Advisory Committee	Finance Advisory Committee to discuss Budget Principles
March 1	1 <sup>st</sup> Wednesday	<b>*Special</b> City Council	Establish Budgeting Principles / mid-year presentation
April 18	3 <sup>rd</sup> Tuesday	Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget
April 28	4 <sup>th</sup> Friday	N/A	Proposed budget distribution
May 2	1 <sup>st</sup> Tuesday	Special Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget and draft recommendations to Council
<b>May 3</b>	1 <sup>st</sup> Wednesday	<b>*Special</b> City Council	Presentation of City, Successor Agency & CIP Budgets
May 11	2 <sup>nd</sup> Thursday	*Regular City Council	
<b>May 18</b>	3 <sup>rd</sup> Thursday	<b>*Special</b> City Council	Finance Advisory Committee Presentation Council Deliberations
May 25	4 <sup>th</sup> Thursday	*Regular City Council	
<b>June 1</b>	1 <sup>st</sup> Thursday	<b>*Special</b> City Council	Council Deliberations <i>(If necessary)</i>
June 8	2 <sup>nd</sup> Thursday	*Regular City Council	Reports from Finance: Appropriations Limit Resolution and Investment Policy
<b>June 15</b>	3 <sup>rd</sup> Thursday	<b>*Special</b> City Council	Final City Council and Successor Agency Budget deliberations <i>(If necessary)</i>
<b>June 20</b>	3 <sup>rd</sup> Tuesday	Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget and draft presentation
June 22	4 <sup>th</sup> Thursday	*Regular City Council	Final Adoption of the City and Successor Agency Budgets and Pertinent Resolutions

NOTE: **Special** meetings will begin at 6:00 p.m., all Regular meetings begin at 7:00 p.m. Meetings with an asterisk (\*) are held in the City Hall Council Chambers and will be televised “Live” on Charter Communications Cable Channel 8. The Finance Advisory Committee Meetings begins at 6:00 pm and are scheduled to be held in the Community Room.

# Capitola City Council

## Agenda Report

**Meeting:** March 1, 2023

**From:** Finance Department

**Subject:** FY 2022-23 Mid-Year Budget Report



**Recommended Action:** Adopt the proposed resolution amending the Fiscal Year 2022-23 Budget.

**Background:** The Fiscal Year (FY) 2022-23 mid-year budget report provides an update on the City's financial status as of December 31, 2022, and recommends budget adjustments for FY 2022-23 that better reflect current projections. The City's major revenue sources continue to perform well and are currently tracking on budget. General Fund expenditures are also expected to end the year at, or below, budget.

The FY 2021-22 adopted budget returned revenues close to pre-pandemic levels, however, sales tax and transient occupancy tax (TOT) continued to outpace projections throughout the fiscal year. Additionally, the City received a settlement payment related to the utilities on the Capitola Library project and returned \$750,000 to the general fund in June 2022. This has resulted in an additional \$1 million of available one-time funding within the general fund.

**Discussion:** General fund revenues have performed as expected. Sales tax and TOT continue to perform well but are showing signs of leveling off following the growth experienced over the last two years. Expenditures are tracking consistent with the FY 2022-23 Amended Budget.

Staff originally projected a general fund balance of approximately \$4.4 million for June 30, 2022, with \$385,000 set aside as a resiliency account. The City Council programmed \$3.7 million in FY 2022-23 towards priorities and goals while maintaining a target balance of \$1.7 million on June 30, 2023. Due to better than anticipated revenue receipts during the fourth quarter of FY 2021-22 and the return of \$750,000 to the general fund from the Library project, we ended the fiscal year with a general fund balance of \$5.4 million, which included the \$385,000 resiliency account. The projected general fund balance on June 30, 2023, is now \$2.7 million. In addition, Capitola was awarded a \$3.5 million federal grant for the Wharf Rehabilitation Project, essentially freeing up approximately \$2.75 million for other priorities. Together, the projected fund balance and wharf funding combine to approximately \$5.5 million.

Staff has reviewed the data for the first half of the fiscal year's general fund activities and is not recommending any amendments to on-going revenues or expenditures. However, staff is recommending several one-time budget amendments to the general fund including a couple of administrative clean-up items.

### Revenues

#### *Sales Tax:*

The FY 2022-23 adopted budget included approximately \$8.7 million of sales tax revenue which is about 2.5% above receipts in the prior fiscal year. At the mid-point of this fiscal year sales tax receipts exceed last year's receipts by \$102,000 or 2.29%. Assuming a similar level of economic activity for the remainder of the fiscal year, sales tax receipts should be close to budget projections.

*Transient Occupancy Tax (TOT):*

The FY 2022-23 adopted budget included \$2.1 million of TOT revenue which is consistent with TOT receipts in the prior fiscal year. At the mid-point of this fiscal year, the City has received approximately \$1.4 million of TOT revenue which is slightly above the prior year. TOT revenues in the Village are about \$140,000 above the prior year due to an increase in the number of submitters, while TOT revenues in the rest of the City are down about \$130,000.

Expenditures

City departments have consistently maintained expenditures within the adopted budget. Through December, the General Fund has expended 55% of the budget while being 50% through the year. The reason is that the City prepaid the annual \$2.2 million Unfunded Actuarial Pension Liability (UAL) in July 2022 as opposed to making monthly payments resulting in a savings of approximately \$75,000. This results in personnel costs showing higher as a percentage of budget as we amortize the payment over the course of the year.

*One-Time Expenditures:*

As previously mentioned, during the adoption of the FY 2022-23 budget City Council set a general fund balance target of \$1.7 million on June 30, 2023. Since adoption of the budget, actual revenues received in addition to the \$750,000 from the Library project has increased the estimated June 30<sup>th</sup> balance to \$2.7 million. In addition, the City's receipt of the \$3.5 million Wharf Rehabilitation grant increases available resources to approximately \$5.5 million.

Staff is requesting several one-time budget amendments, including a couple of administrative clean-up items. Staff requests totaling \$232,000, as detailed on Attachment 2, include additional consulting services in Community Development and Public Works, additional training for City Manager Department staff, increased budget for ergonomic equipment, the Prospect Path storm damage repair, and ratification of the Lifeguard Services payment to the City of Santa Cruz. This would provide approximately \$5.3 million of one-time funding available to be programed to Council goals and priorities in FY 2023-24.

Fiscal Impact: If approved, the requested budget amendment utilizes approximately \$232,000 of the \$5.5 million of one-time general fund balance.

Attachments:

1. Attachment 1: Resolution
2. Attachment 2: Budget Amendment

Report Prepared By: Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
AMENDING THE 2022-23 FISCAL YEAR CITY BUDGET AND CAPITAL IMPROVEMENT  
PROGRAM BUDGET**

**WHEREAS**, it is necessary to adopt the 2022-23 Fiscal Year Budget for all City funds and Capital Improvement Program; and

**WHEREAS**, the City Council conducted budget study sessions, heard and considered public comments, had modified and proposed a budget accordingly, and on June 23, 2022 adopted such budget for the Fiscal Year July 1, 2022, through June 30, 2023; and

**WHEREAS**, since the adoption of the budget staff has identified several necessary budget amendments that better reflect current FY 2022-23 projections; and

**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the City Council of the City of Capitola that the 2022-23 Fiscal Year Budget is hereby amended, including Exhibit A (Budget Amendment) to this Resolution; and

**BE IT FURTHER RESOLVED** that the Finance Director is directed to enter the 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 23<sup>rd</sup> day of February 2023, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

\_\_\_\_\_  
Margaux Keiser, Mayor

ATTEST:

\_\_\_\_\_  
Julia Moss, City Clerk



<b>MYE - Summary of Changes</b>				
<b>General Fund</b>				
Incr / (Decr.)\$	Fund	Account	Purpose	
<b>Expenditures</b>				
\$ 20,000	1000-40-40-000	4345.202	CS - PIng & Hsg grant admin consultant	
\$ 25,000	1000-10-11-000	4330.106	CS-Enviromental Services-Recycling	
\$ 110,120	1000-50-50-522	4305.900	CS-Gen/Admin-Lifeguard Services	
\$ 15,000	1000-10-12-000	4450.500	General Supplies/Ergonomic	
\$ 12,000	1000-10-10-000	4400.100	Training & Memberships	
\$ 50,000	1000-99-99-000	4910.200	Interfund Transfer Out - Capital Improvement Fund	
\$ 232,120	Net increase in expenditures			
\$ (232,120)	Total net increase in General Fund budget			
<b>Other Funds</b>				
<b>Revenue</b>				
\$ 50,000	1200-00-00-000	3910.100	Interfund Transfer In - General Fund - CIP	
\$ 50,000				
<b>Expenditures</b>				
\$ 50,000	1200-00-00-000	4390.100	Construction service - project services	
\$ 50,000				
\$ -	Total net increase in Other Fund budget			

# Capitola City Council

## Agenda Report

**Meeting:** March 1, 2023

**From:** Finance Department

**Subject:** FY 2023-24 Budget Principles and Goals



**Recommended Action:** 1) Review progress and status of Fiscal Year 2022-23 budget goals; 2) Adopt the Fiscal Year 2023-24 budget principles; and 3) Identify goals and related key projects/programs for Fiscal Year 2023-24.

**Background:** Each year, the City prepares and adopts an annual budget. The annual budget drives the City's operations and gives City Council direction to the City Manager regarding day-to-day functions. The budget not only outlines the City's financial plan, but also establishes the framework in which the City will provide services to the community. Principles and goals identified in the budget establish metrics against which actual performance can be measured.

### *Progress/Status of Fiscal Year 2022-23 Budget Goals*

City Council identified Fiscal Year (FY) 2022-23 Budget Principles and Goals on March 1, 2022, listed in the below chart. Status/Progress: **green** = completed, **orange** = in progress, **purple** = project changed/updated due to circumstances, **red** = paused)

Goal/Item	Prioritized at (\$)	Status/Progress Details
Wharf Rehabilitation Project	\$1.5 million	Project changed due to storm (remains fully funded)
Allocate funding to CalPERS Trust	\$500,000	Completed
Stockton Bridge reinforcement project	\$350,000	Bridge damaged in storm
Universal Design Playground at Community Center	\$275,000	In progress: Council approved design contract on 2/9/23
Community Center (near-term needs)	\$150,000	In progress: Council approved design contract on 2/23/23
City Hall Maintenance (minimal)	\$100,000	New roof installed; staff bathroom improvements completed - Winter 2022 In progress: Tree removal/landscaping; lobby bathroom improvements
Bike/Pedestrian safety projects	\$100,000	Bollards installed; flashing pedestrian signs installed
Peery Park Bridge maintenance	\$50,000	In progress: scope of work expected in late Spring 2023
Fire Risk Reduction (Eucalyptus Grove)	\$50,000	In progress: analysis expected in March 2023
Noble Gulch Engineering Feasibility Analysis	\$50,000	In progress

Bluff/Cliff Drive Study	\$50,000	Damaged during storm
City Hall Options/Study	\$50,000	In progress: RFP planned for issuance winter/spring 2023
<ul style="list-style-type: none"> <li>• Housing Element Update</li> <li>• Enhance Community Outreach</li> <li>• Launch Regional Bikeshare Contract</li> <li>• Update comprehensive Fee Study</li> <li>• Consider Potential Ballot Measures (2022)</li> <li>• Memorial Bench Replacement Program</li> <li>• Implement Bike Patrol for Parking Enforcement Officers</li> <li>• Update Special Event Permit Process</li> </ul>	\$50,000	<p>All completed, excluding the following:</p> <ul style="list-style-type: none"> <li>• In progress: Housing Element Update</li> <li>• Paused: Memorial Bench Replacement Program; Comprehensive Fee Study</li> </ul>

The in-progress goals in the above table, coupled with storm-recovery, remain priorities for staff, and thus represent significant time constraints dedicated to completing them.

**Discussion:** To ensure the prepared draft budget is consistent with the Council's direction, the City adopts budget goals for each upcoming fiscal year. While the budget goals provide an overarching guide to budget development, the Council can provide more specific direction by identifying key projects/programs. The key projects/programs for the City Council can be specific projects (such as Capitola Wharf Rehabilitation) or service changes (like expanding the City's lifeguard program). One important reason to adopt budget goals and identify key projects is to increase focus on the Council's overall priorities and help to clearly articulate those priorities to Capitola residents and other stakeholders.

Staff suggests Council identify budget goals that encompass five or six key projects for the coming fiscal year. During the special meeting, staff will facilitate a Council discussion to identify these projects. When preparing the draft budget, staff will integrate Council's budget goals and key projects, including attainable metrics associated with each key project.

#### *General Budget Principles*

The City of Capitola prioritizes the following budget principal categories:

- Fiscal Policy Principles
  - Maintain a balanced budget that ensures ongoing expenditures can be met with ongoing revenues
  - Use one-time revenues for one-time expenditures
  - Ensure the budget plans for future cost increases and attainable revenue projections
- Public Service Principles
  - Maintain, and improve upon, the transparency of City operations and accessibility of government
  - Recognize the high priority the community places on the public's safety
  - Analyze future service level increases with their long-term financial impacts to ensure financial stability
- Public Improvement Principles

- Maintain the City's infrastructure by providing maximum funding for the pavement management system
- Maintain and improve Capitola's natural resources and sustainable green programs
- Ensure maintenance and cleanliness of City facilities, sidewalks, and streets

*Looking Ahead to Fiscal Year 2022-24 (budget year beginning July 1, 2023)*

During the FY 2022-23 mid-year budget update item, staff identified approximate amounts of one-time funding and ongoing funding available for budget planning. Looking ahead to FY 2023-24, staff tentatively identified the following revenue to utilize towards Council goals:

<b>Item</b>	<b>Amount</b>
General fund balance	\$2.5 million <i>(Including \$385,000 in Resiliency account)</i>
Wharf grant	\$2.75 million
FY 2022-23 revenues and expenditures	TBD during budget process
<b>Expected minimum total available</b>	<b>\$5.3 million</b>

In general, staff recommends the City maintain a minimum Fund Balance of approximately \$500,000, however with the increased uncertainty associated with the current economic climate, staff suggests a minimum fund balance of approximately \$750,000. That would leave approximately \$4.5 million available to allocate to City Council goals at this time.

Staff has identified potential goals for the coming fiscal year (below). These efforts are singled-out because they will likely involve significant funding, staff resources, community input, or multijurisdictional coordination if Council prioritizes them as new goals for FY 2023-24. Under each recommended goal is a short list of specific projects that serve as examples of budget items that would be prioritized in the FY 2023-24 budget, if the corresponding goal is agreed upon by Council. This is intended as a big picture example of possible goals for the coming budget year, not an exhaustive list of all projects, expenditures, or staff work items that will be prioritized in the coming year.

Please keep in mind that due to the January 2023 storm and significant among of projects designated as goals in FY 2022-23, there is limited staff capacity to add major new work initiatives this next year.

- Improve Recreational Spaces/Opportunities for Residents, Youth, and Community
  - Jade Street Community Center Rehabilitation Project
- Reduce Long-term Debt
  - Pay Pacific Cove Mobile Home Park loan
- Enhance and Maintain Public Infrastructure
  - Pavement Management
  - Hill and Bay Avenue improvements
  - Bay and Capitola Avenue Roundabout
- Invest in Technology to Maintain Excellent Service for Residents
  - Police Radios/Axon Transition
  - Expand records digitization efforts
- Support Economic Development Throughout City

- Capitola Mall Redevelopment Project

At the hearing, staff will be seeking City Council about theses, and other potential budget goals.

Fiscal Impact: The annual review and revision of Budget Principles and key projects is the first step in the budget process. The Budget Principles clearly articulate the City's financial management strategies. Staff will incorporate the City Council budget goals into the first draft of the proposed FY 2023-24 budget at which time City Council can prioritize the goals based on available resources.

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk

Approved By: Jamie Goldstein, City Manager