

# City of Capitola

## City Council Meeting Agenda

### Thursday, March 13, 2025 – 6:00 PM



City Council Chambers  
420 Capitola Avenue, Capitola, CA 95010

**Mayor:** Joe Clarke

**Vice Mayor:** Alexander Pedersen

**Council Members:** Gerry Jensen, Margaux Morgan, Melinda Orbach

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### 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 Gerry Jensen, Margaux Morgan, Melinda Orbach, Alexander Pedersen, and Mayor Joe Clarke

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

#### 3. Presentations

*Presentations are limited to eight minutes.*

A. Proclamation Honoring March 2025 as American Red Cross Month

#### 4. Additional Materials

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

A. Item 8A - Correspondence Received

B. Item 8B - Correspondence Received

C. Item 8C - Correspondence Received

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

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

#### 6. Staff / City Council Comments

*Comments are limited to three minutes.*

#### 7. Consent Items

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

**A.** City Council Meeting Minutes

Recommended Action: Approve minutes from the special meeting on February 26, 2025 and the regular meeting on February 27, 2025.

**B.** Fiscal Year 2025-26 Budget Calendar

Recommended Action: Approve the Budget Meeting Calendar for Fiscal Year (FY) 2025-26.

**C.** Lease with MRA Sales, Inc.

Recommended Action: Authorize the City Manager to sign a three-year lease agreement between the City of Capitola and MRA Sales, Inc. for concessionary beach services at Esplanade Park, for a total revenue of \$6,399.

**D.** FY 2023-24 Audit Report

Recommended Action: Receive a report on the FY 2023-24 annual audit.

## 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.** Rail Trail Project Town Hall Plan

Recommended Action: Approve the proposed town hall meeting plan and outreach strategy.

**B.** Public Outreach Long Term Plan for Capitola Wharf

Recommended Action: Receive report regarding the draft long term concepts for the Capitola Wharf and direct staff to proceed with public outreach in April and May 2025 utilizing the concepts.

**C.** Annexation Request for 1610 Bulb Avenue

Recommended Action: Authorize the Mayor to sign a letter to the Local Agency Formation Commission in support of or opposition to the annexation of 1610 Bulb Avenue into Capitola city limits.

**D.** Appointment of Capitola Representative to Measure Q Oversight Advisory Board

Recommended Action: Appoint a member of the public to serve as Capitola’s representative on the Measure Q Citizens Oversight Advisory Board.

## 9. Adjournment - *The next regularly scheduled City Council meeting is on March 27, 2025, at 6:00 PM.*

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### 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](mailto: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 and at Capitola City Hall prior to the meeting. Need more information? Contact the City Clerk’s office at 831-475-7300.**

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

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

**Si desea asistir a esta reunión pública y necesita ayuda - como un intérprete de lenguaje de señas americano, español u otro equipo especial - favor de llamar al Departamento de la Secretaría de la Ciudad al 831-475-7300 al menos tres días antes para que podamos coordinar dicha asistencia especial o envíe un correo electrónico a [jgautho@ci.capitola.ca.us](mailto: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 by clicking on the Home Page link “Meeting Agendas/Videos.” Archived meetings can be viewed from the website at any time.**

**Gautho, Julia**

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**From:** MK St.Clair <mksaint@cruzio.com>  
**Sent:** Friday, March 7, 2025 5:34 PM  
**To:** City Council  
**Subject:** Please accept the Capitola staff recommendation: Option A as the best solution, with a safe and wide buffered bike route. Vote yes!

Dear Capitola City Council, Mayor and Vice-Mayor,

Option A for Park Avenue is a better choice for Capitola. Option A will see a better trail that will be built sooner, at a lower cost, and is a good choice for the environment.

Every delay is more expensive, and hinders construction of the Coastal Rail Trail. Residential property owners and commercial developers along the Coastal Rail Trail are well aware that delays, and cost overruns confuse and cause frustration with the general public.

Every single infrastructure project takes years of detailed planning and implementation. Support our RTC professionals. Our RTC professionals serve the greater community.

I am a long term resident and homeowner.

Sincerely,

M. Kate St.Clair  
Aptos, CA 95003

Sent from my iPhone

**Gautho, Julia**

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**From:** michael routh <qwakwak@gmail.com>  
**Sent:** Saturday, March 8, 2025 11:45 AM  
**To:** City Council  
**Subject:** Item 8A

Mayor and Council members,

The scope of the proposed town hall and time allowed for public input feels like trying to cram 50 people into a VW bug. The town hall agenda should focus on the Park Ave trail realignment and nothing else. That is the primary issue the city is dealing with currently. All the other 7 rail trail topics can be addressed as they become relevant.

Limit the presentation and discussion to the current issue affecting the community - Park Ave trail realignment - so there is adequate time for public input. Otherwise, this will not be a true "town hall", but simply an overview of the entire rail trail project. This proposal does not accurately represent the council or the communities request for a town hall.

Mick Routh

Sent from my iPad

**Gautho, Julia**

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**From:** James Weller <jweller@cruzio.com>  
**Sent:** Saturday, March 8, 2025 5:23 PM  
**To:** Clarke, Joe; City Council; Pedersen, Alexander; Gerry Jensen; Margaux Morgan; Melinda Orbach  
**Cc:** Goldstein, Jamie (jgoldstein@ci.capitola.ca.us); Kahn, Jessica; Robert.Tidmore@santacruzcounty.us; gblakeslee@sccrtc.org; Regional Transportation Commission  
**Subject:** [PDF] Commentary re: Park Avenue coastal rail trail alignment  
**Attachments:** PARK AVENUE RAIL TRAIL LETTER 030825.docx; 059m35.pdf

Councilmembers, City Manager, and Public Works Director:

Please read and consider my comments attached, as you prepare to deal with this issue.

Best regards,

Jim Weller  
1970 46th Avenue, Capitola  
510-325-1361 (cell phone)

TO: Capitola City Councilmembers, City Manager, Public Works Director

FROM: Jim Weller, 1970 46<sup>th</sup> Avenue, Capitola

Re: SCCRTC plan for the coastal rail trail alongside Park Avenue.

It consternates me that there is such entrenched opposition to this proposed public works project. The proposal promises a major public active transportation improvement, to be completed soon and at no cost to the City. Really now, what's not to like about this?

It's a WIN-WIN-WIN proposition.

I prefer Option A, but either Option A or Option B as proposed would (1) increase public traffic safety; would (2) improve public accessibility for pedestrians and cyclists; and would (3) cost the City of Capitola nothing, ever.

The proposal would accomplish traffic calming and safety improvements already planned and funded by the City, but would be instead paid for with RTC funds, thereby saving Capitola some \$80,000 allocated for work on Park Avenue. All the work would be funded by the RTC and designed and directed by the County Department of Community Development and Infrastructure. The City would have no maintenance responsibility for the coastal rail trail, not ever. This project would, in effect, be a realignment of the planned RTC rail trail from the southern side of the railroad corridor to the northern side.

Despite the hollow threat of a lawsuit, the project would not run afoul of Measure L for several reasons.

The purpose of Measure L was to "improve safety and reduce traffic . . . while protecting the Capitola Trestle." The findings spelled out in the measure were all about "the historic Capitola Trestle . . . [and a] detour from the Trestle through Capitola Village . . . onto bike lanes and sidewalks in the local Capitola street network and across the Stockton Avenue Bridge." Clearly, the concern had to do with Capitola Village streets and sidewalks, not Park Avenue or anywhere else in Capitola outside the Village.

The only definite provision in Measure L constraining action by the City was: "No city . . . department, agency or employee shall expend any funds or resources related to the construction, reconstruction, operation, maintenance, financing, marketing, or signage for a detour of the Trail onto Capitola streets or sidewalks."

The Park Avenue coastal rail trail alignment project would not involve any City funding or expenditures. Some may complain that the time City staff has devoted to coordinating with the County and the RTC concerning this project counts as "resources," but staff time is paid for in salaries, not per task, so there will be no expenditures of time and effort that

wouldn't have been devoted to something else otherwise. Moreover, this project is not a "detour," and it's not "onto" any streets or sidewalks.

Even if one were to stretch the ambit of Measure L to encompass the whole Capitola incorporated area, including areas west of Soquel Creek and east of Monterey Avenue/Bay Avenue, the present RTC coastal rail trail plan won't involve any kind of "construction, reconstruction, operation, maintenance, financing, marketing, or signage" done or paid for by the City under any possible scenario. All of it will be RTC work.

Furthermore, the proposed 12-foot wide coastal rail trail alignment alongside Park Avenue will not be on or in Park Avenue. It would be aligned along the presently existing bike lane on the southerly side of Park Avenue, mostly within the RTC-owned railroad corridor and only partly within the 40-foot wide original Park Avenue street right of way. The presently existing unpaved shoulder area and the eucalyptus trees on the south side of the street are within the boundary of the railroad corridor land owned by the RTC.

Park Avenue is apparently a city street. Interestingly though, it appears that the Park Avenue land title – the street corridor – is vested in the State of California. It was originally granted in 1933 by the former land owners, Fred D. Hihn, Jeffie Hihn, and Minnie Hihn, to the California State Park Commission, for state park purposes, along with the land comprising New Brighton Beach State Park.

According to that 1933 deed, Park Avenue was "to be used as a public road." It was dedicated to public use as the state park access road. In 1945, the state park road was realigned and accordingly, Southern Pacific Railroad Company granted to the State of California 1.29 acres of its adjoining land, comprising the present 40-foot width of Park Avenue, from Cabrillo Street to Coronado Street. I found no indication that the State of California ever relinquished its Park Avenue title to the City of Capitola, which was incorporated in 1949.

In 1962, a 10.73-foot widening strip of land on the northern side of Park Avenue, between Cabrillo Street and Coronado Street, was granted to the City of Capitola.

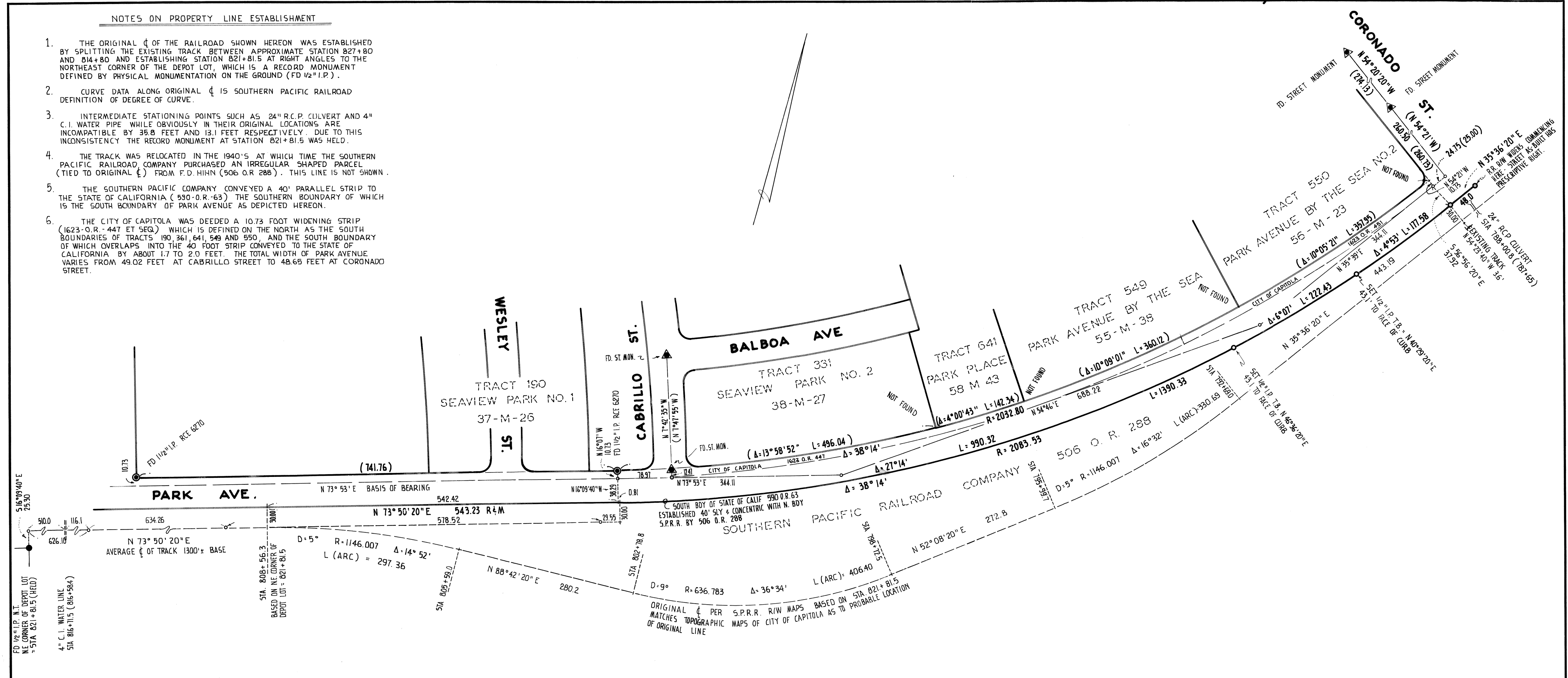
I can provide all the documentation supporting those findings. A copy of the 1973 survey map of Park Avenue is attached for reference.

JW



NOTES ON PROPERTY LINE ESTABLISHMENT

1. THE ORIGINAL  $\phi$  OF THE RAILROAD SHOWN HEREON WAS ESTABLISHED BY SPLITTING THE EXISTING TRACK BETWEEN APPROXIMATE STATION 827+80 AND 814+80 AND ESTABLISHING STATION 821+81.5 AT RIGHT ANGLES TO THE NORTHEAST CORNER OF THE DEPOT LOT, WHICH IS A RECORD MONUMENT DEFINED BY PHYSICAL MONUMENTATION ON THE GROUND (FD 1/2" I.P.).
2. CURVE DATA ALONG ORIGINAL  $\phi$  IS SOUTHERN PACIFIC RAILROAD DEFINITION OF DEGREE OF CURVE.
3. INTERMEDIATE STATIONING POINTS SUCH AS 24" R.C.P. CULVERT AND 4" C.I. WATER PIPE WHILE OBVIOUSLY IN THEIR ORIGINAL LOCATIONS ARE INCOMPATIBLE BY 35.8 FEET AND 13.1 FEET RESPECTIVELY. DUE TO THIS INCONSISTENCY THE RECORD MONUMENT AT STATION 821+81.5 WAS HELD.
4. THE TRACK WAS RELOCATED IN THE 1940'S AT WHICH TIME THE SOUTHERN PACIFIC RAILROAD COMPANY PURCHASED AN IRREGULAR SHAPED PARCEL (TIED TO ORIGINAL  $\phi$ ) FROM F.D. HIHN (506 O.R. 288). THIS LINE IS NOT SHOWN.
5. THE SOUTHERN PACIFIC COMPANY CONVEYED A 40' PARALLEL STRIP TO THE STATE OF CALIFORNIA (590-O.R.-63) THE SOUTHERN BOUNDARY OF WHICH IS THE SOUTH BOUNDARY OF PARK AVENUE AS DEPICTED HEREON.
6. THE CITY OF CAPITOLA WAS DEEDED A 10.73 FOOT WIDENING STRIP (1623-O.R.-447 ET SEQ.) WHICH IS DEFINED ON THE NORTH AS THE SOUTH BOUNDARIES OF TRACTS 190, 361, 641, 549 AND 550, AND THE SOUTH BOUNDARY OF WHICH OVERLAPS INTO THE 40 FOOT STRIP CONVEYED TO THE STATE OF CALIFORNIA BY ABOUT 1.7 TO 2.0 FEET. THE TOTAL WIDTH OF PARK AVENUE VARIES FROM 49.02 FEET AT CABRILLO STREET TO 48.65 FEET AT CORONADO STREET.



**BASIS OF BEARING**  
 BASIS OF BEARINGS OF THIS MAP IS THE NORTHERN BOUNDARY OF PARK AVENUE DETERMINED FROM MONUMENTS FOUND AS SHOWN = N 73° 53' E

**LEGEND**

- SET 1/2" I.P. RCE 6270
- SET NAIL
- ⊙ FD 1/2" I.P. RCE 6270
- (360.12) RECORD DATA
- T.B. TANGENT BEARING

**SURVEYOR'S CERTIFICATE**

This map correctly represents a survey made by me or under my direction in conformance with the requirements of the Land Surveyor's Act at the request of THE CITY OF CAPITOLA in OCTOBER 1973

*Tom Polk Williams*  
 C. E. 6270

Tom Polk Williams  
 REGISTERED CIVIL ENGINEER  
 No. 6270

**COUNTY SURVEYOR'S CERTIFICATE**

This map has been examined for conformance with the requirements of the Land Surveyor's Act this 10th day of December, 1973

*Donald A. Pess*  
 By Deputy

Seal of the State of California, County Recorder

**COUNTY RECORDER'S CERTIFICATE**

Serial No. 47984  
 Filed this 11th day of December, 1973 at 11:13 A.M. in Book 59 of Maps at Page 35 at the request of County Surveyor

*Tom M. Kelley*  
 County Recorder

*Diane Ray*  
 By Deputy

Seal of the State of California, County Recorder

<b>BOWMAN AND WILLIAMS</b> REGISTERED CIVIL ENGINEERS 1011 CEDAR STREET SANTA CRUZ, 95060 426-3560		<b>RECORD OF SURVEY</b> OF <b>PARK AVENUE</b>	
SITUATE IN THE CITY OF CAPITOLA CALIFORNIA		SHEET 1 OF 1	
SCALE 1" = 100'	DRAWN G.R.D.	JOB NO. 17513	
DATE OCTOBER 1973	CHECKED GRD.	INDEX SOQ 5	
DESIGN	TRACED D.R.S.	FILE NO.	

**Gautho, Julia**

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**From:** Clark Cochran <clark.e.cochran@gmail.com>  
**Sent:** Saturday, March 8, 2025 9:42 PM  
**To:** City Council  
**Subject:** Capitola Council Letter About RTC Plans

Dear Capitola Mayor and City Council,

The RTC presentation at New Brighton School was a disappointment. I would have preferred they first make a presentation about their plans and the route options they are proposing rather than only having tables covered with detailed drawings for review and discussion with RTC representatives. I believe many attendees came away confused.

It became clear to me at this meeting that the RTC is in this for the (very) long haul as they are planning that it will take at least a new federal administration and then a decade or more to have a viable rail and trail. Potentially and probably much longer for rail. Further, it was also made clear to me the funding will come for the rail, so there will be no trail without rail. The RTC has both short term and long term aka “ultimate” plans. The City of Capitola must differentiate between these two and decide how best to achieve both.

The RTC continues to push their agenda. The citizens and council of Capitola must remain vigilant to track their changing options and plans that otherwise might go unnoticed like including two rail lines along Cliff Drive to allow trains to pass one another.

So as a summary before going into detail, for Section 11B spanning Soquel Creek, the trestle can be reinforced and used as a trail until the ultimate solution is determined and approved. This should be considered a short term solution using available funds. Next, the part of Section 10 starting at Opal can be run on the existing rail corridor. Below are details for both statements.

Spanning Soquel Creek has never been planned or funded by the RTC. This section is a future ultimate goal. Hence their short term detour through the village was proposed. Now at the March 4<sup>th</sup> RTC meeting they proposed a new trail only bridge to be constructed directly adjacent to the trestle on the ocean side. This should be considered as a potential long term solution but since no real architectural design has been presented to see if it would be acceptable to Capitola, no cost has been mentioned, and the trestle itself is a huge TBD, a decision approving this option should wait for further details. Instead, I suggest a short term solution using a portion of the currently allotted \$67.6M funding for Sections 10 and 11 to stabilize the trestle for trail use. This work was stated as costing \$7.5M in 2021 dollars (per SCCRTC FAQ dated October 2023) and an RTC member told me at the meeting this would likely cost \$10+M now. A new deck trail walkway would keep the rails so no railbanking issues would be affected. If necessary, have riders walk their bikes across. Ultimately the trestle

may need to be torn down and replaced for the rail but, until such time in the distant future this decision is made, let's at least have a trail.

The part of Section 10 from Opal to Live Oak has two bad but doable long term proposal options. The first is detouring onto Jade and Brommer Streets and then through Jade Street Park next to Opal Cliffs School and then onto 47<sup>th</sup>. Traffic and all on street parking would be greatly impacted, not to mention this would violate the Capitola Municipal Code thus opening a potential citizens lawsuit. The second option uses Nova Drive on the other side of the tracks and zigzags on other quiet streets located in unincorporated Santa Cruz County except for a one block detour along very busy 41<sup>st</sup> in Capitola. This detour option just kicks the can into Santa Cruz County's court. It's not an ultimate solution. The ultimate solution is to use the existing rail corridor. Now the RTC states there is insufficient right of way width to use it. Mobile homes are too close. If needed, they should think about an easement from the back yards of houses fronting Nova in the County. BUT, and this is a big but, there is sufficient width available without these measures.

Specifically, the RTC shows a 36' wide rail trail width is needed. 22' for rail (11' each side of the rail centerline), plus 12' for the trail, and an additional 2' for fencing and walls. HOWEVER, the California PUC General Order 26-D "Regulation Governing Clearances on Railroads and Street Railroads with Reference to Side and Overhead Structures, Parallel Tracks, Crossings of Public Roads, Highways and Streets" ([docs.cpuc.ca.gov](https://docs.cpuc.ca.gov)) Section 3.2 states that minimum side clearances from the centerline of standard gage industrial railroads for all structures above the top of the rail shall be 8'-6". Further, in Section 9.2 of the same document it states that for railroad tracks that are not for freight (I would say that includes future RTC light rail passenger trains) the minimum side clearance is 30" from the widest point on the equipment being operated. This means a 29' wide easement is needed plus the width for walls and/or fences as needed.

BUT again, there is a big but. The above rail clearance is also stated in the RTC Rail Transit Feasibility Study Final Report ([sccrtc.org](https://sccrtc.org)) on page 18 and in note 16, in Section 1.5.1.2 "Right of Way Width". BUT it further states, "The absolute minimum width required for both a trail and single track rail in tangent (straight) sections of the right-of-way is 25 feet". Note 16 further states, "Transportation design standards require multi-use bi-directional trails to be a minimum of 8 feet wide and require a minimum of 17 feet for train operations (8'-6" from the centerline of the tracks)." This means at constricted areas, such as the section along the mobile home park in question and potentially other locations along the rail line, the minimum width needed would be 27' (17' + 8' + 2' maximum added for walls and fences – less if the fences are chain link or similar narrow width). I recently walked the trail and measured the width at the mobile home section. The minimum width was 29'-6" with 12' or a bit more on each side of the rails themselves.

Unless there are other government documents superseding these and the RTC is disregarding its own Final Report, why is the RTC now requiring a 36' width? If narrower is good enough for the State of California, why not the RTC?

Sincerely,  
Clark Cochran  
Jewel Box resident

Item 4 A.

**Gautho, Julia**

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**From:** Barry Scott <barry\_scott@sbcglobal.net>  
**Sent:** Sunday, March 9, 2025 3:01 PM  
**To:** City Council  
**Subject:** Please approve the Town Hall AND agendaize a vote to approve the Park Avenue trail plans

Dear Council,

The RTC and City Planners have provided a remarkable fully funded safe trail plan; Option A or Option B need to be approved.

Please vote to hold the Town Hall as your staff has recommended and bring the Park Avenue plan back to the council for approval at a future meeting.

Thank you,

Barry Scott,

Santa Cruz County taxpayer and homeowner.

**Gautho, Julia**

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**From:** Molly Ording <mollyording@yahoo.com>  
**Sent:** Sunday, March 9, 2025 6:15 PM  
**To:** City Council  
**Subject:** Your approval of trail plan A/B

Dear City Council members:

Please do not spend any more time studying and holding more town halls in considering approval of the Park Avenue trail plan A or B! Any further delays only adds to the miss information campaign and the expenses that the the involved parties have had to expend! You have an opportunity to be decisive and forward thinking! This is what you are elected to do! Do not defer or delay further!! Thank you!!

Molly I Ording  
218 Monterey Avenue  
capitola, Ca. 95010  
Sent from my iPhone



**Gautho, Julia**

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**From:** James Weller <jweller@cruzio.com>  
**Sent:** Monday, March 10, 2025 3:01 PM  
**To:** Clarke, Joe; City Council; Pedersen, Alexander; Gerry Jensen; Margaux Morgan; Melinda Orbach  
**Cc:** Goldstein, Jamie (jgoldstein@ci.capitola.ca.us); Kahn, Jessica; Robert.Tidmore@santacruzcounty.us; gblakeslee@sccrtc.org; Regional Transportation Commission  
**Subject:** Re: Commentary re: Park Avenue coastal rail trail alignment

Councilmembers, City Manager, and Public Works Director:

In my letter to you of March 8, 2025 concerning this subject, I stated that "I found no indication that the State of California ever relinquished its Park Avenue title to the City of Capitola."

I enquired with the State Parks land management office, and they informed me that State Parks quitclaimed its title to Park Avenue to the City of Capitola in 1996. That answers that question.

The fact that the 12-foot wide section of the MBSST proposed alongside Park Avenue is largely situated within the RTC's railroad corridor remains - for what it's worth as a part of the situation under consideration.

Best regards,

Jim Weller

On Mar 8, 2025, at 5:23 PM, James Weller <jweller@cruzio.com> wrote:

Councilmembers, City Manager, and Public Works Director:

Please read and consider my comments attached, as you prepare to deal with this issue.

Best regards,

Jim Weller  
1970 46th Avenue, Capitola  
510-325-1361 (cell phone)

<PARK AVENUE RAIL TRAIL LETTER 030825.docx>  
<059m35.pdf>

**Gautho, Julia**

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**From:** Comcast <petesham@comcast.net>  
**Sent:** Monday, March 10, 2025 7:12 PM  
**To:** City Council  
**Subject:** Rail trail

If we direct the trail through the city it does nothing for bikers. I don't have an e-bike and the hills through town pretty much prevent me from riding south. With the trail across the trestle I could ride to Aptos. Through town pretty much changes nothing, commits us to paying for a money losing train that doesn't relieve traffic. What are people thinking? There seems only downside. You represent Capitola. Locals don't want a rail only solution which is what this is.

Best regards,  
*Peter Shamshoian*

**Gautho, Julia**

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**From:** Christine Miguel <christinemiguel1@yahoo.com>  
**Sent:** Monday, March 10, 2025 7:27 PM  
**To:** City Council  
**Subject:** RTC meeting March 4

My name is Christine Miguel and I live in Capitola at the Castle Mobile Estates. I went to RTC meeting last week and have to say the only thing I learn was RTC was planning on putting a platform station on 38th Ave. I'm not sure where they expect people to park their cars since they think there is going be a high number of riders, 38th Ave is busy enough now. Other than that I learned absolutely nothing, it was the same meeting they had last year at the Grange, a total waste of my time which also got my anxiety going again. There still is no answers how often the train will run, what design they plan to use, how are they going to build this train to NO WHERE, or the bike path since they don't have the money or land to do it. I support the City Council on pausing on this measure until they can answer ALL questions. I fully support Measure L where the trail CAN NOT divert traffic on the city streets. That is what the voter's wanted and we need to support there vote.

[Sent from Yahoo Mail for iPad](#)

**Gautho, Julia**

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**From:** Kim <kymster@me.com>  
**Sent:** Tuesday, March 11, 2025 7:43 AM  
**To:** City Council  
**Subject:** Please hold a town hall and build the Park Avenue trail without delay

Dear Council,

The RTC and City Planners have provided a remarkable fully funded safe trail plan, Option A or Option B need to be approved.

Please vote to hold the Town Hall as your staff has recommended.  
And bring the Park Avenue plan back to the council for approval at a future meeting.

Thank you,  
Kim Salisbury  
Local Resident for 50 years

**Gautho, Julia**

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**From:** Aaron Johnson <aaronjohnsonstudio@gmail.com>  
**Sent:** Friday, March 7, 2025 5:18 PM  
**To:** City Council  
**Subject:** Possible Spam Please Support Both Trail and Rail

Dear Capitola Mayor and Council,

I am writing in support of the Park Ave Rail Trail as proposed by the RTC and County staff. Living in Live Oak I do most of my shopping by bicycle in Capitola. Because of car traffic I keep most of my stops west of 41st, usually at Trader Joes, Palace Art, OSH, and New Leaf. But I also bicycle from Pleasure Point down to the Village. Even though the funding available now is for bike paths on the other side of town, I strongly support it. Anything that Capitola can do to be more bicycle and pedestrian friendly will be great!

I also hope that the rail corridor will be preserved for passenger rail use, I think that it is a golden opportunity for Capitola Village. For visitors it is one of the most scenic spots on the line, and for locals the area is often congested with cars and limited in parking and public transit options. On summer weekends, when heading somewhere by car I've often been stuck in traffic on the freeway with visitors driving between Aptos and the Boardwalk. They miss Capitola, but I bet they would love to hop off the train after seeing it from the trestle, and they could ease parking throughout their day.

I'm 63 now and I hope to bike for a long time, but when that's no longer possible I'm still hoping that I'll ride the train someday. Please keep both rail and trail options alive, and move along as quickly as you can!

Thank you,

Aaron Johnson

**Gautho, Julia**

---

**From:** John <jxmulry@gmail.com>  
**Sent:** Monday, March 10, 2025 4:17 PM  
**To:** Gautho, Julia  
**Subject:** Fwd: 8A, B, C. Re: [City Council Meeting Agendas] City Council Meeting

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Warmly JM

Begin forwarded message:

**From:** John <jxmulry@gmail.com>  
**Date:** March 8, 2025 at 9:47:41 AM PST  
**To:** Capitola Clerk's Office <cityclerk@ci.capitola.ca.us>, citycouncil@ci.capitola.ca.us  
**Subject: 8A, B, C. Re: [City Council Meeting Agendas] City Council Meeting**

Hello Neighbors,

I am ever but a reflection, a shadow on the wall/ still, the topsy turvy of someone acting on my advice as to my kryptonite was unexpected. That a good old man was the first person I had to drop the veil for is quite amusing on the upside.

8A - YOU direct the meeting requirements. Make RTC put on the event you want.

8B - we need someone crazy enough to invest there and to do that we need the group to OWN whatever structures they build, Oscar Jewell Griswold would get my point.

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Harder than I guessed to put the ship back on course too. I'm growing on some of y'all ~ hard as I try to repel. Showing up after all is my weakness. The road goes on forever and the party never ends.

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On Mar 7, 2025, at 3:50 PM, City of Capitola California <capitola-ca@municodeweb.com> wrote:

# City Council Meeting

**Calendar Date:**

Thursday, March 13, 2025 - 6:00pm

**Body:**

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## Meeting Information

**Agenda Link:**

[Agenda](#)

## More Information

[View full details on our website](#)

[Unsubscribe](#)

**Gautho, Julia**

---

**From:** kameron tessier <tessierkameron@gmail.com>  
**Sent:** Monday, March 10, 2025 4:48 PM  
**To:** City Council  
**Subject:** Please hold a town hall and build the Park Avenue trail without delay

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Dear Council,

The RTC and City Planners have provided a remarkable fully funded safe trail plan, Option A or Option B need to be approved.

Please vote to hold the Town Hall as your staff has recommended and bring the Park Avenue plan back to the council for approval at a future meeting.

Thank you,  
Kameron Tessier, President  
College Democrats at UCSC

**Gautho, Julia**

---

**From:** Fabian Leonor <leonorfabian72@gmail.com>  
**Sent:** Tuesday, March 11, 2025 9:40 AM  
**To:** City Council  
**Subject:** Town Hall Meeting/ Build Build The Park Avenue Trail

Dear City Council,  
the RTC and the city planners have provided a remarkable fully funded safe trail plan, option A or option B needed to be approved.  
Please vote to hold the town hall as your staff has recommended. And bring the Park Ave plant back to the council for approval at the future meeting.  
Thank you.

**Fabian C Leonor**  
**Board President**  
**Pajaro Valley Loaves and Fishes**  
**831.254.4316**

**Gautho, Julia**

---

**From:** Steven Plumb <splumb@mac.com>  
**Sent:** Tuesday, March 11, 2025 10:29 AM  
**To:** City Council  
**Subject:** Diversion of Trail from the railroad bed

Dear City Council,

Please don't allow the RTC to move the future SC County bicycle trail from the Rail right of way to Capitola city streets.

Thank you,

Steven Plumb

**Gautho, Julia**

---

**From:** michael routh <qwakwak@gmail.com>  
**Sent:** Tuesday, March 11, 2025 10:39 AM  
**To:** City Council  
**Subject:** Item 8A staff recommendation

ALSO ON THE AGENDA -"Following the Town Hall staff is recommending a special city council meeting on April 17 to make final decision on the Park Ave alignment of the rail trail". In other words, the staff is still giving the council the option to violate Measure L. The staff recommendation should be - "Following the town hall staff is recommending the city council uphold Measure L and reject the Park Ave realignment".

Sent from my iPad



**Gautho, Julia**

---

**From:** chris amsden <amsdenfinance@yahoo.com>  
**Sent:** Tuesday, March 11, 2025 10:47 AM  
**To:** City Council  
**Subject:** Park Ave. Detour and Town Hall

Hello Capitola City Council,

I'm writing regarding the proposed upcoming Town Hall on Apr. 2nd to discuss the proposed Park Ave. detour of the "rail trail" onto Capitola city streets. Following the 3/13 City Council meeting Council requested from the RTC additional options to "Options A and B" presented by the RTC. City Manager Goldstein then specifically requested from the RTC:

- 1). A plan for the Coastal Trail to be located on the Capitola trestle
- 2). A plan to implement it within a defined timeline

To date, I have not heard that the RTC has provided this information. While Capitola residents appreciate the opportunity to discuss this with our elected leaders in a Town Hall meeting, any decision to approve or deny this Park Ave. detour seem premature without the additional information requested from the RTC. I would request that the City Council postpone any future agenda items to vote on this matter until the RTC has provided the additional information requested by both City Council and Capitola City staff.

**Sincerely,**

**Chris Amsden**  
**Phone: (408) 386-7484**

**Gautho, Julia**

---

**From:** Kevin Maguire <kmaguire831@gmail.com>  
**Sent:** Tuesday, March 11, 2025 12:27 PM  
**To:** City Council; Goldstein, Jamie (jgoldstein@ci.capitola.ca.us); Gautho, Julia  
**Subject:** 3.13.2025 City Council Meeting Agenda Item 8 A. Rail Trail Project Town Hall Plan - Request to Postpone April 2nd Town Hall Meeting Due to Lack of Requested Information

Dear Mayor Clark and Members of the Capitola City Council,

We, the **Concerned Citizens of Capitola**, formally request that the **April 2nd Town Hall Meeting** be **postponed** until the **full set of requested information is available** for the public and city officials to make an informed decision regarding the Coastal Rail Trail Segments 10 & 11.

At the **February 13th City Council Meeting**, multiple council members, including **Councilmember Morgan, Councilmember Jensen, and Mayor Clark**, expressed concerns about **the rushed timeline, lack of critical project details, and need for a comprehensive public engagement process**. Following this, the Council voted to **postpone any decision until a properly informed Town Hall meeting could be held**.

The community is already **confused**, with the RTC meeting less than a month before this meeting. The Public will think this is a duplicate event, attendance and comprehension will be limited.

**RTC** acted against City Manager Jamie Goldstien **concerns** and hosted an unsupported,, **rushed** "Town Hall" / workshop, in an attempt to influence the public, without producing all the requested information. As this "Town Hall" was protested by many residents. A majority of the people I spoke with at the event were unaware the City had nothing to do with this event. They were shocked, and confused. I would estimate 150-200 people attended. If you count the "**Blue Circles**" stickers that were handed out to **Capitola Citizens**, you can see it was about 70-80% residents in attendants. A far greater attendance from any gathering to date, due in part to flyers and communications sent out from the Concerned Citizens of Capitola. The Public is not well informed on this issue.

However, with only a few weeks until the **April 2nd Town Hall**, the information requested **remains incomplete**. Proceeding without all the data contradicts the intent of the Council's February 13th motion and **denies the community the thorough discussion they deserve**.

RTC Director Sarah Christense told **Lookout Santa Cruz** after the Capitola Town Hall that the decision to push back the report until the fall was her decision. "**I don't want to rush this, because this is a big project that's transformative for our community**"

Based on those statements, how **critical** this project is to Capitola, so we are not **pigeonholed**, and lack of **requested information** for the public and council to make an informed decision, you have no choice but to postpone this April 2nd Town hall.

 **Key Missing Information That Justifies Postponement**

## 1. Capitola General Plan Supports Multi-Purpose Transportation, Not Just Rail

- The **Capitola General Plan** emphasizes a **multi-purpose trail system** that integrates various transportation modes, including biking and pedestrian paths.
- The current project proposal **diverts sections of the trail onto city streets**, which is **inconsistent** with the General Plan's goal of **safe, separated active transportation routes**.
- The community deserves **clarity on whether the proposed changes align with the City's long-term mobility goals** before making any irreversible commitments.

## 2. No Clear Plan for the Capitola Trestle & Rail Corridor Use

- The Council **explicitly requested a structural assessment of the Capitola Trestle** to determine whether it can support a **continuous Rail Trail within the corridor**.
- **The ATP Grant application** submitted by Santa Cruz County **presents the trail as being in the rail corridor**, yet the **current design proposes detours onto city streets**, raising concerns about the project's integrity and transparency.
- Additionally, the City needs to **evaluate the feasibility of railbanking the Capitola Trestle** to preserve future rail options while allowing a trail to move forward now. (I will send in the 47 pages ATP application from Rob Tidmore)

## 3. Legal Review of Measure L Compliance & Rail Corridor Rights

- Measure L, passed by Capitola voters, **legally requires the Rail Trail to remain within the rail corridor** and prohibits using city resources for projects that divert it onto city streets.
- Proceeding with a design that **conflicts with Measure L could expose the City to legal challenges**, yet a **full legal analysis has not been provided**.
- The City should also examine the process of **adverse abandonment and railbanking** as viable options to legally secure the corridor for trail use while maintaining the potential for future transit.

## 4. Capitola Was NOT Included in 2022's Measure D—Decisions Here Must Be Capitola-Specific

- **Measure D (2022) applied only to unincorporated areas of Santa Cruz County, NOT Capitola.**
- The results of that vote should **not be used to override the legally binding Measure L**, which applies **specifically to Capitola** and was passed by Capitola voters.
- The City must ensure that any **decisions regarding the Rail Trail respect Capitola's unique planning process and legal framework**.

## 5. No Long-Term Cost Analysis for Capitola's Financial Commitment

- **Councilmember Morgan specifically called for a long-term cost analysis**, including the **financial burden of using city-owned property for the project**.
- The **RTC has admitted that project costs have increased by \$27 million**, yet **no clear funding plan has been provided**.
- **If new taxes or reallocations of local funds will be required, residents deserve to know before any decisions are made.**

## 6. Public Engagement Has Been Rushed & Lacks Transparency

- **Councilmember Jensen, Mayor Clark, and RTC Director Sarah Christensen all acknowledge that more time is needed** to gather and present a complete set of data.
- **The March 4th RTC Town Hall failed to provide substantive answers to community concerns, and residents do not want a repeat of that flawed process.**
- **Given the complexity of this decision, rushing an April 2nd Town Hall contradicts the City's promise of open and transparent public engagement.**

## **What We Are Asking**

We respectfully request that the **April 2nd Town Hall Meeting be postponed** until all the following conditions are met:

1. **A full engineering and feasibility report on the Capitola Trestle** is presented, determining whether the trail can safely remain in the corridor.

2. **A complete Segment 10 & 11 project overview** is released, covering **Brommer, Jade Street, Park Avenue, and the Capitola Trestle** in a single, unified presentation.

3. **A legal review on Measure L compliance and potential litigation risks** is completed and shared with the public.

4. **A detailed financial report** is published, outlining **total project costs, city financial commitments, and any expected tax increases or funding reallocations.**

5. **A real Town Hall format is adopted**, allowing for **meaningful public input and direct Q&A**, instead of a rushed, pre-scripted presentation. (2 hours is not enough)

**The Council originally voted to ensure that ALL of this information would be made available before a decision was made. This has not yet happened.**

Moving forward with the **April 2nd date undermines the transparency and accountability** that the community expects. We urge you to **respect the concerns voiced by City Council members and residents by postponing the meeting** until a fully informed public discussion can take place.

We appreciate your consideration and look forward to a more thorough and community-driven process.

## **Summary of February 13th City Council Meeting:**

**Council member Morgan** said to the **RTC** they are putting us in a **real tough position with this change up**, she said **we owe it to our community to push further into exploring what else the RTC has to offer to us**, we want an **update on the budget, [what options beside A or B](#)**, what does a larger buffer look like? What does the buffer between the bike lanes and cars look like, **City needs to look at a long term cost analysis** if we are **going to use our city property, a less rush decision making process**. Make sure the **outreach is proper** and the information is there. **Council member Jensen** said he hears a lot of **conflicting information** an a town hall is absolutely imperative, this is a **Huge decision for Capitola**, referring to March 20th meeting that we have all the information, Budget information, at one time as a community together. **We need a whole overview, Brommer, Jade St, Park, the Trestle, need the whole story at one time**. Concerns about leagal review and Measure L. **Jensen** stated **"communty counts"** and its important we all have the information together and **make this decision together. I think its key to wait till after the end of March, lets have A town hall meeting, one meeting. Mayor Clark** wants to hear from the people in the **mobile homes, more info on Measure L**, pause and have a town hall, so we can **make a better decision. 2.13.25 City Council Motion (3 to 1) to postpone a decision** on this item and host a Town Hall Meeting where staff from the City and County will provide updates on the use of the Trestle, review long-

term impacts of the project, review impacts of potential litigation from Measure L, and an overview of Rail T  
Project impacts in Capitola **RTC Director Sarah Christen** stated after the Motion vote to postpone, that they bought  
the Rail line with the vision being passenger Rail and Trail, and the Trail aspect obviously has a lot more public  
support... The Transit aspect, that project is a long-term project and we have a lot of time from now until **IF** and  
**When** it comes to **fruition**... I am a little bit concerned about what council member Jensen requested. **Its** a  
**significant amount of information** and I'm worried that we're not going to be able to pull the information  
together on time. For us to detail everything in Capitola its going to take time... The Concept report summer to Fall  
(Coastal rail trail project and the Rail Project is larger and more complex) Council member Jensen mention if you  
need 8 weeks or more, we are patient we **want to do this ONCE**, and **do it right, it is complex**. There is more info  
coming out March 20th, and **whatever it takes to do it right, is what we're all about here in Capitola**

**Sincerely,**

Kevin Maguire  
Cliffwood Heights  
Capitola, CA

**Gautho, Julia**

---

**From:** michael routh <qwakwak@gmail.com>  
**Sent:** Tuesday, March 11, 2025 1:02 PM  
**To:** City Council  
**Subject:** Item 8A staff recommendation concerns

ALSO UNDER ITEM 8A ON THE AGENDA -

"Following the Town Hall staff is recommending a special city council meeting on April 17 to make a final decision on the Park Ave alignment of the rail trail". In other words, the staff is still giving the council the option to violate Measure L.

The staff recommendation should be - "Following the town hall staff is recommending the city council uphold Measure L and reject the Park Ave alignment.

In all my decades on the Council and Planning Commission I have NEVER seen city staff give a recommendation that offers an option to violate a city ordinance.

Mick Routh

Sent from my iPad

**Gautho, Julia**

---

**From:** Stephanie Tetter <stetter@mpc.edu>  
**Sent:** Tuesday, March 11, 2025 2:36 PM  
**To:** City Council  
**Subject:** Trail.

As a long-time Capitola resident, I want the trail to stay on the rail corridor.

I do NOT want the trail on city streets. It will take away parking and create unsafe conditions through our already congested streets. We will likely see an increase in accidents and injuries.

Ballot measures have been confusing! But you need to enforce Measure L.

The bottom line : EVERYONE would like to have a trail! Keep the bike trail where it belongs — in the rail corridor. PLEASE listen to the people of Capitola.

Thank you  
Stephanie Tetter

**Gautho, Julia**

---

**From:** Bill Gray <graybil@gmail.com>  
**Sent:** Sunday, March 9, 2025 5:50 PM  
**To:** City Council  
**Subject:** Wharf

I must admit to being underwhelmed by the consultant recommendation. The alternatives seem really shallow. Of those presented, a restaurant is the only one of particular interest -- provided it is funky like the old wharf house and multi-use: breakfast, lunch, dinner, music on weekends, upstairs deck, and bar. Please bring back what we lost; don't try to invent something that is not Capitola. Thank you,

Bill Gray  
1440 Prospect Ave  
Capitola



**Gautho, Julia**

---

**From:** Teresa Locke <teresalocke@comcast.net>  
**Sent:** Monday, March 10, 2025 6:39 PM  
**To:** City Council  
**Subject:** Capitola Wharf and Bait Shop  
**Attachments:** Capitola Wharf and Bait Shop.docx



Virus-free. [www.avg.com](http://www.avg.com)

March 10, 2025

Dear Capitola City Council:

We have been part time residents of Capitola since 2005. We are very interested in seeing the Capitola Wharf maintained and supported by the City. The Wharf and Bait shop serve as vital components of the community, offering both recreational and economic benefits.

The Wharf provides residents and visitors with direct access to various fishing activities. Anglers can catch a variety of species from the Wharf or while fishing from boats rented from the Bait Shop. Capritola Boat & Bait, enhances this experience by offering bait, tackle, and equipment rentals, making fishing accessible to both novices and seasoned anglers. Over the years, we have taken advantage of the Wharf to teach many young family members the art and fun of fishing. The employees of the Bait Shop have always treated them with kindness and provided their expertise.

The Wharf and Bait Shop attract tourists, contributing to the local economy. Living near the Wharf, we see a constant flow of people walking out to the Wharf especially on weekends and throughout the summer.

Visitors often engage in fishing, boat rentals, and patronize nearby businesses, including restaurants and shops. This influx supports local employment and generates revenue for Capitola.

Beyond fishing, the pier serves as a communal space for events, gatherings, and leisure activities, fostering a sense of community and enhancing the quality of life for all.

Maintaining the Wharf and Bait Shop is essential for preserving Capitola's cultural heritage and ensuring the continuation of these recreational and economic benefits.

Sincerely,

Mike and Teresa Locke

“bait.cast.wait”

**Gautho, Julia**

---

**From:** John <jxmulry@gmail.com>  
**Sent:** Monday, March 10, 2025 4:17 PM  
**To:** Gautho, Julia  
**Subject:** Fwd: 8A, B, C. Re: [City Council Meeting Agendas] City Council Meeting

**Follow Up Flag:** Follow up  
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Warmly JM

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**Subject: 8A, B, C. Re: [City Council Meeting Agendas] City Council Meeting**

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8C - the more the merrier

Harder than I guessed to put the ship back on course too. I'm growing on some of y'all ~ hard as I try to repel. Showing up after all is my weakness. The road goes on forever and the party never ends.

Warmly JM

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# City Council Meeting

**Calendar Date:**

Thursday, March 13, 2025 - 6:00pm

**Body:**

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[Agenda](#)

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## Meeting Information

**Agenda Link:**

[Agenda](#)

## More Information

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# Capitola City Council Agenda Report

**Meeting:** March 13, 2025

**From:** City Manager Department

**Subject:** City Council Meeting Minutes



---

**Recommended Action:** Approve minutes from the special meeting on February 26, 2025 and the regular meeting on February 27, 2025.

**Background:** Attached for City Council review and approval are the draft minutes from the special meeting on February 26<sup>th</sup> and the regular meeting on February 27<sup>th</sup>.

**Attachments:**

1. Special Meeting Minutes 2/26/2025
2. Regular Meeting Minutes 2/27/2025

**Report Prepared By:** Julia Gautho, City Clerk

**Approved By:** Jamie Goldstein, City Manager

# City of Capitola Special Joint City Council and Planning Commission Meeting Minutes Wednesday, February 26, 2025 – 5:30 PM



City Council Chambers  
420 Capitola Avenue, Capitola, CA 95010

**Mayor:** Joe Clarke  
**Vice Mayor:** Alexander Pedersen  
**Council Members:** Gerry Jensen, Margaux Morgan, Melinda Orbach

## Special Joint Meeting of the Capitola City Council and Planning Commission – 5:30 PM

1. **Roll Call and Pledge of Allegiance** – *The meeting was called to order at 5:31 PM. In attendance: City Council Members Jensen, Morgan Orbach, Vice Mayor Pedersen, Mayor Clarke, Planning Commissioners Christiansen, Howard, Kieu, and Chair Westman. Absent: Planning Commissioner Estey.*
2. **Additions and Deletions to the Agenda** – *None*
3. **Additional Materials** – *None*
4. **Oral Communications by Members of the Public** – *None*
5. **General Government / Public Hearings**
  - A. City Council Member and Planning Commissioner Orientation  
Recommended Action: Receive orientation presentation and provide feedback regarding potential Administrative Policy updates.  
  
***City Attorney Zutler, City Manager Goldstein, Assistant to the City Manager Woodmansee, and City Clerk Gautho provided presentations to the City Council and Planning Commission.***  
  
***The City Council and Planning Commission took a recess from 6:25 PM to 6:29 PM.***  
  
***Public Comments – None***
6. **Adjournment** - *The meeting adjourned at 7:14 PM. The next regularly scheduled City Council meeting is on February 27, 2025, at 6:00 PM.*

ATTEST:

\_\_\_\_\_  
Joe Clarke, Mayor

\_\_\_\_\_  
Julia Gautho, City Clerk

# City of Capitola

## City Council Meeting Minutes

### Thursday, February 27, 2025 – 6:00 PM



City Council Chambers  
420 Capitola Avenue, Capitola, CA 95010

**Mayor:** Joe Clarke

**Vice Mayor:** Alexander Pedersen

**Council Members:** Gerry Jensen, Margaux Morgan, Melinda Orbach

### 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 Jensen, Morgan, Orbach, Vice Mayor Pedersen, and Mayor Clarke.*
2. **Additions and Deletions to the Agenda** – *City Manager Goldstein requested to continue Item 7A to the March 13<sup>th</sup> City Council meeting.*
3. **Additional Materials**
  - A. *Item 6B – One email received after publication of the agenda packet.*
  - B. *Item 6C - One email received after publication of the agenda packet.*
  - C. *Item 6D - Staff Memorandum and Updated Attachment*
  - D. *Item 7B - Six emails received after publication of the agenda packet.*
  - E. *Item 7C - Five emails received after publication of the agenda packet.*
4. **Oral Communications by Members of the Public**
  - *Mary Beth Cahalen*
  - *Charlie Thomas*
  - *Elizabeth Bertrand*
  - *Paula Bradley*
  - *Matt Farrel*
  - *Jim Weller*
  - *Lani Faulkner*
  - *Speaker*
  - *Speaker*
  - *TJ Welch*
  - *Marilyn Garrett*
  - *Speaker*
  - *Goran Klepic*
  - *Keith Cahalen*
5. **Staff / City Council Comments**
  - *Public Works Department Director Kahn provided an update on the closure of the walkway on Depot Hill due to the loss of a portion of the bluff between Oakland and Saxon Avenues. Following a final geologist assessment, staff will return to Council with further updates on the bluff and walkway. Public Works Director Kahn also provided clarification on Consent Item*

6B, adding that it will return to the City Council for a budget amendment if needed after the project is bid.

- Police Chief Ryan introduced Parking Enforcement Officer, Austin Wilson, and provided an update on a pilot program meant to address unsafe electric bicycle usage.
- Council Member Orbach provided comments on the RTC's March 4<sup>th</sup> meeting and requested that emails between the City Manager and the RTC's Director be released publicly and requested an agenda item at the March 27<sup>th</sup> meeting to further discuss the RTC's Park Avenue realignment request.
- Council Member Jensen attended a tour of the Santa Cruz Sanitation Facility and shared about resident grant opportunities through the Monterey Bay Air Resource Board.
- City Manager Goldstein advised the public that the Bay Avenue onramp will be open on March 10<sup>th</sup>.
- Council Member Pedersen requested that staff investigate omni-directional microphones for the Council Chambers.
- Mayor Clarke advised the public that the RTC is hosting a meeting on March 4<sup>th</sup> independently of the City; and provided comments on the dedication of the Begonia Festival Commemorative Public Art Project.
- City Attorney Zutler, City Manager Goldstein, and Council Member Orbach clarified that the emails between the RTC Director and the City Manager would be included in the record of February 27<sup>th</sup> City Council meeting minutes. Following the meeting, staff uploaded the emails to the City's website for public viewing.

## 6. Consent Items

### A. City Council Meeting Minutes

Recommended Action: Approve minutes from the regular meeting on February 13, 2025, and the special meeting on February 19, 2025.

### B. FY 2024-25 Pavement Maintenance Project

Recommended Action: Approve the plans, specifications, and construction budget of \$589,000 for the FY 2024-25 Pavement Management Project; and authorize the Department of Public Works to advertise for construction bids.

### C. Public Art Fund Allocation

Recommended Action: Adopt a resolution allocating \$25,000 from the Public Art Fund as a matching contribution for an application for the National Endowment for the Arts Grant FY 2026 to support the creation of public art project at the Park at Rispin Mansion and amending the Fiscal Year 2024-25 Budget, as recommended by the Capitola Art and Cultural Commission. **Council Member Jensen pulled Item 6C for discussion.**

### D. MOU with the Capitola Police Officers Association

Recommended Action: Authorize the City Manager to sign a side letter agreement with the Capitola Police Officers Association from March 1, 2025, through June 30, 2027.

### C. Public Art Fund Allocation

Recommended Action: Adopt a resolution allocating \$25,000 from the Public Art Fund as a matching contribution for an application for the National Endowment for the Arts Grant FY 2026 to support the creation of public art project at the Park at Rispin Mansion and amending the Fiscal Year 2024-25 Budget, as recommended by the Capitola Art and Cultural Commission.

**Community Services and Recreation Department Director Bryant presented the staff report.**

**Public Comment:**

- **Gayle Ortiz**

**The City Council discussed the funding of public art projects and requested staff review the existing ordinance and bring an update back to the Council.**

**Motion to adopt Resolution No. 4418 and direction provided to staff to review the City’s public art ordinance: Council Member Orbach**

**Second: Council Member Pedersen**

**Voting Yea: Council Members Jensen, Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke**

**Motion to approve Consent Calendar Items 6A, 6B, 6D: Council Member Morgan**

**Second: Council Member Orbach**

**Voting Yea: Council Members Jensen, Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke**

## 7. General Government / Public Hearings

**Mayor Clarke reorganized the agenda items to hear Items 7D and 7E first.**

D. FY 2024-25 Mid-Year Budget Report

**Recommended Action:** Receive the Fiscal Year 2024-25 Mid-Year Budget Report and adopt a resolution amending the Fiscal Year 2024-25 Budget.

**Finance Department Director Malberg presented the staff report.**

**Public Comments: None**

**The Council reminded the audience that the Finance Advisory Committee meetings are open to the public.**

**Motion to adopt Resolution No. 4419 amending the FY 2024-25 Budget: Council Member Morgan**

**Second: Council Member Jensen**

**Voting Yea: Council Members Jensen, Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke**

E. CDBG Program Income Funds

**Recommended Action:** 1) Conduct a public hearing and receive public comment regarding Program Income and its eligible uses; 2) adopt a resolution rescinding Resolution No. 4414 and allocating \$170,000 of Program Income for the Community Center Rehabilitation Project; and 3) adopt a resolution amending the FY 2024-25 budget.

**Finance Department Director Malberg presented the staff report.**

**Public Comments: None**

**Motion to adopt Resolution No. 4420 rescinding Resolution No. 4414 and allocating \$170,000 of Program Income for the Community Center Rehabilitation Project and adopt Resolution No. 4421 amending the FY 2024-25 Budget: Council Member Morgan**

**Second: Council Member Orbach**

**Voting Yea: Council Members Jensen, Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke**

A. Appointment of Capitola Representative to Measure Q Oversight Advisory Board

**Recommended Action:** Appoint a member of the public to serve as Capitola’s representative on the Measure Q Citizens Oversight Advisory Board. **(Continued to the March 13, 2025, City Council Meeting)**

B. Bay Avenue Corridor Study

**Recommended Action:** Staff recommends the City Council 1) identify Alternative 2 as the preferred long-term improvement alternative for the Bay Avenue corridor; 2) authorize staff to proceed with public engagement and conceptual design refinement; and 3) direct staff to pursue grant funding opportunities for final design and construction.

**Council Member Jensen recused himself from the item due to the proximity of his personal residence. The City Council took a recess at 7:14 PM and resumed the meeting at 7:17 PM.**

**Public Works Department Director Kahn and project consultants Derek Wu and Frederik Venter from Kimley Horn presented the staff report.**

**Public Comments:**

- **Keith Cahalen**
- **David Quantas**
- **Gayle Ortiz**
- **Speaker**
- **Adrienne West**
- **Stephen Svete**
- **Lani Faulkner**
- **Speaker**
- **Nancy Jones**
- **Sandy Farreto**
- **Doug Lagan**
- **Speaker**
- **Paula Bradley**
- **Liz**
- **Dorothy Anton**
- **Speaker**

**The City Council discussed some of the questions brought up by members of the public during the public comment period, addressed questions with the Kimley Horn consultants, and discussed the benefits of traffic safety improvements for pedestrians and cyclists.**

**Motion to identify Alternative 2 as the preferred long-term improvement for the Bay Avenue corridor; authorize staff to proceed; and direct staff to pursue grant funding opportunities: Council Member Orbach**

**Second: Council Member Morgan**

**Voting Yea: Council Members Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke**

**Abstain: Council Member Jensen**

**C. Bay Avenue and Hill Street Traffic Safety Update**

**Recommended Action:** Provide direction on short-term modifications to the Bay Avenue and Hill Street intersection.

**Council Member Jensen recused himself from the item due to the proximity of his personal residence.**

**Public Works Department Director Kahn presented the staff report.**

**Public Comments:**

- **Keith Cahalen**

- **Speaker**
- **Speaker**
- **Mick Routh**
- **Sandy Farreto**
- **Speaker**
- **Carin Hanna**
- **Doug Lagan**

***The City Council discussed the possibility of collaborating with PG&E to install additional lighting options in the intersection.***

***Motion to continue the quick-build project as-is until a long-term solution is identified:  
Council Member Orbach***

***Second: Vice Mayor Pedersen***

***Voting Yea: Council Members Morgan, Orbach, Vice Mayor Pedersen, Mayor Clarke***

***Abstain: Council Member Jensen***

**8. Adjournment –** *The meeting adjourned at 9:00 PM. The next regularly scheduled City Council meeting is on March 13, 2025, at 6:00 PM.*

**ATTEST:**

\_\_\_\_\_  
Joe Clarke, Mayor

\_\_\_\_\_  
Julia Gautho, City Clerk

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025

**From:** Finance Department

**Subject:** Fiscal Year 2025-26 Budget Calendar



Recommended Action: Approve the Budget Meeting Calendar for Fiscal Year (FY) 2025-26.

Background: The Capitola Municipal Code requires the City to prepare and disseminate a budget calendar annually each fiscal year. The attached draft calendar provides dates for budget study sessions, hearings, meetings, and other significant budget events.

Discussion: Staff has prepared the attached draft Budget Calendar for FY 2025-26. This year's budget cycle will be concurrent with the adoption of the City's Strategic Plan. The Strategic Plan identifies six strategic priorities that will serve to guide staff's preparation of the proposed Budget.

Pursuant to this calendar, the proposed Budget will be distributed on Friday, May 2, 2025, and the presentation of the draft Budget is scheduled for a Special Meeting on Thursday, May 15<sup>th</sup>. This is a tentative schedule that may be changed as necessary by the City Council and/or City Manager. Some meetings may be cancelled if they become unnecessary based on prior sessions.

Fiscal Impact: None

Attachments:

1. FY 2025-26 Draft Budget Calendar

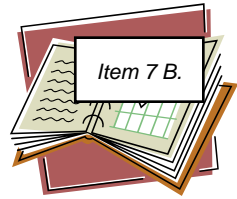
Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager



## CITY OF CAPITOLA BUDGET CALENDAR – 2025-26 FISCAL YEAR



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

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

Meeting Date 2025	Week/Day	Nature of Meeting	Description
April 15	3 <sup>rd</sup> Tuesday	Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget
May 2	1 <sup>st</sup> Friday	N/A	Proposed budget distribution
May 8	2 <sup>nd</sup> Thursday	*Regular City Council	
May 13	2 <sup>nd</sup> Tuesday	Special Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget and draft recommendations to Council
<b>May 15</b>	3 <sup>rd</sup> Thursday	<b>*Special</b> City Council	Presentation of City Operating & CIP Budgets
May 20	3 <sup>rd</sup> Tuesday	Special Finance Advisory Committee	Committee Deliberations (if necessary)
May 22	4 <sup>th</sup> Thursday	*Regular City Council	
<b>May 29</b>	5 <sup>th</sup> Thursday	<b>*Special</b> City Council	Council Deliberations ( <i>If necessary</i> )
<b>June 5</b>	1 <sup>st</sup> Thursday	<b>*Special</b> City Council	Council Deliberations ( <i>If necessary</i> )
June 12	2 <sup>nd</sup> Thursday	*Regular City Council	Reports from Finance: Appropriations Limit Resolution and Investment Policy
June 17	3 <sup>rd</sup> Tuesday	Finance Advisory Committee	Finance Advisory Committee to discuss proposed Budget and draft presentation
<b>June 18</b>	3 <sup>rd</sup> Wednesday	<b>*Special</b> City Council	Final City Council Budget deliberations ( <i>If necessary</i> )
June 26	4 <sup>th</sup> Thursday	*Regular City Council	Final Adoption of the City Budget and Pertinent Resolutions

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

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025

**From:** City Manager Department

**Subject:** Lease with MRA Sales, Inc.



**Recommended Action:** Authorize the City Manager to sign a three-year lease agreement between the City of Capitola and MRA Sales, Inc. for concessionary beach services at Esplanade Park, for a total revenue of \$6,399.

**Background:** Since 2004, the City has had a lease agreement with MRA Sales, Inc. to operate a business on City-owned property (Esplanade Park). The business, known as Capitola Beach Company, rents beach equipment, provides surf lessons, and sells beach accessories on a seasonal basis. The original lease expired in 2009 and was extended to 2014; the parties entered a second lease agreement in 2014 which was extended by five additional years.

Typically, Capitola Beach Company has leased 256 square feet in Esplanade Park, where the business sets up a movable trailer and tables when operational. When the business is not operational, the space is left clear, and the Park is unimpacted.

The most recent lease expired on September 30, 2024; because Capitola Beach Company operates through November, the City granted an extension through November 30, 2024.

**Discussion:** The City and Capitola Beach Company have negotiated a new lease, with the following terms:

- **Term:** Three years
- **Space:** 256 square feet in Esplanade Park
- **Rent:** \$2,133 annually (paid based on operations seven or eight months of the year)
- **Business Schedule:** Weekend-only operations are Easter through Memorial Day and September, October, and November; daily operations are in June, July, and August.
- **Business Allowances:** Beach equipment rentals, surf lessons (two teachers, four clients per teacher), sale of sunscreen, logo t-shirts, and surf accessories (leashes and surf-ware)

**Fiscal Impact:** The annual rent is \$2,133; this may increase by \$199 depending on when Easter falls.

### Attachments:

1. Proposed Lease

**Report Prepared By:** Chloé Woodmansee, Assistant to the City Manager

**Reviewed By:** Julia Gautho, City Clerk; Samantha Zutler, City Attorney

**Approved By:** Jamie Goldstein, City Manager

**CITY OF CAPITOLA**

**LEASE AGREEMENT**

THIS LEASE AGREEMENT (“**Lease**”) is entered into on \_\_\_\_\_, 2025, by and between the City of Capitola, a municipal corporation (“**Lessor**”), and MRA Sales, Inc., dba Capitola Beach Company (“**Lessee**”). As used herein, the term “**Parties**” shall refer to both Lessee and Lessor and the term “**Party**” shall sometimes refer to either Lessee or Lessor.

1. Property. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain real property comprised of a 16 foot x 16 foot, 256 square foot portion of the Esplanade Park, as specifically designated by the City of Capitola (“**City**”), located in the City (“**Property**”), more particularly described in Exhibit A, attached hereto and incorporated herein by reference, on the terms and conditions hereinafter set forth.

2. Term of Lease. The term of this Lease shall be three (3) years commencing on the day next following the date on which the approval of this Lease by City Council becomes final and terminating on November 30, 2027 (“**Term**”). During the Term, Lessee may only use the Property during the following periods of time (“**Permitted Operating Hours**”):

- April and May: Weekends only from the first weekend in April or Easter weekend (whichever comes first) through Memorial Day weekend.
- June, July, and August: 7 days a week.
- September, October, and November: Weekends only, but not including the Art and Wine Festival weekend (as such weekend is determined by the City in its sole discretion).

3. Termination of Lease. Lessee may terminate this Lease upon written notice to Lessor on or before March 1 of each calendar year of the Term. If such notice is not received by Lessor in a timely manner, then the Lease shall continue for the Term.

4. Surrender. Upon termination of this Lease, Lessee shall surrender the Property to Lessor free and clear of all encumbrances, personal property and improvements, if elected by City. Lessee shall offer in writing any improvements to City, and City may, in its sole discretion, accept in writing the improvements. Should the City require the surrender of the Property in the original condition at the time the Lease commenced, Lessee shall surrender the Property in such condition to Lessor, and shall defend (with counsel acceptable to Lessor), hold harmless and indemnify Lessor from all liability and expense resulting from any delay or failure to so surrender in such conditon, including without limitation, claims made by any succeeding lessee.

5. Rent.

a. During the Term and subject to Section 5b, rent for the Property shall be in the amounts described below:

- Easter – Memorial Day; weekends only; \$2 per square foot; \$199.68 per month.
- June, July, August;– 7 days per week; \$2 per square foot; \$512 per month.
- September, October, November; weekends only; \$2 per square foot; \$199.68 per month.

b. All rent shall be due and payable on the first day of each month, and is deemed late if not received by Lessor by the 15<sup>th</sup> day of each month. Rent not paid when due shall bear interest from the date due until paid at the rate of 8/10ths of one percent per month.

6. Rent – Annual Consumer Price Index Adjustment. Commencing January 1, 2026 and each subsequent calendar year thereafter, rent shall be adjusted to reflect costs of living increases that have occurred over the preceding twelve (12) month period. However, no downward rent adjustments shall be made. That cost of living adjustment shall be determined in accordance with the U.S. Department of Labor, Bureau of Labor Statistics, figures in accordance with the United States Consumers All Items Price Index in the San Francisco-Oakland-San Jose Area, All Urban Consumers Index. The percent change figure for the one-year period ending in December 2025 shall be used. If the described index shall no longer be published, another generally recognized as authoritative shall be substituted by agreement of Parties or as selected by Lessor, if the Parties are unable to agree within thirty (30) days.

7. Taxes, Assessments and Public Utility Charges.

a. As additional rent, Lessee shall pay when due all water (excluding water for irrigation purposes), light, power, gas, heat, Wi-Fi, phone and other utility and service charges and Lessor shall have no responsibility therefore. Lessee shall also pay directly before delinquency the amount of all property taxes, possessory interest taxes, and assessments, licenses, fees, or other charges applicable or allocable to the Property and personal property on the Property allocable to all periods the Term of this Lease.

b. Lessee shall furnish to Lessor evidence of timely payment of all such taxes, assessments and charges as and when they come due.

c. If at any time during the Term of this Lease the laws concerning the methods of real property taxation prevailing at the commencement of the Term are changed so that a tax or excise on rents or any other such tax, however described, is levied or assessed against Lessor relative to the leased premises, Lessee shall pay before delinquency such tax or excise on rent. Nothing herein shall be construed to limit Lessee's legitimate rights to timely protest or litigate the imposition of any such tax or charge.

8. Use of Property.

a. The Property shall be used for the following: operation of beach equipment rentals; surf lessons with no more than two (2) instructors teaching at any one time and class sizes limited to no more than four (4) clients per instructor; and sale of sunscreen, logo t-shirts and/or hats, surf accessories consisting of only surf wear and surf leashes. Lessee agrees that no other use of the Property will be made, except upon prior written consent of the City Council of the City.

b. Lessee's trailer may be delivered to the Property no earlier than 7:00 a.m. during Permitted Operating Hours, and shall be removed no later than thirty (30) minutes following the close of business during Permitted Operating Hours. All portions of the business shall be located and operated within the 16' x 16' area comprising the Property.

c. During Permitted Operating Hours, all property shall be stored within the enclosed trailer, except for sample products and merchandise available for display.

d. No permanent signage shall be permitted. All signs shall be attached to or incorporated as part of the portable trailer.

e. Lessee agrees to coordinate operations so as not interfere with scheduled park uses, including, without limitation, other uses by or for the City, Capitola Chamber of Commerce, Capitola Foundation, Wharf- to-Wharf running event, and Capitola Beach Festival. Specifically, Lessee agrees to remove the trailer or delay its delivery to avoid conflicts with the following community activities:

1. Wednesday night twilight concerts sponsored by the City;
2. Capitola Foundation Car Show;
3. Art and Wine Festival sponsored by the Capitola Chamber of Commerce;
4. The activities of the Capitola Beach Festival; and
5. The Wharf-to-Wharf running event.

Lessor reserves the right to notify Lessee of any other event for which Lessee will be required to modify its hours of operation and Permitted Operating Hours. Such notice shall be provided by the event operator to Lessee in writing fourteen (14) days prior to the additional event.

9. Licenses and Permits. Lessee acknowledges that nothing contained herein shall be deemed as a waiver by the City of its permit authority over the proposed use contemplated by this Lease. It shall be Lessee's responsibility, at Lessee's sole cost and expense, to obtain all necessary licenses and permits to construct any improvements and operate a business on the Property including, but not limited to a business license, conditional use permit and coastal development permit from the City. However, if Lessee applies during the five (5) year Lease period for a permit from the City authorizing use of the Property as an outdoor eating area and such permit is denied by the City, either Party may, upon thirty (30) days notice to the other, terminate this Lease.

10. Representations and Condition of Premises.

a. Lessor agrees that, in the event Lessee's leasehold interest in the Property is condemned by the City before expiration of entire five (5) year Term, this Lease shall terminate and Lessor agrees to reimburse Lessee for the reasonable costs expended by Lessee in improving the Property up to a maximum of \$5,000.

b. Lessee warrants and represents that Lessor has made no representation or warranties to Lessee of any kind whatsoever concerning the Property, this Lease or any related matter. Lessee hereby waives any claim of any kind against Lessor for any matter arising out of or related to the misrepresentation, if any, of any fact or failure to disclose any fact concerning the Property, this Lease or any related matter. Lessee covenants and agrees that it has examined the Property and accepts it in its present, as-is condition.

11. Alterations, Improvements and Additions. Lessee shall not make any alterations, improvements or additions to the Property without the prior written consent of the Public Works Director of the City.

12. Landscaping. No landscaping is permitted to be made by Lessee at or about the Property.

13. Maintenance. Lessee shall be fully responsible for the operation and maintenance of the Property at its sole expense throughout the Term of this Lease. Lessee agrees to perform all repairs and replacements and construct any improvements necessary to maintain and preserve the Property in a decent, safe, healthy and sanitary condition in a

manner satisfactory to Lessor and in compliance with all applicable laws, regulations and requirements of any governmental entity and insurance company insuring all or any part of the Property. Lessee agrees that Lessor shall not be required to perform any maintenance, repairs or services or to assume any expense not specifically assumed herein in connection with the Property and Lessee hereby waives all rights to make repairs or to cause any work to be performed at the expense of Lessor as provided for in Section 1941 et seq. of the California Civil Code.

14. Right to Sell, Assign, Sublet, Refinance or Otherwise Transfer the Lease.

a. Lessee may not sell, assign, or otherwise transfer this Lease or sublet any part of its interest hereunder in the Property without the prior written consent of Lessor, which shall not be unreasonably withheld. Consent to any sale, assignment, refinance or sublease shall not constitute consent to any other sale, assignment, refinance or sublease. No sale, subletting or assignment even with the consent of Lessor shall relieve Lessee of its obligation to pay the rent and perform all other obligations described in this Lease. Any of the foregoing acts without such consent of Lessor shall be void, and, at the option of Lessor, shall terminate this Lease.

b. Approval of any sale, assignment or sublease shall be conditioned upon the purchaser, assignee or sublessee agreeing in writing that they will assume the rights and obligations thereby sold, assigned or subleased and that they will keep and perform all covenants, conditions and provisions of this Lease which are applicable to the rights acquired.

15. Lessee Indemnification.

a. Lessee shall indemnify, defend and hold Lessor and its officials, directors, employees, contractors and agents ("**Lessor Related Parties**") harmless against and from all liabilities, obligations, damages, penalties, claims, actions, costs, charges, judgment and expenses (including reasonable attorneys' fees, costs and disbursements) (collectively, "**Losses**"), arising from (a) the use of, or any activity done, permitted or suffered in or about the Property, (b) any activity done, permitted or suffered by Lessee or Lessee's agents, contractors, invitees or licensees in or about the Property, (c) any act, neglect, fault, willful misconduct of Lessee or Lessee's agents, or (d) from any breach or default in the terms of this Lease by Lessee or Lessee's agents, except to the extent such claims arise out of or relate to the gross negligence or willful misconduct of Lessor. If any action or proceeding is brought against Lessor by reason of any such claim, upon notice from Lessor, Lessee shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor. As a material part of the consideration to Lessor, Lessee hereby releases Lessor and the Lessor Related Parties from responsibility for, waives its entire claim of recovery for and assumes all risks of (i) damage to property or injury to person in or about the Property from any cause whatsoever except to the extent caused by the gross negligence or willful misconduct of Lessor or any Lessor Related Parties, or (ii) loss resulting from business interruption or loss of income at the Property.

b. The obligations of Lessee under this Section 15 shall survive any termination of this Lease. The foregoing indemnity obligations shall not relieve any insurance carrier of its obligations under any policies required to be carried by either Party pursuant to this Lease, to the extent that such policies cover the peril or currents that results in the claims that is subject to the foregoing indemnity.

16. Insurance. Throughout the Term, Lessee shall provide the coverages described and comply in all respects with the insurance requirements set forth on Exhibit B.

17. Entry and Inspection. Lessor reserves the right to enter the Property for the purpose of ascertaining its condition, or to protect Lessor's interests or to inspect the operations conducted on the Property. In the event that such entry or inspection by Lessor discloses that the Property is not in a decent, safe, healthy and sanitary condition, Lessor shall have the right, after ten (10) days written notice to Lessee, to have any necessary maintenance work done at Lessee's expense and Lessee hereby agrees to pay promptly any and all costs incurred by Lessor in having such maintenance work done.

18. Lessee's Default. The occurrence of any of the following shall constitute a default by Lessee:

(a) Failure to pay rent (including additional rent) when due and upon Lessor's written demand;

(b) Failure to operate and manage the Property in a manner consistent with the general public interest and use of Lessor's adjoining property;

(c) Failure to perform any other provision of this Lease if the failure to perform is not cured within fifteen (15) days, or such additional time as maybe authorized by Lessor, after notice has been given to Lessee;

(d) Voluntary filing or having involuntarily filed against Lessee any petition under any bankruptcy or insolvency act or law;

(e) Adjudication as a bankrupt;

(f) General assignment for the benefit of creditors;

(g) Allowing any of its rights or interests to be subjected to attachment, execution, or other levy, or to seizure under legal process, if not released within thirty (30) days.

(h) Failure to comply with any condition of any use permit, coastal development permit, or any other land use approval given by the City in connection with the use contemplated by this Lease.

19. Remedies for Lessee's Default.

a. Lessor shall have the following remedies for Lessee's default. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law, or otherwise provided by this Lease. No delay or omission of Lessor to exercise any right or remedy shall be construed as a waiver of any such right or remedy or of any default by Lessor hereunder.

b. Lessor may terminate the Lease and recover from Lessee:

(1) The worth, at the time of the award, of the unpaid rent which had been earned at the time of the termination;

(a) The worth, at the time of the award, of the amount by which the unpaid rent which would have been earned after the date of termination until the time of award exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided;

(b) The worth, at the time of the award, of the amount by which the unpaid rent for the balance of the Term after the time of the award exceeds the amount of such rental loss for such period that Lessee proves could have been reasonably avoided; and

(c) Any other amount, including court costs, necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom.

"The worth at the time of the award," as referred to above, is to be computed by allowing interest or discounting present value employing the maximum interest rate the Lessor is permitted by law to charge."

c. Lessee hereby waives any right of redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 or 1179, or under any other present or future law, in the event Lessee is evicted or Lessor takes possession of the Property because of Lessee's default.

d. Lessor may relet the Property prior to the time of any award for breach of this Lease and such reletting does not waive Lessor's right to recover damages.

20. Limitations. Lessee agrees that any claim or defense based upon or arising out of this Lease shall be barred unless Lessee commences an action or alleges such a defense within three (3) months of the occurrence of the conduct or condition giving rise to the claim or defense. Lessee agrees that Lessor shall not in any event be liable to Lessee for lost profits or special, consequential, or exemplary damages under any circumstances arising from this Lease.

21. Attorney's Fees. Should either Party to this Lease institute any action or proceeding in court to enforce any provision hereof or for damages by reason of any alleged breach of this Lease or for a declaration of such Party's rights or obligations hereunder, or for any other judicial remedy, the prevailing Party shall be entitled to receive from the losing Party such amount as the court may adjudge to be reasonable attorney's fees for the services rendered to the Party finally prevailing in such action or proceeding.

22. Notices.

All notices given under this Lease shall be given by registered letter deposited in the United States mail, postage prepaid to the following addresses:

To Lessor: City of Capitola City Manager Department  
420 Capitola Avenue  
Capitola, California 95010  
Fax: 831-479-8879  
Attn: City Manager

and



To Lessee: MRA Sales, Inc.  
1360 49th Ave  
Capitola, CA 95010  
Fax: 831-479-1576  
Attn: Matt Arthur

Either Party may change the above address by notifying the other Party, as provided above. Notices shall be deemed delivered either when delivered in person or by facsimile transmission or five (5) days from the deposit in the U.S. mail as provided above.

23. Holding Over. Occupancy of the Property after the expiration of the Term of this Lease shall be construed to be a tenancy from month to month, and all other terms and conditions of this Lease shall continue in full force and effect. During any such holdover period, rent shall be fair rental value as determined by Lessor.

24. Waiver of Breach. Any waiver of or consent to any breach or breaches of any of the terms of this Lease which may be given to Lessee shall not extinguish any covenant or condition of this Lease nor constitute a waiver of any subsequent breach or breaches thereof.

25. Successor. All of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the Parties hereto.

26. Interpretation.

a. Whenever the singular number is used in this Lease, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and the word "person" shall include corporation, firm or association, when required by the context.

b. The headings or titles to the paragraphs of this Lease are for convenience and do not in any way define, limit or construe the contents of such paragraphs.

c. This Lease contains all agreements of the Parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the Parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither Lessor nor any of its representatives, employees or agents has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of the Property. Lessee assumes all responsibility for operating and maintaining the Property in compliance with all applicable laws and regulations during the Term of this Lease, except as otherwise specifically stated in this Lease.

d. The laws of the State of California shall govern the validity, performance and enforcement of this Lease.

e. If any provision of this Lease is determined to be void by any court of competent jurisdiction, such determination shall not affect any other provision of this Lease which shall remain in full force and effect. If any provision of this Lease is capable of two constructions, one which would render the provision void and one which would render the provision valid, the provision shall be interpreted in the manner which would render it valid.

27. Time is of the Essence. Time is of the essence in the performance of all terms and conditions of this Lease.

IN WITNESS WHEREOF this Lease is executed by Lessor, acting by and through its lawfully authorized officers, and by Lessee, acting by and through its lawfully authorized officers.

DATED:

**“LESSOR”**

CITY OF CAPITOLA, a municipal corporation

By: \_\_\_\_\_  
Jame Goldstein, City Manager

**“LESSEE”**

By: \_\_\_\_\_  
Matt Arthur  
Its: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Samantha Zutler, City Attorney

Exhibit A: Property  
Exhibit B: Insurance Requirements

Exhibit A  
Property

## Exhibit B

### Insurance Requirements

Lessee shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with Lessee's operation and use of the leased premises. The cost of such insurance shall be borne by Lessee.

#### **MINIMUM SCOPE AND LIMIT OF INSURANCE**

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$2,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
2. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limits of no less than **\$1,000,000** per accident for bodily injury or disease. (This applies to lessees with employees).
3. **Property insurance** against all risks of loss to any tenant improvements or betterments, at full replacement cost with no coinsurance penalty provision.

If Lessee maintains broader coverage and/or higher limits than the minimums shown above, Lessor requires and shall be entitled to the broader coverage and/or the higher limits maintained by Lessee. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to Lessor.

#### **Other Insurance Provisions**

The insurance policies are to contain, or be endorsed to contain, the following provisions:

##### ***Additional Insured Status***

Lessor, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of any contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the contractor's insurance (at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 if a later edition is used).

##### ***Primary Coverage***

For any claims related to this contract, **Lessee's insurance coverage shall be primary and non-contributory** and at least as broad as ISO CG 20 01 04 13 as respects Lessor, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by Lessor, its officers, officials, employees, or volunteers shall be excess of the Lessee's insurance and shall not contribute with it. This requirement shall also apply to any Excess or Umbrella liability policies.

##### ***Umbrella or Excess Policy***

Lessee may use Umbrella or Excess Policies to provide the liability limits as required in this agreement. This form of insurance will be acceptable provided that all of the Primary and Umbrella or Excess Policies shall provide all of the insurance coverages herein required,

including, but not limited to, primary and non-contributory, additional insured, Self-Insured Retentions (SIRs), indemnity, and defense requirements. The Umbrella or Excess policies shall be provided on a true “following form” or broader coverage basis, with coverage at least as broad as provided on the underlying Commercial General Liability insurance. No insurance policies maintained by the Additional Insureds, whether primary or excess, and which also apply to a loss covered hereunder, shall be called upon to contribute to a loss until the Contractor’s primary and excess liability policies are exhausted.

**Legal Liability Coverage**

The property insurance is to be endorsed to include Legal Liability Coverage (ISO Form CP 00 40 04 02 or equivalent) with a limit equal to the replacement cost of the leased property.

**Liquor Liability**

If Lessee will be supplying alcoholic beverages, the general liability insurance shall include host liquor liability coverage. If Lessee is using a caterer or other vendor to supply alcohol that vendor must have liquor liability coverage. If Lessee intends to sell alcohol either Lessee or vendor providing the alcohol for sale must have a valid liquor sales license and liquor liability insurance covering the sale of alcohol.

**Notice of Cancellation**

Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to Lessor.

**Waiver of Subrogation**

Lessee hereby grants to Lessor a waiver of any right to subrogation which any insurer of said Lessee may acquire against Lessor by virtue of the payment of any loss under such insurance. Lessee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not Lessor has received a waiver of subrogation endorsement from the insurer.

**Self-Insured Retentions**

Self-insured retentions must be declared to and approved by Lessor. Lessor may require Lessee to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or Lessor. The CGL and any policies, including Excess liability policies, may not be subject to a self-insured retention (SIR) or deductible that exceeds \$25,000 unless approved in writing by Lessor. Any and all deductibles and SIRs shall be the sole responsibility of Lessee who procured such insurance and shall not apply to the Indemnified Additional Insured Parties. Lessor may deduct from any amounts otherwise due Lessee to fund the SIR/deductible. Policies shall NOT contain any self-insured retention (SIR) provision that limits the satisfaction of the SIR to the Named. The policy must also provide that Defense costs, including the Allocated Loss Adjustment Expenses, will satisfy the SIR or deductible. Lessor reserves the right to obtain a copy of any policies and endorsements for verification.

**Acceptability of Insurers**

Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best’s rating of no less than A:VII, unless otherwise acceptable to Lessor.

**Verification of Coverage**

Lessee shall furnish Lessor with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause **and a copy of the Declarations and Endorsements Pages of the CGL and any Excess policies listing all**

**policy endorsements.** All certificates and endorsements and copies of the Declarations & Endorsements pages are to be received and approved by Lessor before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive Lessee's obligation to provide them. Lessor reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time. Lessor reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

***Special Risks or Circumstances***

Lessor reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025

**From:** Finance Department

**Subject:** FY 2023-24 Audit Report



**Recommended Action:** Receive a report on the FY 2023-24 annual audit.

**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 year ended June 30, 2024, 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, 2024. Financial information for the Successor Agency is presented as a separate Private Purpose Trust Fund within the ACFR.

The independent audit firm Chavan and Associates, 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, 2024, 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) 2023-24 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 the 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 2023-24 ACFR:

• <b>Net Position</b>		
○ Current and other assets		\$ 21,318,624
○ Capital assets		<u>50,878,594</u>
○ <b>Total Assets</b>		<b>\$ 72,197,218</b>
○ <b>Total Deferred Outflows of Resources</b>		<b><u>\$ 13,186,912</u></b>
○ Other Liabilities		\$ 3,582,688
○ Long-term liabilities		
▪ Due in one year		68,823
▪ Due in more than one year		<u>34,869,952</u>
○ <b>Total Liabilities</b>		<b>\$ 38,521,463</b>
○ <b>Total Deferred Inflows of Resources</b>		<b><u>\$ 2,564,026</u></b>
○ Net Position:		
○ Net investment in capital assets		\$ 50,115,979
○ Restricted		12,131,607
○ Unrestricted		<u>(17,948,945)</u>
○ <b>Total Net Position</b>		<b><u>\$ 44,298,641</u></b>
• <b>Revenues</b>		
○ General Revenues:		
○ Taxes:		
▪ Sales and use taxes		\$ 8,221,640
▪ Property taxes		3,200,895
▪ Transient occupancy taxes		2,219,951
▪ Franchise taxes		729,485
▪ Business license taxes		323,755
○ Motor vehicle in-lieu		12,171
○ Investment income		770,404
○ Miscellaneous revenue		360,771
○ Program Revenues:		
▪ Charges for services		3,355,793
▪ Operating grants and contributions		858,915
▪ Capital contributions and grants		<u>5,952,237</u>
○ <b>Total Revenues</b>		<b><u>\$ 26,267,781</u></b>
• <b>Expenses</b>		
○ General Government		\$ 5,580,935
○ Public Safety		8,450,102
○ Community Development		1,371,360
○ Culture and Recreation		2,983,749
○ Public Works		4,329,241
○ Interest and other charges		<u>13,272</u>
○ <b>Total Expenses</b>		<b><u>\$ 22,728,659</u></b>
○ <b>Change in Net Position</b>		<b>3,539,122</b>
○ <b>Beginning Net Position</b>		<b><u>40,759,519</u></b>
○ <b>Ending Net Position</b>		<b><u>\$ 44,298,641</u></b>



- **General Fund**
  - Fund balance:
  - Restricted:
    - PERS Retirement Trust \$ 1,531,142
  - Assigned:
    - Emergency Reserve 1,631,506
    - Contingency Reserve 2,364,346
  - Unassigned 1,490,325
  - **Total Fund Balance** **\$ 7,017,319**
  
- **Capital Assets:**
  - Land \$ 4,883,789
  - Building & Improvements 17,748,240
  - Equipment 5,334,562
  - Infrastructure 37,721,731
  - Construction in Progress 15,393,620
  - **Total Capital Assets** **\$ 81,081,942**
  
  - **Less Depreciation** **30,203,348**
  
  - **Capital Assets Net of Depreciation** **\$ 50,878,594**
  
- **Long-Term Debt / Liability**
  - Pacific Cove Capital Lease 0
  - Beach & Village Parking Lease 762,615
  - Compensated Absences 1,026,750
  - Net OPEB Obligation 1,549,998
  - Net Pension Liability 32,157,510
  - **Total Long-Term Debt** **\$ 35,496,873**

The next opportunity to review the City’s financial picture, including updated revenue and expenditure forecasts, will be during the FY 2025-26 budget hearings.

Attachments:

1. City of Capitola FY 2023-24 ACFR
2. Governance Communication Letter
3. Management Letter - Internal Control Compliance Report

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, 2024

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# **CITY OF CAPITOLA CALIFORNIA**

ANNUAL COMPREHENSIVE  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024

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## **INTRODUCTORY SECTION**

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**CITY OF CAPITOLA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
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**CITY OF CAPITOLA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
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## **TRANSMITTAL LETTER**



February 12, 2025

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

SUBJECT: Annual Comprehensive Financial Report - June 30, 2024

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2024, is hereby submitted.

## REPORT PURPOSE AND ORGANIZATION

State law requires the accounts and fiscal affairs of all municipal entities to be audited annually by an independent certified public accountant. The City's independent auditor Chavan & Associates, LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for the fiscal year ended June 30, 2024, 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, 2024, 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. During fiscal year 2024 the City received over \$3.3 million in Federal Awards which will require the completion of a Single Audit Report due by March 31, 2025. The City's was last required to complete a Single Audit Report for the fiscal 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 9,800. 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, New Leaf Community Market 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.

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.

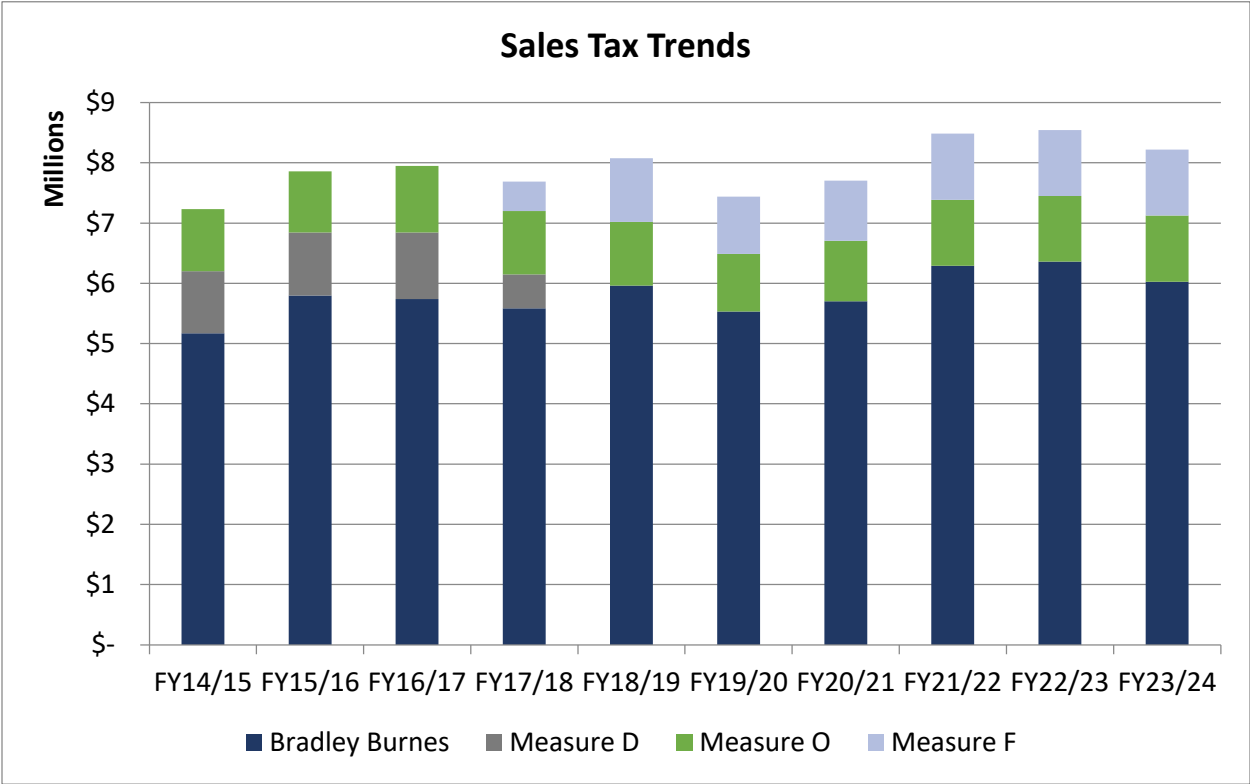
## Local Economy

The City of Capitola experienced a strong economy during Fiscal Year (FY) 2023-24 despite the impacts of storms in both January & December 2023 which caused significant damage to local businesses and local infrastructure. General fund revenues were approximately \$19 million exceeding the budget by \$276,000 while general fund expenditures were \$19.7 million which was approximately 89,000 below budget. Tax revenue received was on budget, license and permit revenue as well as other revenues exceeded budget. However, charges for services and fines and forfeiture revenues were below budget. The net position of the General Fund decreased by approximately \$3.9 million, which was anticipated with the completion of the wharf rehabilitation project. The fund balance decrease was by design of the FY 2023-2024 budget and general fund transfers out to the Capital Improvement Project (CIP) fund of \$3.4 million.

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.

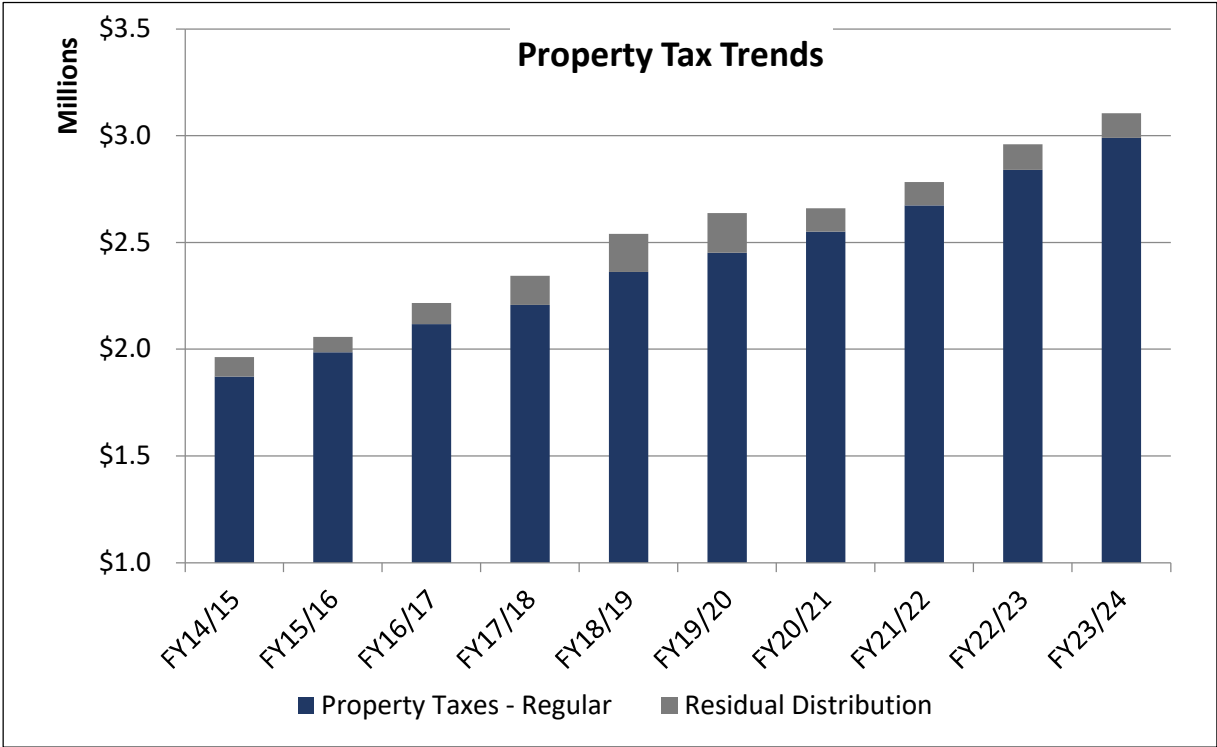
Sales tax is the City’s largest source of revenue, accounting for approximately 46% of the General Fund Revenues. The City sales tax consists of 1% Bradley Burns, 0.25% Capitola District Tax (Measure O), and a 0.25% Capitola District Tax (Measure F) that is effective from January 1, 2018, through December 31, 2027. In FY 2024-25, the combined sales tax receipts of \$8.22 million were \$395,710 (4.6%) lower than budgetary estimates and \$320,779 (3.8%) lower than 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 decreased year over year after leveling off last year post-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.

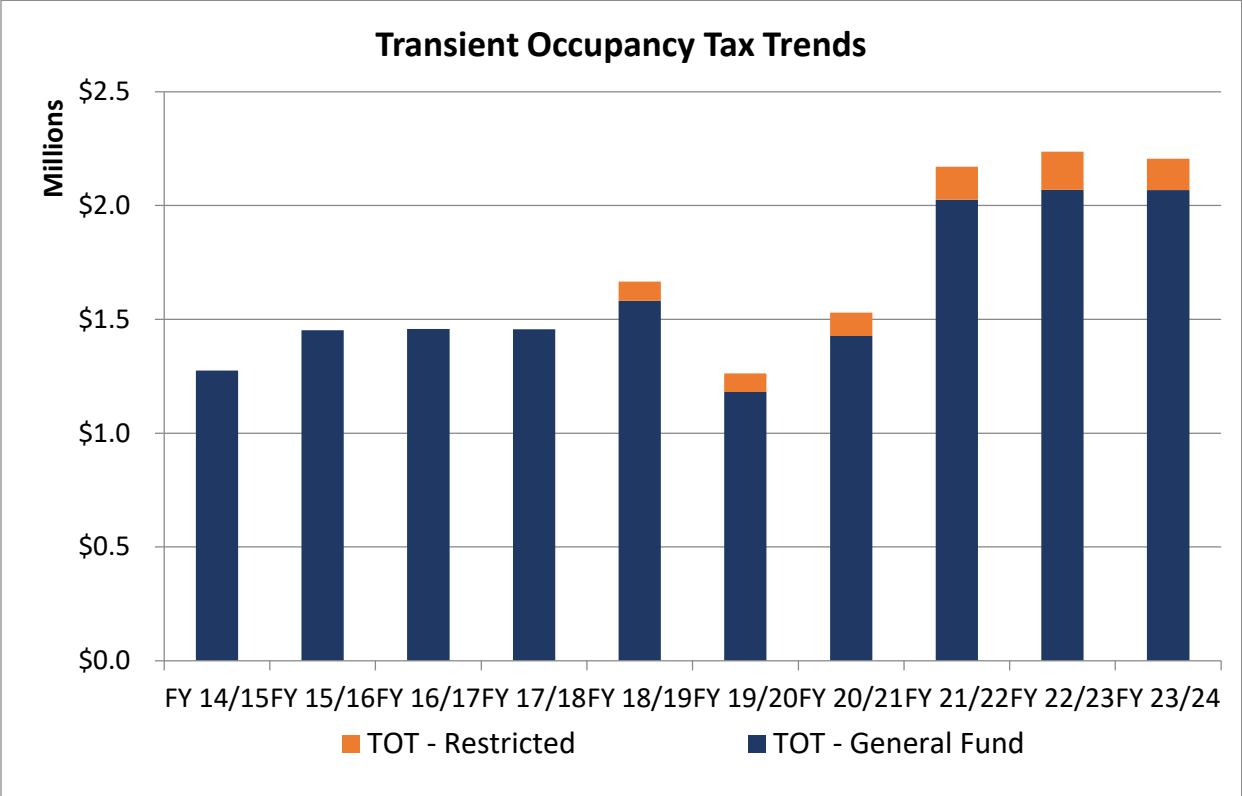


Capitola’s second major source of revenue is property tax. In FY 2023/24 the General Fund received \$3.0 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$149,000 more than the prior year and \$14,000 below the final budgeted amount. Over the last five fiscal years the City has averaged approximately 5% growth in annual property tax collections. Although the FY 2023/24 increase was lower compared to that of the prior year, it was on trend at 4.95%.

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 historical data, property tax revenues have remained relatively consistent due to appreciating property values. Staff anticipate this trend, while showing signs of slowing, will continue into the next fiscal year.



Transient occupancy tax (TOT) represents approximately 12% 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 continue to exceed 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 2023-2024 budget continued implementing these commitments as Measure F went into effect on January 1, 2018.

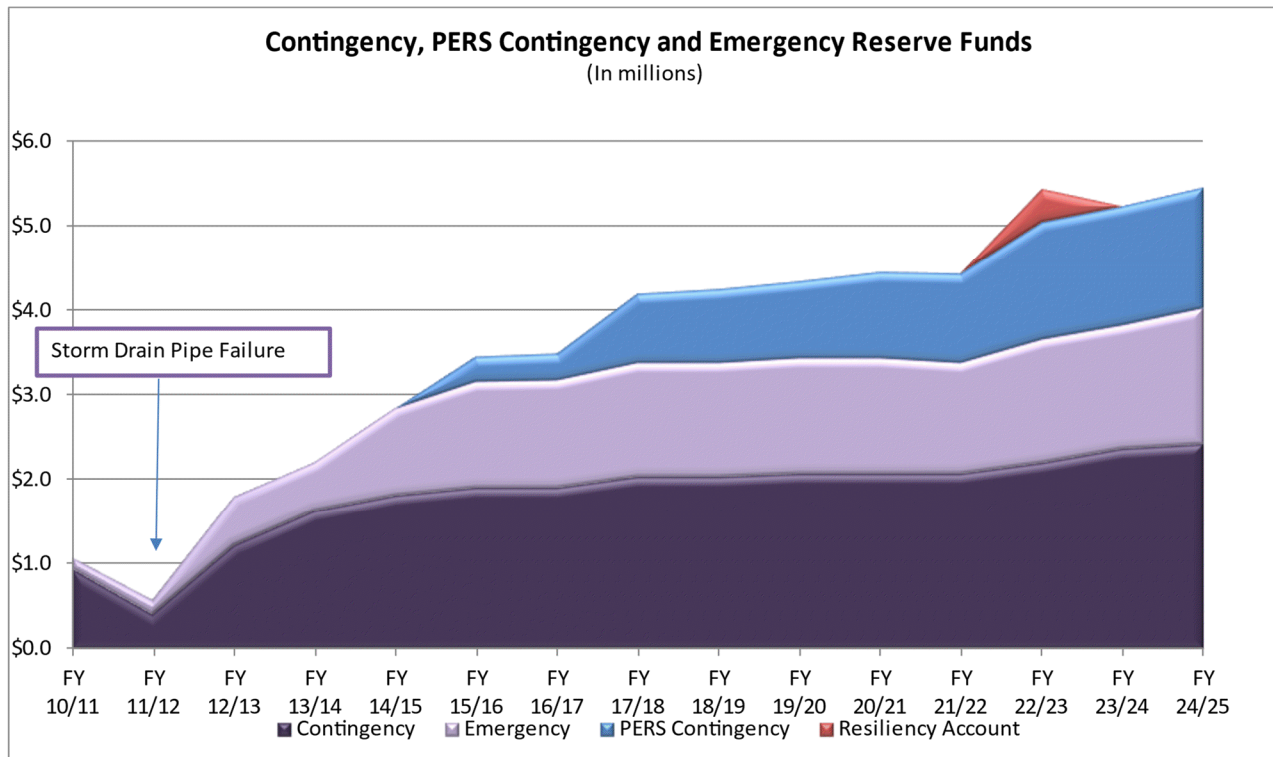


Replenishing and Increasing Reserves

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 each FY 2022-23 and FY 2023-24 \$250,000 was put into the PERS trust fund bringing total contributions to \$1.3 million.



### 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 2023-24 with a cash balance of \$282,714. The FY 2024-25 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund. Staff anticipate continuing 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, 2023, the latest actuarial measurement date, was \$1,214,482. The FY 2024-25 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 68% 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 increase in CalPERS costs of 19.3% in FY 2024-25. Due to investment losses of 6.1% in 2022 the annual CalPERS cost is projected to increase 10.8% in FY 2025-26. However, CalPERS 2024 rate of return was 9.3% which is above the anticipated rate of return of 6.8% and will likely hopefully lead to decreased costs in FY 2026-27. 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 1.5 during FY 2023-24 as the City filled the final vacant position that was frozen in order to mitigate the fiscal impacts from COVID-19 and enhanced services in multiple departments. The total city-wide authorized FTEs in FY 2023-24 was 73 with 73.5 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 included \$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 budget for the Capitola Wharf Resiliency and Public Access Improvements project is \$8.2 million which includes repairing damage 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 funds while prior year expenditures and encumbrances total \$1.2 million. The FY 2023-24 Adopted Budget included 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 began construction in Sept. 2023 and was completed August 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, 2023. 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 2024 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 from FY 1999-00. Once a GFOA Award is received, CSMFO prohibits cities from applying and receiving both awards.

## ACKNOWLEDGEMENTS

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, 2024**

**ELECTED OFFICIALS**

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

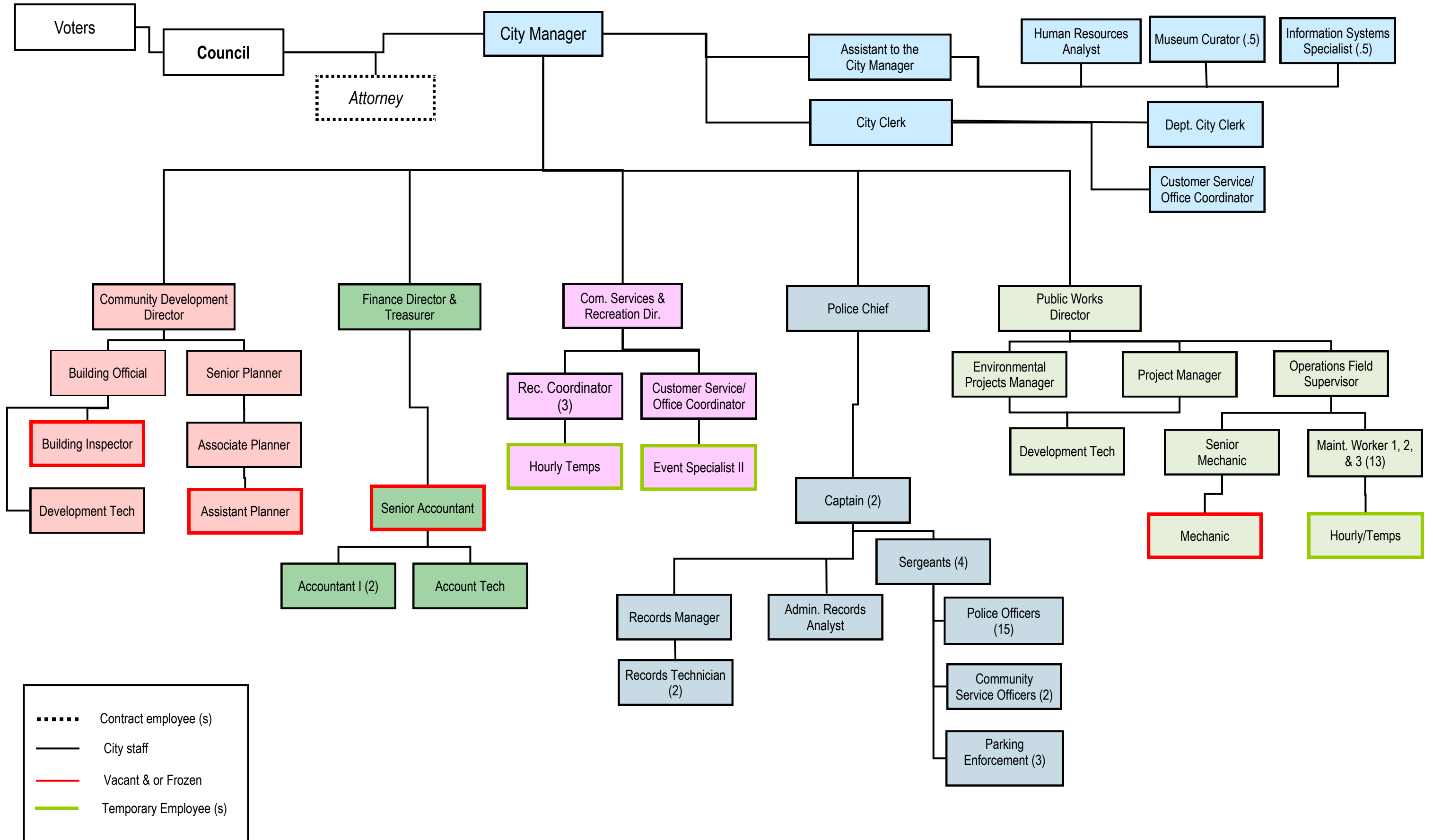
**APPOINTED OFFICIALS**

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 Gautho  
Community Development Director – Katie Herlihy  
Community Services & Recreation Director – Nikki Bryant  
Finance Director – Jim Malberg  
Public Works Director – Jessica Kahn

# City of Capitola Organization Chart June 2024





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, 2023

*Christopher P. Morill*

Executive Director/CEO



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## **FINANCIAL SECTION**

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**Chavan and Associates, llp**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

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, as of June 30, 2024, 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. 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

City 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 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 GAGAS, 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 other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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, schedules, and other information listed in the supplementary information section of the table of contents 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



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Certified Public Accountants

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 GAAS. 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 comprehensive financial 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 February 11, 2025 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 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 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 the City's internal control over financial reporting and compliance.

*C & A LLP*

Chavan & Associates, LLP  
Certified Public Accountants  
February 11, 2025  
Morgan Hill, California

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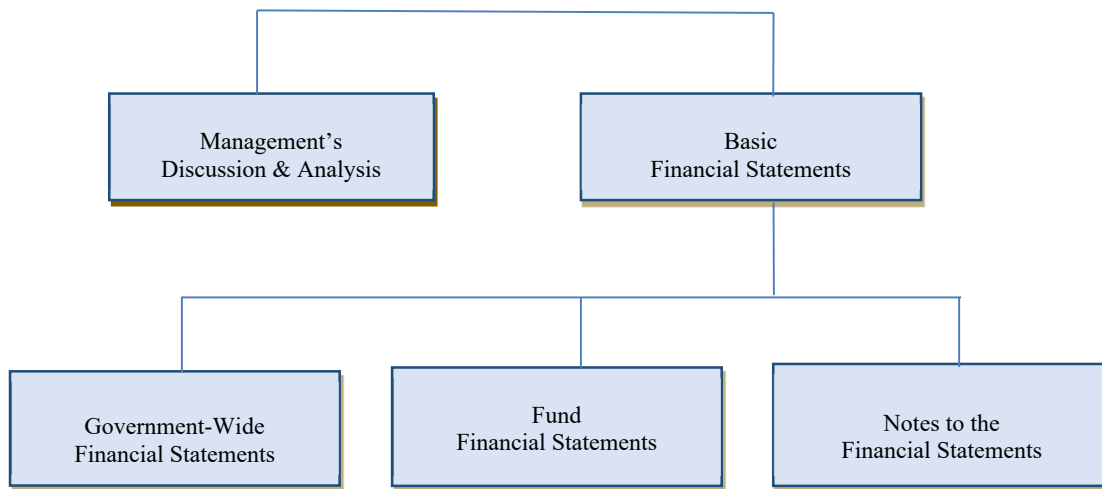
# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**INTRODUCTION**

As management of the City of Capitola (the City), we offer readers of the City’s financial statements this narrative overview and analysis of financial activities of the City for the fiscal year that ended on June 30, 2024. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal. The required components of the report are listed below.

**Required Components of the Annual Financial Report**



**FISCAL YEAR 2023/24 FINANCIAL HIGHLIGHTS**

*Government-Wide Highlights*

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44.30 million (net position). Of the net position, \$50.12 million was classified as net investment in capital assets; \$12.13 million recorded as restricted funds; and \$17.95 million categorized as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. This pronouncement requires local governments to record pension liabilities and related deferrals in the government-wide financial statements.
- The City’s net position increased by \$3.84 million which was all from Governmental Activities.
- City revenues increased by \$4.96 million, or 23%, when compared to the prior year. The Fiscal Year 23/24 increase was mostly from an increase of \$4.31 million in capital grants and contributions.
- Deferred outflows of resources decreased by \$479,224, while deferred inflows of resources decreased by \$946,242. This was primarily related to pension liability adjustments identified in the City’s actuarial report, which include differences between expected and actual earnings; expected and

actual experiences; and changes in proportional allocations. The City's pension liability in accordance with GASB 68 as of June 30, 2024, was \$32.16 million as compared to \$30.06 million in the prior year.

- The City's long-term debt decreased by \$709,965 as a result of debt service payments made during the year.
- The City's net capital assets increased by \$13.94 million, primarily from a \$11.84 million increase to construction in progress.

#### *Fund Highlights*

- At the close of Fiscal Year 23/24 the City's *Governmental Funds* had a combined fund balance of \$18.30 million, which is a decrease of \$9.36 from prior year. Approximately 12%, or \$2.12, million was classified as unassigned fund balance and was available for spending at the government's discretion.
- At the end of the current fiscal year, the *General Fund's* unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$5.49 million, or 28% of total general fund expenditures, prior to transfers.
- The fund balance in the *General Fund* decreased by \$3.59 million at the close of the fiscal year. This included a deficit of operating revenues over expenditures of \$676,983, minus \$3.93 million in net transfers and other financing sources and an adjustment to beginning fund balance of \$344,346.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **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. Government-Wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-Wide Financial Statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 declining.

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. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues; and earned but not used vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). An overview of the City's functions associated with each classification is listed below.

*Governmental Activities* – All of the City's basic services are considered to be governmental activities. This includes general government, public works, recreation, community development, and public safety. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and recreation program fees.

The Government-Wide Financial Statements can be found in the financial section 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 or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities.

#### *Governmental Funds*

*Governmental funds* are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City's near-term financing 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 the *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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found in the financial section of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

Notes to the 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 can be found immediately following the Fund Financial Statements.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s funding progress for its employee pension obligations. The required supplementary information can be found after the notes to the financial statements of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the *required supplementary information*.

A statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. This information can be found on immediately after the *supplementary information section*.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position may serve as an indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44.30 million at the close of Fiscal Year 23/24. This was an increase of \$3.85 million over the prior year.

The following table summarizes the City’s ending net position:

<b>Table 1 - Net Position</b>		
	<b>Governmental Activities</b>	
	2024	2023
<b>Assets</b>		
Current and other assets	\$ 21,318,624	\$ 29,163,340
Capital assets	50,878,594	36,940,232
<b>Total Assets</b>	<u>\$ 72,197,218</u>	<u>\$ 66,103,572</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 13,186,912</u>	<u>\$ 13,666,136</u>
<b>Liabilities</b>		
Current and other liabilities	\$ 3,651,511	\$ 2,559,005
Noncurrent liabilities	34,869,952	33,247,574
<b>Total Liabilities</b>	<u>\$ 38,521,463</u>	<u>\$ 35,806,579</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 2,564,026</u>	<u>\$ 3,510,268</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 50,115,979	\$ 35,467,652
Restricted	12,131,607	11,222,924
Unrestricted	(17,948,945)	(6,237,715)
<b>Total Net Position</b>	<u>\$ 44,298,641</u>	<u>\$ 40,452,861</u>

A significant portion, or \$50.12 million, of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any

outstanding debt that was used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

The \$12.13 million amount classified as Restricted Net Position represents resources that are subject to external restrictions on how they may be used. These funds are restricted for governmental activities.

The remaining deficit balance of \$17.95 million is classified as unrestricted. This negative unrestricted balance is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. This pronouncement requires that local governments report a proportional share of their pension plan's net pension liabilities on financial statements. In Fiscal Year 23/24, the City's proportionate share of the CalPERS pension liability was \$32.16 million.

### Governmental Activities

As shown in the *Statement of Changes in Net Position* schedule, the net position for Governmental Activities increased by \$3.85 million in the prior year, mostly because of increases to capital grants and contributions of \$4.31 million. During the year, the City's expenses in the statement of activities were increased by pension adjustments of \$1.21 million related to changes in assumptions and deferrals of differences between estimated and actual plan earnings. This is in addition to increases in annual required contributions. An analysis of the changes in revenues and expenses by type of significant events follows:

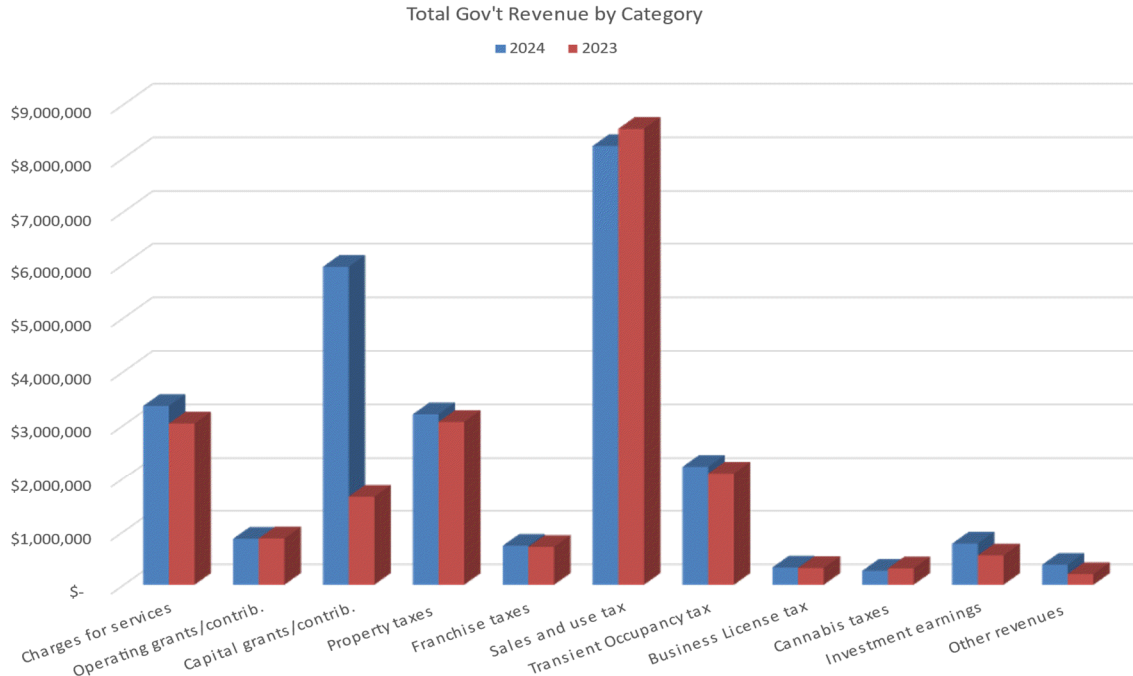
**Table 2 - Statement of Changes in Net Position**

Functions/Programs	Governmental Activities		Increase (Decrease)
	2024	2023	
<b>Program Revenues</b>			
Charges for services	\$ 3,355,793	\$ 3,027,626	\$ 328,167
Operating grants and contributions	858,915	865,684	(6,769)
Capital grants and contributions	5,952,237	1,645,554	4,306,683
<b>Total Program Revenues</b>	<b>10,166,945</b>	<b>5,538,864</b>	<b>4,628,081</b>
<b>General Revenues</b>			
Property taxes	3,200,895	3,058,146	142,749
Franchise taxes	729,485	708,277	21,208
Sales and use tax	8,221,640	8,542,419	(320,779)
Transient Occupancy tax	2,219,951	2,093,243	126,708
Business License tax	323,755	313,993	9,762
Cannabis taxes	261,764	307,089	(45,325)
Investment earnings	770,404	549,243	221,161
Other revenues	372,942	200,579	172,363
<b>Total General Revenues</b>	<b>16,100,836</b>	<b>15,772,989</b>	<b>327,847</b>
<b>Expenses</b>			
General government	5,580,935	3,443,270	2,137,665
Public safety	8,450,102	5,703,129	2,746,973
Community development	1,371,360	635,090	736,270
Culture and recreation	2,983,749	2,181,074	802,675
Transportation	4,329,241	2,408,783	1,920,458
Interest on long-term debt	13,272	20,261	(6,989)
<b>Total Expenses</b>	<b>22,728,659</b>	<b>14,391,607</b>	<b>8,337,052</b>
Transfers	-	-	-
Increase / (Decrease) in Net Position	3,539,122	6,920,246	(3,381,124)
Prior Period Adjustments	306,658	-	306,658
<b>Net Position, Beginning of Year</b>	<b>40,452,861</b>	<b>33,532,615</b>	<b>6,920,246</b>
<b>Net Position, End of Year</b>	<b>\$ 44,298,641</b>	<b>\$ 40,452,861</b>	<b>\$ 3,845,780</b>

**Governmental Activities**

*Governmental Revenues*

The following chart summarizes the changes in revenues by category during Fiscal Year 23/24:



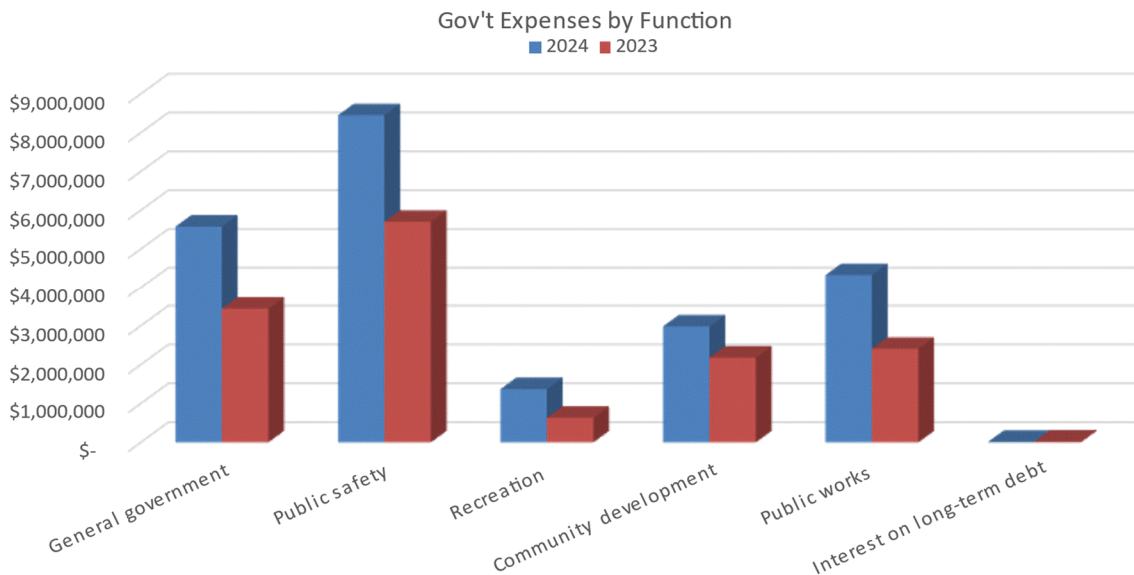
Significant changes in governmental revenues consisted of the following:

- Taxes decreased by \$65,677, with substantial net changes in the following categories:
  - Sales and use taxes decreased by \$320,779 or 3.8%, reflecting a statewide trend of decreased consumer spending.
  - Transient occupancy tax increased by \$126,708 or 6.1%.
  - Property taxes increased by \$142,749 or 4.7%, which reflects the continuing strength in property values.
  - Franchise taxes increased by \$21,208 or 3.0%, primarily due to rate increases across the industries.
  - Business license taxes increased 9,762, or 3.1%
  - Cannabis taxes decreased \$45,325, or 14.8%
- Other revenues increased by \$393,524, from local reimbursements and local donations that did not meet the definition of a charges for services, operating grants or capital grants as well as investment earnings.

- Charges for services increased by \$328,167 mostly from increased program activities for recreation, community development and public safety as services continue to increase to pre-pandemic levels.
- Capital grants and contributions increased by \$4.30 million due to contributions for the Wharf Resiliency and Public Access Improvement project.

*Governmental Expenses*

The Fiscal Year 23/24 expenses for Governmental Activities increased by \$8.34 million as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

- The largest contributed factor to the increase in governmental activities expenses is an adjustment to pension expense as required by GASB 68 of \$1.21 million. The prior year adjustment was a reduction of \$5.1 million which has resulted in a \$6.3 million increase in governmental expenses.
- General government expenses increase by \$2.14 million primarily from the above mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Public safety expenses increased by \$2.75 million primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Community development expenses increased by \$736,270 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.
- Culture and recreation expenses increased by \$802,675 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.

- Transportation expenses increased by \$1.92 million primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs and depreciation expense including a prior period adjustment.

**FINANCIAL ANALYSIS OF THE CITY’S GOVERNMENTAL FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City’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’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City’s City Council.

A summary of the changes in fund balance of the Major Funds and Other Governmental Funds is presented below:

**Table 3 - Summary of Changes in Fund Balance - Governmental Funds**

	Major Funds						Total
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonamajor Governmental Funds	
Total Revenues	\$19,014,509	\$ 86,985	\$ 153,801	\$ 379,314	\$ 5,338,284	\$ 1,294,889	\$26,267,782
Total Expenditures	(19,691,492)	(3,700)	(324,528)	(33,061)	(14,212,655)	(1,664,761)	(35,930,197)
Revenues Over (Under) Expenditures	(676,983)	83,285	(170,727)	346,253	(8,874,371)	(369,872)	(9,662,415)
Other financing sources	-	-	-	-	-	-	-
Transfers in	100,000	-	-	-	2,700,000	757,788	3,557,788
Transfers out	(3,356,788)	-	-	-	-	(201,000)	(3,557,788)
Net change in fund balances	(3,933,771)	83,285	(170,727)	346,253	(6,174,371)	186,916	(9,662,415)
Beginning of year	10,606,744	4,780,025	4,329,058	185,892	5,842,965	1,912,288	27,656,972
Prior Period Adjustment	344,346	154,340	20,076	-	(441,653)	229,549	306,658
End of year	\$ 7,017,319	\$ 5,017,650	\$ 4,178,407	\$ 532,145	\$ (773,059)	\$ 2,328,753	\$18,301,215

The fund balance in the General Fund decreased by \$3.59 million. This included operating revenues short of operating expenses by \$676,983. The operating difference, which was anticipated in the FY 2023-24 Adopted Budget, can be attributed to transfers to the Capital Improvement Fund for the Wharf Rehabilitation and Resiliency project.

Fund balance in the Federal Home Loan Reuse Fund increased by \$83,285 mostly due to loan payoffs received.

Fund balance in the Capitola Housing Successor Fund decreased by \$170,727 mostly due to loans for affordable housing projects.

Fund balance in the RTC Streets Fund increased by \$346,253 mostly due to receiving grant funds for projects that were previously programmed to utilize these restricted funds.

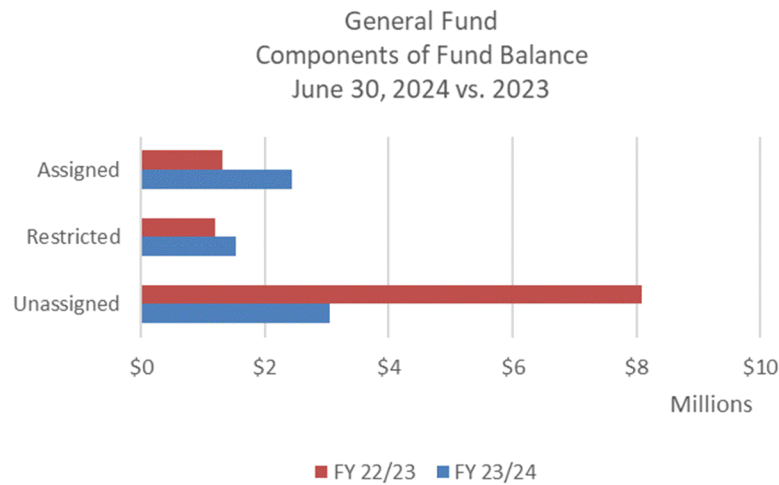
Fund balance in the Capital Projects Fund decreased by \$8.87 million mostly due to the construction of the Wharf Rehabilitation and Resiliency project.



The fund balance in Nonmajor Funds increased by \$186,916 mostly due an increase in Intergovernmental revenue received.

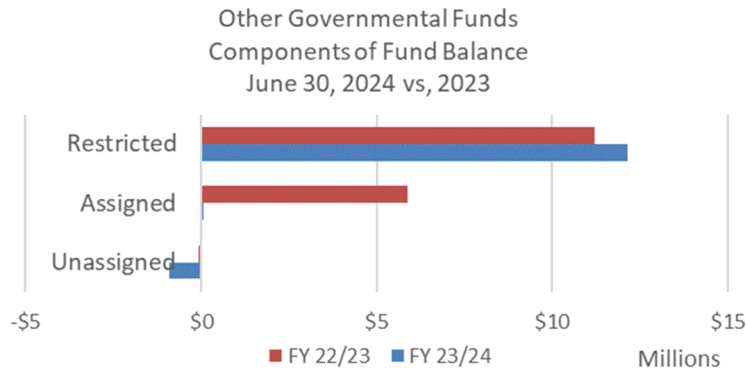
*General Fund – Components of Fund Balance*

In Fiscal Year 23/24, the General Fund’s total fund balance represented approximately 36% of total general fund expenditures. The following chart summarizes the ending fund balance in the General Fund over the last two fiscal years:



*Other Governmental Fund - Components of Fund Balance*

The following chart summarizes the ending fund balance of all other funds other than the General Fund over the last two fiscal years:



**CAPITAL ASSETS**

The City’s investment in capital assets as of June 30, 2024 was \$50.88 million (net of accumulated depreciation). The total increase in the City’s capital assets, net of depreciation, was \$13.94 million or 38%.

The following table summarizes the City’s capital assets at the end of the year:

**Table 4 - Capital Assets at Year End - Net**

	Governmental Activities		% Change
	2024	2023	
Land	\$ 4,883,789	\$ 4,883,789	0.00%
Construction in progress	15,393,620	3,549,718	333.66%
Buildings and improvement	17,748,240	18,017,712	-1.50%
Infrastructure	37,721,731	35,907,669	5.05%
Machinery and equipment	5,334,562	4,520,133	18.02%
Accumulated deprec./amort.	(30,203,348)	(29,938,789)	100.00%
Total Capital Assets, Net	<u>\$ 50,878,594</u>	<u>\$ 36,940,232</u>	37.73%

Additional information on capital assets can be found in Note 5 in the notes to financial statements.

**DEBT ADMINISTRATION**

During the year, long-term debt from governmental activities decreased by \$709,965 because of debt service payments.

The following table summarizes the City’s debt at the end of the year:

**Table 5 - Outstanding Long-Term Debt at Year End**

	Governmental Activities		% Change
	2024	2023	
Cove Financing	\$ -	\$ 642,663	-100.00%
Beach and Village Lot II Financing	762,615	829,917	-8.11%
Total outstanding long-term debt	<u>\$ 762,615</u>	<u>\$ 1,472,580</u>	-48.21%

Additional information on debt can be found in Note 6 in the notes to financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended.

Over the course of the year, the City may revise the expenditure budgets to reflect the changes in the various programs and unanticipated activities, but usually do not change budget assumptions in revenues other than for one-time events. For example, when the City is awarded a grant, it appropriates the revenues and expenditures necessary to spend those funds but does not necessarily adjust upward the property tax estimates when the amounts come in higher than expected or reduce other balances that report declines unless the changes are material. Tax estimates are based on trend information where the base amount rolls forward for cumulative increases in long term planning and the trends are reevaluated each year during the budget period.

At the time of the FY 23/24 budget adoption, City revenues were projected to be \$18.94 million and expenditures were projected to be \$18.31 million. The final budgeted revenues were \$18.84 million and expenditures were \$18.40 million. Actual revenues exceed the final budget by \$176,254 and actual expenditures exceeded the final budget by \$1.30 million.

After transfers, the original adopted budget projected a deficit change in fund balance of \$727,449 and the final budget projected a deficit of \$914,433. The actual change in fund balance for the year was a deficit \$3.93 million, which was \$3.02 million more than the final budgeted deficit and mostly attributable to transfers out to the Capital Projects fund of \$2.70 million. The following table summarizes the City’s budget vs. actual amounts for FY 23/24:

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 14,943,970	\$ 14,643,970	\$ 14,495,882	\$ (148,088)
Licenses and permits	645,500	645,500	757,312	111,812
Fines and forfeitures	607,500	607,500	425,043	(182,457)
Intergovernmental	108,000	274,752	223,792	(50,960)
Charges for Services	2,212,637	2,212,637	2,298,937	86,300
Use of money and property	209,495	209,495	478,610	269,115
Other revenue	214,401	244,401	334,933	90,532
<b>Total Revenues</b>	<u>18,941,503</u>	<u>18,838,255</u>	<u>19,014,509</u>	<u>176,254</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,668,814	3,735,085	3,604,714	130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
<b>Total Expenditures</b>	<u>18,312,164</u>	<u>18,395,900</u>	<u>19,691,492</u>	<u>(1,295,592)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>629,339</u>	<u>442,355</u>	<u>(676,983)</u>	<u>(1,119,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,456,788)	(1,456,788)	(3,356,788)	(1,900,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,356,788)</u>	<u>(1,356,788)</u>	<u>(3,256,788)</u>	<u>(1,900,000)</u>
Net Change in Fund Balance	<u>(727,449)</u>	<u>(914,433)</u>	<u>(3,933,771)</u>	<u>(3,019,338)</u>

## ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

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### FY 2024-25 Budget Overview

On June 27, 2024, the Council approved the FY 2024-25 Budget, with a total appropriation of \$37.4 million, including \$19.2 million allocated to the General Fund. The budget reflects a conservative growth approach, projecting adequate resources to cover expenditures.

Key General Fund revenue growth estimates include:

- **Sales Tax:** 2.3% increase.
- **Transient Occupancy Tax (TOT):** 1.0% increase.
- **Property Tax:** 6.0% increase.

General Fund revenues are expected to exceed expenditures by approximately \$30,000, with a projected year-end fund balance of \$529,000.

### Employee Agreements and Pension Costs

The City has negotiated agreements with all bargaining units through FY 2026-27, which include fixed Cost of Living Adjustments (COLAs) and Market Study Salary Adjustments for certain classifications. Pension cost caps, initially implemented before FY 2015-16 to prevent significant pay reductions due to increased contribution rates, remain in place under these agreements.

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## FUTURE PROSPECTS

### Measures O, F, and Y

- **Measure O:** Approved in 2012, this permanent quarter-percent sales tax replenished reserves, maintained police staffing, and funded major street improvements.
- **Measure F:** Extended in 2016 for 10 years, this temporary sales tax funded projects such as protecting the wharf and beach, police services, and infrastructure improvements.
- **Measure Y:** Passed in November 2024 to replace Measure F, it increased the sales tax to half a percent for 10 years to continue these initiatives.

### Development Opportunities

The City is prioritizing several major projects:

- **Jade Street Community Center Renovation:**
    - Estimated Cost: \$6.16 million.
    - Funding Sources: \$1.8 million in General Funds, \$4.36 million in grants.
    - Timeline: Construction to begin in early 2025, with completion expected in 2026.
  - **Treasure Cove Playground, Cliff Drive Resiliency, and Stockton Bridge:**
    - Projects are in various stages of design and funding but remain unfunded as of June 30, 2024.
-

## ECONOMIC OUTLOOK

### Local, State, and National Trends

The 2008 financial crisis significantly impacted local, state, and national economies, but by FY 2011-12, Capitola began to recover with increases in sales tax, TOT, and demand for planning services. These trends continued until FY 2017-18 when TOT and sales tax leveled off.

In 2018, voters increased the TOT rate from 10% to 12%, dedicating a portion to local businesses and Early Childhood and Youth programs.

### Storm Recovery Efforts

Intense storms in January 2023 temporarily damaged the Wharf and several Capitola Village businesses. Despite the setbacks, businesses recovered quickly. The Wharf Rehabilitation project, fully funded with an additional \$1 million in insurance proceeds, began in September 2023 and was completed in August 2024.

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## PENSION OBLIGATIONS

In FY 2022, CalPERS experienced a 6.1% investment loss, leading to increased Unfunded Actuarial Liability (UAL) contributions:

- FY 2024-25 UAL Payment: \$2.6 million (19.3% increase).
- Projected UAL Payments:
  - FY 2025-26: \$2.8 million.
  - FY 2029-30: \$3.5 million.

The City continues to prioritize long-term financial stability and investments in community infrastructure.

## REQUEST FOR INFORMATION

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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, 2024**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 10,591,482
Restricted cash and investments	1,531,142
Accounts receivable	39,693
Taxes receivable	2,047,916
Interest receivable	144,719
Due from other governments	158,944
Total Current Assets	<u>14,513,896</u>
Noncurrent Assets:	
Loans receivable	6,804,728
Capital Assets:	
Nondepreciable	20,277,409
Depreciable, net of accumulated depreciation	30,601,185
Total Capital Assets, Net	<u>50,878,594</u>
Total Noncurrent Assets	<u>57,683,322</u>
<b>Total Assets</b>	<u><u>\$ 72,197,218</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Adjustments	\$ 12,168,314
OPEB Adjustments	1,018,598
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 13,186,912</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 2,085,742
Accrued liabilities	231,390
Interest payable	7,181
Unearned revenue	291,534
Deposits payable	408,743
Compensated absences, due within one year	558,098
Long-term debt, due within one year	68,823
Total Current Liabilities	<u>3,651,511</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year	468,652
Net pension liability	32,157,510
Net OPEB liability	1,549,998
Long-term debt - due in more than one year	693,792
Total Noncurrent Liabilities	<u>34,869,952</u>
<b>Total Liabilities</b>	<u><u>\$ 38,521,463</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Adjustments	\$ 1,880,944
OPEB Adjustments	683,082
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 2,564,026</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 50,115,979
Restricted for:	
Public safety	174,778
Transportation	1,327,582
Community development	10,288,422
Culture and recreation	340,825
Total Restricted	<u>12,131,607</u>
Unrestricted	<u>(17,948,945)</u>
<b>Total Net Position</b>	<u><u>\$ 44,298,641</u></u>

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



**City of Capitola**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues			Total	Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General government	\$ 5,580,935	\$ 982,884	\$ 372,379	\$ -	\$ 1,355,263	\$ (4,225,672)
Public safety	8,450,102	497,126	184,194	-	681,320	(7,768,782)
Community development	1,371,360	972,472	266,717	-	1,239,189	(132,171)
Culture and recreation	2,983,749	862,418	-	5,112,589	5,975,007	2,991,258
Transportation	4,329,241	40,893	35,625	839,648	916,166	(3,413,075)
Interest and fiscal charges	13,272	-	-	-	-	(13,272)
<b>Total Governmental Activities</b>	<b>\$ 22,728,659</b>	<b>\$ 3,355,793</b>	<b>\$ 858,915</b>	<b>\$ 5,952,237</b>	<b>\$ 10,166,945</b>	<b>(12,561,714)</b>
General Revenues:						
Taxes:						
Property taxes						3,200,895
Franchise taxes						729,485
Sales and use tax						8,221,640
Transient Occupancy tax						2,219,951
Business License tax						323,755
Cannabis taxes						261,764
Total taxes						14,957,490
Motor vehicle in-lieu						12,171
Investment income						770,404
Other revenues						360,771
Total General Revenues						16,100,836
Change in Net Position						3,539,122
Net Position - Beginning of Year						40,452,861
Prior Period Adjustments						306,658
Net Position - Beginning of Year, As Adjusted						40,759,519
Net Position - End of Year						\$ 44,298,641

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

### **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 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..

### **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 will fund new housing activities.

### **Regional Transportation Commission (RTC) Streets Fund**

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**

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

### **Non-Major Governmental Funds**

These funds constitute all other governmental funds that do not meet the major fund criteria per governmental accounting standards. These funds consist of other Special Revenue Funds and Debt Service Funds.

**City of Capitola**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

	Major Funds						Total Governmental Funds
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>							
Cash and investments	\$ 4,696,736	\$ 881,691	\$ 1,892,662	\$ 499,928	\$ 594,662	\$ 2,025,803	\$ 10,591,482
Restricted cash and investments	1,531,142	-	-	-	-	-	1,531,142
Accounts receivable	36,059	-	-	-	-	3,634	39,693
Taxes receivable	2,021,123	-	-	26,793	-	-	2,047,916
Interest receivable	68,098	9,980	21,988	5,424	-	39,229	144,719
Due from other governments	120,015	-	11,782	-	-	27,147	158,944
Due from other funds	79,229	-	-	-	-	-	79,229
Loans receivable	-	4,125,979	2,271,492	-	-	407,257	6,804,728
<b>Total assets</b>	<b>\$ 8,552,402</b>	<b>\$ 5,017,650</b>	<b>\$ 4,197,924</b>	<b>\$ 532,145</b>	<b>\$ 594,662</b>	<b>\$ 2,503,070</b>	<b>\$ 21,397,853</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 610,694	\$ -	\$ 19,517	\$ -	\$ 1,360,521	\$ 95,010	\$ 2,085,742
Accrued liabilities	231,390	-	-	-	-	-	231,390
Unearned revenue	291,534	-	-	-	-	-	291,534
Deposits payable	401,465	-	-	-	7,200	78	408,743
Due to other funds	-	-	-	-	-	79,229	79,229
<b>Total liabilities</b>	<b>1,535,083</b>	<b>-</b>	<b>19,517</b>	<b>-</b>	<b>1,367,721</b>	<b>174,317</b>	<b>3,096,638</b>
<b>Fund Balances:</b>							
Restricted:							
Public safety	-	-	-	-	-	174,778	174,778
Transportation	-	-	-	532,145	-	795,437	1,327,582
Community development	-	5,017,650	4,178,407	-	-	1,092,365	10,288,422
Culture and recreation	-	-	-	-	-	340,825	340,825
Retiree benefits	1,531,142	-	-	-	-	-	1,531,142
Assigned:							
Debt service	-	-	-	-	-	75,289	75,289
Facilities	282,714	-	-	-	-	-	282,714
General plan	266,685	-	-	-	-	-	266,685
Green building education	263,405	-	-	-	-	-	263,405
Emergency reserve	1,631,506	-	-	-	-	-	1,631,506
Unassigned:							
Contingencies	2,364,346	-	-	-	-	-	2,364,346
Remaining unassigned	677,521	-	-	-	(773,059)	(149,941)	(245,479)
<b>Total fund balances</b>	<b>7,017,319</b>	<b>5,017,650</b>	<b>4,178,407</b>	<b>532,145</b>	<b>(773,059)</b>	<b>2,328,753</b>	<b>18,301,215</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,552,402</b>	<b>\$ 5,017,650</b>	<b>\$ 4,197,924</b>	<b>\$ 532,145</b>	<b>\$ 594,662</b>	<b>\$ 2,503,070</b>	<b>\$ 21,397,853</b>

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

**City of Capitola**  
**Reconciliation of the Government Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2024**

---

**Total Fund Balances - Total Governmental Funds** \$ 18,301,215

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	81,081,942
Less: accumulated depreciation	<u>(30,203,348)</u>
Total Capital Assets	<u>50,878,594</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (7,181)

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. 10,622,886

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(762,615)
Compensated absences	(1,026,750)
Net pension liability	(32,157,510)
Net OPEB liability	<u>(1,549,998)</u>
Total Long-Term Obligations	<u>(35,496,873)</u>

**Net Position of Governmental Activities** \$ 44,298,641

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

**City of Capitola**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2024**

	Major Funds						Total Governmental Funds
	General Fund	Federal Home Loan Reuse Fund	Capitola Housing Successor Fund	RTC Streets Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>REVENUES</b>							
Taxes	\$ 14,495,882	\$ -	\$ -	\$ -	\$ -	\$ 137,853	\$ 14,633,735
Licenses and permits	757,312	-	-	-	-	10,453	767,765
Fines and forfeitures	425,043	-	-	-	-	-	425,043
Intergovernmental	223,792	-	-	359,670	5,112,589	885,145	6,581,196
Charges for Services	2,298,937	-	-	-	-	150,768	2,449,705
Use of money and property	478,610	86,985	153,801	19,644	-	68,399	807,439
Other revenue	334,933	-	-	-	225,695	42,271	602,899
<b>Total Revenues</b>	<b>19,014,509</b>	<b>86,985</b>	<b>153,801</b>	<b>379,314</b>	<b>5,338,284</b>	<b>1,294,889</b>	<b>26,267,782</b>
<b>EXPENDITURES</b>							
Current:							
General government	3,604,714	3,700	-	-	22,058	816,111	4,446,583
Public safety	7,740,343	-	-	-	-	-	7,740,343
Community development	947,297	-	324,528	-	-	-	1,271,825
Culture and recreation	2,677,956	-	-	-	-	46,778	2,724,734
Transportation	3,682,149	-	-	-	-	-	3,682,149
Capital outlay	1,039,033	-	-	33,061	14,190,597	64,144	15,326,835
Debt service							
Principal	-	-	-	-	-	709,965	709,965
Interest and fiscal charges	-	-	-	-	-	27,763	27,763
<b>Total Expenditures</b>	<b>19,691,492</b>	<b>3,700</b>	<b>324,528</b>	<b>33,061</b>	<b>14,212,655</b>	<b>1,664,761</b>	<b>35,930,197</b>
Excess (Deficiency) of Revenues over Expenditures	(676,983)	83,285	(170,727)	346,253	(8,874,371)	(369,872)	(9,662,415)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	100,000	-	-	-	2,700,000	757,788	3,557,788
Transfers out	(3,356,788)	-	-	-	-	(201,000)	(3,557,788)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,256,788)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,700,000</b>	<b>556,788</b>	<b>-</b>
Net Change in Fund Balances	(3,933,771)	83,285	(170,727)	346,253	(6,174,371)	186,916	(9,662,415)
Fund Balances Beginning	10,606,744	4,780,025	4,329,058	185,892	5,842,965	1,912,288	27,656,972
Prior Period Adjustments	344,346	154,340	20,076	-	(441,653)	229,549	306,658
Fund Balances Beginning, as Adjusted	10,951,090	4,934,365	4,349,134	185,892	5,401,312	2,141,837	27,963,630
Fund Balances Ending	\$ 7,017,319	\$ 5,017,650	\$ 4,178,407	\$ 532,145	\$ (773,059)	\$ 2,328,753	\$ 18,301,215

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

## City of Capitola

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities For the Year Ended June 30, 2024

**Net Change in Fund Balances - Total Governmental Funds** \$ (9,662,415)

Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.

Capital additions	15,313,899
Depreciation expense	(1,375,536)

Compensated absences not required to be paid with current financial resources are not reported in the governmental funds, but are accrued as noncurrent liabilities in the Government Wide Statement Net Position. The change from prior year accrued compensated absences is reported in the applicable program expense.

(111,206)

In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

(1,350,075)

Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

709,965

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from from prior year.

14,490

**Change in Net Position of Governmental Activities**

\$ 3,539,122

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

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**



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**City of Capitola**  
**Index to the Notes to Basic Financial Statements**  
**June 30, 2024**

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**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Financial 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 basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental activities for the City. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources, are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds. Major individual governmental funds

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal fund transactions have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Interfund receivable and payables
- Indirect costs between funds

The City applies all applicable GASB pronouncements including all interpretations currently in effect.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due. The City's only exception to this timeline is Sales Tax receipts which are recorded as revenues if received within 90 days. 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 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. Expenditures are recorded in the accounting period in which the related fund liability is incurred. 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.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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The City reports the following funds as major 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.

**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 will fund new housing activities.

**Regional Transportation Commission (RTC) Streets Special Revenue Fund**

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**

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

Additionally, the City reports the following nonmajor fund types of governmental funds:

**Special Revenue Funds**

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

**Debt Service Funds**

Debt service funds are used to accumulate resources for repayment of debt and financing arrangements.

**Capital Project Funds**

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets in governmental funds. There were not nonmajor capital projects funds reported for this fiscal year.

***C. Cash and Investments***

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments. The City also

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk.

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures. The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

***D. Restricted Cash and Investments***

Certain restricted cash and investments are held by PARS, a fiscal agent, for pension obligations with CalPERS.

***E. Receivables***

Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. Revenues earned but not collected by year-end are accrued. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have been immaterial historically and the direct write-off method does not result in a material difference from the allowance method.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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***F. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been offset by nonspendable fund balance to indicate that is not available for appropriation.

***G. Interfund 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). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no advances between funds reported as of June 30, 2024.

***H. Loans Receivable***

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. Repayments of the outstanding loans are classified as a revenue source in the applicable funds.

***I. 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 subscription term or the useful life of the underlying asset. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Structures and improvements	50 Years
Equipment	5-20 Years
Infrastructure	15-50 Years

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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***J. Deferred Outflows/Deferred Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

***K. Interest Payable***

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability. The City has not allocated the interest on long-term debt to departments. In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest for long-term debt is recorded in the fund statements when the payment is made.

***L. Compensated Absences***

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 as compensated absences. 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.

***M. Long-Term Liabilities***

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, bonds payable are reported net of the applicable bond premium or discount, and debt issuance costs are expensed in year incurred. In the fund financial statements, governmental fund types recognize debt issuances, premiums, discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***N. Benefit Plans***

**Pension Expense**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the



**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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Plans' 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit (OPEB) Expense**

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 Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**O. Fund Balances**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Nonspendable**

Nonspendable fund balance represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, leases receivable in excess of deferred inflows of resources and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

**Restricted**

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

**Committed**

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to the constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the specific amounts can be determined subsequently. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

**Assigned**

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director or City Manager, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendable amounts, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects, and Debt Service Funds, which have not been restricted or committed.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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**Unassigned**

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**Flow Assumption / Spending Order Policy**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

***P. Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

**Restricted Net Position**

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. These include developer fees received for use on capital projects, debt service requirements, and community development projects.

**Unrestricted Net Position**

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position." The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

**Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

***Q. Interfund Transactions***

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. All other interfund transfers are reported as transfers.

***R. Property Taxes and Special Assessments***

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

**City of Capitola**  
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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.

County of Santa Cruz (the County) levies, bills and collects property taxes and special assessments for the City; under the County's "Teeter Plan" the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1. Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on August 1 and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

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.

***S. Budgetary Information***

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 budgeted 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."

**City of Capitola**  
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The following summarizes the City's actual expenditures over the final budget by department during the year:

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
General government	\$ 3,668,814	\$ 3,735,085	\$ 3,604,714	\$ 130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
<b>Total Expenditures</b>	<b>\$ 18,312,164</b>	<b>\$ 18,395,900</b>	<b>\$ 19,691,492</b>	<b>\$ (1,295,592)</b>

During the year, public safety expenditures were over budget to personnel costs associated with two major criminal investigation cases and storm response, cultural and recreation expenditures were over budget primarily due to seasonal program personnel costs which was offset by additional revenues, transportation and capital outlay expenditures was due to the timing of projects and related encumbrances. Overages by department were funded by beginning fund balance and revenues in excess of budget.

***T. Unearned Revenue***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources from unavailable revenue.

***U. Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***V. Implementation of New Accounting Pronouncements***

***GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62***

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement did not have a material impact on the financial statements.

***W. Upcoming New Accounting Pronouncements***

The City is currently analyzing its accounting practices to identify the potential impact on the financial statements of the following GASB Statements:

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**GASB Statement No. 101, *Compensated Absences***

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**GASB Statement No. 102, *Certain Risk Disclosures***

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

**GASB Statement No. 103, *Financial Reporting Model Improvements***

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

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This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management’s discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2024, cash and investments were reported in the financial statements as follows:

	Governmental Activities
Cash and investments	\$ 10,591,482
Restricted cash and investments	1,531,142
Total cash and investments	<u>\$ 12,122,624</u>

Cash and investments consisted of the following as of June 30, 2024:

Deposits:	
Cash on hand	\$ 1,400
Deposits with financial institutions	3,004,165
Total Deposits	<u>3,005,565</u>
Investments:	
Local Agency Investment Fund	3,689,511
Certificates of deposit	3,896,406
PARS restricted cash with fiscal agent	1,531,142
Total investments	<u>9,117,059</u>
Total cash and investments	<u>\$ 12,122,624</u>

**A. Cash Deposits**

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution. The fair value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. Cash deposits insured up to \$250,000 per entity, per bank by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$3,462,237 at June 30, 2024 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$2,197,237, which was collateralized by securities held by pledging financial institutions. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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**B. Fair Value Measurements**

GASB 72 established a hierarchy of inputs to the valuation techniques with three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

**C. 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). Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills	5 Years	60%	n/a
Negotiable Certificates of Deposit	5 Years	30%	n/a
Local Agency Investment Fund (LAIF)	n/a	n/a	\$75M

**D. External Investment Pool**

The City's investments with LAIF at June 30, 2024, includes a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

**Structured Notes**

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

**Asset-Backed Securities**

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is not registered with the Securities and Exchange Commission and is not rated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

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**E. Risk Disclosures**

**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 term of an investment's maturity, the greater the sensitivity to changes in market 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.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2024, the City's investments were in compliance with the ratings required by the City's investment policy and Government Code.

**Concentrations of Credit 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**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2024, the City's investments had the following maturities:

Investment Type	12 Months or		Fair Value	Fair Value Input Levels
	Less	1-5 years		
Local Agency Investment Funds	\$ 3,689,511	\$ -	\$ 3,689,511	n/a
Certificates of deposit	-	3,896,406	3,896,406	Level 1
PARS restricted cash with fiscal agent	1,531,142	-	1,531,142	Level 2
Total Investments	<u>\$ 5,220,653</u>	<u>\$ 3,896,406</u>	<u>\$ 9,117,059</u>	



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**NOTE 3 - LOANS RECEIVABLE**

**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.

Loans receivable consisted of the following as of June 30, 2024:

Loans Receivable	CDBG Program Income	Federal Home Loan Reuse	Capitola Housing Successor	Total
Individual Loans	\$ 407,257	\$ 211,953	\$ 391,392	\$ 1,010,602
Bay Avenue Senior Apartments	-	3,785,969	1,880,100	5,666,069
Wharf Road Manor	-	128,057	-	128,057
Total Loans Receivable	\$ 407,257	\$ 4,125,979	\$ 2,271,492	\$ 6,804,728

**NOTE 4 - INTERFUND TRANSACTIONS**

**Inter-fund Receivables and Payables**

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. As of June 30, 2024, the City had the following interfund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 79,229	\$ -
Nonmajor Funds	-	79,229
Total Due From/To	\$ 79,229	\$ 79,229

**Transfers In/Out**

Transfers from the General Fund to the debt service funds were to fund regular debt service activity of the City. Transfers from the General Fund to the Capital Projects fund were to pay for building and infrastructure improvements. The following summarizes transfers between funds during the fiscal year ended June 30, 2024:

Fund	Transfer in	Transfer out
General Fund	\$ 100,000	\$ 3,356,788
Capital Projects Fund	2,700,000	-
Nonmajor Funds	757,788	201,000
Total Transfers	\$ 3,557,788	\$ 3,557,788

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**NOTE 5 - CAPITAL ASSETS**

Capital assets for governmental activities consisted of the following as of June 30, 2024:

Governmental activities:	Balance		Deletions/ Transfers	Balance June 30, 2024
	July 01, 2023	Additions		
<b>Non-depreciable:</b>				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in Progress	3,549,718	12,273,834	(429,932)	15,393,620
Total Non-Depreciable	8,433,507	12,273,834	(429,932)	20,277,409
<b>Depreciable:</b>				
Buildings and Improvements	18,017,712	20,650	(290,122)	17,748,240
Infrastructure	35,907,669	1,814,062	-	37,721,731
Machinery and Equipment	4,520,133	1,635,284	(820,855)	5,334,562
Total Depreciable	58,445,514	3,469,996	(1,110,977)	60,804,533
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(2,159,672)	(368,426)	215,440	(2,312,658)
Infrastructure	(23,811,144)	(568,051)	-	(24,379,195)
Machinery and Equipment	(3,967,973)	(358,565)	815,043	(3,511,495)
Total Accumulated Depreciation	(29,938,789)	(1,295,042)	1,030,483	(30,203,348)
Total Depreciable Capital Assets - Net	28,506,725	2,174,954	(80,494)	30,601,185
Total Capital Assets - Net	\$ 36,940,232	\$ 14,448,788	\$ (510,426)	\$ 50,878,594

Depreciation and amortization expense for governmental activities:

General Government	\$ 786,356
Public Safety	103,992
Culture and Recreation	45,774
Transportation	358,922
Total depreciation expense	<u>\$ 1,295,042</u>

**NOTE 6 - NONCURRENT LIABILITIES**

The City's noncurrent liabilities consisted of the following as of June 30, 2024:

Governmental Activities	Balance			Balance June 30, 2024	Due Within One Year
	July 01, 2023	Additions	Retirements		
Cove Financing	\$ 642,663	\$ -	\$ 642,663	\$ -	\$ -
Beach and Village Lot II Financing	829,917	-	67,302	762,615	68,823
Compensated Absences	915,544	608,857	497,651	1,026,750	558,098
Net OPEB liability	1,833,813	1,573,174	1,856,989	1,549,998	-
Net Pension Liability	30,056,602	10,765,807	8,664,899	32,157,510	-
Total Governmental Activities Debt	\$ 34,278,539	\$ 12,947,838	\$ 11,729,504	\$ 35,496,873	\$ 626,921

**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

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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 was 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.

This loan was completely repaid during the fiscal year ended June 30, 2024.

**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.

The following summarizes the City's debt service requirements under this agreement:

Fiscal Year	Principal	Interest	Total
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	75,259	9,949	85,208
2030-2034	402,589	23,153	425,742
Total	\$ 762,615	\$ 89,350	\$ 851,965

**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, totaled \$468,652 as of June 30, 2024.

**NOTE 7 - DEFICIT FUND BALANCES**

As of June 30, 2024, the city reported a deficit fund balance of \$773,059 in the Capital Projects Fund and \$149,941 in its nonmajor funds. These deficits are expected to be reduced by future revenues and transfers from other funds.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

*General Information about the 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 (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 risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors three miscellaneous rate plans. 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.

**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 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 Employee’s Retirement Law the California Public Employees’ Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The general fund typically is used to liquidate pension liabilities for governmental funds.

The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<b>Miscellaneous</b>		<b>Safety</b>	
	<b>Classic</b>	<b>PEPRA</b>	<b>Classic</b>	<b>PEPRA</b>
Benefit formula	2.5% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50	52	50	50-57
Monthly benefits as a				
% of eligible compensation	2-2.5%	2%	3.00%	2.70%
Required employee contribution rates	7.96%	7.75%	8.99%	13.75%
Required employer contribution rates	14.06%	7.68%	27.11%	13.54%

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**Employees Covered**

At June 30, 2024, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	51	21	72
Transferred	36	13	49
Separated	28	7	35
Retired	112	56	168
<b>Total</b>	<b>227</b>	<b>97</b>	<b>324</b>

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2024, the City’s contributions were as follows:

	Employer Contributions
Miscellaneous	\$ 1,377,687
Safety	1,637,024
<b>Total Employer Contributions</b>	<b>\$ 3,014,711</b>

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2024, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 15,170,447
Safety	16,987,063
<b>Total</b>	<b>\$ 32,157,510</b>

The City’s net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2023, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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The City's proportionate share of the net pension liability for the Plans as of June 30, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Combined Plans</u>
Proportion - June 30, 2023	0.30483%	0.22983%	0.26021%
Proportion - June 30, 2024	0.30338%	0.22725%	0.25777%
Change - Increase/(Decrease)	<u>-0.00145%</u>	<u>-0.00257%</u>	<u>-0.00244%</u>

For the year ended June 30, 2024, the City recognized pension expense of \$4,226,459.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 915,908	\$ -	\$ 991,388	\$ -
Differences between Expected and Actual Experience	774,988	120,219	1,247,164	106,770
Differences between Projected and Actual Investment Earnings	2,456,232	-	2,324,675	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	401,481	118,690	524,075
Change in Employer's Proportion	2,942	719,940	321,615	8,459
Pension Contributions Made Subsequent to Measurement Date	1,377,687	-	1,637,024	-
<b>Total</b>	<u>\$ 5,527,758</u>	<u>\$ 1,241,640</u>	<u>\$ 6,640,556</u>	<u>\$ 639,304</u>

The City reported \$3,014,711 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>		
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2025	\$ 569,125	\$ 1,391,764	\$ 1,960,889
2026	441,051	1,005,467	1,446,517
2027	1,827,776	1,902,111	3,729,887
2028	70,479	64,886	135,365
2029	-	-	-
Thereafter	-	-	-
<b>Total</b>	<u>\$ 2,908,431</u>	<u>\$ 4,364,228</u>	<u>\$ 7,272,658</u>

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	6.90% (2)
Mortality	(3)

- (1) Varies by age and service  
(2) Net of pension plan investment expenses, including inflation  
(3) Derived using CalPERS' membership data for all funds

**Discount Rate**

The discount rate used to measure the total pension liability was 6.9 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

These rates of return are net of administrative expenses as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.30% used for this period.

***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 for the Plans, calculated using the discount rate for the Plans, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	5.90%	5.90%
Net Pension Liabil \$	21,849,354	24,354,064
Current	6.90%	6.90%
Net Pension Liabil \$	15,170,447	16,987,063
1% Increase	7.90%	7.90%
Net Pension Liabil \$	9,673,133	10,964,016

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports. See <https://www.calpers.ca.gov/page/investments/about-investment-office/investment-financial-reports?stream=top>.



**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

**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](http://www.calpers.ca.gov).

**Benefits Provided**

The City offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

Employees are eligible to receive City-paid healthcare benefits upon meeting retirement eligibility requirements under applicable CalPERS provisions (Miscellaneous Classic or PEPPRA and Safety Classic or PEPPRA), or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree and, if applicable, the surviving spouse of the retiree.

The City has participated over twenty years in PEMHCA, therefore, the statutory contributions for retirees are equal to the active employees. The City also pays an administrative statutory percentage-of-premium fee for all retirees.

**Employees Covered by Benefit Terms**

At June 30, 2023, the most recent valuation date, the benefit terms covered the following employees:

Active employees	57
Inactive employees	<u>26</u>
<b>Total employees</b>	<b><u>83</u></b>

**Contributions**

The obligation of the City to contribute to the plan is based on an actuarially determined rate. 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. Total contributions during the fiscal year ended June 30, 2024 were \$158,573, which was 2% of covered payroll.

**Actuarial Assumptions**

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age, Level Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	5.50%
Mortality	2000-2019 CalPERS Experience Study

Notes:

The discount rate decreased from 7% to 6.25%.

**Discount Rate**

GASB 75 requires a discount rate that reflects the following:

- The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City’s Total OPEB liability is based on these requirements and long-term expected returns of plan investments of 6.25% as compared to a 20 year municipal index of 3.86%.

**Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate).

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

The following table provides the long-term expected real rates of return by asset class (based on published capital market assumptions):

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	49.0%	4.8%
Domestic Fixed Income	23.0%	1.8%
Treasury Inflation-Protected Securities (TIPS)	5.0%	1.6%
Real Estate Investment Trusts (REITs)	20.0%	3.7%
All Commodities	3.0%	1.9%
<b>Total</b>	<b>100.0%</b>	

**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2024:

<u>Fiscal Year Ended June 30, 2024</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
<b>Balance at June 30, 2023</b>	\$ 2,376,682	\$ 542,869	\$ 1,833,813
Service cost	97,501	-	97,501
Interest in Total OPEB Liability	169,676	-	169,676
Employer contributions	-	169,270	(169,270)
Balance of diff between actual/exp experience	(510,333)	-	(510,333)
Balance of changes in assumptions	164,493	-	164,493
Actual investment income	-	36,040	(36,040)
Administrative expenses	-	(158)	158
Benefit payments	(102,222)	(102,222)	-
<b>Net changes</b>	<b>(180,885)</b>	<b>102,930</b>	<b>(283,815)</b>
<b>Balance at June 30, 2024</b>	<b>\$ 2,195,797</b>	<b>\$ 645,799</b>	<b>\$ 1,549,998</b>
Covered Employee Payroll	\$ 7,943,922		
TOL as a % of Covered Employee Payroll	27.64%		
Service Cost as a % of Covered Emp Payroll	1.23%		
NOL as a % of Covered Employee Payroll	19.51%		

The City's OPEB Plan is a funded plan and assets have been set aside in an irrevocable trust.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

**Deferred Inflows and Outflows of Resources**

As of June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ 683,082
Difference between actual and expected earnings	37,241	-
Change in assumptions	822,784	-
OPEB contribution subsequent to measurement date	158,573	-
<b>Totals</b>	<b>\$ 1,018,598</b>	<b>\$ 683,082</b>

Contributions of \$158,573 were made subsequent to the measurement date and will be recognized as OPEB expense fiscal year 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2025	\$ 67,163
2026	64,577
2027	82,158
2028	59,435
2029	59,023
Thereafter	(155,413)
<b>Total</b>	<b>\$ 176,943</b>

**OPEB Expense**

The following summarizes the OPEB expense by source during the year ended June 30, 2024:

Service cost	\$ 97,501
Interest in TOL	169,676
Expected investment income	(38,096)
Difference between actual and expected experience	(84,927)
Difference between actual and expected earnings	8,638
Change in assumptions	143,950
Administrative expenses	158
<b>OPEB Expense</b>	<b>\$ 296,900</b>

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024:

Net OPEB liability ending	\$ 1,549,998
Net OPEB liability beginning	<u>(1,833,813)</u>
Change in net OPEB liability	(283,815)
Changes in deferred outflows	(3,264)
Changes in deferred inflows	425,406
Employer contributions	<u>158,573</u>
<b>OPEB Expense</b>	<b><u>\$ 296,900</u></b>

**Sensitivity to Changes in the Municipal Bond Rate**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	<u>Discount Rate</u>		
	<u>(1% Decrease)</u>	<u>1.92%</u>	<u>(1% Increase)</u>
Net OPEB Liability (Asset)	\$ 1,818,672	\$ 1,549,998	\$ 1,322,369

**Sensitivity to Changes in the Healthcare Cost Trend Rates**

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	<u>Trend Rate</u>		
	<u>(1% Decrease)</u>	<u>5.00%</u>	<u>(1% Increase)</u>
Net OPEB Liability (Asset)	\$ 1,279,941	\$ 1,549,998	\$ 1,881,828

**NOTE 10 - RISK MANAGEMENT**

**Municipal Pooling Authority (MPA)**

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.

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

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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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 \$90,000 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 Agency's 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.

There were no material unpaid and uninsured claims outstanding at the beginning or end of the last two fiscal years. Settlements have not exceeded insurance in the past three fiscal years.

**NOTE 11 - 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.

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.

**City of Capitola**  
**Notes to the Basic Financial Statements**  
**June 30, 2024**

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**Litigation**

The City is subject to certain matters of litigation that may arise in the normal course of conducting City business. City management believes, based upon consultation with legal counsel, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**Federal and State Grant Programs**

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Uniform Guidance and applicable State requirements. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City 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, 2024 (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.

**Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year end. Encumbrances outstanding as of June 30, 2024 totaled \$2.77 million.

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS – ACCOUNTING CHANGES AND CORRECTIONS**

As of June 30, 2024, the City increased beginning net position in its governmental activities by \$306,658 to reflect a change in the application of accounting policies and related estimates as of June 30, 2024. This adjustment is reflected by fund and opinion unit in the governmental fund statement of revenues, expenditures and changes in fund balance.



## **REQUIRED SUPPLEMENTARY INFORMATION**



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**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 14,943,970	\$ 14,643,970	\$ 14,495,882	\$ (148,088)
Licenses and permits	645,500	645,500	757,312	111,812
Fines and forfeitures	607,500	607,500	425,043	(182,457)
Intergovernmental	108,000	274,752	223,792	(50,960)
Charges for Services	2,212,637	2,212,637	2,298,937	86,300
Use of money and property	209,495	209,495	478,610	269,115
Other revenue	214,401	244,401	334,933	90,532
<b>Total Revenues</b>	<b>18,941,503</b>	<b>18,838,255</b>	<b>19,014,509</b>	<b>176,254</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,668,814	3,735,085	3,604,714	130,371
Public safety	7,201,461	7,371,463	7,740,343	(368,880)
Community development	1,006,504	1,006,504	947,297	59,207
Culture and recreation	2,408,921	2,366,515	2,677,956	(311,441)
Transportation	3,377,464	3,435,590	3,682,149	(246,559)
Capital outlay	649,000	480,743	1,039,033	(558,290)
<b>Total Expenditures</b>	<b>18,312,164</b>	<b>18,395,900</b>	<b>19,691,492</b>	<b>(1,295,592)</b>
Excess (Deficiency) of Revenues over Expenditures	629,339	442,355	(676,983)	(1,119,338)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,456,788)	(1,456,788)	(3,356,788)	(1,900,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,356,788)</b>	<b>(1,356,788)</b>	<b>(3,256,788)</b>	<b>(1,900,000)</b>
Net Change in Fund Balance	(727,449)	(914,433)	(3,933,771)	(3,019,338)
Fund Balance Beginning	10,606,744	10,606,744	10,606,744	-
Prior Period Adjustments	344,346	344,346	344,346	-
Fund Balance Beginning, as Adjusted	10,951,090	10,951,090	10,951,090	-
Fund Balance Ending	\$ 10,223,641	\$ 10,036,657	\$ 7,017,319	\$ (3,019,338)

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". Expenditures in excess of appropriations were covered by budgets in other objects/functions or beginning fund balance.

**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Federal Home Loan Reuse Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 86,985	\$ 86,985
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>86,985</b>	<b>86,985</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,100	64,100	3,700	60,400
<b>Total Expenditures</b>	<b>4,100</b>	<b>64,100</b>	<b>3,700</b>	<b>60,400</b>
Net Change in Fund Balance	(4,100)	(64,100)	83,285	147,385
Fund Balance Beginning	4,780,025	4,780,025	4,780,025	-
Prior Period Adjustments	154,340	154,340	154,340	-
Fund Balance Beginning, as Adjusted	4,934,365	4,934,365	4,934,365	-
Fund Balance Ending	\$ 4,930,265	\$ 4,870,265	\$ 5,017,650	\$ 147,385

**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Capitola Housing Successor Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 40,000	\$ 40,000	\$ 153,801	\$ 113,801
<b>Total Revenues</b>	<b>40,000</b>	<b>40,000</b>	<b>153,801</b>	<b>113,801</b>
<b>EXPENDITURES</b>				
Current:				
Community development	155,807	405,807	324,528	81,279
<b>Total Expenditures</b>	<b>155,807</b>	<b>405,807</b>	<b>324,528</b>	<b>81,279</b>
Net Change in Fund Balance	(115,807)	(365,807)	(170,727)	195,080
Fund Balance Beginning	4,329,058	4,329,058	4,329,058	-
Prior Period Adjustments	20,076	20,076	20,076	-
Fund Balance Beginning, as Adjusted	4,349,134	4,349,134	4,349,134	-
Fund Balance Ending	\$ 4,233,327	\$ 3,983,327	\$ 4,178,407	\$ 195,080

**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**RTC Streets Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 371,000	\$ 371,000	\$ 359,670	\$ (11,330)
Use of money and property	-	-	19,644	19,644
<b>Total Revenues</b>	<b>371,000</b>	<b>371,000</b>	<b>379,314</b>	<b>8,314</b>
<b>EXPENDITURES</b>				
Capital outlay	366,000	386,345	33,061	353,284
<b>Total Expenditures</b>	<b>366,000</b>	<b>386,345</b>	<b>33,061</b>	<b>353,284</b>
Net Change in Fund Balance	5,000	(15,345)	346,253	361,598
Fund Balance Beginning	185,892	185,892	185,892	-
Fund Balance Ending	\$ 190,892	\$ 170,547	\$ 532,145	\$ 361,598

**City of City of Capitola**  
**Schedule of Pension Contributions (CalPERS Miscellaneous)**  
**June 30, 2024**  
**(Last Ten Years)**

**Miscellaneous Plan**

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 261,550	\$ 448,910	\$ 516,728	\$ 832,631	\$ 838,617
Contributions in Relation to					
Contractually Required Contributions	261,550	448,910	516,728	832,631	838,617
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,147,103	\$ 3,245,529	\$ 3,370,438	\$ 3,434,216	\$ 3,504,309
Contributions as a % of Covered Payroll	8.31%	13.83%	15.33%	24.25%	23.93%

**Miscellaneous Plan**

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Contractually Required Contributions	\$ 913,110	\$ 1,024,725	\$ 1,173,195	\$ 1,290,739	\$ 1,377,687
Contributions in Relation to					
Contractually Required Contributions	913,110	1,024,725	1,173,195	1,290,739	1,377,687
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,799,393	\$ 3,432,738	\$ 3,656,822	\$ 3,818,143	\$ 3,908,367
Contributions as a % of Covered Payroll	24.03%	29.85%	32.08%	33.81%	35.25%

**Notes to Schedule:**

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
Remaining Amortization Period no more than 29 years  
Inflation Assumed at 2.30%  
Investment Rate of Returns set at 6.8%  
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of City of Capitola**  
**Schedule of Pension Contributions (CalPERS Safety)**  
**June 30, 2024**  
**(Last Ten Years)**

**Safety Plan**

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 640,785	\$ 741,692	\$ 536,507	\$ 937,396	\$ 954,292
Contributions in Relation to					
Contractually Required Contributions	640,785	741,692	536,507	937,396	954,292
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,283,732	\$ 2,308,245	\$ 2,402,133	\$ 2,487,719	\$ 2,381,492
Contributions as a % of Covered Payroll	28.06%	32.13%	22.33%	37.68%	40.07%

**Safety Plan**

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Contractually Required Contributions	\$ 1,199,415	\$ 1,307,218	\$ 1,512,085	\$ 1,624,178	\$ 1,637,024
Contributions in Relation to					
Contractually Required Contributions	1,199,415	1,307,218	1,512,085	1,624,178	1,637,024
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,371,092	\$ 2,300,530	\$ 2,632,190	\$ 2,734,960	\$ 2,716,661
Contributions as a % of Covered Payroll	50.58%	56.82%	57.45%	59.39%	60.26%

**Notes to Schedule:**

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
Remaining Amortization Period no more than 29 years  
Inflation Assumed at 2.30%  
Investment Rate of Returns set at 6.8%  
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.

**City of City of Capitola**  
**Schedule of Proportionate Share of Net Pension Liability**  
**June 30, 2024**  
**(Last Ten Years)**

**Miscellaneous and Safety Plan**

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Proportion of Net Pension Liability (Safety and Misc)	0.19640%	0.22276%	0.22460%	0.22542%	0.23208%
Proportion of Net Pension Liability (Misc Plan Only)	0.23223%	0.27813%	0.27444%	0.27777%	0.28641%
Proportionate Share of Net Pension Liability	\$ 12,221,177	\$ 15,290,341	\$ 19,435,188	\$ 22,355,266	\$ 22,363,591
Covered Payroll	\$ 5,267,910	\$ 5,430,835	\$ 5,553,774	\$ 5,772,571	\$ 5,921,935
Proportionate Share of NPL as a % of Covered Payroll	231.99%	281.55%	349.95%	387.27%	377.64%
Plan's Fiduciary Net Position as a % of the TPL	79.99%	74.72%	72.55%	71.66%	72.50%

**Miscellaneous and Safety Plan**

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Proportion of Net Pension Liability (Safety and Misc)	0.23566%	0.23999%	0.31633%	0.26021%	0.25777%
Proportion of Net Pension Liability (Misc Plan Only)	0.29038%	0.29469%	0.42981%	0.30483%	0.30338%
Proportionate Share of Net Pension Liability	\$ 24,148,410	\$ 26,111,558	\$ 17,108,187	\$ 30,056,602	\$ 32,157,510
Covered Payroll	\$ 5,885,801	\$ 6,170,485	\$ 5,733,268	\$ 6,289,012	\$ 6,553,103
Proportionate Share of NPL as a % of Covered Payroll	410.28%	423.17%	298.40%	477.92%	490.72%
Plan's Fiduciary Net Position as a % of the TPL	71.85%	70.61%	81.35%	69.15%	68.81%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.



**City of City of Capitola**  
**Schedule of OPEB Contributions**  
**June 30, 2024**  
**(Last Ten Years)**

<b>Fiscal Year Ended</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Actuarially determined contribution (ADC)	\$ 87,697	\$ 88,801	\$ 82,353	\$ 155,509	\$ 99,732	\$ 169,270	\$ 158,573
Less: actual contribution in relation to ADC	(86,090)	(88,801)	(82,353)	(155,509)	(99,732)	(169,270)	(158,573)
Contribution deficiency (excess)	\$ 1,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221	\$ 7,943,922
Contrib. as a % of covered employee payroll	1.61%	1.60%	1.43%	2.53%	1.59%	2.30%	2.00%

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	June 30, 2023
Measurement Date:	June 30, 2023
Actuarial Cost Method:	Entry-Age, Level Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	5.50%
Investment Rate of Return	6.25%
Mortality	2000-2019 CalPERS Experience Study

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Discount rates decreased from 7% to 6.25% in FY24.

**City of City of Capitola**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**June 30, 2024**  
**(Last Ten Years)**

Measurement Date	2017	2018	2019	2020	2021	2022	2023
Fiscal Year Ended	2018	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 26,537	\$ 27,267	\$ 32,631	\$ 113,292	\$ 104,614	\$ 109,131	\$ 97,501
Interest	51,739	57,232	62,516	140,891	151,868	158,499	169,676
Diff. between expected/actual experience	-	-	(203,258)	-	(168,232)	-	(510,333)
Changes of assumptions	-	-	1,202,217	-	94,950	-	164,493
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)
Net change in Total OPEB Liability	51,644	56,802	1,065,305	171,830	87,941	176,994	(180,885)
Total OPEB Liability - beginning	766,166	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682
Total OPEB Liability - ending	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797
<b>Plan fiduciary net position</b>							
Net investment income	15,205	16,868	17,834	12,995	116,763	(74,613)	36,040
Employer contributions	81,540	87,697	88,801	82,353	155,509	150,886	169,270
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)
Administrative expense	(127)	(397)	-	(180)	(164)	(141)	(158)
Other	-	31	-	-	-	-	-
Net change in plan fiduciary net position	69,986	76,502	77,834	12,815	176,849	(14,504)	102,930
Plan fiduciary net position - beginning	143,387	213,373	289,875	367,709	380,524	557,373	542,869
Plan fiduciary net position - ending	213,373	289,875	367,709	380,524	557,373	542,869	645,799
Net OPEB liability (asset)	\$ 604,437	584,737	1,572,208	1,731,223	1,642,315	1,833,813	1,549,998
Plan fiduciary net position as a % of the total OPEB liability	26.09%	33.14%	18.95%	18.02%	25.34%	22.84%	29.41%
Covered Employee Payroll	\$ 5,787,564	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221
NOL as a % of covered employee payroll	10.44%	10.91%	28.24%	30.07%	26.72%	29.17%	21.11%
TOL as a % of covered employee payroll	14.13%	16.31%	34.84%	36.68%	35.79%	37.81%	29.90%

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.



## **SUPPLEMENTARY INFORMATION**

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 3,500,000	\$ 6,693,700	\$ 5,112,589	\$ (1,581,111)
Other revenue	1,227,000	1,227,000	225,695	(1,001,305)
<b>Total Revenues</b>	<b>4,727,000</b>	<b>7,920,700</b>	<b>5,338,284</b>	<b>(2,582,416)</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	(6,774)	22,058	(28,832)
Capital outlay	12,686,300	11,596,468	14,190,597	(2,594,129)
<b>Total Expenditures</b>	<b>12,686,300</b>	<b>11,589,694</b>	<b>14,212,655</b>	<b>(2,622,961)</b>
Excess (Deficiency) of Revenues over Expenditures	(7,959,300)	(3,668,994)	(8,874,371)	(5,205,377)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,450,000	2,450,000	2,700,000	250,000
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,450,000</b>	<b>2,450,000</b>	<b>2,700,000</b>	<b>250,000</b>
Net Change in Fund Balance	(5,509,300)	(1,218,994)	(6,174,371)	(4,955,377)
Fund Balance Beginning	5,842,965	5,842,965	5,842,965	-
Prior Period Adjustments	(441,653)	(441,653)	(441,653)	-
Fund Balance Beginning, as Adjusted	5,401,312	5,401,312	5,401,312	-
Fund Balance Ending	\$ (107,988)	\$ 4,182,318	\$ (773,059)	\$ (4,955,377)

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## NONMAJOR GOVERNMENTAL 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.

#### Supplemental Law Enforcement Fund

This fund accounts for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California, including the COPS grant to provide funding for Community Oriented Policing & Problem Solving (COPPS) programs.

#### Restricted Transient Occupancy Tax (TOT) Fund

This fund accounts for the Measure J 12% transient occupancy tax which is restricted to 0.4% for local business groups and 0.35% for early childhood and youth programming.

#### Senate Bill 1 (SB1) Road Rehabilitation and Maintenance Fund

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

#### 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.

#### Public Art Fee Fund

This fund accumulates money received as public art fees to acquire works of art to be displayed in or about public places within the city.

#### Parking Reserve 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 Fund

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

## NONMAJOR GOVERNMENTAL FUNDS

### **Library Fund**

This fund accounts for revenues received for project enhancements related to the new Capitola Branch Library opened in June 2021.

### **Affordable Housing Fund**

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.

### **Permanent Local Housing Allocation Fund**

This fund accounts for Senate Bill 2 (SB 2) recording fees on real estate documents that are allocated to local governments for eligible housing and homelessness activities and provide a permanent, on-going source of funding for housing-related projects and programs that address the unmet housing needs of the community.

### **Debt Service Fund**

#### **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**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

Special Revenue Funds

	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
<b>ASSETS</b>					
Cash and investments	\$ 175,016	\$ 72,160	\$ 507,023	\$ 247,595	\$ 123,459
Accounts receivable	-	-	-	-	-
Interest receivable	2,266	811	5,594	23,267	-
Due from other governments	-	-	20,510	2,750	1,408
Loans receivable	-	-	-	-	-
<b>Total assets</b>	<b>\$ 177,282</b>	<b>\$ 72,971</b>	<b>\$ 533,127</b>	<b>\$ 273,612</b>	<b>\$ 124,867</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,504	\$ 9,755	\$ -	\$ 12,039	\$ -
Deposits payable	-	-	-	-	78
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>2,504</b>	<b>9,755</b>	<b>-</b>	<b>12,039</b>	<b>78</b>
<b>Fund Balances:</b>					
Restricted:					
Public safety	174,778	-	-	-	-
Transportation	-	-	533,127	261,573	-
Community development	-	63,216	-	-	-
Culture and recreation	-	-	-	-	124,789
Assigned:					
Debt service	-	-	-	-	-
Unassigned					
	-	-	-	-	-
<b>Total fund balances</b>	<b>174,778</b>	<b>63,216</b>	<b>533,127</b>	<b>261,573</b>	<b>124,789</b>
<b>Total liabilities and fund balances</b>	<b>\$ 177,282</b>	<b>\$ 72,971</b>	<b>\$ 533,127</b>	<b>\$ 273,612</b>	<b>\$ 124,867</b>

Cont'd

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

Special Revenue Funds

	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
<b>ASSETS</b>				
Cash and investments	\$ 158,505	\$ 737	\$ 112,038	\$ 54,450
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	602
Due from other governments	-	-	-	2,479
Loans receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Public safety	-	-	-	-
Transportation	-	737	-	-
Community development	-	-	112,038	-
Culture and recreation	158,505	-	-	57,531
Assigned:				
Debt service	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>158,505</b>	<b>737</b>	<b>112,038</b>	<b>57,531</b>
<b>Total liabilities and fund balances</b>	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>

Cont'd

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

Special Revenue Funds

	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
<b>ASSETS</b>					
Cash and investments	\$ 28,504	\$ -	\$ 47,165	\$ 52,121	\$ 271,905
Accounts receivable	3,634	-	-	-	-
Interest receivable	347	-	534	590	5,218
Due from other governments	-	-	-	-	-
Loans receivable	-	-	407,257	-	-
<b>Total assets</b>	<b>\$ 32,485</b>	<b>\$ -</b>	<b>\$ 454,956</b>	<b>\$ 52,711</b>	<b>\$ 277,123</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 70,712	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-
Due to other funds	-	79,229	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>149,941</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	32,485	-	454,956	52,711	277,123
Culture and recreation	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Unassigned					
	-	(149,941)	-	-	-
<b>Total fund balances</b>	<b>32,485</b>	<b>(149,941)</b>	<b>454,956</b>	<b>52,711</b>	<b>277,123</b>
<b>Total liabilities and fund balances</b>	<b>\$ 32,485</b>	<b>\$ -</b>	<b>\$ 454,956</b>	<b>\$ 52,711</b>	<b>\$ 277,123</b>

Cont'd

**City of Capitola**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund		
<b>ASSETS</b>					
Cash and investments	\$ 99,836	\$ 75,277	\$ 12	\$	2,025,803
Accounts receivable	-	-	-		3,634
Interest receivable	-	-	-		39,229
Due from other governments	-	-	-		27,147
Loans receivable	-	-	-		407,257
<b>Total assets</b>	<b>\$ 99,836</b>	<b>\$ 75,277</b>	<b>\$ 12</b>	<b>\$</b>	<b>2,503,070</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$	95,010
Deposits payable	-	-	-		78
Due to other funds	-	-	-		79,229
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,317</b>
<b>Fund Balances:</b>					
Restricted:					
Public safety	-	-	-		174,778
Transportation	-	-	-		795,437
Community development	99,836	-	-		1,092,365
Culture and recreation	-	-	-		340,825
Assigned:					
Debt service	-	75,277	12		75,289
Unassigned	-	-	-		(149,941)
<b>Total fund balances</b>	<b>99,836</b>	<b>75,277</b>	<b>12</b>	<b></b>	<b>2,328,753</b>
<b>Total liabilities and fund balances</b>	<b>\$ 99,836</b>	<b>\$ 75,277</b>	<b>\$ 12</b>	<b>\$</b>	<b>2,503,070</b>

Concluded

**City of Capitola**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Special Revenue Funds				
	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ 101,092	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	100,000	-	249,261	270,231	-
Charges for services	-	-	-	-	-
Use of money and property	7,526	3,392	16,517	10,618	5,373
Other revenue	-	-	-	-	-
<b>Total Revenues</b>	<b>107,526</b>	<b>104,484</b>	<b>265,778</b>	<b>280,849</b>	<b>5,373</b>
<b>EXPENDITURES</b>					
Current:					
General government	42,018	99,741	-	275,742	-
Culture and recreation	-	-	-	-	46,778
Capital outlay	42,343	-	21,801	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,361</b>	<b>99,741</b>	<b>21,801</b>	<b>275,742</b>	<b>46,778</b>
Excess (Deficiency) of Revenues over Expenditures	23,165	4,743	243,977	5,107	(41,405)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	23,165	4,743	243,977	5,107	(41,405)
Fund Balances Beginning	151,613	58,473	289,150	256,466	166,194
Prior Period Adjustments	-	-	-	-	-
Fund Balances Beginning, as Adjusted	151,613	58,473	289,150	256,466	166,194
Fund Balances Ending	<b>\$ 174,778</b>	<b>\$ 63,216</b>	<b>\$ 533,127</b>	<b>\$ 261,573</b>	<b>\$ 124,789</b>

Cont'd

**City of Capitola**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Special Revenue Funds			
	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	10,453
Intergovernmental	-	-	-	-
Charges for services	-	-	18,726	-
Use of money and property	-	-	-	1,998
Other revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
<b>EXPENDITURES</b>				
Current:				
General government	7,731	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>7,731</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	<b>(7,731)</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	<b>(7,731)</b>	<b>-</b>	<b>18,726</b>	<b>12,451</b>
Fund Balances Beginning	-	737	93,312	45,080
Prior Period Adjustments	166,236	-	-	-
Fund Balances Beginning, as Adjusted	<b>166,236</b>	<b>737</b>	<b>93,312</b>	<b>45,080</b>
Fund Balances Ending	<b>\$ 158,505</b>	<b>\$ 737</b>	<b>\$ 112,038</b>	<b>\$ 57,531</b>

Cont'd

**City of Capitola**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

## Special Revenue Funds

	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
<b>REVENUES</b>					
Taxes	\$ 36,761	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	160,561	-	-	-
Charges for services	53,854	-	-	-	78,188
Use of money and property	1,934	-	1,906	2,103	17,032
Other revenue	41,704	-	-	-	567
<b>Total Revenues</b>	<b>134,253</b>	<b>160,561</b>	<b>1,906</b>	<b>2,103</b>	<b>95,787</b>
<b>EXPENDITURES</b>					
Current:					
General government	146,011	239,612	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>146,011</b>	<b>239,612</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	(11,758)	(79,051)	1,906	2,103	95,787
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(201,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(201,000)</b>
Net Change in Fund Balances	(11,758)	(79,051)	1,906	2,103	(105,213)
Fund Balances Beginning	44,243	(70,890)	443,439	-	379,242
Prior Period Adjustments	-	-	9,611	50,608	3,094
Fund Balances Beginning, as Adjusted	44,243	(70,890)	453,050	50,608	382,336
Fund Balances Ending	\$ 32,485	\$ (149,941)	\$ 454,956	\$ 52,711	\$ 277,123

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**City of Capitola**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Special Revenue			Total Nonmajor Governmental Funds
	Funds	Debt Service Funds		
	Permanent Local Housing Allocation Fund	Pacific Cove Debt Financing Fund	Beach & Village Lot II Debt Financing Fund	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 137,853
Licenses and permits	-	-	-	10,453
Intergovernmental	105,092	-	-	885,145
Charges for services	-	-	-	150,768
Use of money and property	-	-	-	68,399
Other revenue	-	-	-	42,271
<b>Total Revenues</b>	<b>105,092</b>	<b>-</b>	<b>-</b>	<b>1,294,889</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,256	-	-	816,111
Culture and recreation	-	-	-	46,778
Capital outlay	-	-	-	64,144
Debt service:				
Principal	-	642,663	67,302	709,965
Interest and fiscal charges	-	7,277	20,486	27,763
<b>Total Expenditures</b>	<b>5,256</b>	<b>649,940</b>	<b>87,788</b>	<b>1,664,761</b>
Excess (Deficiency) of Revenues over Expenditures	99,836	(649,940)	(87,788)	(369,872)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	670,000	87,788	757,788
Transfers out	-	-	-	(201,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>670,000</b>	<b>87,788</b>	<b>556,788</b>
Net Change in Fund Balances	99,836	20,060	-	186,916
Fund Balances Beginning	-	55,217	12	1,912,288
Prior Period Adjustments	-	-	-	229,549
Fund Balances Beginning, as Adjusted	-	55,217	12	2,141,837
Fund Balances Ending	\$ 99,836	\$ 75,277	\$ 12	\$ 2,328,753

Concluded



**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Supplemental Law Enforcement Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	100,000	100,000	-
Charges for Services	-	-	-	-
Use of money and property	500	500	7,526	7,026
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>100,500</b>	<b>100,500</b>	<b>107,526</b>	<b>7,026</b>
<b>EXPENDITURES</b>				
Current:				
General government	36,000	36,000	42,018	(6,018)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	65,000	33,000	42,343	(9,343)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>101,000</b>	<b>69,000</b>	<b>84,361</b>	<b>(15,361)</b>
Excess (Deficiency) of Revenues over Expenditures	(500)	31,500	23,165	(8,335)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(120,000)	(120,000)	-	120,000
<b>Total Other Financing Sources (Uses)</b>	<b>(120,000)</b>	<b>(120,000)</b>	<b>-</b>	<b>120,000</b>
Net Change in Fund Balances	(120,500)	(88,500)	23,165	111,665
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	151,613	151,613	151,613	-
Fund Balances Ending	<b>\$ 31,113</b>	<b>\$ 63,113</b>	<b>\$ 174,778</b>	<b>\$ 111,665</b>

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Restricted Transient Occupancy Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 101,092	\$ 101,092
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	3,392	3,392
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	104,484	104,484
<b>EXPENDITURES</b>				
Current:				
General government	151,667	151,667	99,741	51,926
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	151,667	151,667	99,741	51,926
Excess (Deficiency) of Revenues over Expenditures	(151,667)	(151,667)	4,743	156,410
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	101,333	101,333	-	(101,333)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	101,333	101,333	-	(101,333)
Net Change in Fund Balances	(50,334)	(50,334)	4,743	55,077
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	58,473	58,473	58,473	-
Fund Balances Ending	\$ 8,139	\$ 8,139	\$ 63,216	\$ 55,077

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Road Rehabilitation and Maintenance Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	248,500	248,500	249,261	761
Charges for Services	-	-	-	-
Use of money and property	-	-	16,517	16,517
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>248,500</b>	<b>248,500</b>	<b>265,778</b>	<b>17,278</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	243,500	243,500	21,801	221,699
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>243,500</b>	<b>243,500</b>	<b>21,801</b>	<b>221,699</b>
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	243,977	238,977
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	5,000	5,000	243,977	238,977
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	289,150	289,150	289,150	-
Fund Balances Ending	<b>\$ 294,150</b>	<b>\$ 294,150</b>	<b>\$ 533,127</b>	<b>\$ 238,977</b>

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Gas Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	283,381	283,381	270,231	(13,150)
Charges for Services	-	-	-	-
Use of money and property	1,500	1,500	10,618	9,118
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>284,881</b>	<b>284,881</b>	<b>280,849</b>	<b>(4,032)</b>
<b>EXPENDITURES</b>				
Current:				
General government	283,000	258,609	275,742	(17,133)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>283,000</b>	<b>258,609</b>	<b>275,742</b>	<b>(17,133)</b>
Excess (Deficiency) of Revenues over Expenditures	1,881	26,272	5,107	(21,165)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,881	26,272	5,107	(21,165)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	256,466	256,466	256,466	-
Fund Balances Ending	<b>\$ 258,347</b>	<b>\$ 282,738</b>	<b>\$ 261,573</b>	<b>\$ (21,165)</b>

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Wharf Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	5,373	5,373
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	5,373	5,373
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	46,778	(46,778)
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	46,778	(46,778)
Excess (Deficiency) of Revenues over Expenditures	-	-	(41,405)	(41,405)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	(41,405)	(41,405)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	166,194	166,194	166,194	-
Fund Balances Ending	\$ 166,194	\$ 166,194	\$ 124,789	\$ (41,405)

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Public Art Fee Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	5,000	5,000	-	(5,000)
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>(5,000)</b>
<b>EXPENDITURES</b>				
Current:				
General government	75,500	75,500	7,731	67,769
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>75,500</b>	<b>75,500</b>	<b>7,731</b>	<b>67,769</b>
Excess (Deficiency) of Revenues over Expenditures	(70,500)	(70,500)	(7,731)	62,769
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(70,500)	(70,500)	(7,731)	62,769
Prior Period Adjustments	-	-	166,236	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	<b>\$ (70,500)</b>	<b>\$ (70,500)</b>	<b>\$ 158,505</b>	<b>\$ 229,005</b>

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**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Parking Reserve Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	737	737	737	-
Fund Balances Ending	\$ 737	\$ 737	\$ 737	\$ -

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Technology Fees Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	11,500	11,500	18,726	7,226
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>11,500</b>	<b>11,500</b>	<b>18,726</b>	<b>7,226</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	9,750	9,750	-	9,750
Culture and recreation	-	-	-	-
Transportation	3,500	3,500	-	3,500
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>13,250</b>	<b>13,250</b>	<b>-</b>	<b>13,250</b>
Excess (Deficiency) of Revenues over Expenditures	(1,750)	(1,750)	18,726	20,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(1,750)	(1,750)	18,726	20,476
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	93,312	93,312	93,312	-
Fund Balances Ending	<b>\$ 91,562</b>	<b>\$ 91,562</b>	<b>\$ 112,038</b>	<b>\$ 20,476</b>

Cont'd



**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	PEG Cable TV Access Fee Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	16,000	16,000	10,453	(5,547)
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	1,998	1,998
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>16,000</b>	<b>16,000</b>	<b>12,451</b>	<b>(3,549)</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	15,000	15,000	-	15,000
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>15,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
Excess (Deficiency) of Revenues over Expenditures	1,000	1,000	12,451	11,451
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,000	1,000	12,451	11,451
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	45,080	45,080	45,080	-
Fund Balances Ending	\$ 46,080	\$ 46,080	\$ 57,531	\$ 11,451

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Capitola Village and Wharf BIA Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 36,761	\$ 36,761
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	53,584	53,584	53,854	270
Use of money and property	100	100	1,934	1,834
Other Revenue	56,500	56,500	41,704	(14,796)
<b>Total Revenues</b>	<b>110,184</b>	<b>110,184</b>	<b>134,253</b>	<b>24,069</b>
<b>EXPENDITURES</b>				
Current:				
General government	157,500	157,500	146,011	11,489
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>157,500</b>	<b>157,500</b>	<b>146,011</b>	<b>11,489</b>
Excess (Deficiency) of Revenues over Expenditures	(47,316)	(47,316)	(11,758)	35,558
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	36,500	36,500	-	(36,500)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>36,500</b>	<b>36,500</b>	<b>-</b>	<b>(36,500)</b>
Net Change in Fund Balances	(10,816)	(10,816)	(11,758)	(942)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	44,243	44,243	44,243	-
Fund Balances Ending	\$ 33,427	\$ 33,427	\$ 32,485	\$ (942)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	CDBG Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	253,335	253,335	160,561	(92,774)
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>253,335</b>	<b>253,335</b>	<b>160,561</b>	<b>(92,774)</b>
<b>EXPENDITURES</b>				
Current:				
General government	273,335	273,335	239,612	33,723
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>273,335</b>	<b>273,335</b>	<b>239,612</b>	<b>33,723</b>
Excess (Deficiency) of Revenues over Expenditures	(20,000)	(20,000)	(79,051)	(59,051)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(20,000)	(20,000)	(79,051)	(59,051)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	(70,890)	(70,890)	(70,890)	-
Fund Balances Ending	<b>\$ (90,890)</b>	<b>\$ (90,890)</b>	<b>\$ (149,941)</b>	<b>\$ (59,051)</b>

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	CDBG Program Income Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	250	250	1,906	1,656
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>250</b>	<b>250</b>	<b>1,906</b>	<b>1,656</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	7,500	-	7,500
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>7,500</b>
Excess (Deficiency) of Revenues over Expenditures	250	(7,250)	1,906	9,156
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	250	(7,250)	1,906	9,156
Prior Period Adjustments	-	-	9,611	-
Fund Balances Beginning, as Adjusted	443,439	443,439	443,439	-
Fund Balances Ending	\$ 443,689	\$ 436,189	\$ 454,956	\$ 18,767

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Library Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	1,500	1,500	2,103	603
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>1,500</b>	<b>1,500</b>	<b>2,103</b>	<b>603</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	1,500	1,500	2,103	603
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	1,500	1,500	2,103	603
Prior Period Adjustments	-	-	50,608	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	\$ 1,500	\$ 1,500	\$ 52,711	\$ 51,211

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Affordable Housing Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	10,000	10,000	78,188	68,188
Use of money and property	-	-	17,032	17,032
Other Revenue	-	-	567	567
<b>Total Revenues</b>	<b>10,000</b>	<b>10,000</b>	<b>95,787</b>	<b>85,787</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	10,000	10,000	95,787	85,787
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(201,000)	(201,000)	(201,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(201,000)</b>	<b>(201,000)</b>	<b>(201,000)</b>	<b>-</b>
Net Change in Fund Balances	(191,000)	(191,000)	(105,213)	85,787
Prior Period Adjustments	-	-	3,094	-
Fund Balances Beginning, as Adjusted	379,242	379,242	379,242	-
Fund Balances Ending	\$ 188,242	\$ 188,242	\$ 277,123	\$ 88,881

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Permanent Local Housing Allocation Fund			
	Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	481,732	481,732	105,092	(376,640)
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>481,732</b>	<b>481,732</b>	<b>105,092</b>	<b>(376,640)</b>
<b>EXPENDITURES</b>				
Current:				
General government	256,800	256,800	5,256	251,544
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>256,800</b>	<b>256,800</b>	<b>5,256</b>	<b>251,544</b>
Excess (Deficiency) of Revenues over Expenditures	224,932	224,932	99,836	(125,096)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	224,932	224,932	99,836	(125,096)
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	-	-	-	-
Fund Balances Ending	\$ 224,932	\$ 224,932	\$ 99,836	\$ (125,096)

Cont'd

**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	Pacific Cove Debt Financing Fund			
	Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	725,000	725,000	642,663	82,337
Interest and fiscal charges	-	-	7,277	(7,277)
<b>Total Expenditures</b>	<b>725,000</b>	<b>725,000</b>	<b>649,940</b>	<b>75,060</b>
Excess (Deficiency) of Revenues over Expenditures	(725,000)	(725,000)	(649,940)	75,060
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	670,000	670,000	670,000	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>670,000</b>	<b>670,000</b>	<b>670,000</b>	<b>-</b>
Net Change in Fund Balances	(55,000)	(55,000)	20,060	75,060
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	55,217	55,217	55,217	-
Fund Balances Ending	\$ 217	\$ 217	\$ 75,277	\$ 75,060

Cont'd



**City of Capitola**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

<u>Beach &amp; Village Lot II Debt Financing Fund</u>				
	<u>Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	67,302	67,302	67,302	-
Interest and fiscal charges	20,486	20,486	20,486	-
<b>Total Expenditures</b>	<u>87,788</u>	<u>87,788</u>	<u>87,788</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(87,788)</u>	<u>(87,788)</u>	<u>(87,788)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	87,788	87,788	87,788	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>87,788</u>	<u>87,788</u>	<u>87,788</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Prior Period Adjustments	-	-	-	-
Fund Balances Beginning, as Adjusted	<u>12</u>	<u>12</u>	<u>12</u>	<u>-</u>
Fund Balances Ending	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ -</u>

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## STATISTICAL SECTION

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This part of the City’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

## Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds
5. General Revenues by Source

## Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax:

5. Net Taxable Assessed Value History
6. Assessed Value of Taxable Property
7. Direct and Overlapping Property Tax Rates
8. Top Ten Property Taxpayers
9. Property Tax Levies and Collections
10. Top 25 Sales Tax Taxpayers

## Debt Capacity

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future:

11. Ratios of Outstanding Debt by Type
12. Ratios of General Bonded Debt Outstanding
13. Direct and Overlapping Debt
14. Legal Debt Margin Information

## Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place:

15. Demographic and Economic Statistics
16. Principal Employers

## Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs:

17. Full-Time Equivalent Employees by Function
18. Operating Indicators by Function
19. Capital Asset Statistics by Function

## Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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Table 1

**City of Capitola**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	2015*	2016	2017	2018	2019	2020	2021	2022	2023	2024
Primary Government Activities:										
Net Investment in										
Capital Assets	\$ 11,604	\$ 13,154	\$ 14,457	\$ 15,773	\$ 18,563	\$ 27,367	\$ 32,053	\$ 33,336	\$ 35,468	\$ 50,116
Restricted for										
Public Safety	101	98	8	10	17	72	99	154	152	175
Transportation	393	113	119	420	630	26	917	1,400	732	1,328
Community Development	6,357	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,159	10,288
Culture and Recreation	141	143	159	121	146	175	218	219	211	341
Total Restricted	6,992	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,254	12,132
Unrestricted	(9,381)	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,156)	(17,949)
Total Primary Government										
Net Position	\$ 9,215	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,566	\$ 44,299

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.

Table 2

**City of Capitola**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year				
	2015*	2016	2017	2018	2019
<b>EXPENSES:</b>					
Primary government activities					
General government	\$ 3,582	\$ 3,557	\$ 3,975	\$ 3,594	\$ 3,595
Public safety	6,181	6,211	7,462	6,822	7,037
Community development	809	1,076	1,090	1,057	956
Culture and recreation	974	1,150	1,302	1,228	1,192
Transportation	2,866	3,218	3,212	3,382	3,384
Interest and other charges	217	158	119	77	76
Total primary government expenses	14,629	15,370	17,160	16,160	16,240
<b>PROGRAM REVENUES:</b>					
Primary government activities					
Charges for services:					
General government	1,012	970	911	1,057	1,132
Public safety	806	701	597	601	579
Community development	633	727	637	695	528
Culture and recreation	765	751	640	636	614
Transportation	120	112	116	34	44
Operating grants and contributions	657	400	3,329	1,832	650
Capital grants and contributions	12	511	146	413	5,678
Total primary govt program revenues	4,005	4,172	6,376	5,268	9,225
<b>NET PRIMARY GOVT REV/(EXP)</b>	<b>(10,624)</b>	<b>(11,198)</b>	<b>(10,784)</b>	<b>(10,892)</b>	<b>(7,015)</b>
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION:</b>					
Primary government activities					
Taxes:					
Property taxes	2,041	2,194	2,288	2,498	2,630
Franchise taxes	508	524	535	555	545
Sales and use tax	7,330	7,860	7,959	7,688	8,077
Transient occupancy taxes	1,276	1,452	1,458	1,457	1,582
Business license tax	284	298	302	308	308
Cannabis taxes	-	-	-	-	-
Intergovernmental, unrestricted	265	226	201	223	224
Investment income, unrestricted	119	227	264	237	450
Other general revenues	242	424	225	406	119
Total primary government activities	12,065	13,205	13,232	13,372	13,935
<b>CHANGES IN NET POSITION:</b>					
Total primary government activities	\$ 1,441	\$ 2,007	\$ 2,448	\$ 2,480	\$ 6,920

Continued

\* 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



Table 2

**City of Capitola**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year				
	2020	2021	2022	2023	2024
<b>EXPENSES:</b>					
Primary government activities					
General government	\$ 3,876	\$ 3,736	\$ 6,117	\$ 3,443	\$ 5,581
Public safety	7,810	7,237	7,554	5,703	8,450
Community development	1,097	979	1,998	635	1,371
Culture and recreation	1,793	1,107	1,421	2,181	2,984
Transportation	3,263	3,092	4,222	2,409	4,329
Interest and other charges	68	67	56	20	13
Total primary government expenses	17,907	16,218	21,368	14,391	22,729
<b>PROGRAM REVENUES:</b>					
Primary government activities					
Charges for services:					
General government	1,022	1,057	1,678	744	983
Public safety	554	509	509	624	497
Community development	619	539	539	901	972
Culture and recreation	633	274	274	710	862
Transportation	47	39	39	48	41
Operating grants and contributions	501	3,125	2,970	866	859
Capital grants and contributions	7,357	1,167	865	1,646	5,952
Total primary govt program revenues	10,733	6,710	6,874	5,539	10,167
NET PRIMARY GOVT REV/(EXP)	(7,174)	(9,508)	(14,494)	(8,852)	(12,562)
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET POSITION:</b>					
Primary government activities					
Taxes:					
Property taxes	2,712	2,794	2,883	3,058	3,201
Franchise taxes	557	562	635	708	729
Sales and use tax	7,441	7,705	8,485	8,542	8,222
Transient occupancy taxes	1,263	1,529	2,171	2,131	2,220
Business license tax	330	292	316	314	324
Cannabis taxes	-	-	-	-	262
Intergovernmental, unrestricted	233	232	341	307	12
Investment income, unrestricted	699	335	(129)	549	770
Other general revenues	16	204	204	162	361
Total primary government activities	13,251	13,653	14,906	15,773	16,101
<b>CHANGES IN NET POSITION:</b>					
Total primary government activities	\$ 6,077	\$ 4,145	\$ 412	\$ 6,921	\$ 3,539

Concluded

Source: City of Capitola Finance Department

Table 3

**City of Capitola**  
**Fund Balances of Governmental Funds**  
**Last ten years**  
(amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>GENERAL FUND</b>										
Fund Balance:										
Nonspendable	\$ 618	\$ 524	\$ 426	\$ 58	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	300	300	816	867	917	1,016	904	1,196	1,531
Assigned	1,049	1,262	1,277	1,277	1,344	1,344	1,374	1,374	1,314	2,444
Unassigned	4,338	4,599	5,345	4,603	5,627	5,044	8,923	9,588	8,097	3,042
Total General Fund	6,005	6,685	7,348	6,754	7,859	7,305	11,313	11,866	10,607	7,017
<b>ALL OTHER GOVERNMENT FUNDS</b>										
Fund Balance:										
Restricted	985	736	834	11,742	14,896	14,493	12,110	11,768	11,223	12,132
Assigned	2,457	2,745	1,927	1,633	2,110	2,603	1,842	4,200	5,898	75
Unassigned	(41)	(215)	(39)	(39)	(39)	(365)	(39)	(39)	(71)	(923)
Total All Other Govt Funds	3,401	3,266	2,722	13,336	16,967	16,731	13,913	15,929	17,050	11,284
<b>TOTAL</b>	<b>\$ 9,406</b>	<b>\$ 9,951</b>	<b>\$ 10,070</b>	<b>\$ 20,090</b>	<b>\$ 24,826</b>	<b>\$ 24,036</b>	<b>\$ 25,226</b>	<b>\$ 27,795</b>	<b>\$ 27,657</b>	<b>\$ 18,301</b>

Source: City of Capitola Finance Department.

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Table 4

**City of Capitola**  
**Changes in Fund Balances of Governmental Funds**  
**Last ten years**

(amounts expressed in thousands)

	2015	2016	2017	2018	2019
<b>REVENUES:</b>					
Taxes	\$ 11,416	\$ 12,250	\$ 12,436	\$ 12,416	\$ 13,097
Licenses & permits	629	671	626	766	663
Fines and forfeitures	671	787	1,475	2,250	6,030
Intergovernmental	757	656	560	558	522
Charges for services	2,078	2,165	1,970	2,007	2,020
Use of money and property	228	324	376	237	450
Other	132	328	114	406	378
Total revenues	15,911	17,181	17,557	18,640	23,160
<b>EXPENSES:</b>					
Current:					
General government	2,443	2,712	3,153	2,824	2,819
Public safety	5,917	6,134	6,495	6,333	6,552
Community development	823	1,005	976	967	913
Culture and recreation	978	1,039	1,137	1,154	1,130
Transportation	2,577	2,744	2,637	2,852	2,981
Capital outlay	535	2,074	2,113	1,924	3,770
Subtotal	13,273	15,708	16,511	16,054	18,165
Debt service:					
Principal retirement	699	764	788	829	182
Interest and agent fees	229	163	139	95	78
Subtotal	928	927	927	924	260
Total expenditures	14,201	16,635	17,438	16,978	18,425
<b>Excess/(deficiency) of revenues over/(under) expenditures</b>	1,710	546	119	1,662	4,735
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers in	2,091	2,784	1,815	2,865	1,676
Transfers out	(2,091)	(2,784)	(1,815)	(2,865)	(1,676)
Total other financing sources/(uses)	-	-	-	-	-
<b>Net change in fund balances</b>	1,710	546	119	1,662	4,735
Prior Period Adjustments	-	-	-	-	-
Beginning fund balance	7,695	9,405	9,951	10,070	20,091
Ending fund balance	\$ 9,405	\$ 9,951	\$ 10,070	\$ 11,732	\$ 24,826
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 14,201	\$ 16,635	\$ 17,438	\$ 16,978	\$ 18,425
Capitalized Portion of Capital Outlay	(153)	2,079	2,231	2,063	3,681
Total Non-Capitalized Expenditures	14,354	14,556	15,207	14,915	14,744
Debt service: Principal and Interest	928	927	927	924	260
Debt service as a percentage of noncapital expenditures	6.47%	6.37%	6.10%	6.20%	1.76%

Continued

**NOTES:**

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

Table 4

**City of Capitola**  
**Changes in Fund Balances of Governmental Funds**  
**Last ten years**

(amounts expressed in thousands)

	2020	2021	2022	2023	2024
<b>REVENUES:</b>					
Taxes	\$ 12,307	\$ 13,064	\$ 14,757	\$ 14,853	\$ 14,634
Licenses & permits	726	679	746	662	768
Fines and forfeitures	7,521	3,832	3,093	2,417	425
Intergovernmental	520	496	589	567	6,581
Charges for services	1,959	1,536	2,020	2,010	2,450
Use of money and property	699	335	(129)	548	807
Other	252	422	704	1,700	603
Total revenues	23,984	20,364	21,780	22,757	26,268
<b>EXPENSES:</b>					
Current:					
General government	2,965	3,021	4,198	4,444	4,447
Public safety	6,467	6,075	6,995	8,137	7,740
Community development	963	859	1,464	1,101	1,272
Culture and recreation	1,710	1,026	1,202	2,525	2,725
Transportation	2,714	2,529	2,921	3,470	3,682
Capital outlay	9,698	5,410	2,178	2,965	15,327
Subtotal	24,517	18,920	18,958	22,642	35,192
Debt service:					
Principal retirement	186	187	191	231	710
Interest and agent fees	71	67	62	22	28
Subtotal	257	254	253	253	738
Total expenditures	24,774	19,174	19,211	22,895	35,930
<b>Excess/(deficiency) of revenues over/(under) expenditures</b>	(790)	1,190	2,569	(138)	(9,662)
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers in	1,734	324	4,023	2,622	3,558
Transfers out	(1,734)	(324)	(4,023)	(2,622)	(3,558)
Total other financing sources/(uses)	-	-	-	-	-
<b>Net change in fund balances</b>	(790)	1,190	2,569	(138)	(9,662)
Prior Period Adjustments	-	-	-	-	307
Beginning fund balance	24,826	24,036	25,226	27,795	27,657
Ending fund balance	\$ 24,036	\$ 25,226	\$ 27,795	\$ 27,657	\$ 18,301
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 24,774	\$ 19,174	\$ 19,211	\$ 22,895	\$ 35,930
Capitalized Portion of Capital Outlay	9,535	5,410	2,178	2,965	15,314
Total Non-Capitalized Expenditures	15,239	13,764	17,033	19,930	20,616
Debt service: Principal and Interest	257	254	253	253	738
Debt service as a percentage of noncapital expenditures	1.69%	1.85%	1.49%	1.27%	3.58%

Concluded

**NOTES:**

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

**City of Capitola  
General Revenues By Source  
Last Ten Fiscal Years**

Table 5

General Revenue By Source								
Fiscal Year	Sales Tax Revenue <sup>(1)</sup>	Property Taxes <sup>(2)</sup>	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Other Revenue	Total General Revenues
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	662,048	162,352	15,885,794
2024	8,221,640	3,200,895	2,219,951	729,485	323,755	770,404	634,706	16,100,836

## NOTES:

<sup>(1)</sup> 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%.

<sup>(2)</sup> 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**  
**Net Taxable Assessed Value History**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
2015	\$ 1,906,637	\$ 81,887	\$ 84	\$ 1,988,608	3.50%
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%
2024	3,078,003	79,583	157	3,157,743	5.37%

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 2023-24 Combined Tax Rolls.

Table 7

**City of Capitola**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential	\$ 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	\$ 2,356,130
Commercial	379,721	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445	555,355
Industrial	14,130	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320	22,345
Institutional	14,716	15,134	15,966	15,054	9,927	10,943	9,290	19,436	7,407	7,555
Miscellaneous	6	6	6	267	272	277	283	293	292	297
Recreational	8,844	9,705	9,791	9,996	10,311	10,525	10,592	8,849	9,878	11,766
Vacant	14,934	15,263	16,274	15,393	21,333	19,848	19,308	21,278	22,137	17,490
SBE Nonunitary	84	83	84	84	110	110	111	111	157	157
Cross Reference	60,322	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581	107,065
Unsecured	81,887	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799	79,583
<b>TOTALS</b>	<b>\$ 1,988,608</b>	<b>\$ 2,102,980</b>	<b>\$ 2,234,170</b>	<b>\$ 2,378,648</b>	<b>\$ 2,500,664</b>	<b>\$ 2,612,877</b>	<b>\$ 2,735,400</b>	<b>\$ 2,865,344</b>	<b>\$ 2,996,847</b>	<b>\$ 3,157,743</b>
Total Direct Property Tax Rate	0.0551	0.0546	0.0546	0.0545	0.0545	0.0544	0.0544	0.0537	0.0537	0.0537

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.



Table 8

**City of Capitola**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
 (Rate per \$100 of taxable value)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>City Direct Property Tax Rates</b>										
Basic Levy <sup>(1)</sup>	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 <sup>(2)</sup>	0.05461	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372	0.05372
<b>Overlapping Property Tax Rates <sup>(3)</sup></b>										
Santa Cruz High School	0.02087	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767	0.03155
Soquel Elementary School	0.02045	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113	0.03307
Live Oak Sd 2022 Ref	0.05279	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003	0.02610
Cabrillo College	0.03694	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405	0.02434
Total Overlapping Property Tax Rate <sup>(2)</sup>	0.13105	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288	0.11506
<sup>(4)</sup>	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372
<b>Total Direct Rate <sup>(3)</sup></b>	<b>0.05461</b>	<b>0.05456</b>	<b>0.05452</b>	<b>0.05452</b>	<b>0.05438</b>	<b>0.05441</b>	<b>0.05438</b>	<b>0.05434</b>	<b>0.05431</b>	<b>0.05428</b>
<b>Total Direct &amp; Overlapping Rate</b>	<b>1.13105</b>	<b>1.12076</b>	<b>1.10493</b>	<b>1.13413</b>	<b>1.12742</b>	<b>1.12026</b>	<b>1.12521</b>	<b>1.12315</b>	<b>1.12288</b>	<b>1.11506</b>

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.

Table 9

**City of Capitola**  
**Top Ten Property Taxpayers**  
**Current Year and Nine Years Ago**

(amounts expressed in dollars unless otherwise noted)

Taxpayer	2023-24			2014-15		
	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	\$ 119,575,067	1	3.79%	-		0.00%
Drew Auto Property LLC	34,706,070	2	1.10%	-		0.00%
Aspromonte Hotels LLC	22,433,239	3	0.71%	17,426,716	4	0.88%
Target Corporation	19,572,930	4	0.62%	18,203,941	3	0.92%
Loma Vista Estates Owners Assoc. Inc.	17,672,960	5	0.56%	-		0.00%
George Ow Jr. Trustees	11,583,992	6	0.37%	13,951,688	5	0.70%
Brown Ranch Properties	13,145,664	7	0.42%	11,286,826	6	0.57%
Blai LP	12,386,557	8	0.39%	10,524,216	7	0.53%
Grandview Capitola	11,220,000	9	0.36%	-		0.00%
Melanie Kett Wirtanen Trustee	9,796,360	10	0.31%	8,315,230	8	0.42%
Macerich Partnership LP	-			45,978,178	1	2.31%
Macerich Capitola Adjacent LP	-			22,470,153	2	1.13%
850 Rosedale LLC	-			8,106,207	9	0.41%
Macy's West Inc	-			7,224,821	10	0.36%
	<u>\$ 272,092,839</u>		<u>8.62%</u>	<u>\$ 163,487,976</u>		<u>8.22%</u>
Memo: Gross Assessed Value	\$ 3,157,742,571		100.00%	\$ 1,988,607,727		100.00%

Source: HdL Companies, Santa Cruz County Assessor 2014-15 and 2023-24 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

Table 10

**City of Capitola**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(amounts expressed in dollars unless otherwise noted)

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
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%
2024	1,674,964	1,674,964	100%	-	1,674,964	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  
Top 25 Sales Tax Taxpayers  
June 30, 2024**

Table 11

*Listed alphabetically*

<b>Business Name</b>	<b>Business Category</b>
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
Gayles Bakery & Rosticceria	Food Stores Non-Grocery
Greentech Renewables	Energy/Utilities
Kohls	Department Stores
Macy's	Department Stores
Nob Hill General Store	Grocery Stores
O Neill Surf Shop	Sporting Goods/Bike Stores
Outdoor Supply Hardware	Building Materials
Pizza My Heart	Quick-Service Restaurants
Ross	Family Apparel
Santa Cruz Subaru	New Motor Vehicle Dealers
Santa Cruz Toyota	New Motor Vehicle Dealers
Shadowbrook	Fine Dining
Sierra Utility Sales	Electrical Equipment
Target	Discount Dept Stores
Toyota Lease Trust	Auto Lease
Trader Joe's	Grocery Stores
Ulta Beauty	Specialty Stores
Whole Foods Market	Grocery Stores
Zelda's on the Beach	Casual Dining

**NOTES:**

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

Source: HdL

**City of Capitola**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Table 11

(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended June 30	Government/Total Primary Government Activities			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
	General Obligation Bonds	Lease Revenue Bonds	Other debt				
2015	\$ 1,830,000	\$ -	\$ 3,000,243	\$ 4,830,243	0.24%	1.27%	476
2016	1,255,000	-	2,811,059	4,066,059	0.19%	1.04%	400
2017	645,000	-	2,632,952	3,277,952	0.15%	0.78%	310
2018	-	-	2,449,251	2,449,251	0.10%	0.63%	239
2019	-	-	2,267,652	2,267,652	0.09%	0.51%	224
2020	-	-	2,081,485	2,081,485	0.08%	0.50%	206
2021	-	-	1,894,649	1,894,649	0.07%	0.39%	193
2022	-	-	1,703,461	1,703,461	0.06%	0.31%	177
2023	-	-	1,472,580	1,472,580	0.05%	0.24%	155
2024	-	-	762,615	762,615	0.02%	0.13%	81

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**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(amounts expressed in dollars unless otherwise noted)

Table 12

Government/Total Primary Government Activities				
Fiscal Year Ended June 30,	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
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%	-
2023	-	0.00%	0.00%	-
2024	-	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 CaIPERS unfunded pension liability as of that point in time.

**City of Capitola  
Direct & Overlapping Debt  
Fiscal Year ended June 30, 2024**

Table 13

2023-24 Assessed Valuation

\$ 3,157,742,571

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable <sup>(1)</sup>	Total Debt	City's Share of Debt
Cabrillo Joint Community College District	5.360%	\$ 91,586,964	\$ 4,909,061
Santa Cruz City High School District	11.559%	134,354,446	15,530,030
Live Oak School District	5.836%	7,534,000	439,684
Soquel Union School District	39.161%	44,554,768	17,448,093
Santa Cruz Libraries Facilities Community Facilities District	5.979%	35,785,000	2,139,585
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$ 313,815,178</b>	<b>\$ 40,466,454</b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
Overlapping General Fund Debt:			
Santa Cruz County General Fund Obligations	5.405%	\$ 167,498,341	\$ 9,053,285
Santa Cruz County Office of Education Certificates of Participation	5.405%	6,612,042	357,381
Santa Cruz City High School District Certificates of Participation	11.559%	664,349	76,792
Live Oak School District Certificates of Participation	5.836%	13,558,483	791,273
Soquel Union School District Certificates of Participation	39.161%	4,556,794	1,784,486
Santa Cruz City Schools Certificates of Participation	11.559%	440,000	50,860
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 193,330,009</b>	<b>\$ 12,114,077</b>
TOTAL CITY'S DIRECT DEBT			\$ 762,615
TOTAL OVERLAPPING DEBT			<u>\$ 51,817,916</u>
COMBINED TOTAL DEBT			<u>\$ 52,580,531 <sup>(2)</sup></u>
<b><u>RATIOS TO 2021-22 ASSESSED VALUATION:</u></b>			
Total Direct and Overlapping Tax and Assessment Debt			1.28%
Total Direct Debt			0.02%
Combined Total Debt			1.67%

(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**  
**Last Ten Fiscal Years**  
(amounts expressed in thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assessed Valuation	\$ 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	\$ 3,157,743
RDA Base Valuation	256,500	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926	334,674
Adj. assessed valuation	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	2,823,069
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	259,816	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788	423,460
Total net applicable debt										
Gen. obligation bonds	1,830	1,255	645	-	-	-	-	-	-	-
Legal debt margin	\$ 257,986	\$ 274,563	\$ 293,662	\$ 314,755	\$ 331,796	\$ 347,329	\$ 364,369	\$ 375,927	\$ 400,788	\$ 423,460
Ratio of Total Net Applicable Debt to Debt Limit	0.71%	0.46%	0.22%	0.00%	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**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

**Table 15**

<u>Calendar Year</u>	<u>Population</u>	<u>Total Personal Income (In Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2015	10,150	\$ 381,027	\$ 37,540	43.3	6.0%
2016	10,162	390,369	38,415	42.8	5.5%
2017	10,563	421,494	39,903	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	41,562	42.2	2.1%
2021	9,794	484,927	49,513	45.3	1.8%
2022	9,625	548,976	57,036	47.3	2.3%
2023	9,497	622,725	65,571	48.9	2.8%
2024	9,456	593,534	62,768	46.3	2.5%

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

Table 16

**City of Capitola  
Principal Employers - Top Ten  
Current year and nine years ago**

Employer	2024			2015		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Subaru, Toyota of Santa Cruz	1	200	3.92%	2	182	3.25%
Soquel Union Elementary School District	2	182	3.57%	1	200	3.57%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	3	168	3.29%	7	130	2.32%
Target Store*	4	165	3.24%	5	157	2.80%
Gayle's Bakery & Rosticceria	5	153	3.00%	4	176	3.14%
Trader Joe's*	6	140	2.75%	10	93	1.66%
City of Capitola*	7	133	2.61%			
Pacific Coast Manor*	8	128	2.51%		107	1.91%
Whole Foods Market	9	110	2.16%	8	140	2.50%
New Leaf Community Markets*	10	95	1.86%			
Macy's				3	180	3.21%
Kohl's				9	95	1.70%
<b>Total Top Ten Employers</b>		<b>1,474</b>	<b>28.90%</b>		<b>1,460</b>	<b>26.07%</b>
<b>Total Labor Force</b>		<b>5,100</b>	<b>100.00%</b>		<b>5,600</b>	<b>100.00%</b>

\*Includes full-time and part-time employees.

Source: MuniServices, LLC / Avenu Insights & Analytics

Source: City of Capitola Publication, FY2015 Annual Comprehensive Financial Statement Report

**City of Capitola**  
**Full-time and Part-time City Employees by Function**  
**Last Ten Fiscal Years**

Table 17

<u>Function</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>General government</b>										
City Manager	7.65	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00	7.00
Finance	4.50	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00	4.00
City Attorney	1.00	1.00	1.00	1.00	1.00	-	-	-	-	-
	<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>	<u>11.00</u>
<b>Police</b>										
Chief, Captain, Sgts.	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Officers	15.00	16.00	16.00	16.00	15.00	15.00	14.00	15.00	15.00	15.00
CSOs	2.00	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	2.00	2.00	2.00	2.00	3.00	3.00
Administrative	4.65	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00	4.00
	<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>	<u>31.00</u>
<b>Public Works</b>										
Streets	9.00	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00	12.00
Parks	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.50	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00	1.00
	<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>	<u>16.00</u>
<b>Recreation</b>										
Supervisor	2.00	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00	1.00
Other - full year	2.25	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50	4.50
	<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>	<u>5.50</u>
<b>Community Development</b>	3.00	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00
<b>Building</b>	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00	2.00
<b>Total City Employees</b>	<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>	<u><u>68.50</u></u>

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

SOURCE: City of Capitola Finance Department.

Table 18

**City of Capitola**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (except as noted)**

INDICATOR	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Police department</u>										
Adult arrests	956	904	939	692	587	503	317	345	424	560
Calls for service (thousands)	18	17	20	19	15	19	15	14	6	13
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
Commercial units										
Valuation (millions)	\$ -	\$ 4	\$ 5	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -
Residential units <sup>(1)</sup>										
Valuation (millions)	\$ 1	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3	\$ 3
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 282	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225	\$ 265
Sports fees	32	19	21	24	23	19	8	26	22	16
Junior Guard	312	328	258	238	244	160	85	268	264	295
Camp Capitola	139	129	100	96	111	100	105	175	150	193
Afterschool	-	-	-	-	-	24	48	52	68	105
Events	-	-	-	-	-	-	-	1	3	1
Net Class Revenue	\$ 765	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732	\$ 875
Jade St. Rental	7	7	6	8	5	5	-	7	7	11
Net Recreation Rev	\$ 772	\$ 758	\$ 645	\$ 606	\$ 614	\$ 522	\$ 325	\$ 728	\$ 739	\$ 886

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

Source: City of Capitola Building, Finance, Police, and Public Works Departments.

Table 19

**City of Capitola**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Indicator	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Public works</b>										
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
<b>Parks and recreation</b>										
Parks	8	8	8	8	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
<b>General</b>										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department.



**Chavan and Associates, llp**  
Certified Public Accountants

To the City Council of the  
City of Capitola

We have audited the basic financial statements of the City of Capitola as of and for the year ended June 30, 2024, and have issued our report thereon dated February 11, 2025. Professional standards require that we advise you of the following matters relating to our audit.

***Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards***

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity 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 City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Capitola 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.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing City of Capitola's audited financial statements 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.

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.



### **Planned Scope and Timing of the Audit**

The interim and year-end phases of the audit were conducted consistent with the planned scope and timing we previously communicated with management. The reporting phase of the audit was delayed by two months because the engagement partner assigned to the City was on leave for family bereavement.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We did not identify any significant risks that required special audit consideration.

### **Qualitative Aspects of the City'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 of Capitola 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 June 30, 2024 except for the implementation of GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. However, this standard did not have a significant impact on the financial statements. 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 include accumulated depreciation, depreciation expense, market value adjustments related to investments, and actuarial assumptions included in employee retirement plans that impact pension and other



postemployment balances reported in the financial statements.

We evaluated the key factors and assumptions used to develop the identified estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

#### *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 City of Capitola's financial statements relate to cash and investments, capital assets, pensions and other postemployment benefits.

#### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that required the attention of management.

#### **Identified or Suspected Fraud**

We did not identify nor obtain information that indicates that fraud may have occurred.

#### **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 and each applicable opinion unit. There were no uncorrected financial statement misstatements identified.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There was one material adjustment that we identified as a result of our audit procedures that was brought to the attention of, and corrected by, management. See adjusting journal entry number 7 in the following page. The remaining entries summarized in the following list were either provided by management, immaterial, or related to conversions from the modified





accrual to full accrual basis of accounting as required for the presentation of the government-wide financial statements.

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
		1300.10		
CAJE #1 - Provided by client to correct disability access fee				
1000.3150.115.10	Business license Disability access & education		5,392.00	
1000.2800.150.00	Fund Balance Reserved Disability access & education			4,845.00
1000.4335.703.10	CS-Fin Svcs State Architect fee - SB1186			547.00
<b>Total</b>			<b>5,392.00</b>	<b>5,392.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
Reclassification of transfers in from other revenue				
2212.3700.001.00	Other revenue other grants, donations, contrib		250,000.00	
2212.3910.100.00	Interfund transfer in General Fund			250,000.00
<b>Total</b>			<b>250,000.00</b>	<b>250,000.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
Report only - reclassification of negative cash to interfund payable				
1000.1700.000.00	Due from other funds		79,229.00	
1350.1000.000.00	Cash Operating		79,229.00	
1000.1000.000.00	Cash Operating			79,229.00
1350.2700.000.00	Due to other funds			79,229.00
<b>Total</b>			<b>158,458.00</b>	<b>158,458.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To update interest payable as year end.				
1910.2060.000.00	Accrued payable Interest		25,159.00	
1910.1600.010.00	Other assets Amount to be provided - LT Debt			25,159.00
<b>Total</b>			<b>25,159.00</b>	<b>25,159.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To record DOR and DIR for OPEB				
1910.1720.000.00	Deferred Outflows OPEB		1,018,598.00	
1910.1600.010.00	Other assets Amount to be provided - LT Debt			335,516.00
1910.2500.000.00	Deferred Inflows OPEB			683,082.00
<b>Total</b>			<b>1,018,598.00</b>	<b>1,018,598.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
Pension conversion entries and adjustments				
1920.1720.900.00	Deferred Outflows of Resources Diff projected & actual earnings		1,552,606.00	
1920.1720.900.00	Deferred Outflows of Resources Diff projected & actual earnings		8,578,463.00	
1920.2500.500.00	Deferred Inflows of Resources Changes of assumptions		405,659.00	
1920.2500.600.00	Deferred Inflows of Resources Diff btw expected & actual expnc		61,916.00	
1920.2850.200.00	Fund balance - undesignated GASB 68		4,511,823.00	
1920.1720.400.00	Deferred Outflows of Resources Contributions after measmnt date			1,053,235.00
1920.1720.600.00	Deferred Outflows of Resources Diff btw expected & actual expnc			16,037.00
1920.1720.800.00	Deferred Outflows of Resources Change in proportion			483,334.00
1920.2400.000.00	Net Pension Liability GASB 68			12,721,709.00
1920.2500.700.00	Deferred Inflows of Resources Diff actual vs projected contribn			467,575.00
1920.2500.700.00	Deferred Inflows of Resources Diff actual vs projected contribn			368,577.00
<b>Total</b>			<b>15,110,467.00</b>	<b>15,110,467.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To record transfers to PARS and investment earnings per statement. Please be sure your JE matches ours.				
1000.4910.105.99	Interfund transfer out PERS Contingency		250,000.00	
1015.1020.010.00	Cash with fiscal agent		250,000.00	
1015.1020.010.00	Cash with fiscal agent		126,867.00	
1000.2000.000.00	Accounts payable Operating			250,000.00
1015.3610.000.00	Investment earnings Investment earnings			126,867.00
1015.3910.100.00	Interfund transfer in General Fund			250,000.00
<b>Total</b>			<b>626,867.00</b>	<b>626,867.00</b>
<b>Total Adjusting Journal Entries</b>			<b>17,194,941.00</b>	<b>17,194,941.00</b>

### 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 of Capitola's financial statements or



**Chavan and Associates, llp**  
Certified Public Accountants

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. There were no circumstances that affect the form and content of our auditor's report.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated February 11, 2025.

### **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 of Capitola, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational 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 of Capitola's auditors.

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

*C & A LLP*

February 11, 2025  
Morgan Hill, California



**Chavan and Associates, llp**  
Certified Public Accountants

City of Capitola  
City Council and Management  
Capitola, California

In planning and performing our audit of the financial statements of City of Capitola as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered City of Capitola's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Capitola's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Capitola's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*: The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*: The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The following is a summary of new accounting pronouncements from the Governmental Accounting Standards Board:

**GASB Statement No. 101, *Compensated Absences, effective fiscal 2025.***

Updates the recognition and measurement guidance for compensated absences by:

1. Aligning the recognition and measurement guidance under a unified model
2. Amending certain previously required disclosures
3. Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability
4. Supersedes GASB 16



**Chavan and Associates, llp**  
Certified Public Accountants

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Respectfully,

*C & A LLP*

February 11, 2025  
Morgan Hill, California

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025  
**From:** City Manager Department  
**Subject:** Rail Trail Project Town Hall Plan



Recommended Action: Approve the proposed town hall meeting plan and outreach strategy.

Background: On February 13, 2025, the City Council heard an item regarding Park Avenue Traffic Calming Improvements with Coastal Rail Trail Options. The staff report for that item can be reviewed by clicking the link listed as Attachment 1. At the conclusion of that hearing City Council directed staff to host a town hall meeting in collaboration with the Santa Cruz County Regional Transportation Commission (RTC) to review long-term impacts of the Rail Trail, provide updates on the use of the Capitola Trestle, review impacts of potential litigation from Measure L, and provide a general overview of the Rail Trail project's impacts in Capitola.

The RTC independently hosted a public meeting at New Brighton Middle School on March 4 to provide context regarding the Rail Trail.

Discussion: To provide time for community outreach and collaboration between the City, Santa Cruz County, and RTC staff, staff proposes the following meeting plan and outreach strategy.

### **Project Town Hall**

**Date:** Wednesday, April 2, 2025

**Time:** 5:30 P.M. to 7:30 P.M.

**Location:** New Brighton Middle School Performing Arts Center

The meeting will be a noticed City Council meeting; Council Members will be in attendance as audience members. There will be no Council decision.

To foster inclusive community engagement and provide multiple avenues for residents to participate, staff suggests the town hall meeting is structured in the following manner:

- **Mayor Welcome**
- **Meeting Overview:** Staff is looking into hiring a meeting facilitator.
- **Formal Presentation:** RTC staff, in collaboration with SC County and City staff, will present an overview of project background and key topics.
- **Informational materials:** Materials will be available 12 days in advance on the City website on March 21.
- **Pre-Submitted Questions:** The City will accept questions through an online submission portal for two weeks before the town hall meeting.
- **Synthesis and Preparation:** Staff will review pre-submitted questions, identify repeated themes and summarize those questions, and provide answers to the summarized questions following the presentation.
- **Public Comment and Question:** After addressing pre-submitted questions, there will be a 45 minute public comment session. After the conclusion of public comment, questions raised by the public during that time will be addressed by staff. Members of the public will submit speaker cards and have up to 2 minutes to speak.
- **Set End Time:** The meeting will have a clearly communicated end time.
- **Meeting Summary:** Following the meeting, staff will prepare a meeting summary, that includes informational materials, all pre-submitted questions, the summarized pre-submitted questions and their responses, as well as a summary of the public comment and questions and their responses.

Topics will include:

- Current Project: Rail Trail Segment 10 and 11
- Use of Capitola Trestle
- Park Avenue Trail Realignment
- Funding
- Ongoing Maintenance Costs
- Mobile Home Encroachments
- Measure L
- Timeline: Park Ave, EIR, Permits, Construction
- Future Zero Emissions Passenger Rail and Trail (ZEPRT)

In addition, Council discussed the possibility of a topic around potential litigation. Staff recommends not discussing potential litigation in open session.

The meeting will be recorded by Community Television of Santa Cruz County (CTV) at an added cost, ensuring it is available for the public to view if they are unable to attend in-person. The public can participate by pre-submitting questions, attending in person, and/or watching the meeting video on the City's YouTube Channel live.

To promote the meeting and encourage public participation, staff will issue a press release, social media content, updates to the City website, and postcard mailed to residents and project stakeholders.

Since February 13<sup>th</sup>, the City has received a number of emails from the public concerning this topic. All emails received have been saved to a public DropBox Folder, linked as Attachment 2.

Following the Town Hall, staff is recommending a special City Council meeting on April 17 to make a final decision on the Park Ave alignment of the rail trail.

Fiscal Impact: Staff estimates that outreach efforts and meeting costs will be approximately \$5,000. This estimate includes printing, mailing, postage, location use fees, and CTV broadcasting costs.

Attachments:

1. Link to February 13<sup>th</sup> Staff Report:  
<https://mccmeetingspublic.blob.core.usgovcloudapi.net/capitolaca-meet-22dcaa307be5437dbb1328e7ace00934/ITEM-Attachment-007-c0473858d01a4529a85b7dc9ae72d794.pdf>
2. Link to DropBox Folder (Emails Received 2/13 – 3/6):  
[https://www.dropbox.com/scl/fo/4hn7q7g5ph4lh8dfpt9xf/ADOhq2XzWE9dex2XpDFN5\\_c?rlkey=ynxkqpf123jgd6iqyf7xcd8v&st=ko7ddavl&dl=0](https://www.dropbox.com/scl/fo/4hn7q7g5ph4lh8dfpt9xf/ADOhq2XzWE9dex2XpDFN5_c?rlkey=ynxkqpf123jgd6iqyf7xcd8v&st=ko7ddavl&dl=0)

Reviewed By: Julia Gautho, City Clerk

Prepared and Approved By: Jamie Goldstein, City Manager

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025

**From:** Community Development

**Subject:** Public Outreach Long Term Plan for Capitola Wharf



**Recommended Action:** Receive report regarding the draft long term concepts for the Capitola Wharf and direct staff to proceed with public outreach in April and May 2025 utilizing the concepts.

**Background:** In 2024, the Wharf Resiliency and Public Access Project (Project) was completed. The Project focused on critical elements, including widening the Wharf, addressing failing pilings, replacing the deck, and adding new restroom facilities. Storms in December 2023 caused additional damage to both the Wharf and its structures, necessitating the removal of the buildings. In February 2024, the Council approved the demolition of the buildings and instructed staff to initiate the Capitola Wharf long-term planning process (Long-Term Wharf Plan).

On September 12, 2024, the City Council approved a contract with Fuse Architecture for outreach, planning, and design services for the Long-Term Wharf Plan.

**Discussion:** At the March 13, 2025, City Council meeting, Fuse Architecture will introduce six draft concepts for the Long-Term Wharf Plan. Staff, working with Fuse Architecture, will provide an update to the City Council on the project's progress, will introduce each concept, and will provide an overview of next steps.

These six concepts are designed to provide concrete starting points for public discussion and feedback. Following the presentation to Council, staff will initiate public outreach, actively seeking and ensuring opportunities for the public to contribute entirely new ideas.

**Public Outreach:** Staff proposes the following outreach plan.

1. Hosting Two Community Meetings
  - a. In-person interactive community meeting at New Brighton Middle School date TBD
  - b. Virtual meeting on April date TBD
2. Public Survey: A public survey will be open online April 1 – April 30. Paper surveys will be available at City Hall and the Library.
3. Meetings with Capitola Stakeholder Groups: During April and May, staff will meet with the Art and Cultural Commission, Commission on the Environment, Finance Advisory Committee, Historical Museum Board, Planning Commission, representatives from the CWEP Board, and representatives from the CVWBIA during their regularly scheduled meetings. Each board, commission, and community group will be provided with an overview of the Wharf concepts and asked to provide input and ideas. Members of these stakeholder groups are also encouraged to participate in the community meetings and the survey.

**Draft Concepts/Alternatives:** On March 13<sup>th</sup>, Fuse Architecture will present the following draft alternatives, including a summary of each concept, conceptual site plans and images, square feet estimates for structures, and preliminary cost estimates.

The alternatives include:

Option 1: Public Open Space with Enhanced Public Realm:

- A. Wharf with all areas open to the public. No leased space.
- B. Public gathering infrastructure, including benches, stage, and shade structures.
- C. Additional public restroom(s).
- D. Remove hoist

Option 2: Enhanced Public Realm and Mobile Vendors

- A. Open space with up to 4 mobile kiosks for a variety of uses.
- B. Public gathering infrastructure, including benches, stage, and shade structures.
- C. Additional public restroom(s).
- D. Remove hoist.

(Examples for mobile kiosks include: Food/Drink/Mobile Fishing Shop/Non-Power Water Craft Rental - Kayaks, Paddle Boards)

Option 3: Enhanced Public Realm and Fixed Fishing Concession

- A. Fixed low-cost structure for fishing concession with boat rental, repair, fixed boat storage, mooring buoys, dingy service, and hoist.
- B. Public gathering infrastructure including benches, stage, and shade structures.
- C. Fixed lifeguard station with personal rescue watercraft (PRWC).
- D. Additional public restroom(s) at the end of the Wharf.

Option 4: Enhanced Public Realm, Fixed Low-Cost Fishing Concession, and Mobile Vendor(s):

- A. Fixed low-cost structure for fishing concession with boat rental, repair, fixed boat storage, mooring buoys, dingy service, and hoist.
- B. Mobile kiosks for food/beverage operations.
- C. Public gathering infrastructure, including benches, stage, and shade structures.
- D. Fixed lifeguard station with personal rescue watercraft (PRWC).
- E. Additional public restroom(s) at the end of the Wharf.

Option 5: Enhanced Public Realm, Fixed Fishing Concession, and Flexible Market Space:

- A. Fixed all-weather building for a fishing concession with boat rental, repair, fixed boat storage, mooring buoys, dingy service, and hoist.
- B. Fixed flexible open market space for food & beverage concessions and open space for public.
- C. Fixed lifeguard station with personal rescue watercraft (PRWC).
- D. Public gathering infrastructure, including benches, stage, and shade structures.
- E. Additional public restroom(s) at the end of the Wharf.

Option 6: Enhanced Public Realm and Permanent Structures for Fishing Concession and Restaurant:

- A. Fixed all-weather building for a fishing concession with boat rental, repair, fixed boat storage, mooring buoys, dingy service, and hoist.
- B. Fixed all-weather building for a full restaurant.
- C. Fixed lifeguard station with personal rescue watercraft (PRWC).
- D. Public gathering infrastructure, including benches, stage, and shade structures.
- E. Additional public restroom(s) at the end of the Wharf.

During the March 13<sup>th</sup> presentation, the City Council will have the opportunity to identify any additional considerations to be included in the alternatives. Once direction is provided, the project consultant will incorporate requested changes and initiate the public outreach process.



Next Steps:

Step 1: Public Outreach on Alternatives: Public outreach will be conducted through community meetings, a survey, and meetings with Capitola boards, commissions, and stakeholder groups, as previously outlined.

Step 2: City Council Presentation with Recommendation: The findings of the public outreach will be presented to the City Council, along with Fuse Architecture's recommended alternative for the Plan. The City Council will provide feedback on the recommendation prior to final development and design.

Step 3: Final Development of Wharf Plan: The final development design plans for the Wharf Plan will include a site plan, a description of uses and programmed area, 360-degree conceptual elevations and renderings, updated cost estimate, and overview of applicable permits and CEQA. The Wharf Plan will be presented to the City Council for adoption.

Fiscal Impact: The FY 2024-25 Budget included \$75,000 for the Wharf Plan. On September 12, 2024, the City Council approved the agreement with Fuse Architecture in the amount of \$75,000.

Attachments:

1. Draft Alternatives Analysis Report

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager




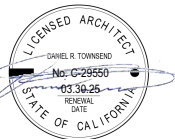
# CAPITOLA WHARF INITIAL CONCEPTS FOR PUBLIC OUTREACH



**DIRECTIONS FROM SANTA CRUZ**  
FOLLOW CA-1 NORTH | 7.5 MILES / EXIT BAY AVE  
TOWARDS CAPITOLA VILLAGE

CITY OF CAPITOLA + CAPITOLA + CALIFORNIA + 95010  
CONCEPTS FOR PUBLIC OUTREACH  
03.05.2025

**fuse**   
architects + builders  
512 Capitola Ave + Capitola + CA + 95010



# ALTERNATIVE ANALYSIS / INITIAL CONCEPTS FOR PUBLIC OUTREACH

## PROJECT / TABLE OF CONTENTS / CAPITOLA

### i. TABLE OF CONTENTS / PROJECT SUMMARY

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### ii. CONCEPTUAL LAYOUT / USE PLANS

- 01. OPTION 01 | PUBLIC OPEN SPACE WITH ENHANCED PUBLIC REALM
  - 02. OPTION 02 | ENHANCED PUBLIC REALM AND MOBILE VENDORS
  - 03. OPTION 03 | ENHANCED PUBLIC REALM AND FIXED FISHING CONCESSION
  - 04. OPTION 04 | ENHANCED PUBLIC REALM, FIXED FISHING CONCESSION & MOBILE VENDORS
  - 05. OPTION 05 | ENHANCED PUBLIC REALM WITH FIXED FISHING CONCESSION & FLEXIBLE INDOOR MARKET SPACE
  - 06. OPTION 06 | PERMANENT STRUCTURES & PUBLIC SPACE
- 

### iii. COST APPROXIMATION SUMMARY

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**END OF DOCUMENT**

# ALTERNATIVE ANALYSIS / INITIAL CONCEPTS FOR PUBLIC OUTREACH

## PROJECT SUMMARY / CAPITOLA WHARF :

### OPTION 01 | PUBLIC OPEN SPACE WITH ENHANCED PUBLIC REALM

- A. Wharf with all areas open to the public. No leased Space
- B. Public gathering infrastructure including: Benches / Stage / Shade Structure
- C. Additional Public Bathroom(s) at the Wharf Head
- D. Remove (E) Hoist

### OPTION 02 | ENHANCED PUBLIC REALM AND MOBILE VENDORS

- A. Majority Open Space with up to 4 Mobile Kiosks for Variety of Uses (examples: Food/Drink/Mobile Fishing Shop/Non-Power Water Craft Rental - Kayaks, Paddle Boards, etc.)
- B. Public gathering infrastructure including: Benches / Stage / Shade structures
- C. Additional public restroom(s) at the Wharf Head
- D. Remove (E) Hoist

### OPTION 03 | ENHANCED PUBLIC REALM AND FIXED FISHING CONCESSION

- A. Fixed Low-Cost Structure for Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- C. Fixed Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Additional public restroom(s) at the end of the wharf

### OPTION 04 | ENHANCED PUBLIC REALM, FIXED FISHING CONCESSION, & MOBILE VENDORS

- A. Fixed Low-Cost Structure for Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Mobile Kiosks for food/beverage operations
- C. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- D. Fixed Lifeguard station with Personal Rescue Water Craft (PRWC).
- E. Additional public restroom(s) at the end of the wharf

### OPTION 05 | ENHANCED PUBLIC REALM WITH FIXED FISHING CONCESSION & FLEXIBLE MARKET SPACE

- A. Fixed all weather building Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Fixed Flexible Market Space for food & beverage concessions w/ open space for public (ie: fish market)
- C. Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- E. Additional public restroom(s) at the end of the wharf

### OPTION 06 | PERMANENT STRUCTURES & PUBLIC SPACE

- A. Fixed all weather building Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Fixed all weather building for a full restaurant
- C. Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- E. Additional public restroom(s) at the end of the wharf

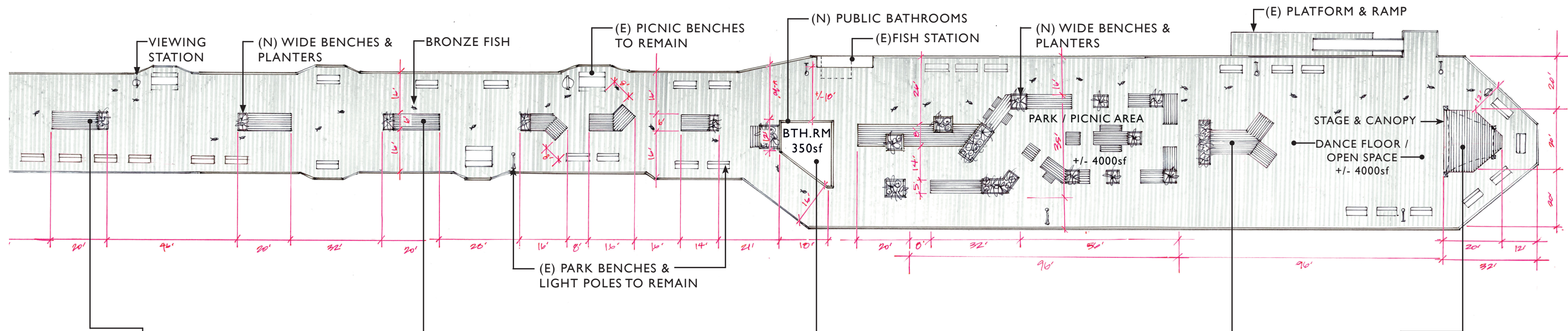


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 01

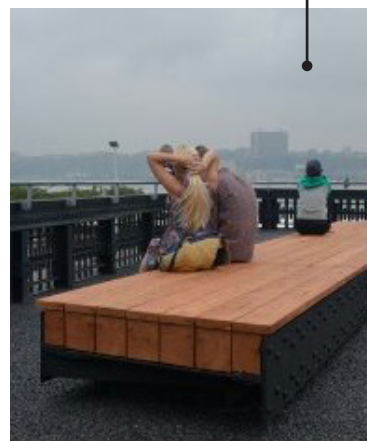
## 01. PUBLIC OPEN SPACE WITH ENHANCED PUBLIC REALM:

- A. Wharf with all areas open to the public. No leased Space
- B. Public gathering infrastructure including Benches / Stage / Shade Structure
- C. Additional Public Bathroom(s) at the Wharf Head
- D. Remove (E) zHoist

**OPTION 01 / BUDGET APPROXIMATION: (+/-) \$900K to \$1.1M**



WIDE BENCHES & PLANTERS



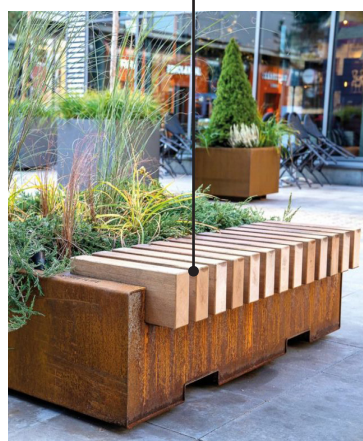
PUBLIC BATHROOMS



WOOD & STEEL BENCHES

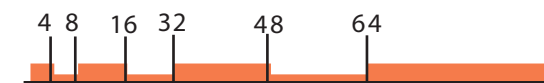


STAGE



### WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"

\*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\*



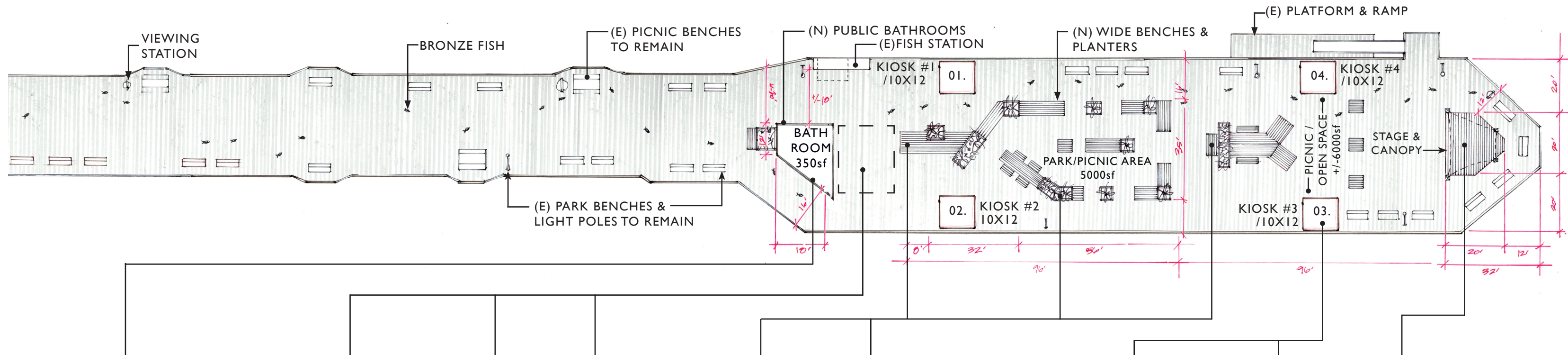


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 02

## 02. ENHANCED PUBLIC REALM AND MOBILE VENDORS:

- A. Majority Open Space with up to four (4) Mobile Kiosks for Variety of Uses  
(Examples: Food/Drink/Mobile Fishing Shop/Non-Power Water Craft Rental - Kayaks, Paddle Boards, etc.)
- B. Public gathering infrastructure including Benches / Stage / Shade structures
- C. Additional public restroom(s) at the Wharf Head
- D. Remove (E) Hoist

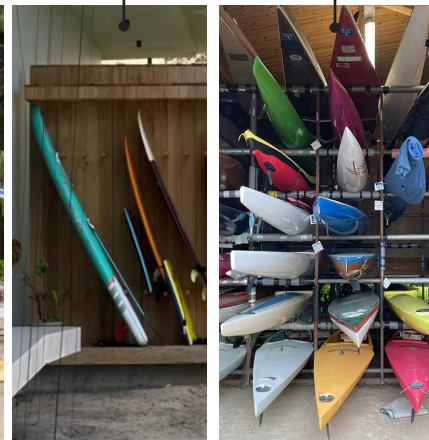
**OPTION 02 / BUDGET APPROXIMATION: (+/-) \$1.3M to \$1.6M**



PUBLIC BATHROOM



MOBILE SURF / KAYAKS RENTALS



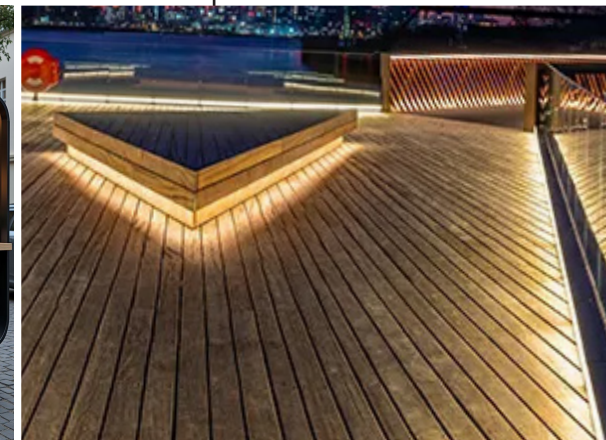
WIDE BENCHES & PLANTERS



KIOSKS / MOBILE VENDOR

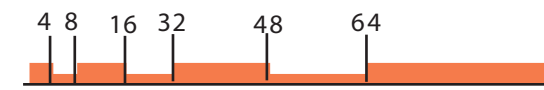


STAGE



**WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"**

**\*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\***



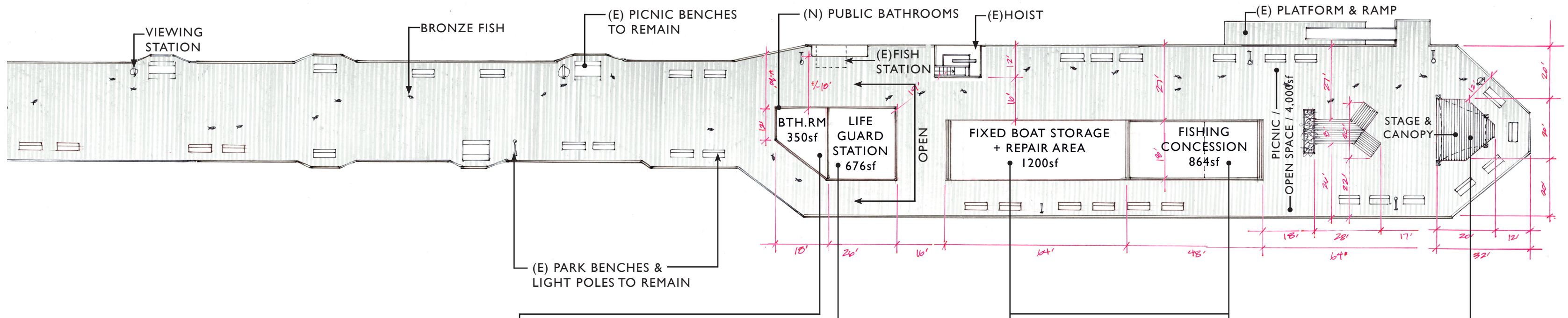


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 03

## 03. ENHANCED PUBLIC REALM AND FIXED FISHING CONCESSION:

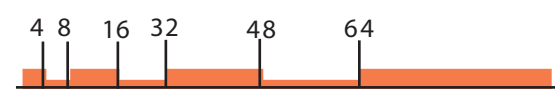
- A. Fixed Low-Cost Structure for Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- C. Fixed Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Additional public restroom(s) at the end of the wharf

**OPTION 03 / BUDGET APPROXIMATION:** (+/-) \$1.7M to \$2.2M



WIDE BENCHES & PLANTERS      PUBLIC BATHROOM      LIFEGUARD STATION & ROOFTOP LOOKOUT      FIXED LOW COST STRUCTURE / FISHING CONCESSION / REPAIR / STORAGE      STAGE

**WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"**  
 \*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\*



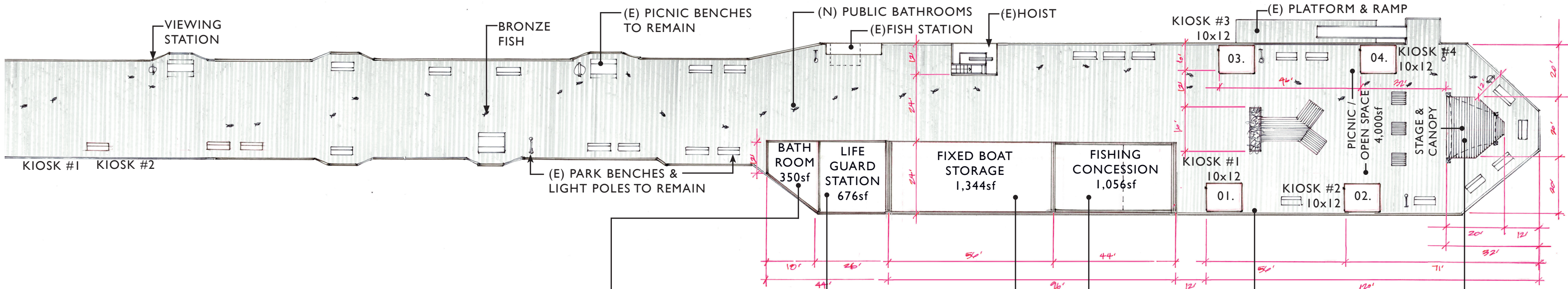


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 04

## 04. ENHANCED PUBLIC REALM, FIXED FISHING CONCESSION & MOBILE VENDORS:

- A. Fixed Low-Cost Structure for Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Mobile Kiosks for food/beverage operations
- C. Public gathering infrastructure including: Benches / Stage / Shade Structure(s)
- D. Fixed Lifeguard station with Personal Rescue Water Craft (PRWC).
- E. Additional public restroom(s) at the end of the wharf

**OPTION 04 / BUDGET APPROXIMATION: (+/-) \$2.2M to \$2.5M**



WIDE BENCHES & PLANTERS



BATHROOM



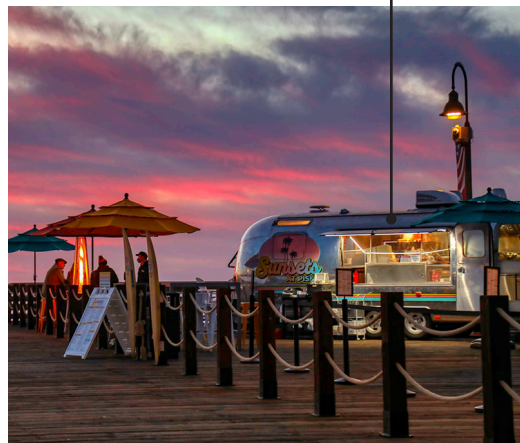
LIFEGUARD STATION & ROOFTOP LOOKOUT



FIXED STRUCTURE / FISHING CONCESSION / REPAIR / STORAGE



KIOSKS / MOBILE VENDORS

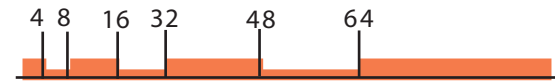


STAGE



### WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"

\*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\*



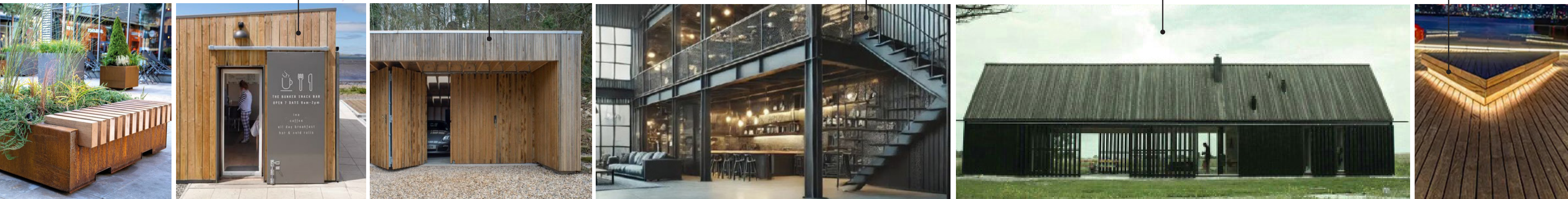
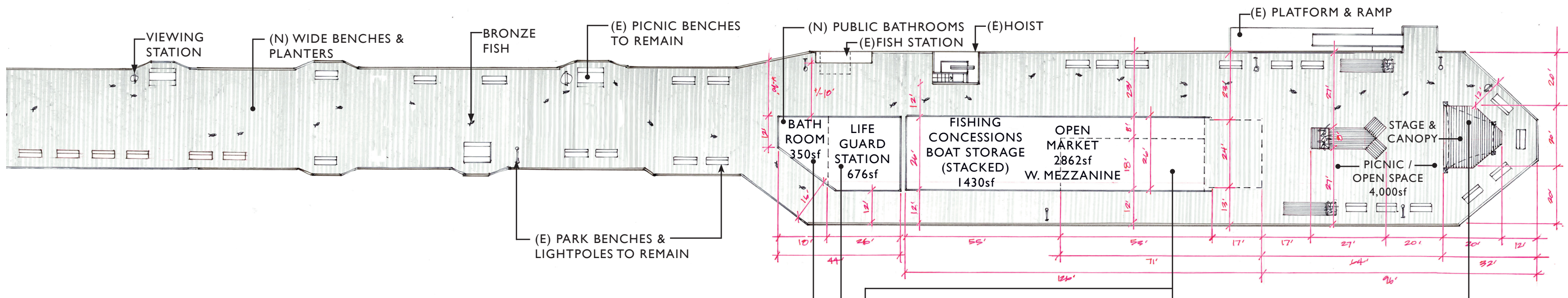


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 05

## 05. ENHANCED PUBLIC REALM WITH FIXED FISHING CONCESSION & FLEXIBLE MARKET SPACE:

- A. Fixed all weather building Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Fixed Flexible Market Space for food & beverage concessions w/ open space for public (IE: fish market)
- C. Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Public gathering infrastructure including: Benches/ Stage / Shade Structure(s)
- E. Additional public restroom(s) at the end of the wharf

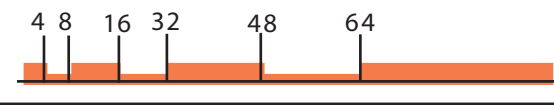
**OPTION 05 / BUDGET APPROXIMATION:** (+/-) \$2.2M to \$3.2M



PLANTERS / BENCHES      PUBLIC BATHROOM      LIFEGUARD STATION & ROOFTOP LOOKOUT      FLEXIBLE MARKET SPACE / OUTDOOR SEATING / FULL FISHING CONCESSIONS / REPAIR / OPEN AIR BUILDING      STAGE

### WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"

\*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\*



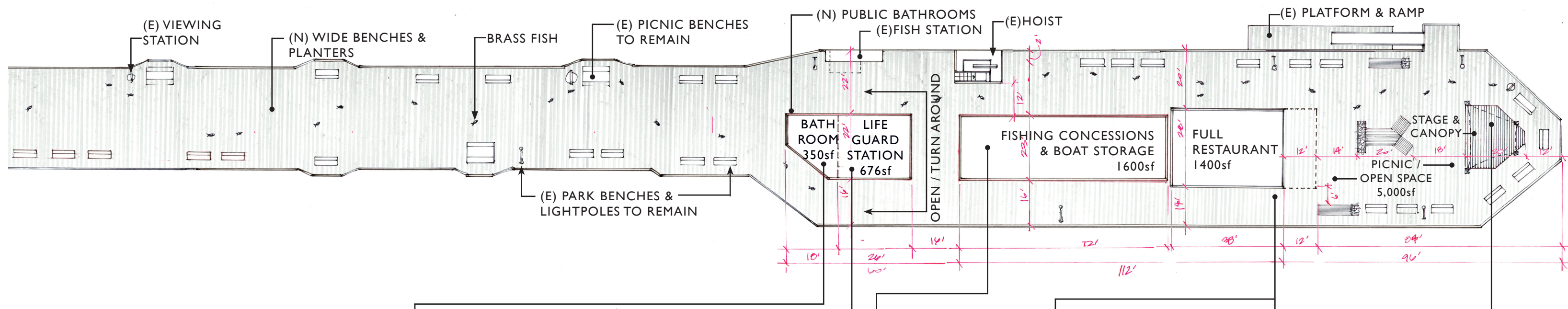


# CONCEPTUAL LAYOUT / USE PLAN - OPTION 06

## 06. PERMANENT STRUCTURES / REPLACING BUILDINGS & PUBLIC SPACE:

- A. Fixed all weather building Fishing Concession with boat rental / repair & fixed boat storage / mooring buoys, dingy service and hoist
- B. Fixed all weather building for a full restaurant
- C. Lifeguard station with Personal Rescue Water Craft (PRWC).
- D. Public gathering infrastructure including Benches / Stage / Shade Structure(s)
- E. Additional public restroom(s) at the end of the wharf

**OPTION 06 / BUDGET APPROXIMATION:** (+/-) \$5.5M to \$6.2M



WIDE BENCHES & PLANTERS

PUBLIC BATHROOM

LIFEGUARD STATION & ROOFTOP LOOKOUT

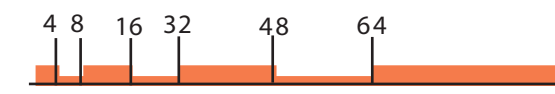
FISHING CONCESSIONS / REPAIR / STORAGE

FULL RESTAURANT & BAR W. OUTDOOR SEATING & ROOF TOP SEATING

LOW LIGHTING

**WHARF HEAD - SITE MAP & CONCEPTUAL IMAGES / SCALE: 1' = 1/16"**

**\*\*PLEASE NOTE: IMAGES SHOWN ARE TO HELP SHOW INTENT - NOT ACTUAL DESIGN\*\***





# CONCEPTUAL LAYOUT - PRELIMINARY COST BREAKDOWN:

## iii. COST APPROXIMATION SUMMARY:

### OPTION 01 | PUBLIC OPEN SPACE WITH ENHANCED PUBLIC REALM

#### TOTAL ESTIMATE: 900K - 1.1M

- DEMOLISH HOIST: (+/-) \$60K
- ENHANCED PUBLIC SPACE / PARK: (+/-) \$450K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- ANY NECESSARY ENGINEERING: T.B.D.

### OPTION 02 | ENHANCED PUBLIC REALM AND MOBILE VENDORS

#### TOTAL ESTIMATE: 1.3M - 1.6M

- DEMOLISH HOIST: (+/-) \$60K
- ENHANCED PUBLIC SPACE / PARK: (+/-) \$450K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- MOBILE KIOSKS: (+/-) \$120K / EACH
- ANY NECESSARY ENGINEERING: T.B.D.

### OPTION 03 | ENHANCED PUBLIC REALM & FIXED FISHING CONCESSION

#### TOTAL ESTIMATE: 1.7M - 2.2M

- ENHANCED PUBLIC SPACE / PARK: (+/-) \$250K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- LIFEGUARD STATION / LOOKOUT: (+/-) \$200K
- FIXED BOAT STORAGE & FISHING CONCESSION: (+/-) \$650K
- ANY NECESSARY ENGINEERING: T.B.D.

### OPTION 04 | ENHANCED PUBLIC REALM, FIXED FISHING CONCESSION

#### & MOBILE VENDORS | TOTAL ESTIMATE: 2.2M - 2.5M

- MOBILE KIOSKS: (+/-) \$120K / EACH
- ENHANCED PUBLIC SPACE / PARK: (+/-) \$250K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- LIFEGUARD STATION / LOOKOUT: (+/-) \$200K
- FIXED BOAT STORAGE & FISHING CONCESSION: (+/-) \$650K
- ANY NECESSARY ENGINEERING: T.B.D.

### OPTION 05 | ENHANCED PUBLIC REALM WITH FIXED FISHING CONCESSION

#### & FLEXIBLE MARKET SPACE | TOTAL ESTIMATE: 2.2M - 3.2M

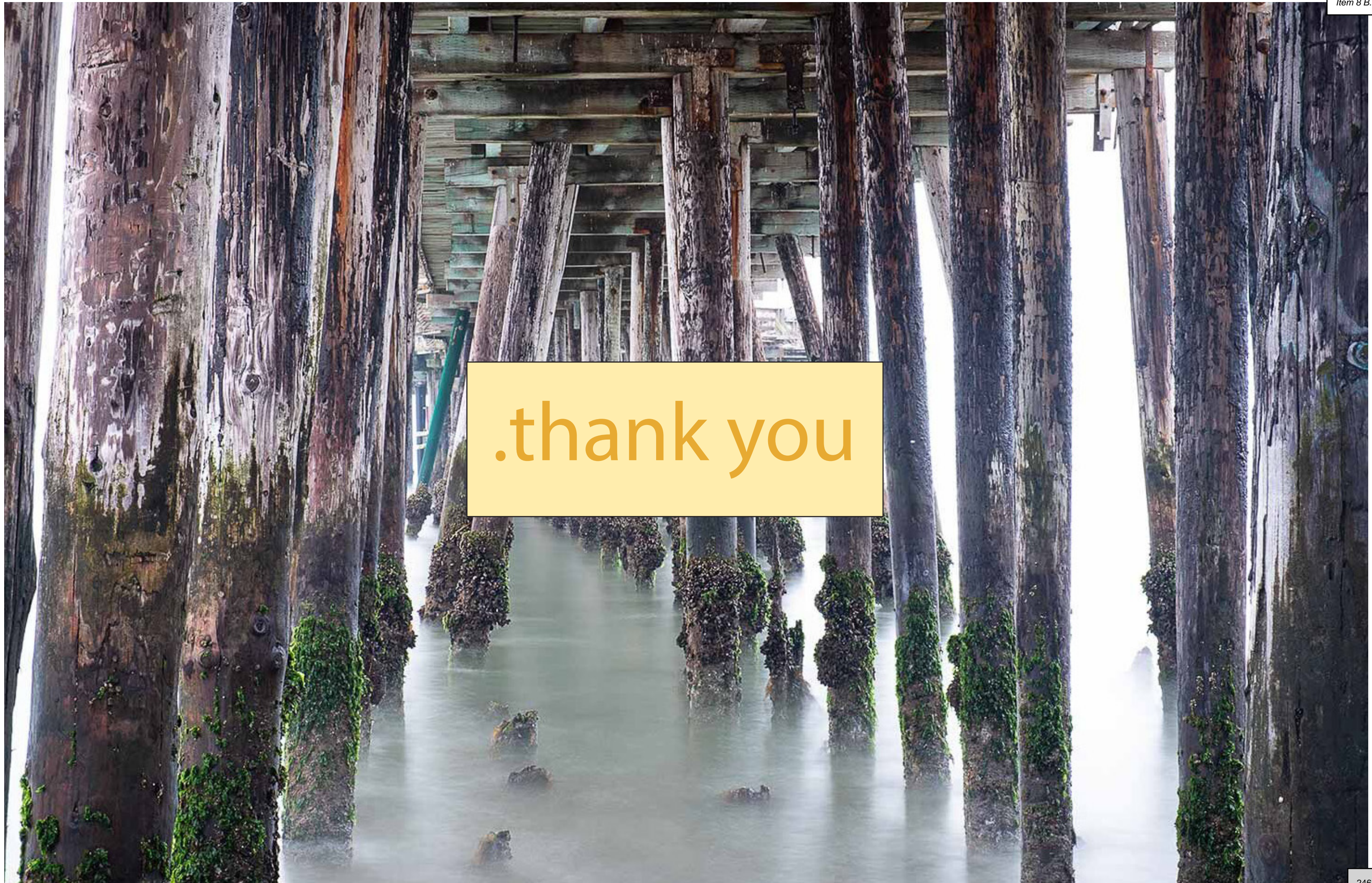
- ENHANCED PUBLIC SPACE / PARK: (+/-) \$250K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- LIFEGUARD STATION / LOOKOUT: (+/-) \$200K
- INDOOR MARKET SPACE / FOOD + FISH CONCESSION: (+/-) 1.2M
- ANY NECESSARY ENGINEERING: T.B.D.

### OPTION 06 | PERMANENT STRUCTURES & PUBLIC SPACE

#### TOTAL ESTIMATE: 5.5M - 6.2M

- ENHANCED PUBLIC SPACE / PARK: (+/-) \$250K
- PUBLIC RESTROOM (2 STALL): (+/-) \$600K
- LIFEGUARD STATION / LOOKOUT: (+/-) \$200K
- PERMANENT BOAT STORAGE & FISHING CONCESSION: (+/-) \$1.2K
- PERMANENT RESTAURANT: (+/-) \$3.3M
- ANY NECESSARY ENGINEERING: T.B.D.







# Capitola City Council

## Agenda Report



**Meeting:** March 13, 2025

**From:** Community Development Department

**Subject:** Annexation Request for 1610 Bulb Avenue

**Recommended Action:** Authorize the Mayor to sign a letter to the Local Agency Formation Commission in support of or opposition to the annexation of 1610 Bulb Avenue into Capitola city limits.

**Background:** On October 20, 2022, the Planning Commission reviewed a conceptual review application for an assisted-living facility with integrated memory care at 3720 Capitola Road and 1610 Bulb Avenue. The property at 3720 Capitola Road is located within the Community Commercial (C-C) zoning district. The property at 1610 Bulb Avenue is located within the County of Santa Cruz and is currently zoned as residential.

The original 2022 application was for an assisted living facility that included 80 rooms within a four-story building. The building was situated toward the front of the property, along the frontage of Capitola Road, with an outdoor patio and trellised entryway adjacent to the sidewalk. Parking was proposed behind the building, with vehicle access from Bulb Avenue, a residential street.

The applicant sought an increase to the maximum floor area ratio (FAR) and height standards in accordance with Capitola Municipal Code Chapter 17.88: Incentives for Community Benefits. With a qualified community benefit, the C-C zone maximum height can increase from 35 feet to 50 feet and the maximum floor area ratio can increase from 1.0 to 2.0. Such increases require the City Council to find the project provides community benefits that advance the goals of the General Plan, can be accommodated by existing public services and infrastructure, and minimizes adverse impacts to neighboring properties. The applicant was seeking an increase in the FAR to approximately 1.65 and the height to 50 feet.

There was significant public comment in opposition to the project, which included concerns about vehicle noise (ambulances), traffic, privacy, tree removal, and general incompatibility with a single-family neighborhood along Bulb Avenue. After receiving public comment and discussion, the Planning Commission provided feedback that the project did not appear to include an eligible community benefit.

Following the Planning Commission meeting, the applicant reversed the building orientation by moving the surface parking and primary entrance toward Capitola Road (away from the neighborhood). The room count increased from 80 rooms to 93 rooms and could accommodate 97 residents.

On January 25, 2024, the City Council reviewed the updated application and informed the applicant it would not qualify for the community benefit designation.

On January 27, 2025, the owner of 1610 Bulb Avenue submitted a request for the property to be annexed into the Capitola city limits without a development proposal for the property.

**Discussion:** The City received a request to annex 1610 Bulb Avenue into the Capitola city limits. The owner is requesting the property be zoned Community Commercial (CC) to match the zoning of the adjacent property at 3720 Capitola Road. The application does not include a development proposal for the property.

The parcel at 1610 Bulb Avenue has a frontage 85 feet wide along Bulb Avenue and is 160 feet deep. 3720 Capitola Road is a rectangle with 177 feet of frontage along Bulb Avenue and 160 feet along Capitola Road. The adjacent property at 3744 Capitola Road (Pono Hawaiian Kitchen & Tap) extends the full depth of both 1610 Bulb Avenue and 3720 Capitola Road. If the City were to annex 1610 Bulb Avenue, the City limit would align with the adjacent property at 3744 Capitola Road.

The applicant has already submitted an annexation application to the Local Agency Formation Commission (LAFCO). LAFCO will not move forward with the application unless the City provides a “will-serve” letter to the applicant or LAFCO, in which the City states it is willing to provide services to the subject area. The site is serviced by the City of Santa Cruz Water Department and County of Santa Cruz Sanitation Department. Both entities provided letters noting that adequate public services and infrastructure are available.

Staff has prepared following list of considerations to assist the City Council in determining whether to support the request for annexation.

Pros of Annexation:

1. Zoning Consistency and Boundary. Annexation would allow the property to be rezoned as Community Commercial (C-C) and align with the adjacent 3744 Capitola Road (Pono Grill).
2. City Control Over Development. Annexation would give the City authority over land use decisions, ensuring that any future development aligns with Capitola’s General Plan, zoning regulations, and CEQA. The City would be able to condition the approvals on the project and enforce the conditions.
3. Potential Economic Benefit. If developed commercially, the larger lot would provide more opportunity for redevelopment and flexibility around design. The property has the potential to generate increased tax revenue, depending on the type of use.

Cons of Annexation:

1. Unknown Impacts. Without a development proposal tied to the annexation, future impacts of build out are unknown. Also, the fiscal impact is unclear as the property tax exchange agreement with Santa Cruz County must be negotiated. The City would be responsible for providing municipal services (police, public works, etc.) to the site, which could increase costs without offsetting revenue, depending on the type of use.
2. Neighborhood Concerns. During the prior annexation request for an assisted living senior facility, public comment included traffic, circulation, noise, and compatibility concerns.
3. Complex Approval Process. The annexation requires approval from the Local Agency Formation Commission (LAFCO), a General Plan amendment, Zoning Map amendment, and CEQA review, making it a time-intensive process. The City would bill all costs for processing the project, including staff, consultant, and legal fees, to the applicant.

**Next Steps:** If in favor of the annexation, the City Council should authorize the Mayor to send a will-serve letter to the applicant and LAFCO. The applicant would then submit an application for a General Plan update to the City, as State law requires the City to update its general plan and land use designation to reflect the proposed annexation of the subject parcel. State law requires a California Environmental Quality Act (CEQA) analysis (evaluating potential impacts on factors like air quality, water resources, traffic, land use, and wildlife) reflecting the proposed annexation to be recorded. While the current review of the parcel with no development may warrant a Notice of Exemption, the City may require additional environmental analysis of future development before adopting a CEQA determination and authorizing annexation.

**Fiscal Impact:** In accordance with State law, any application requesting an annexation must include an adopted property tax exchange agreement between the affected parties. The County and City must adopt similar resolutions indicating the amount of property tax funds currently being collected by the County within the subject territory that will be transferred to the City. This can be divided multiple ways, including a 50-50 split, 80-20, or a 0 percent transfer. The property tax determination is based on the existing property tax at the time of the annexation. The project development details are not needed for the ratification of the property tax exchange agreement.

Attachments:

1. Proposed Annexation Boundary
2. Applicant's Project Narrative

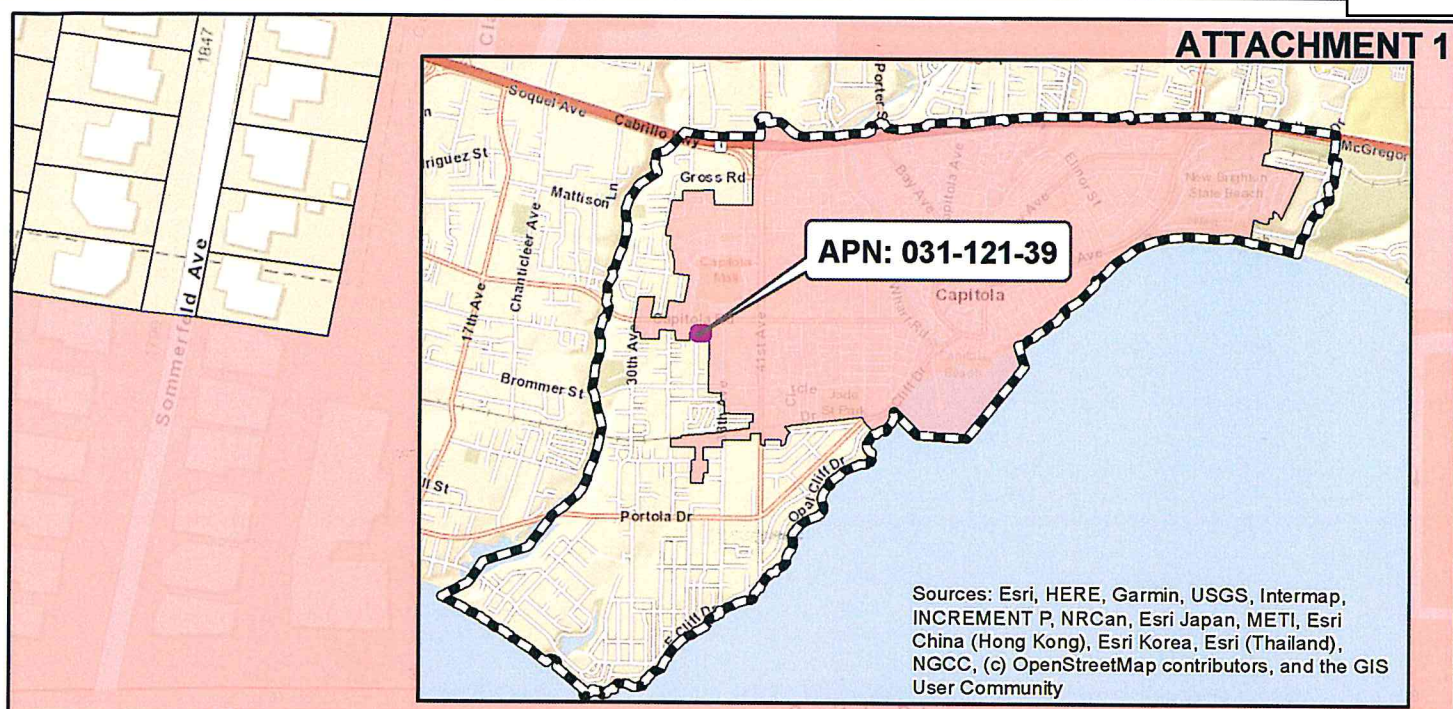
Report Prepared By: Katie Herlihy, Community Development Director

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

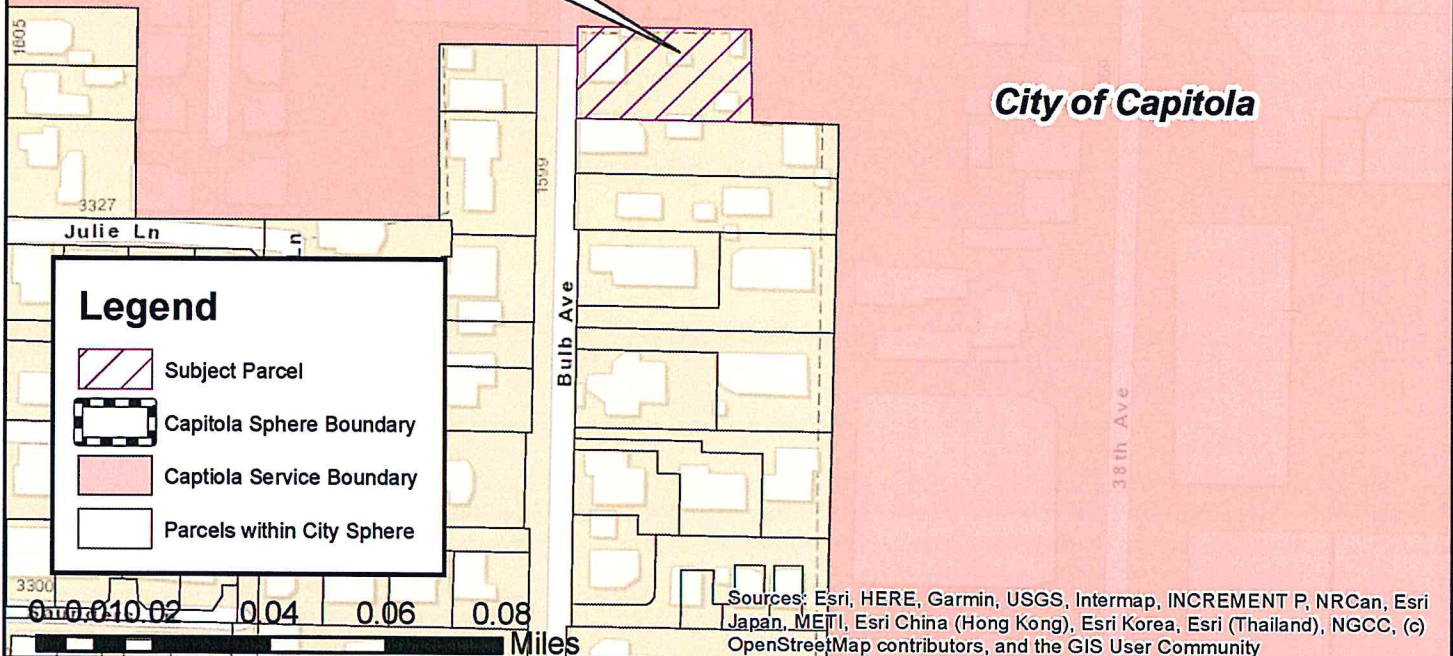
Approved By: Jamie Goldstein, City Manager



**ATTACHMENT 1**



**APN: 031-121-39  
(appx. 0.31 acres)**

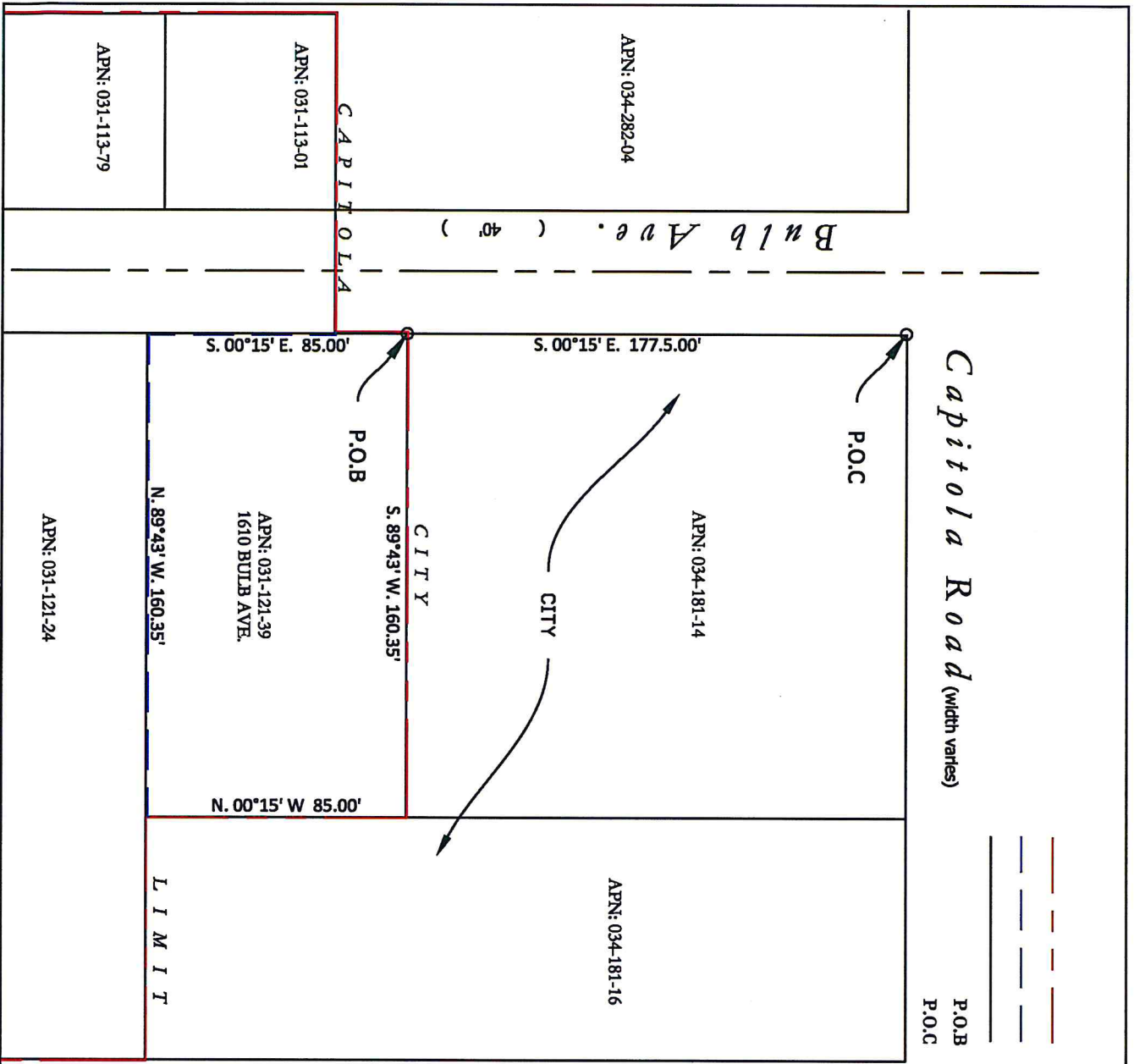


# "1610 Bulb Ave Parcel Annexation" to the City of Capitola (LAFCO Project No. CA 24-13)



The proposed annexation includes one parcel, which is located immediately adjacent to the city limits and within Capitola's sphere boundary. This means that LAFCO has identified the City of Capitola as the most logical service provider.





**LEGEND**

(E) CITY BOUNDARY

(N) BOUNDARY

RECORD PARCEL LINE

P.O.B  
PLACE OF BEGINNING

P.O.C  
POINT OF COMMENCEMENT

**SANTA CRUZ  
COUNTY, CA**

**BOUNDARY DESCRIPTION**

BEGINNING AT A STATION ON THE EASTERLY LINE OF BULB AVENUE, DISTANT THEREON SOUTH 00°15' EAST 177.5 FEET FROM THE SOUTHERLY SIDE OF THE LOWER SOQUEL ROAD; THENCE ALONG THE EASTERLY SIDE OF BULB AVENUE SOUTH 00°15' EAST 85.00 FEET, THENCE LEAVING SAID AVENUE, NORTH 89°43' EAST 160.35 FEET TO A STATION; THENCE PARALLEL WITH BULB AVENUE NORTH 00°15' WEST 85.00 FEET TO A STATION AND THENCE SOUTH 89°43' WEST 160.35 FEET TO THE PLACE OF BEGINNING.



NO.	DATE	DESCRIPTION

PROJECT: 1610 Bulb Ave. Amendment  
 FILE NAME: 1610 SW AMP-2.dwg  
 DATE: 11/07/2014  
 DRAWN BY: DAVID A. LANDROCK



SCALE NTS  
SHEET MAP - 1

---

**Frank DeBernardo**

1840 41st Avenue, Suite 205  
Capitola, CA 95010  
(831) 901-2324 mobile  
debernardo2000@gmail.com

12/23/2024

**Katie Herlihy**

Community Director Development Director, City of Capitola

420 Capitola Avenue, Capitola, CA 95010

Dear Katie Herlihy:

I have submitted an application requesting annexation into the City of Capitola for the parcel I own located at 1610 Bulb Ave., Santa Cruz, CA.

The parcel I own at 1610 Bulb Ave. is within the City of Capitola sphere of influence and directly adjacent to the city boundary.

1610 Bulb Avenue shares a lot line with another parcel I co-own at 3720 Capitola Road, Capitola. Annexation at this time would provide a logical first step for any future planning on this parcel.

I do not have any project proposals for this parcel.

I believe the logical zoning designation for 1610 Bulb Avenue, once annexed into the City of Capitola, would be to match the adjoining parcel I co-own at 3720 Capitola Road, Capitola, of CC (Community Commercial) zoning.

I request your assistance in the annexation of this parcel into the City of Capitola.

Sincerely,



**Frank DeBernardo**

**1840 41st Avenue, Suite 205**

**Capitola, CA 95010**



420 Capitola Avenue  
Capitola, California 95010  
Telephone: (831) 475-7300  
FAX: (831) 479-8879  
Website: <http://www.cityofcapitola.org>

Fran DeBernardo  
Recipient Address  
City, State, ZIP

Subject: Will Serve Letter for 1610 Bulb Avenue Annexation

Dear Frank DeBernardo,

On behalf of the City of Capitola, this letter serves as confirmation that the City of Capitola is prepared to provide municipal services to the property located at 1610 Bulb Avenue upon annexation into the Capitola city limits.

The Capitola City Council has reviewed the annexation request and determined that annexation would provide zoning consistency and enhance land use planning within Capitola's Community Commercial zoning district. The annexation will also align the zoning of 1610 Bulb Avenue with the adjacent property at 3744 Capitola Road, eliminating an irregular boundary.

As part of the annexation, the City of Capitola is committed to providing municipal services in accordance with applicable laws and regulations.

Please do not hesitate to contact city staff if you require further information or have any questions regarding this matter.

Sincerely,

Joe Clarke  
Mayor, City of Capitola



420 Capitola Avenue  
Capitola, California 95010  
Telephone: (831) 475-7300  
FAX: (831) 479-8879  
Website: <http://www.cityofcapitola.org>

Fran DeBernardo  
Recipient Address  
City, State, ZIP

Subject: Will Serve Letter for 1610 Bulb Avenue Annexation

Dear Frank DeBernardo,

On behalf of the City of Capitola, this letter serves as a denial of your request for the City of Capitola to provide municipal services to the property located at 1610 Bulb Avenue for annexation into the Capitola city limits.

After reviewing the request, the City Council has determined that annexation is premature due to the lack of a development proposal and the uncertainties surrounding the fiscal and community impacts.

Without a defined project, the City cannot fully assess the potential benefits or costs associated with annexation. Given these uncertainties, the City Council has decided that it is not in Capitola's best interest to proceed with this annexation.

Please do not hesitate to contact city staff if you require further information or have any questions regarding this matter.

Sincerely,

Joe Clarke  
Mayor, City of Capitola

# Capitola City Council

## Agenda Report

**Meeting:** March 13, 2025

**From:** City Manager Department

**Subject:** Appointment of Capitola Representative to Measure Q Oversight Advisory Board



**Recommended Action:** Appoint a member of the public to serve as Capitola's representative on the Measure Q Citizens Oversight Advisory Board.

**Background:** Approved by Santa Cruz County voters in November 2024, the Santa Cruz County Safe Drinking Water, Clean Beaches, Wildfire Risk Reduction, and Wildlife Protection Initiative (Measure Q) is a transformative local effort aimed at protecting and enhancing the county's precious natural resources. This initiative prioritizes water quality, wildfire prevention, habitat restoration, and the creation of resilient ecosystems to ensure the health and well-being of Santa Cruz County's environment and its residents for generations to come.

Measure Q is funded through a modest annual parcel tax of \$87 and is expected to generate more than \$7 million annually.

**Discussion:** Measure Q establishes a nine-member Citizens Oversight Advisory Board (COAB) to ensure transparency and alignment with community goals. The COAB also engages with the community, helps develop Vision Plans to guide awards and provides annual reporting to the Board of Supervisors. All meetings are open to the public.

The composition of the COAB is as follows:

- Nine subject-matter experts – five appointed by the County's Board of Supervisors and four appointed by the cities with one selection per city
- Members are required to have expertise in water quality or flood protection, wildfire reduction or forest management, parks or natural resources management, working lands, environmental justice or park equity, or knowledge of evaluating financial transactions
- Members are not required to live in any specific area
- Members cannot hold an elected office

The COAB's responsibilities include the following:

- Choose land stewardship implementation partner
- May provide recommendations to the Office of Response, Recovery & Resilience (OR3) and County Parks on the development of the Vision Plan.
- Approve the 5-Year Vision Plan prepared by OR3 and County Parks, synthesizing local climate, recreation, and resource management strategies to support grant criteria and awards
- Receive reports on projects funded and provide annual reports to the County's Board of Supervisors on project outcomes and leveraging of Measure Q funds

The City received two applications from members of the public to serve as a representative of Capitola on the COAB (Attachment 1 & 2).

**Fiscal Impact:** None.

**Attachments:**

1. Application – Jed Wilson

2. Application – Scott Harway

Report Prepared By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

**Gautho, Julia**

**From:** bdscc <bdscc@santacruzcountyca.gov>  
**Sent:** Thursday, January 30, 2025 12:00 PM  
**To:** Gautho, Julia  
**Subject:** [PDF] FW: Commissions Appointment Application - from Jed Wilson  
**Attachments:** Wilson - Resume.docx.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi Julia,

I don't know if your aware of the County's new WWWPA Citizen's Oversight Board (aka Measure Q). Our office has received the attached application. Jed Wilson is interested in being the Capitola City Representative on this Board. If you'd like to move forward in appointing Mr. Wilson, he will need to be nominated at your next City Council meeting. Once I receive confirmation of his nomination, the Board will approve nomination at our March 11<sup>th</sup>, Board meeting.

If our office receives more application for the Capitola City rep position, I will send them your way for review.

Thank you,  
 Jesseka



**Jesseka Rodriguez**

**Office Assistant III**

Santa Cruz County Board of Supervisors

701 Ocean Street, Room 500, Santa Cruz, CA 95060

Office: 831-454-2200

**From:** CommissionsApplication\_DoNotReply@santacruzcountyca.gov  
 <CommissionsApplication\_DoNotReply@santacruzcountyca.gov>

**Sent:** Monday, January 27, 2025 9:38 AM

**To:** bdscc <bdscc@santacruzcountyca.gov>

**Subject:** Commissions Appointment Application - from Jed Wilson

## Appointment to a County Advisory Body

**Commission, Committee, or Board:**

WWWPA Citizen's Oversight Advisory Board (aka Measure Q)

**If applicable, please indicate the seat or category of representation for which you are seeking appointment:**

Capitola City

**APPLICANT INFORMATION****Name:**

Jed Wilson

**Street:**

[REDACTED]

**City:**

Capitola

**State:**

CA

**Zip Code:**

95010

**Email Address:**[jedwilson17@gmail.com](mailto:jedwilson17@gmail.com)**Phone:**

[REDACTED]

**Preferred Correspondence:**

Email

**Supervisory District:**

5

**Do you currently hold elected office?**

No

**CURRENT/PREVIOUS COMMISSION OR COMMITTEE SERVICE**

List your current or previous service on any advisory bodies and state where you served. Previous service is not required.

Advisory Body	Region/County	Term
Statewide Training Group (CALFIRE)	State	2006-2017

CA

**EDUCATION AND/OR TRAINING**

Include any education and/or training related to the advisory body for which you are applying for. This is optional information but beneficial.



Institution/Program	Major/Field	Degree/Certificate	Year
College of the Siskiyous	Fire Science	AS	2002

**Please select all fields in which you have relevant, demonstrable expertise:**

Wildfire or forest management, Wildlife, parks or natural resources stewardship, Working lands or agriculture, Financial and/or program analysis

### WORK/VOLUNTEER EXPERIENCE

Include your current or most recent employer as well as any previous employment, volunteer, and community activities you've participated in which are related to the advisory body for which you are applying for.

Organization	Address	Position	Years
CALFIRE	6059 Highway 9, Felton CA 95018	Unit Chief	18
FEEJAYS	Swift St, Santa Cruz, CA	CEO	4

### STATEMENT OF INTEREST/QUALIFICATIONS

Complete a brief statement indicating why you are interested in serving on the advisory body in question and why you are qualified through personal, lived, and/or professional experience(s) for the appointment. What do you hope to contribute or gain from your participation in the commission?

I am writing to express my interest in being considered for the upcoming appointment to the Measure Q Board. With my extensive experience in both operational and administrative roles within the fire service, I believe I would bring a unique perspective to the board. In particular, I offer a strong understanding of fuel management practices, forest regulations, and prescribed fire—areas in which I work daily as part of my professional responsibilities.

I am deeply committed to collaboration and would aim to work cohesively with fellow board members to maximize the effectiveness of Measure Q funds, ensuring that they are used in line with the intentions outlined to the public. This measure specifically addresses fire safety and watershed protection—two critical issues for our community. I am passionate about making sure the funds are directed toward maintaining public safety, protecting our natural resources, and ensuring clean water for future generations.

**Please upload your CV or resume:**

Wilson - Resume.docx.pdf

### REASONABLE ACCOMODATIONS

Please identify any reasonable accommodations needed for equal participation. This information is not a consideration nor a factor in any possible appointment and is used only for planning and technology purposes.

None

### COMMISSIONS POLICY ORDINANCE OF SANTA CRUZ COUNTY

Please review Santa Cruz County Code (SCCC) Chapter 2.38, also known as the “Commissions Policy Ordinance of Santa Cruz County” available at <https://www.codepublishing.com/CA/SantaCruzCounty/> which applies to any advisory board, commission, committee or department advisory group over which the County has appointing authority or jurisdiction.

In accordance with SCCC Chapter 2.38 and Santa Cruz County Conflict of Interest Code, I agree to:

Initials: **jw** Attend meetings regularly and devote the time necessary to fulfill my duties as a member

Initials: **jw** Comply with the Ralph M. Brown Act and California Public Records Act

Initials: **jw** If required under state and local conflict of interest laws, file a public statement (Form 700) disclosing certain types of economic information

### **CERTIFICATION**

By checking this box and entering the date and my initials, I certify that the above information is true and correct and authorize the verification of the information in the application in the event I am a finalist for the appointment.

Certified

**Date:** 2025-01-27

**Initials:** jw

# Jedidiah A. Wilson

•  • [jedwilson17@gmail.com](mailto:jedwilson17@gmail.com) •

## EDUCATION:

### **2001-2016**

Cabrillo College • Aptos, CA • Part Time Student

### **2000-2003**

College of the Siskiyous • Weed, CA • AS Fire Science

### **1999-2000**

Columbia College • Sonora, CA • Part Time Student

### **1996-2000**

Mariposa County High School • Mariposa, CA • Full Time Student

## WORK EXPERIENCE:

### **8/2024-Current**

CAL-FIRE • San Mateo - Santa Cruz • TAU Unit Chief

As a Unit Chief of CZU, I am responsible for overseeing the operations and management of a specific geographic unit within California. My role involves ensuring that fire protection services, emergency response efforts, and prevention programs are effectively carried out in our area. I lead a team of dedicated fire personnel, coordinate resources during large incidents, and work closely with local governments, agencies, and communities to reduce wildfire risks. Additionally, I play a key role in strategic planning, budgeting, and implementing CAL FIRE's policies and objectives to ensure public safety while supporting environmental stewardship and resource management.

Assistant Region Chief, Jeff Veik, wk. (707)217-9001

### **6/2022-8/2024**

CAL-FIRE • San Mateo - Santa Cruz • Deputy Chief

Unit operations, I assure that emergency resources, personnel, and equipment are trained, available, and ready to respond to fires and other emergencies; establish incident objectives and ensure the effective management and mitigation of emergencies; coordinate, develop, and implement the unit's Emergency Resource Directory, County Emergency Response Plan, Local Government Mutual Aid Plans, Local Government Automatic Aid Plans, and Interagency Operational Plans. I oversee both Santa Cruz County Fire Department and Pajaro Valley Fire District contracts with CAL FIRE. This includes budgeting, staffing, LG-1 creation and approval.

Unit Chief, Nate Armstrong, wk. (831)254-1700

### **2/2022-6/2022**

CAL-FIRE • San Mateo - Santa Cruz • Battalion Chief (Santa Cruz County Fire)

As a Battalion Chief my job entails providing program management and managing all personnel assigned to Santa Cruz County Fire. I am involved in resolving many different type incidents that fall under the department's ALL RISK mission and providing field battalion coverage. As the Santa Cruz County Fire Battalion Chief, I work in close cooperation with Unit Management, Santa Cruz County and Local Departments .

Unit Chief, Nate Armstrong, wk. (831)254-1700

### **2016-2022**

Feejays • CEO

As CEO I was responsible for managing the companies' overall operations. This includes delegating and directing agendas, driving the company's profitability, managing the company's organizational structure, strategies and communicating directly with the owners.

Owner, TJ Moran, (831)425-1292

### **2013-2016**

CAL-FIRE • San Mateo - Santa Cruz • Battalion Chief (Training)

As a Battalion Chief my job entailed providing program management and managing all personnel assigned to the Training Department. I was involved in resolving many different type incidents that fall under the department's ALL RISK mission and providing field battalion coverage. As the Unit's Training Officer, I worked in close cooperation with Management, Region Training and Local Departments to provide the mandated and career enhancement courses. I was the Santa Cruz County Training Officers Secretary/Treasurer and the Unit Instructor of Record for the JAC program.

*Assignments:* CZU Training Battalion – (July 2013 – May 2016)

Retired Unit Chief, Ian Larkin, wk. (831)254-1700

### **2012-2013**

CAL-FIRE • San Mateo - Santa Cruz • Fire Captain (Training)

As the Santa Cruz County Training Officer, I conducted weekly/monthly/annual training for all paid staff along with conducting the volunteer academy. I oversaw the Training Battalion operations during this period of a vacant position of Battalion Chief. I was the Units Instructor of Record for the JAC Program. I was the Santa Cruz County Training Officers Secretary/Treasurer for the 2012/2013 calendar year.

*Assignments:* CZU Training Battalion – Fire Captain (Feb 2012 –July 2013)

Retired Unit Chief, Ian Larkin, wk. (831)254-1700

### **2011-2012**

CAL-FIRE • San Mateo - Santa Cruz • TAU Battalion Chief (Training)

As a Battalion Chief my job entailed providing program management and managing all personnel assigned to the Training Department. I was involved in resolving many different type incidents that fall under the department's ALL RISK mission and providing field battalion coverage. As the Unit's Training Officer, I worked in close cooperation Management, Region Training and Local Departments to provide the mandated and career enhancement courses. I was also assigned the Unit Safety Officer Position.

*Assignments:* CZU Training Battalion – (July 2011-Feb 2012)

Retired Unit Chief, Scott Jalbert, wk. (831)254-1700

### **2008-2011**

CAL-FIRE • San Mateo - Santa Cruz • Fire Captain

As a Fire Captain my job entailed providing station management and managing all personnel assigned to the station. I was involved in resolving many different type incidents that fall under the department's ALL RISK mission. I also took part in letting the local community know of the fire danger by conducting LE-100 inspections and putting on fire prevention programs. As the Santa Cruz County Training Officer, I conduct weekly/monthly/annual training for all paid staff. I was the JAC Coordinator and Units Instructor of Record for the JAC Program. Implemented a County wide Volunteer Academy for Multi-Agency participation.

*Assignments:* Battalion 4 Relief Captain (June 2008 – May 2009) CZU Training Battalion – Fire Captain (May 2009 – July 2011)

Retired Assistant Region Chief, Jake Hess, wk. (707)217-9001

### **2003-2008**

CAL-FIRE • San Mateo - Santa Cruz • Fire Apparatus Engineer

As a Fire Apparatus Engineer my job entailed current upkeep of the department's apparatus and to provide station management. I was involved in resolving many different type incidents that fall under the department's ALL RISK mission. I also took part in letting the local community know of the fire danger by conducting LE-100 inspections and putting on fire prevention programs.

*Assignments:* Pajaro Valley FS Sch. "A", Saratoga Summit FS Sch. "B", Belmont FS Sch. "A", Ben Lomond Camp CYA "In-Camp Crew/VMP Projects" Corralitos FS Sch. "B".

Retired Captain Scott Agnelli, wk. (831)722-6122

### **2001-2002 Fire Seasons**

CAL-FIRE • San Mateo - Santa Cruz • Firefighter I

As an Amador Firefighter One my job entailed assisting in the upkeep of department apparatus and station maintenance. I was involved in carrying out tasks that were delegated to me from my supervisor. These ranged from fire suppression tactics to duties around the station.

*Assignments:* Big Creek FS Sch. "B"/Amador

Retired Captain Michael Brunson, wk. (831)722-7179

### **2000-2001**

Hammond Ranch Fire Company • Weed, CA • Firefighter/EMT

As a firefighter/EMT (Sleeper), my job entailed current upkeep of the station maintenance and department equipment. I was involved in resolving incidents including medical aids, structure fires, vehicle accidents, wildland fires, and public assist. I was also part of many committees such as:

(530)938-4200

**CERTIFICATES AND LICENSES:**

STATE FIRE TRAINING

- Firefighter One
- Firefighter Two
- Fire Officer
- Fire Investigator One
- Fire Instructor One
- Fire Command 1A
- Fire Command 1B
- Fire Command 1C
- Fire Prevention 1A
- Fire Prevention 1B
- Fire Management 1
- Fire Investigation 1A
- Fire Investigation 1B
- Fire Instructor 1A
- Fire Instructor 1B
- Auto Extrication
- Basic Pump Operations
- Emergency Vehicle Operations
- Rapid Intervention Crew Tactics (RIC)
- Firefighter Survival
- Ethical Leadership in the Classroom
- Region Instructor Orientation (RIO)
- ICS-200
- Mandated Instructor Update (2012)

FEMA

- I-700
- I-800

CSTI

- HAZMAT 1A
- HAZMAT 1B
- HAZMAT 1C
- HAZMAT 1D

CALFIRE/NWCG

- Supervision 2
- Supervision 3
- Incident Management 2
- Incident Management 3
- C-234 & S-234 Firing Operations
- Confined Space Awareness
- Confined Space Entry & Rescue
- S-290
- Basic 67 Hour Academy
- ICS-100
- Basic Firing Operations

- Commanding the Initial Response
- CALCARD – Certified Purchasing
- Defensive Driver Train-the-Trainer
- Chipper Orientation & Safety
- GPS/Basic Land Navigation
- Helicopter Rescue Awareness
- Module 2A
- Module 2B
- CALFIRE FFA
- S-212 “Level B”
- I-300
- I-400
- Certified Purchaser
- FI-110
- FI-210
- S-130
- SA-130
- S-190
- S-203 Introduction to Information Officer
- S-244 Field Observer
- S-245 Display Processor
- S-330 Task Force/Strike Team Leader
- S-339 Division/Group Supervisor
- S-404 Safety Officer
- AREP/LOFR
- SITL

OTHER

- Member of 4300 TAWG 2006-2016
- Member of BFC TAWG 2009-2016
- Swift Water Awareness
- Swift Water Technician 1
- PC 832 Reserve Officer Training w/ Firearms
- Commanding the Mayday and RIC Operation
- California Vocational Teaching Credential
- Santa Cruz County Training Officers S/T
- Unit Instructor of Record (JAC Program)
- Registered State Fire Marshall Instructor

IROC

- DIVS (Q)
- STEN (Q)
- LOFR(T)
- FOBS (T)
- SOF2 (T)
- PIOF (T)

*Member of the following:*

**2005-2016 Training Advisory Working Group (TAWG)**

**2023-Current 7700 Working Group**

**OTHER CERTIFICATES AND LICENSES AVAILABLE UPON REQUEST**

**REFERENCES:**

- Retired Unit Chief Ian Larkin, wk. (831)254-1700
- Retired Assistant Region Chief Jake Hess, wk. (707)217-9001
- Retired Battalion Chief Greg Estrada, wk. (831)601-1007

**From:** [CommissionsApplication\\_DoNotReply@santacruzcountyca.gov](mailto:CommissionsApplication_DoNotReply@santacruzcountyca.gov)  
**To:** [bdscc](mailto:bdscc)  
**Subject:** Commissions Appointment Application - from Scott Harway  
**Date:** Wednesday, February 26, 2025 2:06:55 PM  
**Attachments:** [Measure Q resume-1052741044.pdf](#)

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## Appointment to a County Advisory Body

**Commission, Committee, or Board:**  
WWWPA Citizen's Oversight Advisory Board (aka Measure Q)

**If applicable, please indicate the seat or category of representation for which you are seeking appointment:**

### APPLICANT INFORMATION

**Name:**  
Scott Harway

**Street:**  
[REDACTED]

**City:**  
Capitola

**State:**  
CA

**Zip Code:**  
95010

**Email Address:**  
scottharway@yahoo.com

**Phone:**  
[REDACTED]

**Preferred Correspondence:**  
Email

**Supervisory District:**  
1

**Do you currently hold elected office?**  
No

### CURRENT/PREVIOUS COMMISSION OR COMMITTEE SERVICE

List your current or previous service on any advisory bodies and state where you served. Previous service is not required.

Advisory Body	Region/County	Term
	California	

### EDUCATION AND/OR TRAINING

Include any education and/or training related to the advisory body for which you are applying for. This is optional information but beneficial.

Institution/Program	Major/Field	Degree/Certificate	Year
CSU Monterey Bay	Global Studies/Spanish		1997-1999
Cabrillo College	Fire Science	AS	1995-1997

**Please select all fields in which you have relevant, demonstrable expertise:**

Wildfire or forest management, Environmental justice, park equity, or public health, Financial and/or program analysis

### WORK/VOLUNTEER EXPERIENCE

Include your current or most recent employer as well as any previous employment, volunteer, and community activities you've participated in which are related to the advisory body for which you are applying for.

Organization	Address	Position	Years
Central Fire District of Santa Cruz County	930 17th Ave, Santa Cruz, Ca 95062	Fire Captain	25
Soquel High School	401 Old San Jose Rd, Soquel Ca 95073	Ass Coach boys BB	2
County Office of Education	400 Encinal St, Santa Cruz, Ca 95060	Substitute Instructor	1

### STATEMENT OF INTEREST/QUALIFICATIONS

Complete a brief statement indicating why you are interested in serving on the advisory body in question and why you are qualified through personal, lived, and/or professional experience(s) for the appointment. What do you hope to contribute or gain from your participation in the commission?

I, Scott Harway, am applying for the opportunity to represent the city of Capitola on the Santa Cruz County Measure Q Citizens Oversight Advisory Board. I have lived, worked, and raised a family in Capitola over the past 25 years. I have recently retired and am excited to serve my city and community in a different capacity. I retired last year from the Central Fire District of Santa Cruz where I served and protected the city of Capitola as a Firefighter/Paramedic and Fire Captain since 1999. Before that, I graduated from Cabrillo College with an AS in fire science and then attended CSU Monterey Bay majoring in global studies and minoring in spanish. My wife and I have owned

our home in the Cliffwood Heights neighborhood since 2002 and have raised our family here. Over the past 25 years, I have had the opportunity to work with multiple city departments and officials both professionally and personally. I have worked with Parks and Recreation as a parent by enrolling my kids in camps, sports, and Jr Guard programs since they were young. I worked with the Planning and Building Departments during our extensive remodel in 2020. Professionally I worked collaboratively with the Public Safety Division, Public Works, City Manager, and the Parks and Recreation Department over my career. I enjoyed working with all the different aspects and folks that help maintain our great city. I was able to learn a tremendous amount about the interworking of Capitola and maintained positive professional relationships with those I had the privilege to work with. I now look forward to the opportunity to assist and serve the city in a different capacity as the Capitola representative for the Measure Q Citizen Oversight Advisory Board.

I appreciate your consideration,  
Scott Harway

**Please upload your CV or resume:**  
Measure Q resume-1052741044.pdf

**REASONABLE ACCOMODATIONS**

Please identify any reasonable accommodations needed for equal participation. This information is not a consideration nor a factor in any possible appointment and is used only for planning and technology purposes.

**COMMISSIONS POLICY ORDINANCE OF SANTA CRUZ COUNTY**

Please review Santa Cruz County Code (SCCC) Chapter 2.38, also known as the “Commissions Policy Ordinance of Santa Cruz County” available at <https://www.codepublishing.com/CA/SantaCruzCounty/> which applies to any advisory board, commission, committee or department advisory group over which the County has appointing authority or jurisdiction.

In accordance with SCCC Chapter 2.38 and Santa Cruz County Conflict of Interest Code, I agree to:

Initials: **sh** Attend meetings regularly and devote the time necessary to fulfill my duties as a member

Initials: **sh** Comply with the Ralph M. Brown Act and California Public Records Act

Initials: **sh** If required under state and local conflict of interest laws, file a public statement (Form 700) disclosing certain types of economic information

**CERTIFICATION**

By checking this box and entering the date and my initials, I certify that the above information is true and correct and authorize the verification of the information in the application in the event I am a finalist for the appointment.

Certified

**Date:** 2025-02-25

**Initials:**sh



**Scott Harway**  
[REDACTED]  
**Capitola, California 95010**  
[REDACTED]  
**scottharway@yahoo.com**

**Objective:** To represent Capitola on the Santa Cruz County Measure Q Advisory Board

**Summary**

- EMS Shift Trainer 2001-2010 at Central Fire
- Peer Support Cofounder and Team Member 2002-2006 at Central Fire
- Technical Rescue Team Member 2021-2024 at Central Fire
- Wellness & Fitness Committee Coordinator 2004-2024 at Central Fire
- Confined Space Rescue Program Coordinator 2005-2013 at Central Fire
- Shift Paramedic Captain 2010-2024 at Central Fire
- Cofounder and Member of Central Fire Protection District's Aquatic Rescue Program at Central Fire
- Over six years experience in commercial and residential construction
- Santa Cruz County Health & Wellness Committee Member 2017-2024
- Program manager and lead Instructor for Capitola Junior Guard Instructor training 2017-2022

**Licenses & Certificates**

- Firefighter I & II
- Paramedic License No. P16116 (2000-present)
- Strike Team Leader, ICS S-334
- Fire Control 4A
- ICS 100, 190, 200, 300 & 400
- Swift Water Rescue Technician
- USLA Open Water Rescuer
- Rescue Water Craft Operator
- OSFM Certified Instructor
- Certified OSFM Fire Officer
- Certified OSFM Chief Officer
- Rescue Systems I,II,&III
- HazMat First Responder
- Confined Space Rescue Technician
- River & Flood Water Rescue
- Trench Rescue Technician

**Education**

*WestMed Training*  
San Jose, CA  
1998-1999  
EMT-P License

*California State University, Monterey Bay*  
Seaside, CA  
1996-1998  
Major: Global Studies, Minor Concentration: Spanish

*Cabrillo College*

Aptos, CA  
1993-1996  
A.S. in Fire Science

**Volunteer Experience**

- |                          |           |                                  |              |
|--------------------------|-----------|----------------------------------|--------------|
| • Cabrillo Summer League | 1994-1996 | • Mid County Youth Soccer        | 2009-2018    |
| • Jacob's Heart          | 2000-2002 | • Soquel Unified School District | 2011-2024    |
| • Ride a Wave Foundation | 2001-2003 | • Capitola/Soquel Little League  | 2012- 2018   |
| • Boy's & Girl's Club    | 2003-2005 | • Aptos Youth Basketball Assoc.  | 2014-2019    |
| • Relay for Life         | 2001-2019 | • Santa Cruz City High Schools.  | 2023-present |

**Work History**

*Fire Captain 2009-2024*  
*Firefighter/Paramedic 2000-20009*  
Central Fire Protection District  
Santa Cruz, California  
(Paid On-Call 1996-1999)

*Confined Space Rescue Standby*  
Lee and Associates  
Boulder Creek, CA  
2003-2005

*Fire Academy Instructor/ EMT Proctor*  
Cabrillo College Fire Academy  
Aptos, California  
2002-2004

*Paramedic Proctor*  
Emergency Training Services  
Santa Cruz, California  
2000-2010

