

City of Capitola

City Council Meeting Agenda

Thursday, January 11, 2024 – 6:00 PM



City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

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

Regular Meeting of the Capitola City Council – 6 PM

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.

1. Roll Call and Pledge of Allegiance

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

2. Additions and Deletions to the Agenda

3. Presentations

Presentations are limited to eight minutes.

- A. Proclamation Honoring Soquel High School's Football State Championship
- B. Presentation on the History of Capitola's Incorporation
- C. Proclamation Honoring Capitola's 75th Anniversary of Incorporation

4. Additional Materials

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

- A. Correspondence Received – Item 8C

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 December 14, 2023.

B. City Check Registers

Recommended Action: Approve check registers dated December 8, 2023, and December 15, 2023.

C. FY 2022-23 Audit Report

Recommended Action: Receive Fiscal Year 2022-23 Audit Report.

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. December 2023 Winter Storm Event

Recommended Action: Receive an update regarding the December 2023 Winter Storm Event.

B. Unmanned Aircraft Systems (UAS) Drone Program

Recommended Action: Receive a presentation regarding the new Unmanned Aircraft System (UAS) Drone Program.

C. Remote Public Participation

Recommended Action: Provide direction to staff about remote participation options for members of the public at City Council and Planning Commission meetings.

D. City Council Appointments to Advisory Bodies

Recommended Action: Review, affirm, and appoint City Council representatives to County and Regional Boards and Capitola advisory bodies.

9. Adjournment - Adjourn to the next regularly scheduled City Council meeting on January 25, 2024, 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

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**

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@ci.capitola.ca.us and they will be included as a part of the record for the meeting. Please be aware that the City Council will not accept comments via Zoom.

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 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.

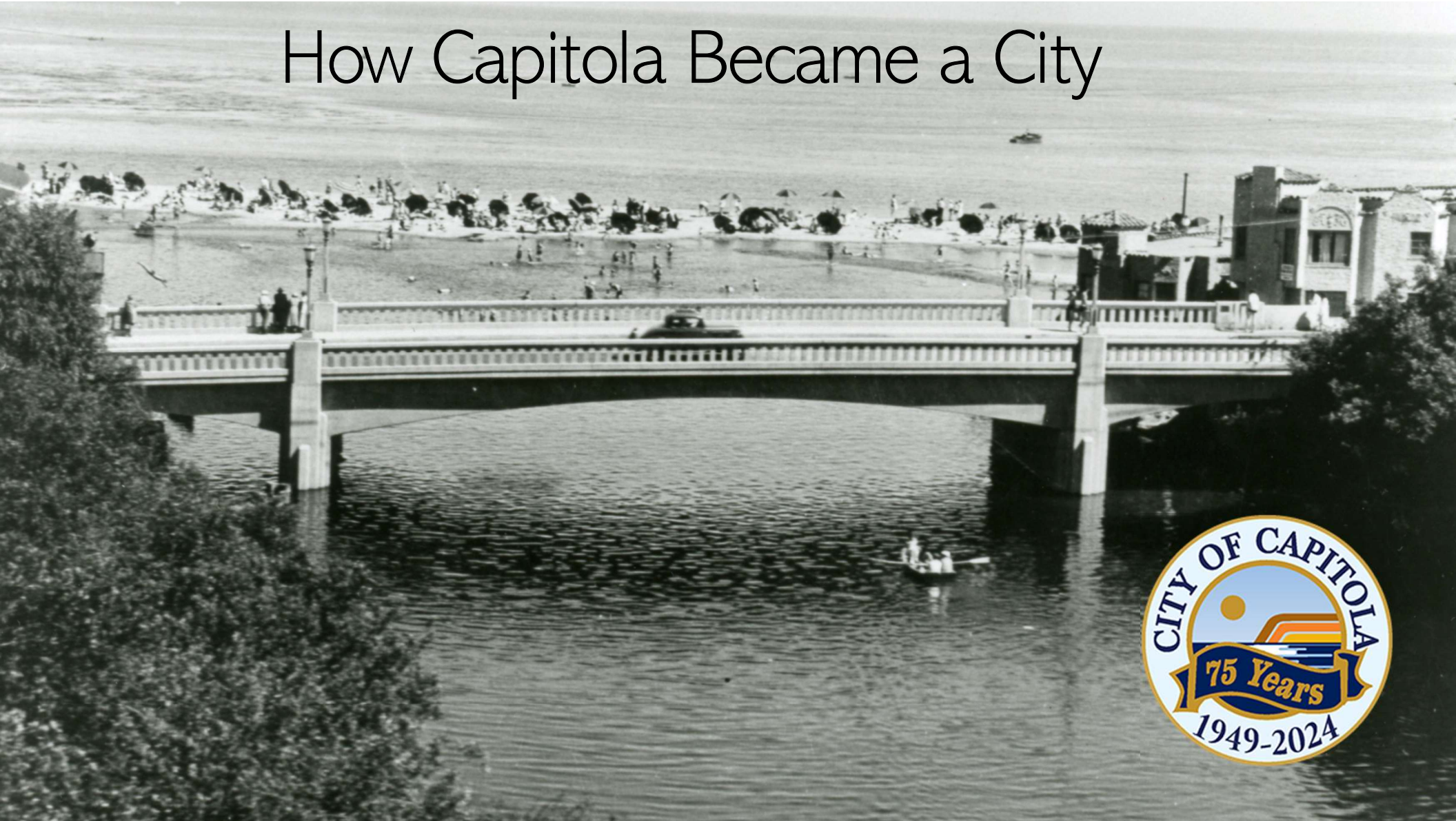
Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California,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

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 envíe un correo electrónico a jgautho@ci.capitola.ca.us.

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 by clicking on the Home Page link “Meeting Agendas/Videos.” Archived meetings can be viewed from the website at any time.

How Capitola Became a City



Soquel Landing to Camp Capitola to the City of Capitola

Homeland of the Aptos & Cajastaca (Kai-ya-stah-ka) people

Rancho Soquel & Soquel Augmentation – Martina Castro Lodge 1833-1860s

Soquel Landing Wharf 1857 – F.A. Hihn

Camp Capitola 1874 – Samuel A. Hall

Capitola-By-The-Sea – 1920s - Henry Allen Rispin

Aftermath of the 1933 Fire

Hawaiian Gardens

Sneath's Grocery Store

Frank's Place

The Blue-and-White
Restaurant



The surviving building was the Canepa Capitola Fish Market

The Blue Bell Restaurant

Casey's

Dickinson's Curios

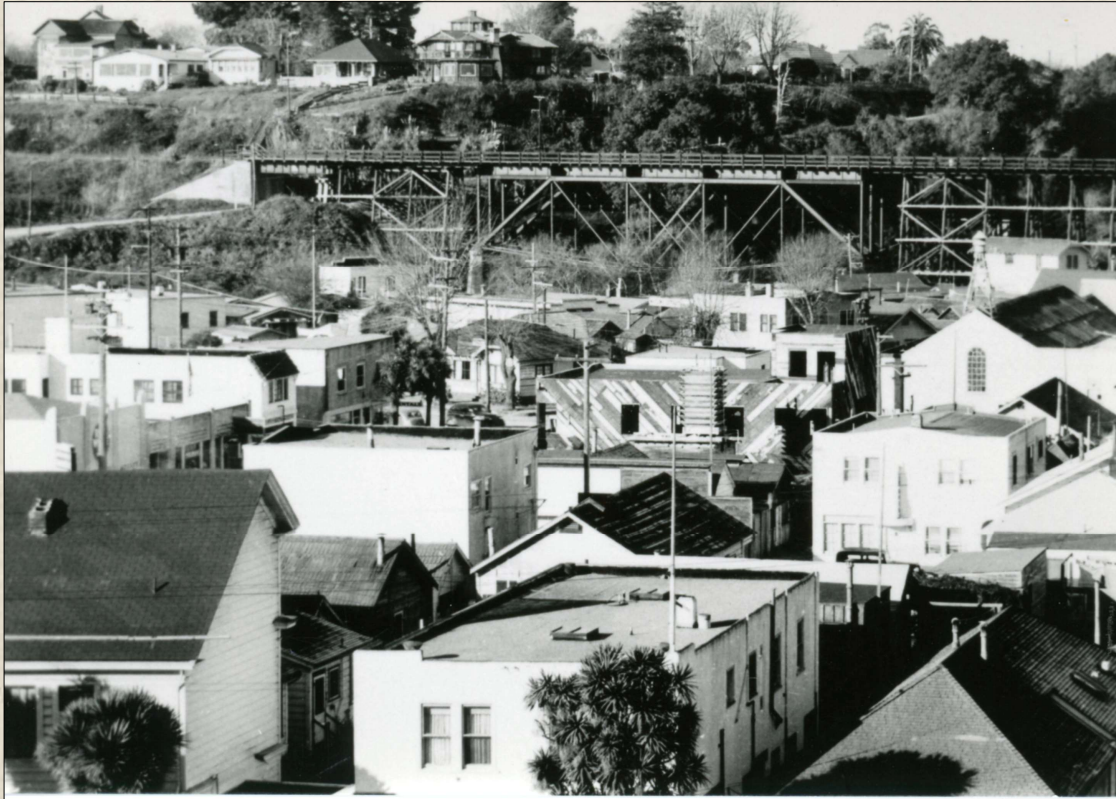
Harry Hooper Real Estate

Chinese Gardens

As historian Carolyn Swift put it,

"... the fear of economic disaster aimed Capitola toward a whole new blueprint for its future."

Community Needs



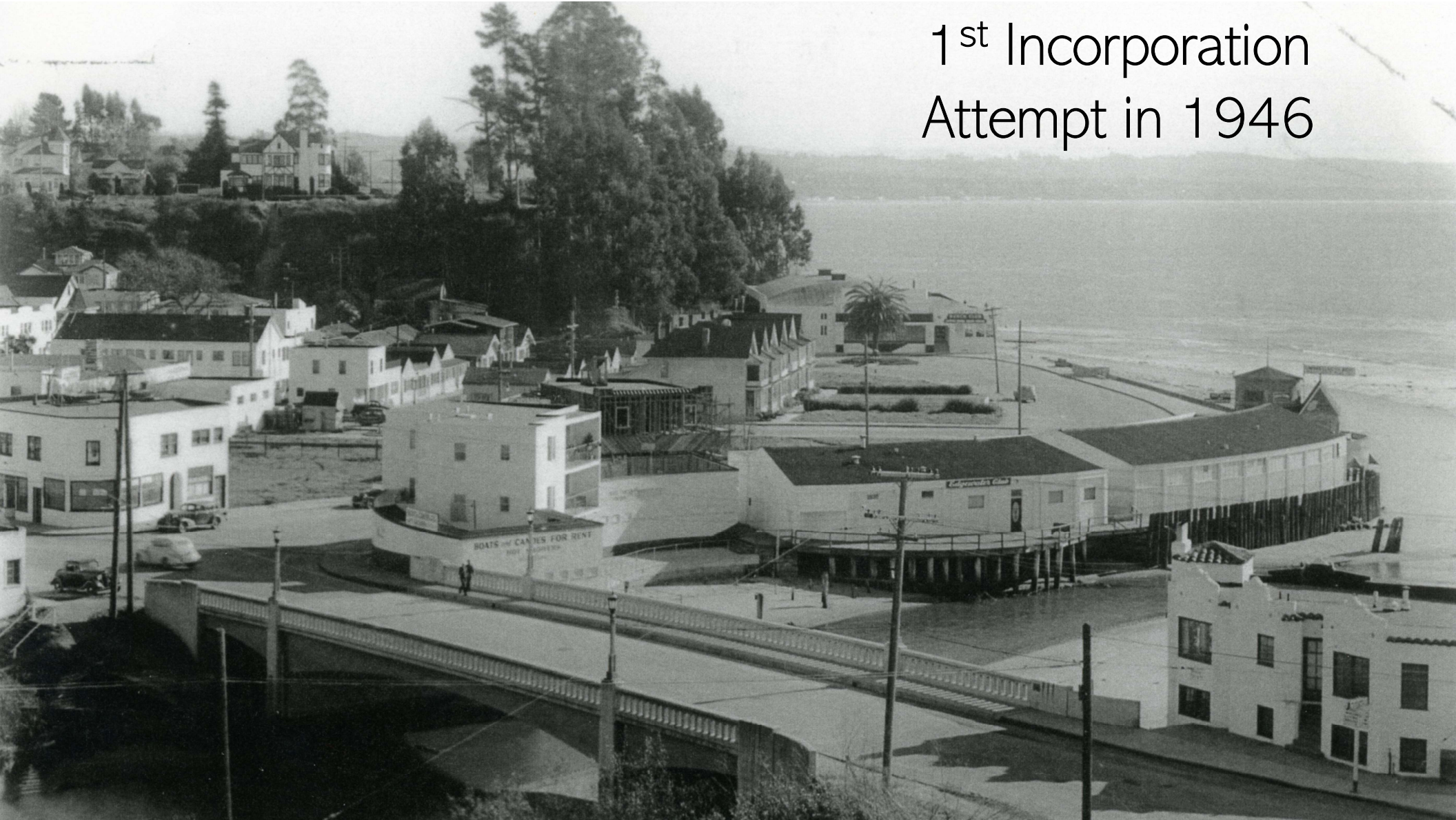
- Professional Fire Department
- Reliable Water Supply
- Replace Outdated Sewer System

1928 Capitola Police Protection District



1967 – First Capitola Police Department

1st Incorporation Attempt in 1946



Soquel + Capitola ?





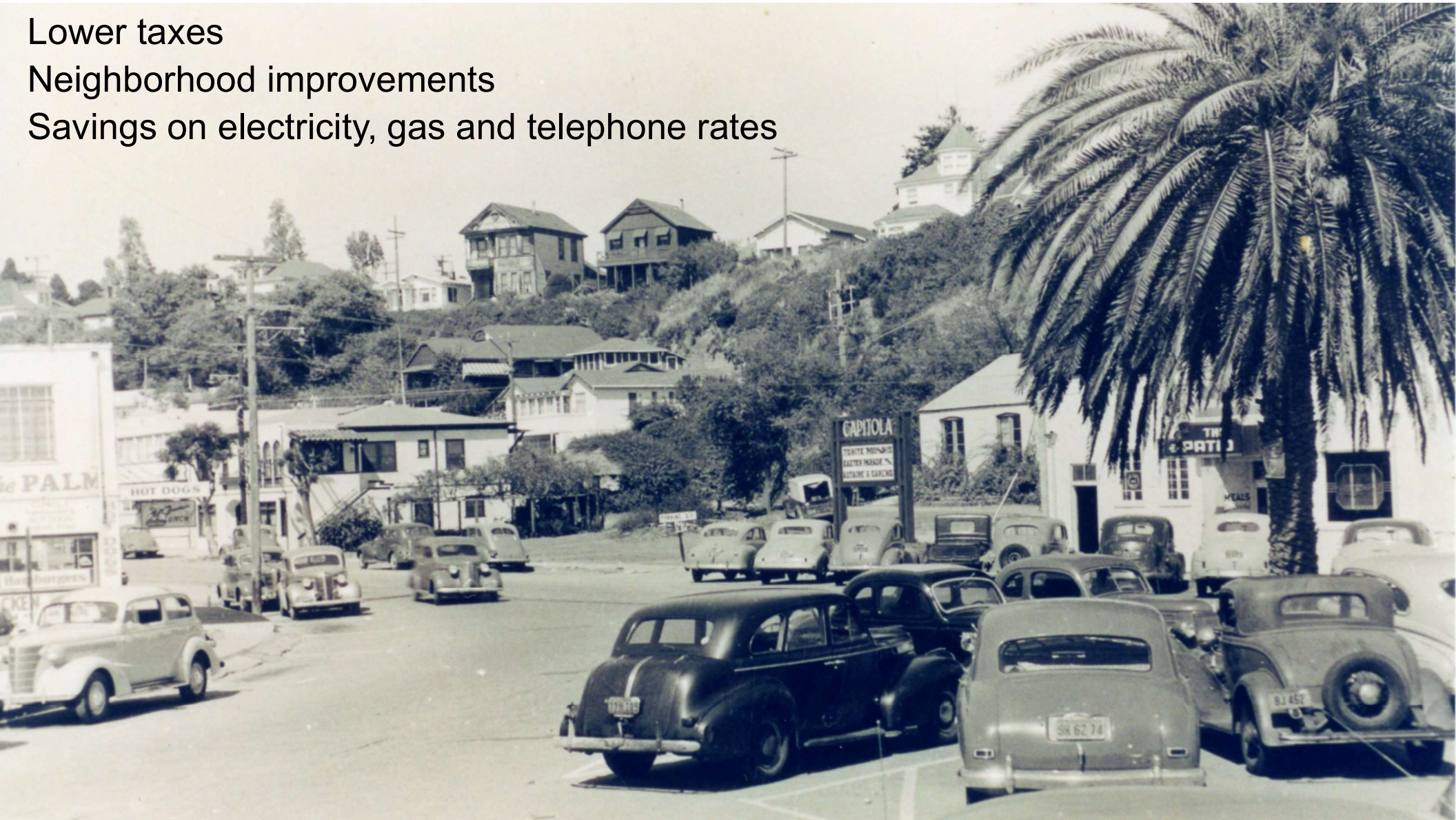
Highway 1 in 1949

The Capitola Improvement Club

“Capitola could well be the ‘gem’ of the ocean cities but to beautify, we must first have local control. Then only can we control the quality of new growth. Do you like weed grown lots? Do you like the ‘Sometimes Lighted’ globes hung on telephone poles? Are you proud of the litter on the streets and beach that is such a joy to rats and consequently fleas? The Capitola Improvement Club is a group of people who really want to do something about it!”

President Jack Rosensteel
Publicity Chairman John Battistini

Lower taxes
Neighborhood improvements
Savings on electricity, gas and telephone rates



Issue Number 1 - Sewage

"At present nothing is being done to correct the sewer disposal plant which is causing the condemnation of the beach."

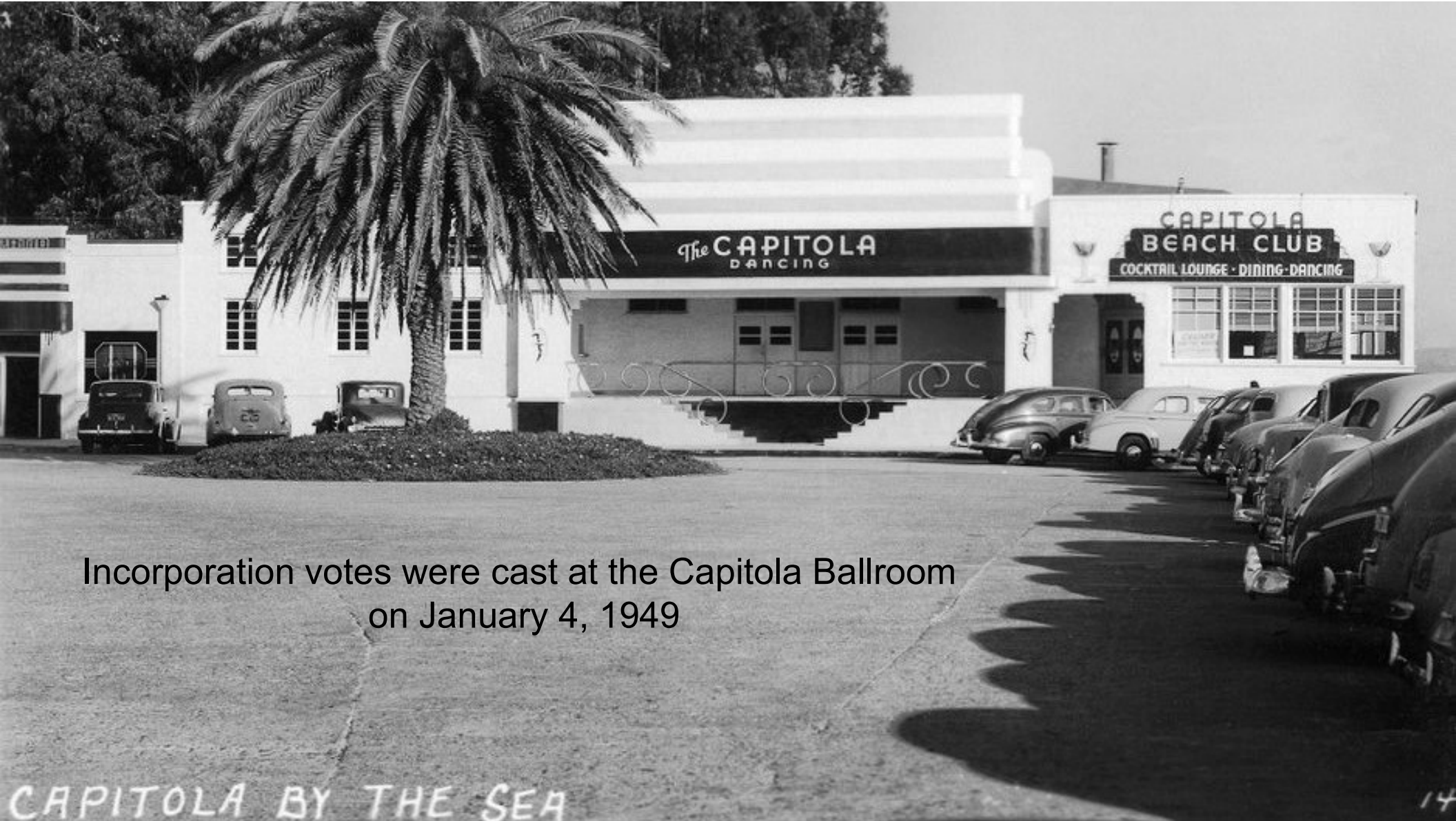
John Battistini

"Those favoring incorporation had the beach closed at this time in order to scare the people and make them think we can't get a sewer system without incorporation ... [it is] a foolish plan."

Firefighter Ed Huber

Collected signatures for an incorporation vote had to represent 25 percent of the land values between the beach and the freeway, and from 41st to Park Avenue.





Incorporation votes were cast at the Capitola Ballroom on January 4, 1949



Capitola's New City Officials



Sentinel-News
EDITORIALS

Capitola Becomes A City
 The toot of the fire whistle last night heralded the incorporation of Capitola as voters of the seaside community voted 297 to 243 in favor of the incorporation.

Yea 297

Nay 243

Victory of only 54 votes

Capitola officially incorporated on January 11, 1949

First City Council Action

BRADLEY MACDONALD TO BE CITY'S FIRST MAYOR

Bradley M. Macdonald, 258; Jack Rostensteel, 232; Harlan P. Kessler, 226; Harry M. Bowles, 208; and M. E. Adamson, 173.



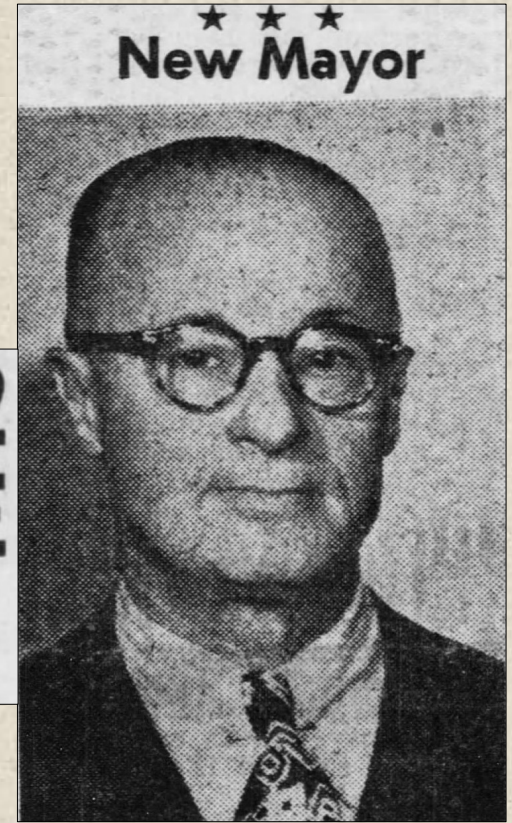
Brad Macdonald
27-year-old restaurant owner

NEW COUNCIL SPLITS 3-2 IN FIRST MAJOR VOTE

Move Surprises Crowd Of 120 At Initial Session Of City Council

Yea: Harry M. Bowles,
M.E. Adamson,
Harlan Kessler

Nay: Jack Rosensteel
Brad Macdonald



Harlan P. Kessler
63-year-old real estate
and insurance agent

Scrapitola

**Protest Made
Of Capitola's
Council Vote**



Capitola Postmaster and baseball great, Harry Hooper (right) greets some gentlemen in front of his real estate office on Capitola Avenue.



Capitola's first city hall was a 1911 Craftsman Cottage at 127 Monterey Avenue, along Lawn Way. The building still stands, but is now a private home.



In 1950 Capitola City Hall was moved to 420 Capitola Avenue in a room behind and attached to the police department.

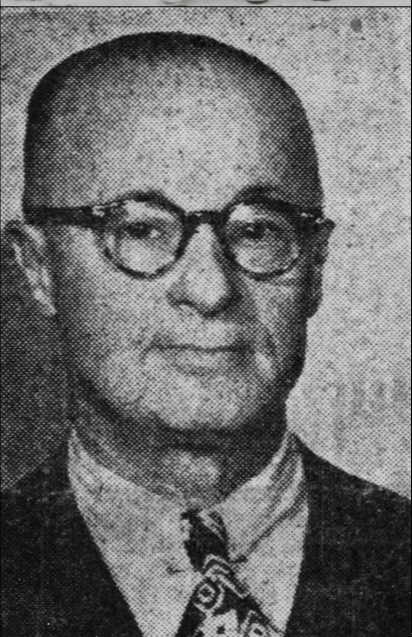
The present two-story city hall was built in 1977.



We should celebrate "... the spirit and identity that was so strong it proved Capitola able to rescue itself from just about anything ..." Carolyn Swift



City Government



COUNCILMEN SQUABBLE AT CAPITOLA AGAIN



Subject: Remote Comment Item 8C

Date: Monday, January 8, 2024 at 10:37:26 PM Pacific Standard Time

From: John

To: City Council, Gautho, Julia

Please bring zoom back for that eloquent woman in the wheelchair. Most of what that single commenter using different voices aiming to get an overreaction from y'all said, besides the direct attacks when you told them to be quiet, were protected speech under the 1st Amendment and if you had just let them continue they would have lost interest. They were going up and down CA in a fun pattern anyway they aren't going to come back often if at all.

Stopping zoom comment was a further overreaction and limiting participation in our city council process is not the right choice and the better folks amongst you know this to be true. Dumb choice too. Our civics is dying. Bleak times coming to our municipality if you believe data analysis is real.

John Mulry

Capitola City Council Agenda Report

Meeting: January 11, 2024

From: City Manager Department

Subject: City Council Meeting Minutes



Recommended Action: Approve minutes from the regular meeting on December 14, 2023.

Background: Attached for Council review and approval are the draft minutes from the regular City Council meeting on December 14, 2023.

Attachments:

1. 12/14/2023 Minutes

Report Prepared By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

City of Capitola

City Council Meeting Minutes

Thursday, December 14, 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

Closed Session – 5 PM

- i. CONFERENCE WITH LABOR NEGOTIATORS (Gov. Code § 54957.6)
Negotiator: Chloé Woodmansee, Assistant to the City of Manager
Employee Organizations: Association of Capitola Employees, Police Officers Association, Mid-Management Employees, Confidential Employees, Police Captains, and Management

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 Brooks, Clarke, Pedersen, Brown, and Mayor Keiser.*
2. **Additions and Deletions to the Agenda** – *None*
3. **Report on Closed Session** – *The City Council met and discussed one item on the Closed Session agenda. No reportable action was taken.*
4. **Additional Materials**
 - A. *Two emails were received related to Item 8A.*
 - B. *Two emails and a staff memorandum were received related to Item 8B.*
 - C. *A staff memorandum was received related to Item 8C.*
5. **Oral Communications by Members of the Public**
 - *Kerry, Capitola/Soquel Chamber of Commerce, reminded the City Council of the Capitola/Soquel Chamber of Commerce Annual Recognition Event on March 15th.*
 - *Gary Richard Arnold, resident, spoke about government matters.*
 - *John Mulry, resident, spoke about the Capitola Avenue and Stockton Avenue intersection.*
 - *James Whitman, resident, spoke about government matters.*
 - *Janet Edwards, resident, requested that the City Council bring back Zoom commentary for meetings.*
 - *Adrienne West, resident, requested that the City Council drive through the intersection where Debra Towne was killed and shared concerns about the traffic conditions at Bay Avenue/Hill Street.*
 - *Resident shared concerns about Police Department efforts to ticket traffic infractions.*
6. **Staff / City Council Comments** – *None*
7. **Consent Items**
 - A. *City Council Meeting Minutes*

Recommended Action: Approved minutes from the regular meeting on November 21, 2023.

B. City Check Registers

Recommended Action: Approved check registers dated November 17, 2023, November 22, 2023, and December 01, 2023.

C. Interest Rate for Tenant’s Security Deposits

Recommended Action: Adopted Resolution No. 4353 setting the interest rate for tenant’s security deposits for 2024 at zero percent (0%).

D. Annual and Five-Year Impact Fee Report

Recommended Action: Adopted Resolution No. 4354 adopting the Fiscal Year 2022-23 AB 1600 report.

Motion to approve the Consent Calendar: Vice Mayor Brown

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen, Vice Mayor Brown, Mayor Keiser

8. General Government / Public Hearings

A. Bay Avenue and Hill Street Traffic Safety Update

Recommended Action: Received an update on the Bay Avenue and Hill Street Short-Term Traffic Safety Improvement Project and directed staff to pursue a corridor study.

Public Works Director Kahn presented the staff report.

Public Comments:

- ***James Whitman, resident, shared concerns about general traffic safety.***
- ***Janet Edwards, resident, requested that the City engage a visually impaired person to navigate this intersection and provide feedback.***
- ***John Mulry, resident (Strong Towns Santa Cruz), shared concerns about traffic speeds within Capitola.***

City Council discussion included a request that staff immediately engage the Elderly and Disabled Transportation Advisory Committee for feedback on this project, direction to staff to purchase lighted/flashing stop signs and pole reflectors prior to implementation of the quick-build project, and re-stripe the Hill Street Corridor with reflective paint.

B. Capitola Wharf Enhancement Project

Recommended Action: Provided direction to staff regarding the redesigned wharf entry gate and additional fixtures, authorized approval of two artist contracts, and considered an allocation of additional funding for the Capitola Wharf Enhancement Project (CWEP).

Public Works Director Kahn presented the staff report. Gerry Jensen and Gayle Ortiz, CWEP, provided a brief presentation.

Public Comments:

- ***Laurie Hill, Art and Cultural Commissioner, requested clarification on which entrance arch will be used in the design.***
- ***Christine McBroom, CWEP, encouraged the City Council to consider allocating additional funds to the project.***
- ***TJ Welch, resident, thanked the CWEP fundraisers for their work and encouraged the City Council to consider allocating additional funds to the project.***
- ***John Mulry, resident, requested that the City Council fund the bike racks on the Wharf and commended the CWEP group for their fundraising efforts.***

- **Janet Rowanolski, resident, encouraged the City Council to consider allocating additional funds to the project.**
- **Dave Peyton, resident, advised that the Historical Museum was selling 2024 Wharf Calendars.**

City Council discussion included thanks to the CWEP group for their fundraising efforts and for the collaboration with City staff, a request to include as much donor space as possible in the entry way design.

Motion to allocate \$250,000 for the CWEP Enhancement Items and set aside \$75,000 for a Lifeguard Storage Facility: Vice Mayor Brown

Seconded: Council Member Clarke

Motion amended to include authorization for the artist contracts, allocation of \$250,000 for the CWEP Enhancement Items and setting aside \$75,000 for a Lifeguard Storage Facility, and authorization to execute an amendment to the Public Works Agreement with Cushman: Vice Mayor Brown

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen, Vice Mayor Brown, Mayor Keiser

C. Strategic Planning Contract

Recommended Action: Authorized the City Manager to execute a Professional Services Agreement with Berry Dunn in an amount not to exceed \$50,000 to develop a five-year City of Capitola Strategic Plan.

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

Motion to authorize the City Manager to execute an agreement with BerryDunn: Council Member Pedersen

Seconded: Council Member Clarke

Voting Yea: Council Members Brooks, Clarke, Pedersen, Vice Mayor Brown, Mayor Keiser

D. City Council Reorganization for 2024

Recommended Action: Appointed a new Mayor and Vice-Mayor.

City Council commentary included thanks to Mayor Keiser for her time, commitment, and efforts as Mayor. Mayor Keiser shared her thanks to her fellow Council Members and staff.

Motion to appoint Kristen Brown as Mayor: Council Member Brooks

Seconded: Mayor Keiser

Voting Yea: Council Members Brooks, Clarke, Pedersen, Vice Mayor Brown, Mayor Keiser

Motion to appoint Yvette Brooks as Vice Mayor: Council Member Keiser

Seconded: Mayor Brown

Voting Yea: Council Members Brooks, Clarke, Keiser, Pedersen, Mayor Brown

9. Adjournment – Adjourned at 7:40 PM to the next regularly scheduled City Council meeting on January 11, 2024, at 6:00 PM.

ATTEST:

Margaux Keiser, Mayor

Julia Gautho, City Clerk

Capitola City Council

Agenda Report

Meeting: January 11, 2024

From: Finance Department

Subject: City Check Registers



Recommended Action: Approve check registers dated December 8, 2023, and December 15, 2023.

Account: City Main				
Date	Starting Check #	Ending Check #	Payment Count	Amount
12/08/2023	104911	104975	70	\$ 247,782.66
12/15/2023	104976	105010	35	\$ 281,688.34

The main account check register dated December 01, 2023, ended with check #104910.

Account: Payroll				
Date	Starting Check/EFT #	Ending Check/EFT #	Payment Count	Amount
12/08/2023	5854	5854	1	\$ 17.59
12/15/2023	23868	23970	103	\$ 202,132.58

The payroll account check register dated December 01, 2023, ended with EFT #23867.

Following is a list of payments issued for more than \$10,000 and descriptions of the expenditures:

Check/EFT	Issued to	Dept	Description	Amount
104922	California Grey Bears Inc	CDD	21-CDBG-NH-20008 Health Food Program Grant Q1	\$ 20,699.46
104924	Capitola Self Storage	CM	Annual Museum storage rent units	\$ 12,072.00
104925	Capitola-Soquel Chamber of Commerce	Fin	Q1 TOT	\$ 14,061.67
104953	Moffatt and Nichol	PW	Wharf project services 10/29-11/25/2023	\$ 10,674.77
104961	Phoenix Group Information Systems	PD	October 2023 Citation Processing	\$ 14,535.10
1634	CalPERS Member Services Division	CM	PERS contributions PPE 11/25/23	\$ 64,673.79
1635	Employment Development Department	CM	State taxes PPE 11/25/23	\$ 11,616.00
1636	Internal Revenue Service	CM	Federal taxes & Medicare PPE 11/25/23	\$ 38,073.78
104982	Betz Works Inc	PW	Remove and Replace Root	\$ 18,800.00

			Heaved Asphalt	
104983	Boone Low Ratliff Architects Inc	PW	November Community Center renovation design services	\$ 42,519.91
104992	McKim Corporation	PW	November Capitola Road Pavement Rehabilitation Project Services	\$ 183,641.42

Attachments:

1. 12-08-23 Check Register
2. 12-15-23 Check Register

Report Prepared By: Luis Ruiz, Accountant I

Reviewed By: Julia Gautho, City Clerk and Jim Malberg, Finance Director

Approved By: Jamie Goldstein, City Manager

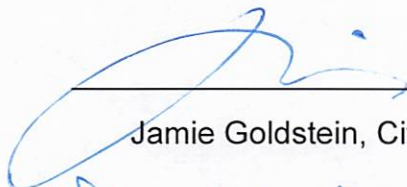
City main account checks dated December 8, 2023, numbered 104911 to 104975 totaling \$124,344.19, 5 EFTs totaling \$123,438.47, and 1 payroll check totaling \$17.59 for a grand total of \$247,800.25, have been reviewed and authorized for distribution by the City Manager.

As of December 8, 2023, the unaudited cash balance is \$8,318,263.45.

**CASH POSITION - CITY OF CAPITOLA
December 8, 2023**

	<u>12/8/2023</u>
General Fund ⁽¹⁾	\$ (624,097.97)
Payroll Payables	\$ 44,321.42
Contingency Reserve Fund	\$ 2,192,345.66
PERS Contingency Fund	\$ 1,154,274.68
Emergency Reserve Fund	\$ 1,461,505.54
Facilities Reserve Fund	\$ 432,714.09
Capital Improvement Fund	\$ 2,321,845.93
Stores Fund	\$ 57,425.74
Information Technology Fund	\$ 186,852.31
Equipment Replacement	\$ 634,608.37
Self-Insurance Liability Fund	\$ (3,645.42)
Workers' Comp. Ins. Fund	\$ 129,227.04
Compensated Absences Fund	\$ 330,886.06
TOTAL AVAILABLE GENERAL FUNDS	<u><u>\$ 8,318,263.45</u></u>

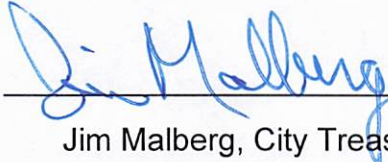
(1) Dec. 1st balance includes \$4.68 million non-current investments



 Jamie Goldstein, City Manager

12/8/23

 Date



 Jim Malberg, City Treasurer

12/8/23

 Date

City Checks Issued December 8, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104911	12/08/2023			AA AUTO COLLISION CENTER	\$4,897.75
	Invoice	Date	Description		Amount
	10432	09/21/2023	2014 Toyota Prius Repair		\$4,897.75
104912	12/08/2023			ACTION TARGET	\$695.71
	Invoice	Date	Description		Amount
	0582406	10/18/2023	Range Supplies		\$695.71
104913	12/08/2023			ADT SECURITY SERVICES INC.	\$325.86
	Invoice	Date	Description		Amount
	ADT112923	11/29/2023	Corp. yard & museum ADT monitoring		\$325.86
104914	12/08/2023			AJ'S FUEL MARKET OF CAPITOLA INC	\$96.00
	Invoice	Date	Description		Amount
	AJ113023	11/30/2023	Carwash Closing Date 11/30/2023		\$96.00
104915	12/08/2023			ALLIED UNIVERSAL	\$1,016.02
	Invoice	Date	Description		Amount
	14983908	12/07/2023	December McGregor skate park foot patrol		\$490.08
	14983909	12/07/2023	December Esplanade park foot patrol		\$525.94
104916	12/08/2023			ALLSAFE LOCK COMPANY	\$13.08
	Invoice	Date	Description		Amount
	077408	10/24/2023	Keys		\$13.08
104917	12/08/2023			AMAZON CAPITAL SERVICES	\$475.81
	Invoice	Date	Description		Amount
	1NFX-RTK7-4RM6	11/30/2023	Work boots		\$141.43
	16J9-LHRK-3MJM	11/30/2023	Digital wall clock		\$23.97
	1VG1-CP44-GNQ7	12/01/2023	K-9 Grooming Brushes		\$128.60
	13H6-K63C-RX9N	11/26/2023	Duty Holster		\$181.81
104918	12/08/2023			AXCIENT	\$135.00
	Invoice	Date	Description		Amount
	FY23INEFI154980	11/30/2023	November AppAssure storage		\$135.00
			2211 - ISF - Information Technology		
104919	12/08/2023			BIOBAG AMERICAS INC.	\$2,647.39
	Invoice	Date	Description		Amount
	INV502610	12/05/2023	Dog waste bags		\$2,647.39
104920	12/08/2023			BROPRINTS INC.	\$120.18
	Invoice	Date	Description		Amount
	20329	10/23/2023	Digital printed stickers		\$120.18

City Checks Issued December 8, 2023

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104921	12/08/2023			CALIFORNIA COAST UNIFORM COMPANY	\$1,026.13
	Invoice	Date	Description		Amount
	10822	12/01/2023	518 Uniforms and Embroidery Charges		\$307.34
	10823	12/01/2023	536 Jacket and Tailoring Charges		\$533.79
	10824	12/01/2023	Tailoring Charges		\$185.00
104922	12/08/2023			CALIFORNIA GREY BEARS INC.	\$20,699.46
	Invoice	Date	Description		Amount
	CDBG-NH-20008#1	12/05/2023	21-CDBG-NH-20008 Health Food Program Grant Q 1350 - CDBG Grants		\$20,699.46
104923	12/08/2023			CAPITOLA PEACE OFFICERS ASSOCIATION	\$1,104.50
	Invoice	Date	Description		Amount
	POA120123	12/01/2023	POA & gym dues PPE 11/25/23 1001 - Payroll Payables		\$1,104.50
104924	12/08/2023			CAPITOLA SELF STORAGE	\$12,072.00
	Invoice	Date	Description		Amount
	70819	11/19/2023	Annual Museum storage unit 1229		\$2,436.00
	70817	11/19/2023	Annual museum rent unit 2810		\$6,192.00
	70816	11/19/2023	Annual museum rent unit 2829		\$3,444.00
104925	12/08/2023			CAPITOLA-SOQUEL CHAMBER OF COMMERCE	\$14,061.67
	Invoice	Date	Description		Amount
	CSCC093023	10/31/2023	Q1 TOT 1305 - Restricted TOT		\$14,061.67
104926	12/08/2023			CARIN HANNA	\$6,121.43
	Invoice	Date	Description		Amount
	CH112123	11/21/2023	BIA website, mailchimp, storage, mail, office, garde 1321 - BIA - Capitola Village-Wharf BIA		\$6,121.43
104927	12/08/2023			CINTAS CORPORATION	\$170.50
	Invoice	Date	Description		Amount
	5185689338	11/27/2023	First Aid Replenishment		\$170.50
104928	12/08/2023			CRYSTAL SPRINGS WATER CO.	\$300.25
	Invoice	Date	Description		Amount
	CSW113023	11/30/2023	November drinking water		\$300.25
104929	12/08/2023			DAVID SCOTT COBABE	\$1,244.10
	Invoice	Date	Description		Amount
	DC120323	12/03/2023	Instructor payment		\$1,244.10

City Checks Issued December 8, 2023

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Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104930	12/08/2023			DPREP INC	\$375.00
	Invoice	Date	Description		Amount
	BPS20231212-14	12/04/2023	523 Basic Peer Support Training		\$375.00
104931	12/08/2023			ELEVATOR SERVICE COMPANY INC.	\$200.00
	Invoice	Date	Description		Amount
	44452	12/01/2023	Quarterly lube and inspection		\$200.00
104932	12/08/2023			ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE	\$440.00
	Invoice	Date	Description		Amount
	94612872	11/28/2023	ArcGIS subscription		\$440.00
			2211 - ISF - Information Technology		
104933	12/08/2023			EQUITABLE	\$3,261.87
	Invoice	Date	Description		Amount
	1491170	11/13/2023	Dec LTD, STD, Life, AD&D insurance		\$3,261.87
			1000 - General Fund	\$3.00	
			1001 - Payroll Payables	\$3,258.87	
104934	12/08/2023			FERGUSON ENTERPRISES LLC #795	\$414.33
	Invoice	Date	Description		Amount
	4678894	11/08/2023	Waterfree urinal		\$414.33
104935	12/08/2023			FLYERS ENERGY LLC	\$1,300.27
	Invoice	Date	Description		Amount
	23-976517	11/29/2023	245 gallons diesel for generator		\$1,300.27
104936	12/08/2023			GALLS LLC	\$131.09
	Invoice	Date	Description		Amount
	026283179	11/16/2023	Shield Performance Softshell		\$131.09
104937	12/08/2023			GARDAWORLD	\$387.31
	Invoice	Date	Description		Amount
	10762579	12/01/2023	December 2023 Armored Transportation Service		\$387.31
104938	12/08/2023			Hi-Line Inc.	\$262.66
	Invoice	Date	Description		Amount
	11085736	11/28/2023	Hex nuts, cable lugs, cable ties, fender washers, wir		\$262.66
104939	12/08/2023			HINDERLITER DELLAMAS AND ASSOCIATES	\$3,802.58
	Invoice	Date	Description		Amount
	SIN031100	08/31/2023	District sales tax auditing services Q1 44053		\$2,452.42
	SIN033330	10/31/2023	October TOT and STR admin fees		\$1,350.16

City Checks Issued December 8, 2023

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104940	12/08/2023			HO KUK MU SUL CORPORATION	\$62.40
	Invoice	Date	Description		Amount
	HKMSC120323	12/03/2023	Instructor payment		\$62.40
104941	12/08/2023			HOME DEPOT CREDIT SERVICES	\$259.32
	Invoice	Date	Description		Amount
	0010551	11/28/2023	3 pack headlight, headlamp, pry bar set, flood light		\$259.32
104942	12/08/2023			HOSE SHOP	\$115.28
	Invoice	Date	Description		Amount
	455957	12/04/2023	Crimp fitting		\$115.28
104943	12/08/2023			JAIME PONCIANO	\$174.30
	Invoice	Date	Description		Amount
	JP112223	11/22/2023	Radar-Laser Operator (POST Plan IV)		\$174.30
104944	12/08/2023			KBA Document Solutions LLC	\$10.23
	Invoice	Date	Description		Amount
	55Y1417510	12/01/2023	City Hall copier usage charges		\$10.23
			2211 - ISF - Information Technology		
104945	12/08/2023			KING'S PAINT AND PAPER INC.	\$450.15
	Invoice	Date	Description		Amount
	XVJE8	11/06/2023	Paint		\$450.15
104946	12/08/2023			LAURA ALIOTO	\$235.00
	Invoice	Date	Description		Amount
	LA120323	12/03/2023	Instructor payment		\$235.00
104947	12/08/2023			LC ACTION POLICE SUPPLY LTD	\$1,401.36
	Invoice	Date	Description		Amount
	459233	11/27/2023	Range Supplies		\$1,401.36
104948	12/08/2023			LLOYD'S TIRE AND AUTO	\$1,293.60
	Invoice	Date	Description		Amount
	217657	11/30/2023	Tires, tire services		\$1,293.60
104949	12/08/2023			LORRAINE KINNAMON	\$910.00
	Invoice	Date	Description		Amount
	LK120323	12/03/2023	Instructor payment		\$910.00
104950	12/08/2023			MID COUNTY AUTO SUPPLY	\$107.99
	Invoice	Date	Description		Amount
	M-2385614	11/29/2023	Brake pad, JB weld, drainpan		\$107.99

City Checks Issued December 8, 2023

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Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104951	12/08/2023			MISSION LINEN SUPPLY	\$256.40
	Invoice	Date	Description		Amount
	520535595	11/29/2023	Corp. Yard linen service		\$140.78
	520518521	11/27/2023	Community Center mop and mat service		\$81.12
	520535594	11/29/2023	Fleet towels, uniform cleaning		\$34.50
104952	12/08/2023			MISSION PRINTERS	\$53.42
	Invoice	Date	Description		Amount
	64932	12/04/2023	Business Cards		\$53.42
104953	12/08/2023			MOFFATT AND NICHOL	\$10,674.77
	Invoice	Date	Description		Amount
	00784109	11/29/2023	Wharf project services 10/29 - 11/25/2023		\$10,674.77
			1200 - Capital Improvement Fund		
104954	12/08/2023			MONTEREY BAY ANALYTICAL SERVICES INC	\$150.00
	Invoice	Date	Description		Amount
	231201_14	12/04/2023	Soquel Creek water quality testing		\$50.00
	231118_08	11/29/2023	Water sample analysis		\$50.00
	231118_07	11/29/2023	Water sample analysis		\$50.00
104955	12/08/2023			MOTOROLA SOLUTIONS INC.	\$450.00
	Invoice	Date	Description		Amount
	8281613698	04/20/2023	Evidence Library Related to PO # 2023-00000016		\$450.00
104956	12/08/2023			NIGEL BELTON	\$665.00
	Invoice	Date	Description		Amount
	2895	12/03/2023	Consulting Arborist Services		\$665.00
104957	12/08/2023			NORTH BAY FORD	\$252.80
	Invoice	Date	Description		Amount
	291040	11/29/2023	Filter assembly, oil, gasket		\$252.80
104958	12/08/2023			O'REILLY AUTO PARTS	\$172.80
	Invoice	Date	Description		Amount
	2763-399032	11/27/2023	Coolant hose, micro belt		\$59.56
	2763-399429	11/29/2023	Window marker, phone holder		\$56.10
	2763-399330	11/28/2023	Micro belt, fluid reserve		\$35.48
	2763-399093	11/27/2023	Micro-v belts, coolant hose		\$21.66
104959	12/08/2023			OUTDOOR SUPPLY HARDWARE	\$139.47
	Invoice	Date	Description		Amount
	I54086	11/30/2023	Batteries, lights, brush deck, clips		\$123.03
	I52482	11/27/2023	Bulk fastener, plug tap		\$16.44

City Checks Issued December 8, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104960	12/08/2023			PALACE BUSINESS SOLUTIONS	\$23.57
	Invoice	Date	Description		Amount
	699090-0	11/03/2023	Folder hang		\$23.57
104961	12/08/2023			PHOENIX GROUP INFORMATION SYSTEMS	\$14,535.10
	Invoice	Date	Description		Amount
	102023070	11/18/2023	October 2023 Citation Processing		\$14,535.10
104962	12/08/2023			RAY ALLEN MANUFACTURING LLC	\$238.32
	Invoice	Date	Description		Amount
	RINV346203	11/28/2023	K-9 Leashes and Leads		\$238.32
104963	12/08/2023			SANTA CRUZ LIVE SCAN INC.	\$60.00
	Invoice	Date	Description		Amount
	2746	12/01/2023	New hire live scans		\$60.00
104964	12/08/2023			SERVPRO OF PALO ALTO	\$1,762.79
	Invoice	Date	Description		Amount
	3854	12/04/2023	Bio Remediation and Labor for Service on 8/17/2023		\$1,762.79
104965	12/08/2023			SPECTRUM BUSINESS	\$3,754.38
	Invoice	Date	Description		Amount
	170005701112123	11/21/2023	December internet service		\$3,754.38
			1000 - General Fund	\$1,644.56	
			2211 - ISF - Information Technology	\$2,109.82	
104966	12/08/2023			STAPLES ADVANTAGE	\$115.51
	Invoice	Date	Description		Amount
	3552481955	11/14/2023	Copier paper		\$27.80
	3552570769	11/15/2023	Monthly planner		\$14.49
	3553414026	11/25/2023	File Folders and Pens		\$73.22
			1000 - General Fund	\$87.71	
			2210 - ISF - Stores Fund	\$27.80	
104967	12/08/2023			THE HOME DEPOT PRO	\$1,972.77
	Invoice	Date	Description		Amount
	777765488	11/30/2023	Tissue paper, industrial wipes, garbage bags		\$1,417.03
	777944232	11/30/2023	Oil dri premium absorbent		\$555.74
104968	12/08/2023			TOWBOATU.S. SANTA CRUZ	\$870.00
	Invoice	Date	Description		Amount
	2023-210	12/06/2023	Vessel day time operation		\$870.00
			1200 - Capital Improvement Fund		

City Checks Issued December 8, 2023

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Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104969	12/08/2023			TPX COMMUNICATIONS	\$1,654.03
	Invoice	Date	Description		Amount
	175916126-0	11/23/2023	November phone service		\$1,654.03
			1000 - General Fund		\$900.26
			2211 - ISF - Information Technology		\$753.77
104970	12/08/2023			TRANSPARENTSEA MEDIA CO.	\$2,668.00
	Invoice	Date	Description		Amount
	00037	12/01/2023	BIA marketing, website management, media boost		\$2,668.00
			1321 - BIA - Capitola Village-Wharf BIA		
104971	12/08/2023			US BANK EQUIPMENT FINANCE	\$489.41
	Invoice	Date	Description		Amount
	516300043	11/24/2023	City Hall Copier Lease		\$174.40
	516660537	11/28/2023	City Hall Copier Lease		\$315.01
			2210 - ISF - Stores Fund		
104972	12/08/2023			US BANK PARS Acct 6746022400	\$372.67
	Invoice	Date	Description		Amount
	PARS120123	12/01/2023	PARS contributions PPE 11/25/23		\$372.67
			1001 - Payroll Payables		
104973	12/08/2023			CECILLIA SOLADO	\$41.88
	Invoice	Date	Description		Amount
	CS120523	12/05/2023	Swimsuit Reimbursement		\$41.88
104974	12/08/2023			GABRIELLA FISCHER	\$76.76
	Invoice	Date	Description		Amount
	GF120523	12/05/2023	Swimsuit Reimbursement		\$76.76
104975	12/08/2023			MADDIE WADSWORTH	\$76.76
	Invoice	Date	Description		Amount
	MW120523	12/05/2023	Swimsuit Reimbursement		\$76.76
Type Check Totals:					\$124,344.19
<u>EFT</u>					
1634	12/04/2023			CalPERS Member Services Division	\$64,673.79
	Invoice	Date	Description		Amount
	1002515086-9	12/01/2023	PERS contributions PPE 11/25/23		\$64,673.79
			1000 - General Fund		\$0.34
			1001 - Payroll Payables		\$64,673.45

City Checks Issued December 8, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
1635	12/04/2023			EMPLOYMENT DEVELOPMENT DEPARTMENT	\$11,616.00
	Invoice	Date	Description		Amount
	0-114-393-616	12/01/2023	State taxes PPE 11/25/23		\$11,616.00
			1001 - Payroll Payables		
1636	12/04/2023			INTERNAL REVENUE SERVICE	\$38,073.78
	Invoice	Date	Description		Amount
	55900074	12/01/2023	Federal taxes & Medicare PPE 11/25/23		\$38,073.78
			1001 - Payroll Payables		
1637	12/04/2023			STATE DISBURSEMENT UNIT	\$1,662.91
	Invoice	Date	Description		Amount
	46375613	12/01/2023	Employee garnishments PPE 11/25/23		\$1,662.91
			1001 - Payroll Payables		
1638	12/04/2023			VOYA FINANCIAL	\$7,411.99
	Invoice	Date	Description		Amount
	VOYA120123	12/01/2023	Employee 457 contributions PPE 11/25/23		\$7,411.99
			1001 - Payroll Payables		

Type EFT Totals: \$123,438.47

Main City Totals	Count	Total
Checks	65	\$124,344.19
EFTs	5	\$123,438.47
All	70	\$247,782.66

Payroll Totals	Count	Total
Checks	1	\$17.59
EFTs	0	\$0.00
All	1	\$17.59

Grand Totals:	Count	Total
Checks	66	\$124,361.78
EFTs	5	\$123,438.47
All	71	\$247,800.25


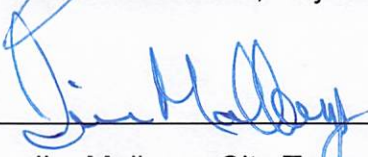
City main account checks dated December 15, 2023, numbered 104976 to 105010 totaling \$281,688.34, and 103 payroll EFTs totaling \$202,132.58 for a grand total of \$483,820.92, have been reviewed and authorized for distribution by the City Manager.

As of December 15, 2023, the unaudited cash balance is \$7,941,437.70.

**CASH POSITION - CITY OF CAPITOLA
December 15, 2023**

	<u>12/15/2023</u>
General Fund ⁽¹⁾	\$ (938,346.72)
Payroll Payables	\$ 211,205.21
Contingency Reserve Fund	\$ 2,192,345.66
PERS Contingency Fund	\$ 1,154,274.68
Emergency Reserve Fund	\$ 1,461,505.54
Facilities Reserve Fund	\$ 432,714.09
Capital Improvement Fund	\$ 2,092,859.60
Stores Fund	\$ 57,018.49
Information Technology Fund	\$ 186,785.10
Equipment Replacement	\$ 634,608.37
Self-Insurance Liability Fund	\$ (3,645.42)
Workers' Comp. Ins. Fund	\$ 129,227.04
Compensated Absences Fund	\$ 330,886.06
TOTAL AVAILABLE GENERAL FUNDS	<u><u>\$ 7,941,437.70</u></u>

(1) Dec. 15th balance includes \$4.68 million non-current investments

 _____ Jamie Goldstein, City Manager	12/15/23 _____ Date
 _____ Jim Malberg, City Treasurer	12/15/23 _____ Date

City Checks Issued December 15, 2023

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Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104976	12/15/2023			AMAZON CAPITAL SERVICES	\$233.88
	Invoice	Date	Description		Amount
	1T3K-6RRX-MY6R	12/10/2023	Two way radio		\$95.91
	1KW3-Q1HR-D9V6	12/12/2023	Footrest		\$28.98
	1VJ9-MYKJ-3FNP	10/31/2023	Rangefinder		\$108.99
104977	12/15/2023			AT&T	\$8.69
	Invoice	Date	Description		Amount
	ATT120123	12/01/2023	December long distance charges		\$8.69
		1000 - General Fund			\$4.28
		2211 - ISF - Information Technology			\$4.41
104978	12/15/2023			AT&T/CALNET 3	\$265.83
	Invoice	Date	Description		Amount
	000020974646	12/13/2023	December telephone service		\$265.83
		1000 - General Fund			\$203.03
		2211 - ISF - Information Technology			\$62.80
104979	12/15/2023			AT&T/CALNET 3	\$1,619.78
	Invoice	Date	Description		Amount
	000020975314	12/13/2023	December T-1 access		\$1,619.78
104980	12/15/2023			B & B SMALL ENGINE REPAIR	\$964.21
	Invoice	Date	Description		Amount
	534649	11/29/2023	Autocut		\$27.00
	534647	11/29/2023	Blower, trimmer		\$719.34
	534287	11/17/2023	Backpack blower		\$62.11
	534411	11/21/2023	Service kit		\$155.76
104981	12/15/2023			BEAR ELECTRICAL SOLUTIONS INC.	\$2,766.25
	Invoice	Date	Description		Amount
	21006	11/28/2023	November traffic signal maintenance services - response		\$2,119.45
	21007	11/28/2023	November traffic signal maintenance services - routine		\$646.80
		1310 - Gas Tax			
104982	12/15/2023			BETZ WORKS INC	\$18,800.00
	Invoice	Date	Description		Amount
	23287	10/11/2023	Remove and Replace Root Heaved Asphalt		\$18,800.00
		1310 - Gas Tax			
104983	12/15/2023			BOONE LOW RATLIFF ARCHITECTS INC	\$42,519.91
	Invoice	Date	Description		Amount
	3942	12/06/2023	November Community Center renovation design services Phase		\$4,562.31
	3941	12/06/2023	November Community Center renovation design services Phase		\$37,957.60
		1200 - Capital Improvement Fund			

City Checks Issued December 15, 2023

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104984	12/15/2023			COAST LOCK & SAFE INC.	\$67.19
	Invoice	Date	Description		Amount
	029992	12/04/2023	Padlock		\$67.19
104985	12/15/2023			CORODATA RECORDS MANAGEMENT, INC.	\$133.45
	Invoice	Date	Description		Amount
	RS3560836	11/30/2023	November records management		\$133.45
104986	12/15/2023			D & G SANITATION	\$501.78
	Invoice	Date	Description		Amount
	302845	11/30/2023	November Skate park hand wash station, portable toilets		\$501.78
104987	12/15/2023			ENVIRONMENTAL INNOVATIONS INC.	\$1,878.52
	Invoice	Date	Description		Amount
	2332	12/06/2023	CalRecycle November outreach		\$1,878.52
104988	12/15/2023			GRANITE CONSTRUCTION COMPANY	\$1,258.89
	Invoice	Date	Description		Amount
	2621960	11/30/2023	EZ Street asphalt		\$1,258.89
104989	12/15/2023			Hi-Line Inc.	\$460.06
	Invoice	Date	Description		Amount
	11083758	11/13/2023	Delphi connector kit		\$460.06
104990	12/15/2023			HOME DEPOT CREDIT SERVICES	\$2,685.81
	Invoice	Date	Description		Amount
	2510014	12/06/2023	Power driver charger, drain cleaning kit		\$162.37
	1613714	11/27/2023	Laminate for countertop, kitchen sink with faucet		\$623.34
	9624752	11/29/2023	Pliers set, wrench, pliers		\$60.94
	0524465	11/28/2023	Valve, bathroom lights		\$161.81
	7514998	12/01/2023	Saw blades, paper towels		\$120.88
	1611417	12/07/2023	Toilet seat		\$21.78
	1611416	12/07/2023	Drain cleaning kit		\$54.46
	1611430	12/07/2023	Buckets, tarp, fertilizer, ripping bar, aerosol, tape, brush		\$209.30
	9521951	11/29/2023	Lumber, sanded ply, fingerjoint board		\$331.02
	0615331	11/28/2023	Screws, stainless steel kitchen sink strainer, tape measure		\$62.06
	2011625	12/06/2023	Drip pan, tarp, extension cord, tape		\$142.27
	2520001	12/06/2023	Power driver charger, drainer, urinal auger		\$196.17
	2520018	12/06/2023	Saw blade, thick metal, gloves		\$130.09
	9793981	12/09/2023	Lithium-Ion Brushless cordless hammer drill		\$358.61
	1624317	11/27/2023	Valve, fitted hat, elbow poly		\$50.71

City Checks Issued December 15, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
104991	12/15/2023			LEWIS TREE SERVICE INC.	\$3,275.00
	Invoice	Date	Description		Amount
	09797-1	12/06/2023	Tree removal, stump grinding		\$3,275.00
104992	12/15/2023			McKim Corporation	\$183,641.42
	Invoice	Date	Description		Amount
	21057	11/24/2023	November Capitola Road Pavement Rehabilitation Project Servi		\$183,641.42
			1200 - Capital Improvement Fund		
104993	12/15/2023			MID COUNTY AUTO SUPPLY	\$26.74
	Invoice	Date	Description		Amount
	M-2392993	12/06/2023	Gloves, bulk spreaders, resist star bit set		\$26.74
104994	12/15/2023			MISSION LINEN SUPPLY	\$34.50
	Invoice	Date	Description		Amount
	520601422	12/06/2023	Fleet towels, uniform cleaning		\$34.50
104995	12/15/2023			OUTDOOR SUPPLY HARDWARE	\$123.11
	Invoice	Date	Description		Amount
	I57185	12/05/2023	Tarp		\$50.13
	I53119	11/28/2023	Drain opener, adapter, key set		\$72.98
104996	12/15/2023			PALACE BUSINESS SOLUTIONS	\$135.92
	Invoice	Date	Description		Amount
	2303947-0	12/06/2023	Tape		\$24.56
	2303890-0	12/06/2023	Copier paper		\$111.36
104997	12/15/2023			PAVEMENT ENGINEERING INC.	\$3,218.75
	Invoice	Date	Description		Amount
	2311-018	12/07/2023	2024 Pavement Management services through 11/30/23		\$2,825.00
	2311-017	12/07/2023	FY22/23 Capitola Rd. improvement project services 11/01-11/30		\$393.75
			1200 - Capital Improvement Fund		\$2,825.00
			1309 - RTC Streets		\$393.75
104998	12/15/2023			PHIL ALLEGRI ELECTRIC INC.	\$398.97
	Invoice	Date	Description		Amount
	33324	12/04/2023	Electrical services		\$398.97
104999	12/15/2023			PK SAFETY SUPPLY	\$155.00
	Invoice	Date	Description		Amount
	479342	10/31/2023	Safety glasses		\$155.00

City Checks Issued December 15, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
105000	12/15/2023			ROSS RECREATION EQUIP CO INC.	\$1,472.50
	Invoice	Date	Description		Amount
	123840	09/13/2023	Belt seat w/ chains, bucket seat		\$1,472.50
105001	12/15/2023			SAN LORENZO LUMBER	\$307.94
	Invoice	Date	Description		Amount
	55-0853001	12/06/2023	Glass scraper, battery pack, power strip, flashlight		\$268.49
	55-0849538	11/20/2023	Lumber		\$39.45
105002	12/15/2023			SANTA CRUZ AUTO PARTS INC.	\$408.19
	Invoice	Date	Description		Amount
	14508-485046	12/07/2023	Fastdry FAC PAC - coating		\$130.63
	14508-484960	12/06/2023	Coating, reducer		\$183.47
	14508-484473	11/29/2023	Chassis black paint coating		\$94.09
105003	12/15/2023			SANTA CRUZ COUNTY AUDITOR-CONTROLLER	\$8,676.00
	Invoice	Date	Description		Amount
	SCCO113023	11/30/2023	November citation processing		\$8,676.00
105004	12/15/2023			SANTA CRUZ SENTINEL	\$232.65
	Invoice	Date	Description		Amount
	0001395500	11/30/2023	November legal notices		\$232.65
105005	12/15/2023			SCOTT NEWTON	\$1,892.69
	Invoice	Date	Description		Amount
	SN120823	12/08/2023	Drone Operators Course Reimbursement		\$1,892.69
105006	12/15/2023			SOQUEL CREEK WATER DISTRICT	\$38.21
	Invoice	Date	Description		Amount
	34-18508-0120423	12/04/2023	34-18508-00 1510 McGregor Drive water service		\$38.21
105007	12/15/2023			STAPLES ADVANTAGE	\$407.25
	Invoice	Date	Description		Amount
	3553296083	11/25/2023	Copier paper, planners, calendars		\$222.31
	3553296085	11/25/2023	Wall calendar		\$23.97
	3553454884	11/28/2023	Planners		\$41.18
	3553854563	12/01/2023	Wall calendar, batteries, copier paper, planner		\$119.79
			2210 - ISF - Stores Fund		
105008	12/15/2023			TRANSPORTATION ALLIANCE BANK INC.	\$2,779.96
	Invoice	Date	Description		Amount
	681018	12/08/2023	Magnetic sensor		\$2,779.96
			1310 - Gas Tax		

City Checks Issued December 15, 2023

Item 7 B.

Check Number	Invoice Number	Invoice Date	Description	Payee Name	Transaction Amount
105009	12/15/2023			US BANK EQUIPMENT FINANCE	\$205.61
	Invoice	Date	Description		Amount
	516991098	12/04/2023	Recreation copier lease		\$205.61
105010	12/15/2023			ZACKARY CURRIER	\$93.68
	Invoice	Date	Description		Amount
	ZC111723	11/17/2023	ICI Officer Involved Shooting Course (POST IV)		\$93.68

Type Check Totals: \$281,688.34

Main City Totals	Count	Total
Checks	35	\$281,688.34
EFTs	0	\$0.00
All	35	\$281,688.34

Payroll Totals	Count	Total
Checks	0	\$0.00
EFTs	103	\$202,132.58
All	103	\$202,132.58

Grand Totals:	Count	Total
Checks	35	\$281,688.34
EFTs	103	\$202,132.58
All	138	\$483,820.92

Capitola City Council

Agenda Report

Meeting: January 11, 2024
From: Finance Department
Subject: FY 2022-23 Audit Report



Recommended Action: Receive Fiscal Year 2022-23 Audit Report.

Background: The City of Capitola is required by state statute to publish a complete set of financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards. The audit must be conducted by a firm of licensed certified public accountants.

The City's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, has again received an "unmodified" opinion, which indicates the auditor believes the financial statements are presented fairly in all material respects. The City's annual audit and ACFR meet all state and federal requirements and will be available to the public at City Hall as well as on the City's website.

Discussion: The financial report presents the financial condition, results of operations, and current economic condition for the City and component units' Fiscal Year ended June 30, 2023. Financial information for the Successor Agency is presented as a separate Private Purpose Trust Fund within the ACFR.

The independent audit firm Eide Bailly LLP issued the following opinion on the City's financial records, found on page two of the ACFR: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America."

The Fiscal Year (FY) 2022-23 ACFR has been submitted to the Government Finance Officers' Association for the Excellence in Financial Reporting Award. The City's ACFR has received this prestigious award for the last nine fiscal years. Previously, the City had received the California Society of Municipal Finance Officers Award for Outstanding Financial Reporting every year since FY 2000.

In addition to the ACFR, the auditor also issues a Management Letter and the Letter of Required Disclosures to the Governing Body and Statement of Auditing Standards (SAS) 114. The Management Letter discusses the City's internal control over financial reporting and makes recommendations, if necessary, of controls that need to be strengthened. The SAS 114 Letter is a document that discusses, among other matters, any significant audit findings. Neither document identified any areas of concern.

Fiscal Impact: The following are key financial highlights of the FY 2022-23 ACFR:

• Net Position	
○ Current and other assets	\$ 29,275,371
○ Capital assets	<u>36,940,232</u>
○ Total Assets	\$ 66,215,603
○ Total Deferred Outflows of Resources	<u>\$ 13,666,136</u>
○ Other Liabilities	\$ 1,527,266
○ Long-term liabilities	
▪ Due in one year	1,030,965
▪ Due in more than one year	<u>33,247,574</u>
○ Total Liabilities	<u>\$ 35,805,805</u>
○ Total Deferred Inflows of Resources	<u>\$ 3,510,268</u>
○ Net Position:	
○ Net investment in capital assets	\$ 35,467,652
○ Restricted	11,253,866
○ Unrestricted	<u>(6,155,852)</u>
○ Total Net Position	<u>\$ 40,565,666</u>
• Revenues	
○ General Revenues:	
○ Taxes:	
▪ Sales and use taxes	\$ 8,542,419
▪ Property taxes	3,058,146
▪ Transient occupancy taxes	2,131,470
▪ Franchise taxes	708,277
▪ Business license taxes	313,993
○ Motor vehicle in-lieu	307,089
○ Investment income	662,048
○ Miscellaneous revenue	162,352
○ Program Revenues:	
▪ Charges for services	3,027,626
▪ Operating grants and contributions	865,684
▪ Capital contributions and grants	<u>1,645,554</u>
○ Total Revenues	<u>\$ 21,424,658</u>
• Expenses	
○ General Government	\$ 3,443,270
○ Public Safety	5,703,129
○ Community Development	635,090
○ Culture and Recreation	2,181,074
○ Public Works	2,408,783
○ Interest and other charges	<u>55,843</u>
○ Total Expenses	<u>\$ 14,391,607</u>
○ Change in Net Position	7,033,051
○ Beginning Net Position	<u>33,532,615</u>
○ Ending Net Position	<u>\$ 40,565,666</u>

• General Fund		
○ Fund balance:		
○ Non-spendable:		
▪ Prepaid items	\$	74,590
○ Assigned:		
▪ Emergency Reserve		1,314,206
▪ Contingency Reserve		2,192,346
▪ PERS Retirement Trust		1,162,375
○ Unassigned		<u>5,945,090</u>
○ Total Fund Balance		<u>\$ 10,688,607</u>
• Capital Assets:		
○ Land	\$	4,883,789
○ Building & Improvements		18,017,712
○ Equipment		4,520,133
○ Infrastructure		35,907,669
○ Construction in Progress		<u>3,249,718</u>
○ Total Capital Assets		<u>\$ 66,879,021</u>
○ Less Depreciation		<u>29,938,789</u>
○ Capital Assets Net of Depreciation		<u>\$ 36,940,232</u>
• Long-Term Debt / Liability		
○ Pacific Cove Capital Lease		642,663
○ Beach & Village Parking Lease		829,917
○ Compensated Absences		915,544
○ Net OPEB Obligation		1,833,813
○ Net Pension Liability		<u>30,056,602</u>
○ Total Long-Term Debt		<u>\$ 34,278,539</u>

The next opportunity to review the City's financial picture, including updated revenue and expenditure forecasts, will be at the Mid-Year Budget Review in late February.

Attachments:

1. City of Capitola FY 2022-23 ACFR
2. Governance Communication Letter

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

Annual Comprehensive Financial Report



City of Capitola, California
Fiscal Year Ended June 30, 2023

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CITY OF CAPITOLA, CALIFORNIA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by the Capitola Finance Department

**City of Capitola
Annual Comprehensive Financial Report
Year Ended June 30, 2023**

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Annual Comprehensive Financial Report
Year Ended June 30, 2023**

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INTRODUCTORY SECTION

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December 22, 2023

Honorable Mayor,
Members of the City Council, and
Citizens of the City of Capitola

SUBJECT: Annual Comprehensive Financial Report - June 30, 2023

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2023, is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

State law requires the accounts and fiscal affairs of all municipal entities be audited annually by an independent certified public accountant. The City's independent auditor Eide Bailly LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for fiscal year ended June 30, 2023, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements of the City, are hereby submitted as the Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2023, and included in the financial section of this report in fulfillment of the above requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. A Single Audit Report on Federal Award Programs was not required or prepared in fiscal year 2023 because the City had less than \$750,000 in federal grant expenditures. The City's last required Single Audit Report is available for the year ended June 30, 2012.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and that they are presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF CAPITOLA PROFILE

The City of Capitola is a small coastal community located in Santa Cruz County that occupies approximately two square miles and serves a population of about 9,794. Located on the northern edge of Monterey Bay, approximately 35 miles north of Monterey and 75 miles south of San Francisco, Capitola enjoys a rich history and offers residents diverse recreational opportunities. Capitola Village is located along a sandy beach with expansive views of Monterey Bay and is home to numerous craft galleries, boutiques, and restaurants. The City is host to numerous events, including the Capitola Beach Festival, Capitola Art and Wine Festival, and the annual Wharf to Wharf race.

Named the Most Walkable Beach Town in the United States by Elle Décor Magazine, voted one of the best beach locations on the California Coast by Sunset Magazine, and recently named one of the “9 Most Unspoiled Vacation Spots” by the Fishing Booker website, Capitola offers fishing and boating, along with beachfront restaurants, shops, and entertainment. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Although Capitola is considered a central coast beach destination, it is also one of two major retail centers in Santa Cruz County. The Capitola Mall, combined with Brown Ranch and 41st Avenue businesses, is the retail hub of the central county. With major retailers such as Target, Macy’s, Kohl’s, CVS, Ross, and Whole Foods Market, Capitola is a “net regional retail provider” with retail sales several times higher than the retail demand of Capitola city residents. The City also has two major car dealerships.

Capitola is also fortunate to have outstanding educational opportunities. In addition to having New Brighton Middle School within its City limits, both Cabrillo Community College and the University of California, Santa Cruz, are within eight miles of the City. According to the U.S. Census Bureau’s 2020 data, approximately 93% of Capitola residents are high school graduates and 40% possess a Bachelors’ Degree or higher-level degree.

Form of Government

Capitola is a General Law City, which was incorporated on January 11, 1949. The City is subject to the framework and procedures established by State Law and operates under the Council – City Manager form of government. The Council is comprised of four Council Members and a Mayor, all of whom are directly elected by the citizens. The Council Members serve four-year staggered terms; and the Mayor and Vice-Mayor are elected annually by the Council. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Municipal Code and the State legislation.

The City Council appoints a City Manager to serve as the City’s chief administrative officer. The City Manager provides direction and leadership to all City departments and ensures that all City Council policies are implemented.

City Services

The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

The ACFR includes all financial activities of the City and the Successor Agency to the former Redevelopment Agency of the City of Capitola; two separate legal entities. Financial activities of the Successor Agency are also subject to approval by an independent Oversight Board. The Successor Agency was dissolved during fiscal year (FY) 2022-23.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by the Government Accounting Standards Board (GASB), which is the authoritative body in establishing United States GAAP for local governments.

Budgetary Policy and Control

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received, and the liability incurred. The City produces a two-year annual budget, which serves as the foundation for the City of Capitola's financial planning and control. Based on the City's Financial Management Policies, the City is required to maintain a balanced operating budget; along with using one-time revenues to fund non-recurring expenditures. In the budget development process, the City references the following Budgeting Principles to identify key projects and goals: Fiscal Policy, Public Service, and Public Improvements.

In accordance with the City's Municipal Code, the budget is adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit level. Capital projects are budgeted at the individual project level. The City Council may appropriate, amend, or transfer funds by an affirmative vote of three or more Council members at any regular or special Council meeting.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

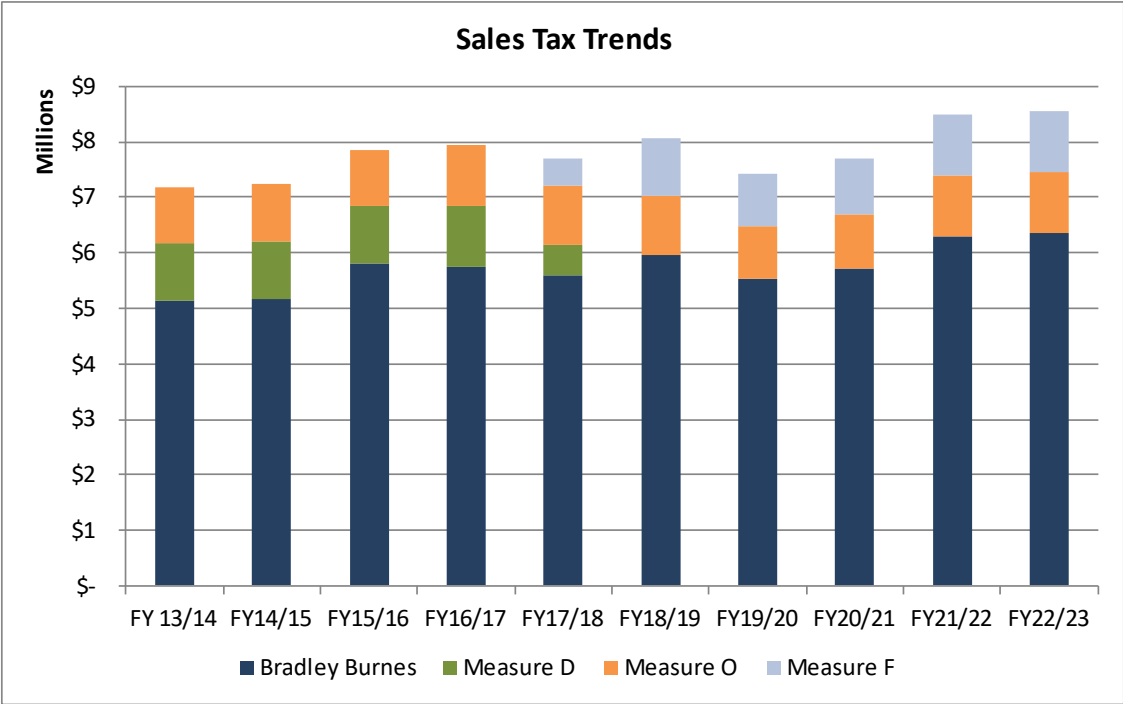
Local Economy

The City of Capitola saw its recovery from the COVID-19 pandemic slow down throughout FY 2022-23 due to the January 2023 storms damaging several Capitola Village businesses causing them to close temporarily. Despite the increased expenses due to storms, actual general fund revenues exceeded expenditures by approximately \$1,272,000 which was higher than what was projected by \$1,850,000. Sales tax revenue was lower than projections by approximately \$166,000 but still higher than the previous fiscal year by \$57,620. The net position of the General Fund decreased by approximately \$1.17 million, which was lower than the projected decrease of \$4.57 million. The fund balance decrease was by design of the FY 2022-23 budget and General fund transfers out to the Capital Improvement Project (CIP) fund being \$1,473,000 below budget resulted in the decrease not being as significant.

The three major sources of General Fund revenue include Sales Tax, Property Tax, and Transient Occupancy Tax (TOT). These three revenues account for approximately 90% of all General Fund Revenues.

Sales tax is the City’s largest source of revenue, accounting for approximately 56% of the General Fund Revenues. The City sales tax consists of 1% Bradley Burns, 0.25% Capitola District Tax (Measure O), and a 0.25% Capitola District Tax (Measure F) that is effective from January 1, 2018, through December 31, 2027. In FY 2022-23, the combined sales tax receipts of \$8.54 million were \$166,444 (1.91%) lower than budgetary estimates and \$57,620 (0.68%) above the prior year.

Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales Tax collections for the City of Capitola increased year over year after decreasing in the prior year due to the pandemic, however sales tax revenues have been relatively flat since FY 2015-16. The following chart shows sales tax trends over the past ten years as well as demonstrating the proportional share of District and Bradley Burns Sales taxes.

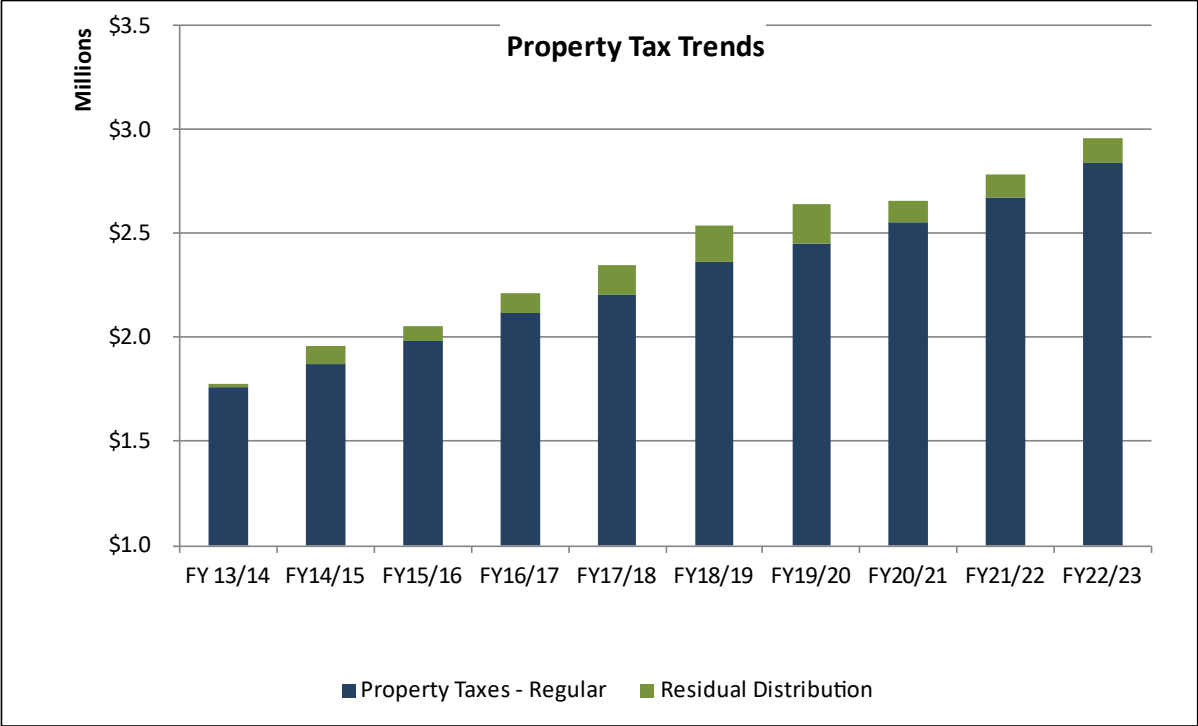


Capitola’s second major source of revenue is property tax. In FY 2022-23 the General Fund received \$3.0 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$177,000 more than the prior year and \$14,000 below the final budgeted amount. Over the last five fiscal years the City has averaged approximately 5% growth in annual property tax collections. However, in FY 2022-23 the increase was approximately 6.4% over the prior year.

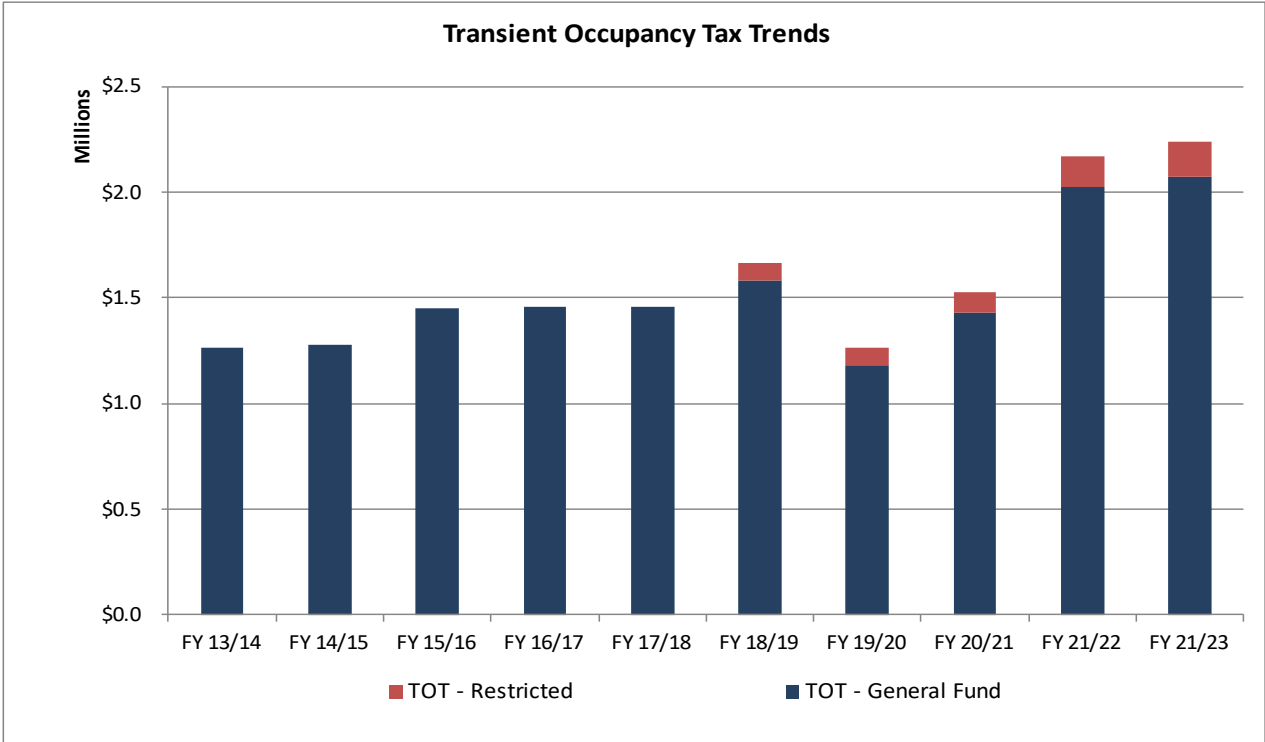
Due to the dissolution of the Capitola Redevelopment Agency (RDA), the RDA’s tax increment revenues are distributed to the Successor Agency Redevelopment Property Tax Trust Fund (RPTTF) in amounts that are only sufficient to fund obligations approved by the independent Oversight Board. Before the RDA dissolution, the City and RDA received over \$2 million a year.

The end of the Required Obligation Payment Schedule (ROPS) was in June 2021 and the City has also dissolved the Successor Agency in FY 2022-23.

The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to economic downturns by lessening the immediacy of revenue loss. The following chart includes Property Tax Revenue, as well as Property Tax In-Lieu of Vehicle License Fees. Based on the historical data, property tax revenues have remained relatively consistent due to appreciating property values. Staff anticipates this trend, while showing signs of slowing, will continue into the next fiscal year.



Transient occupancy tax (TOT) represents approximately 14% of General Fund revenues. While tourism and economic growth have remained stable, TOT revenue remained flat from FY 2015-16 through FY 2017-18 due to limitations on hotel and vacation rental room inventory. In November 2018 Capitola voters approved an increase in the TOT rate from 10% to 12% with 0.40% dedicated to local business groups and 0.35% dedicated to Early Childhood and Youth programs. The new TOT rate became effective on January 1, 2019, boosting TOT revenues in FY 2018-19. TOT revenues were one of the most impacted revenues due to COVID-19 and saw a significant reduction during the fourth quarter of FY 2019-20, however they rebounded quickly and are now exceeding pre-pandemic amounts. The chart below provides a 10-year history of TOT revenues.



Long-term Financial Planning

In the past, the City has made strategic decisions to help maintain resiliency in difficult economic times. As a continuation of this practice, the City is focusing on the following planning measures:

Planning for Sales Tax Revenues

The City of Capitola sales tax revenue consists of 1% Bradley Burns Sales tax and two 0.25% District taxes. The first District sales tax, Measure O, is a permanent 0.25% sales tax that was approved by voters in November 2012 and went into effect April 1, 2013. Measure O was implemented with the goal of replenishing reserves, funding CIP projects, and providing support for public safety initiatives. The City developed a five-year plan to ensure that Measure O funds were applied to their stated priorities. Each of the district taxes collect approximately \$1.0 million in General Fund revenues annually.

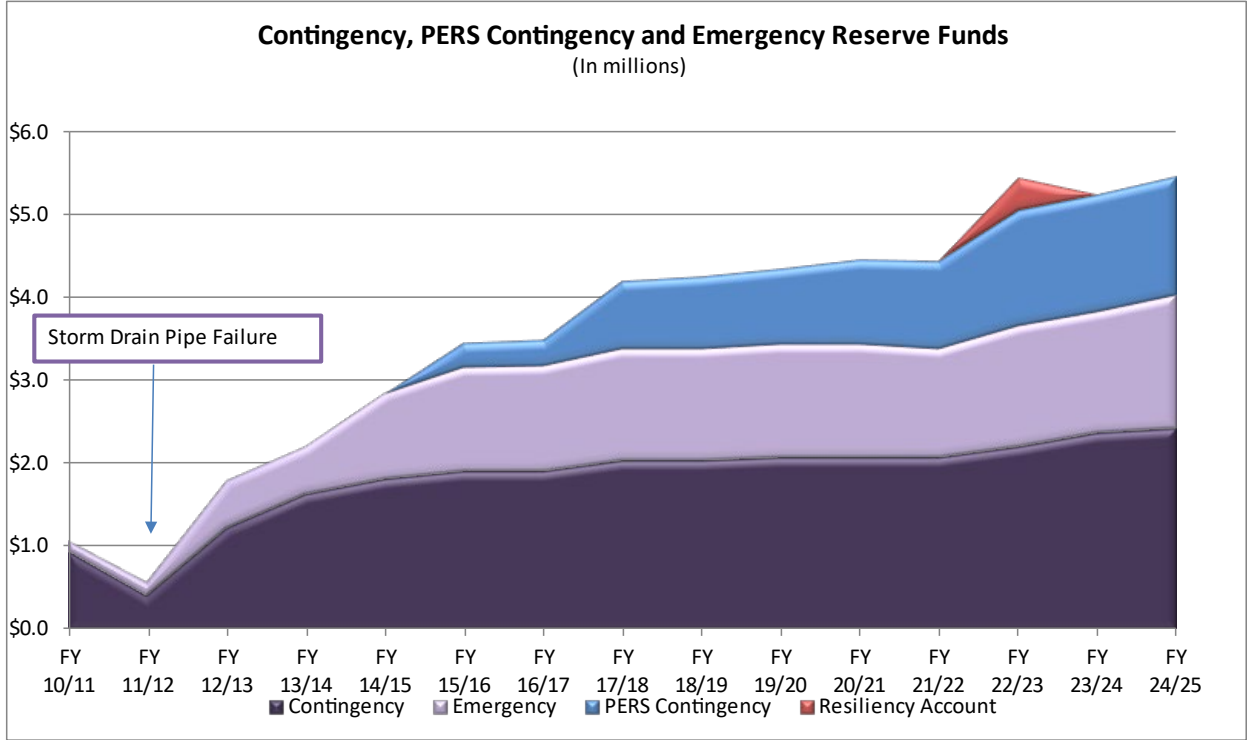
The second District tax, Measure F, was passed by voters in 2016 to extend Measure D, a temporary quarter of one percent sales tax, for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2022-2023 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

Replenishing and Increasing Reserves

The City has been proactive in establishing a stable reserve level. A portion of Measure O revenues were set aside to replenish the Contingency and Emergency Reserve Funds. The City's reserves were depleted in March of 2011 when an underground storm drain failed, which resulted in damage to the Pacific Cove Mobile Home Park, City Hall, and portions of Capitola Village. As a result, the City paid \$1.4 million in flood related costs over a two-year period and assumed a \$2.39 million debt to relocate residents of the City-owned Pacific Cove mobile home park. This incident reduced the City's reserves from \$1.87 million in FY 2009-10 to \$561,000 in FY 2011-12. This incident, along with the economic downturn, emphasized the need to review reserve policy levels to ensure the City was maintaining a sufficient balance to effectively manage unforeseen events.

In FY 2012-13 the City increased the Emergency Reserve funding level from 5% to 10% of operating expenditures and the Contingency Reserve funding level from 10% to 15% to ensure sufficient reserves are available to offset the effects of the next economic downturn and unforeseen emergencies.

In FY 2015-16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases. The initial funding came from a \$300,000 transfer from the General Fund. The City invested the funds with Public Agency Retirement Services (PARS) in a moderately conservative trust fund that allows for a higher rate of return. During FY 2017-18, the City put an additional \$500,000 in the PERS trust fund and budgeted an additional \$500,000 in FY 2022-23. In FY 2022-23, \$250,000 was put into the PERS trust fund and the next \$250,000 will be contributed during FY 2023-24.



Maintain the Facilities Reserve Fund

The City created a Facilities Reserve Fund in FY 2014-15. The purpose of the Facilities Reserve Fund is to create a mechanism to fund future facility maintenance projects. Examples of projects that could be financed through the fund include replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance of adjoining parking spaces. The Facilities Reserve Fund ended FY 2022-23 with a cash balance of \$432,714. The FY 2023-24 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund. Staff anticipates restoring annual contributions to the Facilities Reserve in FY 2024-25.

Funding Other Post-Employment Benefits Obligation (OPEB)

The City created an OPEB trust fund in FY 2013-14 in order to reduce and eventually eliminate the liability. Before prefunding the OPEB Liability, the City historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA). The transition from "pay as you go" financing to full funding, reduced the City's long-term liability from \$1,011,800 to \$657,500. In May 2014 the Actuarial Standards Board adopted standard number 6 (ASOP 6) requiring the calculation of the "Implicit Rate Subsidy". The implicit rate is an inherent subsidy of retiree healthcare costs by active employee healthcare costs when healthcare premiums paid by retirees and actives are the same.

Following the advice of the City's auditors as well as the new Actuarial Consultant, the current OPEB Actuarial Valuation now includes the Implicit Rate Subsidy calculation. This one change caused the Unfunded Actuarial Accrued Liability to increase \$1,201,442 increasing the balance from \$584,737 on June 30, 2019, to \$1,572,208 on June 30, 2020. The balance on June 30, 2022, the latest actuarial measurement date, was \$1,833,813. The FY 2023-24 Adopted Budget includes funding of \$67,050 for the OPEB trust fund.

Controlling Personnel Costs

Being a service-oriented organization, personnel costs make up the largest General Fund expenditure. The personnel budget comprises approximately 69% of the General Fund.

In 2021 all bargaining units agreed to multi-year contracts continuing with the cost sharing of CalPERS contributions originally negotiated in FY 2013-14, cost of living adjustments (COLA) based on the Consumer Price Index, and Flex Health Care spending increases. All bargaining units, with the exception of the Mid-Management Employees, agreed to new three-year contracts through June 30, 2024, while the Mid-Management Employees agreed to a new one-year contract through June 30, 2024, following the expiration of their two-year contract June 30, 2023.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. These changes will result in an annual decrease in CalPERS costs of 2.0% in FY 2023-24. Due to investment losses of 6.1% in 2022 the annual CalPERS cost is projected to increase 19.3% in FY 2024-25. Additionally, CalPERS rate 2023 rate of return was 5.8% which is below the anticipated rate of return of 6.8% and will likely lead to increased costs in FY 2025-26. Understanding that existing employees were already contributing more than the CalPERS-designated "employee share," the City's current labor contracts set future employee CalPERS contribution rates at a fixed percentage of compensation to reduce the impact on employees.

The number of full-time equivalent (FTE) positions city-wide increased 4.0 during FY 2022-23 as the City continued to fill vacant positions that were frozen in order to mitigate the fiscal impacts from COVID-19. The total city-wide authorized FTE's in FY 2022-23 was 70 with 68.25 positions budgeted.

Major Initiatives

Capitola Mall Redevelopment

The City has continued to seek redevelopment opportunities to update and upgrade the City's major retail corridor and mall area. Upgrades to the Capitola Mall are now anticipated with the April 2016 purchase of the Mall by Merlone Geier Partners, a private real estate investment company focused on the acquisition, development, and redevelopment of retail and retail-driven mixed-use properties on the West Coast. The City received a development application from Merlone Geier Aug. 27, 2019, however, due to COVID-19 the project has been put on hold by the developer.

Funding Measure F Commitments

In November 2016 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years. The city has committed this sales tax revenue to protecting the beach and wharf from rising sea levels and storms, supporting bike and pedestrian safety projects, and maintaining police staffing levels.

In FY 2022-23 Measure F funding was programed towards the Wharf Rehabilitation Project. The FY 2023-24 adopted budget includes \$1.1 million of Measure F funding towards the Wharf Rehabilitation Project. Previously the flume and jetty reconstruction projects were fully funded and completed in FY 2020-21. Work began on these projects in FY 2017-18 along with the use of Measure F funds to replace the 20-year-old front end loader for beach maintenance.

Capitola Wharf Resiliency and Public Access Improvements

The Capitola Wharf, known as Soquel Landing at the time, was built more than 150 years ago for F.A. Hihn in order to ship goods produced in the region such as timber, leather, paper, and products from local farms. The Wharf has been damaged and rebuilt numerous times during its history and in 1979 the City of Capitola accepted the grant deed to the Wharf from the County. Following a complete renovation project, the City opened the wharf to the public in 1981. Since that time, the City has used revenue generated from the lease agreements with the restaurant and boat & bait shop to maintain the wharf. A recent report commissioned by the City recommended a number of larger scale projects to better protect the wharf from the impacts of storms and rising sea levels.

The current Engineer's Estimate for the Capitola Wharf Resiliency and Public Access Improvements project is \$8.2 million which includes repairing damages from the January 2023 storms. Prior year appropriations of \$9.4 million include \$2.2 million of Measure F funding, State grant funds of \$1.9 million, Federal grant funds of \$3.5 million, State funding of \$500,000 and \$1.3 million of general fund while prior year expenditures and encumbrances total \$1.2 million. The FY 2023-24 Adopted Budget includes additional funding of \$1.1 million from Measure F to complete the funding for the project. The Capitola Wharf Resiliency and Public Access Improvements project is set to begin construction in Sept. 2023 with an anticipated completion date of late summer 2024.

Relevant Financial Policies

Financial Management Policies

The City has developed comprehensive Financial Management Policies to assist with the management of the operating and capital budgeting process and to standardize and rationalize the issuance of debt. This document focuses on Capital Budgeting and Reserves – Issuance of Debt, Operating Budgeting and Reserves and Other Policies, which addresses conformance with Generally Accepted Accounting Principles (GAAP), and Internal Borrowings. This policy requires the City to maintain a balanced operating budget; along with the use of one-time revenues to fund non-recurring expenditures.

A key component of this policy focuses on reserve requirements. Each fiscal year, the final adopted General Fund budget is required to have a Contingency Reserve appropriation equal to 15% of the General Fund operating expenditures and an Emergency Reserve appropriation equal to 10% of the General Fund operating expenditures. The purpose of the Contingency Reserve is 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. The purpose of the Emergency Reserve Fund is to protect against one-time significant costs that may arise from major unpredictable emergency events.

Investment Policy

The City's Investment Policy governs the investment of temporary cash excesses. Investments are prioritized based on the following order of importance: Safety of principal, liquidity, and yield. Various low risk investments, such as U.S. Treasury bills are permitted. During the year, all excess cash balances, which were not held by a fiscal agent, were invested in the California Local Agency Investment Fund (LAIF) and U.S. Treasury. At no time during the year was the City's cash invested in a manner that violates this policy.

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Capitola's ACFR for the fiscal years ended June 30, 2012, through June 30, 2022. This Certificate of Achievement is a prominent national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A GFOA Certificate of Achievement is valid for a period of only one year. The City of Capitola believes the FY 2023 ACFR conforms to the Certificate of Achievement program requirements and will be submitting it to GFOA for review.

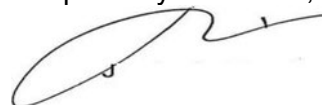
Prior to receiving the GFOA Award, the City received the Certificate for Outstanding Financial Reporting for its Annual Comprehensive Financial Report (ACFR) from the California Society of Municipal Finance Officers (CSMFO). This award was received consistently since FY 1999-00. Once a GFOA Award is received, CSMFO prohibits cities from applying and receiving both awards.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance Department staff. I would also like to express our appreciation to the partners and staff of our auditors for their assistance and support.

I wish to express my thanks and appreciation to the Mayor and members of the City Council for their unfailing leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jamie Goldstein
City Manager

CITY OF CAPITOLA
LIST OF PRINCIPAL OFFICIALS
FOR
FISCAL YEAR ENDED JUNE 30, 2023

ELECTED OFFICIALS

Mayor – Margaux Keiser
Vice Mayor – Kristen Brown
Council Member – Yvette Brooks
Council Member – Joe Clarke
Council Member – Alexander Pedersen

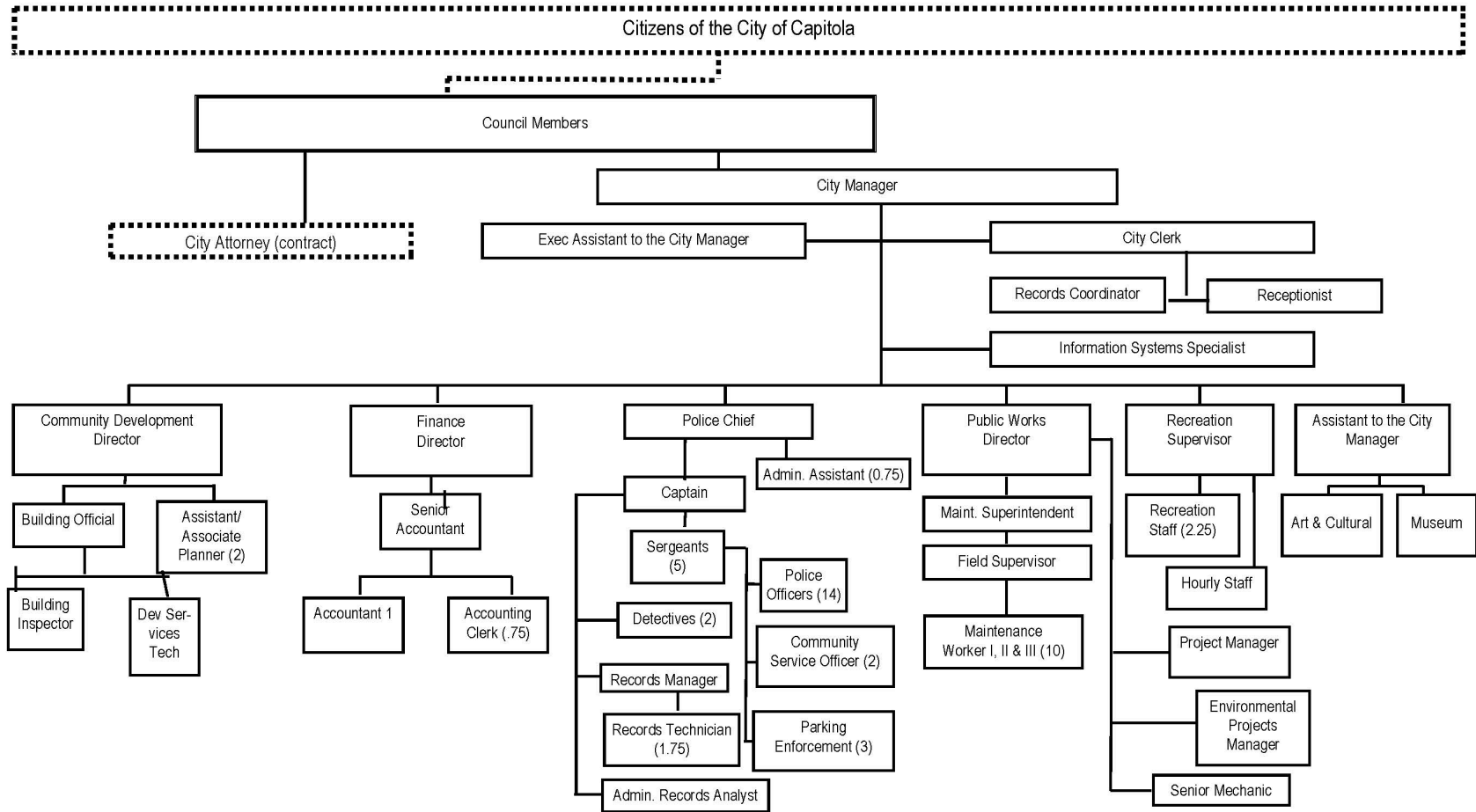
APPOINTED OFFICIALS

City Manager – Jamie Goldstein
City Attorney – Burke, Williams & Sorensen, LLP

DEPARTMENT HEADS/ADMINISTRATORS

Assistant to the City Manager – Chloe Woodmansee
Chief of Police – Andy Dally
City Clerk – Julia Moss
Community Development Director – Katie Herlihy
Finance Director – Jim Malberg
Public Works Director – Jessica Kahn
Recreation Division Manager – Nikki LeBlond-Bryant

CITY OF CAPITOLA ORGANIZATIONAL CHART



CITY OF CAPITOLA

GFOA Awards



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Capitola
California**

For its Annual Comprehensive
Financial Report

For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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Independent Auditor's Report

The Honorable City Council
City of Capitola, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (City), as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net other postemployment (OPEB) liability and related ratios, schedule of OPEB contributions, schedule of the City's proportionate share of the plan's net pension liability, schedule of pension contributions, and the budgetary comparison schedules for the general fund and each major special revenue fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's internal control over financial reporting and compliance.



Menlo Park, California
December 22, 2023

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Management's Discussion and Analysis

As management of the City of Capitola, California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40.5 million (net position).
- Total net position increased by \$6.9 million from the prior year.
- The City's net capital assets increased by \$1.9 million from the prior year.
- The City's long-term liabilities increased by \$12.4 million from the prior year. See Note 6 for long-term debt and Notes 10 & 12 for pension and other post-employment benefits (OPEB) liability details.

Fund Highlights

- The City's governmental funds reported combined fund balances of \$27.7 million, a decrease of \$0.1 million from the prior year. Of the \$27.7 million fund balance, \$7.2 million is assigned and \$8.0 million is unassigned, or available for spending at the City's discretion. An additional \$12.4 million is restricted for specific purposes by their providers through constitutional provisions or by enabling legislation in accordance with generally accepted accounting principles, which is further described in Note 1.
- The \$0.1 million decrease in the combined governmental fund balances was primarily attributable to the end of grant revenues relating to COVID 19.
- The Unassigned fund balance for the General Fund was \$8.1 million, or 43% of General Fund operating expenditures, a decrease of 18.0% compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the City of Capitola that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, culture and recreation, and transportation. The City does not have any business-type activities.

The Government-Wide Financial Statements include the City of Capitola (known as the primary government).

The Government-Wide Financial Statements can be found on pages 18-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City currently has five major governmental funds: General Fund, Federal Home Loan Reuse Fund, Capitola Housing Successor Fund, RTC Streets Fund, and the Capital Projects Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The City maintains six internal service funds that provide goods and services solely for governmental activities. The activities are eliminated at the end of the fiscal year and any residual fund balances are combined with the General Fund.

The City adopts an annual appropriated budget for all funds. A budgetary comparison statement is provided for each of the City's governmental funds to demonstrate compliance with this budget. This comparison for the General Fund and each major special revenue fund is presented in the Required Supplementary Information section of this document. The budgetary comparison statements for the Capital Projects Fund and Non-Major Governmental Funds are presented in the Supplementary Information Section of this report. All budget amendments require City Council approval for amounts over \$25,000.

The basic governmental fund financial statements can be found on pages 21-28 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because these resources are not available to support the City's programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented in the Basic Financial Statement section of this document.

Notes to the Financial Statements

The Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the basic financial statements can be found on pages 30-64 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the City of Capitola's net other postemployment benefits liability and contributions for the Healthcare Plan, the schedule of the City's proportionate share of the plans' net pension liability and related ratios, the schedule of plan contributions, and budget to actual comparisons, as noted in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2023, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$40.5 million.

	Governmental Activities	
	2023	2022
Current and other assets	\$ 29,163,340	\$ 29,589,899
Capital assets	36,940,232	35,039,287
Total Assets	66,103,572	64,629,186
Total Deferred Outflows of Resources	13,666,136	6,571,485
Other liabilities	1,528,040	1,818,072
Long term liabilities		
Due in one year	1,030,965	496,959
Due in more than one year	33,247,574	20,853,145
Total Liabilities	35,806,579	23,168,176
Total Deferred Inflows of Resources	3,510,268	14,499,880
Net Position:		
Net investment in capital assets	35,467,652	33,335,826
Restricted	11,222,924	11,768,139
Unrestricted	(6,237,715)	(11,571,350)
Total Net Position	\$ 40,452,861	\$ 33,532,615

The largest portion of the City's net position, \$35.5 million, is reflected in its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Although the City of Capitola's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used. An additional portion of the City's net position, \$11.2 million, represented resources that were subject to external restrictions on how they may be used. The remaining negative \$6.2 million of the City's net position were "unrestricted," and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted portion of net position is negative mainly due to the City's \$31.9 million net pension and OPEB liabilities.

Further analysis is provided in the governmental activities section of this report.

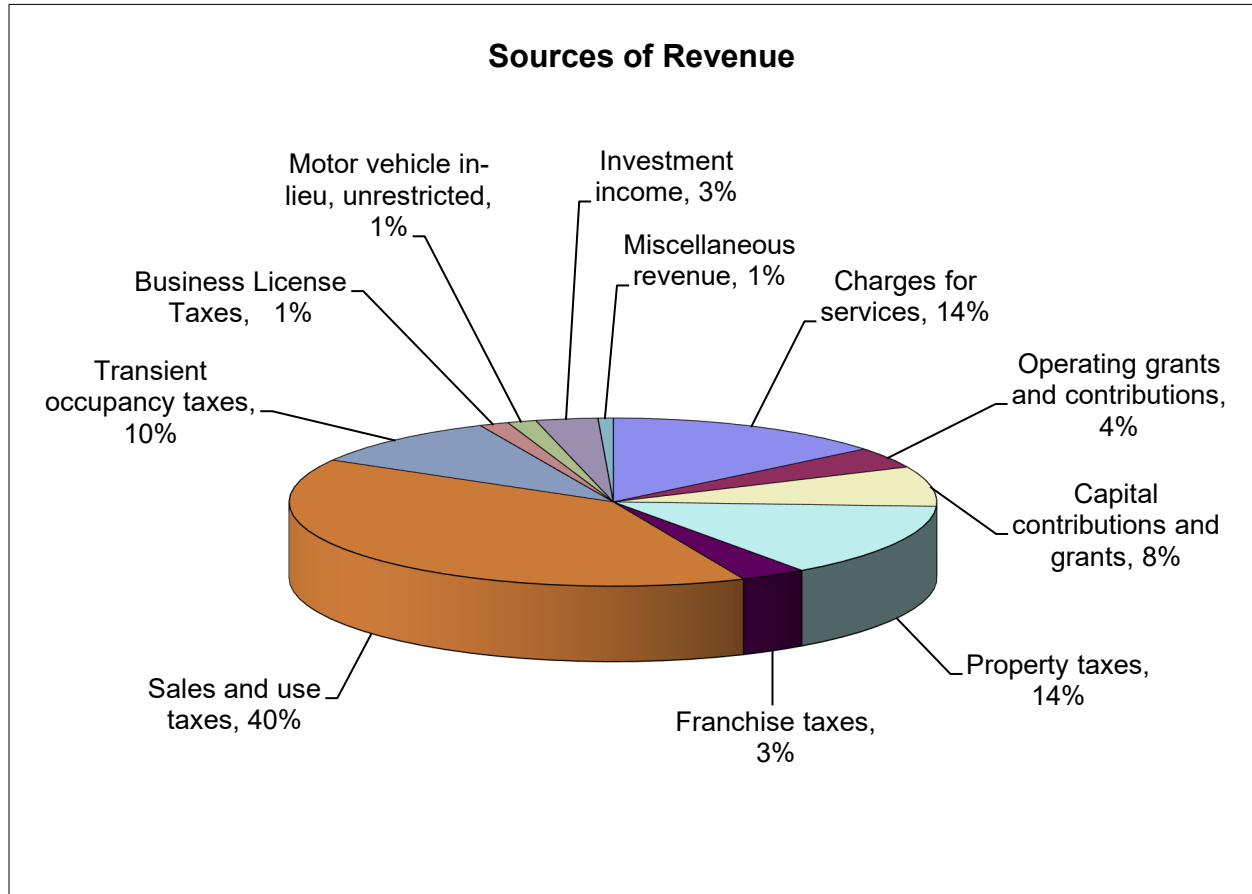
Governmental Activities

Governmental activities increased the City of Capitola's net position by \$6.9 million. The increase is due primarily to the decrease in expenses. The table below shows the changes between fiscal years 2022 and 2023:

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues:		
Charges for services	\$ 3,027,626	\$ 3,038,933
Operating grants and contributions	865,684	2,969,861
Capital contributions and grants	1,645,554	865,027
General revenues:		
Taxes:		
Property taxes	3,058,146	2,883,183
Franchise taxes	708,277	634,511
Sales and use taxes	8,542,419	8,484,799
Transient occupancy taxes	2,131,470	2,170,541
Business license taxes	313,993	315,604
Motor vehicle in-lieu, unrestricted	307,089	341,183
Investment income, unrestricted	549,243	(128,502)
Miscellaneous revenue	162,352	205,129
Total revenues	<u>21,311,853</u>	<u>21,780,269</u>
Expenses		
General government	3,443,270	6,117,483
Public safety	5,703,129	7,553,751
Community development	635,090	1,998,051
Culture and recreation	2,181,074	1,420,660
Transportation	2,408,783	4,222,401
Interest and other charges	20,261	55,843
Total expenses	<u>14,391,607</u>	<u>21,368,189</u>
Change in Net Position	6,920,246	412,080
Beginning Net Position	<u>33,532,615</u>	<u>33,120,535</u>
Ending Net Position	<u><u>\$ 40,452,861</u></u>	<u><u>\$ 33,532,615</u></u>

Revenues

As shown in the Statement of Activities, revenues for FY 2023 totaled \$21.3 million. The following graph includes program and general revenues and shows the percentage of governmental revenues by source:



Revenues decreased by \$0.5 million, or 2.4%, from the prior year. This was primarily due to the following factors:

- Operating grants and contributions – Decreased \$2.1 million from the prior year.
 - Primarily due to lack of Coronavirus grant revenue in 2023. Receipt of final Coronavirus fiscal recovery grant for \$1.2 million was in 2022.
 - Lack of grant revenue for storm damage and Wharf resiliency in 2023. \$0.8 million was received in 2022.

Cost of Services

Based on generally accepted accounting principles, program revenues are derived directly from programs or from parties outside the reporting government's taxpayers or citizenry. These revenues reduce the net cost of the function to be financed from the government's general revenues. General revenues are all other revenues not categorized as program revenues and include taxes, unrestricted grants, contributions, investment earnings, and miscellaneous revenues. Total program revenues from governmental activities were \$5.5 million.

The table below shows the costs and revenues of each of the City's programs:

	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 3,443,270	\$ 1,294,337	\$ (2,148,933)
Public safety	5,703,129	866,158	(4,836,971)
Community development	635,090	1,069,895	434,805
Culture and recreation	2,181,074	773,186	(1,407,888)
Transportation	2,408,783	1,535,288	(873,495)
Interest and other charges	20,261	-	(20,261)
Totals	\$ 14,391,607	\$ 5,538,864	\$ (8,852,743)

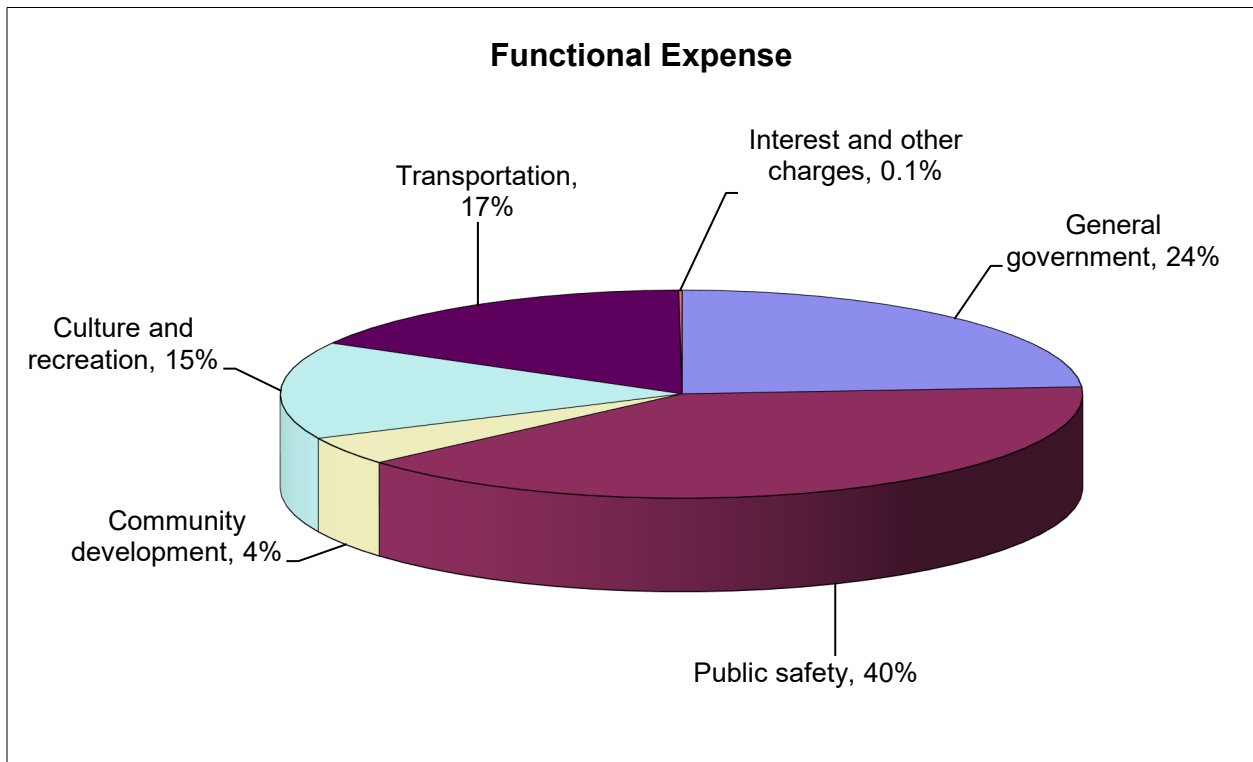
A description of each program is listed below:

- General Government expenses comprise approximately 23.9% of all government expenses. This includes City Council, City Manager, City Clerk, City Attorney, Finance, Administrative Services, and Risk Management. These programs are offset by parking meter collections, grants, and administrative support fees.
- Public Safety expenses comprise 39.6% of all governmental expenses. Revenues from fines, citations, grants, and animal services partially offset the cost of this program.
- Community Development expenses comprise approximately 4.4% of all governmental expenses. Various building and planning fees, along with grant revenues, assist in funding these program costs.
- Culture and Recreation expenses comprise 15.2% of all governmental expenses. These programs are primarily funded through recreational classes and sports fees.
- Transportation/Public Works expenses comprise 16.7% of all governmental expenses. This includes street, facility, park, and fleet maintenance. Costs are partially offset by motor vehicle fuel taxes and various fees.
- Interest expense and other charges comprise 0.1% of all governmental expenses. This interest expense is used to pay long-term debt obligations.

Expenses

As shown in the Statement of Activities, expenses decreased from the prior year by 32.6%. This was primarily due to decreased expenses in general government and transportation related to one-time expenses in the prior year.

A distribution of expenses by function is provided below:



Financial Analysis of the City's Funds

As noted earlier, the City of Capitola uses fund accounting to comply with finance-related legal requirements.

Governmental Funds

The focus of the City of Capitola's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Capitola's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Capitola's governmental funds reported a combined ending fund balance of \$27.7 million, flat compared with the prior year. Of this fund balance, \$12.5 million is externally restricted for particular purposes, \$7.2 million is assigned by the management to multiple priorities, and \$8.0 million is available for spending at the City's discretion.

General Fund - The General Fund is the chief operating fund of the City of Capitola and had a fund balance of \$10.6 million at year end. This represents a decrease of \$1.3 million, or 11% from the prior year. Approximately \$8.1 million was unassigned fund balance, which was available for spending at the City's discretion.

A reconciliation of the General Fund operating activities presented in the City budget documents to the Governmental General Fund Financial Statements is presented below:

	City Budget Documents	General Plan / Open Space / Donations	Emergency / Contingency / Facilities Reserve / PERS	Internal Service Funds	Financial Statements
Beginning Fund Balance	\$ 5,074,049	\$ 247,105	\$ 4,862,540	\$ 1,682,219	\$ 11,865,913
Revenues	18,457,600	127,063	-	1,536,859	20,121,522
Expenditures	17,113,265	125,761	-	1,692,641	18,931,667
Net Operating Difference	1,344,335	1,302	-	(155,782)	1,189,855
Financing Sources/Uses	(3,271,324)	-	528,300	294,000	(2,449,024)
Net Change	(1,926,989)	1,302	528,300	138,218	(1,259,169)
Ending Fund Balance	\$ 3,147,060	\$ 248,407	\$ 5,390,840	\$ 1,820,437	\$ 10,606,744

It should be noted that the presentation of the General Fund for the City's budget document is different than its presentation in the Governmental Fund Financial Statements. This is primarily due to the consolidation of the following funds for financial statement reporting purposes: General Fund, Contingency Reserve, PARS Contingency, Emergency Reserve, Facilities Reserve, General Plan Update and Maintenance, Stores, Information Technology, Equipment Replacement, Self-Insurance Liability, Workers Compensation, and Compensated Absences.

Federal Home Loan Reuse - The Federal Home Loan Reuse Fund receives loan payments from recipients of HOME Program loans and uses these revenues to fund additional affordable housing activities. All housing funded activities must be within the City and be in accordance with the Federal Home Reuse Guidelines. The revenues represent the receipt of principal and interest payments from loan recipients.

Capitola Housing Successor - This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. As loan payments are received, the revenue generated provides a funding source for new housing assistance programs. Additional information regarding this transition can be found in Note 14.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of public facilities. The total cost of a capital project is accumulated in a single expenditures account, which accumulates until the project is completed, at which time the fund ceases to exist.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2023, is presented as Required Supplementary Information following the notes to the financial statements. This information can be found on page 73. Key budgetary differences are provided below:

Revenues:

Actual revenues were below final budgeted amounts by \$1.2 million. This was primarily due to American Rescue & Recovery Act funds that were received in the prior year rather than the current year as originally anticipated.

Expenditures:

Expenditures, prior to transfers, were \$3 million below the final budget total due primarily to timing issues related to budgeted one-time expenditures that will carry forward to the next fiscal year.

Appropriations:

Variances between the Original and Final budgets are primarily due to the inclusion of continuing appropriations for special projects from the prior year, mid-year adjustments to reflect updated revenue and expenditure estimates, and new funding appropriated for additional CIP projects.

Fund Balance:

The General Fund's ending fund balance was \$10.7 million as of June 30, 2023. This amount was approximately \$3.4 million more than the final budget projection based on the revenue and expenditure information noted above. A breakdown of the General Fund balance is provided below. An additional discussion of the City's Contingency and Emergency Reserves can be found in the Financial Management Policies section of the Transmittal letter.

Restricted:	
Retiree benefits	1,195,872
Assigned:	
Emergency reserve	1,314,206
Unassigned:	
Contingencies	3,812,832
Unassigned	4,283,834
	<hr/>
Total fund balance	<u><u>\$ 10,606,744</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's value of governmental capital assets (net of accumulated depreciation) at the end of FY 2023 was \$36.9 million. This investment in capital assets includes land, building, equipment, vehicles and infrastructure. The infrastructure classification typically includes roads, streets, sidewalks, medians, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$1.9 million, or 5.4%. The increase is primarily due to an increase in completed transportation-related projects. Additional information on the City of Capitola's capital assets can be found in Note 4 to the financial statements.

Statement of Net Position	
Asset Type	
Land	\$ 4,883,789
Buildings and improvements	18,017,712
Equipment	4,520,133
Infrastructure	35,907,669
Construction in progress	3,549,718
Total Fixed Assets	<u>66,879,021</u>
	<u>(29,938,789)</u>
Less Depreciation	<u>(29,938,789)</u>
Capital Assets Net of Depreciation	<u><u>\$ 36,940,232</u></u>

Long-Term Debt

The City's long-term liabilities other than pension and OPEB at the end of FY 2023 was \$2.4 million, a decrease of \$0.2 compared to FY 2022. The change is due to the scheduled principal payments during the fiscal year. An overview of all long-term obligations is presented below while comprehensive information can be found in Note 6.

Loans payable:	
Loan agreement payable - Pacific Cove financing	\$ 642,663
Loan agreement payable - Beach and Village	829,917
Compensated absences	915,544
	<u>915,544</u>
Total long-term debt	<u><u>\$ 2,388,124</u></u>

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

On June 23, 2023, the Council adopted the FY 2023-24 Budget with a total appropriation of \$38.9 million and a General Fund appropriation of \$19.8 million. Adequate resources were projected to be available to fund the proposed expenditures. The General Fund budget continues to return resources to City Council goals and priorities that were placed on hold in response to COVID-19. The fiscal impacts associated with the pandemic were not as severe as originally projected, which when combined with a stronger than anticipated recovery has allowed the City to return funding to the Capital Improvement Program. General Fund expenditures are budgeted to exceed General Fund revenues by approximately \$1.0 million as the City utilizes the available fund balance. However, the budget still projects to end the year with a general fund balance of approximately \$1.5 million.

The City has negotiated an extension of the Mid-Management Employees contract through FY 2023-24 and all remaining bargaining units' contracts remain in place through FY 2023-24, which include fixed cost of living adjustments (COLA's). Additionally, all contracts included Market Study Salary Adjustments for identified classifications. The City implemented caps on pension costs prior to the FY 2015-16 budget but modified the cap to ensure employees didn't experience large decreases in net pay due to the projected contribution rate increases. Those caps remain in place under the new contracts.

Prospects for the Future

When the voters of Capitola passed Measure O, a quarter of one percent sales tax for a period of ten years, the City committed to replenishing reserves, maintaining police staffing levels and completing major street improvements during the five-year overlap with Measure D. Measure O sales tax revenues have been utilized to fully fund reserves at the City Council adopted funding levels as well as to increase street projects and maintain police department and public works staffing levels. Measure O expired on December 31, 2017.

In 2016 voters passed Measure F to extend the temporary quarter of one percent sales tax for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2019/20 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

Opportunities for development include the Wharf renovation project, flume repair, and jetty improvements. The wharf project was bid in Spring 2023 with an anticipated start date in Fall 2023. The wharf project is currently funded by a combination of Measure F, general fund, and grants. In addition, the approximately \$1 million in damages to the wharf caused by the Jan. 5, 2023, storm will be funded with \$1 million of insurance funding.

The City completed Assembly Bill 1484 (AB 1484) reporting and audit requirements and received approval for repayment of the \$618,028 loan made to the former RDA. The final payment was made during FY 2018/19. The Capitola Successor Agency completed the Required Obligation Payment Schedule (ROPS) in FY 2020-21 and has successfully completed dissolution of the RDA in FY 2022/23. The City returned \$165,074 in left over funds in October 2022. Additional information can be found in the transmittal letter, as well as Note 14.

Local, State, and National Economy

In 2008 events in the local, state, and national economies led to a significant downturn in financial markets. In FY 2011/12, there were beginning signs of economic recovery, with increased sales tax, TOT, and an increasing demand for building/planning services. This trend continued through FY 2016/17, however, Capitola's annual sales tax and transient occupancy tax leveled off in FY 2017/18. In November 2018 Capitola voters approved increasing the TOT rate from 10% to 12% with three-quarters of one percent dedicated to local business groups and Early Childhood and Youth programs.

In March 2020 both Santa Cruz County and the State of California issued Shelter-in-Place orders in response to COVID-19. This had severe negative impacts to City revenues at the end of the 3rd quarter and the entire 4th quarter of FY 2019-20. The City reduced expenditures to the greatest extent possible and negotiated concessions with all labor groups. The fiscal impacts from the pandemic were not as severe as originally anticipated and the recovery was greater than expected. This has allowed the City to continue to fill vacant positions that were frozen at the onset of the pandemic and return services and programs that had been reduced.

In January 2023, intense storms damaged the Wharf as well as several Capitola Village businesses causing them to close temporarily. Although this had a temporary negative effect on revenues and caused increased expenses, the City businesses recovered quickly. The Wharf project was fully funded in December 2022 and \$1 million of insurance funding for storm damages was added. The project will start in September 2023 and is projected to be completed by summer 2024.

In 2021 CalPERS achieved an investment return of 21.3% and the CalPERS Board subsequently approved a decrease in the discount rate it uses to project future funding needs. The discount rate is the expected rate of return on investments. The decreased discount rate has a major impact to the City's yearly unfunded actuarial liability (UAL) payment.

The City's FY 2023-24 UAL payment is approximately \$2.1 million which is a 1.9% decrease over the prior year. However, current projections show the City's UAL increasing to \$2.5 million in FY 2024-25 and \$3.5 million by FY 2029-30.

Requests for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information please contact the Finance Director at 420 Capitola Avenue, Capitola, California 95010.

BASIC FINANCIAL STATEMENTS

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CITY OF CAPITOLA
Statement of Net Position
June 30, 2023

Item 7 C.

	Governmental Activities
ASSETS	
Cash and investments	\$ 18,059,133
Restricted cash and investments	1,195,872
Accounts receivable	196,886
Taxes receivable	2,118,045
Due from other governments	944,854
Loans receivable	6,648,550
Capital assets:	
Non-depreciable:	
Land	4,883,789
Construction in progress	3,549,718
Depreciable:	
Equipment	4,520,133
Buildings and improvements	18,017,712
Infrastructure	35,907,669
Accumulated depreciation	(29,938,789)
Total Assets	66,103,572
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	12,650,802
OPEB related	1,015,334
Total Deferred Outflows of Resources	13,666,136
LIABILITIES	
Accounts payable	640,482
Accrued liabilities	208,616
Interest payable	21,672
Unearned revenue	278,707
Deposits payable	378,563
Noncurrent liabilities:	
Due within one year	1,030,965
Due in more than one year	1,357,159
Net other postemployment liability due in more than one year	1,833,813
Net pension liability due in more than one year	30,056,602
Total Liabilities	35,806,579
DEFERRED INFLOWS OF RESOURCES	
Pension related	3,252,592
OPEB related	257,676
Total Deferred Inflows of Resources	3,510,268
NET POSITION	
Net investment in capital assets	35,467,652
Restricted for:	
Public safety	151,613
Transportation	732,245
Community development	10,127,792
Culture and recreation	211,274
Unrestricted	(6,237,715)
Total Net Position	\$ 40,452,861

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 3,443,270	\$ 744,102	\$ 550,235	\$ -	\$ (2,148,933)
Public safety	5,703,129	624,216	241,942	-	(4,836,971)
Community development	635,090	901,127	-	168,768	434,805
Culture and recreation	2,181,074	710,430	62,756	-	(1,407,888)
Transportation	2,408,783	47,751	10,751	1,476,786	(873,495)
Interest and other charges	20,261	-	-	-	(20,261)
Total Governmental Activities	\$ 14,391,607	\$ 3,027,626	\$ 865,684	\$ 1,645,554	(8,852,743)
General Revenues:					
Taxes:					
					3,058,146
					708,277
					8,542,419
					2,131,470
					313,993
					307,089
					549,243
					162,352
					<u>15,772,989</u>
					6,920,246
					<u>33,532,615</u>
					<u>\$ 40,452,861</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

General Fund - Accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

SPECIAL REVENUE FUNDS

Federal Home Loan Reuse Fund - This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

Capitola Housing Successor Fund - This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

Regional Transportation Commission (RTC) Streets

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.

CAPITAL PROJECTS FUND

Capital Projects Fund - Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Non-Major Governmental Funds

Other Governmental Funds - These funds constitute all other governmental funds that do not meet the major fund test of assets, liabilities and deferred inflows of resources, revenues, or expenditures for the governmental funds. These funds consist of other Special Revenue Funds, and Debt Service Funds of the City for the year ended June 30, 2023.

CITY OF CAPITOLA
Governmental Funds
Balance Sheet
June 30, 2023

	Special Revenue Funds			
	General	Federal Home Loan Reuse	Capitola Housing Successor	RTC Streets
Assets				
Cash and investments	\$ 8,364,972	\$ 808,386	\$ 2,053,066	\$ 158,896
Restricted cash and investments	1,195,872	-	-	-
Accounts receivable	186,200	-	-	-
Taxes receivable	2,046,624	-	-	26,996
Due from other governments	74,590	-	-	-
Loans receivables	-	3,971,639	2,279,265	-
	<u>-</u>	<u>3,971,639</u>	<u>2,279,265</u>	<u>-</u>
Total Assets	<u>\$ 11,868,258</u>	<u>\$ 4,780,025</u>	<u>\$ 4,332,331</u>	<u>\$ 185,892</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 403,828	\$ -	\$ 3,273	\$ -
Accrued liabilities	208,616	-	-	-
Unearned revenue	278,707	-	-	-
Deposits payable	370,363	-	-	-
	<u>1,261,514</u>	<u>-</u>	<u>3,273</u>	<u>-</u>
Total Liabilities	<u>1,261,514</u>	<u>-</u>	<u>3,273</u>	<u>-</u>
Fund Balances				
Restricted	1,195,872	4,780,025	4,329,058	185,892
Assigned	1,314,206	-	-	-
Unassigned	8,096,666	-	-	-
	<u>10,606,744</u>	<u>4,780,025</u>	<u>4,329,058</u>	<u>185,892</u>
Total Fund Balances	<u>10,606,744</u>	<u>4,780,025</u>	<u>4,329,058</u>	<u>185,892</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,273</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 11,868,258</u>	<u>\$ 4,780,025</u>	<u>\$ 4,332,331</u>	<u>\$ 185,892</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects	Non-Major Governmental Funds	Totals
\$ 5,110,017	\$ 1,563,796	\$ 18,059,133
-	-	1,195,872
-	10,686	196,886
-	44,425	2,118,045
870,264	-	944,854
-	397,646	6,648,550
<u>\$ 5,980,281</u>	<u>\$ 2,016,553</u>	<u>\$ 29,163,340</u>
\$ 130,116	\$ 103,265	\$ 640,482
-	-	208,616
-	-	278,707
7,200	1,000	378,563
<u>137,316</u>	<u>104,265</u>	<u>1,506,368</u>
-	1,927,949	12,418,796
5,842,965	55,229	7,212,400
-	(70,890)	8,025,776
<u>5,842,965</u>	<u>1,912,288</u>	<u>27,656,972</u>
<u>\$ 5,980,281</u>	<u>\$ 2,016,553</u>	<u>\$ 29,163,340</u>

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CITY OF CAPITOLA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2023

Fund Balances of Governmental Funds	\$ 27,656,972
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets net of depreciation have not been included in governmental fund activity:	
Capital assets	66,879,021
Accumulated depreciation	(29,938,789)
Pension related deferred inflows and outflows of resources are not reported in the governmental funds:	
Deferred outflows	12,650,802
Deferred inflows	(3,252,592)
OPEB related deferred inflows and outflows of resources are not reported in the governmental funds:	
Deferred outflows	1,015,334
Deferred inflows	(257,676)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	
	(21,672)
Long-term liabilities have not been included in the governmental fund activity:	
Pacific Cove financing	(642,663)
Beach and Villeage financing	(829,917)
Net pension liability	(30,056,602)
Compensated absences	(915,544)
Net OPEB liability	(1,833,813)
	(4,078,543)
Net position of governmental activities	\$ 40,452,861

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2023

	Special Revenue Funds			
	General	Federal Home Loan Reuse	Capitola Housing Successor	RTC Streets
REVENUES				
Taxes	\$ 14,709,174	\$ -	\$ -	\$ -
Licenses and permits	649,478	-	-	-
Fines and forfeitures	566,907	-	-	-
Intergovernmental	410,037	-	-	368,521
Charges for services	1,887,463	-	-	-
Use of money and property	272,701	109,490	41,933	13,432
Other revenue	1,625,762	-	-	-
Total Revenues	20,121,522	109,490	41,933	381,953
EXPENDITURES				
Current:				
General government	3,484,033	3,700	-	-
Public safety	8,136,943	-	-	-
Community development	1,019,260	-	63,668	-
Culture and recreation	2,525,010	-	-	-
Transportation	3,469,525	-	-	-
Capital outlay	296,896	-	-	1,129,884
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	18,931,667	3,700	63,668	1,129,884
Excess (Deficiency) of Revenues over (Under) Expenditures	1,189,855	105,790	(21,735)	(747,931)
OTHER FINANCING SOURCES (USES)				
Transfers in	74,000	-	-	-
Transfers out	(2,523,024)	-	-	-
Total Other Financing Sources (Uses)	(2,449,024)	-	-	-
Net Change in Fund Balances	(1,259,169)	105,790	(21,735)	(747,931)
Fund Balances, Beginning of Year	11,865,913	4,674,235	4,350,793	933,823
Fund Balances, End of Year	<u>\$ 10,606,744</u>	<u>\$ 4,780,025</u>	<u>\$ 4,329,058</u>	<u>\$ 185,892</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects	Non-Major Governmental Funds	Totals
\$ -	\$ 143,353	\$ 14,852,527
-	11,903	661,381
-	-	566,907
897,880	740,688	2,417,126
13,459	109,283	2,010,205
735	110,396	548,687
20,000	53,757	1,699,519
<u>932,074</u>	<u>1,169,380</u>	<u>22,756,352</u>
170,285	785,662	4,443,680
-	-	8,136,943
-	18,250	1,101,178
-	-	2,525,010
-	-	3,469,525
1,245,998	292,623	2,965,401
-	230,881	230,881
-	22,187	22,187
<u>1,416,283</u>	<u>1,349,603</u>	<u>22,894,805</u>
<u>(484,209)</u>	<u>(180,223)</u>	<u>(138,453)</u>
2,255,958	292,066	2,622,024
<u>(74,000)</u>	<u>(25,000)</u>	<u>(2,622,024)</u>
<u>2,181,958</u>	<u>267,066</u>	<u>-</u>
1,697,749	86,843	(138,453)
<u>4,145,216</u>	<u>1,825,445</u>	<u>27,795,425</u>
<u>\$ 5,842,965</u>	<u>\$ 1,912,288</u>	<u>\$ 27,656,972</u>

CITY OF CAPITOLA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	(138,453)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay		2,965,401
Capital outlay not capitalized		(11,455)
Depreciation		(1,053,001)
<p>Repayment of debt service principal and financing liabilities are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
		230,881
<p>Governmental funds report all contributions as expenditures in relation to Pensions and OPEB, however, in the statement of activities, OPEB and pension expenses are based on the change in these liabilities.</p>		
Change in net pension liability and related deferrals		5,052,594
Change in net OPEB and related deferrals		(108,244)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences payable		(19,403)
Change in accrued interest expense		1,926
		1,926
Change in net position of governmental activities	\$	6,920,246

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2023

	Private Purpose Trust Fund
ASSETS	
Cash and investments	\$ -
Total Assets	-
NET POSITION	
Restricted in trust for successor agency and other purposes	-
Total Net Position	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Use of money and property	<u>\$ 2,086</u>
Total Additions	<u>2,086</u>
DEDUCTIONS	
Administrative expenses	<u>165,074</u>
Total Deductions	<u>165,074</u>
Change in Net Position	(162,988)
Net Position, Beginning of Year	<u>162,988</u>
Net Position, End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

City of Capitola
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Year Ended June 30 2023

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CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Capitola (the City) was incorporated in 1949 under the laws of the State of California. Capitola is a General Law City and is subject to the framework and procedures established by State law. The City operates under the Council-City Manager form of government. The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues. All City activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function, or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers the majority of revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City's only exception to this timeline is Sales Tax receipts which are recorded as revenues if received within 90 days.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

Federal Home Loan Reuse Special Revenue Fund

The Federal Home Loan Reuse 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, (continued)

Capitola Housing Successor Special Revenue Fund

This fund is used to account for the assets of the former RDA Low- and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

RTC Streets Special Revenue Fund

This fund accounts for 0.5 percent user sales tax revenues to fund local roads.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Nonmajor Governmental Funds

All remaining governmental funds are aggregated and reported as nonmajor funds.

The City also reports the following fiduciary fund:

Private Purpose Trust Fund

The Private Purpose Trust Fund accounts for the activities of the City of Capitola as Successor Agency to the Capitola Redevelopment Agency. The Successor Agency's primary purpose is to expedite the dissolution of the former Redevelopment Agency's assets in accordance with AB X1 26 and AB 1484. This fund was closed during the fiscal year.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable, and they have terms that are not affected by changes in interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (continued)

1) Cash and Investments (continued)

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a quarterly basis based on the cash balance in each fund.

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

3) Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	Secured	Unsecured
Valuation/Lien Date(s)	January 1	January 1
Levy Date	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 - 1st Installment April 10 - 2nd Installment	August 31

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

3) Property Taxes (continued)

The City adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

4) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at acquisition value as of the date received. City policy is to capitalize all tangible property with a useful life of five or more years and a cost or assigned value exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

The City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, in accordance with generally accepted accounting principles.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. Generally accepted accounting principles requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight-line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 – 20 years
Infrastructure	15 – 50 years

5) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. The City accounts for such items using the consumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)****6) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of the net assets or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

7) Compensated Absences

In compliance with generally accepted accounting principles, the City has established a liability for accrued vacation in relevant funds. Based on prior MOU language, a sick leave liability is also accrued for one remaining employee. For governmental fund types, the current liability appears in the respective funds, if due and payable, and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. If vacation and the sick leave balances are not used by employees during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

8) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that the expenses are reported only once - in the function in which they are allocated.

9) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts or disclosures based on estimates and assumptions by management. Actual results could differ from those amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

10) Fund Equity

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. These classifications and constraints have been incorporated into the City's Fund Balance Policy, Administrative Policy III-10.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that have constraints placed on them by third-party providers (grantors, bondholders, and higher levels of government) or by law through constitutional provisions or by enabling legislation.

Committed – Amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority. This includes an action by the City Council passing a resolution. The Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it previously employed to commit those amounts. The City did not report committed fund balances this year.

Assigned – Amounts the City intends to use for a specific purpose but are neither restricted nor committed. Intended use can be established by the City Council, or by a City official designated as having that authority, such as the City Manager or Finance Director.

Unassigned – is the residual classification for the General Fund and residual fund deficits, if any, of other governmental funds. Unassigned amounts are technically available for any purpose.

When an expenditure is incurred for which both restricted and unrestricted (committed, assigned, or unassigned) are available, it is the City's policy to consider restricted amounts first, then unrestricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance appropriations could be used, it is the City's Policy that committed amounts would be used first, followed by assigned, and then unassigned fund balance classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance, (continued)

11) Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

12) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

E. New Accounting Pronouncements

Effective this Fiscal Year

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, or FY 2022/2023. This Statement did not impact the City's financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or FY 2022/2023. This Statement did not impact the City's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. New Accounting Pronouncements (continued)

Effective this Fiscal Year (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, or FY 2022/2023. This Statement did not impact the City's financial statements.

Effective in Future Fiscal Years

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, or FY 2021/2022, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022, or FY 2023/2024. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. New Accounting Pronouncements (continued)

Effective in Future Fiscal Years (continued)

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The City is evaluating the impact of this Statement on the financial statements.

2. CASH AND INVESTMENTS

Cash and investments held by the City at June 30, 2023, are classified in the accompanying financial statement as follows:

Statement of Net Position:	
Cash and investments	\$ 18,059,133
Restricted cash and investments	<u>1,195,872</u>
Total cash and investments	<u><u>\$ 19,255,005</u></u>

Cash and investment held by the City consisted of the following:

Petty cash	\$ 1,444
Demand deposits	1,771,445
Investments with LAIF	11,712,906
Certificates of Deposit	4,581,438
PARS	<u>1,187,772</u>
Total cash and investments	<u><u>\$ 19,255,005</u></u>

2. CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the City of Capitola's Investment Policy:

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code (or the City's investment policy, if more restrictive). The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit (CD)	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2023, the City had the following investments.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1 year	1-5 years
Investments with LAIF	\$ 11,712,906	\$ 11,712,906	\$ -
Certificates of Deposit	4,581,438	-	4,581,438
PARS	1,187,772	1,187,772	-
Total Investments	<u>\$ 17,482,116</u>	<u>\$ 12,900,678</u>	<u>\$ 4,581,438</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in LAIF and in PARS were not rated as of June 30, 2023. Investments in the negotiable certificates of deposit were fully insured by the Federal Deposit Insurance Corporation (FDIC).

2. CASH AND INVESTMENTS (continued)

Concentration of Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments required to be disclosed.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, the City had deposits with financial institutions in excess of federal depository insurance limits by \$1,521,445 that were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF was established in 1977 under the California Government Code Section 16429.1 et seq. as an investment alternative for local California governments and cities. LAIF oversight is governed by a five-member board designated by law, with the State Treasurer as Board Chairman. The State Treasurer elected to invest these monies as part of the State's Pooled Money Investment Account (PMIA) to achieve the maximum rate of return, while maintaining the goals of safety, liquidity, and yield. All LAIF funds are insulated from State borrowing including State General Fund transfers or loans and AB 55 loans. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro rata share of the fair value provided by LAIF (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded as an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated.

2. CASH AND INVESTMENTS, (continued)

Fair Value Measurements

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

At June 30, 2023, the City had the following recurring fair value measurements:

Investment Type	June 30, 2023	Level 1	Level 2	Uncategorized
Investments with LAIF	\$ 11,712,906	\$ -	\$ -	\$ 11,712,906
Certificates of Deposit	4,581,438	4,581,438	-	-
PARS	1,187,772	-	1,187,772	-
Total Investments	<u>\$ 17,482,116</u>	<u>\$ 4,581,438</u>	<u>\$ 1,187,772</u>	<u>\$ 11,712,906</u>

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2023, are as follows:

Transfers Out	Transfer In			Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,255,958	\$ 267,066	\$ 2,523,024
Capital Projects Fund	74,000	-	-	74,000
Non-Major Governmental Funds	-	-	25,000	25,000
Total	<u>\$ 74,000</u>	<u>\$ 2,255,958</u>	<u>\$ 292,066</u>	<u>\$ 2,622,024</u>

The General Fund transferred \$127,000 to the Beach Village Lot and \$140,066 to the Pacific Coast Grove Debt Financing Funds for debt service payments. The Housing Trust Fund also transferred \$25,000 to the Pacific Cove Debt Financing Fund for debt service payments. The General Fund transferred \$2,255,958 to the Capital Projects Funds for various capital projects. In addition, the Capital Projects Fund transferred \$74,000 to the General Fund.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, is as follows:

	Ending Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in progress	2,715,304	1,845,872	(1,011,458)	3,549,718
Total capital assets, not being depreciated	<u>7,599,093</u>	<u>1,845,872</u>	<u>(1,011,458)</u>	<u>8,433,507</u>
Capital assets, being depreciated:				
Equipment	4,395,924	214,930	(90,721)	4,520,133
Building and improvements	17,913,338	116,007	(11,633)	18,017,712
Infrastructure	34,119,074	1,788,595	-	35,907,669
Total capital assets, being depreciated	<u>56,428,336</u>	<u>2,119,532</u>	<u>(102,354)</u>	<u>58,445,514</u>
Less accumulated depreciation for:				
Equipment	(3,875,265)	(183,429)	90,721	(3,967,973)
Building and improvements	(1,808,550)	(362,755)	11,633	(2,159,672)
Infrastructure	(23,304,327)	(506,817)	-	(23,811,144)
	<u>(28,988,142)</u>	<u>(1,053,001)</u>	<u>102,354</u>	<u>(29,938,789)</u>
Total capital assets, being depreciated, net	<u>27,440,194</u>	<u>1,066,531</u>	<u>-</u>	<u>28,506,725</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$35,039,287</u>	<u>\$ 2,912,403</u>	<u>\$ (1,011,458)</u>	<u>\$ 36,940,232</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:	
General government	\$ 639,386
Public safety	84,556
Cultural and recreation	37,219
Transportation	<u>291,840</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,053,001</u>

5. OTHER LONG-TERM RECEIVABLES

Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse, Affordable Housing and CDBG Program Income funds to provide housing loans to eligible applicants. Such loans are made to low and moderate-income households to improve or rehabilitate residences. These loans have been reflected in the financial statements as loans receivable. The City accounts for this program in the Special Revenue Funds. Total detail of loans receivable of \$6.7 million at June 30, 2023, is listed below:

	CDBG Program Income	Federal Home Loan Reuse	Capitola Housing Successor	Total
Individual Loans	\$ 397,646	\$ 210,287	\$ 426,384	\$ 1,034,317
Bay Avenue Senior Apartments	-	3,624,975	1,852,881	5,477,856
Wharf Road Manor	-	136,377	-	136,377
	<u>\$ 397,646</u>	<u>\$ 3,971,639</u>	<u>\$ 2,279,265</u>	<u>\$ 6,648,550</u>
Totals	<u>\$ 397,646</u>	<u>\$ 3,971,639</u>	<u>\$ 2,279,265</u>	<u>\$ 6,648,550</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term debt for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Cove Financing	\$ 807,729	\$ -	\$ (165,066)	\$ 642,663	\$ 642,663
Beach and Village Lot II Financing	895,732	-	(65,815)	829,917	67,302
Compensated Absences	896,141	444,299	(424,896)	915,544	321,000
	<u>\$ 2,599,602</u>	<u>\$ 444,299</u>	<u>\$ (655,777)</u>	<u>\$ 2,388,124</u>	<u>\$ 1,030,965</u>
Totals	<u>\$ 2,599,602</u>	<u>\$ 444,299</u>	<u>\$ (655,777)</u>	<u>\$ 2,388,124</u>	<u>\$ 1,030,965</u>

Loan Agreement Payable - Pacific Cove Debt Financing

On March 23, 2012, the City executed a \$2.39 million loan agreement to facilitate relocating the residents of the Pacific Cove Mobile Home Park. The City-owned mobile home park was permanently closed for safety reasons after a pipe failure flooded the park. This financing agreement used the existing City Hall site and the adjacent Upper Pacific Cove Parking lot as the subject property. The original agreement was for 20 years at 5.14% fixed interest rate for the first 10 years, with a reset to 10-year T-Bill plus 3%. The agreement was renegotiated during fiscal year 2012/13 to a tax-exempt lease with a 3.25% interest rate, with a reset in year 10 to a 10-year T-Bill plus 1.5%. As a result of the refinancing, annual loan payments were reduced by approximately \$28,000. Savings on interest over the first nine years is estimated to be \$350,000.

In FY 2012/13, the City made a decision to apply \$500,000 from the disaster recovery insurance settlement to the Pacific Cove Lease. This resulted in a principal reduction of \$476,190, with a prepayment penalty of \$23,810.

6. LONG-TERM LIABILITIES, (continued)**Loan Agreement Payable - Pacific Cove Debt Financing, (continued)**

Future payments under the agreement as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 642,663	\$ 7,277	\$ 649,940
Total	<u>\$ 642,663</u>	<u>\$ 7,277</u>	<u>\$ 649,940</u>

Loan Agreement Payable - Beach and Village Lot II Financing

On March 14, 2014, the City of Capitola executed a \$1,372,500 low-interest loan with the California Infrastructure and Economic Development Bank (IBank). This loan is considered an obligation with the General Fund as the source of repayment; and the City Public Works Corporation Yard serving as the leased asset. The loan term is 20 years at a fixed 2.26% interest rate.

Future payments under the agreement as of June 30, 2023, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 67,302	\$ 17,996	\$ 85,298
2025	68,823	16,457	85,280
2026	70,379	14,884	85,263
2027	71,969	13,276	85,245
2028	73,596	11,631	85,227
2029-2033	393,692	32,151	425,843
2034	84,156	951	85,107
Total	<u>\$ 829,917</u>	<u>\$ 107,346</u>	<u>\$ 937,263</u>

6. LONG TERM LIABILITIES, (continued)

Compensated Absences

Generally Accepted Accounting Principles identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$594,544 as of June 30, 2023.

7. FUND BALANCES

The details of the fund balances as of June 30, 2023, are presented below:

	<u>General Fund</u>	<u>Federal Home Loan Reuse</u>	<u>Capitola Housing Successor</u>	<u>RTC Streets Fund</u>
Restricted for:				
Public safety	\$ -	\$ -	\$ -	\$ -
Transportation	-	-	-	185,892
Community development	-	4,780,025	4,329,058	-
Culture and recreation	-	-	-	-
Retiree benefits	1,195,872	-	-	-
Assigned to:				
Debt service	-	-	-	-
Other capital projects	-	-	-	-
Emergency reserve	1,314,206	-	-	-
Unassigned:				
Contingencies	3,812,832	-	-	-
Unassigned (deficit)	4,283,834	-	-	-
	<u>\$ 10,606,744</u>	<u>\$ 4,780,025</u>	<u>\$ 4,329,058</u>	<u>\$ 185,892</u>

7. FUND BALANCES, (continued)

	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Restricted for:			
Public safety	\$ -	\$ 151,613	\$ 151,613
Transportation	-	546,353	732,245
Community development	-	1,018,709	10,127,792
Culture and recreation	-	211,274	211,274
Retiree benefits	-	-	1,195,872
Assigned to:			
Debt service	-	55,229	55,229
Other capital projects	5,842,965	-	5,842,965
Emergency reserve	-	-	1,314,206
Unassigned:			
Contingencies	-	-	3,812,832
Unassigned (deficit)	-	(70,890)	4,212,944
	<u>\$ 5,842,965</u>	<u>\$ 1,912,288</u>	<u>\$ 27,656,972</u>

Deficit Fund Balances

The following fund reported a deficit fund balance at June 30, 2023:

Community Development Block Grant Programs \$ (70,890)

This deficit is expected to be reduced by future revenues or transfers from other funds.

8. RISK MANAGEMENT

The City participates in the Monterey Bay Area Self-Insurance Agency (the Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

8. RISK MANAGEMENT, (continued)

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year-end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the five previous years.

Premium payment amounts are determined by the fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member. Audited financial statements of the Authority can be obtained at 1 Civic Center Drive, Scotts Valley, California 90566.

9. JOINT VENTURES

Santa Cruz Consolidated Emergency Communications Center

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 495 Upper Park Road, Santa Cruz, California 95065.

9. JOINT VENTURES (continued)

Santa Cruz Consolidated Emergency Communications Center (continued)

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. These bonds were refunded in May as 2012 Lease Revenue Bonds, Series A with a principal of \$3,965,000. The proceeds were used to refinance the existing debt that was used for building costs; purchase additional equipment and make a lease termination payment to the County to acquire space that is currently being used for the Emergency Operations Center (EOC). The term bonds are due on June 15, 2034.

Other Activities

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

10. DEFINED BENEFIT PENSION PLANS

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Benefits Provided (continued)

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	52
Monthly benefits, as a % of eligible compensation	2%-2.5%	1.0%-2.5%
Required employee contribution rates	7.96%	6.75%
Required employer contribution rates*	12.21%	7.47%

*Annual employer UAL payment of \$966,725 is not included in the rates above

	Safety	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Membership date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0%-2.7%
Required employee contribution rates	8.99%	13.00%
Required employer contribution rates*	23.75%	12.78%

*Annual employer UAL payment of \$1,002,849 is not included in the rates above

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2023 for Safety Plan and Miscellaneous Plan were \$1,624,178 and \$1,290,739, respectively.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Net Pension Liability

The City of Capitola's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	Miscellaneous	Safety
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	6.90%	6.90%
Mortality Rate Table ⁽³⁾	Derived using CALPERS' membership data for all Funds.	Derived using CALPERS' membership data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter.	Contract COLA up to 2.5% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter.

⁽¹⁾ Annual increases vary by category, entry age, and duration of service.

⁽²⁾ Net pension plan investment and administrative expenses; includes inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' 2021 Study using data from 2001 to 2019. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The 2021 Experience Study report can be obtained at CalPERS' website at: www.calpers.ca.gov.

Changes of assumptions – In measurement period ended June 30, 2022, CalPERS changed the discount rate from 7.15 percent to 6.90 percent. Additionally, the inflation rate was adjusted from 2.50 percent to 2.30 percent.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on the those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

10. DEFINED BENEFIT PENSION PLANS, (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class ⁽¹⁾	Current Target Allocation	Real Return Years 1–10 ⁽²⁾
Global equity - cap-weighted	30.0%	4.54%
Global equity - non-cap-weighted	12.0%	3.84%
Private equity	13.0%	7.28%
Treasury	5.0%	0.27%
Motgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Proportionate Share of Net Pension Liability

The following table shows the Plans' proportionate share of the net pension liability over the measurement period.

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Credit)
Miscellaneous plan	\$ 14,263,748	\$ 5,686,007	\$ (2,020,906)	\$ (1,999,970)
Safety plan	15,792,854	6,964,795	(1,231,686)	(137,708)
Total pension plans	<u>\$ 30,056,602</u>	<u>\$ 12,650,802</u>	<u>\$ (3,252,592)</u>	<u>\$ (2,137,678)</u>

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the Plan as of the June 30, 2022 and 2023 was as follows:

	Miscellaneous	Safety
Proportionate Share of NPL - June 30, 2022	0.429810%	0.0254940%
Proportionate Share of NPL - June 30, 2023	0.304830%	0.0229830%
Change - Increase (Decrease)	<u>-0.124980%</u>	<u>-0.0025110%</u>

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous plan	\$ 20,619,956	\$ 14,263,748	\$ 9,034,165
Safety plan	22,809,923	15,792,854	10,057,985
Total pension plans	<u>\$ 43,429,879</u>	<u>\$ 30,056,602</u>	<u>\$ 19,092,150</u>

10. DEFINED BENEFIT PENSION PLANS, (continued)

Recognition of Gains and Losses

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C). The EARSL for the Plan is 3.8 years.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City incurred a pension credit of \$1,999,970 and \$137,708 for the Miscellaneous plan and Safety plan, respectively.

10. DEFINED BENEFIT PENSION PLANS, (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,290,739	\$ -
Contributions in excess of proportionate share	34,465	(1,195,892)
Changes in assumptions	1,461,619	-
Difference in expected and actual experience	286,444	(191,848)
Adjustment due to differences in proportions	-	(633,166)
Net differences between projected and actual earnings on plan investments	<u>2,612,740</u>	<u>-</u>
Total	<u>\$ 5,686,007</u>	<u>\$ (2,020,906)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,624,178	\$ -
Contributions in excess of proportionate share	600,698	-
Changes in assumptions	1,592,398	-
Difference in expected and actual experience	653,609	(171,498)
Adjustment due to differences in proportions	-	(1,060,188)
Net differences between projected and actual earnings on plan investments	<u>2,493,912</u>	<u>-</u>
Total	<u>\$ 6,964,795</u>	<u>\$ (1,231,686)</u>

10. DEFINED BENEFIT PENSION PLANS, (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

The Contributions subsequent to the measurement date with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Miscellaneous Plan	
Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2024	\$ 317,171
2025	294,613
2026	164,536
2027	1,598,042
	<u>\$ 2,374,362</u>
Safety Plan	
Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2024	\$ 1,133,977
2025	922,873
2026	530,762
2027	1,521,319
	<u>\$ 4,108,931</u>

11. PUBLIC AGENCY RETIREMENT PLAN

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public-sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under *Internal Revenue Code* Sections 401(a) and 501.

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary, or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

11. PUBLIC AGENCY RETIREMENT PLAN (continued)

Plan Description (continued)

The City has the right to terminate or amend the Plan at any time.

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City contributes 1.3% and the employee contributes 6.2%. During the fiscal year ending June 30, 2023, contributions totaled \$111,732. The City acts as administrator with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City’s defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statute within the Public Employees’ Retirement Law. The CRHP’s plan provisions are established and may be amended through negotiation and Memoranda of Understanding between the City Council and the various bargaining units. All contracts with CalPERS are approved through City resolution. CalPERS issues publicly available reports that can be found on the CalPERS’ website at www.calpers.ca.gov.

Employees Covered

At the June 30, 2022 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	Active employees	67
Inactive employees or beneficiaries currently receiving benefits payments	_____	23
		<u>90</u>

Contributions

The obligation of the City to contribute to the plan is based on an actuarial determined rate. For the fiscal year ended June 30, 2023, the City’s total contributions were \$169,270. The City makes contributions and participates in the California Employers’ Retiree Benefit Trust (CERBT) Fund for the purpose of prefunding obligations for past services. Through this plan, the California Public Employees’ Retirement System (CalPERS) Board of Administration has the sole and exclusive control and power over the administration and investment of the prefunding plan.

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, that was based on the following actuarial methods and assumptions:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Mortality Rate	Mortality Rates from 2021 CalPERS Experience Study
Healthcare Trend Rate	5.25% in 2023 dropping to 5.20% for 2024-2069, and 4.00% for 2070 and later years

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (Strategy 2)	5-Year Return (Strategy 2)
Global Equity	59%	4.8%
Fixed Income	25%	1.8%
TIPS	5%	1.6%
Real Estate	8%	3.7%
Commodities	3%	1.9%
	100%	

Discount Rate

The discount rate used to measure the total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Changes in Net OPEB Liability

The changes in the net OPEB liability for the City's Plan are as follows:

	Increase/(Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at July 1	\$ 2,199,688	\$ 557,373	\$ 1,642,315
Changes recognized for year:			
Service Cost	109,131	-	109,131
Interest	158,499	-	158,499
Contributions	-	150,886	(150,886)
Net investment income	-	(74,613)	74,613
Administrative expenses	-	(141)	141
Benefit payments, including refunds of employee contributions	(90,636)	(90,636)	-
Net changes	176,994	(14,504)	191,498
Balance at June 30	\$ 2,376,682	\$ 542,869	\$ 1,833,813

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (6 percent) or one percentage point higher (8 percent) than the current rate, for measurement period ended June 30, 2022:

Net OPEB Liability		
Discount Rate -1% (6.0%)	Current Discount Rate (7.0%)	Discount Rate +1% (8.0%)
\$ 2,095,216	\$ 1,833,813	\$ 1,610,342

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for measurement period ended June 30, 2022:

Net OPEB Liability		
Trend Rate - 1% (4.25%-3.0%)	Healthcare Cost Trend Rates (5.25%-4.0%)	Trend Rate + 1% (6.25%-5.0%)
\$ 1,547,166	\$ 1,833,813	\$ 2,183,193

12. OTHER POST EMPLOYMENT BENEFITS, (continued)**OPEB expense and Deferred Items Summary**

For the year ended June 30, 2023, the City recognized OPEB expenses of \$301,946. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 169,270	\$ -
Changes of Assumptions	802,241	-
Differences between Expected and Actual Experiences	-	(257,676)
Net differences between projected and actual earnings on plan investments	43,823	-
Total	<u>\$ 1,015,334</u>	<u>\$ (257,676)</u>

For the year ended June 30, 2023, the City reported deferred outflows of resources related to OPEB in the amount of \$169,270 for its contributions subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized as OPEB expense as follows:

Year Ended June 30		
2024	\$	99,877
2025		99,379
2026		96,793
2027		114,374
2028		91,650
Thereafter		86,315
Total	\$	<u>588,388</u>

13. COMMITMENTS AND CONTINGENT LIABILITIES

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 that provided for the dissolution of all redevelopment agencies in the State of California. Most cities in California established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the governing board of the city or county in many cases, also served as the governing board for those agencies). The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government could agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council met and created a Successor Agency in accordance with the Bill as part of City resolution number 3906.

After the law was enacted on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations, or commitments. Upon the date of dissolution, February 1, 2012, significant matters previously controlled by the City Councils of the cities that created each redevelopment agency were now subject to the approval of the seven-member Oversight Board, and typically the California Department of Finance (DOF):

- Sale and distribution of assets
- Any change in obligation of terms
- Prepayment or defeasance of debt
- Acceptance of grants
- Funding of debt service reserves
- Budget for any remaining activities

In the current and future years, successor agencies are only allocated tax revenue in the amount that is necessary to pay the estimated annual payments on approved Recognized Obligation Payment Schedules (ROPS) until all enforceable obligations are paid in full. All obligations listed on the Capitola ROPS were approved by the Successor Agency and the Oversight Board, however the Department of Finance disallowed payment requests on two City/RDA loans. These loans included a \$618,028 Loan and Repayment Agreement and a \$1.35 million loan to purchase the City-owned Rispin Mansion property.

In June 2012, the California legislature passed AB 1484. This legislation provided clarification regarding the dissolution process and imposed new requirements. AB 1484 declared Successor Agencies are separate legal entities distinct from the sponsoring government, clarified matters pertaining to the affordable housing programs previously performed by the former RDA; and clarified matters pertaining to Enforceable Obligation and Recognized Obligation Payment Schedules (EOPS/ROPS). The legislation also established a requirement for all Successor Agencies to complete a due diligence review, established a process to receive a Finding of Completion that will provide significant benefits to local agencies (allowing them to begin spending debt proceeds and providing a formula for the repayment of money previously borrowed from the sponsoring government); and made a number of other significant changes in the dissolution process and the post-dissolution activities of Successor Agencies.

14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY, (continued)

In FY 2012/13, the Successor Agency completed two Due Diligence Reviews as required by the legislation. The Due Diligence review resulted in a recapture of the residual fund balance in the Successor Agency's primary operating account of \$89,536 and a disallowed payment to the City in the amount of \$47,895 for a City/RDA loan. While the Successor Agency and the City disagreed with this determination, the combined amount of \$137,431 was remitted to the County Auditor-Controller to maintain compliance. The completion of these two reviews resulted in the Successor Agency receiving a finding of Completion on May 24, 2013.

The Bill also directed the California State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the Successor Agency. The Capitola Successor Agency completed the Asset Transfer Review on October 7, 2013. The report findings required the City to return \$52,313 to the Successor Agency for an interest payment on a City/RDA loan. The Successor Agency and the City also disagreed with this determination.

The Successor Agency and Oversight Board have approved reinstatement of the \$618,028 Loan and Repayment Agreement at a reduced interest rate; however, this reinstatement was initially denied by the Department of Finance. The Department of Finance has indicated that application for this reinstatement should be subject to the timelines established in AB 1484.

The Successor Agency, City, and the Oversight Board approved a resolution to terminate the Rispin Property Purchase Loan in exchange for the return of the property. This would result in the reduction of \$1.35 million dollars in Successor Agency debt. The Department of Finance requested the Oversight Board reconsider this decision; and the Oversight Board unanimously reaffirmed their property transfer decision in August. The City did not receive a response from the Department of Finance in relation to this action, and the statutory time to deny the action has elapsed. The City's RDA attorney believed the action was effective due timing; however, the official property transfer was delayed until after the Successor Agency successfully completed a Long-Range Property Management Plan. This plan was completed on March 21, 2014; followed by the termination of the Rispin Purchase Loan and the City's acceptance of the property by Resolution on October 10, 2013. This transaction relieved the Successor Agency of all capital assets.

After the date of dissolution, activities of the dissolved redevelopment agency are reported in a fiduciary trust fund (private purpose trust fund) in the financial statements of the City. The Successor Agency was dissolved during the fiscal year.

15. RISKS AND UNCERTAINTIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City/Successor Agency Obligations

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2023 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. Over the last fiscal year, the Successor Agency has been successful in receiving funding for all approved obligations, with the exception of City/RDA loans. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time as to be immaterial or not.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
Total OPEB Liability		
Service cost	\$ 109,131	\$ 104,614
Interest	158,499	151,868
Differences between expected and actual experience	-	(168,232)
Change of assumptions	-	94,950
Benefit payments, included refunds of employee contributions	<u>(90,636)</u>	<u>(95,259)</u>
Net change in total OPEB liability	176,994	87,941
Total OPEB liability - beginning of year	<u>2,199,688</u>	<u>2,111,747</u>
Total OPEB liability - end of year (a)	<u><u>\$ 2,376,682</u></u>	<u><u>\$ 2,199,688</u></u>
Plan Fiduciary Net Position		
Net investment income	\$ (74,613)	\$ 116,763
Contributions		
Employer	150,886	155,509
Benefit payments, including refunds of employee contributions	(90,636)	(95,259)
Administrative expense	(141)	(164)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	<u>(14,504)</u>	<u>176,849</u>
Fiduciary net position - beginning of year	<u>557,373</u>	<u>380,524</u>
Fiduciary net position - end of year (b)	<u><u>542,869</u></u>	<u><u>557,373</u></u>
Net OPEB liability - end of year = (a) - (b)	<u><u>\$ 1,833,813</u></u>	<u><u>\$ 1,642,315</u></u>
Fiduciary net position as a percentage of the total OPEB liability	22.84%	25.34%
Covered employee payroll	\$ 6,286,092	\$ 6,145,766
Discount rate	7.00%	7.00%
Measurement date	6/30/2022	6/30/2021

* Fiscal year 2018 was the first year of implementation of the OPEB standards.

2021	2020	2019	2018
\$ 113,292	\$ 32,631	\$ 27,267	\$ 26,537
140,891	62,516	57,232	51,739
-	(203,258)	-	-
-	1,202,217	-	-
(82,353)	(28,801)	(27,697)	(26,632)
171,830	1,065,305	56,802	51,644
1,939,917	874,612	817,810	766,166
<u>\$ 2,111,747</u>	<u>\$ 1,939,917</u>	<u>\$ 874,612</u>	<u>\$ 817,810</u>
\$ 12,995	\$ 17,834	\$ 16,868	\$ 15,205
82,353	88,801	87,697	81,540
(82,353)	(28,801)	(27,697)	(26,632)
(180)	-	(397)	(127)
-	-	31	-
12,815	77,834	76,502	69,986
367,709	289,875	213,373	143,387
380,524	367,709	289,875	213,373
<u>\$ 1,731,223</u>	<u>\$ 1,572,208</u>	<u>\$ 584,737</u>	<u>\$ 604,437</u>
18.02%	18.95%	33.14%	26.09%
\$ 5,757,120	\$ 5,567,350	\$ 5,361,855	\$ 5,787,564
7.00%	7.00%	7.00%	7.00%
6/30/2020	6/30/2019	6/30/2018	6/30/2017

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 169,270	\$ 99,732	\$ 155,509
Contributions in relation to the actuarially determined contribution	<u>(169,270)</u>	<u>(99,732)</u>	<u>(155,509)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,344,221	\$ 6,286,092	\$ 6,145,766
Contributions as a percentage of covered employee payroll	2.30%	1.59%	2.53%

* Fiscal year 2018 was the first year of implementation of the OPEB standards.

2020	2019	2018
\$ 82,353	\$ 88,801	\$ 87,697
<u>(82,353)</u>	<u>(88,801)</u>	<u>(86,090)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,757,120	\$ 5,567,350	\$ 5,361,855
1.43%	1.60%	1.61%

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
Last 10 Years*

Miscellenaous Plan	2023	2022	2021
Proportion of the Collective Net Pension Liability	0.30483%	0.42981%	0.29469%
Proportionate Share of the Collective Net Pension Liability	\$ 14,263,748	\$ 8,161,252	\$ 12,430,057
Covered Payroll	\$ 2,337,504	\$ 2,040,667	\$ 3,799,393
Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	610.2%	399.9%	327.2%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	78.2%	90.5%	77.7%
Measurement Date	6/30/2022	6/30/2021	6/30/2020
Discount Rate	6.90%	7.15%	7.15%
Safety Plan	2023	2022	2021
Proportion of the Collective Net Pension Liability	0.02298%	0.25494%	0.20536%
Proportionate Share of the Collective Net Pension Liability	\$ 15,792,854	\$ 8,946,935	\$ 13,681,501
Covered Payroll	\$ 2,632,190	\$ 2,300,530	\$ 2,371,092
Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	600.0%	388.9%	577.0%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.5%	86.6%	73.1%
Measurement Date	6/30/2022	6/30/2021	6/30/2020
Discount Rate	6.90%	7.15%	7.15%

* Fiscal year 2015 was the first year of implementation of the pension standards.

2020	2019	2018	2017	2016
0.29039%	0.28641%	0.27777%	0.27444%	0.27813%
\$ 11,628,468	\$ 10,793,804	\$ 10,949,665	\$ 9,533,602	\$ 7,630,270
\$ 3,504,309	\$ 3,434,216	\$ 3,370,438	\$ 3,245,529	\$ 3,147,103
331.8%	314.3%	324.9%	293.7%	242.5%
77.7%	77.7%	75.4%	75.9%	79.9%
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
7.15%	7.15%	7.15%	7.65%	7.65%
2020	2019	2018	2017	2016
0.20056%	0.19718%	0.19088%	0.19118%	0.18590%
\$ 12,519,942	\$ 11,569,787	\$ 11,405,601	\$ 9,901,586	\$ 7,660,071
\$ 2,381,492	\$ 2,487,719	\$ 2,402,133	\$ 2,308,245	\$ 2,283,732
525.7%	465.1%	474.8%	429.0%	335.4%
73.4%	73.4%	71.7%	72.7%	77.3%
6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
7.15%	7.15%	7.15%	7.65%	7.65%

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2023

Schedule of Pension Contributions
Last 10 Years*

Miscellenaous Plan	2023	2022	2021
Contractually Determined Contribution	\$ 1,290,739	\$ 1,173,195	\$ 1,024,725
Contributions in Relation to the Contractually Determined Contribution	<u>(1,290,739)</u>	<u>(1,173,195)</u>	<u>(1,024,725)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,769,175	\$ 2,337,504	\$ 2,040,667
Contributions as a Percentage of Covered Payroll	46.61%	50.19%	50.22%
Safety Plan	2023	2022	2021
Contractually Determined Contribution	\$ 1,624,178	\$ 1,512,085	\$ 1,307,218
Contributions in Relation to the Contractually Determined Contribution	<u>(1,624,178)</u>	<u>(1,512,085)</u>	<u>(1,307,218)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 2,734,960	\$ 2,632,190	\$ 2,300,530
Contributions as a Percentage of Covered Payroll	59.39%	57.45%	56.82%

* Fiscal year 2015 was the first year of implementation of the pension standards.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 913,110	\$ 838,617	\$ 832,631	\$ 516,728	\$ 448,910	\$ 261,550
<u>(913,110)</u>	<u>(838,617)</u>	<u>(832,631)</u>	<u>(516,728)</u>	<u>(448,910)</u>	<u>(261,550)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,799,393 24.03%	\$ 3,504,309 23.93%	\$ 3,434,216 24.25%	\$ 3,370,438 33%	\$ 3,245,529 14%	\$ 3,147,103 8%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,199,415	\$ 954,292	\$ 937,396	\$ 536,507	\$ 741,692	\$ 640,785
<u>(1,199,415)</u>	<u>(954,292)</u>	<u>(937,396)</u>	<u>(536,507)</u>	<u>(741,692)</u>	<u>(640,785)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,371,092 50.58%	\$ 2,381,492 40.07%	\$ 2,487,719 37.68%	\$ 2,402,133 33%	\$ 2,308,245 32%	\$ 2,283,732 28%

CITY OF CAPITOLA
Required Supplementary Information
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 14,811,770	\$ 14,811,770	\$ 14,709,174	\$ (102,596)
Licenses and permits	637,100	637,100	649,478	12,378
Fines and forfeitures	592,000	592,000	566,907	(25,093)
Intergovernmental	1,482,303	1,521,608	410,037	(1,111,571)
Charges for services	2,149,031	2,149,031	1,887,463	(261,568)
Use of money and property	99,800	99,800	272,701	172,901
Other revenue	1,547,842	1,547,842	1,625,762	77,920
Total revenues	21,319,846	21,359,151	20,121,522	(1,237,629)
Expenditures:				
Current:				
General government:				
City council	114,019	114,019	107,274	6,745
City manager	960,704	989,883	1,089,679	(99,796)
Personnel	448,585	463,585	362,138	101,447
City attorney	280,000	280,000	371,305	(91,305)
Finance	858,798	858,798	824,575	34,223
Community grants	133,425	133,425	125,000	8,425
General operations	2,344,500	3,158,279	604,062	2,554,217
Public safety	8,064,965	8,104,270	8,136,943	(32,673)
Community development	1,025,395	1,045,395	1,019,260	26,135
Culture and recreation	1,519,138	1,629,258	2,525,010	(895,752)
Transportation	3,853,503	3,769,146	3,469,525	299,621
Capital Outlay	560,000	1,390,911	296,896	1,094,015
Total expenditures	20,163,032	21,936,969	18,931,667	3,005,302
Excess (deficiency) of revenues over (under) expenditures	1,156,814	(577,818)	1,189,855	1,767,673
Other financing sources (uses):				
Transfers In	-	-	74,000	74,000
Transfers out	(3,886,203)	(3,996,203)	(2,523,024)	1,473,179
Total Other Financing Sources (Uses)	(3,886,203)	(3,996,203)	(2,449,024)	1,547,179
Net change in fund balance	(2,729,389)	(4,574,021)	(1,259,169)	3,314,852
Fund balance, beginning of year	11,865,913	11,865,913	11,865,913	-
Fund balance, end of year	\$ 9,136,524	\$ 7,291,892	\$ 10,606,744	\$ 3,314,852

CITY OF CAPITOLA
Required Supplementary Information
Federal Home Loan Reuse Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 109,490	\$ 108,490
Total revenues	1,000	1,000	109,490	108,490
Expenditures:				
Current:				
General government:	3,700	3,700	3,700	-
Total expenditures	3,700	3,700	3,700	-
Net change in fund balance	(2,700)	(2,700)	105,790	108,490
Fund balance, beginning of year	4,674,235	4,674,235	4,674,235	-
Fund balance, end of year	<u>\$ 4,671,535</u>	<u>\$ 4,671,535</u>	<u>\$ 4,780,025</u>	<u>\$ 108,490</u>

CITY OF CAPITOLA
Required Supplementary Information
Capitola Housing Successor Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 41,933	\$ 39,933
Total revenues	2,000	2,000	41,933	39,933
Expenditures:				
Current:				
Community development	82,525	102,525	63,668	38,857
Total expenditures	82,525	102,525	63,668	38,857
Net change in fund balance	(80,525)	(100,525)	(21,735)	78,790
Fund balance, beginning of year	4,350,793	4,350,793	4,350,793	-
Fund balance, end of year	<u>\$ 4,270,268</u>	<u>\$ 4,250,268</u>	<u>\$ 4,329,058</u>	<u>\$ 78,790</u>

CITY OF CAPITOLA
Required Supplementary Information
RTC Streets Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 358,000	\$ 358,000	\$ 368,521	\$ 10,521
Use of money and property	-	-	13,432	13,432
Total revenues	358,000	358,000	381,953	23,953
Expenditures:				
Capital outlay	358,000	337,655	1,129,884	(792,229)
Total expenditures	358,000	337,655	1,129,884	(792,229)
Net change in fund balance	-	20,345	(747,931)	(768,276)
Fund balance, beginning of year	933,823	933,823	933,823	-
Fund balance, end of year	\$ 933,823	\$ 954,168	\$ 185,892	\$ (768,276)

CITY OF CAPITOLA
Notes to Required Supplementary Information
Year Ended June 30, 2023

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases, or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year-end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year-end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per *Capitola Municipal Code* 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action".

There were no excess expenditures over appropriations in the General Fund departments.

SUPPLEMENTARY INFORMATION

CITY OF CAPITOLA
Capital Projects Fund
Major Capital Projects Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Intergovernmental	1,900,000	2,097,000	897,880	(1,199,120)
Charges for services	15,000	15,000	13,459	(1,541)
Use of money and property			735	735
Other revenue	587,000	587,000	20,000	(567,000)
Total revenues	<u>2,507,000</u>	<u>2,704,000</u>	<u>932,074</u>	<u>(1,771,926)</u>
Expenditures:				
General government	43,500	11,500	170,285	(158,785)
Capital outlay	6,857,140	6,852,993	1,245,998	5,606,995
Total expenditures	<u>6,900,640</u>	<u>6,864,493</u>	<u>1,416,283</u>	<u>5,448,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,393,640)</u>	<u>(4,160,493)</u>	<u>(484,209)</u>	<u>3,676,284</u>
Other financing sources (uses):				
Transfers in	3,886,203	3,966,203	2,255,958	(1,710,245)
Transfers out	-	-	(74,000)	(74,000)
Total other financing sources (uses)	<u>3,886,203</u>	<u>3,966,203</u>	<u>2,181,958</u>	<u>(1,784,245)</u>
Net change in fund balance	(507,437)	(194,290)	1,697,749	1,892,039
Fund balance, beginning	<u>4,145,216</u>	<u>4,145,216</u>	<u>4,145,216</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 3,637,779</u></u>	<u><u>\$ 3,950,926</u></u>	<u><u>\$ 5,842,965</u></u>	<u><u>\$ 1,892,039</u></u>

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CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2023

NON-MAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

SB1 Road Rehab Fund - This fund accounts for receipts and expenditures received from the passage of Senate Bill 1 – Road Repair and Accountability Act of 2017.

Supplemental Law Enforcement Fund - This fund accounts for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - This fund accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

Wharf Fund - In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

Parking Reserve Fund - This fund accounts for 16% of parking meter revenue from the village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the village.

Technology Fees Fund - This fund accounts for revenues received from technology fees to be used for new permit processing program.

PEG Cable TV Access Fee Fund - This fund accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - This fund accounts for the receipt and expenditure of assessments for the Business Improvement Area (BIA).

Community Development Block Grants (CDBG) Fund - This fund accounts for grant revenue applied for and received from the Federal Department of Housing and Urban Development (HUD) through the California Small Cities Grant Program administered by California Department of Housing and Community Development (HCD) to address local community development needs.

CDBG Program Income - This fund accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

Affordable Housing - This fund accounts for a flexible local source of funding for the creation of new affordable housing, rehabilitation of existing affording 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.

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2023

Restricted Transient Occupancy Tax (TOT) Fund - 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 receive and distribute the 0.40% of restricted TOT revenues for local business groups and the 0.35% of restricted TOT revenue dedicated to early childhood and youth programming.

DEBT SERVICE FUNDS

Beach and Village Lot II Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Beach and Village Lot II project. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

Pacific Cove Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Pacific Cove Mobile Home Park Relocation Plan. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2023

	SPECIAL REVENUE FUNDS		
	SB1 Road Rehab and Maintenance	Supplemental Law Enforcement	Gas Tax
ASSETS			
Cash and investments	\$ 289,701	\$ 153,612	\$ 249,401
Accounts receivable	-	-	-
Due from other governments	19,735	-	21,864
Loans receivables, net	-	-	-
Total Assets	<u>\$ 309,436</u>	<u>\$ 153,612</u>	<u>\$ 271,265</u>
LIABILITIES			
Accounts payable	\$ 20,286	\$ 1,999	\$ 14,799
Deposits payable	-	-	-
Total Liabilities	<u>20,286</u>	<u>1,999</u>	<u>14,799</u>
FUND BALANCES			
Restricted	289,150	151,613	256,466
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>289,150</u>	<u>151,613</u>	<u>256,466</u>
Total Liabilities and Fund Balances	<u>\$ 309,436</u>	<u>\$ 153,612</u>	<u>\$ 271,265</u>

SPECIAL REVENUE FUNDS

Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$ 169,874	\$ 737	\$ 93,312	\$ 42,254	\$ 39,227	\$ (41,176)
-	-	-	-	10,686	-
-	-	-	2,826	-	-
-	-	-	-	-	-
<u>\$ 169,874</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 49,913</u>	<u>\$ (41,176)</u>
\$ 2,680	\$ -	\$ -	\$ -	\$ 5,670	\$ 29,714
1,000	-	-	-	-	-
<u>3,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,670</u>	<u>29,714</u>
166,194	737	93,312	45,080	44,243	-
-	-	-	-	-	-
-	-	-	-	-	(70,890)
<u>166,194</u>	<u>737</u>	<u>93,312</u>	<u>45,080</u>	<u>44,243</u>	<u>(70,890)</u>
<u>\$ 169,874</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 49,913</u>	<u>\$ (41,176)</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet (continued)
June 30, 2023

	SPECIAL REVENUE FUNDS		
	CDBG Program Income	Affordable Housing	Restricted Transient Occupancy Tax
ASSETS			
Cash and investments	\$ 45,793	\$ 379,242	\$ 86,590
Accounts receivable	-	-	-
Due from other governments	-	-	-
Loans receivables, net	397,646	-	-
Total Assets	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 86,590</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 28,117
Deposits payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>28,117</u>
FUND BALANCES			
Restricted	443,439	379,242	58,473
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>443,439</u>	<u>379,242</u>	<u>58,473</u>
Total Liabilities and Fund Balances	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 86,590</u>

DEBT SERVICE FUNDS		
Beach & Village Lot II Debt Financing	Pacific Cove Debt Financing	Non-Major Governmental Funds
\$ 12	\$ 55,217	\$ 1,563,796
-	-	10,686
-	-	44,425
-	-	397,646
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 2,016,553</u>
\$ -	\$ -	\$ 103,265
-	-	1,000
-	-	104,265
-	-	1,927,949
12	55,217	55,229
-	-	(70,890)
<u>12</u>	<u>55,217</u>	<u>1,912,288</u>
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 2,016,553</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS		
	SB1 Road Rehab and Maintenance	Supplemental Law Enforcement	Gas Tax
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	218,001	103,114	250,805
Charges for services	-	-	-
Use of money and property	9,378	3,968	5,019
Other revenue	-	-	-
Total Revenues	<u>227,379</u>	<u>107,082</u>	<u>255,824</u>
EXPENDITURES			
Current:			
General government	-	88,140	149,949
Community development	-	-	-
Capital outlay	253,428	21,813	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>253,428</u>	<u>109,953</u>	<u>149,949</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(26,049)</u>	<u>(2,871)</u>	<u>105,875</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(26,049)	(2,871)	105,875
Fund Balances, beginning of year	<u>315,199</u>	<u>154,484</u>	<u>150,591</u>
Fund Balances, end of year	<u>\$ 289,150</u>	<u>\$ 151,613</u>	<u>\$ 256,466</u>

SPECIAL REVENUE FUNDS

Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$ -	\$ -	\$ -	\$ -	\$ 38,227	\$ -
-	-	-	11,903	-	-
-	-	-	-	-	168,768
-	-	14,659	-	53,384	-
72,309	-	-	1,535	977	-
-	-	-	-	53,201	-
<u>72,309</u>	<u>-</u>	<u>14,659</u>	<u>13,438</u>	<u>145,789</u>	<u>168,768</u>
61,002	-	-	14,777	140,941	220,885
-	-	18,250	-	-	-
-	-	-	17,382	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>61,002</u>	<u>-</u>	<u>18,250</u>	<u>32,159</u>	<u>140,941</u>	<u>220,885</u>
11,307	-	(3,591)	(18,721)	4,848	(52,117)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,307</u>	<u>-</u>	<u>(3,591)</u>	<u>(18,721)</u>	<u>4,848</u>	<u>(52,117)</u>
<u>154,887</u>	<u>737</u>	<u>96,903</u>	<u>63,801</u>	<u>39,395</u>	<u>(18,773)</u>
<u>\$ 166,194</u>	<u>\$ 737</u>	<u>\$ 93,312</u>	<u>\$ 45,080</u>	<u>\$ 44,243</u>	<u>\$ (70,890)</u>

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2023

	SPECIAL REVENUE FUNDS		
	CDBG Program Income	Affordable Housing	Restricted Transient Occupancy Tax
REVENUES			
Taxes	\$ -	\$ -	\$ 105,126
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	41,240	-
Use of money and property	8,512	8,624	-
Other revenue	-	-	556
Total Revenues	<u>8,512</u>	<u>49,864</u>	<u>105,682</u>
EXPENDITURES			
Current:			
General Government	-	-	109,968
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>109,968</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>8,512</u>	<u>49,864</u>	<u>(4,286)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(25,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	8,512	24,864	(4,286)
Fund Balances, beginning of year	<u>434,927</u>	<u>354,378</u>	<u>62,759</u>
Fund Balances, end of year	<u>\$ 443,439</u>	<u>\$ 379,242</u>	<u>\$ 58,473</u>

<u>DEBT SERVICE FUNDS</u>		
<u>Beach and Village Lot II Debt Financing</u>	<u>Pacific Cove Debt Financing</u>	<u>Non-Major Governmental Funds</u>
\$ -	\$ -	\$ 143,353
-	-	11,903
-	-	740,688
-	-	109,283
-	74	110,396
-	-	53,757
<u>-</u>	<u>74</u>	<u>1,169,380</u>
-	-	785,662
-	-	18,250
-	-	292,623
65,815	165,066	230,881
22,187	-	22,187
<u>88,002</u>	<u>165,066</u>	<u>1,349,603</u>
<u>(88,002)</u>	<u>(164,992)</u>	<u>(180,223)</u>
127,000	165,066	292,066
-	-	(25,000)
<u>127,000</u>	<u>165,066</u>	<u>267,066</u>
38,998	74	86,843
<u>(38,986)</u>	<u>55,143</u>	<u>1,825,445</u>
<u>\$ 12</u>	<u>\$ 55,217</u>	<u>\$ 1,912,288</u>

CITY OF CAPITOLA
Senate Bill 1 – Road Rehab Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 218,001	\$ (11,999)
Use of money and property	-	-	9,378	9,378
Total revenues	<u>230,000</u>	<u>230,000</u>	<u>227,379</u>	<u>(2,621)</u>
Expenditures:				
Capital Outlay	<u>230,000</u>	<u>230,000</u>	<u>253,428</u>	<u>(23,428)</u>
Total expenditures	<u>230,000</u>	<u>230,000</u>	<u>253,428</u>	<u>(23,428)</u>
Net change in fund balance	-	-	(26,049)	(26,049)
Fund balance, beginning of year	<u>315,199</u>	<u>315,199</u>	<u>315,199</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 315,199</u></u>	<u><u>\$ 315,199</u></u>	<u><u>\$ 289,150</u></u>	<u><u>\$ (26,049)</u></u>

CITY OF CAPITOLA
Supplemental Law Enforcement Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,114	\$ 3,114
Use of money and property	400	400	3,968	3,568
Total revenues	100,400	100,400	107,082	6,682
Expenditures:				
Current:				
General government:	57,500	57,500	88,140	(30,640)
Capital outlay	40,000	65,000	21,813	43,187
Total expenditures	97,500	122,500	109,953	12,547
Net change in fund balance	2,900	(22,100)	(2,871)	19,229
Fund balance, beginning of year	154,484	154,484	154,484	-
Fund balance, end of year	\$ 157,384	\$ 132,384	\$ 151,613	\$ 19,229

CITY OF CAPITOLA
Gas Tax Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 247,505	\$ 247,505	\$ 250,805	\$ 3,300
Use of money and property	-	-	5,019	5,019
Total revenues	<u>247,505</u>	<u>247,505</u>	<u>255,824</u>	<u>8,319</u>
Expenditures:				
Current:				
General government:	<u>247,000</u>	<u>249,852</u>	<u>149,949</u>	<u>99,903</u>
Total expenditures	<u>247,000</u>	<u>249,852</u>	<u>149,949</u>	<u>99,903</u>
Net change in fund balance	505	(2,347)	105,875	108,222
Fund balance, beginning of year	<u>150,591</u>	<u>150,591</u>	<u>150,591</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 151,096</u></u>	<u><u>\$ 148,244</u></u>	<u><u>\$ 256,466</u></u>	<u><u>\$ 108,222</u></u>

CITY OF CAPITOLA
Wharf Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 27,625	\$ 27,625	\$ 72,309	\$ 44,684
Total revenues	27,625	27,625	72,309	44,684
Expenditures:				
Current:				
General government:	20,431	20,431	61,002	(40,571)
Total expenditures	20,431	20,431	61,002	(40,571)
Net change in fund balance	7,194	7,194	11,307	44,684
Fund balance, beginning of year	154,887	154,887	154,887	-
Fund balance, end of year	\$ 162,081	\$ 162,081	\$ 166,194	\$ 44,684

CITY OF CAPITOLA
Parking Reserve Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Transfers out	(100,000)	(100,000)	-	100,000
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	737	737	737	-
Fund balance, end of year	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ -</u>

**CITY OF CAPITOLA
Technology Fees Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 14,659	\$ 2,659
Total revenues	12,000	12,000	14,659	2,659
Expenditures:				
Current:				
Community development	8,000	8,000	18,250	(10,250)
Total expenditures	8,000	8,000	18,250	(10,250)
Net change in fund balance	4,000	4,000	(3,591)	(7,591)
Fund balance, beginning of year	96,903	96,903	96,903	-
Fund balance, end of year	<u>\$ 100,903</u>	<u>\$ 100,903</u>	<u>\$ 93,312</u>	<u>\$ (7,591)</u>

CITY OF CAPITOLA
PEG Cable TV Access Fee Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 11,903	\$ (3,097)
Use of money and property	-	-	1,535	1,535
Total revenues	15,000	15,000	13,438	(1,562)
Expenditures:				
Current:				
General government	10,000	10,000	14,777	(4,777)
Capital outlay	15,000	15,000	17,382	(2,382)
Total expenditures	25,000	25,000	32,159	(7,159)
Net change in fund balance	(10,000)	(10,000)	(18,721)	(8,721)
Fund balance, beginning of year	63,801	63,801	63,801	-
Fund balance, end of year	<u>\$ 53,801</u>	<u>\$ 53,801</u>	<u>\$ 45,080</u>	<u>\$ (8,721)</u>

CITY OF CAPITOLA
Capitola Village and Wharf BIA Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 35,000	\$ 35,000	\$ 38,227	\$ 3,227
Charges for services	51,775	51,775	53,384	1,609
Use of money and property	100	100	977	877
Other revenue	56,500	56,500	53,201	(3,299)
Total revenues	143,375	143,375	145,789	2,414
Expenditures:				
Current:				
General government:	159,700	159,700	140,941	18,759
Total expenditures	159,700	159,700	140,941	18,759
Net change in fund balance	(16,325)	(16,325)	4,848	21,173
Fund balance, beginning of year	39,395	39,395	39,395	-
Fund balance, end of year	\$ 23,070	\$ 23,070	\$ 44,243	\$ 21,173

CITY OF CAPITOLA
CDBG Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 497,196	\$ 497,196	\$ 168,768	\$ (328,428)
Total revenues	<u>497,196</u>	<u>497,196</u>	<u>168,768</u>	<u>(328,428)</u>
Expenditures:				
General government:	497,196	497,196	220,885	276,311
Total expenditures	<u>497,196</u>	<u>497,196</u>	<u>220,885</u>	<u>276,311</u>
Net change in fund balance	-	-	(52,117)	(52,117)
Fund balance, beginning of year	<u>(18,773)</u>	<u>(18,773)</u>	<u>(18,773)</u>	-
Fund balance, end of year	<u><u>\$ (18,773)</u></u>	<u><u>\$ (18,773)</u></u>	<u><u>\$ (70,890)</u></u>	<u><u>\$ (52,117)</u></u>

CITY OF CAPITOLA
CDBG Program Income Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 8,512	\$ 8,512
Net change in fund balance	-	-	8,512	8,512
Fund balance, beginning of year	434,927	434,927	434,927	-
Fund balance, end of year	<u>\$ 434,927</u>	<u>\$ 434,927</u>	<u>\$ 443,439</u>	<u>\$ 8,512</u>

CITY OF CAPITOLA
Affordable Housing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 41,240	\$ 26,240
Use of money and property	500	500	8,624	8,124
Total revenues	15,500	15,500	49,864	34,364
Other financing sources (uses):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net change in fund balance	(9,500)	(9,500)	24,864	34,364
Fund balance, beginning of year	354,378	354,378	354,378	-
Fund balance, end of year	\$ 344,878	\$ 344,878	\$ 379,242	\$ 34,364

CITY OF CAPITOLA
Restricted TOT Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 131,250	\$ 131,250	\$ 105,126	\$ (26,124)
Other revenue	-	-	556	556
	<u>131,250</u>	<u>131,250</u>	<u>105,682</u>	<u>(25,568)</u>
Total revenues				
Expenditures:				
Current:				
General government:	96,250	96,250	109,968	(13,718)
	<u>96,250</u>	<u>96,250</u>	<u>109,968</u>	<u>(13,718)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	35,000	35,000	(4,286)	(39,842)
Other financing sources (uses):				
Transfers out	(35,000)	(35,000)	-	35,000
	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>35,000</u>
Total Other Financing Sources (Uses)				
Net change in fund balance	-	-	(4,286)	(4,842)
Fund balance, beginning of year	62,759	62,759	62,759	-
Fund balance, end of year	<u>\$ 62,759</u>	<u>\$ 62,759</u>	<u>\$ 58,473</u>	<u>\$ (4,842)</u>

CITY OF CAPITOLA
Beach and Village Lot II Debt Financing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Debt service expenditures:				
Principal	\$ 65,815	\$ 65,815	\$ 65,815	\$ -
Interest	22,187	22,187	22,187	-
Total expenditures	88,002	88,002	88,002	-
Other financing sources (uses):				
Transfers in	127,000	127,000	127,000	-
Net change in fund balance	38,998	38,998	38,998	-
Fund balance, beginning of year	(38,986)	(38,986)	(38,986)	-
Fund balance, end of year	\$ 12	\$ 12	\$ 12	\$ -

CITY OF CAPITOLA
Pacific Cove Debt Financing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 74	\$ 74
Total revenues	-	-	74	74
Expenditures:				
Debt service expenditures:				
Principal	126,828	126,828	165,066	(38,238)
Interest	38,238	38,238	-	38,238
Total expenditures	165,066	165,066	165,066	-
Excess (deficiency) of revenues over (under) expenditures	(165,066)	(165,066)	(164,992)	74
Other financing sources (uses):				
Transfers in	165,066	165,066	165,066	-
Net change in fund balance	-	-	74	74
Fund balance, beginning of year	55,143	55,143	55,143	-
Fund balance, end of year	\$ 55,143	\$ 55,143	\$ 55,217	\$ 74

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CITY OF CAPITOLA
 Annual Comprehensive Financial Report
 Statistical Section (Unaudited)
 Table of Contents
 Fiscal Year Ended June 30, 2023

This part of The City of Capitola's Annual Comprehensive Financial Report presents detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information and provides additional information useful in assessing the City's economic condition.

Financial Trends

The financial trends shown on the following charts are designed to help the reader understand the City's performance trends and relative well-being over time.

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Operating Information

The following charts provide information to show the size and nature of the City's operations in order to assist the reader in understanding the services the City is able to provide and activities it is able to undertake within its available financial framework.

Operating Indicators by Function	128
Capital Asset Statistics by Function	129

Unless otherwise noted, the source of the information noted in the tables below were from the prior year's City's Annual Comprehensive Financial Reports.

CITY OF CAPITOLA, CALIFORNIA
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2014	2015*	2016	2017	2018	2019	2020	2021	2022	2023
Primary Government activities										
Net Investment in Capital Assets	\$12,751	\$11,604	\$13,154	\$14,457	\$15,773	\$18,563	\$27,367	\$32,053	\$33,336	\$ 35,468
Restricted for										
Public Safety	119	101	98	8	10	17	72	99	154	152
Transportation	416	393	113	119	420	630	26	917	1,400	732
Community Development	3,852	6,357	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,128
Culture and Recreation	116	141	143	159	121	146	175	218	219	211
Total Restricted	4,503	6,992	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,223
Unrestricted	5,957	(9,381)	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,238)
Total Primary Government net position	\$ 23,211	\$ 9,215	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,453

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same.

*FY 2014/15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior period restatement of (\$15,436,035) to the Governmental Activities.

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year			
	2014	2015*	2016	2017
EXPENSES:				
Primary government activities				
General government	\$ 3,403	\$ 3,582	\$ 3,557	\$ 3,975
Public safety	5,412	6,181	6,211	7,462
Community development	741	809	1,076	1,090
Culture and recreation	970	974	1,150	1,302
Transportation	3,070	2,866	3,218	3,212
Interest and other charges	211	217	158	119
Total primary government expenses	<u>13,807</u>	<u>14,629</u>	<u>15,370</u>	<u>17,160</u>
PROGRAM REVENUES:				
Primary government activities				
Charges for services:				
General government	1,109	1,012	970	911
Public safety	782	806	701	597
Community development	683	633	727	637
Culture and recreation	749	765	751	640
Transportation	131	120	112	116
Operating grants and contributions	313	657	400	3,329
Capital grants and contributions	15	12	511	146
Total primary govt program revenues	<u>3,782</u>	<u>4,005</u>	<u>4,172</u>	<u>6,376</u>
NET PRIMARY GOVT REV/(EXP)	<u>(10,025)</u>	<u>(10,624)</u>	<u>(11,198)</u>	<u>(10,784)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION:				
Primary government activities				
Taxes:				
Property Taxes	1,849	2,041	2,194	2,288
Sales and Use tax	2,036	7,330	7,860	7,959
Transient occupancy taxes	1,263	1,276	1,452	1,458
Franchise taxes	497	508	524	535
Business license tax	287	284	298	302
Intergovernmental, unrestricted	327	265	226	201
Investment income, unrestricted	107	119	227	264
Other general revenues	238	242	424	225
Total primary government activities	<u>6,604</u>	<u>12,065</u>	<u>13,205</u>	<u>13,232</u>
CHANGES IN NET POSITION:				
Total primary government activities	<u>\$ (3,421)</u>	<u>\$ 1,441</u>	<u>\$ 2,007</u>	<u>\$ 2,448</u>

* Fiscal year 2014-15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior restatement of (\$15,436,035) to the Governmental Activities. GASB 75 restatement was reflected in 2018 for \$172,688.

Source: City of Capitola Finance Department

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 3,594	\$ 3,595	\$ 3,876	\$ 3,736	\$ 6,117	\$ 3,443	
6,822	7,037	7,810	7,237	7,554	5,703	
1,057	956	1,097	979	1,998	635	
1,228	1,192	1,793	1,107	1,421	2,181	
3,382	3,384	3,263	3,092	4,222	2,409	
77	76	68	67	56	20	
<u>16,160</u>	<u>16,240</u>	<u>17,907</u>	<u>16,218</u>	<u>21,368</u>	<u>14,391</u>	
1,057	1,132	1,022	1,057	1,678	744	
601	579	554	509	509	624	
695	528	619	539	539	901	
636	614	633	274	274	710	
34	44	47	39	39	48	
1,832	650	501	3,125	2,970	866	
413	5,678	7,357	1,167	865	1,646	
<u>5,268</u>	<u>9,225</u>	<u>10,733</u>	<u>6,710</u>	<u>6,874</u>	<u>5,539</u>	
<u>(10,892)</u>	<u>(7,015)</u>	<u>(7,174)</u>	<u>(9,508)</u>	<u>(14,494)</u>	<u>(8,852)</u>	
2,498	2,630	2,712	2,794	2,883	3,058	
7,688	8,077	7,441	7,705	8,485	708	
1,457	1,582	1,263	1,529	2,171	8,542	
555	545	557	562	635	2,131	
308	308	330	292	316	314	
223	224	233	232	341	307	
237	450	699	335	(129)	549	
406	119	16	204	204	163	
<u>13,372</u>	<u>13,935</u>	<u>13,251</u>	<u>13,653</u>	<u>14,906</u>	<u>15,772</u>	
<u>\$ 2,480</u>	<u>\$ 6,920</u>	<u>\$ 6,077</u>	<u>\$ 4,145</u>	<u>\$ 412</u>	<u>\$ 6,920</u>	

CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2014	2015	2016	2017	2018
GENERAL FUND					
Fund Balance GASB 54					
Nonspendable	\$ 620	\$ 618	\$ 524	\$ 426	\$ 58
Restricted	-	-	300	300	816
Assigned	584	1,049	1,262	1,277	1,277
Unassigned	3,686	4,338	4,599	5,345	4,603
Total General Fund	<u>4,890</u>	<u>6,005</u>	<u>6,685</u>	<u>7,348</u>	<u>6,754</u>
ALL OTHER GOVERNMENT FUNDS					
Fund Balance GASB 54					
Restricted	1,043	985	736	834	11,742
Assigned	1,764	2,457	2,745	1,927	1,633
Unassigned	(2)	(41)	(215)	(39)	(39)
Total All Other Govt Funds	<u>2,805</u>	<u>3,401</u>	<u>3,266</u>	<u>2,722</u>	<u>13,336</u>
TOTAL	<u>\$ 7,695</u>	<u>\$ 9,406</u>	<u>\$ 9,951</u>	<u>\$ 10,070</u>	<u>\$ 20,090</u>

Source: City of Capitola Finance Department.

2019	2020	2021	2022	2023
\$ 21	\$ -	\$ -	\$ -	\$ -
867	917	1,016	904	1,196
1,344	1,344	1,374	1,374	1,314
5,627	5,044	8,923	9,588	8,097
<u>7,859</u>	<u>7,305</u>	<u>11,313</u>	<u>11,866</u>	<u>10,607</u>
14,896	14,493	12,110	11,768	11,223
2,110	2,603	1,842	4,200	5,898
(39)	(365)	(39)	(39)	(71)
<u>16,967</u>	<u>16,731</u>	<u>13,913</u>	<u>15,929</u>	<u>17,050</u>
<u>\$ 24,826</u>	<u>\$ 24,036</u>	<u>\$ 25,226</u>	<u>\$ 27,795</u>	<u>\$ 27,657</u>

CITY OF CAPITOLA
 Change in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	2014	2015	2016	2017
REVENUES:				
Taxes	\$11,112	\$11,416	\$12,250	\$12,436
Licenses & permits	703	629	671	626
Intergovernmental	637	757	656	560
Fines and forfeitures	731	671	787	1,475
Charges for services	2,053	2,078	2,165	1,970
Use of money and property	219	228	324	376
Other	128	132	328	114
Total revenues	<u>15,583</u>	<u>15,911</u>	<u>17,181</u>	<u>17,557</u>
EXPENDITURES:				
Current:				
General government	2,749	2,443	2,712	3,153
Public safety	5,838	5,917	6,134	6,495
Community development	722	823	1,005	976
Culture and recreation	966	978	1,039	1,137
Transportation	2,782	2,577	2,744	2,637
Capital outlay	<u>3,328</u>	<u>535</u>	<u>2,074</u>	<u>2,113</u>
Subtotal	<u>16,385</u>	<u>13,273</u>	<u>15,708</u>	<u>16,511</u>
Debt service:				
Debt issuance costs	12	-	-	-
Principal retirement	616	699	764	788
Interest and agent fees	210	229	163	139
Subtotal	<u>838</u>	<u>928</u>	<u>927</u>	<u>927</u>
Total expenditures	<u>17,223</u>	<u>14,201</u>	<u>16,635</u>	<u>17,438</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(1,640)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
OTHER FINANCING SOURCES/(USES):				
Transfers in	1,861	2,091	2,784	1,815
Transfers out	(1,861)	(2,091)	(2,784)	(1,815)
Issuance of bonds	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(268)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
Beginning fund balance, as restated	7,963	7,695	9,405	9,951
Changes in fund balance	<u>(268)</u>	<u>1,710</u>	<u>546</u>	<u>119</u>
Ending fund balance	<u>\$ 7,695</u>	<u>\$ 9,405</u>	<u>\$ 9,951</u>	<u>\$10,070</u>
Debt Service as a percentage of non-capital expenditures				
Total Expenditures	\$17,223	\$14,201	\$16,635	\$17,438
Capitalized Portion of Capital Outlay	<u>3,809</u>	<u>(153)</u>	<u>2,079</u>	<u>2,231</u>
Total Non-Capitalized Expenditures	<u>13,414</u>	<u>14,354</u>	<u>14,556</u>	<u>15,207</u>
Debt service: Principal and Interest	838	928	927	927
Debt service as a percentage of noncapital expenditures	6.25%	6.47%	6.37%	6.10%

Note: Debt service as a percentage of noncapital expenditures reflects total governmental fund expenditures less the capital outlay shown separately in the Changes in Fund Balances schedule and any expenditures for capitalized assets contained within the functional expenditure categories. The sum of these items is reported in this calculation, as well as appearing as a reconciling item in the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Source: City of Capitola Finance Department

2018	2019	2020	2021	2022	2023
\$12,416	\$13,097	\$12,307	\$13,064	\$14,757	\$14,853
766	663	726	679	746	662
558	522	520	496	589	567
2,250	6,030	7,521	3,832	3,093	2,417
2,007	2,020	1,959	1,536	2,020	2,009
237	450	699	335	(129)	548
406	378	252	422	704	1,700
<u>18,640</u>	<u>23,160</u>	<u>23,984</u>	<u>20,364</u>	<u>21,780</u>	<u>22,756</u>
2,824	2,819	2,965	3,021	4,198	4,444
6,333	6,552	6,467	6,075	6,995	8,137
967	913	963	859	1,464	1,101
1,154	1,130	1,710	1,026	1,202	2,525
2,852	2,981	2,714	2,529	2,921	3,470
1,924	3,770	9,698	5,410	2,178	2,965
<u>16,054</u>	<u>18,165</u>	<u>24,517</u>	<u>18,920</u>	<u>18,958</u>	<u>22,642</u>
-	-	-	-	-	-
829	182	186	187	191	231
95	78	71	67	62	22
<u>924</u>	<u>260</u>	<u>257</u>	<u>254</u>	<u>253</u>	<u>253</u>
<u>16,978</u>	<u>18,425</u>	<u>24,774</u>	<u>19,174</u>	<u>19,211</u>	<u>22,895</u>
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
2,865	1,676	1,734	324	4,023	2,622
(2,865)	(1,676)	(1,734)	(324)	(4,023)	(2,622)
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
<u>10,070</u>	<u>20,091</u>	<u>24,826</u>	<u>24,036</u>	<u>25,226</u>	<u>27,795</u>
<u>1,662</u>	<u>4,735</u>	<u>(790)</u>	<u>1,190</u>	<u>2,569</u>	<u>(139)</u>
<u>\$11,732</u>	<u>\$24,826</u>	<u>\$24,036</u>	<u>\$25,226</u>	<u>\$27,795</u>	<u>\$27,656</u>
\$16,978	\$18,425	\$24,774	\$19,174	\$19,211	\$22,895
2,063	3,681	9,535	5,410	2,178	2,965
14,915	14,744	15,239	13,764	17,033	19,930
924	260	257	254	253	253
6.20%	1.76%	1.69%	1.85%	1.49%	1.27%

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 General Revenues by Source
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 General Revenue By Source

Fiscal Year	General Revenue By Source							Total General Revenues
	Sales Tax Revenue ⁽¹⁾	Property Taxes ⁽²⁾	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Miscellaneous, Intergovernmental and Other Revenues	
2014	\$ 7,179,727	\$ 1,849,375	\$ 1,263,175	\$ 496,759	\$ 286,638	\$ 107,218	\$ 564,801	\$ 11,747,693
2015	7,330,443	2,041,248	1,275,716	507,517	284,474	118,770	506,803	12,064,971
2016	7,859,511	2,193,588	1,451,512	524,214	298,020	227,142	650,656	13,204,643
2017	7,959,086	2,288,341	1,457,704	534,513	301,545	264,040	426,525	13,231,754
2018	7,687,959	2,721,299	1,456,899	555,475	308,236	237,383	406,456	13,373,707
2019	8,076,583	2,854,103	1,581,864	545,424	307,930	450,099	119,011	13,935,014
2020	7,440,745	2,945,342	1,262,816	556,708	329,711	699,199	16,383	13,250,904
2021	7,705,348	3,026,024	1,529,015	561,969	291,590	335,472	203,806	13,653,224
2022	8,484,799	3,224,366	2,170,541	634,511	315,604	(128,502)	205,129	14,906,448
2023	8,542,419	3,365,235	2,131,470	708,277	313,993	549,243	162,352	15,772,989

NOTES:

⁽¹⁾ A 0.25% District Transactions and Use Tax took effect April 1, 2005 and in 2008 was extended through December 2017. An additional 0.25% Permanent Retail Transactions and Use Tax took effect April 1, 2013, bringing the local tax rate to 0.50%.

⁽²⁾ As of 2006, Property Taxes In Lieu of Vehicle License Fees were included as part of Property Tax distributions by the State of California. Dissolution of California Redevelopment Agencies in February 2012 lowered agency property tax receipts by the size of the previous redevelopment tax increment.

Source: City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
 Net Taxable Assessed Value History
 Last Ten Fiscal Years
 (amounts expressed in thousands)

City of Capitola					
Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
2014	\$ 1,784,629	\$ 75,387	\$ 84	\$ 1,860,100	3.50%
2015	1,906,637	81,887	84	1,988,608	6.91%
2016	2,026,035	76,862	83	2,102,980	5.75%
2017	2,156,464	77,622	84	2,234,170	6.24%
2018	2,294,174	84,389	84	2,378,647	6.47%
2019	2,412,636	87,922	111	2,500,669	5.13%
2020	2,530,955	81,815	111	2,612,881	4.49%
2021	2,657,657	77,632	111	2,735,400	4.69%
2022	2,785,901	79,332	111	2,865,344	4.75%
2023	2,923,890	72,799	157	2,996,846	4.59%

NOTES: California Constitution Article 13A establishes a county assessor "full cash value" property valuation formulated on varying base years and not at current fair market value. As a result, there is not a reasonable basis available for estimating actual value of taxable property for the City of Capitola for comparative purposes.

Source: HdL Companies, Santa Cruz County Assessor 2021-22 Combined Tax Rolls.

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential	\$ 1,289,844	\$ 1,413,964	\$ 1,515,227	\$ 1,590,959	\$ 1,681,534	\$ 1,782,996	\$ 1,878,890	\$ 1,981,312	\$2,093,954	\$2,225,831
Commercial	384,916	379,721	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445
Industrial	14,079	14,130	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320
Institutional	14,662	14,716	15,134	15,966	15,054	9,927	10,943	9,290	19,436	7,407
Miscellaneous	6	6	6	6	267	272	277	283	293	292
Recreational	10,609	8,844	9,705	9,791	9,996	10,311	10,525	10,592	8,849	9,878
Vacant	13,823	14,934	15,263	16,274	15,393	21,333	19,848	19,308	21,278	22,137
SBE Nonunitary	84	84	83	84	84	110	110	111	111	157
Cross Reference	56,690	60,322	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581
Unsecured	75,387	81,887	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799
TOTALS	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,664	\$ 2,612,877	\$ 2,735,400	\$ 2,865,344	\$ 2,996,847
Total Direct	0.05510	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372
Property Tax Rate										

NOTES: Exempt values are not included in Total.

In 1978, the voters of the State of California passed Proposition 13, which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Companies, Santa Cruz County Assessor 2013-14 and 2022-23 Combined Tax Rolls.

CITY OF CAPITOLA, CALIFORNIA
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of taxable value)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
City Direct Property Tax Rates										
Basic Levy ⁽¹⁾	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Total Direct Property Tax Rate ⁽²⁾	0.05510	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372
Overlapping Property Tax Rates ⁽³⁾										
Santa Cruz High School	0.02333	0.02087	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767
Soquel Elementary School	0.02238	0.02045	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113
Live Oak Elementary School	0.05383	0.05279	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003
Cabrillo College	0.04047	0.03694	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405
Total Overlapping Property Tax Rate ⁽²⁾	0.14001	0.13105	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288
City Share of 1% levy per Proposition 13 ⁽⁴⁾	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471
Total Direct Rate ⁽³⁾	0.0551	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05438	0.05434	0.05434
Total Direct & Overlapping Rate	1.14001	1.13105	1.12076	1.10493	1.13413	1.12742	1.12026	1.12521	1.12315	1.12288

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Because basic and debt rates vary by tax rate area individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(3) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(4) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ration figures.

SOURCE: HdL Companies, Santa Cruz County Assessors Office.

CITY OF CAPITOLA, CALIFORNIA
 Top Ten Property Taxpayers
 Last Ten Fiscal Years

Taxpayer	2022-23			2013-14		
	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation	Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation
MGP XI Capitola LLC	\$ 117,711,928	1	3.93%			
Santa Cruz Seaside Company	34,025,558	2	1.14%			
Aspromonte Hotels LLC	22,011,302	3	0.73%	\$ 17,472,100	3	0.94%
Target Corporation	19,281,742	4	0.64%	12,034,680	5	0.65%
George Ow Jr. Trustees	16,275,777	5	0.54%			
Loma Vista Estates Owners Assoc. Inc.	16,228,814	6	0.54%	13,896,163	4	0.75%
Brown Ranch Properties	12,887,904	7	0.43%	111,236,403	6	0.60%
Blai LP	12,145,193	8	0.41%	10,477,000	7	0.56%
Melanie Kett Wirtanen Trustee	11,025,000	9	0.37%			
850 Rosedale LLC	9,604,402	10	0.32%	8,277,680	8	0.45%
Macerich Partnership LP	-			8,069,600	9	0.43%
Macerich Capitola Adjacent LP	-			62,889,921	1	3.38%
Macquire Capitola Villas INC	-			22,368,000	2	1.20%
Macy's	-					
1100 41st Avenue LLC	-			7,578,743	10	0.41%
	<u>\$ 271,197,620</u>		<u>9.05%</u>	<u>\$ 274,300,290</u>		<u>9.37%</u>
Memo: Gross Assessed Value	\$ 2,996,846,336		100.00%	\$ 1,860,100,004		100.00%

Source: HdL Companies, Santa Cruz County Assessor 2013-14 and 2022-23 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

CITY OF CAPITOLA, CALIFORNIA
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2014	\$ 927,676	\$ 927,676	100%	\$ -	\$ 927,676	100%
2015	1,060,919	1,060,919	100%	-	1,060,919	100%
2016	1,104,034	1,104,034	100%	-	1,104,034	100%
2017	1,203,689	1,203,689	100%	-	1,203,689	100%
2018	1,331,609	1,331,609	100%	-	1,331,609	100%
2019	1,406,900	1,406,900	100%	-	1,406,900	100%
2020	1,452,553	1,452,553	100%	-	1,452,553	100%
2021	1,420,380	1,420,380	100%	-	1,420,380	100%
2022	1,503,589	1,503,589	100%	-	1,503,589	100%
2023	1,601,360	1,601,360	100%	-	1,601,360	100%

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies, and real and personal property. The figures do not include Property Taxes In Lieu of Vehicle License Fees. In FY 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Reduction in property taxes levied from 2011 through 2020 reflects the 2/1/2012 State of California dissolution of Redevelopment Agencies and the associated elimination of tax increment received by the City of Capitola.

Source: Santa Cruz County Auditor-Controller, City of Capitola Finance Department.

CITY OF CAPITOLA, CALIFORNIA
Top 25 Sales Tax Taxpayers
Listed Alphabetically

TOP 25 SALES TAX TAXPAYERS

As of June 30, 2023

- Ajs Fuel Market Of Capitola Service Stations
- BevMo Convenience Stores/Liquor
- Capitola Coast Service Stations
- Capitola Shell Service Stations
- Chevron Service Stations
- CVS Pharmacy Drug Stores
- Greentech Renewables
- Kohls Department Stores
- Macys Department Stores
- Margaritaville
- Nob Hill General Store Grocery Stores
- O Neill Surf Shop Sporting Goods/Bike Stores
- Outdoor Supply Hardware Building Materials
- Pizza My Heart
- Ross Family Apparel
- Santa Cruz Subaru New Motor Vehicle Dealers
- Santa Cruz Toyota
- Shadowbrook Fine Dining
- Sierra Utility Sales
- Target Discount Dept Stores
- Toyota Lease Trust Auto Lease
- Trader Joes Grocery Stores
- Ulta Beauty
- Whole Foods Market Grocery Stores
- Zelda's on the Beach

NOTES:

The list is in alphabetical order and is not indicative of relative nor total sales volume.

Source: HdL

CITY OF CAPITOLA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Government/Total Primary Government Activities							
Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Other debt	Tot. Gov't./ Primary Gov't. Activities	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2014	\$ 2,375,000	\$ -	\$ 3,153,788	\$ 5,528,788	0.30%	1.55%	545
2015	1,830,000	-	3,000,243	4,830,243	0.24%	1.32%	483
2016	1,255,000	-	2,811,059	4,066,059	0.19%	1.07%	401
2017	645,000	-	2,632,952	3,277,952	0.15%	0.84%	323
2018	-	-	2,449,251	2,449,251	0.10%	0.58%	232
2019	-	-	2,267,652	2,267,652	0.09%	0.58%	221
2020	-	-	2,081,485	2,081,485	0.08%	0.47%	206
2021	-	-	1,894,649	1,894,649	0.07%	0.45%	188
2022	-	-	1,703,461	1,703,461	0.06%	0.41%	174
2023	-	-	1,472,580	1,472,580	0.05%	0.35%	150

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

Other debt includes tax anticipation notes, county library long term debt, financed purchase, notes payable, and RDA deferred pass throughs. Compensated absences, OPEB liability and net pension liability amounts are no longer included per GASB implementation guidelines.

Source: City of Capitola Financial Statements.

CITY OF CAPITOLA, CALIFORNIA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended June 30,	Government/Total Primary Government Activities			
	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2013	\$ 2,375,000	0.13%	0.67%	\$ 234
2014	1,830,000	0.10%	0.50%	183
2015	1,255,000	0.06%	0.33%	124
2016	645,000	0.03%	0.17%	63
2017	-	0.00%	0.00%	-
2018	-	0.00%	0.00%	-
2019	-	0.00%	0.00%	-
2020	-	0.00%	0.00%	-
2021	-	0.00%	0.00%	-
2022	-	0.00%	0.00%	-

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

CITY OF CAPITOLA, CALIFORNIA
 Direct and Overlapping Debt
 Fiscal Year ended June 30, 2023

2022-23 Assessed Valuation			\$	2,996,846,336
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>Total Debt</u>		<u>City's Share of Debt</u>
		<u>6/30/2023</u>		<u>6/30/2023</u>
Cabrillo Joint Community College District	5.360%	\$ 104,214,571	\$	5,585,901
Santa Cruz City High School District	11.559%	145,243,365		16,788,681
Live Oak School District	5.836%	9,151,000		534,052
Soquel Union School District	39.161%	44,045,000		17,248,462
Santa Cruz Libraries Facilities Community Facilities District	5.979%	37,725,000		2,255,578
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 340,378,936</u>	\$	<u>42,412,674</u>
Santa Cruz County Certificates of Participation	5.405%	\$ 87,894,145	\$	4,750,679
Santa Cruz County Office of Education Certificates of Participation	5.405%	7,409,779		400,499
Santa Cruz City High School District Certificates of Participation	11.559%	1,401,383		161,986
Live Oak School District Certificates of Participation	5.836%	11,783,973		687,713
Soquel Union School District Certificates of Participation	39.161%	5,617,205		2,199,754
Santa Cruz City Schools Certificates of Participation	11.559%	720,000		83,225
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 114,826,485</u>	\$	<u>8,283,854</u>
TOTAL CITY'S DIRECT DEBT			\$	<u>1,472,580</u>
COMBINED TOTAL DEBT			\$	<u>50,696,528 ⁽²⁾</u>
<u>RATIOS TO 2021-22 ASSESSED VALUATION:</u>				
Total Overlapping Tax and Assessment Debt				1.42%
Total Direct Debt				0.05%
Combined Total Debt				1.69%

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded financing obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: MuniServices, LLC, City of Capitola Finance Department

CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed Valuation	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,669	\$ 2,612,882	\$ 2,735,400	\$ 2,821,643	\$ 2,996,846
RDA Base Valuation	246,771	256,500	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926
Adj. assessed valuation	1,613,329	1,732,108	1,838,785	1,962,049	2,098,364	2,211,976	2,315,528	2,429,126	2,506,181	2,671,920
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	241,999	259,816	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788
Total net applicable debt										
Gen. obligation bonds	2,375	1,830	1,255	645	-	-	-	-	-	-
Legal debt margin	<u>\$ 239,624</u>	<u>\$ 257,986</u>	<u>\$ 274,563</u>	<u>\$ 293,662</u>	<u>\$ 314,755</u>	<u>\$ 331,796</u>	<u>\$ 347,329</u>	<u>\$ 364,369</u>	<u>\$ 375,927</u>	<u>\$ 400,788</u>
Ratio of Total Net Applicable Debt to Debt Limit	0.99%	0.71%	0.46%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.

Source: Santa Cruz County Auditor-Controller, Santa Cruz County Assessor, City of Capitola Finance Department.

CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Other Revenue Bonds				Tax Allocation Bonds			
	Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2014	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a
2015	-	-	-	n/a	-	-	-	n/a
2016	-	-	-	n/a	-	-	-	n/a
2017	-	-	-	n/a	-	-	-	n/a
2018	-	-	-	n/a	-	-	-	n/a
2019	-	-	-	n/a	-	-	-	n/a
2020	-	-	-	n/a	-	-	-	n/a
2021	-	-	-	n/a	-	-	-	n/a
2022	-	-	-	n/a	-	-	-	n/a
2023	-	-	-	n/a	-	-	-	n/a

NOTES: The City of Capitola has no tax allocation bonds or other revenue bonds.

SOURCE: City of Capitola Finance Department.

CITY OF CAPITOLA
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Calendar Year	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2014	10,004	\$ 364,656	\$ 36,451	41.5	7.0%
2015	10,150	381,027	37,540	43.3	6.0%
2016	10,162	390,369	38,414	42.8	5.5%
2017	10,563	421,494	39,902	42.6	3.3%
2018	10,240	388,326	37,922	42.0	2.2%
2019	10,108	440,760	43,605	42.7	1.4%
2020	10,091	419,398	41,561	42.2	2.1%
2021	9,794	484,927	49,512	45.3	2.1%
2022	9,794	484,927	49,512	45.3	2.1%
2023	9,794	484,927	49,512	45.3	2.1%

Sources: HdL Companies, California State Department of Finance, California Employment Development Department, ESRI, U. S. Census Bureau, American Community Survey.

CITY OF CAPITOLA
Principal Employers - Top Ten
Current year and nine years ago

Employer	2023			2014		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Subaru, Toyota, Kia of Santa Cruz	1	224	4.31%	3	175	2.61%
Soquel Union Elementary School District	2	172	3.31%			
Target*	3	166	3.19%	1	175	2.61%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	4	158	3.04%	6	135	2.01%
Pacific Coast Manor*	5	150	2.88%	4	99	1.48%
Gayle's Bakery & Rosticceria	6	141	2.71%	5	170	2.54%
Trader Joe's*	7	139	2.67%	8	103	1.54%
City of Capitola*	8	127	2.44%			
Whole Foods Market	9	120	2.31%	7	134	2.00%
Oceanside Supported Living	10	120	2.31%			
Macy's				2	160	2.39%
Zelda's On the Beach				9	96	1.43%
New Leaf Community Markets				10	95	1.42%
		1,517	29.17%		1,342	20.03%
Total Labor Force		5,200	100.00%		6,700	100.00%

*Includes full-time and part-time employees.

**Includes full-time and seasonal employees.

SOURCE: MuniServices, LLC

CITY OF CAPITOLA
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
City Manager	7.65	7.65	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00
Finance	4.50	4.50	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00
City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00
	<u>13.15</u>	<u>13.15</u>	<u>13.15</u>	<u>12.00</u>	<u>11.25</u>	<u>10.75</u>	<u>11.25</u>	<u>8.25</u>	<u>8.50</u>	<u>10.00</u>
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Officers	15.00	15.00	16.00	16.00	16.00	15.00	15.00	14.00	15.00	15.00
CSOs	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	3.00
Administrative	4.65	4.65	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00
	<u>31.65</u>	<u>30.65</u>	<u>31.65</u>	<u>31.50</u>	<u>31.50</u>	<u>30.50</u>	<u>30.50</u>	<u>29.50</u>	<u>30.00</u>	<u>31.00</u>
Public Works										
Streets	8.00	9.00	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00
Parks	4.00	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.00	1.50	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00
	<u>13.00</u>	<u>14.50</u>	<u>14.25</u>	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>15.00</u>	<u>14.00</u>	<u>14.00</u>	<u>15.00</u>
Recreation										
Supervisor	1.00	2.00	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00
Other - full year	2.00	2.25	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50
	<u>3.00</u>	<u>4.25</u>	<u>4.75</u>	<u>3.75</u>	<u>3.75</u>	<u>3.75</u>	<u>5.00</u>	<u>5.00</u>	<u>4.50</u>	<u>4.50</u>
Community Development	2.50	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00
Building	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00
Total City Employees	<u><u>65.30</u></u>	<u><u>67.55</u></u>	<u><u>69.30</u></u>	<u><u>68.75</u></u>	<u><u>68.00</u></u>	<u><u>67.00</u></u>	<u><u>67.75</u></u>	<u><u>62.75</u></u>	<u><u>62.75</u></u>	<u><u>66.50</u></u>

NOTES: Full time equivalents (FTE); does not include temporary or seasonal employees.

SOURCE: City of Capitola Finance Department.

CITY OF CAPITOLA
 Operating Indicators by Function
 Last Ten Fiscal Years (except as noted)

INDICATOR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Police department</u>										
Adult arrests	856	956	904	939	692	587	503	317	345	424
Calls for service (thousands)	20	18	17	20	19	15	19	15	14	6
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
<u>Commercial units</u>										
Valuation (millions)	\$ -	\$ -	\$ 1	\$ 2	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -
Residential units ⁽¹⁾	9	3	3	9	6	8	9	9	9	8
Valuation (millions)	\$ 3	\$ 1	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 338	\$ 282	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225
Sports fees	41	32	19	21	24	23	19	8	26	22
Junior Guard	268	312	328	258	238	244	160	85	268	264
Camp Capitola	103	139	129	100	96	111	100	105	175	150
Aquatics	-	-	-	-	-	-	24	48	52	68
Events	-	-	-	-	-	-	-	-	1	3
Net Class Revenue	\$ 750	\$ 765	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732
Jade St. Rental	5	7	7	6	8	5	5	-	7	7
Net Recreation Rev	\$ 755	\$ 772	\$ 758	\$ 645	\$ 606	\$ 614	\$ 522	\$ 325	\$ 728	\$ 739

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.

CITY OF CAPITOLA
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Indicator	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	26	26	26	26	26	26	26	26	26	26
Streetlights	71	71	71	71	71	71	71	71	71	71
Traffic signals	8	8	8	8	8	8	8	8	8	8
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
General										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department.

December 22, 2023

To the Honorable Members of the City Council of
City of Capitola
Capitola, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for City of Capitola (City), California, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 22, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated June 1, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated the December 22, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management override of internal controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the City may have the ability to override controls that the organization has implemented. Management may override the organization's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the City's financial performance or with the intent of concealing fraudulent transactions.
- Revenue recognition - Professional standards require auditors to assess the possibility of revenue recognition as a significant risk. Accordingly, we identified revenue recognition as a significant risk that revenues may be misstated based on the volume of transactions and the significance of revenues to the City.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are related to the City's net pension liability and net other postemployment benefits (OPEB) liabilities.

Management’s estimates are based on actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City’s financial statements are:

- Note 10 to the financial statements discloses key elements of the City’s pension plans, administered by the California Public Employees’ Retirement System (CalPERS). As disclosed in the footnote, a 1% increase or decrease in the discount rate can have a material effect on the City’s net pension liability.
- Note 12 to the financial statements discloses key elements to the City’s OPEB plan. As disclosed in the footnote, a 1% increase or decrease in either the discount rate or the healthcare cost trend rate can have a material effect on the City’s net OPEB liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Interest receivable	\$ 93,393
Interest income	112,805
Cash & Investments	(\$206,198)

There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated December 22, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Additionally, in accordance with such standards, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing board and management of the City and is not intended to be and should not be used by anyone other than these specified parties.



Menlo Park, California

Capitola City Council

Agenda Report

Meeting: January 11, 2024
From: Public Works Department
Subject: December 2023 Winter Storm Event



Recommended Action: Receive an update regarding the December 2023 Winter Storm Event.

Background: On December 28, 2023, the City experienced an impactful high wave event, resulting in storm surges that over-topped the seawall, affecting the village and low-lying areas along Soquel Creek. In response to the anticipated weather conditions, the Police Department issued an evacuation warning for low-lying areas the night before the event. Public Works crews, along with the Building Official, were actively involved in monitoring, response, and assessment during and after the event.

Public Works crews worked diligently to manage water levels in the Village, clear debris from the Esplanade, and construct a sand berm at the seawall. Simultaneously, the Building Official conducted inspections of affected buildings to assess damage.

Following the initial wave event, the Village remained closed to vehicular traffic for approximately 48 hours to allow for clean up, and as another wave event was forecasted for December 30. Fortunately, the subsequent waves were less severe, and the Village was spared from further significant impacts.

Discussion: The damages from the high wave event include four yellow tags (indicating minimal damage with no occupancy restrictions) issued for three commercial units and one residential unit. Additionally, two red tags (indicating more substantial damage with occupancy restrictions) were issued for residential units at the Venetian. Presently, two yellow tags have been resolved, leaving two outstanding yellow tags and two red tags.

City property damages include broken pilings, damaged structural elements, and the loss of decking on the Wharf, along with the complete loss of the lower Hoopers stairs. Preliminary assessments from engineers estimate a repair timeframe of six to eight weeks for the Wharf. Repairs to the Wharf can be integrated into the existing contract with the Wharf contractor.

To address the damage to the lower Hoopers stairs, staff is considering proposing a "betterment" project, suggesting the reconstruction of the lower section using more resilient materials, specifically concrete. This potential enhancement aims to increase the stairs' durability, given their history of recurrent damage. This potential project can be considered later this winter during the annual goal-setting process.

Fiscal Impact: The fiscal impact of the high wave event primarily revolves around the estimated costs of repairing City property damages. Preliminary assessments suggest a ballpark figure of less than \$250,000 for the Wharf repairs, which can be covered within the existing budget by integrating the repairs into the current contract with the Wharf contractor.

The potential "betterment" project for the lower Hoopers stairs would involve additional costs, though the project may be eligible for grant funding. Staff will provide further details on options to improve Hoopers stairs during the goal-setting meeting.

Report Prepared By: Jessica Kahn, Public Works Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager



December 2023 Winter Storm Event

City Council

January 11, 2023

December 2023 Winter Storm Event Background



December 28, 2023

Impactful high wave event leading to storm surges

Village and low-lying regions along Soquel Creek

Issuance of evacuation warning by the Police Department the night before

December 2023 Winter Storm Event Proactive Measures



Timely Evacuation Warning: Police Department's issuance to residents in low-lying areas

Coordination: Collaborative efforts of Public Works and Police

Pre-event Preparations: Active monitoring and assessments undertaken to mitigate potential damages

Public Awareness: Emphasis on community response and cooperation

December 2023 Winter Storm Event Response



Community Updates

- Regular Public Announcements
- Social Media and Local Media

Police

- Incident Command for Incident
- Attended OR3 Briefings and Weather Updates
- Closed Village to Vehicle and Pedestrian Traffic – Maintained Closures for PW
- Issued “Shelter In Place” during the event
- Provided SM Updates, communicated directly with BIA and Venetians HOA

Public Works

- Water Level Management
- Esplanade Cleanup
- Seawall Protection

Building

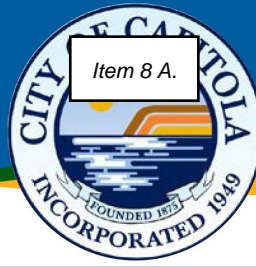
- Building Inspections
- Damage Assessment
- Yellow and Red Tags

Village Closure and Cleanup

- Closure for Vehicular Traffic approximately 48 hours after the initial event
- Ensuring public safety during cleanup and potential subsequent wave events



December 2023 Winter Storm Event Damages Assessment



Yellow Tags: Minimal Damage (4 Issued)

- Initially 3 commercial and 1 residential units
- Current: 1 commercial (Bay Bar) and 1 residential in Venetian

Red Tags: Substantial Damage (2 Issued at Venetian)

- Current: 2 Residential in Venetian



City Property Damages

- **Wharf Damages**
 - Structural Elements
 - Decking Loss
 - Preliminary Estimate 6-8 weeks
- **Hoopers Stairs**
 - Complete Loss of the lower Hoopers stairs
 - Considering "betterment" project for reconstruction using resilient materials



December 2023 Winter Storm Event Fiscal Impact



County Office of Response, Recovery & Resilience

- Damage assessment and reporting
- Seeking State disaster declarations and financial assistance from the State and federal government

Costs

- Preparation and Response
- Wharf repairs
- Hoopers stairs repair and/or betterment project



Future Events

- Mobile Sign Placement
 - Proactively ahead of high surf advisories
 - Esplanade at Stockton Avenue
- Bollard Signage
 - During storm events
 - Detour people from Esplanade at entrances

Questions and Discussion

Capitola City Council

Agenda Report

Meeting: January 11, 2024

From: Police Department

Subject: Unmanned Aircraft Systems (UAS) Drone Program



Recommended Action: Receive a presentation regarding the new Unmanned Aircraft System (UAS) Drone Program.

Background: On May 11, 2023, the City Council adopted a resolution approving the Police Department's Annual Military Equipment Report, which included the use of drones for public safety activities. The Police Department also included the use of drones in their adopted FY 2023-24 Budget goals.

The rapid advancement of technology has ushered in a new era of innovation in law enforcement, one of which is the implementation of Unmanned Aircraft Systems (UAS), commonly known as drones. The introduction of drones has presented both opportunities and challenges for law enforcement agencies. UAS devices offer invaluable benefits, such as enhanced public safety and efficient surveying and mapping capabilities. Conversely, their increased prevalence has raised concerns related to privacy and the potential for disturbances.

The Federal Aviation Authority (FAA) regulates and sets guidelines for the safe operation of drones in the United States. Any use of a UAS by the City will be in strict accordance with constitutional privacy acts and FAA regulations. The FAA requires recreational operators to register and mark their drones and to operate them under best practice guidelines. As commercial UAS operators, pilots are required to abide by specific drone regulations outlined in Title 14 Code of Federal Regulations Part 107, obtain a Remote Pilot License Certificate and get an FAA tracking number. All of the Police Department's operators/pilots are considered commercial UAS pilots and will have their Part 107 licenses.

Discussion: The Police Department is committed to evaluating and embracing new technologies to better engage in public safety activities. Utilizing funding from the Supplement Law Enforcement Services Fund (SLESF), two Police Department staff members completed the Regional Training Center (RTC) Drone Operators Course and obtained their Pilot Part 107 licenses. The Police Department plans to send an additional four operators through the RTC Basic Course, which includes preparation for taking the pilot license test. All pilots will be cross-trained as observers and will be required to obtain a license before any solo operation.

The Police Department adopted CPD Policy 613 and CPD Directive 2023-2 (Attachments 1 and 2) outlining the program coordinator's responsibilities, privacy concerns, authorized uses, documentation requirements, reporting requirements, and transparency reporting. DroneSense software has been procured as the City's UAS software platform for all public safety applications. DroneSense allows for a variety of UAS models, a consistent flight control interface that automatically logs all flight activity and allows for remote flight streaming. The Police Department has purchased two DJI Mini 2 Drones and one DJI Avata Drone to complement our program. Staff's goal is to add one DJI Mavic 3T (Thermal) Drone to the City's fleet by the end of the fiscal year.

Several agencies in Santa Cruz County have successful UAS programs. The Santa Cruz County Sheriff's Office has been operating a UAS program since 2019 and has had successful missions with search and rescue operations, suspect searches, crime scene documentation, and high-risk incidents. As part of the Sheriff's transparency policy, the Sheriff's Office issues an annual report on the use of this technology. The Watsonville Police Department just introduced their new UAS program and Santa Cruz Police will be presenting a UAS program in the coming months.

Fiscal Impact: Staff has allocated \$18,000 from FY 2023-24 Supplemental Law Enforcement Services Fund (SLESF) to fund the initial training and to purchase four drones. We are seeking additional funding from the Capitola Public Safety Foundation to complete the required training for FY 2023-24.

Attachments:

1. Policy 613
2. CPD Directive 2023-2

Report Prepared By: Andrew J. Dally, Police Chief

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

Unmanned Aerial System (UAS) Operations

613.1 PURPOSE AND SCOPE

The purpose of this policy is to establish guidelines for the use of an unmanned aerial system (UAS) and for the storage, retrieval and dissemination of images and data captured by the UAS.

613.1.1 DEFINITIONS

Definitions related to this policy include:

Unmanned aerial system (UAS) - An unmanned aircraft of any type that is capable of sustaining directed flight, whether preprogrammed or remotely controlled (commonly referred to as an unmanned aerial vehicle (UAV)), and all of the supporting or attached systems designed for gathering information through imaging, recording or any other means.

613.2 POLICY

Unmanned aerial systems may be utilized to provide an aerial observation platform to enhance the Department's mission of protecting lives and property and enhance the efficiency and safety of police operations. UAS operations will be conducted in accordance with this policy and Federal Aviation Administration (FAA) regulations. UAS operations will only be used for legitimate law enforcement purposes in strict accordance with constitutional protections and privacy rights.

613.3 PRIVACY

Capitola Police Department UAS operations will be conducted with the privacy rights of citizens in mind. Absent a warrant or exigent circumstances, operators and observers shall not intentionally record or transmit images of any location where a person would have a reasonable expectation of privacy. UAS operations will only record incidents that are related to an official law enforcement function.

613.4 PROGRAM COORDINATOR

The Chief of Police will appoint a Program Coordinator who will be responsible for the management of the UAS program. The program coordinator will ensure that policies and procedures conform to current laws, regulations, and best practices and will have the following additional responsibilities:

- Ensure that all Federal Aviation Regulations are adhered to particularly Part 107 as it pertains to UAS operations.
- Ensure that all authorized operators and required observers have completed all required FAA and department-approved training in the operation, applicable laws, policies, and procedures regarding use of the UAS.
- Monitor and approve all requests for the deployment of a UAS in accordance with this policy.
- Develop protocol for conducting criminal investigations involving a UAS, including documentation of time spent monitoring a subject.

Unmanned Aerial System (UAS) Operations

- Develop an operational protocol governing the deployment and operation of a UAS including, but not limited to, safety oversight, use of visual observers, establishment of lost link procedures and secure communication with air traffic control facilities.
- Develop a protocol for fully documenting all missions.
- Develop a UAS inspection, maintenance, and record-keeping protocol to ensure continuing airworthiness of a UAS, up to and including its overhaul or life limits.
- Develop protocols to ensure that all data intended to be used as evidence are accessed, maintained, stored, and retrieved in a manner that ensures its integrity as evidence, including strict adherence to chain-of-custody requirements. Electronic trails, including encryption, authenticity certificates and date and time stamping, shall be used as appropriate to preserve individual rights and to ensure the authenticity and maintenance of a secure evidentiary chain of custody.
- Facilitate law enforcement access to images and data captured by the UAS.
- Recommend program enhancements, particularly regarding safety and information security.
- Ensure that established protocols are followed by monitoring and providing periodic reports on the program to the Chief of Police.

613.5 USE OF UAS

Only authorized operators who have completed the required training shall be permitted to operate the UAS.

Use of vision enhancement technology (e.g., thermal and other imaging equipment not generally available to the public) is permissible in viewing areas only where there is: 1. no protectable privacy interest; 2. exigent circumstances; or 3. when in compliance with a search warrant or court order. In all other instances, legal counsel should be consulted.

UAS may be used to provide aerial imaging to police personnel to further a legitimate law enforcement operation. All operations must be in compliance with this policy and FAA regulations.

613.6 PROHIBITED USE

The UAS video surveillance equipment shall not be used:

- To conduct random surveillance activities.
- To target a person based solely on actual or perceived characteristics, such as race, ethnicity, national origin, religion, sex, sexual orientation, gender identity or expression, economic status, age, cultural group, or disability.
- To harass, intimidate, or discriminate against any individual or group.
- To conduct personal business of any type.

The UAS shall not be weaponized.

Unmanned Aerial System (UAS) Operations

613.7 RETENTION OF UAS DATA

Data collected by the UAS shall be retained as provided in the established records retention schedule.



INTEROFFICE MEMORANDUM

TO: ALL PERSONNEL
 FROM: ANDREW DALLY, CHIEF OF POLICE
 SUBJECT: DEPARTMENTAL DIRECTIVE 2 – UAS OPERATING PROCEDURES
 DATE: SEPTEMBER 29, 2023

PURPOSE:

The following procedures are intended to promote the safe, efficient, and lawful operation of the Capitola Police Department (CPD) Unmanned Aircraft System (UAS). Safety, above all else, is the primary concern in every operation, regardless of the nature of the mission.

GENERAL INFORMATION:

It shall be the mission of those personnel of the CPD who are trained in the use of the UAS to use this resource to protect the lives and property of community members of Capitola and first responders in full compliance with applicable laws and regulations, including but not limited to applicable State and Federal Constitution and Federal Aviation Administration (FAA) regulations.

The use of a UAS can support first responders in situations which would benefit from an aerial perspective and enable responders to detect dangers that could otherwise not be seen. The UAS can also be utilized for approved training missions and demonstrations.

The FAA Modernization and Reform Act of 2012 provides for the integration of civil unmanned aircraft systems into national airspace. Federal law requires the Administrator of the FAA to develop and implement operational and certification requirements for the operation of public unmanned aircraft systems in the national airspace system.

Unless otherwise noted, the Chief's Designee for UAS operations shall be the Field Operations Commander.

DEFINITIONS:

Unmanned Aircraft System (UAS):	Consists of the small unmanned aircraft, the command system, a secure control link, and other related safety support equipment.
Unmanned Aircraft Vehicle (UAV):	An aircraft that is intended to navigate in the air without an on-board pilot.
UAS Flight Crewmember:	A remote pilot, visual observer, or other persons assigned duties for a UAS for the purpose of flight.
Unmanned Aircraft Remote Pilot:	A person exercising control over unmanned aircraft during flight. The remote pilot will be ultimately responsible for the operation and solely responsible for the input of commands/piloting during flight. The remote pilot will be certified in the operation of the UAS by successful completion of an approved training course. The remote pilot must pass the required

knowledge tests and must keep his/her aeronautical knowledge up to date. Remote pilots are authorized to evaluate and accept or decline any mission or portion thereof due to safety concerns.

Certificate of Authorization (COA): Given by the FAA which grants permission to fly within specific boundaries, perimeters, and specified circumstances.

Visual Observer: A visual observer is responsible for the visual observation of the UAS while in-flight. A visual observer aids in maintaining visual observation of the UAS while in flight and alerts the remote pilot of any conditions (obstructions, terrain, structures, air traffic, weather, etc.) which affects the safety of flight. A visual observer will have communication capabilities compliant with FAA regulations to be able to communicate with the remote pilot. A visual observer will be another certified unmanned aircraft pilot, individual previously trained in the responsibilities of a visual observer, or individual provided a briefing of their responsibilities by the remote pilot in command prior to the flight.

PROCEDURE:

Training and Demonstrations

1. The UAS Program Coordinator, or their designee, will be responsible for scheduling regular team training days throughout the year. The training dates will be provided in advance to the UAS commander for approval. Flight during these training days is considered authorized.
2. Demonstrations of the operation of the drones may be authorized by the UAS Program Coordinator, or other supervisor at the rank of Sergeant or higher.

Pre-Planned Mission Request

1. Requests for a pre-planned UAS unit utilization should be made to the UAS Program Coordinator. When the UAS Program Coordinator is not on-duty, requests should be made to the on-call Captain.
2. Missions which are planned to be executed based upon information learned and acted on within the same day, shift, contiguous shift, or ongoing fresh investigation are considered on-duty active missions regardless of the extent to which the mission was planned prior to execution.

On-Duty Active Mission Authorization

1. A UAS may be deployed during on-duty active incidents and during emergency incidents when a certified remote pilot is available, and the utilization would be beneficial in advancing a law enforcement objective. The deploying remote pilot is responsible for ensuring the deployment is in compliance with this directive, department policy and FAA regulations.

Except during emergency circumstances, the remote pilot must verbally notify the Watch Commander or shift supervisor prior to the deployment of the UAS. During emergency circumstances, notification of the deployment of the UAS should be made as soon as practicable. Emergency deployments may include, but are not limited to, activities such as flying into a location which is believed to be guarded by an armed suspect

to delivering medical or other supplies to an injured or secluded person, gaining intel on the location of a suspected armed suspect, and/or gaining visual of an unresponsive person.

Indoor Operations

1. Missions which are completely conducted indoors or are primarily intended to be conducted indoors with an original deployment location outside of the intended structure to be flown in are considered indoor operations.
2. Other than approved training or demonstrations, flight of a drone indoors shall only be conducted under emergency circumstances for life preservation purposes, or with the prior verbal approval of a supervisor.
3. Once inside a structure, the operation of an UAS is not governed by FAA regulations. However, all indoor operations must still be conducted in compliance with applicable sections of this directive and department policy, including being conducted by trained remote pilots.

Mission Operations

1. When the UAS is being flown, operators will take steps to ensure the camera is focused on the areas necessary to the mission and to minimize the inadvertent collection of data about uninvolved persons or places.
2. The use of the UAS will be limited to the authorized missions described herein.
3. The UAS will not be equipped with any weapons.
4. The authorized missions for the CPD UAS include but are not limited to:
 - 4.1. Post-incident crime scene preservation and documentation
 - 4.2. Response to hazardous materials spills
 - 4.3. Public safety and life preservation missions to include barricaded suspects, hostage situations, active shooters, apprehension of armed and dangerous suspects, fleeing suspects, and search/arrest warrants
 - 4.4. Disaster response and recovery to include natural or human caused disasters including a full overview of a disaster area for post incident analysis and documentation
 - 4.5. Training missions.
 - 4.6. In response to specific requests from local, state or federal fire authorities for fire response and prevention

- 4.7. When there is probable cause to believe that (1) the UAS will record images of a place, thing, condition, or event; and (2) that those images would be relevant in proving that a certain felony had occurred or is occurring, or that a particular person committed or is committing a certain felony and use of the UAS does not infringe upon the reasonable expectation of privacy.
- 4.8. To assist allied agencies at their request and with the approval of the Watch Commander
- 4.9. Other operations as authorized by the Watch Commander
5. A UAS operation requires a Certificate of Authorization (COA) from the FAA when not operated under 14 CFR Part 107.
6. A UAS will only be operated by certified remote pilots, and crew members, who have been trained in the operation of the system. All agency personnel with UAS responsibilities, including command officers, will be provided training in the policies and procedures governing UAS use.
7. Except when training or conducting a demonstration, all flights will be documented on the mission deployment form and all flight time shall be accounted for on the form. The reason for the flight, type of mission, and name of the supervisor approving the operation will also be documented. It will be maintained with the original report whenever a report is generated. When not attached to a report, the form will be maintained by the UAS team leader for the time frame in accordance with the records retention schedule.

Visual Observers

1. One or more visual observers may be used to enhance situational awareness but are not required. The use of at least one visual observer is encouraged when available. Considerations of the utilization of a visual observer should take into consideration the knowledge of the terrain and proximity of the UAS to the operator. Responsibility for determination of the need of a visual observer will rest with the remote pilot in command but may also be required by a commanding officer. When a visual observer is utilized, they must comply with requirements outlined in this directive, department policy, and FAA regulations.

Data Retention and Processing

1. Upon completion of each UAS mission, the recorded data shall be reviewed and evaluated for evidentiary value.
2. Refer to data retention section in UAS policy.
3. Video and pictures shall be retained and booked into the property room, or uploaded to Evidence.com, for any retainable data.

Protection of Rights and Privacy Concerns

1. UAS Commanders and operators will consider the protection of individual civil rights and the reasonable expectation of privacy as a key component of any decision made to deploy the UAS.
2. Each UAS operator will ensure that operations of the UAS are consistent with local, state, and federal law.

Personnel Responsibilities for Deployments

1. Remote Pilot

- 1.1. The remote pilot is directly responsible for, and is the final authority over the actual operation of the UAS.
- 1.2. Remote pilots have absolute authority to reject a flight based on personnel safety or violation of FAA regulations. No member of the Department, regardless of rank, shall order a remote pilot to make a flight when, in the opinion of the remote pilot, it poses a risk to personnel or is in violation of FAA regulations.
- 1.3. Remote pilots are responsible for compliance with this procedure, department policy, and FAA regulations.
- 1.4. The remote pilot's main duty during the deployment of the UAS is to operate the UAS safely while accomplishing the goals of the deployment.
- 1.5. Remote pilots shall avoid any obstacle that will lessen safety during the mission.
- 1.6. Remote pilots shall be responsive to the requests of the visual observer in order to accomplish the deployment.
- 1.7. When documentation is required, remote pilots shall be responsible for the completion and submission of the deployment form.
- 1.8. Remote pilots shall document all flight time on the operated UAS Log and in the individual Pilot Log Book. At the discretion of the team leader, digital logging of the flight may be utilized in lieu of the Pilot Log Book and UAS log.
- 1.9. Remote pilots shall be responsible for inspection of the UAS, documentation of any needed repairs, and notification to the team leader for needed repairs.

1. Visual Observer

- 1.1. Visual observers shall advise of any obstacle that will lessen safety during the mission.
- 1.2. Visual observers, or other assigned personnel, are responsible for the law enforcement aspect of the deployment (radio communications, scene security, etc.).
- 1.3. Under the remote pilot's direction, visual observers may assist with the operation of any attachments to the UAS, allowing the remote pilot to maintain complete focus on the operation of the UAS.
- 1.4. Visual observers shall remain alert for suspicious persons or activities on the ground and coordinate response by ground units.
- 1.5. Visual observers shall monitor the radio updates.
- 1.6. Visual observers shall assist the operator in the main objective of safe operations of the UAS.

Inspections

1. Remote pilots are responsible for a thorough pre-flight inspection of the UAS.
2. Before and after each deployment, the remote pilot shall conduct a thorough inspection of the UAS.

3. Any issues found that will put in jeopardy the safe operation of the UAS shall be resolved prior to flight.
4. A pre-flight checklist will be utilized prior to each flight.
5. Any issue that cannot be resolved on-site, and which may have an impact on mission safety, will abort the deployment. Issues MUST be resolved before flight.
6. If a post-flight inspection reveals any damage or hazardous conditions of the UAS, they must be resolved or the UAS must be removed from in-service status, and notification will be made to the team leader.
7. Propellers should be replaced every six months, or sooner if chips or other damage is apparent.

Weather

1. Before each deployment, the remote pilot and/or visual observer will ensure they gather enough information to make themselves familiar with the weather situation existing throughout the area of deployment. The operator shall utilize FAA approved weather resources to obtain the latest and most current weather conditions when inclement weather is apparent.
2. An anemometer should be utilized in order to better estimate the wind speed and determine if it is within the capabilities of the airframe being flown when noticeably high wind is present.
3. Any weather conditions obtained for the operation shall be recorded on the deployment form when one is completed.

Flight Time Limitations

1. During any 24 consecutive hours, the total flight time of any remote pilot may not exceed ten (10) hours, which shall include any other unmanned flying by that remote pilot.
2. When a remote pilot has reached the flight time limit, they must have ten (10) hours of rest before any other flight mission.
3. The combination of visual observer time and remote pilot time may not exceed twelve (12) hours in a 24-hour period.

Capitola Police Department

UAS (Drone) Program





Purpose

Enhance Officer and Public Safety with Industry Standard Aerial Support (Drone Deployment)

Assist allied agencies when appropriate

Collaborate with other City departments to enhance employee safety and efficiency

Aerial footage to enhance social media reach

UAS Program Community Concerns

- **Safety**
- **Privacy**
- **Lack of Transparency**

Safety Concerns

- Drones can pose safety risks, including crashing or malfunctioning, potentially causing personal harm or property damage
 - Very few documented instances of injuries from drone use not related to operator error.
 - Our operators are trained FAA Part 107 Remote Pilots.
 - Monthly training in accordance with CPD training plan (in development).
- Drones could be weaponized against the public
 - FAA regulations prohibit attachment of weapons to drones for civilian or law enforcement use.

Privacy Concerns

- Capturing images and video footage of people in private places
 - Absent exigent circumstances or a warrant, our policy prohibits the intentional recording of images at any location where a person would have a reasonable expectation of privacy.
- Routine patrols of high-crime areas or even entire city/county
 - Routine patrols are prohibited by policy.
- Drones could be used to conduct warrantless surveillance
 - Policy prohibits random surveillance.
 - Camera is only in use during authorized operations.

Transparency Concerns

- Capitola PD will not be fully transparent about our drone program, including policies, procedures, extent of drone usage, performance and results.
 - UAS Program policy, directive, and usage reports will be posted to the Police Transparency webpage.
- Transparency may lack key details such as drone capabilities (thermal imaging, etc).
 - Drone usage will be included in annual AB 481 reporting, which will include all key details such as drone capabilities (camera, thermal imaging, etc).

Addressing Community Concerns

- There are more than 1,400 police departments in the United States using drones with great success.
- The key to success is a balance between the potential benefits and the protection of individual rights and privacy through clear regulations and oversight.
- Capitola PD will only operate drones within policy and directives.
- New technology will inevitably arise that can increase public safety but will also come with additional privacy concerns. We are committed to partnership with the community to ensure new tech does not violate reasonable privacy concerns.

UAS Program Policy

POLICY

PROCEDURE

and Procedure

Policy and Procedure

Unmanned Aerial System (UAS) Program

Purpose

- Promote safe, efficient, and lawful use of any UAS
- Ensure safety in all operations
 - Public
 - Property
 - First Responders
 - Equipment



Definitions

Program Coordinator

- Appointed by the Chief of Police
- Responsible for:
 - Managing the UAS program
 - Ensuring compliance with regulations, training, safety, and data management

Remote Pilot

- Person exercising control over UAS during flight

Visual Observer

- Person responsible for the visual observation of UAS in flight

FAA 14 CFR Part 107 (Part 107)

- Required for individuals to operate UAS commercially (being paid)
- Ensures knowledge and skills meet FAA regulations

Prohibited Use

- Random surveillance
- Profiling
- Harassment
- Personal use



Authorized Use

Authorized missions include, but are not limited to:

- Crime and collision scene documentation
- Response to hazardous material incidents
- Public safety and life preservation
- Disaster response and recovery efforts
- Missing person investigations
- Allied agency requests, including Fire
- Missions related to in-progress crimes
- Training
- Creating recruitment or social media related content
- Collaboration with other city departments

Mission Operations

General

- Camera(s) to be focused on mission-relevant areas
- UAS will only be operated by certified remote pilots
 - Successfully passed required training
 - Holds FAA Part 107 certification or supervised by Part 107 remote pilot
- All PD mission flight telemetry recorded to DroneSense software
 - Except training or demo flights

Mission Operations

Pre-Planned Mission Request

- Request made to Program Coordinator or on-duty Captain
- An ongoing “fresh” investigation is not considered pre-planned

On-Duty Active Mission Authorization

- UAS can be deployed during active and emergency incidents
- Remote pilot will notify Watch Commander or supervisor

Mission Operations

Indoor Operations

- Limited to emergencies or supervisor approval
- Performed under same standard as On-Duty Active Mission
- When flown indoors, UAS is not governed by FAA regulations

Training

- Scheduled by Program Coordinator or appointee
 - Monthly hours requirement, may be self-directed within training plan
- Training flights considered pre-authorized

Data, Civil Rights, and Privacy

Data Retention and Processing

- Recorded mission data will be evaluated for evidentiary value
- Evidence will follow departmental data retention requirements
- Evidence transferred to physical storage media and/or Evidence.com

Protection of Rights and Privacy Concerns

- Civil rights and privacy will be always be protected
- All operations will be consistent with local, state, and federal law

Proposed Policy Edit

- **Under section 613.4 PROGRAM COORDINATOR**
 - Change from "The program coordinator will ensure that policies and procedures conform to current laws, regulations, and best practices and will have the following additional responsibilities:"
 - To "The program coordinator will ensure that policies and procedures conform to current laws, regulations, and best practices as outlined in the UAS Operating Procedures Directive. The program coordinator will have the following additional responsibilities:"

Reminder: Purpose of Policy and Procedure

- Ensure the safe, efficient, and lawful operation of UAS
- Prioritize *safety* in all missions
- Allow only trained personnel to utilize UAS
- Allow support of first responders in various scenarios
- Focus on mission-specific tasks while adhering to FAA regulations
- Define roles and responsibilities of UAS flight crew members
- Emphasize the importance of safety checks
- Address data retention, privacy, and weather considerations
- Establish flight time limitations to ensure well-being of flight crew



Equipment

UAS Equipment

DJI Drones

Best reputation of quality while remaining within budget.

Exterior

- DJI Mavic 3T – thermal imaging

Interior

- DJI Avata

Training / Interior / Backup

- DJI Mini 2

DJI Mavic 3T

Primary Use: Exterior



Flight Time: 45 minutes

Capabilities: 56x Hybrid zoom / Thermal Camera

DJI Avata

Primary Use: Interior support



Flight Time: 18 minutes

Capabilities: 150-deg field-of-view / First Person View (FPV) Goggles

DJI Mini 2



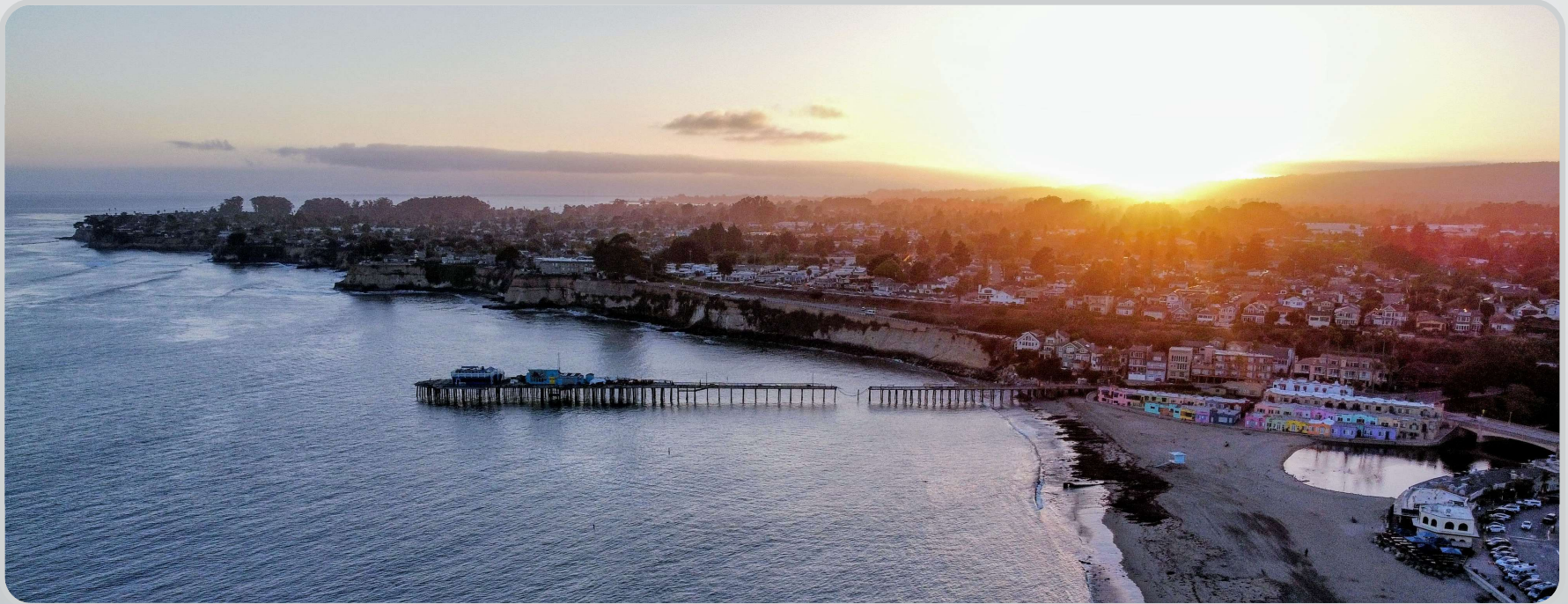
Primary Use: Training and Interior Backup

Flight Time: 31 minutes

Capabilities: 4x zoom / Interior flight

Equipment and Training Funding

- PD Supplemental Law Enforcement Services Fund (SLESF)
- Initial Budget: \$ 15,000
 - Initial equipment purchase
 - Training for 4 remote pilots
 - Training for 2 Program Coordinators
 - Training for 2 Program Trainers
- Periodic funding requests through the Public Safety Foundation
 - With approval from Chief of Police
 - Supplement training and equipment expenses



Video - Celebrate 75 Years

Capitola City Council

Agenda Report

Meeting: January 11, 2024

From: City Manager Department

Subject: Remote Public Participation



Recommended Action: Provide direction to staff about remote participation options for members of the public at City Council and Planning Commission meetings.

Background: The Brown Act (CA Government Code Sections 54950 et seq.) requires that the City Council conduct business in open, public, and noticed meetings. Before the COVID-19 Pandemic, all City Council meetings were held in person and there were no options for remote participation. During COVID-19, the City implemented technology upgrades to accommodate remote participation of members of the public.

During the October 26, 2023, City Council meeting, remote participants provided racist, homophobic, and antisemitic commentary via Zoom (“Zoom Bombing”). Following that meeting, the City suspended the ability for the public to provide public comment remotely and the Planning Commission followed suit.

Discussion: Currently the public can provide feedback to the City Council and Planning Commission in the following ways:

- Emailing the City Council comments prior to the meeting. These comments are included in the official record of the meeting.
- Attend meetings in person and provide verbal comments.

City Council and Planning Commission meetings are broadcast live on Zoom, YouTube, and local access television (Community Television). Members of the public can access video (live and archived) through the City’s website, the City’s YouTube channel, and Community Television’s website.

The City Clerk’s office collected survey data in November 2023, and approximately 65 California government agencies experienced Zoom Bombing incidents in 2023 (Attachment 1). Of those agencies, 38 of them have temporarily or permanently suspended the use of Zoom for public comment during meetings.

The “Zoom Bombers” plaguing California cities appear to be coordinating their behavior to disrupt meetings, disguising themselves as concerned citizens, only to provide often discriminatory commentary that is not relevant to the subject matter jurisdiction of the legislative body. Such behavior may discourage public participation at meetings, and potentially make it less likely that community members would attend in-person meetings.

The use of Zoom for public comment creates challenges in controlling disruptive behavior during public meetings since participants on Zoom can be anonymous. Zoom participation can be from anywhere in the world. The City is not obligated to provide Zoom participation options in meetings. If the City Council directs staff to bring back the use of Zoom for remote public comments, applicable law would not allow the City to impose restrictions upon remote participants (such as residency restrictions).

The City Council may direct staff to bring back Zoom use for public participation, continue holding public meetings without Zoom use, or provide alternative direction.

Fiscal Impact: None.

Attachments:

1. Survey of CA Agencies

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager

Agency/Body Targeted	Date of Incident	Current Zoom Status	Links		Notes
Antioch City Council	N/A	Discontinued Zoom comments over this issue	Link		Only in person meetings
Arcadia City Council	N/A	Continuing to use Zoom for public comments			No longer publishing Zoom meeting ID - participants must email for the code to have a heads up of anyone who is not a regular.
Atherton City Council	9/20/2023	Continuing to use Zoom for public comments	Link		
Bay Area Air Quality District	N/A	Temporarily suspended Zoom comments over this issue	Link		
Berkeley City Council	9/26/23 & 10/10/23	Continuing to use Zoom for public comments	Link		
Brentwood City Council	9/26/2023	Discontinued Zoom comments on non-agendized items. Continuing to allow Zoom comments on agenda items as long as they are on-topic.	Link	Link 2	
Calabasas City Council	10/25/2023	Temporarily suspended Zoom comments over this issue	Link		
Capitola City Council	10/26/2023		Link		
Carmel-by-the-Sea City Council	N/A	Continuing to use Zoom for public comments			
Ceres City Council	9/25/2023	Discontinued Zoom comments over this issue	Link	Link 2	
Claremont City Council	10/10/2023	Discontinued Zoom comments over this issue	Link 1	Link 2	
Concord City Council	N/A	Discontinued Zoom comments over this issue	Link		
Contra Costa County	N/A	Temporarily suspended Zoom comments over this issue	Link		
El Cerrito City Council	9/19/2023	Temporarily suspended Zoom comments over this issue	Link 1	Link 2	
El Dorado County Board of Supervisors	9/26/2023	Continuing to use Zoom for public comments	Link		
Fremont City Council	N/A	Discontinued Zoom comments over this issue	Link	link 2	
Galt City Council	10/17/2023	Discontinued Zoom comments over this issue			
Healdsburg City Council	N/A	Temporarily suspended Zoom comments over this issue	Link		
Hermosa Beach City Council	9/26/2023	Continuing to use Zoom for public comments	Link		
Irwindale City Council	10/25/2023	Temporarily suspended Zoom comments over this issue			
Isleton		Discontinued Zoom comments over this issue			
Larkspur City Council	9/20/2023	Discontinued Zoom comments over this issue	Link		
Livermore City Council	9/25/2023	Discontinued Zoom comments over this issue	Link	Link 2	
Malibu City Council	10/9/2023	Temporarily suspended Zoom comments over this issue			
Milpitas City Council	N/A	Temporarily suspended Zoom comments over this issue	Link		
Modesto City Council	9/26/2023	Discontinued Zoom comments over this issue	Link		
Monterey City Council	9/19/2023	Continuing to use Zoom for public comments	Link 1		
Moorpark City Council	N/A	Discontinued Zoom comments over this issue			
Morgan Hill City Council	10/4/2023		Link		
Novato City Council	9/26/2023	Discontinued Zoom comments over this issue			
Pacific Grove City Council	10/18/2023	Discontinued Zoom comments over this issue	Link		
Pacifica City Council	9/25/2023	Considering discontinuing Zoom comments.	Link		
Palm Springs Administrative Appeals Board	N/A	Temporarily suspended Zoom comments over this issue			
Palo Alto City Council	10/16/2023	Discontinued Zoom comments over this issue	Link	Link 2	
Palo Alto Unified School District Board	N/A	Discontinued Zoom comments over this issue	Link		
Pleasanton City Council	10/17/2023	Discontinued Zoom comments over this issue	Link		

Plymouth City Council		10/26/2023			
Redwood City Council	N/A		Temporarily suspended Zoom comments over this issue	Link 1	Link 2
Richmond City Council		10/2/2023	Continuing to use Zoom for public comments	Link	
Sacramento City Council		9/5/2023	Discontinued Zoom comments over this issue	Link 1	Link 2
San Bernardino City Council		10/18/2023		Link	Link 2
San Carlos City Council		9/25/2023	Continuing to use Zoom for public comments.	Link	Adopted rules of decorum for meetings.
San Diego City Council		9/18/2023	Continuing to use Zoom for public comments	Link	
San Francisco Board of Supervisors		9/26/2023	Discontinued Zoom comments over this issue	Link	Link 2
San Jose City Council		10/3/2023	Continuing to use Zoom for public comments	Link	
San Mateo City Council		N/A	Continuing to use Zoom for public comments		
San Ramon City Council	N/A		Discontinued Zoom comments over this issue	Link 1	Link 2
Santa Rosa City Council		9/26/2023	Discontinued Zoom comments over this issue	Link	
Santa Rosa City Schools Board		9/13/2023	Discontinued Zoom comments over this issue	Link	Link 2
Saratoga City Council		9/20/2023	Continuing to use Zoom for public comments.	Link	Reorganized agenda so public comment is at end of meeting.
Seaside City Council		10/19/2023	Continuing to use Zoom for public comments	Link	
Sebastopol City Council		9/19/2023	Considering discontinuing Zoom comments.		
Solvang City Council		10/9/2023	Considering discontinuing Zoom comments.	Link	
Sonoma City Council		11/1/2023	Continuing to use Zoom for public comments	Link	Removed video
Sonoma County BOS		9/12/2023	Discontinued Zoom comments over this issue	Link 1	Link 2
South San Francisco City Council		9/13/2023	Discontinued Zoom comments over this issue	Link	
Sunnyvale City Council		10/10/2023	Continuing to use Zoom for public comments.	Link	
Tiburon City Council		9/20/2023		Link	
Union City Council	N/A		Discontinued Zoom comments over this issue	Link	
Vallejo City Council		10/10/2023	Continuing to use Zoom for public comments	Link	
Ventura City Council		9/25/2023	Continuing to use Zoom for public comments	Link 1	Link 2
Walnut Creek City Council	multiple in June		Discontinued Zoom comments over this issue	Link 1	Link 2
Watsonville City Council		10/24/2023	Temporarily suspended Zoom comments over this issue	Link	
Windsor	N/A		Discontinued Zoom comments over this issue		

Capitola City Council

Agenda Report

Meeting: January 11, 2024

From: City Manager Department

Subject: City Council Appointments to Advisory Bodies



Recommended Action: Review, affirm, and appoint City Council representatives to County and Regional Boards and Capitola advisory bodies.

Background: City Council Members are appointed to represent Capitola on several County, Multi-Jurisdiction, and City boards. Table 1 lists the current County and Regional Board appointments and term expirations. The City Council appoints representatives to most of these groups, with the exception of those where the City Selection Committee makes appointments (Table 2).

Discussion: Several of the appointments to the Regional Boards and the City advisory bodies require review and updated appointments. These are highlighted in the tables below. The City Council will need to 1) take action on the highlighted appointments, 2) may consider changes to other appointments, and 3) may identify nominations for the City Selection Committee.

Table 1: Regional Board Representatives

Group Name	Appointee	Alternate	Expires
Assoc. of Monterey Bay Area Govts.	Kristen Brown	Margaux Keiser	December 2024
Area Agency on Aging Advisory Council	Jacques Bertrand*		December 2023
Arts Council	Roy Johnson**		
Children's Network Cabinet	Yvette Brooks		No term expiration
Criminal Justice Council	Joe Clarke	Kristen Brown***	No expiration
Flood Control & Water Conservation District (Zone 5)	Kristen Brown	Joe Clarke	December 2023
Integrated Waste Management Local Task Force	Jessica Kahn	Alexander Pedersen	March 2025
Library Advisory Commission	Michael Termini		April 2027
Library Financing Authority	Kristen Brown	Joe Clarke	January 2024
METRO	Kristen Brown	Alexander Pedersen	December 2024
RTC	Alexander Pedersen	Joe Clarke	No term expiration
Sanitation District Board	Kristen Brown	Margaux Keiser	December 2024
Youth Action Network Jurisdictional Team	Yvette Brooks	Joe Clarke	No term expiration

* Area Agency on Aging Advisory Council has requested an elected official be appointed to represent Capitola.

** City Council must affirm Art and Cultural recommendation for appointed representative to the Arts Council.

*** City has three seats on CJC. One must be Councilmember, second may be Councilmember or staff, third is the Police Chief.

The groups identified in Table 2 include Capitola City Council representatives, but the representatives are appointed by the Santa Cruz County City Selection Committee. The City Council may provide recommendations for these appointments so that the selection process is straightforward when appointments are made.

Table 2: City Selection Committee Groups

Group Name	Appointee	Alternate	Expires	Notes
3CE Policy Board	Yvette Brooks	Margaux Keiser	December 2024	Shared seat with SV
Monterey Bay Air Resources District	Sandy Brown, Santa Cruz City Council		December 2023	Seat rotates between cities
Remote Access Network Committee	Margaux Keiser	Kristen Brown	November 2025	No formal rotation schedule. Must be a sitting Mayor
LAFCO	Yvette Brooks		December 2027 – however City Selection is expected to begin new LAFCO rotation schedule in 2024, and then Cap would step off this year and SV would hold the seat till 2025	Shared seat with SV. LAFCO may establish an ex-officio position for city not currently on LAFCO

The City advisory bodies listed in Table 3 have City Council representation. The Finance Advisory Committee bylaws stipulate the Mayor and Vice Mayor serve as Council representatives, though when either or both the Mayor and Vice Mayor do not want to serve on this committee, other member(s) of the City Council shall be appointed by the Mayor, with the concurrence of the City Council.

Table 3: City Advisory Bodies with City Council Representatives

Group Name	Appointee	Expires
Finance Advisory Committee	Alexander Pedersen, Kristen Brown	December 2023
Commission on the Environment	Margaux Keiser	December 2023
Art and Cultural Commission	Joe Clarke	December 2023

Fiscal Impact: None.

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager



CITY COUNCIL APPOINTMENTS TO ADVISORY BODIES

January 11, 2024



Background

- ❑ Capitola is represented on various Multi-Jurisdictional advisory bodies by members of City Council. These boards/committees are established by other codes or bylaws.
- ❑ City Council holds seats on 3 City advisory bodies
- ❑ City of Capitola is represented on 4 groups which the City Selection Committee appoints to



Tonight's Action

- Staff recommends the City Council review, affirm, and appoint City Council representatives:
 - ▣ To City Advisory Groups
 - ▣ To Multi-Jurisdictional Advisory Groups
 - ▣ Make recommendations for future SCC City Selection Committee appointments



City Advisory Bodies

Group	2023 Appointee	2024 Appointee
Finance Advisory Committee*	Alexander Pedersen Kristen Brown	
Commission on the Environment	Margaux Keiser	
Art and Cultural Commission	Joe Clarke	

* Mayor and Vice Mayor, other members may be appointed with CC vote



Multi Jurisdictional

Group	2023 Appointee	2024 Appointee
Area Agency on Aging Advisory Council	Jacques Bertrand	
Arts Council	Roy Johnson**	
Flood Control & Water Conservation District (Zone 5)	Kristen Brown (alt Joe Clarke)	
Library Financing Authority	Kristen Brown (alt Joe Clarke)	

These are the groups requiring immediate action. The Arts Council appointment was made by the Art & Cultural Commission, the City Council must ratify their appointment.



SCC Selection Committee

Group	Appointee	Alternate
3CE Policy Board	Yvette Brooks	Margaux Keiser
Monterey Bay Air Resources District	Sandy Brown, Santa Cruz City Council	
Remote Access Network Committee	Kristen Brown	
LAFCO	Yvette Brooks	



Recommended Action

- Staff recommends the City Council review, affirm, and appoint City Council representatives:
 - ▣ To City Advisory Groups
 - ▣ To Multi-Jurisdictional Advisory Groups
 - ▣ Make recommendations for future SCC City Selection Committee appointments