



City of Capitola

City Council Meeting Agenda

Thursday, January 08, 2026 – 6:00 PM

City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Morgan

Vice Mayor: Gerry Jensen

Council Members: Joe Clarke, Melinda Orbach, Susan Westman

Regular Meeting of the Capitola City Council – 6 PM

1. Roll Call and Pledge of Allegiance

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

2. Additions and Deletions to the Agenda

3. Presentations

Presentations are limited to eight minutes.

- A. Proclamation Recognizing Kristen Brown for Her Service Representing Capitola on the Community Action Board of Santa Cruz County
- B. Presentation on the Golden Bell Award, Awarded to the City's Equity Swim Program Partnership with Soquel Union Elementary School District.

4. Additional Materials

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

- A. Item 8D - Updated Attachment Provided as Additional Materials

5. Oral Communications by Members of the Public

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

6. Staff / City Council Comments

Comments are limited to three minutes.

7. Consent Items

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

A. City Council Meeting Minutes

Recommended Action: Approve minutes from the regular meeting on December 11, 2025.

B. 2nd Amendment to Agreement with Ben Noble Planning

Recommended Action: Adopt a resolution amending the FY 2025-26 Budget to allocate funding for Housing Element Implementation and authorizing the City Manager to execute Amendment 2 to the Professional Services Agreement in a form acceptable to the City Attorney’s Office with Ben Noble Planning to assist in Housing Element implementation.

C. Capitola Municipal Code Sections 2.04.140 and 2.04.210

Recommended Action: Adopt an ordinance amending Capitola Municipal Code Sections 2.04.140 and 2.04.210 to update the process by which City Council members request agenda items and their rules of debate.

D. City Investment Brokerage Services

Recommended Action: Authorize the Administrative Services Director to execute a non-corporate resolution allowing Cetera Advisor Networks, LLC to continue acting as the City’s investment broker.

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. 2025 Special Event Report

Recommended Action: Receive a report highlighting special events held in the City in 2025; provide feedback for recurring Special Event Permits; determine if any additional review should be required for any 2026 special events; and adopt a resolution to approve Coastal Development Permit #25-0607 for the 2026 Capitola Beach Festival and Junior Guards Competition.

B. Local Coastal Program Amendments for Cliff Drive Resiliency

Recommended Action: 1) Introduce for first reading, by title only, waiving further reading of the text, an ordinance amending Capitola Municipal Code Title 17: Zoning, Chapter 17.32 Parks and Open Space, Chapter 17.64 ESHA, Chapter 17.76 Parking and Loading, and Chapter 17.68 Geological Hazard (collectively, the “Zoning Code Amendments”) and authorizing submittal to the California Coastal Commission for Certification; 2) Adopt a resolution amending Capitola’s Land Use Plan Chapter 2: Public Access and Chapter 7: Natural Hazards (collectively, the “Land Use Plan Amendments”) and authorizing submittal to the California Coastal Commission for certification; and 3) Find that the above actions are exempt from the California Environmental Quality Act (CEQA).

C. Annual and Five-Year Impact Fee Report

Recommended Action: Adopt a resolution adopting the Fiscal Year 2024-25 Development Impact Fee Annual Report.

D. FY 2024-25 Audit Report

Recommended Action: Receive report.

E. City Council Representation on Regional Boards

Recommended Action: Appoint a representative to the Santa Cruz County Community Action Board.

9. Adjournment

The next regularly scheduled City Council meeting is on January 22, 2026, at 6:00 PM.

How to View the Meeting

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

Other ways to Watch:

Spectrum Cable Television channel 8

City of Capitola, California YouTube Channel

To Join Zoom Application or Call in to Zoom:

Meeting

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

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

Meeting ID: **833 2817 3113**

Meeting Passcode: **678550**

How to Provide Comments to the City Council

Members of the public may provide public comments to the City Council in-person during the meeting. If you are unable to attend in-person, please email your comments to citycouncil@ci.capitola.ca.us and they will be included as a part of the record for the meeting. Please be aware that the City Council will not accept comments via Zoom.

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

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City's website 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

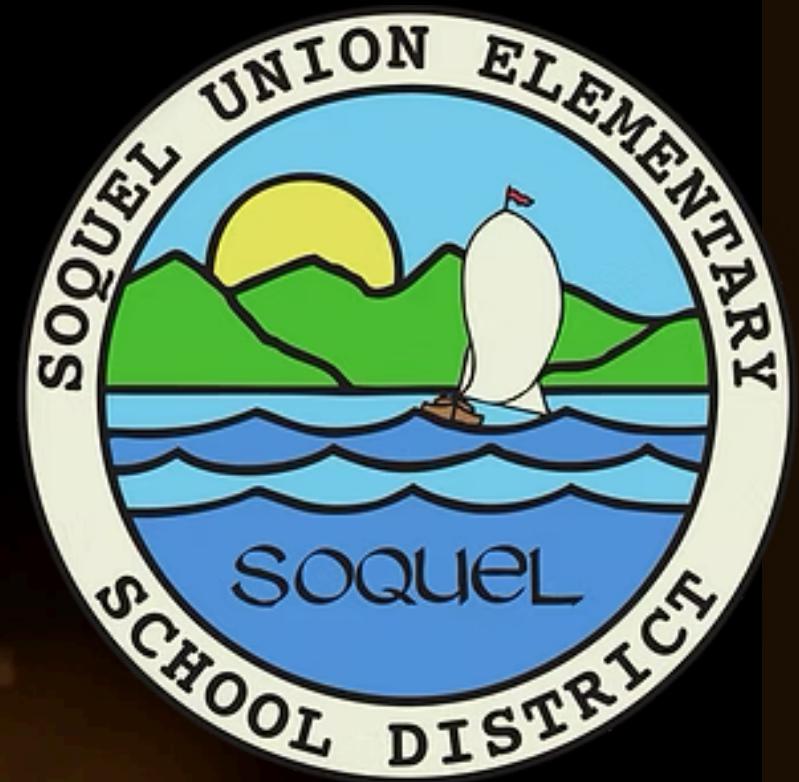
La Ciudad al 831-475-7300 al menos tres días antes para que podamos coordinar dicha asistencia especial o envíe un correo electrónico a jgautho@ci.capitola.ca.us.

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.



CSBA GOLDEN BELL AWARDS

2025



What is the CSBA Golden Bell Awards Program?

- **Recognizes excellence in educational programs and school governance across California**
- **Highlights innovative, effective practices that improve student outcomes**
- **Shares successful models and honors educators' commitment to all students**
- **2025 was the 46th Annual Awards Ceremony**

Recognized Category

Expanded Learning and Engagement

- Extends learning beyond the school day to meet diverse student needs
- Builds academic, social-emotional, and physical development
- Includes enrichment, recovery, and support programs (arts, athletics, tutoring, before/after school)

Equity Swim

- Provides equitable access to swim lessons and Junior Lifeguards for all students
- Removes barriers such as cost, transportation, and language
- Builds water safety, confidence, and inclusion through community partnership







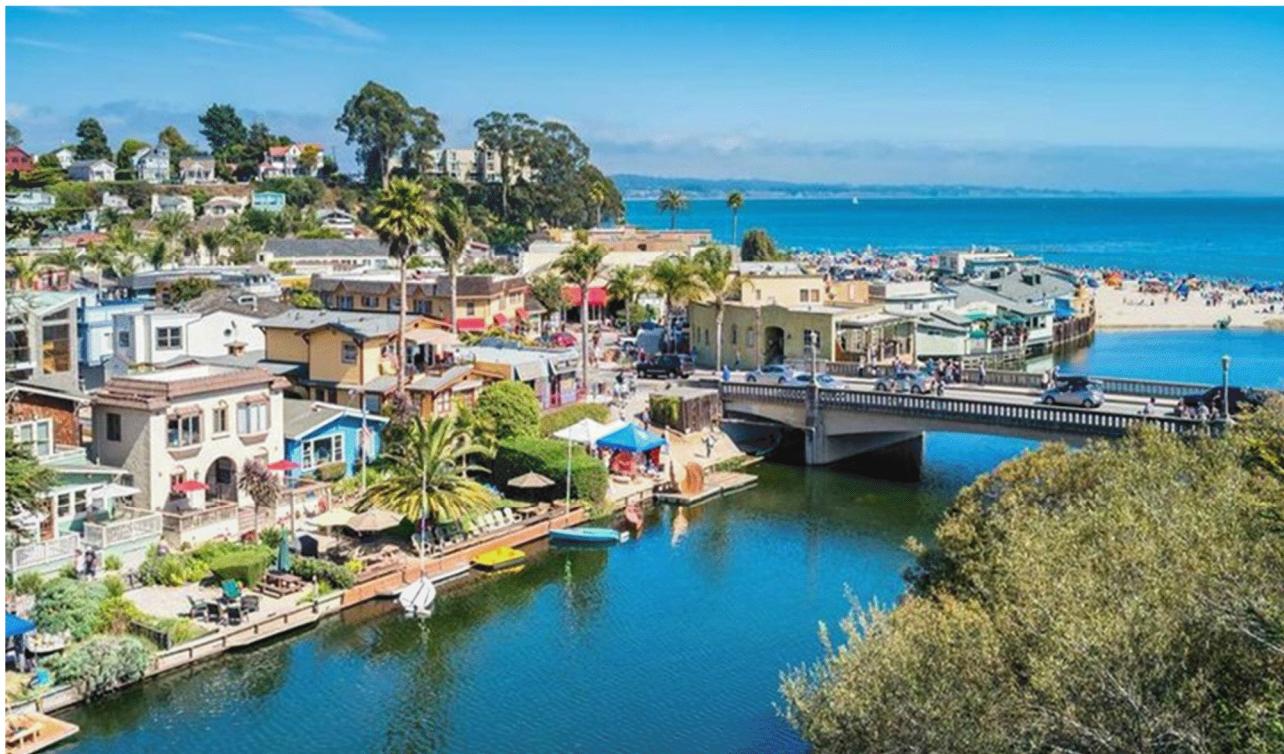
Memo

To: City Council
From: Jim Malberg, Administrative Services Director
Date: January 6, 2026
Re: Annual Comprehensive Financial Report – Additional Materials

Good afternoon,

The Fiscal Year (FY) 2024-25 Annual Comprehensive Financial Report (ACFR) is included as additional materials for Item 8D on the January 8, 2026, City Council Agenda.

Annual Comprehensive Financial Report



**City of Capitola, California
Fiscal Year Ended June 30, 2025**

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CITY OF CAPITOLA CALIFORNIA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

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INTRODUCTORY SECTION

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CITY OF CAPITOLA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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CITY OF CAPITOLA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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TRANSMITTAL LETTER



December 31, 2025

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

SUBJECT: Annual Comprehensive Financial Report - June 30, 2025

The Annual Comprehensive Financial Report (ACFR) for the City of Capitola for the fiscal year ended June 30, 2025, 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, 2025, 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, 2025, 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 2025 the City did not exceed \$750,000 in the expenditure of federal awards and is not required to complete a Single Audit Report which is due by March 31, 2026. The City did complete and submit a Single Audit Report for the fiscal year ended June 30, 2024.

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 10,000. 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 data, approximately 91% of Capitola residents are high school graduates and 46% 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.

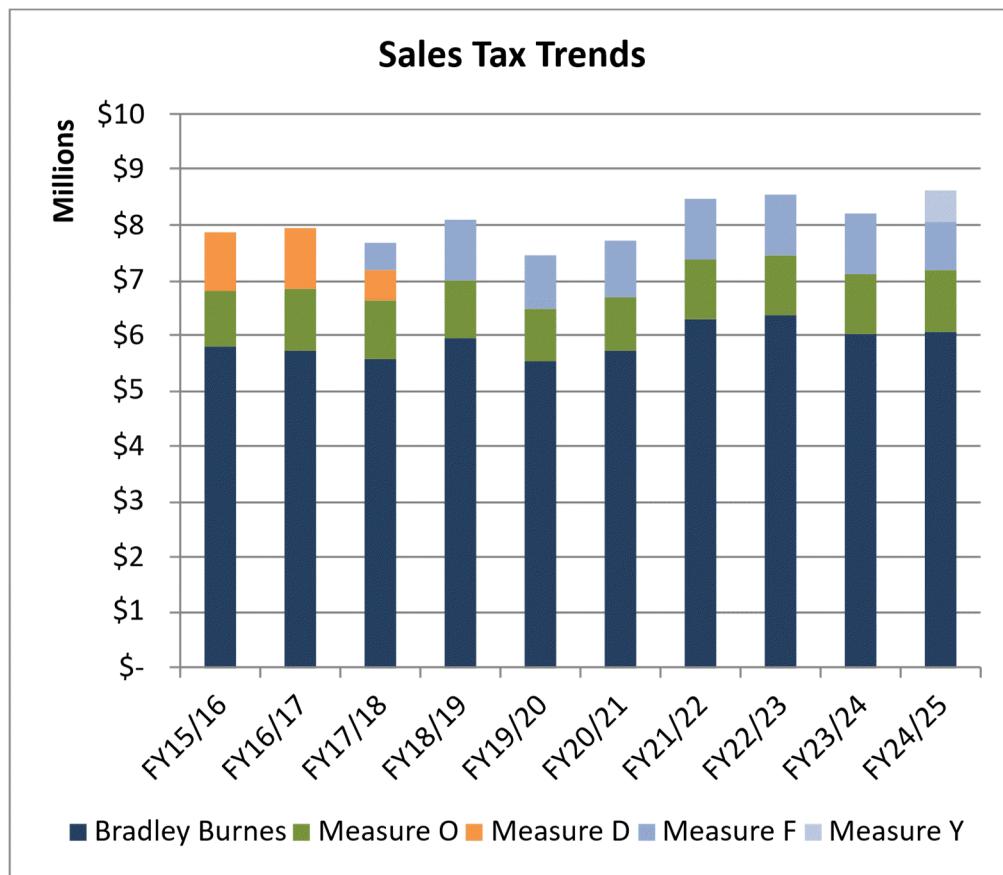
Local Economy

The City of Capitola experienced a sluggish economy during Fiscal Year (FY) 2024-25. During FY 2025-26, the City is anticipating receipt of approximately \$900,000 of FEMA and Cal OES reimbursements from impacts of storms in both January & December 2023 which caused significant damage to local businesses and local infrastructure. General fund revenues were approximately \$19.2 million which was about \$377,000 below the amended budget while general fund expenditures were \$20.5 million which was approximately 134,000 above the amended budget. The primary causes for the revenue shortfall were that sales tax, fines & citations, and charges for services were all below budget projections while city-wide general operations were over budget projections. As a result, the fund balance of the General Fund decreased by approximately \$511,000 from operations which was partially offset by a prior period adjustment.

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.

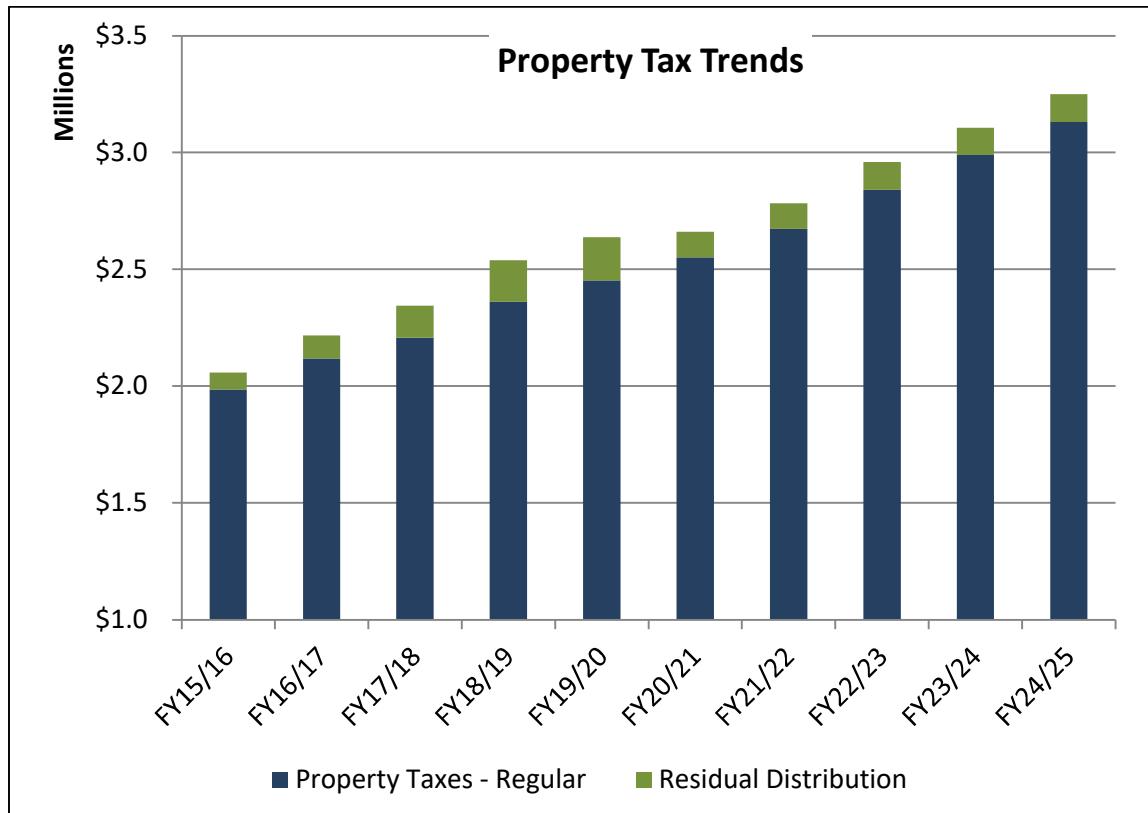
Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales Tax collections for the City of Capitola decreased year over year after leveling off last year post-pandemic, however sales tax revenues have been relatively flat since FY 2015-16. The following 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 2024-25 the General Fund received \$3.2 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$145,000 more than the prior year but \$27,000 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 2024-25 increase was lower compared to that of the prior year, it was on trend at 4.34%.

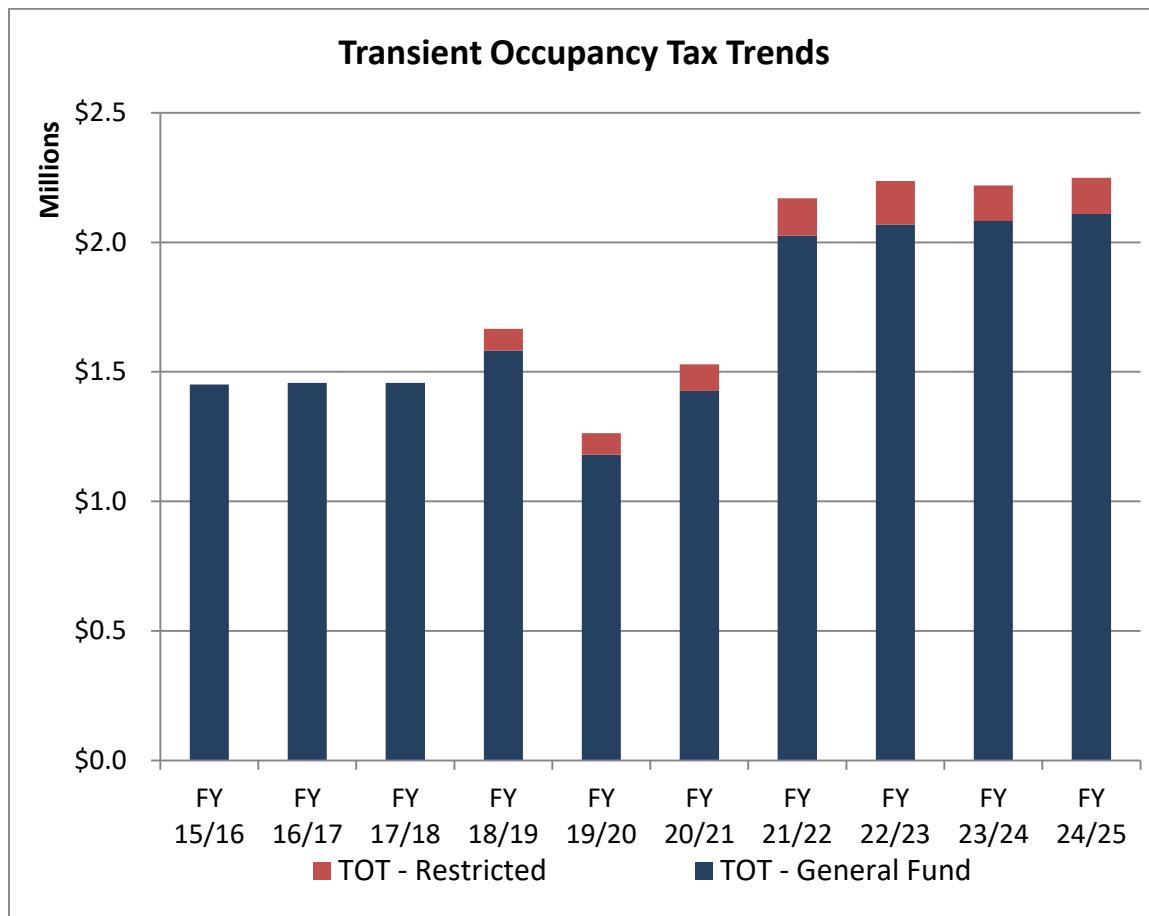
The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to

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, however, since FY 2021-22 TOT revenues have remained relatively flat.

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, a 0.25% district tax and a 0.50% district tax. 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 Y, was passed by voters in 2024 to replace and increase Measure F, a temporary quarter of one percent sales tax, for an additional ten years and increase to 0.50%. The City is committed to using this funding source to provide general governmental essential city services including public safety and emergency services; repair potholes, maintain streets, sidewalks, bike lanes, beaches, the new wharf, and recreation programs

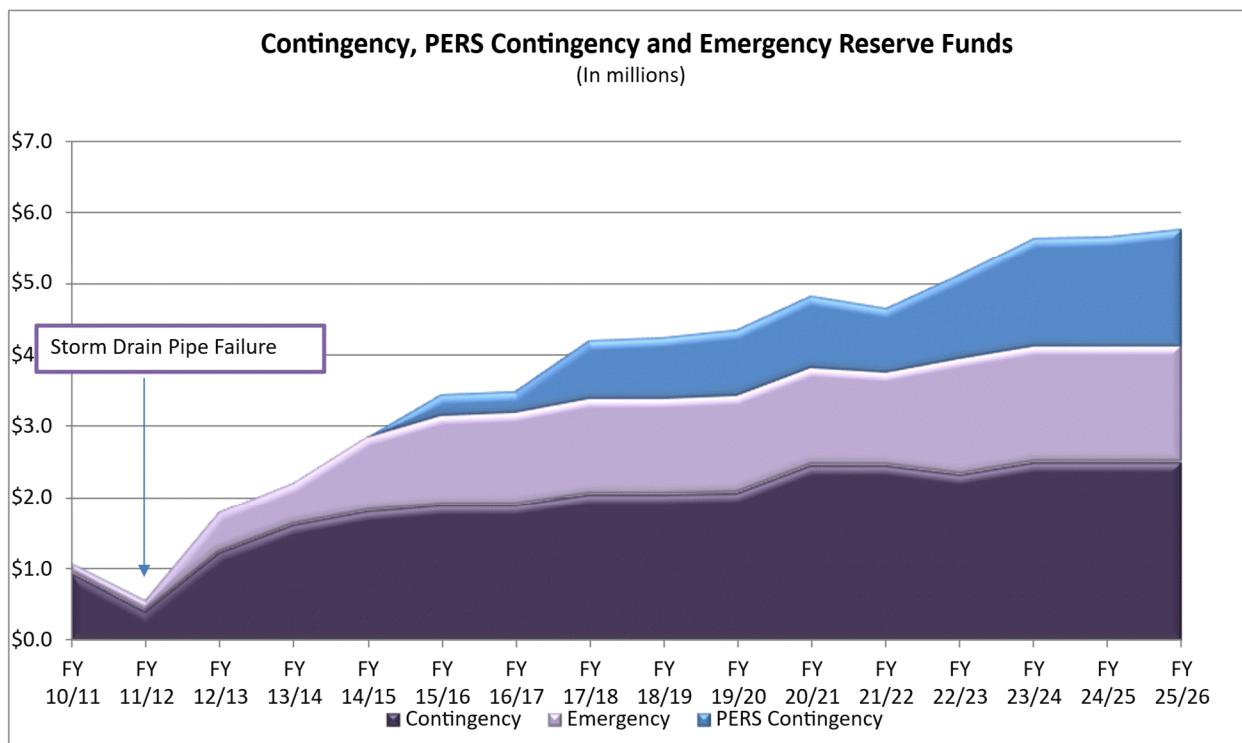
for youth; improve traffic safety; and support local businesses. The adopted FY 2024-25 budget began implementing these commitments as Measure Y went into effect on April 1, 2025.

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 2024-25 with a cash balance of \$282,714. The FY 2025-26 budget does not include any funding into the Facilities Reserve Fund or expenditures in the Facilities Reserve Fund.

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 from \$584,737 on June 30, 2019, to \$1,572,208 on June 30, 2020. The UAL balance as of June 30, 2025, was \$1,567,639 and the City's OPEB trust fund had a balance of \$947,091. The FY 2025-26 Adopted Budget includes funding of \$67,050 for the OPEB trust fund.

Controlling Personnel Costs

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

In 2024 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 agreed to new three-year contracts through June 30, 2027.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. Although CalPERS had investment returns of 9.3% in 2024, which is above the anticipated rate of return of 6.8%, these changes will result in an annual increase in CalPERS costs of 13.5% in FY 2025-26. CalPERS 2025 rate of return was 11.6% 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 remained unchanged in FY 2024-25 with 69.5 FTE.

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.

Currently, the Community and Economic Development Department is working on zoning code changes that will potentially facilitate a future project.

Funding Measure Y Commitments

In November 2024 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years and increasing it to one-half percent. The City is committed to using this funding source to provide general governmental essential city services including public safety and emergency services; repair potholes, maintain streets, sidewalks, bike lanes, beaches, the new wharf, and recreation programs for youth; improve traffic safety; and support local businesses. The adopted FY 2024-25 budget began implementing these commitments as Measure Y went into effect on April 1, 2025.

Capitola Community Center Renovation

The Capitola Community Center is undergoing a major renovation to modernize the building, improve accessibility, and support a wider range of programming and public use. Located at Jade Street Park, the updated facility will continue to serve as a vital gathering space for classes, meetings, and community events.

Renovations include structural repairs, energy-efficient upgrades, accessibility improvements, and enhancements to outdoor areas adjacent to the building.

Construction is progressing steadily. Major structural repairs, roofing, and underground utilities are near completion. Current work includes siding installation, patio concrete, and preparation for interior upgrades. The project remains on track for completion in Spring 2026.

Treasure Cove at Jade Street Park

The City of Capitola is creating Treasure Cove, a universally accessible (UA) playground at Jade Street Park, located at 4400 Jade Street as part of the Capitola Community Center complex. The new playground will replace the existing equipment installed in 1999 and 2007, which no longer meets accessibility standards and lacks inclusive features. Treasure Cove is designed to be a welcoming, inclusive space where children of all abilities can play, imagine, and connect.

The City partnered with County Park Friends, a local nonprofit dedicated to supporting park projects throughout Santa Cruz County. Through their leadership and the generosity of community donors, over \$1 million was raised for Treasure Cove. In July 2025, the City secured \$3.2 million in Community Development Block Grant (CDBG) funds, fully funding construction of

Treasure Cove and associated park improvements. This combined public-private partnership allows the City to deliver a far more ambitious and inclusive playground than would have been possible with public funds alone.

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 aims 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, 2024. 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 2025 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, 2025

ELECTED OFFICIALS

Mayor – Jor Clarke
Vice Mayor – Margaux Morgan
Council Member – Gerry Jensen
Council Member – Melinda Orbach
Council Member – Susan Westman

APPOINTED OFFICIALS

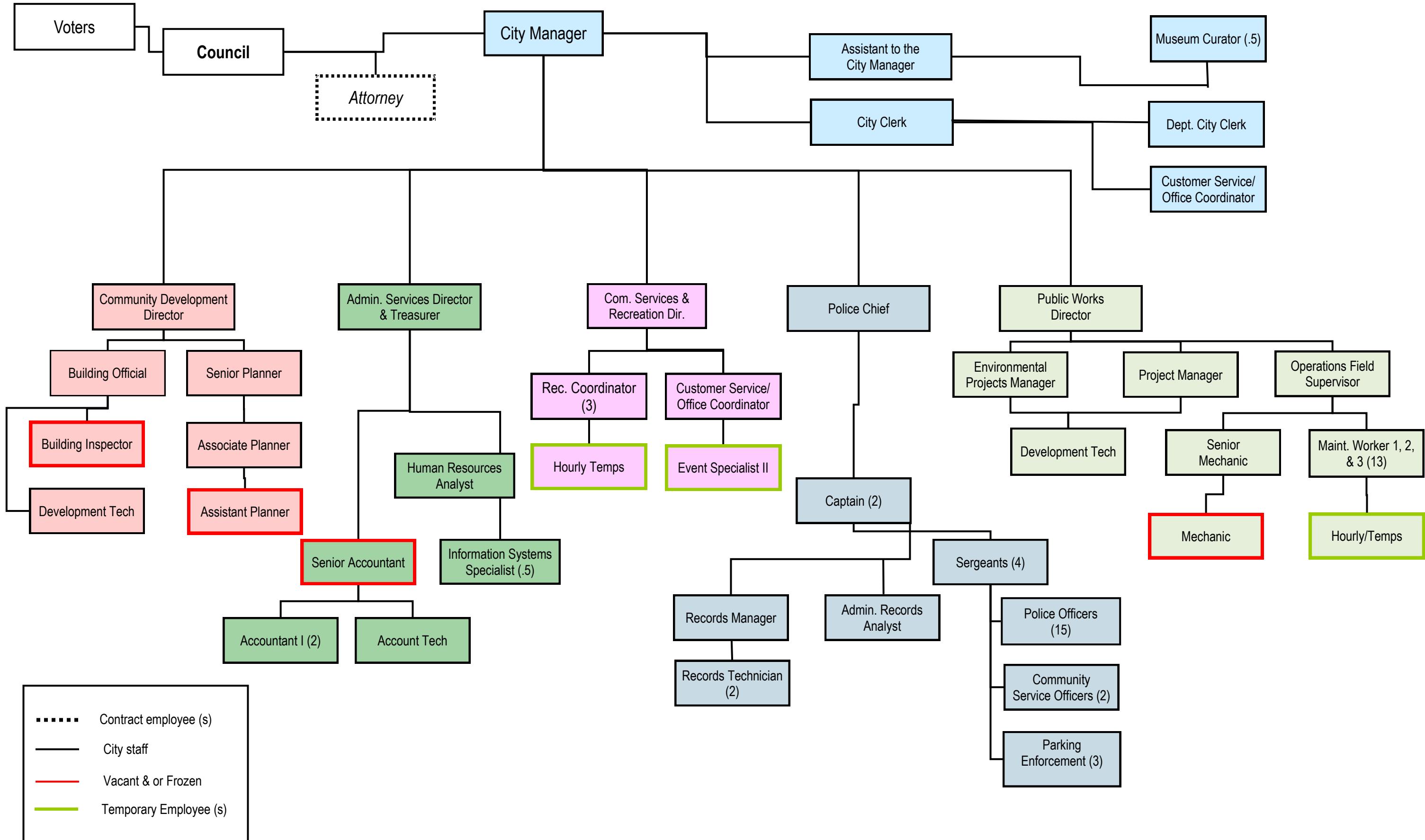
City Manager – Jamie Goldstein
City Attorney – Burke, Williams, & Sorensen, LLP

DEPARTMENT HEADS/ADMINISTRATORS

Assistant to the City Manager – Chloe Woodmansee
Chief of Police – Sarah Ryan
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 July 2025

Item 4 A.





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, 2024

Christopher P. Monill

Executive Director/CEO

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FINANCIAL SECTION



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, 2025, 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, 2025, 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



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 December 31, 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
December 31, 2025
Morgan Hill, California

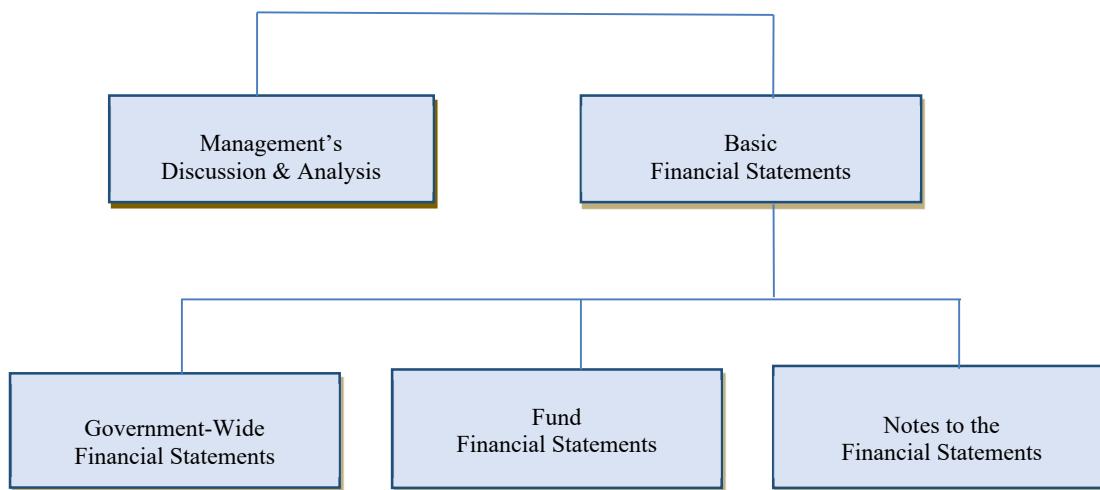


MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025. 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 2024/25 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 \$43.90 million (net position). Of the net position, \$52.14 million was classified as net investment in capital assets; \$13.45 million recorded as restricted funds; and \$21.69 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 decreased by \$397,848 which was all from Governmental Activities.
- City revenues decreased by \$4.96 million, or 4.05%, when compared to the prior year. The Fiscal Year 24/25 decrease was mostly from a decrease of \$2.94 million in capital grants.
- Deferred outflows of resources decreased by \$3.40 million, while deferred inflows of resources decreased by \$931,403. 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, 2025 was \$31.80 million as compared to \$32.16 million in the prior year.

- The City's long-term debt decreased by \$68,823 as a result of debt service payments made during the year.
- The City's net capital assets increased by \$1.96 million, primarily from a \$9.80 million increase to infrastructure net of a \$8.43 million decrease to construction in progress.

Fund Highlights

- At the close of Fiscal Year 24/25 the City's *Governmental Funds* had a combined fund balance of \$18.08 million, which is a decrease of \$220,927 from prior year. Approximately 2.13%, or \$385,573, 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 \$4.27 million, or 20.87% of total general fund expenditures, prior to transfers.
- The fund balance in the *General Fund* decreased by \$1.09 million at the close of the fiscal year. This included a deficit of operating revenues over expenditures of \$1.16 million, minus \$170,568 in net transfers and other financing sources and an adjustment to beginning fund balance of \$246,252.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 nonmajor 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 nonmajor 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 \$43.90 million at the close of Fiscal Year 24/25. This was a decrease of \$397,848 from the prior year.

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

Table 1 - Net Position

	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 19,787,380	\$ 21,318,624
Capital assets	52,835,122	50,878,594
Total Assets	<u>\$ 72,622,502</u>	<u>\$ 72,197,218</u>
Deferred Outflows of Resources	<u>\$ 9,785,754</u>	<u>\$ 13,186,912</u>
Liabilities		
Current and other liabilities	\$ 2,380,372	\$ 3,651,511
Noncurrent liabilities	34,494,468	34,869,952
Total Liabilities	<u>\$ 36,874,840</u>	<u>\$ 38,521,463</u>
Deferred Inflows of Resources	<u>\$ 1,632,623</u>	<u>\$ 2,564,026</u>
Net Position		
Net investment in capital assets	\$ 52,141,330	\$ 50,115,979
Restricted	13,446,693	12,131,607
Unrestricted	(21,687,230)	(17,948,945)
Total Net Position	<u>\$ 43,900,793</u>	<u>\$ 44,298,641</u>

A significant portion, or \$52.14 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 \$13.45 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 \$21.69 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 24/25, the City's proportionate share of the CalPERS pension liability was \$31.80 million.

Governmental Activities

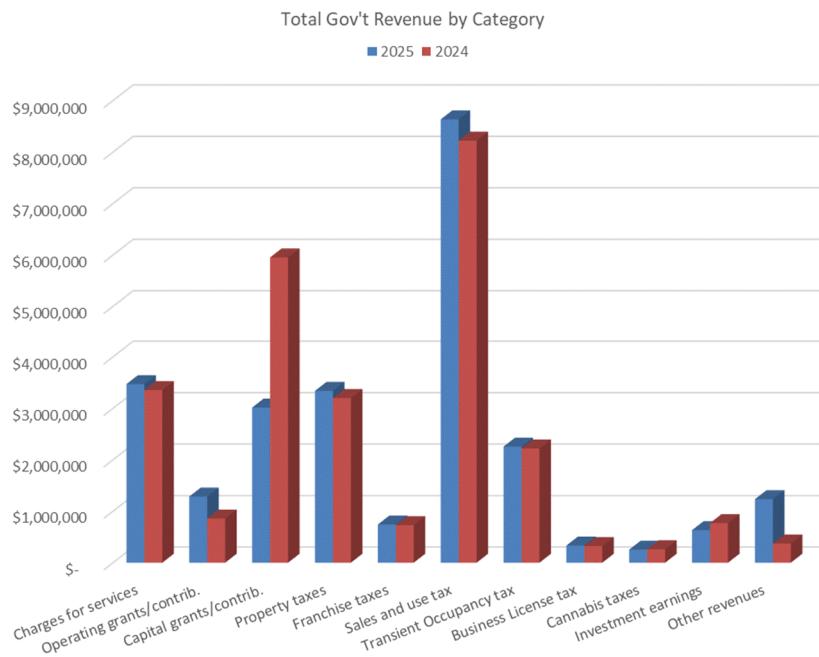
As shown in the *Statement of Changes in Net Position* schedule, the net position for Governmental Activities decreased by \$397,848 from the prior year mostly because of decreases to capital grants and contributions of \$2.94 million. During the year, the City's expenses in the statement of activities were increased by pension adjustments of \$2.03 million related to changes in assumptions and deferrals of differences between estimated and actual plan earnings. This 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)
	2025	2024	
Program Revenues			
Charges for services	\$ 3,471,250	\$ 3,355,793	\$ 115,457
Operating grants and contributions	1,286,376	858,915	427,461
Capital grants and contributions	3,015,706	5,952,237	(2,936,531)
Total Program Revenues	7,773,332	10,166,945	(2,393,613)
General Revenues			
Property taxes	3,340,070	3,200,895	139,175
Franchise taxes	742,443	729,485	12,958
Sales and use tax	8,633,916	8,221,640	412,276
Transient Occupancy tax	2,256,352	2,219,951	36,401
Business License tax	334,274	323,755	10,519
Cannabis taxes	254,790	261,764	(6,974)
Investment earnings	633,607	770,404	(136,797)
Other revenues	1,234,425	372,942	861,483
Total General Revenues	17,429,877	16,100,836	1,329,041
Expenses			
General government	6,146,543	5,580,935	565,608
Public safety	9,242,727	8,450,102	792,625
Community development	1,676,942	1,371,360	305,582
Culture and recreation	3,560,635	2,983,749	576,886
Transportation	5,178,574	4,329,241	849,333
Interest on long-term debt	18,097	13,272	4,825
Total Expenses	25,823,518	22,728,659	3,094,859
Increase / (Decrease) in Net Position	(620,309)	3,539,122	(4,159,431)
Prior Period Adjustments	222,461	306,658	(84,197)
Net Position, Beginning of Year	44,298,641	40,452,861	3,845,780
Net Position, End of Year	\$ 43,900,793	\$ 44,298,641	\$ (397,848)

Governmental Activities*Governmental Revenues*

The following chart summarizes the changes in revenues by category during Fiscal Year 24/25:

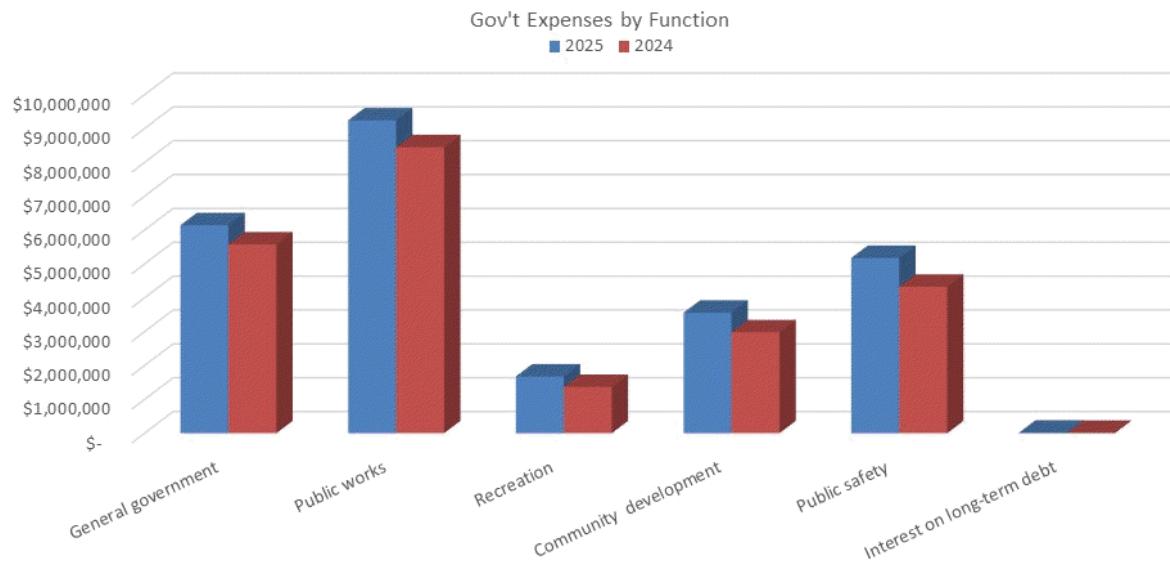


Significant changes in governmental revenues consisted of the following:

- Taxes decreased by \$593,834 with substantial net changes in the following categories:
 - Sales and use taxes increased by \$412,275 or 5.0%, primarily due to the passage of Measure Y the one-half percent district sales tax.
 - Transient occupancy tax increased by \$26,843 or 1.2%.
 - Property taxes increased by \$144,415 or 4.7%, which reflects the continuing strength in property values.
 - Franchise taxes increased by \$12,957 or 1.80%, primarily due to rate increases across the industries.
- Charges for services increased by \$66,414 or 2.7% primarily from increased program activities for recreation.
- Capital grants and contributions decreased by \$2.4 million following completion of the Wharf Resiliency and Public Access Improvement project.

Governmental Expenses

The Fiscal Year 24/25 expenses for Governmental Activities increased by \$3.09 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 \$2.03 million. The prior year adjustment was also an increase of \$6.3 million increase in governmental expenses.
- General government expenses increased by \$565,000 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Public safety expenses increased by \$792,000 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Community development expenses increased by \$305,582 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel costs.
- Culture and recreation expenses increased by \$576,886 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel.
- Transportation expenses increased by \$849,333 primarily from the above-mentioned GASB 68 pension adjustment as well as increased personnel.

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	Nonmajor Governmental Funds	
Total Revenues	\$19,289,903	\$ 129,804	\$ 192,679	\$ 464,304	\$ 3,316,369	\$ 1,810,150	\$25,203,209
Total Expenditures	(20,452,165)	(4,450)	(51,732)	(17,869)	(4,001,314)	(1,119,067)	(25,646,597)
Revenues Over (Under) Expenditures	(1,162,262)	125,354	140,947	446,435	(684,945)	691,083	(443,388)
Transfers in	-	-	-	-	83,000	297,011	380,011
Transfers out	(170,568)	-	-	-	-	(209,443)	(380,011)
Net change in fund balances	(1,332,830)	125,354	140,947	446,435	(601,945)	778,651	(443,388)
Beginning of year	7,017,319	5,017,650	4,178,407	532,145	(773,059)	2,328,753	18,301,215
Prior Period Adjustment	246,252	7,631	(31,422)	-	-	-	222,461
End of year	<u>\$ 5,930,741</u>	<u>\$ 5,150,635</u>	<u>\$ 4,287,932</u>	<u>\$ 978,580</u>	<u>\$ (1,375,004)</u>	<u>\$ 3,107,404</u>	<u>\$18,080,288</u>

The fund balance in the General Fund decreased by \$1.09 million. This included operating revenues short of operating expenses by \$1.16 million. The operating difference was due to lower than projected sales tax revenue receipts and higher than anticipated general operating expenditures.

Fund balance in the Federal Home Loan Reuse Fund increased by \$132,985 mostly due to loan payoffs received.

Fund balance in the Capitola Housing Successor Fund increased by \$109,525 mostly due to loans for affordable housing projects.

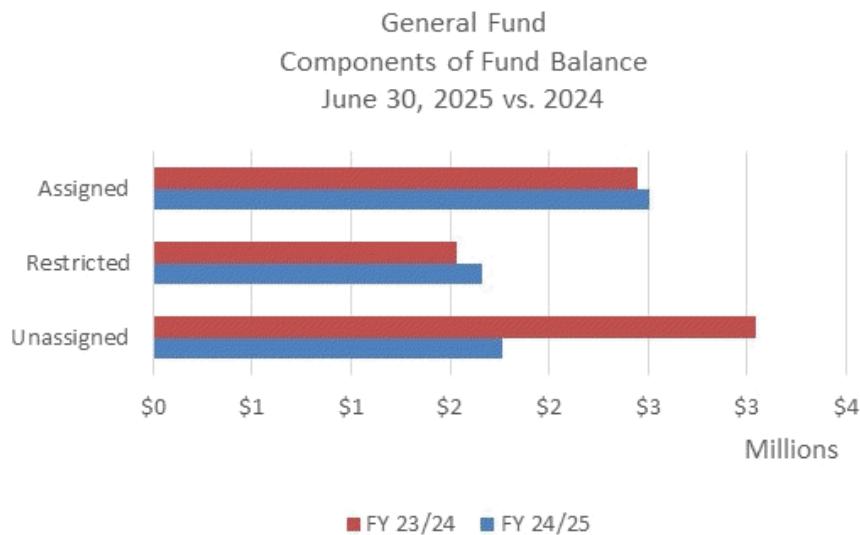
Fund balance in the RTC Streets Fund increased by \$446,435 mostly due to receiving grant funds for projects that were previously programmed to utilize these restricted funds.

Fund balance in the Capital Projects Fund decreased by \$601,945 mostly due to the construction of the Wharf Rehabilitation and Resiliency project.

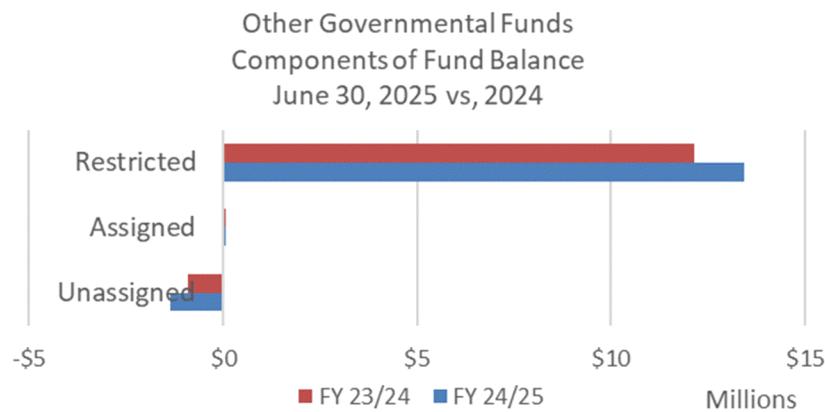
The fund balance in Nonmajor Funds increased by \$778,651 mostly due to an increase in Intergovernmental revenue received.

General Fund – Components of Fund Balance

In Fiscal Year 24/25, the General Fund's total fund balance represented approximately 33% 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, 2025 was \$52.84 million (net of accumulated depreciation). The total increase in the City's capital assets, net of depreciation, was \$1.96 million or 3.85%.

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		
	2025	2024	% Change
Land	\$ 4,883,789	\$ 4,883,789	0.00%
Construction in progress	6,967,309	15,393,620	-54.74%
Buildings and improvement	17,785,112	17,748,240	0.21%
Infrastructure	47,501,638	37,721,731	25.93%
Machinery and equipment	5,467,570	5,334,562	2.49%
Accumulated deprec./amort.	(29,770,296)	(30,203,348)	-1.43%
Total Capital Assets, Net	<u>\$ 52,835,122</u>	<u>\$ 50,878,594</u>	3.85%

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 \$68,823 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		
	2025	2024	% Change
Beach and Village Lot II Financing	\$ 693,792	\$ 762,615	-9.02%

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 24/25 budget adoption, City revenues were projected to be \$19.36 million and expenditures were projected to be \$19.47 million. The final budgeted revenues were \$19.67 million and expenditures were \$20.32 million. Actual revenues fell short of the final budget by \$376,769 and actual expenditures exceeded the final budget by \$134,373.

After transfers, the original adopted budget projected a deficit change in fund balance of \$200,120 and the final budget projected a deficit of \$738,688. The actual change in fund balance for the year was a deficit \$1.33 million, which was \$594,142 more than the final budgeted deficit and mostly attributable to higher than anticipated expenditures for City Attorney and contract services related to Public Records Act requests and the resignations or two City Council members. The following table summarizes the City's budget vs. actual amounts for FY 24/25:

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ 15,105,079	\$ 15,383,272	\$ 15,087,640	\$ (295,632)	
Licenses and permits	721,750	721,750	739,717	17,967	
Fines and forfeitures	599,500	599,500	503,222	(96,278)	
Intergovernmental	162,173	189,404	197,854	8,450	
Charges for Services	2,408,340	2,408,340	2,340,985	(67,355)	
Use of money and property	172,500	172,500	205,391	32,891	
Other revenue	191,906	191,906	215,094	23,188	
Total Revenues	19,361,248	19,666,672	19,289,903	(376,769)	
EXPENDITURES					
Current:					
General government:					
City council	136,007	136,007	96,100	39,907	
City manager	1,198,703	1,264,655	1,106,958	157,697	
Personnel	487,693	504,122	341,016	163,106	
City attorney	270,000	270,000	325,062	(55,062)	
Finance	987,445	1,005,474	827,413	178,061	
Community grants	133,425	133,425	58,425	75,000	
General operations	609,721	734,192	1,826,248	(1,092,056)	
Public safety	7,988,133	8,123,485	7,882,777	240,708	
Community development	853,538	863,936	844,336	19,600	
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)	
Transportation	3,879,632	4,020,024	3,931,622	88,402	
Capital outlay	140,000	417,661	315,174	102,487	
Total Expenditures	19,473,800	20,317,792	20,452,165	(134,373)	
Excess (Deficiency) of Revenues over Expenditures	(112,552)	(651,120)	(1,162,262)	(511,142)	
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	
Transfers out	(87,568)	(87,568)	(170,568)	(83,000)	
Total Other Financing Sources (Uses)	(87,568)	(87,568)	(170,568)	(83,000)	
Net Change in Fund Balance	\$ (200,120)	\$ (738,688)	\$ (1,332,830)	\$ (594,142)	

ECONOMIC FACTORS, NEXT YEAR'S BUDGET, AND RATES

FY 2025-26 Budget Overview

On June 26, 2025, the Council approved the FY 2025-26 Budget, with a total appropriation of \$32.1 million, including \$21.1 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:** 1.0% increase.
- **Transient Occupancy Tax (TOT):** 0.0% increase.
- **Property Tax:** 5.0% increase.

General Fund revenues are expected to exceed expenditures by approximately \$82,796, with a projected year-end fund balance of \$503,000.

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.

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, 2025. Staff anticipates the Treasure Cove Playground becoming fully funded during FY 2025-26

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. Since 2021, TOT revenues have once again leveled off.

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. The City anticipates receiving the final estimated \$900,000 of disaster recovery funds from FEMA and CalOES during FY 2025-26.

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

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

City of Capitola
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 8,660,088
Restricted cash and investments	1,662,822
Accounts receivable	113,014
Taxes receivable	2,482,000
Interest receivable	117,699
Due from other governments	123,494
Total Current Assets	<u>13,159,117</u>
Noncurrent Assets:	
Loans receivable	6,628,263
Capital Assets:	
Nondepreciable	11,851,098
Depreciable, net of accumulated depreciation	40,984,024
Total Capital Assets, Net	<u>52,835,122</u>
Total Noncurrent Assets	<u>59,463,385</u>
Total Assets	<u><u>\$ 72,622,502</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Adjustments	\$ 8,933,622
OPEB Adjustments	<u>852,132</u>
Total Deferred Outflows of Resources	<u><u>\$ 9,785,754</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 996,148
Accrued liabilities	98,391
Interest payable	6,533
Unearned revenue	241,682
Deposits payable	370,871
Compensated absences, due within one year	596,368
Long-term debt, due within one year	70,379
Total Current Liabilities	<u>2,380,372</u>
Noncurrent Liabilities:	
Compensated absences, due in more than one year	508,017
Net pension liability	31,795,399
Net OPEB liability	1,567,639
Long-term debt - due in more than one year	623,413
Total Noncurrent Liabilities	<u>34,494,468</u>
Total Liabilities	<u><u>\$ 36,874,840</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension Adjustments	\$ 1,034,468
OPEB Adjustments	<u>598,155</u>
Total Deferred Inflows of Resources	<u><u>\$ 1,632,623</u></u>
NET POSITION	
Net investment in capital assets	\$ 52,141,330
Restricted for:	
Public safety	201,151
Transportation	2,130,378
Community development	10,842,238
Culture and recreation	272,926
Total Restricted	<u>13,446,693</u>
Unrestricted	<u>(21,687,230)</u>
Total Net Position	<u><u>\$ 43,900,793</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, 2025

Functions/Programs	Expenses	Program Revenues					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	
						Governmental Activities	Activities
Primary Government:							
Governmental Activities:							
General government	\$ 6,146,543	\$ 1,116,364	\$ 418,373	\$ -	\$ 1,534,737	\$ (4,611,806)	
Public safety	9,242,727	595,854	201,188	-	797,042	(8,445,685)	
Community development	1,676,942	825,262	662,712	-	1,487,974	(188,968)	
Culture and recreation	3,560,635	886,146	1,000	1,487,736	2,374,882	(1,185,753)	
Transportation	5,178,574	47,624	3,103	1,527,970	1,578,697	(3,599,877)	
Interest expense	18,097	-	-	-	-	(18,097)	
Total Governmental Activities	\$ 25,823,518	\$ 3,471,250	\$ 1,286,376	\$ 3,015,706	\$ 7,773,332	(18,050,186)	
General Revenues:							
Taxes:							
Property taxes						3,340,070	
Franchise taxes						742,443	
Sales and use tax						8,633,916	
Transient Occupancy tax						2,256,352	
Business License tax						334,274	
Cannabis taxes						254,790	
Total taxes						15,561,845	
Motor vehicle in-lieu						15,545	
Investment income						633,607	
Other revenues						1,218,880	
Total General Revenues						17,429,877	
Change in Net Position						(620,309)	
Net Position - Beginning of Year						44,298,641	
Prior Period Restatements						222,461	
Net Position - Beginning of Year, As Adjusted						44,521,102	
Net Position - End of Year						\$ 43,900,793	

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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, 2025

	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			
ASSETS									
Cash and investments	\$ 1,890,309	\$ 1,005,956	\$ 2,037,244	\$ 874,719	\$ -	\$ 2,851,860	\$ 8,660,088		
Restricted cash and investments	1,662,822	-	-	-	-	-	-	1,662,822	
Accounts receivable	96,826	-	-	-	-	16,188	113,014		
Taxes receivable	2,387,430	-	-	94,570	-	-	-	2,482,000	
Interest receivable	46,887	11,069	10,618	9,291	-	39,834	117,699		
Due from other governments	93,112	-	-	-	-	30,382	123,494		
Due from other funds	843,207	-	-	-	-	-	-	843,207	
Loans receivable	-	4,133,610	2,240,070	-	-	254,583	6,628,263		
Total assets	\$ 7,020,593	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ -	\$ 3,192,847	\$ 20,630,587		
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 386,186	\$ -	\$ -	\$ -	\$ 524,597	\$ 85,365	\$ 996,148		
Accrued liabilities	98,391	-	-	-	-	-	-	98,391	
Unearned revenue	241,682	-	-	-	-	-	-	241,682	
Deposits payable	363,593	-	-	-	7,200	78	370,871		
Due to other funds	-	-	-	-	843,207	-	843,207		
Total liabilities	1,089,852	-	-	-	1,375,004	85,443	2,550,299		
Fund Balances:									
Restricted:									
Public safety	-	-	-	-	-	201,151	201,151		
Transportation	-	-	-	978,580	-	1,151,798	2,130,378		
Community development	-	5,150,635	4,287,932	-	-	1,403,671	10,842,238		
Culture and recreation	-	-	-	-	-	272,926	272,926		
Retiree benefits	1,662,822	-	-	-	-	-	1,662,822		
Assigned:									
Debt service	-	-	-	-	-	77,858	77,858		
Facilities	282,714						282,714		
General plan	316,128						316,128		
Green building education	276,994						276,994		
Emergency reserve	1,631,506	-	-	-	-	-	1,631,506		
Unassigned:									
Contingencies	1,760,577	-	-	-	-	-	1,760,577		
Remaining unassigned	-	-	-	-	(1,375,004)	-	(1,375,004)		
Total fund balances	5,930,741	5,150,635	4,287,932	978,580	(1,375,004)	3,107,404	18,080,288		
Total liabilities and fund balances	\$ 7,020,593	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ -	\$ 3,192,847	\$ 20,630,587		

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, 2025

Total Fund Balances - Total Governmental Funds \$ 18,080,288

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	82,605,418
Less: accumulated depreciation	(29,770,296)
Total Capital Assets	<u>52,835,122</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. (6,533)

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. 8,153,131

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	(693,792)
Compensated absences	(1,104,385)
Net pension liability	(31,795,399)
Net OPEB liability	(1,567,639)
Total Long-Term Obligations	<u>(35,161,215)</u>

Net Position of Governmental Activities \$ 43,900,793

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, 2025**

	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		
REVENUES								
Taxes	\$ 15,087,640	\$ -	\$ -	\$ -	\$ -	\$ 139,931	\$ 15,227,571	
Licenses and permits	739,717	-	-	-	-	9,215	748,932	
Fines and forfeitures	503,222	-	-	-	-	-	503,222	
Intergovernmental	197,854	-	-	431,353	2,205,670	1,308,546	4,143,423	
Charges for Services	2,340,985	-	-	-	-	175,224	2,516,209	
Use of money and property	205,391	129,804	192,679	32,951	-	109,940	670,765	
Other revenue	215,094	-	-	-	1,110,699	67,294	1,393,087	
Total Revenues	19,289,903	129,804	192,679	464,304	3,316,369	1,810,150	25,203,209	
EXPENDITURES								
Current:								
General government	4,581,222	-	-	-	-	-	4,581,222	
Public safety	7,882,777	-	-	-	-	50,501	7,933,278	
Community development	844,336	4,450	51,732	-	-	557,117	1,457,635	
Culture and recreation	2,897,034	-	-	-	-	153,622	3,050,656	
Transportation	3,931,622	-	-	-	-	222,069	4,153,691	
Capital outlay	315,174	-	-	17,869	4,001,314	48,190	4,382,547	
Debt service								
Principal	-	-	-	-	-	68,823	68,823	
Interest	-	-	-	-	-	18,745	18,745	
Total Expenditures	20,452,165	4,450	51,732	17,869	4,001,314	1,119,067	25,646,597	
Excess (Deficiency) of								
Revenues over Expenditures	(1,162,262)	125,354	140,947	446,435	(684,945)	691,083	(443,388)	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	83,000	297,011	380,011	
Transfers out	(170,568)	-	-	-	-	(209,443)	(380,011)	
Total Other Financing Sources (Uses)	(170,568)	-	-	-	83,000	87,568	-	
Net Change in Fund Balances	(1,332,830)	125,354	140,947	446,435	(601,945)	778,651	(443,388)	
Fund Balances Beginning	7,017,319	5,017,650	4,178,407	532,145	(773,059)	2,328,753	18,301,215	
Prior Period Restatements	246,252	7,631	(31,422)	-	-	-	222,461	
Fund Balances Beginning, as Restated	7,263,571	5,025,281	4,146,985	532,145	(773,059)	2,328,753	18,523,676	
Fund Balances Ending	\$ 5,930,741	\$ 5,150,635	\$ 4,287,932	\$ 978,580	\$ (1,375,004)	\$ 3,107,404	\$ 18,080,288	

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, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (443,388)

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	4,309,512
Depreciation expense	(2,352,984)

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.

(77,635)

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.

(2,125,285)

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.

68,823

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.

648

Change in Net Position of Governmental Activities \$ (620,309)

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Capitola**Index to the Notes to Basic Financial Statements****June 30, 2025**

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City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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

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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.

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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

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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.

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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, 2025.

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

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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

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. The liability for compensated absences includes salary-related taxes and benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. A liability for estimated value of vacation that will be used by employees as time off is included in the liability for compensated absences.

Sick Leave

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. A liability for estimated value of sick leave that will be used by employees as time off is included in the liability for 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

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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 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.

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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.

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

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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 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."

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The following summarizes the City's material expenditures in excess of the final budget by department during the year:

EXPENDITURES	Budgeted Amounts		Variance with Final Budget	
	Original	Final		
Current:				
General government:				
City attorney	270,000	270,000	325,062	(55,062)
General operations	609,721	734,192	1,826,248	(1,092,056)
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)
Total Expenditures	\$ 19,473,800	\$ 20,317,792	\$ 20,452,165	\$ (134,373)

During the year, city attorney, general operations, and cultural and recreation expenditures were over budget primarily due to the timing of projects and related encumbrances and seasonal program personnel costs which was offset by additional revenues. 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. 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.

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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 implementation of this statement did not have a material impact on the City's financial statements.

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 implementation of this standard did not have a material impact on the City's financial statements and management determined there were no concentrations or constraints that make the City vulnerable to the risk of substantial impact.

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:

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.

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.

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GASB Statement No. 104, *Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. 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, 2025, cash and investments were reported in the financial statements as follows:

	Governmental Activities
Cash and investments	\$ 8,660,088
Restricted cash and investments	1,662,822
Total cash and investments	<u>\$ 10,322,910</u>

Cash and investments consisted of the following as of June 30, 2025:

Deposits:	
Cash on hand	\$ 1,400
Deposits with financial institutions	5,247,117
Total Deposits	<u>5,248,517</u>
Investments:	
Local Agency Investment Fund	1,437,178
Certificates of deposit	1,974,393
PARS restricted cash with fiscal agent	1,662,822
Total investments	<u>5,074,393</u>
Total cash and investments	<u>\$ 10,322,910</u>

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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 FDIC insured balances before reconciling items totaled \$5,655,428 at June 30, 2025 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$5,077,314, 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.

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

City of Capitola
Notes to the Basic Financial Statements
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D. External Investment Pool

The City's investments with LAIF at June 30, 2025, 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/>.

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, 2025, 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).

City of Capitola
Notes to the Basic Financial Statements
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As of June 30, 2025, 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	\$ 1,437,178	\$ -	\$ 1,437,178	n/a
Certificates of deposit	-	1,974,393	1,974,393	Level 1
PARS restricted cash with fiscal agent	1,662,822	-	1,662,822	Level 2
Total Investments	\$ 3,100,000	\$ 1,974,393	\$ 5,074,393	

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, 2025:

Loans Receivable	CDBG	Federal	Capitola	Total
	Program Income	Home Loan Reuse	Housing Successor	
Individual Loans	\$ 254,583	\$ 215,118	\$ 354,520	\$ 824,221
Bay Avenue Senior Apartments	-	3,799,009	1,885,550	5,684,559
Wharf Road Manor	-	119,483	-	119,483
Total Loans Receivable	\$ 254,583	\$ 4,133,610	\$ 2,240,070	\$ 6,628,263

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, 2025, the City had the following interfund balances:

Fund	Due from	Due to
	Other Funds	Other Funds
General Fund	\$ 843,207	\$ -
Capital Projects Fund	-	843,207
Total Due From/To	\$ 843,207	\$ 843,207

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.

City of Capitola
Notes to the Basic Financial Statements
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The following summarizes transfers between funds during the fiscal year ended June 30, 2025:

Fund	Transfer in	Transfer out
General Fund	\$ -	\$ 170,568
Capital Projects Fund	83,000	-
Nonmajor Funds	297,011	209,443
Total Transfers	\$ 380,011	\$ 380,011

NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2025:

	Balance July 01, 2024	Additions	Deletions/ Transfers	Balance June 30, 2025
Governmental activities:				
Non-depreciable:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in Progress	15,393,620	3,376,174	(11,802,485)	6,967,309
Total Non-Depreciable	20,277,409	3,376,174	(11,802,485)	11,851,098
Depreciable:				
Buildings and Improvements	17,748,240	36,872		17,785,112
Infrastructure	37,721,731	12,400,492	(2,620,585)	47,501,638
Machinery and Equipment	5,334,562	298,458	(165,450)	5,467,570
Total Depreciable	60,804,533	12,735,822	(2,786,035)	70,754,320
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,312,658)	(362,294)		(2,674,952)
Infrastructure	(24,379,195)	(728,184)	1,710,449	(23,396,930)
Machinery and Equipment	(3,511,495)	(352,369)	165,450	(3,698,414)
Total Accumulated Depreciation	(30,203,348)	(1,442,847)	1,875,899	(29,770,296)
Total Depreciable Capital Assets - Net	30,601,185	11,292,975	(910,136)	40,984,024
Total Capital Assets - Net	\$ 50,878,594	\$ 14,669,149	\$ (12,712,621)	\$ 52,835,122

Depreciation and amortization expense for governmental activities:

General Government	\$ 876,058
Public Safety	115,854
Culture and Recreation	50,995
Transportation	399,942
Total depreciation expense	\$ 1,442,847

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2025:

Governmental Activities	Balance			Balance June 30, 2025	Due Within One Year
	July 01, 2024	Additions	Retirements		
Beach and Village Lot II Financing	\$ 762,615	\$ -	\$ 68,823	\$ 693,792	\$ 70,379
Compensated Absences	1,026,750	77,635	-	1,104,385	596,368
Net OPEB liability	1,549,998	1,803,105	1,785,464	1,567,639	-
Net Pension Liability	32,157,510	11,033,885	11,395,996	31,795,399	-
Total Governmental Activities Debt	<u>\$ 35,496,873</u>	<u>\$ 12,914,625</u>	<u>\$ 13,250,283</u>	<u>\$ 35,161,215</u>	<u>\$ 666,747</u>

Loan Agreement Payable - Beach and Village Lot II Financing

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

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

Fiscal Year	Principal	Interest	Total
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	76,960	8,229	85,189
2031-2035	325,629	14,924	340,553
Total	<u>\$ 693,792</u>	<u>\$ 72,893</u>	<u>\$ 766,685</u>

NOTE 7 - DEFICIT FUND BALANCES

As of June 30, 2025, the city reported a deficit fund balance of \$1,375,004 in the Capital Projects Fund. This deficit is 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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

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, 2025, are summarized as follows:

	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
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	8.00%	7.75%	9.00%	13.75%
Required employer contribution rates	14.13%	7.87%	27.32%	13.76%

Employees Covered

At June 30, 2025, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	52	21
Transferred	33	16
Separated	30	8
Retired	104	51
Total	219	96

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.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

For the year ended June 30, 2025, the City's contributions were as follows:

	Employer Contributions
Miscellaneous	\$ 1,598,149
Safety	1,875,763
Total Employer Contributions	\$ 3,473,912

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

As of June 30, 2025, 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	\$ 15,048,952
Safety	16,746,447
Total	\$ 31,795,399

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, 2024, 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, 2023 rolled forward to June 30, 2024 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.

The City's proportionate share of the net pension liability for the Plans as of June 30, 2024 and 2025 was as follows:

	Miscellaneous	Safety	Combined Plans
Proportion - June 30, 2024	0.30338%	0.22725%	0.25777%
Proportion - June 30, 2025	0.31115%	0.22969%	0.26218%
Change - Increase/(Decrease)	0.00776%	0.00244%	0.00441%

For the year ended June 30, 2025, the City recognized pension expense of \$5,500,018.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 386,789	\$ -	\$ 412,598	\$ -
Differences between Expected and Actual Experience	1,301,120	50,769	1,366,659	44,436
Differences between Projected and Actual Investment Earnings	866,350	-	809,447	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	178,455	196,768	155,938
Change in Employer's Proportion	1,891	450,666	118,087	154,205
Pension Contributions Made Subsequent to Measurement Date	1,598,149	-	1,875,763	-
Total	\$ 4,154,299	\$ 679,889	\$ 4,779,322	\$ 354,579

The City reported \$3,473,912 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
June 30:			
2026	\$ 399,156	\$ 972,426	\$ 1,371,582
2027	1,811,819	1,878,368	3,690,188
2028	(37,827)	(24,858)	(62,685)
2029	(296,888)	(276,956)	(573,844)
Total	\$ 1,876,260	\$ 2,548,980	\$ 4,425,241

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

City of Capitola
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June 30, 2025

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.

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

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap 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%	

(1) An expected inflation of 2.3% used for this period.
 (2) Figures are based on the 2021-22 Asset Liability Study.

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

City of Capitola
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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 Liability	\$ 22,048,444	24,483,921
Current	6.90%	6.90%
Net Pension Liability	\$ 15,048,952	16,746,447
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 9,287,341	10,418,281

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.

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 PEPRA and Safety Classic or PEPRA), 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.

City of Capitola
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June 30, 2025

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	26
Total employees	83

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, 2025 were \$168,711, 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, 2024
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

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%.

City of Capitola
Notes to the Basic Financial Statements
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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).

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

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
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%
Total	100.0%	

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2025:

Fiscal Year Ended June 30, 2025	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	\$ 2,195,797	\$ 645,799	\$ 1,549,998
Service cost	113,922	-	113,922
Interest in Total OPEB Liability	141,288	-	141,288
Employer contributions	-	166,781	(166,781)
Actual investment income	-	70,999	(70,999)
Administrative expenses	-	(211)	211
Benefit payments	(99,731)	(99,731)	-
Net changes	155,479	137,838	17,641
Balance at June 30, 2025	\$ 2,351,276	\$ 783,637	\$ 1,567,639

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

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June 30, 2025

Deferred Inflows and Outflows of Resources

As of June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 598,155
Difference between actual and expected earnings	4,587	-
Change in assumptions	678,834	-
OPEB contribution subsequent to measurement date	168,711	-
Totals	\$ 852,132	\$ 598,155

Contributions of \$168,711 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,	
2026	\$ 58,448
2027	76,029
2028	53,306
2029	52,896
2030	(29,984)
Thereafter	<u>(125,429)</u>
Total	<u>\$ 85,266</u>

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

Service cost	\$ 113,922
Interest in TOL	141,288
Expected investment income	(40,356)
Actuarial adjustments	(8,208)
Difference between actual and expected experience	(84,927)
Difference between actual and expected earnings	2,011
Change in assumptions	143,950
Administrative expenses	211
OPEB Expense	<u>\$ 267,891</u>

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The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

Net OPEB liability ending	\$ 1,567,639
Net OPEB liability beginning	(1,549,998)
Change in net OPEB liability	17,641
Changes in deferred outflows	166,466
Changes in deferred inflows	(84,927)
Employer contributions	168,711
OPEB Expense	\$ 267,891

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:

	Discount Rate		
	(1% Decrease)	1.92%	(1% Increase)
Net OPEB Liability (Asset)	\$ 1,855,304	\$ 1,567,639	\$ 1,323,795

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:

	Trend Rate		
	(1% Decrease)	5.00%	(1% Increase)
Net OPEB Liability (Asset)	\$ 1,257,652	\$ 1,567,639	\$ 1,950,583

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, 2025

adjustments to the premiums charged and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year-end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the five previous years.

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

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Authority, article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member 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

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

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, 2025 (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, 2025 totaled \$901,028.

City of Capitola
Notes to the Basic Financial Statements
June 30, 2025

NOTE 13 - PRIOR PERIOD RESTATEMENTS

The following summarizes the prior period restatements as of June 30, 2025:

	Beginning Balance Previously Reported	Prior Period Adjustments Error Corrections	Beginning Balance Restated	Description
<i>Fund Financial Statements</i>				
General Fund	\$ 7,017,319	\$ 246,252	\$ 7,263,571	Timing differences
Federal Home Loan Reuse Fund	5,017,650	7,631	5,025,281	Timing differences
Capitola Housing Successor Fund	4,178,407	(31,422)	4,146,985	Timing differences
<i>Government Wide Financial Statements</i>				
Governmental Activities	44,298,641	222,461	44,521,102	Timing differences

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ 15,105,079	\$ 15,383,272	\$ 15,087,640	\$ (295,632)	
Licenses and permits	721,750	721,750	739,717	17,967	
Fines and forfeitures	599,500	599,500	503,222	(96,278)	
Intergovernmental	162,173	189,404	197,854	8,450	
Charges for Services	2,408,340	2,408,340	2,340,985	(67,355)	
Use of money and property	172,500	172,500	205,391	32,891	
Other revenue	191,906	191,906	215,094	23,188	
Total Revenues	19,361,248	19,666,672	19,289,903	(376,769)	
EXPENDITURES					
Current:					
General government:					
City council	136,007	136,007	96,100	39,907	
City manager	1,198,703	1,264,655	1,106,958	157,697	
Personnel	487,693	504,122	341,016	163,106	
City attorney	270,000	270,000	325,062	(55,062)	
Finance	987,445	1,005,474	827,413	178,061	
Community grants	133,425	133,425	58,425	75,000	
General operations	609,721	734,192	1,826,248	(1,092,056)	
Public safety	7,988,133	8,123,485	7,882,777	240,708	
Community development	853,538	863,936	844,336	19,600	
Culture and recreation	2,789,503	2,844,811	2,897,034	(52,223)	
Transportation	3,879,632	4,020,024	3,931,622	88,402	
Capital outlay	140,000	417,661	315,174	102,487	
Total Expenditures	19,473,800	20,317,792	20,452,165	(134,373)	
Excess (Deficiency) of Revenues over Expenditures	(112,552)	(651,120)	(1,162,262)	(511,142)	
OTHER FINANCING SOURCES (USES)					
Transfers out	(87,568)	(87,568)	(170,568)	(83,000)	
Net Change in Fund Balance	(200,120)	(738,688)	(1,332,830)	(594,142)	
Fund Balance Beginning	7,017,319	7,017,319	7,017,319	-	
Prior Period Adjustments	246,252	246,252	246,252	-	
Fund Balance Beginning, as Adjusted	7,263,571	7,263,571	7,263,571	-	
Fund Balance Ending	\$ 7,063,451	\$ 6,524,883	\$ 5,930,741	\$ (594,142)	

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, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 129,804	\$ 129,804
Total Revenues	-	-	129,804	129,804
EXPENDITURES				
Current:				
Community development	4,100	4,100	4,450	(350)
Total Expenditures	4,100	4,100	4,450	(350)
Net Change in Fund Balance	(4,100)	(4,100)	125,354	129,454
Fund Balance Beginning	5,017,650	5,017,650	5,017,650	-
Prior Period Adjustments	7,631	7,631	7,631	-
Fund Balance Beginning, as Adjusted	5,025,281	5,025,281	5,025,281	-
Fund Balance Ending	\$ 5,021,181	\$ 5,021,181	\$ 5,150,635	\$ 129,454

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, 2025

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Use of money and property	\$ 27,400	\$ 27,400	\$ 192,679	\$ 165,279	
Total Revenues	\$ 27,400	27,400	192,679	165,279	
EXPENDITURES					
Current:					
Community development	1,324,025	2,224,649	51,732	2,172,917	
Total Expenditures	1,324,025	2,224,649	51,732	2,172,917	
Net Change in Fund Balance	(1,296,625)	(2,197,249)	140,947	2,338,196	
Fund Balance Beginning	4,178,407	4,178,407	4,178,407	-	
Prior Period Adjustments	(31,422)	(31,422)	(31,422)	-	
Fund Balance Beginning, as Adjusted	4,146,985	4,146,985	4,146,985	-	
Fund Balance Ending	\$ 2,850,360	\$ 1,949,736	\$ 4,287,932	\$ 2,338,196	

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, 2025**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Intergovernmental	\$ 369,000	\$ 369,000	\$ 431,353	\$ 62,353	
Use of money and property	5,000	5,000	32,951	27,951	
Total Revenues	374,000	374,000	464,304	90,304	
EXPENDITURES					
Capital outlay	369,000	369,000	17,869	351,131	
Total Expenditures	369,000	369,000	17,869	351,131	
Net Change in Fund Balance	5,000	5,000	446,435	441,435	
Fund Balance Beginning	532,145	532,145	532,145	-	
Fund Balance Ending	\$ 537,145	\$ 537,145	\$ 978,580	\$ 441,435	

City of City of Capitola
Schedule of Pension Contributions (CalPERS Miscellaneous)
June 30, 2025
(Last Ten Years)

Miscellaneous Plan

	2015	2016	2017	2018	2019	2020
	2016	2017	2018	2019	2020	
Contractually Required Contributions	\$ 448,910	\$ 516,728	\$ 832,631	\$ 838,617	\$ 913,110	
Contributions in Relation to						
Contractually Required Contributions	448,910	516,728	832,631	838,617	913,110	
Contribution Deficiency (Excess)	\$ -					
Covered Payroll	\$ 3,245,529	\$ 3,370,438	\$ 3,434,216	\$ 3,504,309	\$ 3,799,393	
Contributions as a % of Covered Payroll	13.83%	15.33%	24.25%	23.93%	24.03%	
Miscellaneous Plan						
Plan Measurement Date	2020	2021	2022	2023	2024	2025
Fiscal Year Ended	2021	2022	2023	2024	2025	
Contractually Required Contributions	\$ 1,024,725	\$ 1,173,195	\$ 1,290,739	\$ 1,377,687	\$ 1,598,149	
Contributions in Relation to						
Contractually Required Contributions	1,024,725	1,173,195	1,290,739	1,377,687	1,598,149	
Contribution Deficiency (Excess)	\$ -					
Covered Payroll	\$ 3,432,738	\$ 3,656,822	\$ 3,818,143	\$ 3,908,367	\$ 4,052,186	
Contributions as a % of Covered Payroll	29.85%	32.08%	33.81%	35.25%	39.44%	

Notes to Schedule:

Valuation Date:

June 30, 2023

Assumptions Used:

Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

Remaining Amortization Period no more than 26 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 morality 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 FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of Pension Contributions (CalPERS Safety)
June 30, 2025
(Last Ten Years)

Safety Plan

	2015	2016	2017	2018	2019
	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 741,692	\$ 536,507	\$ 937,396	\$ 954,292	\$ 1,199,415
Contributions in Relation to					
Contractually Required Contributions	741,692	536,507	937,396	954,292	1,199,415
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 2,308,245	\$ 2,402,133	\$ 2,487,719	\$ 2,381,492	\$ 2,371,092
Contributions as a % of Covered Payroll	32.13%	22.33%	37.68%	40.07%	50.58%

Safety Plan

	2020	2021	2022	2023	2024
	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 1,307,218	\$ 1,512,085	\$ 1,624,178	\$ 1,637,024	\$ 1,875,763
Contributions in Relation to					
Contractually Required Contributions	1,307,218	1,512,085	1,624,178	1,637,024	1,875,763
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 2,300,530	\$ 2,632,190	\$ 2,734,960	\$ 2,716,661	\$ 2,898,211
Contributions as a % of Covered Payroll	56.82%	57.45%	59.39%	60.26%	64.72%

Notes to Schedule:

Valuation Date:

June 30, 2023

Assumptions Used:

Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

Remaining Amortization Period no more than 26 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 morality 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 FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of Proportionate Share of Net Pension Liability
June 30, 2025
(Last Ten Years)

Miscellaneous and Safety Plan

Plan Measurement Date Fiscal Year Ended	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Proportion of Net Pension Liability (Safety and Misc)	0.22276%	0.22460%	0.22542%	0.23208%	0.23566%
Proportion of Net Pension Liability (Misc Plan Only)	0.27813%	0.27444%	0.27777%	0.28641%	0.29038%
Proportionate Share of Net Pension Liability	\$ 15,290,341	\$ 19,435,188	\$ 22,355,266	\$ 22,363,591	\$ 24,148,410
Covered Payroll	\$ 5,430,835	\$ 5,553,774	\$ 5,772,571	\$ 5,921,935	\$ 5,885,801
Proportionate Share of NPL as a % of Covered Payroll	281.55%	349.95%	387.27%	377.64%	410.28%
Plan's Fiduciary Net Position as a % of the TPL	76.36%	72.55%	71.66%	72.50%	71.85%

Miscellaneous and Safety Plan

Plan Measurement Date Fiscal Year Ended	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025
Proportion of Net Pension Liability (Safety and Misc)	0.23999%	0.31633%	0.26021%	0.25777%	0.26218%
Proportion of Net Pension Liability (Misc Plan Only)	0.29469%	0.42981%	0.30483%	0.30338%	0.31115%
Proportionate Share of Net Pension Liability	\$ 26,111,558	\$ 17,108,187	\$ 30,056,602	\$ 32,157,510	\$ 31,795,399
Covered Payroll	\$ 6,170,485	\$ 5,733,268	\$ 6,289,012	\$ 6,553,103	\$ 6,625,028
Proportionate Share of NPL as a % of Covered Payroll	423.17%	298.40%	477.92%	490.72%	479.93%
Plan's Fiduciary Net Position as a % of the TPL	70.61%	81.35%	69.15%	68.81%	70.70%

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 FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

City of City of Capitola
Schedule of OPEB Contributions
June 30, 2025
(Last Ten Years)

Fiscal Year Ended

Actuarially determined contribution (ADC)
Less: actual contribution in relation to ADC
Contribution deficiency (excess)

	2018	2019	2020	2021
\$ 87,697	\$ 88,801	\$ 82,353	\$ 155,509	
(86,090)	(88,801)	(82,353)	(155,509)	
\$ 1,607	\$ -	\$ -	\$ -	

Covered employee payroll
Contrib. as a % of covered employee payroll

\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766
1.61%	1.60%	1.43%	2.53%

Fiscal Year Ended

Actuarially determined contribution (ADC)
Less: actual contribution in relation to ADC
Contribution deficiency (excess)

	2022	2023	2024	2025
\$ 99,732	\$ 169,270	\$ 158,573	\$ 168,711	
(99,732)	(169,270)	(158,573)	(168,711)	
\$ -	\$ -	\$ -	\$ -	

Covered employee payroll
Contrib. as a % of covered employee payroll

\$ 6,286,092	\$ 7,344,221	\$ 7,943,922	\$ 8,426,663
1.59%	2.30%	2.00%	2.00%

Notes to Schedule:

Assumptions and Methods

Valuation Date:
Measurement Date:
Actuarial Cost Method:
Amortization Period:
Actuarial Assumptions:

June 30, 2023
June 30, 2024
Entry-Age, Level Percent of Pay
20 years

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, 2025
(Last Ten Years)

Measurement Date Fiscal Year Ended	2017	2018	2019	2020	2021	2022	2023	2024
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	\$ 26,537	\$ 27,267	\$ 32,631	\$ 113,292	\$ 104,614	\$ 109,131	\$ 97,501	\$ 113,922
Interest	51,739	57,232	62,516	140,891	151,868	158,499	169,676	141,288
Diff. 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)	(99,731)
Net change in Total OPEB Liability	51,644	56,802	1,065,305	171,830	87,941	176,994	(180,885)	155,479
Total OPEB Liability - beginning	766,166	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797
Total OPEB Liability - ending	817,810	874,612	1,939,917	2,111,747	2,199,688	2,376,682	2,195,797	2,351,276
Plan fiduciary net position								
Net investment income	15,205	16,868	17,834	12,995	116,763	(74,613)	36,040	70,999
Employer contributions	81,540	87,697	88,801	82,353	155,509	150,886	169,270	166,781
Benefit payments	(26,632)	(27,697)	(28,801)	(82,353)	(95,259)	(90,636)	(102,222)	(99,731)
Administrative expense	(127)	(397)	-	(180)	(164)	(141)	(158)	(211)
Other	-	31	-	-	-	-	-	-
Net change in fid. net position	69,986	76,502	77,834	12,815	176,849	(14,504)	102,930	137,838
Plan fid. net position - beginning	143,387	213,373	289,875	367,709	380,524	557,373	542,869	645,799
Plan fid. net position - ending	213,373	289,875	367,709	380,524	557,373	542,869	645,799	783,637
Net OPEB liability (asset)	\$ 604,437	\$ 584,737	\$ 1,572,208	\$ 1,731,223	\$ 1,642,315	\$ 1,833,813	\$ 1,549,998	\$ 1,567,639
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%	33.33%
Covered Employee Payroll	\$ 5,787,564	\$ 5,361,855	\$ 5,567,350	\$ 5,757,120	\$ 6,145,766	\$ 6,286,092	\$ 7,344,221	\$ 7,943,922
NOL as a % of covered emp. payroll	10.44%	10.91%	28.24%	30.07%	26.72%	29.17%	21.11%	19.73%

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

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, 2025**

	Budgeted Amounts		Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)
			Amounts	
REVENUES				
Intergovernmental	\$ -	\$ 1,300,000	\$ 2,205,670	\$ 905,670
Other revenue	-	90,000	1,110,699	1,020,699
Total Revenues	-	1,390,000	3,316,369	1,926,369
EXPENDITURES				
Capital outlay	-	7,261,338	4,001,314	3,260,024
Total Expenditures	-	7,261,338	4,001,314	3,260,024
Excess (Deficiency) of Revenues over Expenditures	-	(5,871,338)	(684,945)	5,186,393
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,360,240	83,000	(3,277,240)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	3,360,240	83,000	(3,277,240)
Net Change in Fund Balance	-	(2,511,098)	(601,945)	1,909,153
Fund Balance Beginning	(773,059)	(773,059)	(773,059)	-
Prior Period Adjustments	-	-	-	-
Fund Balance Beginning, as Adjusted	(773,059)	(773,059)	(773,059)	-
Fund Balance Ending	\$ (773,059)	\$ (3,284,157)	\$ (1,375,004)	\$ 1,909,153

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, 2025****Special Revenue Funds**

	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
ASSETS					
Cash and investments	\$ 199,546	\$ 80,695	\$ 783,269	\$ 340,780	\$ 85,782
Accounts receivable	-	-	-	-	361
Interest receivable	2,423	690	8,259	23,586	-
Due from other governments	-	-	22,549	3,711	1,061
Loans receivable	-	-	-	-	-
Total assets	\$ 201,969	\$ 81,385	\$ 814,077	\$ 368,077	\$ 87,204
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 818	\$ 10,302	\$ -	\$ 31,093	\$ 2,494
Deposits payable	-	-	-	-	78
Total liabilities	818	10,302	-	31,093	2,572
Fund Balances:					
Restricted:					
Public safety	201,151	-	-	-	-
Transportation	-	-	814,077	336,984	-
Community development	-	71,083	-	-	-
Culture and recreation	-	-	-	-	84,632
Assigned:					
Debt service	-	-	-	-	-
Total fund balances	201,151	71,083	814,077	336,984	84,632
Total liabilities and fund balances	\$ 201,969	\$ 81,385	\$ 814,077	\$ 368,077	\$ 87,204

Cont'd

City of Capitola**Combining Balance Sheet****Nonmajor Governmental Funds****June 30, 2025****Special Revenue Funds**

	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
ASSETS				
Cash and investments	\$ 120,200	\$ 737	\$ 106,677	\$ 65,168
Accounts receivable	-	-	10,382	-
Interest receivable	-	-	-	712
Due from other governments	-	-	-	2,214
Loans receivable	-	-	-	-
Total assets	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted:				
Public safety	-	-	-	-
Transportation	-	737	-	-
Community development	-	-	117,059	-
Culture and recreation	120,200	-	-	68,094
Assigned:				
Debt service	-	-	-	-
Total fund balances	120,200	737	117,059	68,094
Total liabilities and fund balances	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094

Cont'd

City of Capitola**Combining Balance Sheet****Nonmajor Governmental Funds****June 30, 2025****Special Revenue Funds**

	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
ASSETS					
Cash and investments	\$ 16,561	\$ 144,481	\$ 949	\$ 16,916	\$ 345,655
Accounts receivable	5,445	-	-	-	-
Interest receivable	140	-	10	189	3,825
Due from other governments	-	-	-	-	-
Loans receivable	-	-	254,583	-	-
Total assets	\$ 22,146	\$ 144,481	\$ 255,542	\$ 17,105	\$ 349,480
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,915	\$ 37,743	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-	-
Total liabilities	2,915	37,743	-	-	-
Fund Balances:					
Restricted:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	19,231	106,738	255,542	17,105	349,480
Culture and recreation	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Total fund balances	19,231	106,738	255,542	17,105	349,480
Total liabilities and fund balances	\$ 22,146	\$ 144,481	\$ 255,542	\$ 17,105	\$ 349,480

Cont'd

City of Capitola**Combining Balance Sheet****Nonmajor Governmental Funds****June 30, 2025**

	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			
ASSETS						
Cash and investments	\$ 467,433	\$ 76,999	\$ 12	\$ 2,851,860		
Accounts receivable	-	-	-	16,188		
Interest receivable	-	-	-	39,834		
Due from other governments	-	847	-	30,382		
Loans receivable	-	-	-	254,583		
Total assets	\$ 467,433	\$ 77,846	\$ 12	\$ 3,192,847		
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 85,365		
Deposits payable	-	-	-	78		
Total liabilities	-	-	-	85,443		
Fund Balances:						
Restricted:						
Public safety	-	-	-	201,151		
Transportation	-	-	-	1,151,798		
Community development	467,433	-	-	1,403,671		
Culture and recreation	-	-	-	272,926		
Assigned:						
Debt service	-	77,846	12	77,858		
Total fund balances	467,433	77,846	12	3,107,404		
Total liabilities and fund balances	\$ 467,433	\$ 77,846	\$ 12	\$ 3,192,847		

Concluded

City of Capitola

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

Special Revenue Funds					
	Supplemental Law Enforcement Fund	Restricted Transient Occupancy Tax Fund	SB1 Road Rehabilitation and Maintenance Fund	Gas Tax Fund	Wharf Fund
REVENUES					
Taxes	\$ -	\$ 102,616	\$ -	\$ -	\$ -
Licenses and permits	- -	- -	- -	- -	- -
Intergovernmental	100,000	- -	267,984	277,850	- -
Charges for services	- -	- -	- -	- -	- -
Use of money and property	8,874	3,281	29,156	13,630	19,292
Other revenue	- -	- -	- -	- -	- -
Total Revenues	108,874	105,897	297,140	291,480	19,292
EXPENDITURES					
Current:					
Public safety	50,501	- -	- -	- -	- -
Community development	- -	98,030	- -	- -	- -
Culture and recreation	- -	- -	- -	- -	59,449
Transportation	- -	- -	- -	216,069	- -
Capital outlay	32,000	- -	16,190	- -	- -
Debt service:					
Principal	- -	- -	- -	- -	- -
Interest	- -	- -	- -	- -	- -
Total Expenditures	82,501	98,030	16,190	216,069	59,449
Excess (Deficiency) of Revenues over Expenditures	26,373	7,867	280,950	75,411	(40,157)
OTHER FINANCING SOURCES (USES)					
Transfers in	- -	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -	- -
Total Other Financing Sources (Uses)	- -	- -	- -	- -	- -
Net Change in Fund Balances	26,373	7,867	280,950	75,411	(40,157)
Fund Balances Beginning	174,778	63,216	533,127	261,573	124,789
Fund Balances Ending	\$ 201,151	\$ 71,083	\$ 814,077	\$ 336,984	\$ 84,632

Cont'd

City of Capitola
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Public Art Fee Fund	Parking Reserve Fund	Technology Fees Fund	PEG Cable TV Access Fee Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	9,215
Intergovernmental	-	-	-	-
Charges for services	34,460	-	15,396	-
Use of money and property	-	-	-	2,756
Other revenue	20,000	-	-	-
Total Revenues	54,460	-	15,396	11,971
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	4,375	-
Culture and recreation	92,765	-	-	1,408
Transportation	-	-	6,000	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	92,765	-	10,375	1,408
Excess (Deficiency) of Revenues over Expenditures	(38,305)	-	5,021	10,563
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(38,305)	-	5,021	10,563
Fund Balances Beginning	158,505	737	112,038	57,531
Fund Balances Ending	\$ 120,200	\$ 737	\$ 117,059	\$ 68,094

Cont'd

City of Capitola
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds				
	Capitola Village and Wharf BIA Fund	CDBG Fund	CDBG Program Income Fund	Library Fund	Affordable Housing Fund
REVENUES					
Taxes	\$ 37,315	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	286,072	-	-	-
Charges for services	54,945	-	-	-	70,423
Use of money and property	1,535	-	10,029	1,820	16,998
Other revenue	46,665	-	-	-	629
Total Revenues	140,460	286,072	10,029	1,820	88,050
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Community development	153,714	238,836	-	37,426	15,693
Culture and recreation	-	-	-	-	-
Transportation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	153,714	238,836	-	37,426	15,693
Excess (Deficiency) of Revenues over Expenditures	(13,254)	47,236	10,029	(35,606)	72,357
OTHER FINANCING SOURCES (USES)					
Transfers in	-	209,443	-	-	-
Transfers out	-	-	(209,443)	-	-
Total Other Financing Sources (Uses)	-	209,443	(209,443)	-	-
Net Change in Fund Balances	(13,254)	256,679	(199,414)	(35,606)	72,357
Fund Balances Beginning	32,485	(149,941)	454,956	52,711	277,123
Fund Balances Ending	\$ 19,231	\$ 106,738	\$ 255,542	\$ 17,105	\$ 349,480

Cont'd

City of Capitola

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances**
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	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		
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 139,931
Licenses and permits					9,215
Intergovernmental	376,640				1,308,546
Charges for services	-	-	-	-	175,224
Use of money and property	-	2,569	-	-	109,940
Other revenue	-	-	-	-	67,294
Total Revenues	376,640	2,569	-	-	1,810,150
EXPENDITURES					
Current:					
Public safety	-	-	-	-	50,501
Community development	9,043	-	-	-	557,117
Culture and recreation	-	-	-	-	153,622
Transportation	-	-	-	-	222,069
Capital outlay	-	-	-	-	48,190
Debt service:					
Principal	-	-	68,823	68,823	
Interest	-	-	18,745	18,745	
Total Expenditures	9,043	-	87,568	87,568	1,119,067
Excess (Deficiency) of Revenues over Expenditures	367,597	2,569	(87,568)		691,083
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	87,568	87,568	297,011
Transfers out	-	-	-	-	(209,443)
Total Other Financing Sources (Uses)	-	-	87,568	87,568	87,568
Net Change in Fund Balances	367,597	2,569	-	-	778,651
Fund Balances Beginning	99,836	75,277	12	12	2,328,753
Fund Balances Ending	\$ 467,433	\$ 77,846	\$ 12	\$ 12	\$ 3,107,404
					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, 2025

Supplemental Law Enforcement Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	100,000	100,000	-
Charges for Services	-	-	-	-
Use of money and property	4,000	4,000	8,874	4,874
Other Revenue	-	-	-	-
Total Revenues	104,000	104,000	108,874	4,874
EXPENDITURES				
Current:				
Public safety	34,500	34,500	50,501	(16,001)
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	67,000	99,000	32,000	67,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	101,500	133,500	82,501	50,999
Excess (Deficiency) of Revenues over Expenditures	2,500	(29,500)	26,373	55,873
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,500	(29,500)	26,373	55,873
Fund Balances Beginning	174,778	174,778	174,778	-
Fund Balances Ending	\$ 177,278	\$ 145,278	\$ 201,151	\$ 55,873

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, 2025

Restricted Transient Occupancy Tax Fund

	Variance with Final Budget			
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 101,841	101,841	\$ 102,616	\$ 775
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	3,281	3,281
Other Revenue	-	-	-	-
Total Revenues	101,841	101,841	105,897	4,056
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	115,533	115,533	98,030	17,503
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	115,533	115,533	98,030	17,503
Excess (Deficiency) of Revenues over Expenditures	(13,692)	(13,692)	7,867	21,559
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(13,692)	(13,692)	7,867	21,559
Fund Balances Beginning	63,216	63,216	63,216	-
Fund Balances Ending	\$ 49,524	\$ 49,524	\$ 71,083	\$ 21,559

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, 2025

Road Rehabilitation and Maintenance Fund

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	252,161	252,161	267,984	15,823
Charges for Services	-	-	-	-
Use of money and property	-	-	29,156	29,156
Other Revenue	-	-	-	-
Total Revenues	252,161	252,161	297,140	44,979
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	252,161	252,161	16,190	235,971
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	252,161	252,161	16,190	235,971
Excess (Deficiency) of Revenues over Expenditures	-	-	280,950	280,950
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	280,950	280,950
Fund Balances Beginning	533,127	533,127	533,127	-
Fund Balances Ending	\$ 533,127	\$ 533,127	\$ 814,077	\$ 280,950

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, 2025

Gas Tax Fund

	Variance with Final Budget			
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	272,660	272,660	277,850	5,190
Charges for Services	-	-	-	-
Use of money and property	1,500	1,500	13,630	12,130
Other Revenue	-	-	-	-
Total Revenues	274,160	274,160	291,480	17,320
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	272,000	296,741	216,069	80,672
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	272,000	296,741	216,069	80,672
Excess (Deficiency) of Revenues over Expenditures	2,160	(22,581)	75,411	97,992
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,160	(22,581)	75,411	97,992
Fund Balances Beginning	261,573	261,573	261,573	-
Fund Balances Ending	\$ 263,733	\$ 238,992	\$ 336,984	\$ 97,992

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, 2025

Wharf Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	20,500	20,500	19,292	(1,208)
Other Revenue	-	-	-	-
Total Revenues	20,500	20,500	19,292	(1,208)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	101,250	101,250	59,449	41,801
Transportation	-	-	-	-
Capital outlay	40,000	40,000	-	40,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	141,250	141,250	59,449	81,801
Excess (Deficiency) of Revenues over Expenditures	(120,750)	(120,750)	(40,157)	80,593
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(120,750)	(120,750)	(40,157)	80,593
Fund Balances Beginning	124,789	124,789	124,789	-
Fund Balances Ending	\$ 4,039	\$ 4,039	\$ 84,632	\$ 80,593

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, 2025

Public Art Fee Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	34,460	34,460
Use of money and property	-	-	-	-
Other Revenue	-	-	20,000	20,000
Total Revenues	-	-	54,460	54,460
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	92,765	(92,765)
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	92,765	(92,765)
Excess (Deficiency) of Revenues over Expenditures	-	-	(38,305)	(38,305)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(38,305)	(38,305)
Fund Balances Beginning	158,505	158,505	158,505	-
Fund Balances Ending	\$ 158,505	\$ 158,505	\$ 120,200	\$ (38,305)

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, 2025

Parking Reserve Fund

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Taxes	\$ -	\$ -		\$ -	\$ -
Licenses and permits	-	-		-	-
Intergovernmental	-	-		-	-
Charges for Services	-	-		-	-
Use of money and property	-	-		-	-
Other Revenue	-	-		-	-
Total Revenues	-	-		-	-
EXPENDITURES					
Current:					
Public safety	-	-		-	-
Community development	-	-		-	-
Culture and recreation	-	-		-	-
Transportation	-	-		-	-
Capital outlay	-	-		-	-
Debt service:					
Principal	-	-		-	-
Interest	-	-		-	-
Total Expenditures	-	-		-	-
Excess (Deficiency) of Revenues over Expenditures	-	-		-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-		-	-
Transfers out	-	-		-	-
Total Other Financing Sources (Uses)	-	-		-	-
Net Change in Fund Balances	-	-		-	-
Fund Balances Beginning		737		737	-
Fund Balances Ending	\$ 737	\$ 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, 2025

Technology Fees Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	14,500	14,500	15,396	896
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	14,500	14,500	15,396	896
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	9,750	9,750	4,375	5,375
Culture and recreation	-	-	-	-
Transportation	3,500	3,500	6,000	(2,500)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	13,250	13,250	10,375	2,875
Excess (Deficiency) of Revenues over Expenditures	1,250	1,250	5,021	3,771
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,250	1,250	5,021	3,771
Fund Balances Beginning	112,038	112,038	112,038	-
Fund Balances Ending	\$ 113,288	\$ 113,288	\$ 117,059	\$ 3,771

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, 2025

PEG Cable TV Access Fee Fund

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits		15,000	15,000	9,215	(5,785)
Intergovernmental		-	-	-	-
Charges for Services		-	-	-	-
Use of money and property		1,000	1,000	2,756	1,756
Other Revenue		-	-	-	-
Total Revenues	16,000	16,000	11,971	(4,029)	
EXPENDITURES					
Current:					
Public safety		-	-	-	-
Community development		-	-	-	-
Culture and recreation		12,000	12,000	1,408	10,592
Transportation		-	-	-	-
Capital outlay		-	-	-	-
Debt service:					
Principal		-	-	-	-
Interest		-	-	-	-
Total Expenditures	12,000	12,000	1,408	10,592	
Excess (Deficiency) of Revenues over Expenditures		4,000	4,000	10,563	6,563
OTHER FINANCING SOURCES (USES)					
Transfers in		-	-	-	-
Transfers out		-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	
Net Change in Fund Balances		4,000	4,000	10,563	6,563
Fund Balances Beginning		57,531	57,531	57,531	-
Fund Balances Ending	\$ 61,531	\$ 61,531	\$ 68,094	\$ 6,563	

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, 2025

Capitola Village and Wharf BIA Fund

					Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual Amounts			
	Original	Final				
REVENUES						
Taxes	\$ 37,000	\$ 37,000	\$ 37,315	\$ 315		
Licenses and permits	-	-	-	-		
Intergovernmental	-	-	-	-		
Charges for Services	53,370	53,370	54,945	1,575		
Use of money and property	100	100	1,535	1,435		
Other Revenue	56,500	56,500	46,665	(9,835)		
Total Revenues	146,970	146,970	140,460	(6,510)		
EXPENDITURES						
Current:						
Public safety	-	-	-	-		
Community development	155,900	155,900	153,714	2,186		
Culture and recreation	-	-	-	-		
Transportation	-	-	-	-		
Capital outlay	-	-	-	-		
Debt service:						
Principal	-	-	-	-		
Interest	-	-	-	-		
Total Expenditures	155,900	155,900	153,714	2,186		
Excess (Deficiency) of Revenues over Expenditures	(8,930)	(8,930)	(13,254)	(4,324)		
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-		
Transfers out	-	-	-	-		
Total Other Financing Sources (Uses)	-	-	-	-		
Net Change in Fund Balances	(8,930)	(8,930)	(13,254)	(4,324)		
Fund Balances Beginning	32,485	32,485	32,485	-		
Fund Balances Ending	\$ 23,555	\$ 23,555	\$ 19,231	\$ (4,324)		

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, 2025

CDBG Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	232,335	3,432,335	286,072	(3,146,263)
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	232,335	3,432,335	286,072	(3,146,263)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	235,530	235,530	238,836	(3,306)
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	235,530	235,530	238,836	(3,306)
Excess (Deficiency) of Revenues over Expenditures	(3,195)	3,196,805	47,236	(3,149,569)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	160,241	209,443	49,202
Transfers out	-	(3,360,240)	-	3,360,240
Total Other Financing Sources (Uses)	-	(3,199,999)	209,443	3,409,442
Net Change in Fund Balances	(3,195)	(3,194)	256,679	259,873
Fund Balances Beginning	(149,941)	(149,941)	(149,941)	-
Fund Balances Ending	\$ (153,136)	\$ (153,135)	\$ 106,738	\$ 259,873

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, 2025

CDBG Program Income Fund

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual Amounts	Positive (Negative)	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Use of money and property	-	-	10,029	10,029	10,029
Other Revenue	-	-	-	-	-
Total Revenues	-	-	10,029	10,029	10,029
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Community development	10,000	10,000	-	10,000	10,000
Culture and recreation	-	-	-	-	-
Transportation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	10,000	10,000	-	10,000	10,000
Excess (Deficiency) of Revenues over Expenditures	(10,000)	(10,000)	10,029	20,029	
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(160,241)	(209,443)	(49,202)	
Total Other Financing Sources (Uses)	-	(160,241)	(209,443)	(49,202)	
Net Change in Fund Balances	(10,000)	(170,241)	(199,414)	(29,173)	
Fund Balances Beginning	454,956	454,956	454,956	-	
Fund Balances Ending	\$ 444,956	\$ 284,715	\$ 255,542	\$ (29,173)	

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, 2025

Library Fund

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Taxes	\$ -	\$ -		\$ -	\$ -
Licenses and permits	-	-		-	-
Intergovernmental	-	-		-	-
Charges for Services	-	-		-	-
Use of money and property	-	-		1,820	1,820
Other Revenue	-	-		-	-
Total Revenues	-	-		1,820	1,820
EXPENDITURES					
Current:					
Public safety	-	-		-	-
Community development	-	-		37,426	(37,426)
Culture and recreation	-	-		-	-
Transportation	-	-		-	-
Capital outlay	-	-		-	-
Debt service:					
Principal	-	-		-	-
Interest	-	-		-	-
Total Expenditures	-	-		37,426	(37,426)
Excess (Deficiency) of Revenues over Expenditures	-	-		(35,606)	(35,606)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-		-	-
Transfers out	-	-		-	-
Total Other Financing Sources (Uses)	-	-		-	-
Net Change in Fund Balances	-	-		(35,606)	(35,606)
Fund Balances Beginning	52,711	52,711		52,711	-
Fund Balances Ending	\$ 52,711	\$ 52,711	\$ 17,105	\$ (35,606)	

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, 2025

Affordable Housing Fund

	Budgeted Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	10,000	10,000	70,423	60,423
Use of money and property	4,000	4,000	16,998	12,998
Other Revenue	-	-	629	629
Total Revenues	14,000	14,000	88,050	74,050
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	15,693	(15,693)
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	15,693	(15,693)
Excess (Deficiency) of Revenues over Expenditures	14,000	14,000	72,357	58,357
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(150,000)	(150,000)	-	150,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	-	150,000
Net Change in Fund Balances	(136,000)	(136,000)	72,357	208,357
Fund Balances Beginning	277,123	277,123	277,123	-
Fund Balances Ending	\$ 141,123	\$ 141,123	\$ 349,480	\$ 208,357

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, 2025

Permanent Local Housing Allocation Fund

	Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	171,825	171,825	376,640	204,815
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	171,825	171,825	376,640	204,815
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	171,825	621,201	9,043	612,158
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	171,825	621,201	9,043	612,158
Excess (Deficiency) of Revenues over Expenditures	-	(449,376)	367,597	816,973
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(449,376)	367,597	816,973
Fund Balances Beginning	99,836	99,836	99,836	-
Fund Balances Ending	\$ 99,836	\$ (349,540)	\$ 467,433	\$ 816,973

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, 2025

Pacific Cove Debt Financing Fund

	Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Taxes	\$ -	\$ -		\$ -	\$ -
Licenses and permits	-	-		-	-
Intergovernmental	-	-		-	-
Charges for Services	-	-		-	-
Use of money and property	-	-		2,569	2,569
Other Revenue	-	-		-	-
Total Revenues	-	-		2,569	2,569
EXPENDITURES					
Current:					
Public safety	-	-		-	-
Community development	-	-		-	-
Culture and recreation	-	-		-	-
Transportation	-	-		-	-
Capital outlay	-	-		-	-
Debt service:					
Principal	-	-		-	-
Interest	-	-		-	-
Total Expenditures	-	-		-	-
Excess (Deficiency) of Revenues over Expenditures	-	-		2,569	2,569
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-		-	-
Transfers out	-	-		-	-
Total Other Financing Sources (Uses)	-	-		-	-
Net Change in Fund Balances	-	-		2,569	2,569
Fund Balances Beginning	75,277	75,277		75,277	-
Fund Balances Ending	\$ 75,277	\$ 75,277		\$ 77,846	\$ 2,569

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, 2025

Beach & Village Lot II Debt Financing Fund

	Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Use of money and property	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Culture and recreation	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	68,823	68,823	68,823	-
Interest	18,745	18,745	18,745	-
Total Expenditures	87,568	87,568	87,568	-
Excess (Deficiency) of Revenues over Expenditures	(87,568)	(87,568)	(87,568)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	87,568	87,568	87,568	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	87,568	87,568	87,568	-
Net Change in Fund Balances	-	-	-	-
Fund Balances Beginning	12	12	12	-
Fund Balances Ending	\$ 12	\$ 12	\$ 12	-

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STATISTICAL SECTION

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STATISTICAL SECTION

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Primary Government Activities:										
Net Investment in										
Capital Assets	\$ 13,154	\$ 14,457	\$ 15,773	\$ 18,563	\$ 27,367	\$ 32,053	\$ 33,336	\$ 35,468	\$ 50,116	\$ 52,141
Restricted for										
Public Safety	98	8	10	17	72	99	154	152	175	201
Transportation	113	119	420	630	26	917	1,400	732	1,328	2,130
Community Development	6,599	8,811	11,191	14,105	14,221	10,821	9,995	10,159	10,288	10,842
Culture and Recreation	143	159	121	146	175	218	219	211	341	273
Total Restricted	6,953	9,097	11,742	14,898	14,494	12,055	11,768	11,254	12,132	13,447
Unrestricted	(8,884)	(9,883)	(11,536)	(10,563)	(12,887)	(10,987)	(11,571)	(6,156)	(17,949)	(21,687)
Total Primary Government										
Net Position	\$ 11,223	\$ 13,671	\$ 15,979	\$ 22,898	\$ 28,974	\$ 33,121	\$ 33,533	\$ 40,566	\$ 44,299	\$ 43,901

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

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				
	2016	2017	2018	2019	2020
EXPENSES:					
Primary government activities					
General government	\$ 3,557	\$ 3,975	\$ 3,594	\$ 3,595	\$ 3,876
Public safety	6,211	7,462	6,822	7,037	7,810
Community development	1,076	1,090	1,057	956	1,097
Culture and recreation	1,150	1,302	1,228	1,192	1,793
Transportation	3,218	3,212	3,382	3,384	3,263
Interest and other charges	158	119	77	76	68
Total primary government expenses	<u>15,370</u>	<u>17,160</u>	<u>16,160</u>	<u>16,240</u>	<u>17,907</u>
PROGRAM REVENUES:					
Primary government activities					
Charges for services:					
General government	970	911	1,057	1,132	1,022
Public safety	701	597	601	579	554
Community development	727	637	695	528	619
Culture and recreation	751	640	636	614	633
Transportation	112	116	34	44	47
Operating grants and contributions	400	3,329	1,832	650	501
Capital grants and contributions	511	146	413	5,678	7,357
Total primary govt program revenues	<u>4,172</u>	<u>6,376</u>	<u>5,268</u>	<u>9,225</u>	<u>10,733</u>
NET PRIMARY GOVT REV/(EXP)	<u>(11,198)</u>	<u>(10,784)</u>	<u>(10,892)</u>	<u>(7,015)</u>	<u>(7,174)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Primary government activities					
Taxes:					
Property taxes	2,194	2,288	2,498	2,630	2,712
Franchise taxes	524	535	555	545	557
Sales and use tax	7,860	7,959	7,688	8,077	7,441
Transient occupancy taxes	1,452	1,458	1,457	1,582	1,263
Business license tax	298	302	308	308	330
Cannabis taxes	-	-	-	-	-
Intergovernmental, unrestricted	226	201	223	224	233
Investment income, unrestricted	227	264	237	450	699
Other general revenues	424	225	406	119	16
Total primary government activities	<u>13,205</u>	<u>13,232</u>	<u>13,372</u>	<u>13,935</u>	<u>13,251</u>
CHANGES IN NET POSITION:					
Total primary government activities	<u>\$ 2,007</u>	<u>\$ 2,448</u>	<u>\$ 2,480</u>	<u>\$ 6,920</u>	<u>\$ 6,077</u>

Continued

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				
	2021	2022	2023	2024	2025
EXPENSES:					
Primary government activities					
General government	\$ 3,736	\$ 6,117	\$ 3,443	\$ 5,581	\$ 6,147
Public safety	7,237	7,554	5,703	8,450	9,243
Community development	979	1,998	635	1,371	1,677
Culture and recreation	1,107	1,421	2,181	2,984	3,561
Transportation	3,092	4,222	2,409	4,329	5,179
Interest and other charges	67	56	20	13	18
Total primary government expenses	<u>16,218</u>	<u>21,368</u>	<u>14,391</u>	<u>22,729</u>	<u>25,824</u>
PROGRAM REVENUES:					
Primary government activities					
Charges for services:					
General government	1,057	1,678	744	983	1,116
Public safety	509	509	624	497	596
Community development	539	539	901	972	825
Culture and recreation	274	274	710	862	886
Transportation	39	39	48	41	48
Operating grants and contributions	3,125	2,970	866	859	1,286
Capital grants and contributions	<u>1,167</u>	<u>865</u>	<u>1,646</u>	<u>5,952</u>	<u>3,016</u>
Total primary govt program revenues	<u>6,710</u>	<u>6,874</u>	<u>5,539</u>	<u>10,167</u>	<u>7,773</u>
NET PRIMARY GOVT REV/(EXP)	<u>(9,508)</u>	<u>(14,494)</u>	<u>(8,852)</u>	<u>(12,562)</u>	<u>(18,050)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Primary government activities					
Taxes:					
Property taxes	2,794	2,883	3,058	3,201	3,340
Franchise taxes	562	635	708	729	742
Sales and use tax	7,705	8,485	8,542	8,222	8,634
Transient occupancy taxes	1,529	2,171	2,131	2,220	2,256
Business license tax	292	316	314	324	334
Cannabis taxes	-	-	-	262	255
Intergovernmental, unrestricted	232	341	307	12	16
Investment income, unrestricted	335	(129)	549	770	634
Other general revenues	204	204	162	361	1,219
Total primary government activities	<u>13,653</u>	<u>14,906</u>	<u>15,773</u>	<u>16,101</u>	<u>17,430</u>
CHANGES IN NET POSITION:					
Total primary government activities	<u>\$ 4,145</u>	<u>\$ 412</u>	<u>\$ 6,921</u>	<u>\$ 3,539</u>	<u>\$ (620)</u>

Concluded

Source: City of Capitola Finance Department

Table 3

City of Capitola**Fund Balances of Governmental Funds****Last ten years**

(amounts expressed in thousands)

GENERAL FUND	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund Balance:										
Nonspendable	\$ 524	\$ 426	\$ 58	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	300	300	816	867	917	1,016	904	1,196	1,531	1,663
Assigned	1,262	1,277	1,277	1,344	1,344	1,374	1,374	1,314	2,444	2,507
Unassigned	4,599	5,345	4,603	5,627	5,044	8,923	9,588	8,097	3,042	1,761
Total General Fund	<u>6,685</u>	<u>7,348</u>	<u>6,754</u>	<u>7,859</u>	<u>7,305</u>	<u>11,313</u>	<u>11,866</u>	<u>10,607</u>	<u>7,017</u>	<u>5,931</u>
ALL OTHER GOVERNMENT FUNDS										
Fund Balance:										
Restricted	736	834	11,742	14,896	14,493	12,110	11,768	11,223	12,132	13,447
Assigned	2,745	1,927	1,633	2,110	2,603	1,842	4,200	5,898	75	78
Unassigned	(215)	(39)	(39)	(39)	(365)	(39)	(39)	(71)	(923)	(1,375)
Total All Other Govt Funds	<u>3,266</u>	<u>2,722</u>	<u>13,336</u>	<u>16,967</u>	<u>16,731</u>	<u>13,913</u>	<u>15,929</u>	<u>17,050</u>	<u>11,284</u>	<u>12,150</u>
TOTAL	\$ 9,951	\$ 10,070	\$ 20,090	\$ 24,826	\$ 24,036	\$ 25,226	\$ 27,795	\$ 27,657	\$ 18,301	\$ 18,080

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)

	2016	2017	2018	2019	2020
REVENUES:					
Taxes	\$ 12,250	\$ 12,436	\$ 12,416	\$ 13,097	\$ 12,307
Licenses & permits	671	626	766	663	726
Fines and forfeitures	787	1,475	2,250	6,030	7,521
Intergovernmental	656	560	558	522	520
Charges for services	2,165	1,970	2,007	2,020	1,959
Use of money and property	324	376	237	450	699
Other	328	114	406	378	252
Total revenues	<u>17,181</u>	<u>17,557</u>	<u>18,640</u>	<u>23,160</u>	<u>23,984</u>
EXPENSES:					
Current:					
General government	2,712	3,153	2,824	2,819	2,965
Public safety	6,134	6,495	6,333	6,552	6,467
Community development	1,005	976	967	913	963
Culture and recreation	1,039	1,137	1,154	1,130	1,710
Transportation	2,744	2,637	2,852	2,981	2,714
Capital outlay	<u>2,074</u>	<u>2,113</u>	<u>1,924</u>	<u>3,770</u>	<u>9,698</u>
Subtotal	<u>15,708</u>	<u>16,511</u>	<u>16,054</u>	<u>18,165</u>	<u>24,517</u>
Debt service:					
Principal retirement	764	788	829	182	186
Interest and agent fees	<u>163</u>	<u>139</u>	<u>95</u>	<u>78</u>	<u>71</u>
Subtotal	<u>927</u>	<u>927</u>	<u>924</u>	<u>260</u>	<u>257</u>
Total expenditures	<u>16,635</u>	<u>17,438</u>	<u>16,978</u>	<u>18,425</u>	<u>24,774</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>546</u>	<u>119</u>	<u>1,662</u>	<u>4,735</u>	<u>(790)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers in	2,784	1,815	2,865	1,676	1,734
Transfers out	<u>(2,784)</u>	<u>(1,815)</u>	<u>(2,865)</u>	<u>(1,676)</u>	<u>(1,734)</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>546</u>	<u>119</u>	<u>1,662</u>	<u>4,735</u>	<u>(790)</u>
Prior Period Adjustments	-	-	-	-	-
Beginning fund balance	<u>546</u>	<u>546</u>	<u>665</u>	<u>20,091</u>	<u>24,826</u>
Ending fund balance	<u>\$ 546</u>	<u>\$ 665</u>	<u>\$ 2,327</u>	<u>\$ 24,826</u>	<u>\$ 24,036</u>
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 16,635	\$ 17,438	\$ 16,978	\$ 18,425	\$ 24,774
Capitalized Portion of Capital Outlay	<u>2,079</u>	<u>2,231</u>	<u>2,063</u>	<u>3,681</u>	<u>9,535</u>
Total Non-Capitalized Expenditures	<u>14,556</u>	<u>15,207</u>	<u>14,915</u>	<u>14,744</u>	<u>15,239</u>
Debt service: Principal and Interest	<u>927</u>	<u>927</u>	<u>924</u>	<u>260</u>	<u>257</u>
Debt service as a percentage of noncapital expenditures	<u>6.37%</u>	<u>6.10%</u>	<u>6.20%</u>	<u>1.76%</u>	<u>1.69%</u>

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)

	2021	2022	2023	2024	2025
REVENUES:					
Taxes	\$ 13,064	\$ 14,757	\$ 14,853	\$ 14,634	\$ 15,228
Licenses & permits	679	746	662	768	749
Fines and forfeitures	3,832	3,093	2,417	425	503
Intergovernmental	496	589	567	6,581	4,143
Charges for services	1,536	2,020	2,010	2,450	2,516
Use of money and property	335	(129)	548	807	671
Other	422	704	1,700	603	1,393
Total revenues	<u>20,364</u>	<u>21,780</u>	<u>22,757</u>	<u>26,268</u>	<u>25,203</u>
EXPENSES:					
Current:					
General government	3,021	4,198	4,444	4,447	4,581
Public safety	6,075	6,995	8,137	7,740	7,933
Community development	859	1,464	1,101	1,272	1,458
Culture and recreation	1,026	1,202	2,525	2,725	3,051
Transportation	2,529	2,921	3,470	3,682	4,154
Capital outlay	<u>5,410</u>	<u>2,178</u>	<u>2,965</u>	<u>15,327</u>	<u>4,383</u>
Subtotal	<u>18,920</u>	<u>18,958</u>	<u>22,642</u>	<u>35,192</u>	<u>25,559</u>
Debt service:					
Principal retirement	187	191	231	710	69
Interest and agent fees	67	62	22	28	19
Subtotal	<u>254</u>	<u>253</u>	<u>253</u>	<u>738</u>	<u>88</u>
Total expenditures	<u>19,174</u>	<u>19,211</u>	<u>22,895</u>	<u>35,930</u>	<u>25,647</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>1,190</u>	<u>2,569</u>	<u>(138)</u>	<u>(9,662)</u>	<u>(443)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers in	324	4,023	2,622	3,558	380
Transfers out	(324)	(4,023)	(2,622)	(3,558)	(380)
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,190</u>	<u>2,569</u>	<u>(138)</u>	<u>(9,662)</u>	<u>(443)</u>
Prior Period Adjustments	-	-	-	307	222
Beginning fund balance	<u>24,036</u>	<u>25,226</u>	<u>27,795</u>	<u>27,657</u>	<u>18,301</u>
Ending fund balance	<u>\$ 25,226</u>	<u>\$ 27,795</u>	<u>\$ 27,657</u>	<u>\$ 18,301</u>	<u>\$ 18,080</u>
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	\$ 19,174	\$ 19,211	\$ 22,895	\$ 35,930	\$ 25,647
Capitalized Portion of Capital Outlay	<u>5,410</u>	<u>2,178</u>	<u>2,965</u>	<u>15,314</u>	<u>4,310</u>
Total Non-Capitalized Expenditures	<u>13,764</u>	<u>17,033</u>	<u>19,930</u>	<u>20,616</u>	<u>21,337</u>
Debt service: Principal and Interest	<u>254</u>	<u>253</u>	<u>253</u>	<u>738</u>	<u>88</u>
Debt service as a percentage of noncapital expenditures	<u>1.85%</u>	<u>1.49%</u>	<u>1.27%</u>	<u>3.58%</u>	<u>0.41%</u>
					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

Table 5

City of Capitola
General Revenues By Source
Last Ten Fiscal Years

General Revenue By Source								
Fiscal Year	Sales Tax Revenue ⁽¹⁾	Property Taxes ⁽²⁾	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Other Revenue	Total General Revenues
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
2025	8,633,916	3,340,070	2,256,352	742,443	334,274	633,607	1,218,880	17,159,542

NOTES:

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

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

Source: City of Capitola Finance Department.

City of Capitola**Net Taxable Assessed Value History****Last Ten Fiscal Years**

(amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
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%
2025	3,215,809	79,727	157	3,295,693	4.37%

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: County Assessor data, Neumo / MuniServices, LLC

City of Capitola
Assessed Value of Taxable Property
Last Ten Fiscal Years
 (amounts expressed in thousands)

Category	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Residential	\$ 1,555,335	\$ 1,632,996	\$ 1,722,244	\$ 1,824,839	\$ 1,920,483	\$ 2,020,785	\$ 2,143,810	\$ 2,265,545	\$ 2,393,238	\$ 2,612,760
Commercial	392,427	439,224	476,377	487,098	501,612	523,379	524,820	535,445	555,355	485,537
Industrial	14,437	14,612	19,124	19,557	21,914	22,319	22,545	23,320	22,345	10,408
SBE Nonunitary	83	84	84	110	110	111	111	157	157	157
Other properties	63,836	69,632	76,429	81,138	86,943	91,174	94,726	99,581	107,065	107,104
Unsecured	76,862	77,622	84,389	87,922	81,815	77,632	79,332	72,799	79,583	79,727
TOTALS	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648	\$ 2,500,664	\$ 2,612,877	\$ 2,735,400	\$ 2,865,344	\$ 2,996,847	\$ 3,157,743	\$ 3,295,693

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
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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: County Assessor data, Neumo / MuniServices, LLC

Table 8

City of Capitola**Direct and Overlapping Property Tax Rates****Last Ten Fiscal Years**

(Rate per \$100 of taxable value)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
City Direct Property Tax Rates										
Basic Levy ⁽¹⁾	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Total Direct Property Tax Rate ⁽²⁾	0.05456	0.05452	0.05452	0.05438	0.05441	0.05372	0.05372	0.05372	0.05372	0.05372
Overlapping Property Tax Rates⁽³⁾										
Santa Cruz High School	0.01961	0.01848	0.04461	0.04272	0.03889	0.03800	0.03706	0.03767	0.03155	0.03534
Soquel Elementary School	0.01846	0.01811	0.04539	0.04251	0.03948	0.04140	0.04123	0.04113	0.03307	0.03570
Live Oak Sd 2022 Ref	0.04600	0.03574	0.01988	0.02117	0.02072	0.02106	0.02116	0.02003	0.02610	0.05886
Cabrillo College	0.03669	0.03260	0.02425	0.02102	0.02117	0.02475	0.02370	0.02405	0.02434	0.01533
Total Overlapping Property Tax Rate ⁽²⁾	0.12076	0.10493	0.13413	0.12742	0.12026	0.12521	0.12315	0.12288	0.11506	0.14523
(4)	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372	0.05372
Total Direct & Overlapping Rate	1.12076	1.10493	1.13413	1.12742	1.12026	1.12521	1.12315	1.12288	1.11506	1.14523

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: County Auditor/Controller, Neumo / MuniServices, LLC

Table 9

City of Capitola**Top Ten Property Taxpayers****Current Year and Nine Years Ago**

(amounts expressed in dollars unless otherwise noted)

Taxpayer	2024-25			2015-16		
	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	\$ 122,310,468	1	3.71%	-	-	0.00%
Drew Auto Property LLC	35,400,190	2	1.07%	-	-	0.00%
Aspromonte Hotels LLC	22,821,789	3	0.69%	16,316,000	3	0.78%
Target Corporation	19,972,849	4	0.61%	18,192,569	2	0.87%
Loma Vista Estates Owners Association Inc.	18,536,227	5	0.56%	-	-	0.00%
George Ow Jr. Trustees	14,765,271	6	0.45%	12,531,156	4	0.60%
Brown Ranch Properties	13,408,577	7	0.41%	11,379,740	5	0.54%
Blai LP	12,632,748	8	0.38%	10,655,951	6	0.51%
Grandview Capitola LLC	11,444,400	9	0.35%	-	-	0.00%
Melanie Kett Trust	9,992,158	10	0.30%	8,474,738	8	0.40%
Macerich Partnership LP	-			67,738,106	1	3.22%
Santa Cruz Seaside Company	-			9,385,205	7	0.45%
850 Rosedale LLC	-			8,261,539	9	0.39%
Crossroads Associates	-			7,116,696	10	0.34%
Memo: Gross Assessed Value	\$ 281,284,677		8.53%	\$ 170,051,700		8.09%
	\$ 3,295,693,197		100.00%	\$ 2,102,980,000		100.00%

Source: County Assessor data, Neumo / MuniServices, LLC

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,	Collected within the Fiscal Year of Levy			Total Collections to Date		
	Property Taxes Levied for the Fiscal Year	Amount	Percent of Levy	Collections in Subsequent Years	Amount	Percent of Levy
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%
2025	1,782,634	1,782,634	100%	-	1,782,634	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, 2025

Table 11

Listed alphabetically

Business Name	Business Category
Beverages & More	Liquor Stores
Chevron Service Stations	Service Stations
Coast Service Stations	Service Stations
Consolidated Electrical Distributors	Bldg.Matls-Whsle
CVS/Pharmacy	Drug Stores
Gayles Bakery & Rosticceria	Restaurants
Hasco Stations LLC	Business Services
Kohl's Department Stores	Department Stores
Macy's Department Store	Department Stores
Margaritaville	Restaurants
Nob Hill General Stores	Food Markets
Outdoor Supply Hardware	Bldg.Matls-Retail
Pizza My Heart	Restaurants
Ross Stores	Apparel Stores
Santa Cruz Subaru	Auto Sales - New
Santa Cruz Toyota	Auto Sales - New
Shadowbrook	Restaurants
Sierra Utility Sales	Electronic Equipment
Target Stores	Department Stores
Toyota Lease Trust	Leasing
Trader Joe's	Food Markets
Ulta	Miscellaneous Retail
Verizon Wireless	Miscellaneous Retail
Whole Foods Market	Food Markets
Zelda's	Restaurants

NOTES:

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

Source: Neumo / MuniServices, LLC

Table 11

City of Capitola**Ratios of Outstanding Debt by Type****Last Ten Fiscal Years**

(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									
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				
2025	-	-	68,823	68,823		0.00%	0.01%	7				

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

Fiscal Year Ended June 30,	Government/Total Primary Government Activities				Debt per Capita
	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income		
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%		-
2025	-	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

2024-25 Assessed Valuation		\$ 3,305,186,041	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		City's Share of Debt	
	% Applicable ⁽¹⁾	Total Debt	
Cabrillo Joint Community College District	5.364%	\$ 84,706,903	\$ 4,543,678
Santa Cruz City High School District	11.490%	224,105,769	25,749,753
Live Oak School District	5.363%	21,401,000	1,147,736
Soquel Union School District	39.247%	61,629,000	24,187,534
Santa Cruz Libraries Facilities Community Facilities District	5.975%	53,425,000	3,192,144
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 445,267,672	\$ 58,820,844
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Overlapping General Fund Debt:			
Santa Cruz County General Fund Obligations	5.409%	\$ 161,987,069	\$ 8,761,881
Santa Cruz County Pension Obligation Bonds	5.409%	103,085,000	5,575,868
Santa Cruz County Office of Education Certificates of Participation	5.409%	6,193,926	335,029
Santa Cruz City High School District Certificates of Participation	11.490%	283,914	32,622
Live Oak School District Certificates of Participation	5.363%	10,863,973	582,635
Soquel Union School District Certificates of Participation	39.247%	4,015,237	1,575,860
Santa Cruz City Schools Certificates of Participation	11.490%	295,000	33,896
City of Capitola Lease Financing	100.000%	693,791	693,791
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 287,417,910	\$ 17,591,581
TOTAL CITY'S DIRECT DEBT			\$ 693,791
TOTAL OVERLAPPING DEBT			\$ 75,718,634
COMBINED TOTAL DEBT			\$ 76,412,425 ⁽²⁾

(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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assessed Valuation	\$ 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	\$ 3,295,693
RDA Base Valuation	264,195	272,121	280,284	288,693	297,354	306,274	315,462	324,926	334,674	344,714
Adj. assessed valuation	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	2,950,979
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	275,818	294,307	314,755	331,796	347,329	364,369	375,927	400,788	423,460	442,647
Total net applicable debt										
Gen. obligation bonds	1,255	645	-	-	-	-	-	-	-	-
Legal debt margin	\$ 274,563	\$ 293,662	\$ 314,755	\$ 331,796	\$ 347,329	\$ 364,369	\$ 375,927	\$ 400,788	\$ 423,460	\$ 442,647

Ratio of Total Net Applicable

Debt to Debt Limit	0.46%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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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

Calendar Year	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
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%
2025	9,670	634,806	65,647	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	2025			2016		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Santa Cruz Subaru - Toyota	1	200	3.85%	2	190	3.33%
Pacific Coast Manor*	2	176	3.38%	1	130	2.28%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	3	175	3.37%	7	130	2.28%
Target Store*	4	171	3.29%	5	149	2.61%
Gayle's Bakery & Rosticceria	5	171	3.29%	4	172	3.02%
Soquel Union Elementary School District	6	168	3.23%	10	94	1.65%
Trader Joe's*	7	162	3.12%		104	1.82%
Whole Foods Market	8	140	2.69%		140	2.46%
New Leaf Community Markets*	9	140	2.69%	8		
City of Capitola*	10	136	2.62%			
Macy's				3	200	3.51%
Kohl's				9	90	1.58%
Total Top Ten Employers		1,639	31.52%		1,399	24.54%
Total Labor Force		5,200	100.00%		5,700	100.00%

*Includes full-time and part-time employees.

Source: Neumo / MuniServices, LLC

Source: City of Capitola Publication, FY2016 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>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
City Manager	7.65	6.50	6.50	6.00	7.50	5.50	5.50	7.00	7.00	7.00
Finance	4.50	4.50	3.75	3.75	3.75	2.75	3.00	3.00	4.00	4.00
City Attorney	1.00	1.00	1.00	1.00	-	-	-	-	-	-
	13.15	12.00	11.25	10.75	11.25	8.25	8.50	10.00	11.00	11.00
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Officers	16.00	16.00	16.00	15.00	15.00	14.00	15.00	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	2.00	2.00	2.00	2.00	3.00	3.00	3.00
Administrative	4.65	4.50	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00
	31.65	31.50	31.50	30.50	30.50	29.50	30.00	31.00	31.00	31.00
Public Works										
Streets	9.00	11.00	12.00	11.50	10.00	10.00	10.00	11.00	12.00	12.00
Parks	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fleet Maintenance	1.25	1.00	1.00	1.50	2.00	1.00	1.00	1.00	1.00	1.00
	14.25	16.00	16.00	16.00	15.00	14.00	14.00	15.00	16.00	16.00
Recreation										
Supervisor	2.00	2.50	2.50	2.50	1.00	1.00	1.00	1.00	1.00	1.00
Other - full year	2.75	1.25	1.25	1.25	4.00	4.00	3.50	3.50	4.50	4.50
	4.75	3.75	3.75	3.75	5.00	5.00	4.50	4.50	5.50	5.50
Community Development	3.50	3.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Building	2.00	2.00	2.00	3.00	3.00	3.00	2.75	3.00	2.00	2.00
Total City Employees	69.30	68.75	68.00	67.00	67.75	62.75	62.75	66.50	68.50	68.50

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Police department</u>										
Adult arrests	904	939	692	587	503	317	345	424	560	635
Calls for service (thousands)	17	20	19	15	19	15	14	6	13	13
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
Commercial units	1	2	1	1	-	-	-	-	-	-
Valuation (millions)	\$ 4	\$ 5	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential units ⁽¹⁾	3	9	6	8	9	9	9	8	8	10
Valuation (millions)	\$ 1	\$ 3	\$ 4	\$ 3	\$ 4	\$ 4	\$ 4	\$ 3	\$ 3	\$ 2
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 275	\$ 260	\$ 240	\$ 231	\$ 214	\$ 79	\$ 199	\$ 225	\$ 265	\$ 216
Sports fees	19	21	24	23	19	8	26	22	16	18
Junior Guard	328	258	238	244	160	85	268	264	295	337
Camp Capitola	129	100	96	111	100	105	175	150	193	199
Afterschool	-	-	-	-	24	48	52	68	105	78
Events	-	-	-	-	-	-	1	3	1	9
Net Class Revenue	\$ 751	\$ 639	\$ 598	\$ 609	\$ 517	\$ 325	\$ 721	\$ 732	\$ 875	\$ 857
Jade St. Rental	7	6	8	5	5	-	7	7	11	14
Net Recreation Rev	<u>\$ 758</u>	<u>\$ 645</u>	<u>\$ 606</u>	<u>\$ 614</u>	<u>\$ 522</u>	<u>\$ 325</u>	<u>\$ 728</u>	<u>\$ 739</u>	<u>\$ 886</u>	<u>\$ 871</u>

(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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	26	26	26	26	26	26	26	26	26	26
Streetlights	71	71	71	71	71	71	71	71	71	75
Traffic signals	8	8	8	8	8	8	8	8	8	8
Parks and recreation										
Parks	8	8	8	8	8	8	8	8	8	10
Community centers	1	1	1	1	1	1	1	1	1	1
General										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department.

Capitola City Council

Agenda Report

Meeting: January 8, 2026
From: City Manager Department
Subject: City Council Meeting Minutes



Recommended Action: Approve minutes from the regular meeting on December 11, 2025.

Background: Attached for City Council review and approval are the draft minutes from the regular meeting on December 11, 2025.

Attachments:

1. Regular Meeting 12/11/25

Report Prepared By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

City of Capitola

City Council Meeting Minutes

Thursday, December 11, 2025 – 6:00 PM



City Council Chambers
420 Capitola Avenue, Capitola, CA 95010

Mayor: Joe Clarke

Vice Mayor: Margaux Morgan

Council Members: Gerry Jensen, Melinda Orbach, Susan Westman

Closed Session – 4:45 PM

- i. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Significant exposure to litigation pursuant to Gov't. Code §54956.9(d)(2), (e)(1).
One Case
- ii. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Govt. Code § 54957(b))
City Council's Performance Evaluation of the City Manager

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, Orbach, Westman, Vice Mayor Morgan, and Mayor Clarke.*

2. Additions and Deletions to the Agenda – *None*

3. Presentations – *The Mayor presented a proclamation honoring Rose Filicetti.*

4. Report on Closed Session – *The City Council met and discussed two items on the Closed Session agenda. No reportable action was taken.*

5. Additional Materials

- A. *Item 9B – One letter and one email received after publication of the agenda packet.*
- B. *Item 9D – Two emails received after publication of the agenda packet.*

6. Oral Communications by Members of the Public

- *James Ewing Whitman*
- *Linda Smith*
- *Molly Turner*

7. Staff / City Council Comments

- *Police Chief Ryan provided an update on the maintenance of the City's parking pay stations.*
- *Assistant to the City Manager, Chloe Woodmansee, announced that the City will be accepting applications for "Discover Capitola: a Civic Engagement Academy" beginning on January 5th.*
- *Council Member Jensen commended the Capitola Village and Wharf Business Improvement Area on their recent community events; provided comments about his walk through of the Park at Rispin Mansion; provided comments on his attendance at a recent RTC meeting; and requested an agenda item in January to show support for the RTC's interim trail and the use of the Capitola trestle.*
- *Council Member Orbach provided comments on her attendance at a recent METRO meeting.*

- *Council Member Jensen requested that METRO provide a presentation at a City Council meeting on services offered.*
- *Council Member Westman thanked Council Member Jensen for his performance as Santa at recent community events; provided comments on her experience walking through the Park at the Rispin Mansion; and requested an agenda item in February on the City's Administrative Policies.*
- *Vice Mayor Morgan provided an update on changes to the City's website; thanked staff for their work to maintain the City's parking pay stations; commended the CVWBIA on their recent community events; and requested that staff coordinate with Molly Turner on her request during public comment.*
- *Mayor Clarke wished City Manager Goldstein a happy birthday; and thanked the Council and community for his time serving as Mayor.*

8. Consent Items

A. City Council Meeting Minutes

Recommended Action: Approve minutes from the regular meeting on November 13, 2025, and the special meeting on November 20, 2025.

B. City Check Registers

Recommended Action: Approve check registers dated September 26, 2025, October 10, 2025, October 24, 2025, and November 14, 2025.

C. Mandatory Organic Waste Disposal Reduction Ordinance

Recommended Action: Adopt an ordinance amending Chapter 8.04 "Solid Waste Management" of the Capitola Municipal Code, establishing a Mandatory Organic Waste Disposal Reduction Ordinance consistent with Senate Bill 1383 regulations. (**Ordinance No. 1072**)

D. Acceptance of Carbon Reduction Program Grant Funding

Recommended Action: Adopt a resolution amending the FY 2025-26 Budget to accept \$160,452 in Carbon Reduction Program (CRP) grant funding and appropriate the funds to the Capitola Community Center Renovation Project for the purchase of electric vehicle charging equipment. (**Resolution No. 4464**)

E. Interest Rate for Tenant's Security Deposits

Recommended Action: Adopt a resolution setting the interest rate for tenants' security deposits for 2026 at zero percent (0%). (**Resolution No. 4465**)

F. 2025 Pavement Maintenance Project Completion

Recommended Action: 1) Accept as complete the 2025 Pavement Maintenance Project constructed by Graham Contractors at a final cost of \$684,921; 2) authorize the City Clerk to file and record a Notice of Completion; and 3) authorize the release of the contract retention of \$34,246 as prescribed in the construction agreement.

G. Planner Consulting Services Contract Amendment

Recommended Action: Adopt a resolution authorizing the City Manager to execute Amendment 1 to the Professional Services Agreement with CSG Consultants in an amount not to exceed \$60,000 for Planning contract services. (**Resolution No. 4466**)

H. Jade Street Site Improvements – Quarterly Progress Update

Recommended Action: Receive a quarterly progress report on the full set of Jade Street projects, including the Community Center renovation, patio improvements, Treasure Cove Playground, and the Jade Street Park restroom renovation.

I. 41st Avenue Corridor Plan – Consultant Contract Amendment

Recommended Action: Adopt a resolution amending the FY 2025-26 Budget to allocate \$58,000 from the General Plan Update and Maintenance Special Revenue Fund; and authorize the City Manager to execute Amendment 1 to the Professional Services Agreement with SWA Group to expand the 41st Avenue Corridor Plan to include portions of Clares Street and Capitola Road in an amount not to exceed \$58,000, subject to City Attorney review and approval. (**Resolution No. 4467**)

J. Police Multi-Service Officer Job Description

Recommended Action: Approve changing the Community Service Officer job title to Multi-Service Officer and approve the updated job description.

K. Tobacco Grant FY 2025-26

Recommended Action: Adopt a resolution amending the FY 2025-26 General Fund operating budget to accept a Department of Justice Tobacco Grant in the amount of \$55,378. (**Resolution No. 4468**)

L. Temporary/Hourly Employee Pay Schedule

Recommended Action: Adopt a resolution amending the temporary/hourly employee pay schedule. (**Pulled for discussion by Council Member Jensen**)

M. Watsonville Community Hospital Grant Funding Support

Recommended Action: Authorize the Mayor to send a letter to the state legislature supporting Watsonville Community Hospital's prioritization for Rural Health Transformation Program funding and designation as a regional hub hospital.

N. First Amendment to Municipal Wharf Lease Agreement

Recommended Action: Authorize the City Manager to execute the First Amendment to the Municipal Wharf Lease Agreement with TTD, LLC. in substantially similar form, as approved by the City Attorney, as the attached agreement.

Council Member Jensen requested that quarterly project progress report (Item 8H) be placed on the General Government agenda in the future; thanked the Police Chief for obtaining the grant funding presented in Item 8K; and requested that Item 8L be pulled for discussion.

Motion to approve Items 8A – 8K and 8M-N: Council Member Orbach

Second: Council Member Morgan

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

9. General Government / Public Hearings

A. Regional Interoperable Next Generation Radio System

Recommended Action: Approve the City of Capitola's participation in the Regional Interoperable Next Generation (RING) Radio System by (1) authorizing the City Manager to execute the Master Service and Governance Agreement with the County of Santa Cruz and partner agencies and (2) designating the City Manager to serve as the City's voting member on the RING Executive Committee.

Police Chief Ryan and County RING consultant, Jim Frawley, presented the staff report.

Public Comment:

- ***James Ewing Whitman***
- ***Keith Cahalen***

Motion to authorize the City Manager to execute the Master Service and Governance Agreement and designate the City Manager to serve on the RING Executive Committee: Council Member Orbach

Second: Council Member Jensen

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

B. Phase 1 Conceptual Design – Grand Avenue Pathway

Recommended Action: Authorize the City Manager to execute a professional services agreement with SSA Landscape Architects, Inc. for Phase 1 Conceptual Design of the Grand Avenue Pathway in an amount not to exceed \$13,000, with funding from the Capital Improvement Program (CIP) Fund. (Continued from November 13, 2025, City Council meeting)

Public Works Director Kahn presented the staff report.

Public Comment:

- ***Tom Mater***

Motion to execute an agreement with SSA Landscape Architects, Inc. with funding from the Employee Down Payment Assistance Fund: Council Member Westman

Second: Vice Mayor Morgan

Voting Yea: Council Members Jensen, Westman, Vice Mayor Morgan, Mayor Clarke

Voting Nay: Council Member Orbach

C. Capitola Municipal Code Sections 2.04.140 and 2.04.210

Recommended Action: Introduce for first reading, by title only, waiving further reading, an ordinance amending Capitola Municipal Code Sections 2.04.140 and 2.04.210 to update the process by which City Council Members request agenda items and their rules of debate.

City Clerk Gautho presented the staff report.

Public Comment: None

Motion to introduce Ordinance No. 1073: Vice Mayor Morgan

Second: Council Member Orbach

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

Mayor Clarke requested the discussion of Item 8L before Item 9D, to allow the Council Reorganization to occur last on the agenda.

8. Consent Items Pulled for Discussion

L. Temporary/Hourly Employee Pay Schedule

Recommended Action: Adopt a resolution amending the temporary/hourly employee pay schedule. (***Pulled for discussion by Council Member Jensen***)

Administrative Services Director Malberg presented an oral report.

Public Comment: None

- ***Name***

The City Council discussed concerns about the City's financial position and the juxtaposition of offering hourly pay increases.

Motion to continue the item to January 22, 2026: Council Member Westman

Second: Council Member Westman

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

9. General Government / Public Hearings

D. City Council Reorganization for 2026

Recommended Action: Nominate and appoint a new Mayor and Vice-Mayor.

City Clerk Gautho presented the staff report.

Public Comment:

- Speaker

Motion to appoint Margaux Morgan as Mayor and Gerry Jensen as Vice Mayor for 2026:

Council Member Westman

Second: Council Member Orbach

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

10. Adjournment

The meeting adjourned at 7:41 PM. The next regularly scheduled City Council meeting is on January 8, 2026, at 6:00 PM.

Margaux Morgan, Mayor

ATTEST:

Julia Gautho, City Clerk

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: Community and Economic Development Department

Subject: 2nd Amendment to Agreement with Ben Noble Planning



Recommended Action: Adopt a resolution amending the FY 2025-26 Budget to allocate funding for Housing Element Implementation and authorizing the City Manager to execute Amendment 2 to the Professional Services Agreement in a form acceptable to the City Attorney's Office with Ben Noble Planning to assist in Housing Element implementation.

Background: As part of the City's adopted 6th Cycle Housing Element, Program 1.6 (Development Regulations) and Program 1.7 (Shopping/Commercial Center Redevelopment) identify the Capitola Mall site as a key opportunity for redevelopment to help meet regional housing needs while supporting economic development and community character.

Housing Element Program 1.6 directs the City to review and revise Chapter 17.88 of the Zoning Code, Incentives for Community Benefits, to modify the required findings for future redevelopment of the Capitola Mall Site to require compliance with objective standards, expand the Community Benefits zoning boundary; and increase the incentives for redevelopment on the Capitola Mall Site to allow a maximum Floor Area Ratio (FAR) of 2.0 (excluding parking garages), and a maximum building height of 75 feet.

Housing Element Program 1.7 addresses the changing retail environment and directs the City to study and facilitate mixed-use redevelopment of the Capitola Mall site. Specifically, the program requires the City to amend Chapter 17.88 of the Zoning Code to:

1. Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion.
2. Define "Capitola Mall" as all properties between Clares Street, 41st Avenue, and Capitola Road.
3. Allow for building height up to 75 feet for Mall Redevelopment.
4. Define "Mall Redevelopment" to mean a mix of uses that includes residential and retail/commercial components.
5. Exclude parking garages from the project FAR calculations.
6. Adopt objective development standards to facilitate mall redevelopment.

On May 23, 2024, the City Council authorized a contract with Ben Noble Planning in the amount of \$124,375 to implement Housing Element programs. The funding for this agreement was a mix of REAP 2.0 grant funds (\$64,375) and General Plan Funds (\$60,000). The REAP 2.0 funding is specifically for Housing Element implementation, and the General Plan Funds are for 3 years of annual Zoning Code amendments. The REAP funds have been depleted, and the annual zoning code fund has \$42,427 remaining.

On September 11, 2025, the City Council approved the first amendment to the Ben Noble contract to implement Housing Element Programs 1.6 and 1.7. The additional \$67,936 included two Planning Commission work sessions, stakeholder meetings, one community workshop, one Planning Commission public hearing (recommendation), one City Council public hearing (1st reading of ordinance), subconsultant services, and travel expenses.

On October 8, 2025, a Community Meeting was held at New Brighton Middle School.

On October 11, October 30, and November 19, the Planning Commission held work sessions on the Capitola Mall zoning code updates. On December 4, 2025, the updates were noticed for a public hearing and possible recommendation to the City Council. Due to extensive public input and Planning Commission direction provided, the item was continued to a special meeting on January 29, 2026.

Discussion: To date, there have been two extra Planning Commission meetings and one extra round of revisions than originally budgeted. Staff anticipates one or two additional Planning Commission meetings based on the complexity of the updates. The original contract anticipated one City Council meeting for a first reading of the ordinance. Based on the timing at the Planning Commission meetings and the depth of the information, an additional public hearing before the City Council may be needed.

The proposed additions to the scope of work includes:

1. Additional Planning Commission hearing on December 4, 2025
2. Revised zoning code based on December 4 Planning Commission direction
3. Additional graphics for objective standards
4. Planning Commission hearing on February 5, 2026
5. Additional Planning Commission meeting and updates (if necessary)
6. Additional City Council hearing and updates (if necessary)

Fiscal Impact: The proposed contract amendment is for \$41,829. The contract cost will be funded by the General Plan Update and Maintenance Special Revenue Fund, which will have an approximate available fund balance of \$258,000 with this additional expenditure.

Attachments:

1. Proposed Resolution Amending Budget, Exhibit A (Budget Amendment)
2. Proposed Resolution Authorizing the City Manager to Execute Amendment No. 2 to Agreement
 - a. Agreement
 - b. Amendment No. 1 to Agreement
 - c. Proposed Amendment No. 2 to Agreement, Exhibit A (Additional Scope)

Report Prepared By: Katie Herlihy, Community and Economic Development Director

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

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
AMENDING THE 2025-26 FISCAL YEAR CITY BUDGET AND CAPITAL IMPROVEMENT
PROGRAM BUDGET TO ALLOCATE FUNDING FOR HOUSING ELEMENT
IMPLEMENTATION AND AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT 2
TO THE PROFESSIONAL SERVICES AGREEMENT WITH BEN NOBLE PLANNING**

WHEREAS, it is necessary to adopted the FY 2025-26 Budget for all City funds and Capital Improvement Program on June 26, 2025; and

WHEREAS, since the adoption of the FY 2025-26 Budget, the City continued implementation of the 6th Cycle Housing Element Program; and

WHEREAS, on May 23, 2024, the City Council authorized a contract with Ben Noble Planning in the amount of \$124,375 for Housing Element implementation ("Agreement"); and

WHEREAS, on September 11, 2025, the City Council authorized Amendment 1 to the Agreement to expand the scope of services and increase compensation in the amount of \$67,936; and

WHEREAS, to date, there have been two extra Planning Commission meetings and one extra round of revisions than originally budgeted. Staff anticipate up to two additional public meetings based on the complexity of the updates; and

WHEREAS, it is necessary to further expand the scope of services and increase compensation by up to \$41,829; and

WHEREAS, it is necessary to amend the FY 2025-26 Budget to receive and appropriate the \$41,829 from the General Plan Update and Maintenance Fund balance.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2025-26 Fiscal Year Budget is hereby amended, including Exhibit A (Budget Amendment) to this Resolution; and

BE IT FURTHER RESOLVED that the City Manager is authorized to execute the second amendment to the Professional Services Agreement with Ben Noble Planning to expand the scope of services and provide additional compensation for the expanded scope in an amount of \$41,829 in a form subject to review and approval by the City Attorney.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 8th day of January 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Margaux Morgan, Mayor

ATTEST:

Julia Gautho, City Clerk



Budget Adjustment Request

Date

12/12/2025

Requesting Department*

Community Development

Type of Adjustment

Administrative
 Council

Item #
Council Date
Council Approval
Revenues

Account Number	Account Description	Increase/Decrease

Total Revenues

\$0.00

Expenditures

Account Number	Account Description	Increase/Decrease
1313-00-00-000-4305.900		\$41,829.00

Total Expenditures

\$41,829.00

Net Impact

-\$41,829.00

Purpose

Increase contract with Ben Noble for Housing Element Implementation.

Department Head Approval

Herlihy

Finance Director Approval

Jim Malberg

City Manager Approval

Jamie Goldstein

Action History (all history times shown in Pacific Standard Time)

Submit	by Jim Malberg 12/12/2025 11:56:45 am (Budget Amendment Request Submitted)
Approve	by kherlihy@ci.capitola.ca.us 12/30/2025 3:34:29 pm (Routed to CDD) <ul style="list-style-type: none">• The task was assigned to kherlihy@ci.capitola.ca.us 12/12/2025 11:56:45 am
Approve (send to CM for approval)	by Jim Malberg 12/31/2025 8:33:13 am (Routed to Finance Director) <ul style="list-style-type: none">• The task was assigned to Jim Malberg 12/30/2025 3:34:29 pm
Approve (return to Finance for processing)	by Jamie Goldstein 12/31/2025 11:06:20 am (Routed to CM for final approval) <ul style="list-style-type: none">• The task was assigned to Jamie Goldstein 12/31/2025 8:33:13 am

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: City Manager Department

Subject: Capitola Municipal Code Sections 2.04.140 and 2.04.210



Recommended Action: Adopt an ordinance amending Capitola Municipal Code Sections 2.04.140 and 2.04.210 to update the process by which City Council members request agenda items and their rules of debate.

Background: Capitola's process for Council Members to request agenda items is outlined in the City's Municipal Code (CMC) Section 2.04.140, which states any Council Member may request an agenda item during an open City Council meeting. The current practice is that Council Members generally make such requests during the Council Member Comments portion of the agenda, and pursuant to the Municipal code, such a request does not require a second or consensus.

On July 24, 2025, Council Member Orbach requested staff conduct research on how other cities proceed with placing City Council requests on agendas. Staff sent a survey request through the California League of Cities and received responses from twenty-four cities regarding their processes. Staff produced a memo for the City Council on August 28th. On September 11th, Council Member Orbach requested an agenda item to discuss the process by which Council Members can request agenda items.

On October 9, 2025, the City Council directed staff to return with an ordinance amending CMC Section 2.04.140 to require a request and a second by Council Members to place an item on the agenda.

During review of CMC Chapter 2.04, the City Attorney's office identified an additional section which may benefit from an amendment: CMC Section 2.04.210 regarding Rules of Debate.

On December 11, 2025, the City Council unanimously approved the introduction of the ordinance.

Discussion: The proposed ordinance includes the requested change, and an additional modification to CMC Section 2.04.210 to align the rules of debate with the City's adopted Code of Conduct. The proposed ordinance also includes a change to clarify CMC Section 2.04.210 to clarify and streamline the rules of debate.

Fiscal Impact: There is no fiscal impact associated with the recommended action.

Attachments:

1. Ordinance

Report Prepared By: Julia Gautho, City Clerk

Reviewed By: Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

CITY OF CAPITOLA
ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY OF CAPITOLA AMENDING SECTIONS 2.04.140
AND 2.04.210 OF CHAPTER 2.04 OF THE CITY OF CAPITOLA MUNICIPAL CODE
REGARDING ADMINISTRATION AND PERSONNEL**

WHEREAS, regular review of municipal codes is recommended as a best practice and can identify outdated or ineffective provisions; and

WHEREAS, on July 24, 2025, the City Council of the City of Capitola (“City”) requested staff research the process by which Council Members can request agenda items for discussion during a City Council meeting; and

WHEREAS, on October 9, 2025, the City Council received a report comparing Capitola’s process outlined in Capitola Municipal Code (“CMC”) section 2.04.140 to those in other agencies; and

WHEREAS, also on October 9, 2025, the City Council directed staff to amend CMC section 2.04.140 to require that Council Member requests for a new discussion item be supported by a second; and

WHEREAS, CMC section 2.04.210 could be clarified to streamline the City’s rules of debate; and

WHEREAS, the City of Capitola has an interest in ensuring that the municipal code remains up-to-date and understandable for members of the public, staff, and the City Council; and

WHEREAS, the City Council desires to implement changes to the language in Chapter 2.04.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF CAPITOLA DOES
ORDAIN AS FOLLOWS:**

Section 1. Incorporation of Recitals. The above-listed recitals are true and correct and incorporated herein by this reference.

Section 2. Amendment. CMC sections 2.04.140 and 2.04.210 of Chapter 2.04 are hereby amended as shown in Exhibit A (additions in underline, deletions in ~~strikethrough~~).

Section 3. Effective Date. This Ordinance shall be in full force and effect thirty (30) days from its passage and adoption.

Section 4. Severability. The City Council hereby declares every section, paragraph, sentence, cause, and phrase of this ordinance is severable. If any section, paragraph, sentence, clause, or phrase of this ordinance is for any reason found to be invalid or unconstitutional, such invalidity

or unconstitutionality shall not affect the validity or constitutionality of the remaining sections, paragraphs, sentences, clauses, or phrases.

Section 5. Certification. The City Clerk shall cause this ordinance to be posted and/or published in the manner required by law.

This Ordinance was introduced at the meeting of the City Council on the 11th day of December, 2025, and was adopted at a regular meeting of the City Council on the 8th day of January, 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Margaux Morgan, Mayor

Attest: _____
Julia Gautho, City Clerk

Approved as to form:

Marc Tran, City Attorney

Exhibit A

Title 2

“ADMINISTRATION AND PERSONNEL”

2.04.140 Agenda.

The following have authority to place a matter on the council agenda:

- A. The mayor or any member of the city council with the condition that the proposed agenda item be requested and seconded at an open city council meeting;
- B. The city manager;
- C. The city council may, after the seventy-two-hour agenda-posting deadline has expired, add items to the agenda in the manner provided in Government Code Section 54954.2(b);
- D. The city treasurer, city clerk, or city attorney, provided the subject is reasonably related to their powers and duties and concerns a subject upon which the council has authority to act. Other persons must direct their agenda requests to the city council (at council meetings), the mayor, or the city manager. Agendas shall otherwise be prepared under the direction of the city manager and shall be posted, noticed and distributed in accordance with the Brown Act. For purposes of Government Code Section 54954.2(a), agendas shall be posted in the entrance area to the city council chambers.

2.04.210 Rules of debate.

A. **Presiding Officer May Debate.** The mayor or vice mayor may debate from the chair, subject only to such limitations of debate as are imposed upon all members by the rules set forth in this section.

B. **Getting the Floor.** Every member desiring to speak shall address the chair, and upon recognition by the presiding officer, shall confine himself or herself to the question under debate, avoiding all personalities and indecorous language.

~~C. Interruptions. A member, once recognized, shall not be interrupted when speaking unless it is to call him or her to order. If a member, while speaking, is called to order, he or she shall cease speaking until the question of order is determined and, if in order, he or she shall be permitted to proceed.~~

~~D. Privilege of Closing Debate. The councilmember moving the adoption of an ordinance or resolution shall have the privilege of closing the debate.~~

~~E. Remarks of Councilmember. A councilmember may request, through the presiding officer, the privilege of having an abstract of his or her statement on any subject under consideration by the council entered in the minutes. If the council consents thereto, such statement shall be entered; provided, however, any council member without council consent shall have the right to have the~~

~~reasons for his or her dissent from, or protest against, any action of the council entering in the minutes.~~

~~F. Synopsis of Debate. The city clerk may be directed by the presiding officer, with consent of the council, to enter in the minutes a synopsis of the discussion on any question coming regularly before the council.~~

C. Rules of Order. Except as otherwise provided in this chapter, the rules of order that govern the conduct of the meetings of the city council and other city advisory bodies shall be those rules of order designated by city council resolution.

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: Administrative Services Department

Subject: City Investment Brokerage Services



Recommended Action: Authorize the Administrative Services Director to execute a non-corporate resolution allowing Cetera Advisor Networks, LLC to continue acting as the City's investment broker.

Background: The City's investment policy authorizes the use of certificates of deposit as an approved investment vehicle. ProEquities, Inc. has historically served as the City's brokerage firm, executing investments in certificates of deposit at the City's direction. In February 2025, ProEquities, Inc. was acquired by Cetera Financial Group, which now requires the City Council to adopt a resolution to allow the brokerage firm to continue providing brokerage services.

Discussion: With the acquisition of ProEquities, Inc. by Cetera Financial Group, brokerage services previously provided to the City are now administered through Cetera Advisor Networks, LLC. In order to maintain continuity of investment operations, formal authorization is required by Cetera Advisor Networks, LLC to act on the City's behalf.

Capitola currently has six Certificates of Deposit (CD) with Cetera Financial Group totaling approximately \$1.5 million, with an average interest rate of approximately 4% and maturity dates extending until September 2027. The City's Investment Policy prioritizes the following (in order): 1) safety, 2) liquidity, and 3) earnings. Based on these priorities, staff is allowing each CD to reach maturity and then reinvesting in idle cash with the City's new local banking partner, West Coast Community Bank.

Adoption of the proposed resolution will allow the City to continue hold and invest in certificates of deposit without interruption.

Fiscal Impact: None.

Attachments:

1. Cetera Advisor Networks, LLC Non-Corporate Resolution

Report Prepared By: Luis Ruiz, Accountant II

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

Approved By: Jamie Goldstein, City Manager



City of Capitola

Legal Name of Organization

Government Agency / Entity

Type of Organization

5EQ876323

Account Number (if assigned)

Be it resolved that each of the following has been duly elected or appointed and is now legally holding the title set opposite his/her name:

Jim Malberg

Name of Authorized Person

Administrative Services Director / City Treasurer

Title

Jamie Goldstein

Name of Authorized Person

City Manager

Title

Name of Authorized Person

Title

Name of Authorized Person

Title

I, Jim Malberg, Administrative Services Director / City Treasurer

Name and Title of Officer or Partner Signing this Non-Corporate Resolution

of City of Capitola

Name of Organization

hereby certify that said organization is duly and legally organized and existing and that the quorum of the

City Council

Name of Governing Body of Organization

of said organization at a meeting duly held on

the 8th day of January, 2026, which is in full force and effect on this date and

does not conflict with the Bylaws of said organization.

Name of Governing Rules

I further certify that I have the authority to execute this Non-Corporate Resolution on behalf of said organization, and that the

City Council

Name of Governing Body of Organization

of the organization that took the action called

for by the resolutions annexed hereto has the power to take such action.

Jim Malberg, Administrative Services Director

Print Name and Title

Signature

Date



Certified Copy of Certain Resolutions Adopted by the Governing Body of Said Organization Whereby the Establishment and Maintenance of Accounts Have Been Authorized

RESOLVED —

FIRST: That the named authorized persons of this organization or Jim Malberg, or

be and they hereby are, and each of them is, authorized and empowered, for and on behalf of this organization (herein called the "Organization"), to establish and maintain one or more accounts with Cetera Wealth Services LLC (herein called the "Brokers") for the purpose of purchasing, investing in, or otherwise acquiring, selling, possessing, transferring, exchanging, pledging, or otherwise disposing of, or turning to account of, or realizing upon, and generally dealing in and with;

- a. **THIS PARAGRAPH PERMITS CASH TRANSACTIONS IN SECURITIES:** any and all forms of securities including, but not by way of limitation, shares, stocks, options, stock options, stock index options, foreign currency options and debt instrument options, bonds, debentures, notes, scrip, participation certificates, rights to subscribe, warrants, certificates of deposit, mortgages, chooses in action, evidence of indebtedness, commercial paper, certificates of indebtedness and certificates of interest of any and every kind and nature whatsoever, secured or unsecured, whether represented by trust, participating and/or other certificates or otherwise;
- b. **THIS PARAGRAPH PERMITS CASH AND MARGIN TRANSACTIONS IN SECURITIES:** any and all forms of securities including, but not by way of limitation, shares, stocks, options, stock options, stock index options, foreign currency options and debt instrument options, bonds, debentures, notes, scrip, participation certificates, rights to subscribe, warrants, certificates of deposit, mortgages, chooses in action, evidences of indebtedness, commercial paper certificates of indebtedness and certificates of interest of any and every kind and nature whatsoever, secured or unsecured, whether represented by trust, participating and/or other certificates or otherwise, and margin transactions, including short sales;
- c. **THIS PARAGRAPH PERMITS THE ESTABLISHMENT AND MAINTENANCE OF AN ASSET MANAGEMENT ACCOUNT:** the creation of a debit card and check writing, from which account funds are directly spent, the responsibility for which is entirely that of the Organization, such that check writing and debit card privileges will be limited to the following persons designated by the Organization:

- d. **THIS PARAGRAPH PERMITS THE LENDING AUTHORIZATION.** Borrow money or make any contract the effect of which is to borrow money, and secure such obligations by mortgages or other liens upon Organization property; borrow, guarantee and/or pledge any Organization assets as collateral, as the case may be, with respect to a loan; guarantee a borrowing of money or to make any contract the effect of which is to guarantee a borrowing, and secure such obligations by mortgages or other liens upon any Organization property.

The fullest authority at all times with respect to any such commitment or with respect to any transaction deemed by any of the said authorized persons and/or agents to be proper in connection therewith is hereby conferred, including authority (without limiting the generality of the foregoing) to give written or oral instructions to the Brokers with respect to said transactions; to bind and obligate the Organization to and for the carrying out of any contract, arrangement, or transaction, which shall be entered into by any such authorized persons and/or drafts drawn upon the funds of the Organization such sums as may be necessary in connection with any of the said accounts to deposit funds with the Brokers; to deliver securities and/or contracts to the Brokers; to order the transfer or delivery thereof to any other person whatsoever, and/or to order the transfer record of any securities, or contracts, or titles, to any name selected by any of the said authorized persons or agents; to affix the Organization's seal to any documents or agreements, or otherwise; to endorse any securities and/or contracts in order to pass title thereto; to direct the sale or exercise of any rights with respect to any securities; to sign for the Organization all releases, powers of attorney and/or other documents in connection with any such account, and to agree to any terms or conditions to control any such account; to direct the Brokers to surrender any securities to the proper agent or party for the purpose of effecting any exchange or conversion, or for the purpose of deposit with any protective or similar committee, or otherwise; to accept delivery of any securities, to borrow money and securities, if applicable, and to secure repayment thereof with the property of the Organization; to appoint any other person or persons to do any and all things, which any of the said authorized persons and/or agents is hereby empowered to do, and generally to do and take all action necessary in connection with the account, or considered desirable by such authorized persons and/or agents with respect thereto.

SECOND: That the Brokers may deal with any and all of the persons directly or indirectly by the foregoing resolution empowered, as though they were dealing with the Organization directly, except as provided in paragraph FIRST sub (c).

THIRD: That the person signing this Non-Corporate Resolution on behalf of the Organization is authorized, empowered and directed to certify to the Brokers:

- a. a true copy of these resolutions;
- b. specimen signatures of each and every person by these resolutions empowered;
- c. a certificate (which, if required by brokers, shall be supported by an opinion of the general counsel of the Organization, or other counsel satisfactory to the Brokers) that the Organization is duly organized and existing, that its governing rules empower it to transact the business by these resolutions defined, and that no limitation has been imposed upon such powers by the governing rules of the Organization or otherwise.

FOURTH: That the Brokers may rely upon the certified copy of the resolutions, specimen signatures, and certificate, as continuing fully effective unless and until the Brokers shall receive due written notice of change or rescission, and the dispatch or receipt of any other form of notice shall not constitute a waiver of this provision, nor shall the fact that any person hereby empowered ceases to be an authorized person of the Organization or becomes an authorized person under some title, in any way affect the powers hereby conferred, but the failure to supply any specimen signature shall not invalidate any transaction where the party authorizing the same has been actually empowered thereto by or in conformity with these resolutions.

FIFTH: That in the event of any change in the office of powers of persons hereby empowered, an authorized person shall certify such changes to the Brokers in writing in the manner herein above provided, which notification, when received, shall be adequate both to terminate the powers of the persons therefore authorized, and to empower the persons thereby substituted.

SIXTH: That the authorized persons of the Organization be, and hereby is, authorized and empowered to countersign items as aforesaid, except as provided in paragraph FIRST sub (c).

SEVENTH: That the foregoing resolutions and the certificates actually furnished to the Brokers by the authorized person of pursuant thereto, be and they hereby are made irrevocable until written notice of the revocation thereof shall have been received by the Brokers.

Capitola City Council

Agenda Report

Meeting: January 8, 2026
From: Police Department
Subject: 2025 Special Event Report



Recommended Action: Receive a report highlighting special events held in the City in 2025; provide feedback for recurring Special Event Permits; determine if any additional review should be required for any 2026 special events; and adopt a resolution to approve Coastal Development Permit #25-0607 for the 2026 Capitola Beach Festival and Junior Guards Competition.

Background: In March 2024, the City Council adopted Ordinance No. 1065, updating the City's special event ordinance. That update established clear criteria for types of special event permits and the process for issuance.

Special events are divided into two categories: major special events and minor special events. Major special events are those with more than 200 attendees, involve the closure of a Major Street (as defined by Ordinance No. 1065), or have notable impacts on City services or a neighborhood. Minor special events are activities with between 75 to 200 people, not requiring closure of a major street, and can be approved by the City Manager or his/her designee. All applications for new major special events must be presented to the City Council for review and consideration.

If there are no significant modifications and there are no major problems with the event, recurring special events may be approved by the City Manager for the upcoming calendar year. The City Council has the discretion to request a review of a recurring special event if there is an identifiable concern related to past events.

The purpose of this report is to review the 2025 special events, identify any issues, and determine if any additional review should be required for recurring events in 2026. If no issues are identified for an event, and the event organizer proposes no significant changes, City Council may approve a Coastal Development Permit for two of the events, and staff will issue permits for the recurring special events in 2026.

Discussion: In 2025, staff issued 11 major special event permits, 16 minor special event permits, and held 10 City-organized events. The following recurring Major and Minor Special Events are planned for 2026.

Recurring 2026 Major Special Events

- Surfer's Path 5K/10K
- Surfer's Path Half Marathon
- Capitola Custom Classic Car Show
- Wharf to Wharf Race
- Capitola 5K/10K
- VW Car Show
- Capitola Art & Wine Festival
- Capitola Beach Festival
- Mermaid Triathlon & Duathlon
- Monte Fireworks Extravaganza
- Women on Waves Surf Contest

Recurring 2026 Minor Special Events

- Operation Surf
- Good Friday Paddle Out
- Veteran Surf Alliance Learn to Surf (5)
- Village Sip & Stroll (3)
- 5K Walk for Angelman's Syndrome
- Fill the Boot for MDA
- Open Water Swim Festival
- Strawberry Fields Forever Ride
- Veteran Surf Alliance Paddle Out
- AIDS/Lifecycle Bicycle Ride
- California Coast Classic
- Halloween Parade
- Surfing Santa

City-Organized Special Events

- Twilight Concerts (12)
- Food Truck Fridays (4)
- Makers Market (4)
- Plein Air
- First Responder's Surf Contest
- Movies at the Beach (2)
- Boogie on the Wharf (3)
- New Music Sunday (2)
- Dueling Pianos (2)
- National Night Out

Junior Guards Competition

Coastal Development Permits: Pursuant to the CMC Section 17.44.080.F, temporary events in the coastal zone meeting one or more of the following criteria require a Coastal Development Permit (CDP):

1. Scheduled the Saturday of Memorial Day weekend through Labor Day for a period greater than two days in duration, including setup and takedown.
2. The event will occupy any portion of a publicly or privately owned sandy beach or park area, public pier, public beach parking area, and there is a potential for adverse effect on sensitive coastal resources.
3. A fee will be charged for general public admission and/or seating where no fee is currently charged for use of the same area (not including booth or entry fees); or if a fee is charged, it is for preferred seating only, and 75% of the provided seating capacity is available free of charge for general public use.

Based on these criteria the following recurring events require CDPs.

- Junior Guards Competition
- Capitola Beach Festival

Many other events occupy a portion of the beach, but there is no potential adverse impacts on sensitive coastal resources, do not last longer than two days during the summer months, and the only fees charged are entry fees.

The Monte Foundation Fireworks Extravaganza, a major special event held in October, currently holds a CDP issued through the California Coastal Commission. The CDP will expire in 2027.

The events are located within the Mixed-Use Village (MU-V) Zoning District and Parks and Open Space (POS). The Coastal Development Permit is appealable to the California Coastal Commission. In order to issue a CDP for a special event, the City Council must determine that the event complies with the following criteria:

1. The event will result in no adverse impact on opportunities for public use of or access to the area due to the proposed location and/or timing of the event, either individually or cumulatively

considered together with other development or temporary events scheduled before or after the particular event;

2. There will be no direct or indirect impacts from the event and its associated activities or access requirements on environmentally sensitive habitat areas, rare or endangered species, significant scenic resources, or other coastal resources; and
3. The event has not previously required a CDP to address and monitor associated impacts to coastal resources.

Both events are managed to comply with the required CDP criteria through the application process and specific event site and management plans. Public use and access are maintained to the coast and there are no direct or indirect negative impacts on environmentally sensitive habitat areas, rare or endangered species, significant scenic resources, or other coastal resources. Also, none of the events previously required a CDP with requirements for monitoring associated impacts to coastal resources.

CEQA: The permit is categorically exempt from CEQA exemption 15323 Normal Operation of Facilities for Public Gathering. The special events consist of normal operation of existing facilities for public gatherings in which the facilities in which there is a past history of the facility being used for the same or similar kind of purpose.

Fiscal Impact: The 2025 Special Events resulted in 876 hours of City staff time. The City incurred a total of \$111,807 in costs associated with events, 100% of which were reimbursed by special-event organizers.

Attachments:

1. Resolution

Report Prepared By: Sarah Ryan, Chief of Police

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

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA APPROVING
COASTAL DEVELOPMENT PERMIT NO. 25-0607 FOR 2026 SPECIAL EVENTS AND
DIRECTING THE COMMUNITY DEVELOPMENT DIRECTOR TO SUBMIT A NOTICE OF
FINAL LOCAL ACTION TO THE CALIFORNIA COASTAL COMMISSION**

WHEREAS, the City (Applicant), submitted an application for a Coastal Development Permit (CDP) to authorize the 2026 Capitola Beach Festival and 2026 Junior Guards Competition (Project) located within the Mixed Use Village Zoning District and the Parks and Open Space Zoning District, and more specifically within the Capitola Village and the Capitola Beach, within the City of Capitola; and

WHEREAS, the subject property is located within the City's Coastal Zone and requires approval of a Coastal Development Permit pursuant to Capitola Municipal Code (CMC) Chapter 17.44 and the Local Coastal Program (LCP); and

WHEREAS, the City of Capitola Community and Economic Development Department reviewed the application for consistency with the General Plan, Local Coastal Program, Zoning Ordinance, and applicable provisions of state law, including the California Coastal Act; and

WHEREAS, the City Council held a duly noticed public hearing on January 8, 2026, at which time all interested persons were given an opportunity to be heard; and

WHEREAS, the City Council considered the staff report, public testimony, project plans, environmental review, and all other information contained in the administrative record; and

WHEREAS, the Project is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15323, as documented in the administrative record; and

WHEREAS, based on its review, the City Council makes the following findings as required by the Capitola Municipal Code and the City of Capitola Local Coastal Program:

SECTION 1. COASTAL DEVELOPMENT PERMIT FINDINGS

1. The event will result in no adverse impact on opportunities for public use of or access to the area due to the proposed location and/or timing of the event either individually or cumulatively considered together with other development or temporary events scheduled before or after the particular event; and
2. There will be no direct or indirect impacts from the event and its associated activities or access requirements on environmentally sensitive habitat areas, rare or endangered species, significant scenic resources, or other coastal resources; and
3. The event has not previously required a CDP to address and monitor associated impacts to coastal resources; and
4. The Capitola Beach Festival is authorized to hold the lighted boat parade in Soquel Creek using electric propeller-operated watercraft, consistent with Capitola Municipal Code Section 8.20.010.

SECTION 2. APPROVAL

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Capitola hereby approves Coastal Development Permit No. 25-0607 for the 2026 Capitola Beach Festival, and 2026 Junior Guards Competition.

SECTION 3. NOTICE OF FINAL LOCAL ACTION

BE IT FURTHER RESOLVED that the City Council directs the Community Development Director to submit a Notice of Final Local Action and all required materials to the California Coastal Commission within the statutory deadline.

PASSED AND ADOPTED by the City Council of the City of Capitola on this 8th day of January 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Margaux Morgan, Mayor

ATTEST:

Julia Gautho, City Clerk

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: Community and Economic Development Department

Subject: Local Coastal Program Amendments for Cliff Drive Resiliency



Recommended Action: 1) Introduce for first reading, by title only, waiving further reading of the text, an ordinance amending Capitola Municipal Code Title 17: Zoning, Chapter 17.32 Parks and Open Space, Chapter 17.64 ESHA, Chapter 17.76 Parking and Loading, and Chapter 17.68 Geological Hazard (collectively, the “Zoning Code Amendments”) and authorizing submittal to the California Coastal Commission for Certification; 2) Adopt a resolution amending Capitola’s Land Use Plan Chapter 2: Public Access and Chapter 7: Natural Hazards (collectively, the “Land Use Plan Amendments”) and authorizing submittal to the California Coastal Commission for certification; and 3) Find that the above actions are exempt from the California Environmental Quality Act (CEQA).

Background: The Public Works Department initiated the Cliff Drive Resiliency Project (project information can be found at the link listed as Attachment 10) as a comprehensive effort to address bluff erosion, sea-level rise, and stormwater drainage impacts along the Cliff Drive corridor while also enhancing pedestrian, bicycle, and coastal access. The project extends from the western City limit to Capitola Village and includes connections to Hooper Beach and the Capitola Wharf overlook. Following an August 2024 presentation regarding alternatives for the project, the City Council reviewed the feasibility study and directed staff to move forward with Alternative 3 for full bluff protection, which includes continuous bluff stabilization along the project length, a Class I facility, cantilevered sections where needed, overviews, and reconfigured parking.

The City hosted a community meeting on August 12, 2025, and presented an overview of the project.

The City Council received an update on the Cliff Drive Resiliency Project on August 28, 2025. At that meeting, staff discussed utilizing a phased approach due to overall cost and the current \$10.5 million committed funding through the Federal Highway Administration (FHWA) Emergency Relief Program.

Before moving forward with the Cliff Drive Resiliency Project, the City must amend two planning documents that guide future development along the corridor. The City received a \$500,000 Coastal Commission LCP grant for the Cliff Drive Resiliency Project. As part of the grant contract, the City is required to update Capitola’s Local Coastal Program relative to the Cliff Drive improvements.

Capitola’s Local Coastal Program (LCP) is the guiding policy and regulatory framework for development and resources within the City’s Coastal Zone. There are two key components to a Local Coastal Program. The LCP Land Use Plan (Attachment 11) is a long-range planning document that establishes broad policies for land use, coastal access, habitat protection, and hazard management. The LCP Implementation Plan (sections of CMC Title 17 Zoning Code, linked as Attachment 12) contains specific zoning standards, ordinances, and procedures to carry out the Land Use Plan policies. The City must amend the two documents to update outdated references and policies related to Cliff Drive resilience planning. These updates address increased coastal erosion, sea-level rise, and public access needs.

On September 4, 2025, the Planning Commission held a public hearing to consider the Local Coastal Program Amendments, received public comment, voted to recommend the City Council adopt the proposed LCP Implementation Plan amendments, and voted to continue the LCP Land Use Plan amendments due to additional edits requested during the meeting.

On October 2, 2025, the Planning Commission reviewed the additional LCP Land Use Plan amendments, received public comment, and forwarded a positive recommendation to the City Council to adopt.

Discussion: The following list contains the sections of the LCP proposed for amendments:

1. CMC Chapter 17.32 Parks and Open Space
2. CMC Chapter 17.64 ESHA
3. CMC Chapter 17.76 Parking and Loading
4. CMC Chapter 17.68 Geological Hazards
5. Capitola Local Coastal Land Use Plan Chapter 2: Public Access
6. Capitola Local Coastal Land Use Plan Chapter 7: Natural Hazards

The update to Chapter 17.32: Parks and Open Space includes a new allowance for improvements along Cliff Drive related to the Cliff Drive Resiliency Project, as well as new limitations for development to ensure it is subordinate to recreational, scenic, or natural resources and prohibited on beaches except for public facilities (such as flumes, jetties, beach erosion control structures, lifeguard stands, etc.).

Amendments to Chapter 17.68: Geological Hazards create consistency in the definition of bluff/seacliff, introduce a definition for coastal hazards, expand the purpose statement of the geological hazards overlay, remove references to outdated documents for geological reports, and remove the reference to the economic life of the project while maintaining a minimum fifty-year standard.

Amendments to Chapter 17.64: Ecologically Sensitive Habitat Areas clarify that resource-dependent uses (low-intensity public access and recreation, nature study, restoration) are included as an exception for development within environmentally sensitive habitat areas (ESHA).

The amendment to Chapter 17.76: Parking and Loading corrects the reference to the Southern Pacific railroad right-of-way by replacing it with the Regional Transportation Commission.

The proposed Land Use Plan amendments would update descriptions of existing conditions, replace references to Southern Pacific Railroad with the Regional Transportation Commission, amend policies to include support for multi-modal enhancements, public access, coastal planning for sea-level rise, shoreline structures, and drainage, and introduce new policies for future climate adaptation planning. During the Planning Commission's review, additional edits were recommended to incorporate up-to-date information on Hooper's Beach and replace references to bicycles with the term "multimodal."

Coastal Commission Input: Since the Planning Commission's recommendation on October 2, 2025, staff received comments from Coastal Commission staff related to additional edits to the CMC Chapter 17.68 Geological Hazards, Capitola Land Use Plan Chapter 2: Public Access, and Capitola Local Coastal Land Use Plan Chapter 7: Natural Hazards. The requested edits are clarifying in nature and do not alter processes or policies; therefore, these edits do not require additional review by the Planning Commission.

1. Section 17.68.160: Text in red is in the existing adopted version and is requested to be kept in updates.

Bluff and hillside stability evaluations shall consider a range of coastal hazards—including erosion rates, wave climate, storm surge, and sea-level rise—over a 50-year planning horizon. Proposed development shall incorporate mitigation measures designed to perform for a minimum of 50 years post-occupancy. Slope stability shall meet minimum factors of safety of 1.5 (static) and 1.1 (seismic, pseudo static) unless otherwise justified by a site-specific analysis prepared and sealed by a California-licensed Geotechnical Engineer (GE) or Certified Engineering Geologist (CEG) and accepted by the City of Capitola. Because the city staff may not contain the expertise necessary to evaluate the adequacy of a report, the city may employ, at the applicant's expense, an appropriate expert to evaluate the adequacy of the report.

2. Land Use Plan Chapter 7: Natural Hazards. Text in red added to clarify.

Policy VII-11: The City shall construct future drainage projects and improve existing drainage facilities where feasible so that runoff is filtered and treated, and directed away from the coastal bluffs, or (except that where such measures are infeasible it shall be if it cannot be discharged in a place and manner so as not to contribute to erosion of a bluff or beach.)

Environmental Review: Adoption of the LUP and IP Amendments is exempt from the California Environmental Quality Act (“CEQA”) pursuant to Public Resources Code section 21080.9, which exempts activities and approvals by any local government for the preparation and adoption of a local coastal program or long-range land use development plan under the Coastal Act. Further, the Project is categorically exempt from CEQA because it can be seen with certainty that there is no possibility that the Project will have a significant effect on the environment (CEQA Guidelines, 14 Cal. Code of Regs. Section 15061(b)(3)).

Fiscal Impact: No fiscal impacts.

Attachments:

1. Proposed Ordinance
2. CMC Chapter 17.32 Parks and Open Space
3. CMC Chapter 17.64 ESHA
4. CMC Chapter 17.76 Parking and Loading
5. CMC Chapter 17.68 Geological Hazards
6. Resolution to Adopt Land Use Plan Amendments
7. Capitola's Land Use Plan Chapter 2: Public Access
8. Capitola's Local Coastal Land Use Plan Chapter 7: Natural Hazards
9. <https://www.cityofcapitola.org/publicworks/page/cliff-drive-resiliency-project>
10. https://www.cityofcapitola.org/sites/default/files/fileattachments/community_development/page/1457/lcp_land_use_plan_with_exhibit_b.pdf
11. <https://www.codepublishing.com/CA/Capitola/#!/Capitola17/Capitola17.html>

Report Prepared By: Katie Herlihy, Community and Economic Development Director

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

Approved By: Jamie Goldstein, City Manager

ORDINANCE NO. 24-____**AN ORDINANCE OF THE CITY OF CAPITOLA ADOPTING AMENDMENTS TO THE LOCAL COASTAL PROGRAM IMPLEMENTATION PLAN (CAPITOLA MUNICIPAL CODE TITLE 17: ZONING ORDINANCE, CHAPTERS 17.32, 17.64, 17.68, AND 17.76) AND DIRECTING THE CITY MANAGER TO SUBMIT THE AMENDMENTS TO THE CALIFORNIA COASTAL COMMISSION FOR CERTIFICATION (CEQA EXEMPT).**

WHEREAS, the City of Capitola's Local Coastal Program (LCP) was certified by the California Coastal Commission in December of 1981 and has since been amended from time to time; and

WHEREAS, the City of Capitola's LCP includes the LCP Implementation Plan; and

WHEREAS, certain chapters of the City of Capitola Municipal Code Title 17 (Zoning Ordinance) are a component of the City's certified LCP Implementation Plan; and

WHEREAS, the Public Works Department initiated the Cliff Drive Resiliency Project as a comprehensive effort to address bluff erosion, sea-level rise, and stormwater drainage impacts along the Cliff Drive corridor while also enhancing pedestrian, bicycle, and coastal access; and

WHEREAS, the City of Capitola received a \$500,000 Coastal Commission LCP grant for the Cliff Drive Resiliency Project, requiring updates to Capitola's Municipal Code Title 17: Zoning Ordinance, Chapters 17.32, 17.64, 17.68, and 17.76 relative to the Cliff Drive improvements; and

WHEREAS, City staff prepared draft amendments to the Capitola Municipal Code Title 17 (Zoning Ordinance), specifically:

- Chapter 17.32 Parks and Open Space – to allow for Cliff Drive improvements and clarify limitations on development in parks and beaches;
- Chapter 17.64 Ecologically Sensitive Habitat Areas (ESHA) – to clarify that resource-dependent uses are permitted within ESHA;
- Chapter 17.76 Parking and Loading – to update references from Southern Pacific Railroad to the Regional Transportation Commission;
- Chapter 17.68 Geological Hazards – to update definitions, technical standards, and hazard analysis requirements;
- All together, the amendments are known as the "IP Amendments" attached hereto as Exhibit A, B C and D and incorporated herein by this reference; and

WHEREAS, the IP Amendments were made available for public review at City Hall, the Community Center, the Capitola Library, and online, in compliance with Coastal Act Section 30514; and

WHEREAS, the Planning Commission held a duly noticed public hearing on September 4, 2025, and October 2, 2025, reviewed the proposed IP Amendments, considered all public comments, and recommended the City Council approve the IP Amendments; and

WHEREAS, Coastal Commission staff have requested additional clarifying changes to the IP Amendments as detailed in the staff report associated with this Resolution, which are not substantial and do not require reconsideration by the Planning Commission pursuant to Capitola Municipal Code section 17.144.060(D); and

WHEREAS, the City Council conducted a duly noticed public hearing on January 8, 2026 considered all testimony, and determined that the proposed IP Amendments are consistent with the General Plan, the Land Use Plan, and intended to be implemented in a manner fully conforming with the State of California and the California Coastal Act

NOW, THEREFORE, the City Council of the City of Capitola ordains as follows:

Section 1: The above findings are adopted and incorporated herein.

Section 2: Pursuant to Capitola Municipal Code Section 17.144.050 and 17.144.060 and based on substantial evidence in the record:

- a) The proposed IP Amendments are consistent with the General Plan and any applicable specific plan as provided by Government Code Section 65860, as well as the Local Coastal Program Land Use Plan and the Coastal Act;
- b) The proposed IP Amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.
- c) The proposed IP Amendments are internally consistent with other applicable provisions of the Zoning Code.

Section 3: Title 17 (Zoning) of the Capitola Municipal Code is amended as set forth in Exhibit A, B, C, and D.

Section 4: Environmental Review. Adoption of the IP Amendments is exempt from the California Environmental Quality Act (“CEQA”) pursuant to Public Resources Code section 21080.9, which exempts activities and approvals by any local government for the preparation and adoption of a local coastal program or long-range land use development plan under the Coastal Act. Further, adoption of the IP Amendments is categorically exempt from CEQA because it can be seen with certainty that there is no possibility that the Project will have a significant effect on the environment. (CEQA Guidelines, 14 Cal. Code of Regs. Section 15061(b)(3)).

Section 5: Transmittal to Coastal Commission. The City Manager or their designee is directed to submit the IP Amendments to the California Coastal Commission for its review and certification.

Section 6. Effective Date.

This Ordinance shall be in full force and effect thirty (30) days from its passage and adoption except that it will not take effect within the coastal zone until certified by the California Coastal Commission. This Ordinance shall be transmitted to the California Coastal Commission and shall take effect in the coastal zone immediately upon certification by the California Coastal Commission or upon the concurrence of the Commission with a determination by the Executive Director that the Ordinance adopted by the City is legally adequate.

Section 7: Severability. The City Council hereby declares every section, paragraph, sentence, cause, and phrase of this ordinance is severable. If any section, paragraph, sentence, clause, or phrase of this ordinance is for any reason found to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining sections, paragraphs, sentences, clauses, or phrases.

Section 8: Certification. The City Clerk shall cause this ordinance to be posted and/or published in the manner required by law. This Ordinance was introduced at the meeting of the City Council on the 8th day of January, 2026, and was adopted at a regular meeting of the City Council on the 22nd day of January, 2025, by the following vote:

NOES:

ABSENT:

ABSTAIN:

Mayor

Julia Gautho, City Clerk

Chapter 17.32

SPECIAL PURPOSE ZONING DISTRICTS Revised 1/25 Revised 6/25

Sections:

- 17.32.010 Purpose of the special purpose zoning districts.
- 17.32.020 Land use regulations. Revised 1/25 Revised 6/25
- 17.32.030 Development standards.

17.32.010 Purpose of the special purpose zoning districts.

A. Community Facility (CF). The CF zoning district provides areas for public and community facilities serving Capitola residents and visitors. Land uses permitted in the CF zoning district include public uses such as governmental offices, police and fire stations, community centers, schools, libraries, and other similar uses. The CF zoning district implements the public/quasi-public land use designation in the general plan.

B. Parks and Open Space (P/OS). The P/OS zoning district provides parks, recreational facilities, and open space for the use and enjoyment of the community and visitors. The P/OS zoning district also protects and preserves environmentally sensitive natural areas and habitat in Capitola. The P/OS zoning district implements the parks and open space land use designation in the general plan. (Ord. 1043 § 2 (Att. 2), 2020)

17.32.020 Land use regulations. Revised 1/25 Revised 6/25

A. Permitted Uses. Table 17.32-1 identifies land uses permitted in the CF and P/OS zoning districts.

B. Commercial Uses in the P/OS Zoning District. Commercial uses that are accessory to a permitted use in the P/OS zoning district are permitted with a conditional use permit as long as the park, recreation, and open space purposes are met by the overall development.

C. Visitor Accommodations in New Brighton State Beach. Visitor accommodations and campground uses are permitted in the New Brighton State Beach.

D. P/OS Standards. The following standards apply to uses in the P/OS zoning district:

1. Any structure, land use, or removal of vegetation or natural materials that in the opinion of the community development director is inconsistent with the purpose of the P/OS zoning district is prohibited.
2. Development shall be subordinate to its recreational, scenic, or natural resource purpose consistent with the local coastal program (LCP). Natural resource protection shall include protection of arroyos; creeks, riparian corridors, and other environmentally sensitive habitat; and woodlands.
3. No new structures are permitted on the open, sandy beach area of Capitola except for appropriate public facilities (e.g., the flume and jetties), required shoreline protective structures (approved beach erosion control structures), and structures required for public health and safety (e.g., lifeguard stands) if otherwise consistent with the local coastal program.

Table 17.32-1: Permitted Land Uses in the CF and P/OS Zoning Districts

Key	Zoning District		Additional Regulations
	CF	P/OS	
P	Permitted Use		
A	Administrative Permit required		
M	Minor Use Permit required		
C	Conditional Use Permit required		
—	Use not allowed		
Public and Quasi-Public Uses			
Colleges and Trade Schools	C	—	
Community Assembly	P [1]	—	
Cultural Institutions	P [1]	—	
Day Care Centers	P [1]	—	
Government Offices	P	—	
Parks and Recreational Facilities	P [1]	P [1]	
Public Paths and Coastal Accessways <u>[2]</u>	P	P	
Public Safety Facilities	P	—	
Schools, Public or Private	P	—	
Transportation, Communication, and Utilities Uses			
Recycling Collection Facilities	C	—	Section 17.96.130
Utilities, Major	C	C	
Utilities, Minor	P	P	
Wireless Telecommunications Facilities	See Chapter 17.104		
Other Uses			
Accessory Uses and Structures	See Chapter 17.52		
Temporary Uses and Structures	See Section 17.96.180		
Urban Agriculture			
Community Gardens	M [1]	M [1]	

Note:

[1] Publicly owned and/or operated facilities only.

[2] Coastal armoring to support public paths and coastal accessways along Cliff Drive is allowable. See Capitola LCP policy II-4 and VII-12.

(Ord. 1066 § 2 (Att. 1), 2024; Ord. 1043 § 2 (Att. 2), 2020)

17.32.030 Development standards.

A. Floor Area Ratio. The maximum permitted floor area ratio (FAR) is 0.25 in the P/OS zoning district and as determined by the planning commission through the design review process in the CF zoning district.

B. Other Development Standards. Other development standards (e.g., setbacks, height, building coverage) in the CF and P/OS zoning districts shall be determined by the planning commission through the design review and coastal development permit (if in the coastal zone) process. (Ord. 1043 § 2 (Att. 2), 2020)

Chapter 17.64

ENVIRONMENTALLY SENSITIVE HABITAT AREAS

Sections:

- 17.64.010 Purpose.
- 17.64.020 Applicability.
- 17.64.030 General standards.
- 17.64.040 Soquel Creek, Lagoon, and Riparian Corridor.
- 17.64.050 Monarch butterfly habitat – Rispin-Soquel Creek and Escalona Gulch.

17.64.010 Purpose.

This chapter establishes standards to protect and preserve environmentally sensitive habitat areas in Capitola consistent with Capitola's general plan, local coastal program (LCP), and the requirements of the Coastal Act. (Ord. 1043 § 2 (Att. 2), 2020)

17.64.020 Applicability.

This chapter applies to the following environmentally sensitive habitat areas. Environmentally sensitive habitat areas (ESHA) are any areas in which plant or animal life or their habitats are either rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments. ESHA includes wetlands, coastal streams and riparian vegetation, and terrestrial ESHA, including habitats of plant and animal species listed under the federal or California Endangered Species Act. The ESHA map identifies properties in the general location of sensitive habitats. The precise location of sensitive habitats within a site shall be identified in the biological study as required within Section 17.64.030(G) (Biological Study). In addition, the following areas are categorically ESHA as identified in Capitola's LCP:

- A. Soquel Creek, Lagoon, and Riparian Corridor.
- B. Noble Gulch Riparian Corridor.
- C. Tannery Gulch Riparian Corridor.
- D. Monarch butterfly habitat – Rispin-Soquel Creek and Escalona Gulch. (Ord. 1043 § 2 (Att. 2), 2020)

17.64.030 General standards.

The following standards apply to all environmentally sensitive habitat areas:

- A. Allowable Development within Sensitive Habitat Area. The only allowed development within the sensitive habitat areas as identified in the biological study required in subsection G of this section (Biological Study) shall be those uses dependent on the resource (e.g., low-intensity public access and recreation, nature study, restoration). The only new uses allowed in wetlands and streams/riparian areas shall be those specified in Coastal Act Sections 30233 and 30236, respectively.
- B. Impact Prevention. Allowable development within an environmentally sensitive habitat area shall be sited and designed to prevent impacts which would significantly degrade the area.

C. Long-Term Protection. Allowable development shall be sited, designed, and maintained to achieve the long-term protection of the environmentally sensitive habitat areas.

D. Prohibited Areas for Development. With the exception of restoration and resource protection and enhancement activities and resource-dependent uses as set forth in A above, no new development may encroach into the waters of Soquel Creek or Lagoon, be sited within the root zone of riparian or butterfly host trees, or require the removal of trees in a monarch butterfly habitat area which provide roosting habitat or wind protection.

E. Minimum Setbacks.

1. Development may not encroach into required minimum setbacks from environmentally sensitive habitat areas as shown in Table 17.64-1 (Required Setbacks from Environmentally Sensitive Habitat Areas), except as allowed in subsection (E)(2) of this section. The setbacks listed below are minimums and may be increased depending on the findings of the biological study required in subsection G of this section.

Table 17.64-1: Required Setbacks from Environmentally Sensitive Habitat Areas

Environmentally Sensitive Habitat Area	Minimum Setback
Soquel Creek and Lagoon	35 feet from the western shoreline of Soquel Creek Lagoon [1]
Soquel Creek Riparian Corridor	25 feet from the outer edge of riparian vegetation. On the heavily developed east side of the lagoon and creek (from Stockton Avenue to Center Street) the setback requirement shall be measured from the bank of Soquel Creek. In no case may the setback be located on the west side of the pedestrian path.
Noble Gulch Riparian Corridor	35 feet from the outer edge of riparian vegetation
Tannery Gulch Riparian Corridor	50 feet from the outer edge of riparian vegetation
Other ESHA	A setback sufficient to ensure the protection of ESHA habitat values as identified in the biological study as required within subsection G of this section (Biological Study).

Note:

[1] Does not apply to public facilities outside the coastal zone. Within the coastal zone, applies to public facilities unless otherwise specified in Section 30233 of the Coastal Act.

2. To allow for a minimum level of development on a physically constrained lot, the city may allow a reduction to the required minimum setback; provided, that a biological study determines that the reduced setback does not have a significant adverse effect on the ESHA and its habitat value.

F. Setback Exceptions on Developed Lots.

1. The city may grant an exception to the minimum setbacks in subsection E of this section (Minimum Setbacks) for the following projects on developed lots:
 - a. An addition or modifications to an existing single-family home, or an accessory structure, that does not extend closer to the environmentally sensitive habitat area, and provided the addition or modification or accessory structure is compatible with, and will not significantly degrade, the ESHA and/or its habitat values.
2. A “developed lot” means a lot that is developed or utilized to its ultimate potential use according to the applicable zoning district. For example, an R-1 lot that contains a single-family home or a permitted public/quasi-public use is considered developed. A residential or commercial lot that is vacant or used periodically for temporary uses (e.g., seasonal holiday sales) is not considered developed.
3. The city may grant an exception with the approval of an administrative permit, or a coastal development permit for sites located within the coastal zone, upon finding that the project is:
 - a. Sited and designed to prevent impacts which would significantly degrade environmentally sensitive habitat areas;
 - b. Consistent with the recommendation of the biological study prepared for the proposed development; and
 - c. Compatible with the continuance of habitat and recreation activities within environmentally sensitive habitat areas.
4. The city may attach conditions to the administrative permit or coastal development permit to ensure compliance with all city policies and regulations pertaining to the protection of environmentally sensitive habitat areas.
5. City approval of an exception shall not require the applicant to prepare a biological study.

G. Biological Study. For any proposed development located on a parcel within the ESHA areas identified above, the city shall contract with a qualified biologist at the applicant’s expense to prepare a biological study. Biological studies shall at a minimum include the following:

1. Field surveys to determine the presence and location of any sensitive habitats and sensitive plant and animal species; and
2. A biological report which includes vegetation maps, a list of all observed native plant and animal species, an evaluation of other sensitive species which were not observed but have the potential to occur on the site, an impact analysis, and recommendations for avoiding, minimizing, or mitigating impacts. The biological report shall identify appropriate building and other setbacks, appropriate use, restoration, and development standards within setbacks, wetland buffers, landscape recommendations, and mitigation monitoring and reporting requirements as appropriate.

H. Waiver of Biological Study. The city may waive the requirement of a biological study on a developed lot if a project is proposed in a previously developed area of the lot and the project will not degrade the ESHA and/or its habitat values.

I. Conservation Easements and/or Deed Restrictions. If necessary and appropriate to protect natural areas and ESHA, the city shall require a permanent conservation easement or deed restriction over any portion of the property containing environmentally sensitive habitat areas and their required setbacks.

J. Erosion Control and Water Quality.

1. All development shall conform to erosion control and water quality requirements consistent with federal, state, and local regulations. Within riparian areas, allowed grading shall be minimized within the riparian setback area. Grading shall not be permitted to damage the roots of riparian trees or trees within butterfly habitat areas. Grading shall only take place during the dry season.
2. During construction, erosion control measures shall be implemented, including limiting removal of vegetation, minimizing exposure of bare soils, replanting disturbed soils with suitable native species, controlling runoff, and preventing sedimentation from entering drainages. All areas outside the immediate construction areas shall not be disturbed. The city shall require measures for temporary drainage retention during construction, including mulching, erosion control seeding, and other measures as needed to prevent any sediment from reaching sensitive habitat areas.

K. Removal of Native Riparian Trees. Removal of native riparian trees within riparian corridors is prohibited unless it is determined by the community development director, on the basis of an arborist report, that such removal is in the public interest by reason of good forestry practice, disease of the tree, or safety considerations.

L. Dead Trees in Riparian Corridors. Snags, or standing dead trees, shall not be removed from riparian corridors unless in imminent danger of falling, where same would lead to a public safety issue. Removal shall be consistent with all applicable provisions of Chapter 12.12 (Community Tree and Forest Management). Any removed tree shall be replaced with a healthy young tree of an appropriate native riparian species or appropriate habitat for monarch butterflies.

M. Landscaping Plan. A landscaping plan shall be prepared for proposed developments that identifies the location and extent of any proposed modification to existing vegetation and the locations, kinds, and extent of new landscaping. The emphasis of such plans shall be on the maintenance and enhancement of native species, the removal of existing invasive species, and the enhancement of natural habitat. New invasive plant or tree species are prohibited, with the exception of species which positively contribute to monarch butterfly habitat.

N. Wood-Burning Fireplaces. Wood-burning fireplaces shall be prohibited in structures built on sites where monarch butterflies may be disturbed due to chimney smoke. The city discourages wood-burning fireplaces for residential uses in all other areas of Capitola. (Ord. 1043 § 2 (Att. 2), 2020)

17.64.040 Soquel Creek, Lagoon, and Riparian Corridor.

The following standards apply in the Soquel Creek, Lagoon, and Riparian Corridor in addition to the standards in Section 17.64.030 (General standards):

A. No New Development. No new development is permitted within the riparian corridor along Soquel Creek and Lagoon, except for restoration and resource protection and enhancement activities, and, outside the coastal zone only, public facilities.

B. Division of Land. New divisions of land may be approved only if each new parcel contains adequate area outside the riparian or stream bank setback to accommodate new development. (Ord. 1043 § 2 (Att. 2), 2020)

17.64.050 Monarch butterfly habitat – Rispin-Soquel Creek and Escalona Gulch.

The following standard applies to both the Rispin-Soquel Creek and the Escalona Gulch monarch butterfly habitat areas in addition to the standards in Section 17.64.030 (General standards):

A. Permitted Construction Periods. Construction for otherwise allowable development within or on properties contiguous to the designated butterfly groves shall be prohibited during fall and winter months when the monarch butterflies are present. Removal or modification of trees (including pruning) within the groves shall not be permitted during these periods except when determined by the community development director, on the basis of an arborist report, to be an emergency necessary to protect human life or property.

B. Tree Protection.

1. Development shall be sited and designed to avoid removal of large trees. New development located immediately adjacent to large trees shall be evaluated by an arborist to ensure that the development will not negatively impact the tree in the future.

2. Trees removed for construction shall be replaced based on a written tree replanting program developed in consultation with a qualified monarch butterfly expert. The trees shall be sited in strategic locations as identified by the replanting program.

3. Barrier fencing shall be installed around large trees, especially cluster trees, for protection during construction.

C. Structure Height. The city shall limit structure heights as needed to prevent shading of cluster sites.

D. Construction Involving Heavy Equipment. No construction involving heavy equipment that may bump into the cluster trees or produce heavy plumes of exhaust smoke is permitted during the months in which the monarch butterflies are in residence (October 1st to March 1st). (Ord. 1043 § 2 (Att. 2), 2020)

Chapter 17.68 - GH Geologic Hazards District

Chapter 17.68

GH GEOLOGIC HAZARDS DISTRICT*

Sections:

- 17.68.010 Definitions.
- 17.68.020 Applicability.
- 17.68.030 Purpose.
- 17.68.040 Combining district.
- 17.68.050 Principal permitted uses.
- 17.68.060 Accessory uses.
- 17.68.070 Conditional uses.
- 17.68.080 Development standards.
- 17.68.090 Beach area regulations.
- 17.68.100 Bluff and cliff area regulations.
- 17.68.110 Earthquake fault areas.
- 17.68.120 Floodplain.
- 17.68.130 Landslide areas.
- 17.68.140 Steep slope areas.
- 17.68.150 Other geologic hazard areas.
- 17.68.160 Contents of geologic/engineering reports.
- 17.68.170 Appeals.
- 17.68.180 Requirement of disclosure of property location by seller to seller's agent.
- 17.68.190 Report to be noted on subdivision maps.

* Prior ordinance history: Ords. 472, 562.

17.68.010 Definitions. For purposes of this chapter the following definitions shall apply:

- A. "Bluff or Seacliff" means a landform that includes a scarp or steep face of rock adjacent to the bay or ocean and meeting one of the following two parameters:
 - a. The toe is now or was historically (generally within the last two hundred years) subject to marine erosion.
 - b. The toe of which lies within an area otherwise identified in Public Resources Code Section 30603(a)(1) or (a)(2).
- ~~or cliff" means the scarp or steep face of rock, decomposed rocks, sediment or soil resulting from erosion, faulting, folding or excavation of land mass and exceeding ten feet in height, and includes what we commonly know as "cliffs."~~
- B. "Floodplain" means the land on either side of the creek or other watercourse which may be subject to flooding, includes

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but is not necessarily limited to any one-hundred year floodplain, as determined by the Federal Flood Insurance Program.

C. "Geological hazard" means a threat to life, property or public safety caused by geological or hydrological processes such as faulting and secondary seismic effects, including but not limited to: liquefaction, landsliding, erosion, flooding, tsunami, or storm wave inundation. (Ord. 628 §2 (part), 1987).

D. "Coastal hazard" includes but is not limited to episodic and long-term shoreline retreat and coastal erosion, high seas, ocean waves, storms, tsunami, tidal scour, wave overtopping, coastal flooding, landslides, bluff and geologic instability, bluff retreat, liquefaction and their interaction, many of which are likely to worsen with sea level rise.

17.68.020 Applicability. The regulations set forth in this chapter apply in all GH districts. (Ord. 628 §2 (part), 1987).

17.68.030 Purpose. The GH district is designed to inform property owners and potential property owners of lands which are located in areas containing geological hazards, including, but not limited to, floodplains, fault zones, known landslide areas, bluffs, tsunami inundation areas, and high liquefaction areas. Along the shoreline and in areas subject to coastal hazards, the GH district is also designed (a) to protect and enhance bluff, shoreline, offshore, and sandy beach recreational areas for public use and enjoyment while ensuring all development (including private structures and public infrastructure) is safe from coastal hazards as much as possible both now and in the future; and (b) to ensure that otherwise allowable development is sited, designed, and conditioned to minimize risks to life and property, to avoid being subject to coastal hazards, and where development cannot entirely avoid coastal hazards, to appropriately mitigate for all adverse impacts to coastal resources, including to bluff, shoreline, offshore, and sandy beach recreational areas.

(Ord. 628 §2 (part), 1987).

17.68.040 Combining district. Land classified GH shall also have a basic zoning classification as defined in Chapters 17.12 through 17.45. For example, R-1-GH means that the R-1 district regulations apply as well as the GH regulations. (Ord. 628 §2 (part), 1987).

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17.68.050 Principal permitted uses. The following are principal permitted uses the GH district:

A. All uses permitted in the basic zoning district. (Ord. 628 §2(part), 1987).

17.68.060 Accessory uses. The following are accessory uses permitted in the GH district:

A. All accessory uses permitted in the basic zoning district. (Ord. 628 §2(part), 1987).

17.68.070 Conditional uses. The following are conditional uses in the GH district:

A. All conditional uses in the basic zoning district. (Ord. 628 §2(part), 1987).

17.68.080 Development standards. The development standards in the GH district shall be the same as the basic zoning district except in those instances when more restrictive standards are necessary to provide assurance that stability and structural integrity can be maintained for ~~the economic life of the project~~ (fifty years.) (Ord. 628 §2(part), 1987).

17.68.090 Beach area regulations. In the GH district:

A. A geologic/engineering report shall be required for all developments located on or adjacent to a beach, including shoreline protective measures. "Shoreline protective measures" includes the installation, in an area where coastal process operate, of any structure or material, including but not limited to riprap or a seawall, for the purpose of protecting any structure, including a road, utility or transmission line. Shoreline protection structures shall be permitted only when they are:

1. Necessary If required to protect coastal-dependent uses, and/or existing development structures (other than accessory structures), or public beaches in danger from erosion; or and

2. Necessary to protect public beaches in danger from erosion, and only if nonstructural solutions (i.e.e.g., artificial beach nourishment, relocation of structures, etc.) and any other less environmentally damaging alternatives (such as nature-based adaptation measures) have proven to be infeasible; and

3. If they are determined to be the least environmentally damaging feasible alternative to protect the

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endangered structure/beach/use; and

4. If all coastal resource impacts are avoided, and where all unavoidable impacts are commensurately mitigated; including that they are ~~D~~esigned so as to eliminate or mitigate adverse impacts on local shoreline sand supply, public access, marine habitats, visual resources, and paleontological resources, and any other coastal resources; and

45. Designed to provide lateral and vertical public access elements where feasible (Ord. 628 §2(part), 1987).

17.68.100 Bluff and seacliff area regulations. In the GH district:

A. Bluff and seacliff top development shall be permitted only if the design and setback provisions are designed to assure stability and structural integrity for ~~the expected life of the development (at least fifty years;)~~ and if the development (including storm runoff, foot traffic, grading and irrigation) will neither create nor contribute significantly to erosion problems or geological instability of the site or surrounding areas.

B. A geologic/engineering report shall be required for any blufftop or seacliff development which is proposed within two hundred feet of the seacliff edge. In specific areas of known geological stability ~~or where adequate protective devices already exist (as determined by adequate geologic evaluation and historic evidence),~~ a lesser area of demonstration may be designated. The city may designate a greater area of demonstration or exclude development entirely in areas of known high instability. (Ord. 677 §15 (A), 1989; Ord. 628 §2(part), 1987).

17.68.110 Earthquake fault areas. In any area determined by the State Geologist, pursuant to Public Resources Code Section 2622, to be a special studies zone, a geologic/ engineering report shall be required before any developmental permit may be issued. Nothing in this section shall diminish the duties of any person arising out of the AlquistPriolo- Special Studies Zone Act (Public Resources Code Section 2621 and following.) (Ord. 628 §2(part), 1987).

17.68.120 Floodplain. Any development in the GH district which is proposed to be located within the one-hundred year riverine floodplain of Soquel Creek or Noble Creek shall be constructed so as to conform to the Federal Flood Insurance

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program guidelines for development control. (Ord. 628 §2(part), 1987).

17.68.130 Landslide areas. In areas determined by the planning director, the public works director, the building inspector or the planning commission to have a landslide potential, a geologic/engineering report shall be required. (Ord. 628 §2(part), 1987).

17.68.140 Steep slope areas. Any development in the G-H district which is designed to be built on a slope in excess of thirty percent shall require a geologic/engineering **report**. The report shall include methods of achieving structural stability as well as any mitigation measures for preventing erosion. (Ord. 677 §15 (B), 1989: Ord. 628 §2(part), 1987).

17.68.150 Other Geologic hazard areas. The planning commission may require a geologic/engineering report in other areas of geologic hazards. (Ord. 628 §2(part), 1987).

17.68.160 Contents of geologic/engineering reports. All geologic/engineering reports required by this chapter shall be prepared according to the guidelines for practice issued by the California Division of Mines and Geology, specifically, No. 37 Guidelines for Preparing Engineering Geological Reports and Coastal Commission Guidelines for Bluff Top Development. The required geological reports for all developments shall be prepared by a registered geologist or professional engineer with expertise in soils or foundations engineering, or by a certified engineering geologist. Because the city staff may not contain the expertise necessary to evaluate the adequacy of a report, the city may employ, at the applicant's expense, an appropriate expert to evaluate the adequacy of the report. (Ord. 628 §2(part), 1987).

Bluff and hillside stability evaluations shall consider a range of coastal hazards—including erosion rates, wave climate, storm surge, and sea-level rise—over a 50-year planning horizon. Proposed development shall incorporate mitigation measures designed to perform for a minimum of 50 years post-occupancy. Slope stability shall meet minimum factors of safety of 1.5 (static) and 1.1 (seismic, pseudostatic) unless otherwise justified by a site-specific analysis prepared and sealed by a California-licensed Geotechnical Engineer (GE) or Certified Engineering Geologist (CEG) and accepted by the City of

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17.68.170 Appeals. Planning commission determination made pursuant to this chapter may be appealed to the city council as provided in Chapter 2.56. (Ord. 628 §2(part), 1987).

17.68.180 Requirement of disclosure of property location by seller to seller's agent. A person who is acting ~~on~~ behalf of real property which is located within a GH district, or the seller if ~~he is~~ they are acting without an agent, shall disclose any prospective purchaser the fact that the property is located within a GH district. The planning director may adopt methods of informing owners and real estate salespersons of this requirement. (Ord. 628 §2(part), 1987).

17.68.190 Report to be noted on subdivision maps. All geologic/engineering reports prepared in conjunction with an application to subdivided property shall be noted on the map as provided in Government Code Section 66434(f). (Ord. 628 §2(part), 1987).

Excerpt from Chapter 17.76 - PARKING AND LOADING

17.76.090 Visitor serving parking.

A. Shuttle Program Parking. Parking for the free summer beach shuttle program shall be provided in a remote lot or lots, such as those located on Bay Avenue and the Village public parking lots. The free shuttle shall operate, at a minimum, on weekends and holidays between Memorial Day weekend and Labor Day weekend.

B. Public Parking in the Coastal Zone.

1. Public parking existing as of June 9, 2021, in the following locations in the CF zoning district shall be maintained for public parking:

- a. The Upper City Hall parking lot;
- b. The Cliff Drive overlook parking; and
- c. The Cliff Drive ~~Southern Pacific~~ Regional Transportation Commission railroad right-of-way parking unless Cliff Drive must be relocated due to cliff erosion.

2. Substantial changes in public parking facilities in the coastal zone require a local coastal program (LCP) amendment.

3. Expansion of any existing legally established residential parking programs and/or new residential parking programs in the coastal zone require an amendment to coastal development permit 3-87-42 and consistency with the LCP land use plan.

4. The city shall evaluate the potential impact on public coastal access when considering a coastal development permit application for any development that would reduce public parking spaces near beach access points, shoreline trails, or parklands, including any changes to the residential parking program established under coastal development permit 3-87-42. When parking is reduced, the city shall evaluate alternative opportunities for public coastal access as needed to ensure existing levels of public access are maintained, or if possible enhanced. Such opportunities may include bicycle lanes and bicycle parking, pedestrian trails, relocated vehicular parking spaces, and enhanced shuttle/transit service. (Ord. 1043 § 2 (Att. 2), 2020)

RESOLUTION NO. 24—**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA ADOPTING
AMENDMENTS TO THE LOCAL COASTAL PROGRAM LAND USE PLAN
(CHAPTER 2: PUBLIC ACCESS AND CHAPTER 7: NATURAL HAZARDS) AND
DIRECTING THE CITY MANAGER TO SUBMIT THE AMENDMENTS TO THE
CALIFORNIA COASTAL COMMISSION FOR CERTIFICATION (CEQA EXEMPT)**

WHEREAS, the City of Capitola's Local Coastal Program (LCP) was certified by the California Coastal Commission in December of 1981 and has since been amended from time to time; and

WHEREAS, the LCP Land Use Plan (LUP) is a component of the City's certified Local Coastal Program that establishes policies for land use, public access, coastal resources, and hazard management; and

WHEREAS, the Public Works Department initiated the Cliff Drive Resiliency Project as a comprehensive effort to address bluff erosion, sea-level rise, and stormwater drainage impacts along the Cliff Drive corridor while also enhancing pedestrian, bicycle, and coastal access; and

WHEREAS, the City of Capitola received a \$500,000 Coastal Commission LCP grant for the Cliff Drive Resiliency Project, requiring updates to Capitola's LCP relative to the Cliff Drive improvements; and

WHEREAS, City staff prepared draft amendments to the LUP, specifically Chapter 2: Public Access and Chapter 7: Natural Hazards, to update outdated references, clarify policies, and introduce new policies related to shoreline structures, sea-level rise, climate adaptation planning, and public access ("LUP Amendments"), which are attached hereto as Exhibit A and incorporated herein by this reference; and

WHEREAS, the draft LUP Amendments were made available for public review at City Hall, the Community Center, the Capitola Library, and online, in compliance with Coastal Act Section 30514; and

WHEREAS, the Planning Commission held a duly noticed public hearing on September 4, 2025 and October 2, 2025, reviewed the proposed LUP Amendments, considered all public comments, and recommended the City Council approve the LUP Amendments; and

WHEREAS, Coastal Commission staff have requested two additional clarifying changes to the LUP Amendments as detailed in the staff report associated with this Resolution,

which are not substantial and do not require reconsideration by the Planning Commission pursuant to Gov. Code section 65356; and

WHEREAS, the City Council conducted a duly noticed public hearing on January 8, 2025, considered all testimony, and determined that the proposed LUP Amendments, including the additional clarifying edits requested by Coastal Commission Staff, are consistent with the General Plan and intended to be implemented in a manner fully conforming with the California Coastal Act.

NOW, THEREFORE, BE IT HEREBY RESOLVED, by the City Council of the City of Capitola, that:

1. The above recitals are incorporated herein by this reference.
2. Adoption of the LUP Amendments is exempt from the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code section 21080.9, which exempts activities and approvals by any local government for the preparation and adoption of a local coastal program or long-range land use development plan under the Coastal Act. Further, the Project is categorically exempt from CEQA because it can be seen with certainty that there is no possibility that the Project will have a significant effect on the environment. (CEQA Guidelines, 14 Cal. Code of Regs. Section 15061(b)(3)).
3. The City Council hereby adopts the LUP Amendments, and this Resolution declares and reflects the City's intent to amend the Local Coastal Program Land Use Plan, as drafted, if certified by the California Coastal Commission, in full conformity with the provisions of the California Coastal Act.

BE IT FURTHER RESOLVED, that the City Manager or their designee is directed to submit the LUP Amendments to the California Coastal Commission for its review and certification. If the Coastal Commission approves the LUP Amendments, they will take effect automatically upon Coastal Commission approval. If the Coastal Commission modifies the LUP Amendments, only the modifications will require formal action by the City of Capitola.

I HEREBY CERTIFY that the foregoing resolution was passed and adopted by the City Council of the City of Capitola on the ____ day of _____, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

**Includes changes per CAP-MAJ-1-07
Includes changes per CAP-MAJ-2-04**

II. PUBLIC ACCESS COMPONENT

BACKGROUND

The California Coastal Act of 1976 includes strong policies to assure public access to and along the shoreline. Section 30500(a) of the Act requires that each Local Coastal Program contain a specific public access component to assure that maximum public access to and along the coast and public recreational opportunities are provided.

RELEVANT COASTAL ACT POLICIES

There are numerous references throughout the Coastal Act to the provision and protection of public access. Section 30001.5 provides the legislative intent on access protection. Section 30001.5 states:

The legislature further finds and declares that the basic goals of the state for the coastal zone are to:

- a) Protect, maintain, and, where feasible, enhance and restore the overall quality of the coastal zone environment and its natural and manmade resources.
- b) Assure orderly, balanced utilization and conservation of coastal zone resources taking into account the social and economic needs of the people of the state.
- c) Maximize public access to and along the coast and maximize public recreational opportunities in the coastal zone consistent with sound resources conservation principles and constitutionally protected rights of private property owners.
- d) Assure priority for coastal-dependent and coastal-related development over other development on the coast. (Amended by Cal. Stats. 1979, CH. 1090.)
- e) Encourage state and local initiatives and cooperation in preparing procedures to implement coordinated planning and development for mutually beneficial uses, including educational uses, in the coastal zone.

The following are the major Coastal Act policies dealing with public access.

SEC. 30210

In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people, consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.

SEC. 30211

Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.

SEC. 30212

- a) Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects, except where (1) it is inconsistent with public safety, military security, or the protection of fragile coastal resources; (2) adequate access exists nearby; or (3) agriculture would be adversely affected. Dedicated accessway shall not be required to be opened to public use until a public agency or private association agrees to accept responsibility for maintenance and liability of the accessway.
- b) For purposes of this section, "new development" does not include:
 - 1) Replacement of any structure pursuant to the provisions of subdivision (g) of section 30610.
 - 2) The demolition and reconstruction of a single-family residence; provided that the reconstructed residence shall not exceed either the floor area, height, or bulk of the former structure by more than 10 percent, and that the reconstructed residence shall be sited in the same location on the affected property as the former structure.
 - 3) Improvements to any structure which do not change the intensity of its use, which do not increase either to floor area, height, or bulk of the structure by more than 10 percent, which do not block or impede public access, and which do not result in a seaward encroachment by the structure.
 - 4) Any repair or maintenance activity for which the commission has determined, pursuant to Section 30610, that a coastal development permit will be required unless the regional commission or the commission determines that such activity will have an adverse effect on lateral public access along the beach.

As used in this subdivision, “bulk” means total interior cubic volume as measured from the exterior surface of the structure.

- c) Nothing in this division shall restrict public access, nor shall it excuse the performance of duties and responsibilities of public agencies which are required by Sections 66478.1 to 66478.14, inclusive, of the Government Code and by Section 4 of Article X of the California Constitution. (Amended by Cal. Stats. 1979, Ch. 919.)

SECTION 30212.5

Wherever appropriate and feasible, public facilities, including parking areas or facilities, shall be distributed throughout an area so as to mitigate against the impacts, social and otherwise, of overcrowding or overuse by the public or any single area.

SECTION 30213

Lower cost visitor and recreational facilities and housing opportunities for persons of low and moderate income shall be protected, encouraged, and where feasible, provided. Developments providing public recreational opportunities are preferred. New housing in the coastal zone shall be developed in conformity with the standards, policies, and goals of local housing elements adopted in accordance with the requirements of subdivision (c) of Section 65302 of the Government Code.

SECTION 30214

- a) The public access policies of this article shall be implemented in a manner that takes into account the need to regulate the time, place, and manner of public access, depending on the facts and circumstances in each case; including, but not limited to, the following:
 - 1) Topographic and geologic site characteristics.
 - 2) The capacity of the site to sustain use and the level of intensity of use.
 - 3) The appropriateness of limiting public access to the right to pass and repass, depending on such factors as the fragility of the natural resources in the area and the proximity of the access area to adjacent residential uses.
 - 4) The need to provide for the management of access areas, so as to protect the privacy of adjacent property owners and to protect the aesthetic values of the area by providing for the collection of litter.
- b) It is the intent of the Legislature that the public access policies of this article be carried out in a reasonable manner that considers that equities and that balances the

rights of the individual property owner with the public's constitutional rights of access, pursuant to Section 4 of Article X of the California Constitution. Nothing in this section, or any amendment thereto, shall be considered as a limitation on the rights guaranteed to the public under Section 4 of Article X of the California Constitution.

- c) In carrying out the public access policies of this article, the commission, regional commissioners and any other responsible public agency shall consider and encourage the utilization of innovative access management techniques, including, but not limited to, agreements with private organizations which would minimize management costs and encourage the use of volunteer programs. (Added by Stats. 1979, Ch. 919.)

DEFINITIONS

Shoreline Access is the provision of the pedestrian access from a public thoroughfare to and along the shoreline.

Lateral Accessway is an area of land providing public access along the water's edge. Lateral accessways should be used for public pass and repass, passive recreational use, or as otherwise found appropriate in a certified LUP. Lateral accessways can be on a beach, where contact with the water's edge is possible, or a bluff where only visual access is possible, or at the rear (water side) of buildings adjacent to the water's edge (i.e. the Esplanade).

Vertical Accessway is an area of land providing a connection between the first public road, trail, or use area nearest the sea and the publicly owned tidelands or established lateral accessway. A vertical accessway should be used for public pass and repass, passive recreational use or as otherwise found appropriate in a certified LUP.

Scenic Overlook is an area of land providing public access along a shorefront bluff or along the coast inland from the shoreline.

Upland Trail is an area of land providing public access along a shorefront bluff or along the coast inland from the shoreline. An upland trail can also provide access from the first public road nearest the sea to a scenic trail or another upland trail paralleling the shoreline. An upland trail should be used for public pass and repass, or as otherwise found appropriate in a certified LUP.

EXISTING ACCESS AND FUTURE DEMAND IN CAPITOLA

Working Paper Number One for the Capitola LUP entitled Access (issued in June, 1979) includes a description of existing vertical and lateral accessways and scenic vista points in the Capitola Coastal Zone. The Working Paper also includes a detailed survey of the parking situation in Capitola Village as a constraint to access. Additional work on parking and vehicular concerns was done by a transportation consultant and the data from those studies is also available for review.

The land adjacent to Capitola's shoreline is densely developed with residential development along the ~~Cliff Drive~~ and Grand Avenue bluffs, as well as a mixture of residential and commercial uses in Capitola Village adjacent to Capitola Beach. Vertical access to the sea from Cliff Drive and Grand Avenue is ~~virtually impossible~~ ~~difficult~~ due to the height of the cliff and ~~substantial~~ continuing erosion; ~~however, there are public access stairways from both Cliff Avenue and Cliff Drive, which connect to the Village and Hooper Beach, respectively. The wooden staircase is often impacted during storm events causing temporary closures to the Cliff Drive access to Hooper Beach. That said, most~~ users of the Capitola shoreline typically gain access from the Esplanade, the wharf area, or from New Brighton beach.

Following is a general description of the major lateral and vertical access areas and scenic overlooks.

CLIFF DRIVE (all descriptions below as of 2025)

~~Two well used viewpoints are located along Cliff Drive between the western city limit line and the wharf. Both pullouts are unpaved, have garbage cans and are lined with safety railings approximately five feet inland because the cliff was receding and undermining the posts. The western viewpoint is owned by the City and has room for approximately 11 cars. There are no benches, but people sometimes sit on the railing. Through a Coastal Conservancy Grant, the City has recently provided a stairway access to the beach. The city is developing a vista point along Cliff Drive in the turnout above the Hooper Beach stairway.~~

~~On the inland side of Cliff Drive, an unpaved area along the Southern Pacific right-of-way is used for public parking (approximately 50 spaces). The City has a formal agreement with Southern Pacific concerning use of this area. People going to Capitola Beach often park here and walk down to the beach. There are no sidewalks or bike paths in the City's narrow road right-of-way; this causes dangerous conflicts between pedestrians and vehicles. The City of Capitola has been given a grant by the Coastal Conservancy (for funding) to develop a paved parking lot on the Southern Pacific Railroad property.~~

Cliff Drive is a key route linking Capitola Village to the greater Santa Cruz County community. The corridor provides visitors with parking and access to the wharf, beach and village, as well as two popular vista points in the area between the western city limit line and the wharf. On the inland side of Cliff Drive, the City manages a parking area within the former Southern Pacific right-of-way, by formal agreement with the Santa Cruz County Regional Transportation Commission (SCCRTC), which purchased the rail right-of-way in 2012.

A City stairway provides access to Hooper Beach at the downcoast viewpoint. The Cliff Drive corridor does not include contiguous sidewalks or a separated bike path. In the upper Cliff Drive corridor, pedestrians and bicyclists share an approximately six foot-

wide portion of the right-of-way, which may result in dangerous conflicts between pedestrians, vehicles, and cyclists. The wooden staircase is often impacted during storm events causing temporary closures to the Cliff Drive access to Hooper Beach.

Regional improvements in multi-modal access in the RTC right-of-way are planned as part of a Monterey Bay Sanctuary Scenic Trail, but they are not currently (2025) in place.

The Cliff Drive corridor has historically been protected from erosion by a shoreline armoring system consisting of a rock revetment at the base of the bluff and a retaining wall at the top of the bluff. The base of the bluff has been undermined over time, and the retaining wall at the top of the bluff is being undercut as the bluff recedes. Adapting the corridor to respond to ongoing erosion and increasing impacts due to sea level rise is necessary to preserve the Cliff Drive corridor and improve conditions for all users. Protecting the bluff with an updated armoring system is likely a necessary component; however, a full analysis as part of a project evaluation that identifies a suite of alternatives is essential to determine a preferred and feasible course of action. The cost of addressing these threats is high, and if funds are not available to address the entire bluff all at once, a phased approach should be employed.

HOOPER BEACH

This small City-owned and maintained beach is located west of the wharf. Access at the end of Wharf Road is down a roadway that is occasionally used as a boat ramp. Access is also provided via a vertical stairway along the midpoint of Cliff Drive, and as noted above, is often impacted during storm events causing temporary closures. There are 11 public parking spaces at the end of Wharf Road; 9 in close proximity to the front of the Venetian Court and approximately 26 private spaces reserved for guests of the two motels. Pedestrian access is also obtained along the beach from the main beach to the east.

Underlying title to Hooper Beach is owned by Esther H. Hooper. There are no signs indicating that this beach is private and there are no barriers to keep the public out. On the beach itself are located two garbage cans and a City sign; "No dogs on beach—Capitola City Ordinance." These improvements were placed there by the City.

In recent years, the City's maintenance of this beach has included lifeguard service (summer only), raking, litter pick-up and rat abatement in the rocks (principally in the new rip rap placed below the Cliff Drive houses).

Public beach use is clearly evident. Also, small sailboats are stored on the beach during the summer.

CAPITOLA WHARF

The Wharf is located on tidelands and submerged public trust lands. In 1935, the State gave the lands in trust to the County of Santa Cruz. In December of 1979, Santa Cruz County conveyed those portions of the tidelands and submerged lands within City limits to the City of Capitola.

Before storms weakened the structure in early 1978, and made it unsafe for public use, the wharf was used for pier fishing, a bait and tackle shop, boat rental and boat launching.

The City of Capitola owns the wharf and received a grant from the Wildlife Conservation Board to partially fund the rehabilitation of the wharf. The wharf restoration project was financed with 75% federal and state funds, plus 25% local funds. Repair work on the wharf structure was completed in 1981.

New buildings on the wharf now house a small restaurant, bait and tackle shop, boat rental concession and wharf maintenance.

The reopening of the wharf has provided free public fishing access. A condition of the financial participation of the Wildlife Conservation Board is that free public access to the facility be maximized.

Following completion in 1981, the City built two structures on the end of the wharf including a small restaurant and a bait and tackle shop with boat rental concessions. The wharf continued to provide free public fishing access. A condition of the financial participation of the Wildlife Conservation Board was that free public access to the facility be maximized.

In 2021, the City completed Phase 1 of a Wharf Resiliency and Public Access Improvement Project. The project repaired the steel piles at the head of the wharf and the structure underneath the wharf buildings. In the winter of 2022 and 2023 the Wharf sustained severe storm damage which resulted in the demolition of the two structures housing the restaurant and the bait and tackle shop.

Phase 2 of the Wharf Resiliency and Public Access Improvements incorporated storm damage repair into the design. The project involved new decking, new railing, repairs and replacement to 148 piles, utility repairs and replacement, and the installation of permanent public restrooms with three stalls. Additionally, amenities including a new gated archway with mosaic panels, a bronze fish pathway leading to 4 scenic viewing stations each with binoculars and picnic tables, a water filling station, 40 benches, 4 picnic benches, 10 bike racks, and public art donor wall were installed through a partnership with a local community group which created the Capitola Wharf Enhancement Project. The Capitola Wharf reopened in the summer of 2024.

In 2024, the City began work on a Wharf Master Plan, to guide the future use of the Wharf. This effort was still in the initial public outreach and planning phase in the summer of 2025.

VENETIAN COURT

This condominium style subdivision (apparently one of the first in the state) was created in 1924. The units, fronting on Capitola beach, include a paved walkway with a contiguous two foot seawall, following the perimeter boundary of the subdivision at the edge of the beach. Access to the units (which are used as permanent homes, weekend homes, vacation rentals and motel units) and to the beach is gained in three locations:

- at the west side of the complex, a paved walkway comes down from the end of the Wharf Road to the perimeter walkway;
- a paved walkway starting at the sidewalk along Wharf Road and passing down through the middle of the complex with a sign at the beginning of the walkway which reads:
“Private Property
Right to Pass Revocable At Any Time”
- four steps come down from the sidewalk at the west end of the Stockton Avenue bridge and join the perimeter walkway.

THE ESPLANADE

There are several commercial buildings in the ocean side of the Esplanade. Between the buildings are separate accessways from the Esplanade to the beach:

- between 221 and 215 Esplanade is a breezeway that dead ends at Soquel Creek Lagoon, without steps down to the waterline;
- between 207 and 203 the Esplanade is a breezeway that terminates on Capitola Beach;
- running behind 203 the Esplanade is a narrow deck that was declared open to public use by the courts (Hansen V. Korzyma).

Curb Parking is provided along the Esplanade.

CAPITOLA BEACH

The City beach receives extensive public use. An aerial survey taken by the County on four afternoons in August of 1976 showed an average of 429 people on the beach in mid-afternoon and a maximum of 520. With an estimated area of 4.4 acres, the average density of beach use was 97.4 people per acre, with a maximum of 118.2. Trash cans and a public restroom at the beach are maintained by the City.

Public parking is located along both sides of the Esplanade and on nearby city streets. A groin marks the eastern end of the beach.

The recently completed Esplanade Park project, a joint project between the Coastal Conservancy, the County of Santa Cruz Sanitation District and the City of Capitola, has

provided a landscaped pedestrian area used for viewing and other passive open space activities. The project has consolidated the restrooms and sewage pump station into an architecturally-designed building. Other benefits of the project include:

- providing facilities adjacent to the beach and the sea for persons who find use of the beach itself difficult (i.e. the elderly and handicapped, etc.)
- significantly expanding area of land near the beach available for open space recreational use for residents and visitors.
- providing opportunities for enhancement of a visually degraded area.

FROM CAPITOLA BEACH TO NEW BRIGHTON BEACH

During low tide, people sometimes pass between Capitola and New Brighton beaches by walking along a narrow sand and rock beach that lies at the base of 90 foot high bluffs. Steep topography restricts access options from above the beach; due to the dangerous situation caused by the eroding cliffs, access is discouraged by the City along the cliff base as well.

EL SALTO/ESCALONA GULCH

At the turn of the century, access along the top of the cliff was a tree-lined public path known as Lovers' Lane, on the ocean side of Grand Avenue. Lovers' Lane was lost in the 1930s because of cliff erosion.

Escalona Drive (called Railroad Avenue on the 1884 Camp Capitola subdivision map) is paved to the point approximately 500 feet east of Sacramento Avenue. At that point, a chain blocks vehicular access and what is apparently a private dirt road curving south out toward the ocean. The original subdivision map shows Escalona Drive in this area curving around to meet Grand Avenue at the edge of the cliff. The current parcel map shows Grand Avenue ending at Sacramento Avenue – it has been closed between Hollister and Sacramento Avenues because of cliff erosion. These parcel maps show Escalona Drive with an undeveloped right-of-way curving over 400 feet beyond the chain.

A footpath runs from near the chain on Escalona Drive down through Escalona Gulch and up to Grove Lane on the east side of the gulch. The course of the gulch becomes steep near the ocean and there is no access to the water below. A five foot wide pedestrian easement is recorded on the east bank of the gulch, but it does not run as far as the railroad.

A condition of coastal permit No. P-80-11 for a land division on part of the El Salto Resort property, was that an offer of dedication for two easements be made. These easements are to provide a public trail from El Salto Drive (also known as Prospect Street) to the bluff edge for observation of the shoreline. So far, the property owner has

chosen not to exercise the permit for the land division and has not recorded the easement offers. If and when these offers are recorded, the city should accept it in order to help realize the goal of a bluff-top trail.

RAILROAD

The Southern Pacific Regional Transportation Commission Railroad right-of-way next to Park Avenue has been used by pedestrians traveling parallel to the coastline. The wide part of the right-of-way is used by many people to view the ocean. The entrance to this potential vista point would be from Grove Lane as it crosses the railroad tracks. Two undeveloped pedestrian paths cross the right-of-way on the way down to New Brighton beach; the western path goes from the parklike area in the wide portion of the right-of-way down steeply to the emergency access road leading to New Brighton beach. The other path goes from Park Avenue opposite Coronado Street down to the New Brighton parking lot. Both paths are heavily used by the local residents, though neither one is recognized as an official access point by State Park representatives. The authorized entrance to the park is almost one-third of a mile to the northeast. During early public workshops on the Capitola LCP, citizens and City officials suggested that these paths should remain open. Later sections of this document include information on possibilities for future uses of the railroad right-of-way and for New Brighton State beach.

SOQUEL CREEK

The Local Coastal Program Working Paper Number 1 – Access – described the issues and possibilities concerning public access along Soquel Creek. The Capitola General Plan Circulation Element has a policy that Soquel Creek have a pedestrian path from Highway One to the Village Center. In fact, the Soquel Creek corridor has a long history of public trail use. As development has taken place in the corridor, access has been altered, and in some cases, diminished.

Because of the sensitive nature of the riparian corridor and the habitat it provides for various species of resident and migratory birds (including the black crown night herons, which are on the Audobon Society “blue list”) an extension of the path, and especially the use of bridges, should not be required.

The dedications offered by Timmons, Rafaelo and Golino, for access easements should not be accepted by the City. However, the City shall accept and require scenic conservation easements to ensure that the banks of the creek are maintained in their natural conditions.

The City should continue to maintain the existing paths and provide for public access at the city-owned parks along the northerly reaches of the creek. In addition, the city should enhance the public’s abilities to reach upper Soquel Creek from the lagoon, by way of Riverview Drive and Wharf Road.

NEW BRIGHTON STATE BEACH

New Brighton beach, as part of the state park, has become a large day-use parking area. Facilities for camping accommodate recreational vehicles and tents. Campers arriving by bicycle can stay overnight for a nominal fee. In addition to the previously-mentioned emergency access road, there is a walkway down from the camping area to the beach. People can also enter New Brighton beach on foot from the southeast along the beach from Seacliff and Rio Del Mar. The county's aerial beach survey in 1976 counted an average of 175 people on this 13.4 acre beach, for an average density of 13.1 people per acre. The maximum counted in four August afternoons was 223, representing a density of 16.6 people per acre. The City would encourage greater usage and access by the public of New Brighton beach.

EXISTING POLICIES AND REGULATIONS

The Capitola General Plan (January 1975) includes some policies for the provision and protection of public access within Capitola. These include goals for the creation of a cycling and pedestrian path system and the protection and enhancement of scenic overlooks. Some of the general plan goals are beginning to be realized through the completion of the East Cliffs bikeway by Santa Cruz County, and by the requirement of access easements by the City and Coastal Commission. The City is also taking positive steps toward improving coastal access by restoration of the Capitola Wharf, obtaining a Coastal Conservancy Grant for a stairway from the wharf to the beach, and through operation of the shuttle bus system.

There is no reference or requirement in Capitola's zoning ordinance regarding the provision of access with new or expanded developments. The City has required access easements along Soquel Creek and the shoreline in development permits on a case-by-case basis. While this is a positive step, a certifiable LUP must include a more comprehensive long-term program for providing and protecting coastal access. The following policies set the framework for the access program. The implementation portion of the LCP will include specific regulations requiring access and the City's program for improving trails and overlooks.

The LCP represents the commitment of the City of Capitola to provide continuing protection and enhancement of its coastal resources. It is recommended that certain resource areas in this jurisdiction may require further public attention to ensure their protection and enhancement. Included in this concern are:

- degraded, or less than pristine, wetlands of any size, such as the lagoon at the mouth of Soquel Creek;
- some form of deterioration or development pressures;
- areas which are appropriate for well-adjusted visitor, commercial, and recreational facilities such as the beach area.

**POLICIES AND IMPLEMENTATION FOR
PUBLIC ACCESS COMPONENT – CAPITOLA LCP**

GENERAL POLICIES

Policy II-1 It shall be the policy of the City of Capitola to provide safe and adequate pedestrian access to and along the shoreline as designated in the Shoreline Access Plan (see Maps II-1,2, and 3).

Implementation:

- a) Develop ordinance to require dedications to implement the shoreline access plan.

Use available coastal access and open space grant programs for acquisition and development (i.e. Coastal Conservancy and State Parks and Recreation).

Policy II-2 It shall be the policy of the City of Capitola to maintain the existing shuttle bus system so that it serves as an alternative to automobile use and parking within the Village. Furthermore, the City shall continue to seek out and implement other parking alternatives that may become available in the future. The intensity of development within Capitola Village shall be limited to the availability of parking. The City may designate two Village metered parking spaces, or similar space, to allow for the operation of a Valet Parking Program. These two parking spaces shall be available for use by the general public when the Valet Parking Program is not in operation. The Valet Parking Program shall not otherwise reduce the general public parking supply.

Implementation:

- a) The City shall continue to provide a free summer beach shuttle program on summer weekends and summer holidays from a remote lot or lots, such as on Bay Avenue.
- b) Continue the financing mechanism for the free summer beach shuttle program.
- c) Periodically review parking innovations and multi-modal enhancements in other coastal communities for possible use in Capitola.
- d) The City or a private entity approved by the City may operate a valet parking program by leasing private parking spaces and/or lots during

weekends and/or evenings, and where the spaces/ lots are located within a reasonable distance from the Village. The program operator can charge a reasonable fee, approved by the City, to users of the valet parking program. For a fee, automobile drivers may leave their cars with a valet, when then has the choice to park in the leased private parking spaces/ lots when the businesses or services that typically use these spaces/ lots are not open. The owners of these spaces/ lots are compensated for the use of the spaces/ lots, and issues such as liability will be addressed by the private company operating the valet service.

Policy II-3 It shall be the policy of the City of Capitola to design and implement a sign program for visitor information to specifically facilitate the use of beach access points.

Implementation:

Develop a beach access signage program and a signage program to direct visitors to the Shuttlebus lot, keeping traffic from circling in the Village area when possible.

SPECIFIC POLICIES

Policy II-4 ~~Provide for a safe pedestrian and bicycle path and/or sidewalk on or along Cliff Drive, and provide improvements including landscaping, benches, etc., and parking turn-out areas to facilitate both pedestrian and auto use.~~

The City shall evaluate ways to maximize Cliff Drive's public access and multimodal transportation utility, and shall pursue funding and projects to transform Cliff Drive into a complete street to provide safe access for pedestrians, bicyclists, and motorists. Development along Cliff Drive shall be designed to enhance and maximize public access and multimodal transportation opportunities while simultaneously minimizing and mitigating for any unavoidable adverse coastal resource impacts to the maximum extent feasible. Any critical infrastructure/public works development along Cliff Drive shall incorporate user amenities such as benches, waste, and recycling facilities, and vehicular and bicycle parking for those visiting the coastline.

Implementation:

a) Develop a ~~bicycle~~ multi-modal improvement plan for the Cliff Drive/Village/Park Avenue area and seek ~~Regional Transportation Commission~~ funds for development.

- ↳ Develop a beautification and access improvement plan for the Cliff Drive Wharf area.

~~Policy II-5 Obtain agreement from Southern Pacific and improve parking area on inland side of Cliff Drive within Southern Pacific and Cliff Drive rights of way. This is intended to add to Wharf user parking.~~

~~Continue collaboration with SCCRTC through design and construction phases of the Coastal Rail Trail project to provide safe access for pedestrians and bicyclists travelling along Cliff Drive. Integrate parking along Cliff Drive to support users visiting the coast, wharf, and coastal trail.~~

Implementation:

~~Acquire necessary easements for long-term usage of Southern Pacific right-of-way for parking and utilize Coastal Conservancy funding for development.~~

HOOPER BEACH AREA

~~Policy II-6 Overnight storage of catamarans and other small craft will not be allowed to conflict with the use of beach area by the general public.~~

Implementation:

~~Establish an ordinance to prohibit overnight storage of catamarans and other small craft on the beach, under the wharf, or in any other area used by the public.~~

~~Policy II-75 Maintain, at minimum, the existing rights of the public to use the sandy beach.~~

Implementation:

None.

WHARF AREA

~~Policy II-86 Complete restoration of the wharf as a free access public fishing pier and develop small, low intensity facilities that provide complementing public services (i.e. food service facilities, fishing/boating accessory shop, maintenance and repair operations, water taxi service, public restrooms, etc.)~~

Implementation

Develop concessionaire agreements that specify and limit types of uses on the wharf, consistent with Policy II-68.

Policy II-97 Provide adequate parking nearby to support the wharf uses (specifically boat launching activities) and establish operational guidelines that minimize conflicts between pedestrians and Wharf traffic.

Implementation:

- a) ~~Acquire necessary easements for long term usage of Southern Pacific right of way for parking and utilize Coastal Conservancy funding for development.~~
- a) ~~Develop concessionaire agreements that specify and limit types of uses of wharf consistent with Policy II-68.~~

Policy II-108 Improve the design of Wharf Road/Cliff Drive intersection to improve multi-modal transportation and traffic circulation (see Exhibit II-1).

Implementation:

Place improvements for intersection within the City's Capital Improvements Program (1981-82).

VENETIAN COURT AREA:

Policy II-119 Clarify and maintain public access over and along the Venetian Court perimeter walkway adjacent to the public beach.

Implementation:

Maintain the existing public access through and along the Venetian Court.

THE VILLAGE AREA:

Policy II-1210 Develop a scheme for safe multi-modal ~~bicycle~~ connection between Cliff Drive and Park Avenue and improve multi-modal ~~bicycle~~ parking facilities.

Implementation:

~~Develop overall bicycle a multi-modal improvement plan for Cliff Drive-Village-Park Avenue transition utilizing directional signing and seek Regional Transportation Commission funds for development.~~

CAPITOLA BEACH AREA:

Policy II-1411 Maintain a commitment to all existing access walkways and paths to Capitola Beach.

Implementation:

Develop an inventory of all existing, as well as desired public accessways.

RESTROOM/PUMP STATION PARKING AREA:

Policy II-1512 Maintain the Esplanade public facilities/park area improvements.

BETWEEN CAPITOLA AND NEW BRIGHTON BEACH:

Policy II-1613 Access along beach should not be formalized, and due to safety factors, should be signed to warn of potential hazards from tidal action and cliff erosion.

Implementation:

Provide warning signing at either end of the beach.

Policy II-1714 ~~Designate Park Avenue and the Southern Pacific Railroad right of way along the bluff top as the lateral coastal accessway. Preserve coastal access between Capitola Village and New Brighton and develop vista points and connecting pathways in cooperation with Southern Pacific Railroad RTC and State Parks. Evaluate the potential for continuation of the Grand Avenue bluff top path from Hollister Avenue to Escalona Avenue concurrent with any development proposals for parcels adjacent to this area.~~

Implementation:

~~Acquire right of way easements from Southern Pacific and Seek funding from the Transportation Commission, Coastal Conservancy, and private sources for multimodal improvements and development of bicycle path, improved pedestrian accessways, and vista points which are not hazardous.~~

Policy II-1815 Because of environmental sensitivity of the natural ecosystem along the creek, the City will maintain existing pathways and park sites for public use but will prevent further disruption that might occur because of expansion of path systems along Soquel Creek.

Implementation:

Develop an ordinance that requires scenic conservation easements or land dedications to preserve the open space/habitat qualities of Soquel Creek.

VII. NATURAL HAZARDS

BACKGROUND

The hazards policy group of the land use plan concerns the following: seismic shaking, liquefaction, tsunamis, landslides, flooding, and bluff and beach erosion. A brief definition of each type of hazard is given along with a summary of the hazards existing in Capitola's coastal zone. For a more detailed discussion of each type of hazard and the remainder of the background information below, see Capitola LCP Working Paper #2 (May 1980; available at Commission or City offices).

SEISMIC SHAKING

Seismic shaking is caused by movement of the earth's crust in fault zones. Active faults are located offshore from Capitola in Monterey Bay and in the Santa Cruz mountains. While no active faults underlie the City, a high magnitude earthquake along any of the nearby faults would result in intense shaking.

LIQUEFACTION

Liquefaction occurs in areas underlain by unconsolidated water-saturated sediments. During seismic shaking, these areas acquire liquid-like properties which can result in ground failure and buildings sinking, tilting, or toppling. The hazard areas in the coastal zone are the Village, the Soquel Creek mouth and banks, and noble Gulch. A map is attached which shows the areas subject to liquefaction.

TSUNAMIS

Tsunamis or seismic sea waves are large oceanic waves, resulting from submarine volcanic eruptions, seismic events, or landslides. The maximum probable tsunami to hit Capitola's shoreline is estimated to be 20 feet in height. Portions of the Village and mouth of Soquel Creek could be inundated as indicated on the attached map.

LANDSLIDES

Landslides occur as a result of ground failure in inherently unstable materials, as well as during seismic shaking on steep slopes. Several human-induced factors contribute to slope instability. These activities include removal of vegetation, alteration of slopes by grading and construction, top loading of slopes with structures, and alteration of slope drainage patterns by channeling runoff from impervious surfaces or otherwise blocking natural drainage paths.

There exist in the coastal zone several areas with slopes of 30 percent or greater. These areas are located along Soquel Creek, Noble Gulch, and Escalona Gulch. The Escalona Gulch landsliding potential is compounded by the fact that the area is covered by highly erodible soils.

FLOODING

The lowlands along Soquel Creek, most of the Village, and the lowlands immediately adjacent to Noble Gulch lie within the 100 year floodplain (i.e. all this area is expected to flood at least once every 100 years). Soquel Creek has flooded several times in the past and will probably flood again. Development within the floodplain increases the severity of floods by obstructing waterflow and supplying debris which can accumulate, causing flood waters to back up and rise.

BLUFF AND BEACH EROSION

The beaches and bluffs of most of the California coastline are eroding. In Bluffs in the City of Capitola, the bluffs extend both up and downcoast of the Village, and these areas are eroding at a moderate to fairly high rate (from up to 1.5 to 3 feet per year). Both private and public development is presently threatened by such bluff retreat. The most important public property properties immediately endangered is are along Grand Avenue at Depot Hill and Cliff Drive. Several residential structures are also threatened along those bluffs. Presently the only seawall or protective device to reduce the rate of erosion is the rip rap placed at the base of the bluff just upeast of Hooper Beach. Other than armoring nearest the Village, the bluffs along Depot Hill are almost entirely unarmored (as of 2025). The armoring at Cliff Drive is significant, but it is being undercut by ongoing and episodic erosion. Without intervention, the bluff will continue to recede, threatening the Cliff Drive corridor. In terms of beach/shoreline erosion, Capitola Beach has experienced periodic episodes of erosion and lost sand after the Santa Cruz Small Craft Harbor was completed, apparently including because the harbor and its jetties have interfered with downcoast transport of beach sand. The City had a groin installed in 1970 and In 1970, the Army Corps of Engineers constructed a groin at the downcoast end of the Esplanade, which was accompanied by imported sand to fully recharge the beach. The groin has helped maintain and restore beach width at Capitola Beach, and was refurbished in 2020 to help extend its life and preserve its efficacy. A concrete seawall at the inland boundary of the separates the beach from protects the parking lot and Village businesses from wave attack unless the waves are large enough to, although large waves/wave events periodically top the wall, resulting in flooding and storm damage in the Village, an event which has occurred in recent past winters.

RELEVANT COASTAL ACT POLICIES

The following Coastal Act policies pertain to natural hazards in Capitola's coastal zone:

SEC. 30253 (1) AND (2)

New development shall:

- 1) Minimize risks to life and property in areas of high geologic, flood, and fire hazard.
- 2) Assure stability and structural integrity, and neither create nor contribute significantly to erosion, geologic instability, or destruction of the site or surrounding area or in any way require the construction of protective devices that would substantially alter natural landforms along bluffs and cliffs.

SEC. 30211

Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.

SEC. 30212

- a) Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects except where (1) it is inconsistent with public safety, military security needs, or the protection of fragile coastal resources, (2) adequate access exists nearby, or (3) agriculture would be adversely affected. Dedicated accessway shall not be required to be opened to public use until a public agency or private association agrees to accept responsibility for maintenance and liability of the accessway.
- b) For purposes of this section, "new development" does not include: Replacement of any structure pursuant to the provisions of subdivision (g) of section 30610.
 - a. The demolition and reconstruction of a single-family residence; provided that the reconstructed residence shall not exceed either the floor area, height, or bulk of the former structure by more than 10 percent, and that the reconstructed residence shall be sited in the same location on the affected property as the former structure.
 - b. Improvements to any structure which do not change the intensity of its use, which do not increase either to floor area, height, or bulk of the structure by more than 10 percent, which do not block or impede public access, and which do not result in a seaward encroachment by the structure.
 - c. Any repair or maintenance activity for which the commission has determined, pursuant to Section 30610, that a coastal development permit will be required unless the regional commission or the commission determines that such activity will have an adverse effect on lateral public access along the beach.
- c) As used in this subdivision, "bulk" means total interior cubic volume as measured from the exterior surface of the structure.

Nothing in this division shall restrict public access, nor shall it excuse the performance of duties and responsibilities of public agencies which are

required by Sections 66478.1 to 66478.14, inclusive, of the Government Code and by Section 4 of Article X of the California Constitution. (Amended by Cal. Stats. 1979, Ch. 919.)

SEC. 30230

Marine resources shall be maintained, enhanced, and where feasible, restored. Special protection shall be given to areas and species of special biological or economic significance. Uses of the marine environment shall be carried out in a manner that will sustain the biological productivity of coastal waters and that will maintain healthy populations of all species of marine organisms adequate for long-term commercial, recreational, scientific, and educational purposes.

SEC. 30231

The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of ground water supplies and substantial interference with surface water flow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.

SEC. 30233 (a)

- a) The diking, filling, or dredging of open coastal waters, wetlands, estuaries, and lakes shall be permitted in accordance with other applicable provisions of this division, where there is no feasible less environmentally damaging alternative, and where feasible mitigation measures have been provided to minimize adverse environmental effects, and shall be limited to the following:
 - 1) New or expanded port, energy, and coastal-dependent industrial facilities, including commercial fishing facilities.
 - 2) Maintaining existing, or restoring previously dredged, depths in existing navigational channels, turning basins, vessel berthing and mooring areas, and boat launching ramps.
 - 3) In wetland areas only, entrance channels for new or expanded boating facilities; and in a degraded wetland, identified by the Department of Fish and Game pursuant to subdivision (b) of Section 30411, for boating facilities if, in conjunction with such boating facilities, a substantial portion of the degraded wetland is restored and maintained as a biologically productive wetland; provided, however, that in no event shall the size of the wetland area used for such boating facility, including

berthing space, turning basins, necessary support service facilities, be greater than 25 percent of the total wetland area to be restored.

- 4) In open coastal waters, other than wetlands, including streams, estuaries, and lakes, new or expanded boating facilities.
- 5) Incidental public service purposes, including, but not limited to, burying cables and pipes or inspection of piers and maintenance of existing intake or outfall lines.
- 6) Mineral extraction, including sand for restoring beaches, except in environmentally sensitive areas.
- 7) Restoration purposes.
- 8) Nature study, aquaculture, or similar resource-development activities.

SEC. 30235

Revetments, breakwaters, groins, harbor channels, seawalls, cliff retaining walls, and other such construction that alters natural shoreline processes shall be permitted when required to serve coastal-dependent uses or to protect existing structures or public beaches in danger from erosion and when designed to eliminate or mitigate adverse impacts on local shoreline sand supply. Existing marine structures causing water stagnation contributing to pollution problems and fishkills should be phased out or upgraded where feasible.

SEC. 30244

Where development would adversely impact archaeological or paleontological resources as identified by the State Historic Preservation Officer, reasonable mitigation shall be required.

SEC. 30251

The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality in visually degraded areas. New development in highly scenic areas such as those designated in the California Coastline Preservation and Recreation Plan prepared by the Department of Parks and Recreation and by local government shall be subordinate to the character of its setting.

SEC. 30270

The commission shall take into account the effects of sea level rise in coastal resources planning and management policies and activities in order to identify, assess, and, to the extent feasible, avoid and mitigate the adverse effects of sea level rise.

EXISTING POLICIES AND REGULATIONS

SEISMIC SHAKING & LIQUEFACTION

The City of Capitola has adopted and enforced the Uniform Building Code which stipulates standard construction methods for areas subject to earthquakes. The Seismic Safety Element of the General Plan has a policy which requires that in areas identified in the General Plan EIR as having high to very high seismic shaking hazard, a geologic study shall be done which delineates adequate structural mitigation measures prior to approval of development plans.

TSUNAMIS

The General Plan states that any development, redevelopment, or major rehabilitation along the beachfront and mouth of Soquel Creek that may be subject to runup shall require a report demonstrating measures of mitigation for potential flooding. The General Plan also requires an adequate setback from bluff edges to reduce the hazard of wave runup. This setback is to be determined in a geologic report which the City is to require for all bluff top developments.

LANDSLIDES

Although the City's General Plan does not have a specific section on landslides, unstable slopes are treated by the Open Space Element. The Open Space Element prohibits development along riparian areas which are susceptible to landslides.

FLOODING

The General Plan states that no new development should take place within the 100-year flood plain of Soquel Creek unless federal flood plain standards are met. The zoning ordinance includes a flood plain zoning overlay and flood plain regulations which are applied to the 100-year flood plain as designated by FEMA. The flood plain ordinance does not allow new construction or substantial improvement in the designated flood way and requires that such development in the flood plain be elevated above the flood height for residential construction or flood-proofed for commercial development.

BLUFF AND BEACH EROSION

In response to ongoing bluff and beach erosion, multiple armoring structures exist along the Capitola shoreline. However, such armoring structures, while protecting development

inland of them, have a series of adverse coastal resource impacts, including ultimately leading to a loss of beach.

The bluffs and beaches are threatened by storms, erosion, and sea level rise; and adaptation, in light of such coastal hazards, will prove critical in coming years. The City will continue to engage in coastal adaptation planning to address known vulnerabilities of bluff and beach erosion and explore mechanisms to better protect resources and enhance and adapt public and recreational access opportunities and amenities.

~~The City's General Plan includes the Coastal Commission's interim guideline (of 1974) on bluff top development as a policy in the Seismic Safety Element. However, the Coastal Commission has revised its bluff top policy to make it more clear and stringent; this indicates a need for the City to possibly update its policy. The Conservation Element has policies on both beach and bluff erosion. It recommends replacement of sand lost from erosion and stabilization measures for Capitola Beach. The Conservation Element also includes a policy that shoreline protection works can be placed after detailed study of the subject area. It also ranks the types of permissible shoreline works as follows:~~

- 1) ~~Addition of rip rap at the base of the cliffs;~~
- 2) ~~Provision of additional rock groins to encourage permanent expansion of beaches if feasible;~~
- 3) ~~Provision of seawalls as a last resort where other methods are not satisfactory.~~

STATE AND FEDERAL REGULATIONS

Several agencies have jurisdiction over areas that are involved in the above hazard types. These are:

- California Coastal Commission – Even after the City's LCP has been certified and is being implemented, the Coastal Commission retains permit control jurisdiction over tidelands, submerged lands, and public trust lands (pursuant to Coastal Act Section 30519), and performs an oversight role in relation to the City's delegated jurisdictional responsibilities.
- State Department of Fish and Game Wildlife – Requires a permit for any activity in Soquel Creek and the immediate banks, and reviews any project proposed for ocean waters.
- State Lands Commission – Requires a permit for any project which is a seaward of the Mean High Tide line or which would alter the MHT line, i.e. the State's boundary.

- State Department of Parks and Recreation – If their property is to be utilized for any project, including as access to another site, the Department's permission is necessary.
- U.S. Army Corps of Engineers – Requires a permit for any activity which is seaward of the Mean High Tide line or is in any navigable water or wetland.
- Regional Water Quality Control Board – Activities affecting California's surface, coastal, or ground waters require a permit from the Central Coast Regional Water Quality Control Board.
- Monterey Bay National Marine Sanctuary – Regulated activities below Mean High Tide Line require a National Marine Sanctuary permit.

Natural Hazards Component Policies

GENERAL POLICIES

Policy VII-1 It shall be the policy of the City of Capitola to adequately plan for natural hazards in new development, reduce risks to life and property, and revise all plans and Zoning Ordinances to be in conformance with all the policies of the Coastal Act relating to hazards and shoreline structures. The City shall further take into account the effects of sea level rise in coastal resources planning and management policies and activities in order to identify, assess, and, to the extent feasible, avoid and mitigate the adverse effects of sea level rise.

Implementation:

- a) Requires geologic/engineering reports in areas of high seismic shaking for structures subject to public use or multi-residential as required by the UBC.
- b) Revise Zoning Ordinance to require geologic reports for all development proposed on coastal bluffs or beaches, including shoreline structures such as seawalls and including provisions of Policy VII-8.

Policy VII-2 All geologic/engineering reports required by the City pursuant to the policies of this component shall be prepared by a qualified geologist/engineer according to the guidelines for practice issued by the California ~~Division of Mines and Geology~~ Geological Survey and shall be based on the best available, professionally accepted science and scientific guidance, ~~specifically CDMG notes Numbers 37 (Guidelines to Geologic/Seismic Reports), 43 (Recommended Guidelines for Determining the Maximum Probably Earthquakes), 44 (Recommended~~

Guidelines for Preparing Engineering Geologic Reports) and interpretive Coastal Commission for Bluff Top Development.

Bluff and hillside stability evaluations shall consider a range of coastal hazards—including erosion rates, wave climate, storm surge, and sea-level rise—over a 50-year planning horizon. Proposed development shall incorporate mitigation measures designed to perform for a minimum of 50 years post-occupancy. Site-specific analysis must be prepared and sealed by a California-licensed Geotechnical Engineer (GE) or Certified Engineering Geologist (CEG) and accepted by the City of Capitola.

Implementation:

Incorporate policy requirements for all development proposals subject to Policy VII-2.

SPECIFIC POLICIES

Seismic Safety Policies

Policy VII-3 The City shall require all new building plans, for public use structures or multi-residential (more than three units), to conform with the Uniform Building Code construction standards.

Implementation:

Requires geologic/engineering reports in areas of high seismic shaking for structures subject to public use or multi-residential as required by the UBC.

Tsunamis

Policy VII-4 Measures to mitigate possible flooding shall be submitted for all new structures that will be occupied by the public located in areas as shown on Map VII-3.

Implementation:

Develop regulations limiting development in coastal flood hazard areas as designated by FEMA.

Landslides

Policy VII-5 A geologic/engineering report which indicated methods of achieving structural stability and mitigation measures to prevent erosion shall be submitted for any structure which is to be constructed on a slope in excess of 30 percent.

Implementation:

Revise Zoning Ordinance to require geologic/engineering report for structures to be built on slopes in excess of 30 percent.

Flooding

Policy VII-6 It shall be the policy of the City to adopt a local flood plain ordinance consistent with the Federal Emergency Management Agency (FEMA) requirements for designated 100-year riverine flood plains

Implementation:

Adopt riverine flood plain ordinance.

Beach and Bluff Erosion

Objective: Protect and enhance bluff, shoreline, offshore, and sandy beach recreational areas for public use and enjoyment while ensuring all development (including private structures and public infrastructure) is protected, as much as possible, from both current and future coastal hazards. Ensure that otherwise allowable development is sited, designed, and conditioned to minimize risks to life and property, to avoid being subject to coastal hazards, and where development cannot entirely avoid coastal hazards, to appropriately mitigate for adverse impacts to coastal resources, including to bluff, shoreline, offshore, and sandy beach recreational areas.

Policy VII-7 Bluff and cliff top development shall be approved only if design and setback provisions are adequate to assure stability and structural integrity for ~~the expected economic lifespan of the development~~ (at least 50 years) and if the development (including storm runoff, foot traffic, grading, and irrigation) will neither create nor contribute significantly to erosion problems or geologic instability of the site or surrounding area. This policy shall be carried out by requiring geologic reports as per Policy VII-8.

Implementation:

~~Revise Zoning Ordinance to require geologic reports for all development proposed on coastal bluffs or beaches, including shoreline structures such as seawalls and with specific emphasis on provisions outlined in Policy VII-7.~~

Policy VII-8 A geologic/engineering report shall be submitted for any bluff top or cliff development proposed within 200 feet of the cliff edge.

The City may designate a lesser area of demonstration in specific areas of known geologic stability (as determined by adequate geologic evaluation and historic evidence) ~~or where adequate protective works already exist.~~ The City may designate a greater area of demonstration or exclude development entirely in areas of known high instability.

The technical geology report shall be prepared by a ~~registered geologist or professional civil engineer~~ qualified professional with expertise in ~~shoreline processes soils or foundation engineering or by a certified engineering geologist~~. The report shall consider and analyze any information required by Policy VII-2.

Implementation:

- a) ~~Revise Zoning ordinance to require geologic reports for all development proposed on coastal bluffs or beaches, including shoreline structures, such as seawalls and including provisions of Policy VII-8.~~
- a) Develop maps for public information showing areas and parcels requiring the submittal of geologic reports.

Policy VII-9 Shoreline structures, ~~such as~~ including but not limited to seawalls, revetments, groins, and breakwaters, shall be permitted only to serve coastal dependent uses, to protect existing ~~development~~ structures (other than accessory structures), or to protect public beaches in danger of erosion; shall only be permitted ~~only~~ if nonstructural solutions (such as ~~artificial~~ beach nourishment and relocating structures) and any other less environmentally damaging alternatives (such as nature-based adaptation measures) have proved to be infeasible; shall only be permitted if determined to be the least environmentally damaging feasible alternative to protect the endangered structure/beach/use; and, shall only be permitted if all coastal resource impacts are avoided as much as possible, and where all unavoidable impacts are commensurately mitigated. Such structures shall be designed to eliminate or mitigate adverse impacts on local shoreline sand supply, public access, visual resources, marine habitats, and paleontological resources, and other coastal resources. It is further the policy of the City of Capitola that no permanent channelization of the mouth of Soquel Creek shall be permitted. The seasonal movement of sand to form the lagoon, maintenance dredging and infill of bulkheads shall not be considered permanent channelization.

Implementation:

Incorporate policy direction in Planning Commission and Architectural and Site Review for projects involving shoreline structures.

Policy VII-10 The City should continue to participate with the State Department of Boating and waterways in studying the bluff erosion problem and possible solutions. The City should participate in any proposed shoreline project only if the project is in conformance with other LCP policies.

Implementation:

- a) Present results of bluff erosion study by the Department of Boating and Waterways to the public for review. Pursue funding for proposed measures, if any, if they appear feasible.
- b) Develop an ordinance to require notification of potential erosion hazards to any new owner, upon sale of properties along Coastal bluffs within Capitola.

Policy VII-11 The City shall construct future drainage projects and improve existing drainage facilities where feasible so that runoff is ~~filtered and treated, and directed away from the coastal bluffs, or if it cannot be (except that where such measures are infeasible it shall be) discharged in a place and manner so as not to contribute to erosion of a bluff or beach.)~~

~~As a condition of approval for any coastal adaptation strategies along Cliff Drive, require the removal of any non-native and invasive plants and replacement with native bluff plants and explore the feasibility of directing drainage to inland drainage systems. Ensure that drainage in coastal hazard areas does not contribute to coastal bluff or other shoreline and erosion, and camouflage all drainage elements to minimize impact to visual resources.~~

Implementation:

Cooperate with AMBAG in the development of erosion control regulations for all new development as required by the regional Water Quality Control Board with specific emphasis on reducing erosion impacts on coastal bluffs and beaches.

Policy VII-12 Notwithstanding other LCP provisions, resiliency and adaptation projects may be approved along Cliff Drive provided they use the best available science to address and mitigate impacts from sea level rise and climate change related phenomena, enhance public recreational access, and protect/enhance ESHA/paleontological resources.

Capitola Village

Policy VII-13 Capitola Village is critically important for the City, not only for its residents, but also its visitor-focused economy and its significant public recreational access offerings. Due to its low-lying nature, the Village and its fronting beach are threatened by storms, erosion, and sea level rise. Adaptation in light of such coastal hazards will prove critical in coming years. The City is pursuing funding to embark on coastal adaptation planning to address known vulnerabilities of the Village and Capitola Beach and explore mechanisms to better protect Village resources and enhance and adapt public and recreational access opportunities and amenities.

MAP NOTES

The LCP Land Use Plan Map has been prepared by using the same format as the City of Capitola General Plan Map, in order to make it easier to use. The land use designations in the General Plan are carried over into the Land Use Plan where they are consistent with the Coastal Act of 1976. The maps included in the text should be considered as part of the Land Use Plan Map and provide further interpretation of the Land Use Plan policies. The full-size versions of these reduced maps will be available for review in the City offices.

Also, as in a General Plan Map, this Land Use Plan Map is not meant to be a parcel-by-parcel description of appropriate land uses. Rather, the Map should be used in conjunction with the Policies to guide development of individual parcels. Other map notes follow.

- 1) The Map shows land use designations only for those areas that are both in the Coastal Zone and the City limits.
- 2) The Coastal Zone boundary line is approximate. Official boundary maps are available in the Coastal Commission and the City of Capitola offices.
- 3) As under the current Capitola General Plan, in some cases, the designated land use is not representative of the existing land use. The designated use should direct future permits and planning.
- 4) The location of coastal bluffs that are shown are only approximate. Policies of the Natural Hazards Component should guide land use involving bluffs.
- 5) In areas designated residential, public facilities (e.g. fire station, parks, schools) are permitted uses.
- 6) The V-5 symbol on the map denotes that a site is designated for a visitor-serving use. Visitor-serving uses are defined in the Recreation and Visitor-Serving Component.
- 7) The Mixed Commercial-Residential land use indicates that combined commercial and residential uses are appropriate on a single site. This land use designation is defined in the Housing Component.
- 8) The map has 6 high-density residential uses designated. Two of these sites have been identified in the Housing Component Policies as suitable for low and moderate income housing projects.
- 9) The Village Center area is outlined. Design and Development Guidelines for the Village are included in the Visual Resources and Special Communities Component. Land areas in the Village are designated for Residential or Mixed Commercial-Residential, Visitor-Serving and Public Facilities compatible with land use patterns.

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: Administrative Services Department

Subject: Annual and Five-Year Impact Fee Report



Recommended Action: Adopt a resolution adopting the Fiscal Year 2024-25 Development Impact Fee Annual Report.

Background: In California, State legislation sets certain legal and procedural parameters for the charging of development impact fees. This legislation was passed as Assembly Bill (AB) 1600 by the California Legislature and is now codified as California Government Code Sections 66000 through 66023 ("Mitigation Fee Act"). The Mitigation Fee Act requires any local agency that imposes development impact fees to prepare annual findings and five-year findings providing specific information about those fees. The Development Impact Fee Annual Report serves as both the annual and five-year report.

The City of Capitola collects affordable housing impact fees, affordable housing in-lieu fees, tree replacement in-lieu fees, bike in-lieu fees, and public art fees, all of which are subject to the Mitigation Fee Act reporting requirements.

On December 12, 2025, staff published the City of Capitola's Annual and Five-Year Assembly Bill 1600 Report for FY 2024-2025, in accordance with the provisions of California Government Code Section 66006 (b) and 66001 (d).

Discussion: When new development is constructed, or an existing use is changed to a use that has additional impacts on public facilities, the City experiences increased demand for the services and facilities it provides. Impact fees are one-time contributions made by project applicants to offset the impacts that result from their project. Impact fees cannot exceed the reasonable costs to address the proportionate impacts of new development. This means applicants only pay their fair share of necessary upgrades to meet the increased demand that results from their project, and their impact fees cannot be used to address deficiencies that existed before their project. The Mitigation Fee Act regulates impact fees and requires the City to demonstrate the required nexus between the impact of the project on public facilities and the fees charged to the project applicant.

The Mitigation Fee Act imposes certain accounting and reporting requirements with respect to the fees collected. The Mitigation Fee Act also requires any local agency that imposes development impact fees to prepare an annual report and a five-year report that provides specific information about those fees, summarizing the fee revenue collected, expenditures made with this fee revenue, fund balances, and plans for future expenditures based upon additional fee collection.

The attached Development Impact Fee Annual Report serves both the annual and five-year findings. Upon adoption, the Development Impact Fee Annual Report will remain publicly available on the City's website. Staff will submit the Development Impact Fee Annual Report to the City Council for adoption on an annual basis.

The City currently has an unexpended balance from housing impact fees, housing in-lieu fees, tree replacement fees, bike parking in-lieu fees, and public art fees.

Housing Impact Fee: The year-end balance of Housing Impact Fees for FY 2024-25 was \$144,598. In FY 2025-26, \$121,250 has been programmed for first-time home buyer down payment assistance and housing rehabilitation.

Housing In-Lieu Fee: The year-end balance of Housing Impact Fees for FY 2024-25 was \$204,882. The Pacific Cove Resident Relocation Program loan was retired in the previous fiscal year. The remaining funds will be utilized for the City's housing rehabilitation loan and grant program in Fiscal Year 2025-2026.

Housing impact fees and housing in-lieu fees are deposited into the Housing Trust Fund. This special revenue fund can be utilized for the following activities:

1. Creation of new affordable units.
2. Preservation of existing affordable housing (rehabilitation).
3. Assistance with multi-family rehabilitation programs and projects.
4. Conversion of market-rate units to affordable housing units.
5. Construction of affordable accessory dwelling units.
6. Acquisition and rehabilitation of potential limited equity housing cooperatives.
7. First-time homebuyer loans.
8. Predevelopment loans/grants to assist non-profit and for-profit developers with project feasibility studies, site acquisition, and preliminary design studies for potential affordable housing projects.

Within the Development Impact Fee Annual report, \$20,000 is identified for first-time homebuyer assistance and \$225,000 for the housing rehabilitation program.

Tree Replacement In-Lieu Fee: The year-end balance of tree replacement in-lieu fees for FY 2024-25 was \$127. The funds were utilized toward the planting and maintenance of trees during the fiscal year.

Bike Parking In-Lieu Fee: This fee is associated with the Village outdoor dining program. The year-end balance of bike in-lieu fees for FY 2024-25 was \$1,200. The funds can be utilized toward the installation of bike racks.

Public Art Fee: The year-end balance of public art fees for FY 2024-25 was \$100,200. The funds can be utilized toward various public art projects.

Within the Development Impact Fee Annual report, \$65,505 is identified for future public art projects.

Fiscal Impact: The acceptance of this report has no fiscal impact.

Attachments:

1. Resolution
2. Development Impact Fee Annual Report

Report Prepared By: Luis Ruiz, Accountant II

Reviewed By: Jim Malberg, Administrative Services Director, Julia Gautho, City Clerk, Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
ACCEPTING AND ADOPTING THE DEVELOPMENT FEE IMPACT REPORT PURSUANT
TO GOVERNMENT CODE SECTIONS 66001 AND 66006**

WHEREAS, the City of Capitola imposes development fees that are subject to the Mitigation Fee Act (Gov. Code §§ 66000 *et seq.*): the Housing Impact Fee, the Housing In-Lieu Fee, the Tree Replanting In-Lieu Fee, Bike In-Lieu Fee, and Public Art Fee (collectively, Impact Fees); and

WHEREAS, pursuant to Government Code Section 66006, the City is required to prepare an annual report regarding the collection and use of the Impact Fees within one hundred eighty (180) days after the close of each fiscal year; and

WHEREAS, pursuant to Government Code Section 66001, the City is required to make findings with respect to any unexpended Impact Fees funds every fifth fiscal year following the first deposit into the Impact Fee accounts; and

WHEREAS, Staff has prepared the *City of Capitola Annual and Five-Year Impact Fee Report* also known as the Development Impact Fee Annual Report (Exhibit A), and incorporated by reference; and

WHEREAS, the Development Impact Fee Annual Report satisfies the reporting requirements stated in Government Code sections 66001 and 66006; and

WHEREAS, notice was provided to the extent required by Government Code section 66006; and

WHEREAS, pursuant to Government Code section 66006, subdivision (b)(2), the Development Impact Fee Annual Report has been made available to the public not less than fifteen (15) days from the date of the next regularly scheduled public meeting. The report has been available for public review at the Clerk's office and on the City's website since December 12, 2025.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Capitola that the forgoing recitals are true and correct.

BE IT FURTHER RESOLVED that the City Council does hereby find and adopt as follows:

1. In accordance with Government Code Section 66000 *et seq.*, the City has conducted an annual and five-year review of its Impact Fees and capital infrastructure programs and the Council has reviewed the Development Impact Fee Annual Report for the Fiscal Year 2024-25 attached hereto as Exhibit A, which is hereby accepted and adopted as the report required pursuant to Government Code sections 66001 and 66006.
2. The funds have been used for the purposes stated in said report and are necessary to mitigate impacts resulting from development in the City and there is a reasonable relationship between the use of the fees and the type of development project upon which the fee is imposed.
3. Effective Date. This resolution shall take effect immediately upon its adoption.
4. The City Clerk shall certify the adoption of this Resolution and shall cause a certified Resolution to be filed in the Office of the City Clerk.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 8th day of January 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Margaux Morgan, Mayor

ATTEST:

Julia Gautho, City Clerk

City of Capitola



AB 1600 Report

INTRODUCTION AND BACKGROUND

In California, State legislation sets certain legal and procedural parameters for the charging of development impact fees. This legislation was passed as AB1600 by the California Legislature and is now codified as California Government Code Sections 66000 et. seq. (“Mitigation Fee Act”). This State law went into effect on January 1, 1989.

Requirements for Development Impact Fee Reporting

The Mitigation Fee Act imposes certain accounting and reporting requirements with respect to the fees collected. The fees must be deposited in special accounts to avoid comingling the fees with the City’s other revenues or funds. Interest on each development fee fund or account must be credited to that fund or account and used only for those purposes for which the fees were collected.

The Mitigation Fee Act also requires any local agency that imposes development impact fees to prepare an Annual Report on Development Impact Fees (“Report”), containing annual findings and five-year findings that provide specific information about those fees. This Report serves both of those functions and has been prepared for the City of Capitola for the fiscal year (FY) ended June 30, 2025, in accordance with the provisions of the California Government Code Section 66006 (b) and 66001 (d).

Annual Findings

California Government Code Section 66006 (b) requires each local agency that imposes Development Impact Fees under the Mitigation Fee Act to prepare annual findings providing specific information about those fees for the previous fiscal year. Specifically, Section 66006 (b) requires that for each separate fund, the local agency shall make available to the public the information shown below for the most recent fiscal year.

- 66006 (b) (1) (A): A brief description of the type of fee in the account or fund.
- 66006 (b) (1) (B): The amount of the fees.
- 66006 (b) (1) (C): The beginning (July 1) and ending (June 30) balance of a particular impact fee fund.
- 66006 (b) (1) (D): The amount of the fees collected, and interest earned by fund.
- 66006 (b) (1) (E): An identification of each public improvement upon which fees were expended and the amount of expenditures on each improvement including the total percentage of the cost of the public improvement that was funded with fees.
- 66006 (b) (1) (F): An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement and an identification of each public improvement identified in a previous report and whether construction began on the approximate date noted in the previous report.

- 66006 (b) (1) (G): A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended; and, in the case of an interfund loan, the terms of the loan, including the repayment schedule for the loan, and the rate of interest that the account or fund will receive on the loan.
- 66006 (b) (1) (H): A summary of any refunds made, and their respective amount, due to sufficient funds being collected to complete financing of scheduled public improvements and the amount of reallocation of funds made due to administrative costs of refunding unexpended revenues exceeding the amount to be refunded.

Five-Year Findings

California Government Code Section 66001 (d) (1) requires the local agency make of the following findings every fifth year with respect to that portion of the account remaining unexpended, whether encumbered to a specific project or remaining unencumbered in an impact fee fund.

- 66001 (d) (1) (A): Identify the purpose to which the fee is to be put.
- 66001 (d) (1) (B): Demonstrate a reasonable relationship between the fee and purpose for which it is charged.
- 66001 (d) (1) (C): Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements.
- 66001 (d) (1) (D): Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

State law requires the City to prepare and make available to the public the above information within 180 days after the last day of each fiscal year. The City Council must review the Report at a regularly scheduled public meeting not less than fifteen days after the information is made available to the public. This report was filed with the City Clerk's office and available for public review on **December 12, 2025**.

ANNUAL REPORT

Description of Impact Fee Programs

66006(b)(1)(A) and 66013(d)(1)

The City has 5 development impact fee programs.

1. **Affordable Housing Impact Fee (CMC 18.05).** Housing development projects creating less than seven for-sale housing units pay an affordable housing impact fee that is used to provide assistance for production of affordable housing units, acquisition of at-risk units, or rehabilitation of affordable housing units for very low-, low-, and moderate-income households.
2. **Affordable Housing In-Lieu Fee (CMC 18.02).** Residential development projects that are subject to the City's affordable housing inclusionary requirements may elect to pay affordable housing in-lieu fees, rather than produce the required inclusionary units on site in accordance with the City's requirements. Affordable housing in-lieu fees are used to assist in the construction of new or the rehabilitation of existing affordable housing units.
3. **Tree In-Lieu Fee (CMC 12.12.190).** The Tree In-Lieu fee is a fee that the City imposes on residential and non-residential development in-lieu of planting required trees. The purpose of this fee is to fund the community tree and forest management account, measured by the number of trees required to be planted, to maintain and plant trees for the need created when trees are removed.
4. **Public Art Fee (CMC 2.58).** Eligible private and public construction projects are subject to fee for public art. The City of Capitola wishes to enhance the cultural and aesthetic environment of the City, to encourage creativity, the appreciation of the arts and our cultural heritage. Through the establishment of a program of public art funded by eligible development projects, the City will promote the general welfare through balancing the community's physical growth and revitalization with its cultural and artistic resources.
5. **Bicycle In-Lieu Fee (CMC 17.96.170).** A Street dining deck that eliminates an on-street parking space must include a bicycle parking rack integrated in the street dining deck design or within the private property of the eating or dining establishment. The bicycle parking rack must provide a minimum of two bicycle parking spaces for each eliminated vehicle parking space. As an alternative to providing the bicycle parking rack, the City may allow an applicant to pay an in-lieu fee which fee shall be deposited in the City's in-lieu bike fund to create a central bicycle parking location.

Current Impact Fee Schedules

66006(b)(1)(B)

Affordable Housing Impact Fee

The Affordable Housing Impact Fee in effect during the fiscal year ending June 30, 2025, are presented below in **Table 1**.

Table 1 Affordable Housing Impact Fee

For sale housing development of six or less units	\$25 per square foot
Rental multi-family	\$6 per square foot
Addition to housing units of 50% or more	\$2.50 per square foot

Affordable Housing In-Lieu Fee

The Affordable Housing in-Lieu Fee in effect during the fiscal year ending June 30, 2025, are presented below in **Table 2**.

Table 2 Affordable Housing In-Lieu Fee

For sale housing developments of two to six units	\$25 per square foot	
For sale housing development of seven or more units	Total Units	
# Units	# Units Built	
7	1	\$0
8-13	1	Total # units minus 7 @ \$25 Square foot
14	2	\$0
15-20	2	Total # units minus 14 @ \$25 Square foot
21	3	\$0
22-27	3	Total # units minus 21 @ \$25 Square foot
28	4	\$0
Rental Multi-Family	\$6 per square foot	

Tree In-Lieu Fee

The Tree In-Lieu Fee in effect during the fiscal year ending June 30, 2025, are presented below in Table 3.

Table 3 Tree In-Lieu Fee

Tree replacement in-lieu fee	\$600 per tree
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Public Art Fee

The Public Art Fee in effect during the fiscal year ending June 30, 2025, are presented below in **Table 4**.

Table 4 Public Art Fee

Eligible Private Development Project	1% of total building permit valuation
Eligible Public Project	2% of total project budget

Bicycle In-Lieu Fee

The bicycle in-lieu fee in effect during the fiscal year ending June 30, 2025. Are presented below in **Table 5**.

Table 5 Bicycle In-Lieu Fee

Annual Bicycle In-Lieu Fee	\$300 per year per bicycle parking space
Material & Installation Fee	\$200 per bicycle parking space

Annual Financial Summary

Table 6. Annual Financial Summary
Statement of Affordable Housing Fee Program
Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2025

Description	FY 2024/25	
REVENUES		
Fees		\$ 70,423
Interest		0
Total Revenues		\$ 70,423
Interfund Transfers		\$0
Interfund Loans Interest rate of loan: 0%		\$0
Refunds		\$0
EXPENDITURES -- Capital Improvements	Amount	Percent
None	\$0	0%
Total Expenditures		\$0
REVENUES OVER (UNDER)		
EXPENDITURES		\$ 70,423
Fund Balance, Beginning of the Year		\$74,175
Fund Balance, End of Year		\$ 144,598

The City received \$70,423 in affordable housing impact fees during the fiscal year, totaling \$144,598 with previous year's fees. These funds are expected to be used in fiscal year 2025-2026 to assist first time homebuyers in affordable housing.

Annual Financial Summary

Table 7. Annual Financial Summary
Statement of Affordable Housing In-Lieu Program
Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2025

Description	FY 2024/25
REVENUES	
Fees	\$ 629
Interest	\$ 16,998
Total Revenues	\$ 17,627
Interfund Transfers	\$0
Interfund Loans Interest rate of loan: 0%	\$0
Refunds	\$0
EXPENDITURES – Capital Improvements	Amount Percent
None	\$0 0%
Total Expenditures	\$ 15,693
REVENUES OVER (UNDER)	\$ 1,934
EXPENDITURES	
Fund Balance, Beginning of the Year	\$ 202,948
Fund Balance, End of Year	\$ 204,882

The Pacific Cove Resident Relocation Program loan ended during Fiscal Year 23/24. The remaining funds will be utilized for the City's housing rehabilitation loan and grant program in fiscal year 2025-2026.

Table 8. Annual Financial Summary
Statement of Tree In-Lieu Fee Program
Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2025

Description	FY 2024/25
REVENUES	
Fees	\$0
Interest	\$0
Total Revenues	\$0
Interfund Transfers	\$0
Interfund Loans Interest rate of loan: 0%	\$0
Refunds	\$0
EXPENDITURES -- Capital Improvements	
41 st Ave. Tree Pruning	\$XXX
Peery Park Tree Pruning	\$XXX
Total Expenditures	\$ 34,400
REVENUES OVER (UNDER)	
EXPENDITURES	
	(\$ 34,400)
Fund Balance, Beginning of the Year	\$ 34,527
Fund Balance, End of Year	\$ 127

During fiscal year 2024-2025, \$34,400 of tree in-lieu funds were used to fund tree pruning in 41st Avenue and at Peery Park. Future fee revenue will be used for additional tree work throughout the City.

Table 9. Annual Financial Summary
Statement of Public Art Fee
Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2025

Description	FY 2024/25
REVENUES	
Fees	\$ 34,460
Interest	\$ 0
Total Revenues	<u>\$ 34,460</u>
Interfund Transfers	\$0
Interfund Loans Interest rate of loan: 0%	\$0
Refunds	\$0
EXPENDITURES -- Capital Improvements	Amount
Art in Public Places	\$92,765
Total Expenditures	<u>\$ 92,765</u>
REVENUES OVER (UNDER)	
EXPENDITURES	<u>(\$ 58,305)</u>
Fund Balance, Beginning of the Year	<u>\$ 158,505</u>
Fund Balance, End of Year	<u>\$ 100,200</u>

During fiscal year 2024-2025, the Begonia Festival Art Commemorative Project, Park Avenue Tile Project, and Monterey Avenue Railing Project were completed. The Art and Cultural Commission is currently working on future project concepts.

Table 10. Annual Financial Summary
Statement of Bike In-Lieu Program
Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2025

Description	FY 2024/25
REVENUES	
Fees	\$ 1,244
Interest	\$ 0
Total Revenues	\$ 1,244
Interfund Transfers	\$0
Interfund Loans Interest rate of loan: 0%	\$0
Refunds	\$ 1,244
EXPENDITURES -- Capital Improvements	Amount Percent
None	\$0 0%
Total Expenditures	\$ 0
REVENUES OVER (UNDER)	
EXPENDITURES	\$0
Fund Balance, Beginning of the Year	\$ 1,200
Fund Balance, End of Year	\$ 1,200

During fiscal year 2024-2025, the one participant in the bike-in-lieu program withdrew. The \$1,200 fund balance will be utilized for bike racks on the Capitola Wharf in FY 2025-26.

FIVE-YEAR REPORT AND FINDINGS

California Government Code Section 66001(d)(1) requires the City to make findings every fifth year with respect to that portion of each impact fee account that remains unexpended, whether encumbered to a specific project or remaining unencumbered in an impact fee fund. As of June 30, 2025, 5 funds have unexpended balances totaling \$451,007. Therefore, the City is reporting the following findings relating to each of the fee programs.

- 66001(d)(1)(A): Identify the purpose to which the fee is to be put.
- 66001(d)(1)(B): Demonstrate a reasonable relationship between the fee and purpose for which it is charged.
- 66001(d)(1)(C): Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements.
- 66001(d)(1)(D): Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

Affordable Housing Impact Fee

- The purpose of the Affordable Housing Impact Fee is to mitigate the impact of new development on the need for affordable housing infrastructure and facilities and to provide affordable housing to serve new growth as the City's population increases.
- There is a reasonable relationship between the fee and the purpose for which it is charged because the fee does not exceed the reasonable costs of meeting the demand for affordable housing generated by new housing development projects.
- There is an unexpended balance in the Affordable Housing Impact Fee fund, which is expected to be used to fund improvements to housing stock, which will provide affordable housing for Capitola residents.
- The estimated timing and cost of the project are shown below. This project is expected to begin in FY 2025/26. The balance of the project costs is expected to be funded with grants and other revenue.

Table 11: Affordable Housing Impact Fee Project Identification

Project Name	Estimated Start Year	Total Project Cost	% Funded with Impact Fee Revenue	Amount funded with Impact Fee Revenue	Amount funded with other sources	Other Funding Sources
First time home buyer down payment assistance	2025/2026	\$40,000	50%	\$20,000	\$20,000	
Housing Rehabilitation Program	2025/2026	\$225,000	55%	\$123,750	\$101,250	

Affordable Housing In-Lieu Fee

- The purpose of the Affordable Housing In-Lieu Fee is to mitigate the impact of new development on the need for affordable housing infrastructure and facilities and to maintain existing and provide new affordable housing to serve new growth as the City's population increases.
- There is a reasonable relationship between the fee and the purpose for which it is charged because the fee does not exceed the reasonable costs of meeting the demand for affordable housing generated by new housing development projects.
- There is an unexpended balance in the Affordable Housing In-Lieu Fee fund, which is expected to be used to fund improvements to housing stock, which will provide affordable housing for Capitola residents.
- The estimated timing and cost of the project are shown below. This project is expected to begin in FY 2025/26. The balance of the project costs is expected to be funded with grants and other revenue.

Table 12: Affordable Housing Impact Fee Project Identification

Project Name	Estimated Start Year	Total Project Cost	% Funded with Impact Fee Revenue	Amount funded with Impact Fee Revenue	Amount funded with other sources	Other Funding Sources
First time home buyer down payment assistance	2025/2026	\$40,000	50%	\$20,000	\$20,000	
Housing Rehabilitation Program	2025/2026	\$225,000	45%	\$101,250	\$123,750	

Tree In-Lieu Fee

- The purpose of the Tree In-Lieu Fee is to mitigate the impact of tree removals to accommodate development in the City.
- There is a reasonable relationship between the fee and the purpose for which it is charged because the fee does not exceed the reasonable costs of meeting the demand for replacing trees removed by new development projects.
- There is an unexpended balance in the Tree In-Lieu Fee fund, which is expected to be used to fund the planting and maintenance of trees.
- The estimated timing and cost of the project are shown below. This project began in FY 2023/2024. The balance of the project costs is expected to be funded with grants and other revenue.

Table 13: Tree In-Lieu Fee Project Identification

Project Name	Estimated Start Year	Total Project Cost	% Funded with Impact Fee Revenue	Amount funded with Impact Fee Revenue
Tree planting and maintenance on City property	2024/2025	\$32,027	100%	\$32,027
Tree Supply Program	2024/2025	\$2,500	100%	\$2,500

Public Art Fee

- The purpose of the Public Art Fee is to enhance the cultural and aesthetic environment of the city, to encourage creativity, the appreciation of the arts and our cultural heritage.
- There is a reasonable relationship between the fee and the purpose for which it is charged because the fee does not exceed the reasonable costs of mitigating new developments' impact on public art projects.
- There is an unexpended balance in the Public Art fund, which is expected to be used to fund future public art projects.
- The estimated timing and cost of the project are shown below.

- **Table 14: Public Art Fee Project Identification**

Project Name	Estimated Start Year	Total Project Cost	% Funded with Impact Fee Revenue	Amount funded with Impact Fee Revenue	Amount funded with other sources
Future Public Art	2025/2026	\$65,505	100%	\$65,505	\$0

Capitola Municipal Code Chapter 2.56 – Art and Cultural Commission states that the Art & Cultural Commission shall advise the City Council on the allocation of public funds for the support & encouragement of public art.

Bike In-Lieu Fee

- The purpose of the Bike In-Lieu Fee is to mitigate the impact of removing automobile parking spaces due to street dining and accommodate bicycle parking in the village.
- There is a reasonable relationship between the fee and the purpose for which it is charged because the fee does not exceed the reasonable costs of providing two bicycle parking spaces within the street right-of-way.
- There is an unexpended balance in the Bike In-Lieu fund, which is expected to be used to install bike racks within the City.
- The estimated timing and cost of the project are shown below. This project is expected to begin in FY 2025/2026. The balance of the project costs is expected to be funded with grants and other revenue.

• **Table 15: Public Art Fee Project Identification**

Project Name	Estimated Start Year	Total Project Cost	% Funded with Impact Fee Revenue	Amount funded with Impact Fee Revenue	Amount funded with other sources
Bike Rack Installation	2025/2026	\$1,200	100%	\$1,200	\$0

Capitola City Council

Agenda Report

Meeting: January 8, 2026

From: Administrative Services Department

Subject: FY 2024-25 Audit Report



Recommended Action: Receive report.

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

The City's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2025, 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, 2025. 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, 2025, 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) 2024-25 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 2024-25 ACFR:

- **Net Position**

○ Current and other assets	\$ 13,159,117
○ Capital assets	<u>59,463,385</u>
○ Total Assets	\$ 72,622,502
○ Total Deferred Outflows of Resources	<u>\$ 9,785,754</u>
○ Other Liabilities	\$ 2,309,993
○ Long-term liabilities	
▪ Due in one year	70,379
▪ Due in more than one year	<u>34,494,468</u>
○ Total Liabilities	<u>\$ 36,874,840</u>
○ Total Deferred Inflows of Resources	<u>\$ 1,632,623</u>
○ Net Position:	
○ Net investment in capital assets	\$ 52,141,330
○ Restricted	13,446,693
○ Unrestricted	(21,687,230)
○ Total Net Position	<u>\$ 43,900,793</u>

- **Revenues**

○ General Revenues:	
○ Taxes:	
▪ Sales and use taxes	\$ 8,633,916
▪ Property taxes	3,340,070
▪ Transient occupancy taxes	2,256,352
▪ Franchise taxes	742,443
▪ Business license taxes	334,274
▪ Cannabis tax	254,790
○ Investment income	633,607
○ Miscellaneous revenue	1,234,425
○ Program Revenues:	
▪ Charges for services	3,471,250
▪ Operating grants and contributions	1,286,376
▪ Capital contributions and grants	<u>3,015,706</u>
○ Total Revenues	<u>\$ 25,203,209</u>

- **Expenses**

○ General Government	\$ 6,146,543
○ Public Safety	9,242,727
○ Community Development	1,676,942
○ Culture and Recreation	3,560,635
○ Public Works	5,178,574
○ Interest and other charges	18,097
○ Total Expenses	<u>\$ 25,823,518</u>
○ Revenues over Expenses	<u>(\$ 620,309)</u>
○ Prior Period Adjustment	<u>222,461</u>

○ Change in Net Position	(397,848)
○ Beginning Net Position	<u>44,298,641</u>
○ Ending Net Position	<u>\$ 43,900,793</u>
● General Fund	
○ Fund balance:	
○ Restricted:	
▪ PERS Retirement Trust	\$ 1,662,822
○ Assigned:	
▪ Emergency Reserve	1,631,506
▪ Contingency Reserve	2,364,346
○ Unassigned	272,067
○ Total Fund Balance	<u>\$ 5,930,741</u>
● Capital Assets:	
○ Land	\$ 4,883,789
○ Building & Improvements	17,785,112
○ Equipment	5,467,569
○ Infrastructure	47,501,639
○ Construction in Progress	6,967,309
○ Total Capital Assets	<u>\$ 82,605,418</u>
○ Less Depreciation	<u>29,770,296</u>
○ Capital Assets Net of Depreciation	<u>\$ 52,835,122</u>
● Long-Term Debt / Liability	
○ Beach & Village Parking Lease	693,792
○ Compensated Absences	1,104,385
○ Net OPEB Obligation	1,567,639
○ Net Pension Liability	31,795,399
○ Total Long-Term Debt	<u>\$ 35,161,215</u>

The next opportunity to review the City's financial picture, including updated revenue and expenditure forecasts, will be during the FY 2026-27 budget hearings.

Attachments:

1. City of Capitola FY 2024-25 ACFR (Due to holidays, to be provided as Additional Materials)

Report Prepared By: Jim Malberg, Administrative Services Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager

Capitola City Council

Agenda Report

Meeting: January 8, 2026
From: City Manager Department
Subject: City Council Representation on Regional Boards



Recommended Action: Appoint a representative to the Santa Cruz County Community Action Board.

Background: City Council Members sit on several County and Multi-Jurisdiction boards, one of which is the Santa Cruz County Community Action Board (CAB). CAB's purpose is to partner with the community to eliminate poverty and create social change through advocacy and essential service.

On January 30, 2025, the City Council reappointed Kristen Brown to serve as Capitola's representative on CAB. Kristen Brown has served as Capitola's representative since 2014. On December 1, 2025, Kristen Brown submitted her resignation.

Discussion: The City Council should (by motion and vote) appoint a new representative to replace Kristen Brown. The Council may appoint a Council Member or a member of the public to represent Capitola on the Board. If the Council wishes to appoint a member of the public, staff will advertise the vacancy to the public.

CAB meets on the third Wednesday of the month, with its next meeting on January 21, 2026.

A full list of current assignments to regional boards and advisory groups is included as Attachment 1.

Fiscal Impact: None.

Attachments:

1. List of Appointments

Report Prepared By: Julia Gautho

Approved By: Jamie Goldstein, City Manager

2025 COUNTY/MULTI-COUNTY BOARDS CAPITOLA REPRESENTATIVES LIST

Name of Board – Meeting Information	Capitola Representative(s)
Advisory Council of the Area Agency on Aging -Seniors Council of Santa Cruz & San Benito Counties <i>(Meets: 2nd Wednesday of each month except for August and December, at 10 AM in Aptos)</i>	<i>No Term Limits. Recommended to review appts. every 2 years.</i> <ul style="list-style-type: none"> • Susan Westman (Appt. July 25) • Jacques Bertrand (Alt. Appt. Sept. 25)
Arts Council Santa Cruz County <i>(Meeting dates are variable; Wednesdays 4:30-6:30 PM)</i> <i>Not a dedicated Capitola seat</i>	<i>No Alternate. No Term Limits</i> <ul style="list-style-type: none"> • Roy Holmberg (A&C) (Nom. By Art & Cultural 1/21/25, confirmed by CC 2/13/25)
Association of Monterey Bay Area Governments (AMBAG) ▲ ♦ <i>(Meets: 2nd Wednesday of each month at 6 PM in Monterey)</i>	<i>No Term Limits. Recommended to review appts. every 2 years.</i> <ul style="list-style-type: none"> • Susan Westman (Appt. July 25) • Margaux Morgan (Alternate)
Bicycle Advisory Committee of the SCCRTC (Santa Cruz County Regional Transportation Commission)	<i>Term expires March 2027</i> <ul style="list-style-type: none"> • Paula Bradley (Nom. Feb. 24) • Alternate: Christopher O'Connell (Nom. Jan. 25) <i>Recruited through RTC, City Council reviews applications and provides nominations.</i>
Capitola Community Safety Foundation	<i>No Alternate, No Term Limits, no fixed term</i> <ul style="list-style-type: none"> • Joe Clarke (Appt. Dec. 24)
Central Coast Community Energy Policy Board <i>(Meets: Meeting dates are variable, virtual option in SC County)</i>	<i>Shared seat with Scotts Valley, Chosen by City Selection, No Term Limits. Terms last 2 years.</i> <ul style="list-style-type: none"> • Currently Scotts Valley, Capitola in 2026
Community Action Board of Santa Cruz County <i>(Meets: 3rd Wednesday of each month at 6:15 PM)</i>	<i>2-year terms</i> <ul style="list-style-type: none"> • VACANT (Term expires 12/2027)
Community Television of Santa Cruz County Board of Directors <i>(Meets: Monthly at 5:30 PM)</i>	<ul style="list-style-type: none"> • Chloe Woodmansee, Assistant to the City Manager

<p>Criminal Justice Council of Santa Cruz County ♦ <i>(Meets: Quarterly at 3 PM)</i> <i>2 seats, 1 Council and 1 Council, CM, or ACM</i></p>	<p><i>Review following seating of new Council</i></p> <ul style="list-style-type: none"> • Joe Clarke (Appt. Dec. 24) • Gerry Jensen
<p>LAFCO (Local Agency Formation Commission) ▲ ♦ <i>(Meets: 1st Wednesday of each month except for July, at 9 AM in the County Board of Supervisors Chambers, 701 Ocean Street, Santa Cruz)</i></p>	<p><i>Share voting seat with Scotts Valley. Ex-officio when not holding voting seat. 2-year terms. Term ends 2027.</i></p> <ul style="list-style-type: none"> • Joe Clarke (Appt. Jan. 25)
<p>League of California Cities <i>(Meets: Monterey Bay Division meets on the 1st Monday of every other month at 7 PM at various locations.)</i></p>	<p>Open to All Council Members</p>
<p>Measure Q Citizens Advisory Board <i>(Meets: Various locations throughout County)</i></p>	<p><i>Appointed by City Council, 4-year term.</i></p> <ul style="list-style-type: none"> • Scott Harway (Appt. Mar. 25)
<p>Monterey Bay Unified Air Pollution Control District (MBUAPCD) ▲ <i>(Meets: 3rd Wednesday of each month at 1:30 PM at the District Office: 24580 Silver Cloud Ct., Monterey)</i></p>	<p><i>Chosen by Selection Committee, rotates between all cities in County. Council should review and recommend every 2 years.</i></p> <p>Gerry Jensen (Appt. Jan. 25)</p>
<p>Santa Cruz County Children's Network <i>(Meets five times a year at noon in the County Office of Education)</i></p>	<p><i>No Term Limits. Council should review and recommend every 2 years.</i></p> <ul style="list-style-type: none"> • Melinda Orbach (Appt. Jan. 25)
<p>Santa Cruz County Conference & Visitors Council <i>(Meets: Last Wednesday at 3:00 PM every other month except for November when meeting is TBD, at Goodwill Industries, 350 Encinal Street, Santa Cruz)</i></p>	<p><i>Chosen by City Selection Committee, rotates between Cap, Wat, SV. Council should review and recommend every 2 years.</i></p> <p>Not currently Capitola</p>

<p>Santa Cruz County Flood Control & Water Conservation District, Zone 5 ▲ ♦</p> <p><i>(Meets: Quarterly on the 4th Tuesday at 10 AM in the County Board of Supervisors Chambers, 701 Ocean Street)</i></p>	<p><i>Council to review appointments annually</i></p> <ul style="list-style-type: none"> • Joe Clarke (Appt. Dec. 24) • Melinda Orbach (<i>Alternate</i>)
<p>Santa Cruz County Hazardous Materials Advisory Commission <i>(Meets: 4th Wednesday of every other month at 9 AM at Capitola City Hall Community Room)</i></p>	<p><i>Four-year term expires in April 2027</i></p> <ul style="list-style-type: none"> • Nicholas Brown (Appt. Apr. 23)
<p>Santa Cruz County Library Financing Authority ♦ <i>(Meets: Semi-annually, in January and June, Main Library)</i></p>	<p><i>Council to review appointments annually</i></p> <ul style="list-style-type: none"> • Melinda Orbach (Appt. Dec. 24) • Joe Clarke (<i>Alternate</i>)
<p>Santa Cruz Public Libraries Library Advisory Commission <i>(Meets: Monday evenings, various branches)</i></p>	<p><i>4-year term, expires March 2027</i></p> <ul style="list-style-type: none"> • Mike Termini (Appt. Jan. 23) <p><i>Recruited through Library, City Council reviews applications and provides appointment.</i></p>
<p>Santa Cruz Public Libraries Joint Powers Authority Board ▲ (LJPA) <i>(Meets: 1st Monday of each month at 7:30 PM at the Main Library Community Room)</i></p>	<p><i>City Manager is appointed by JPA</i></p> <ul style="list-style-type: none"> • Jamie Goldstein
<p>Santa Cruz County Integrated Waste Management Local Task Force <i>(Meets: Quarterly)</i></p>	<ul style="list-style-type: none"> • Erika Senyk (Appt. Dec. 24) • Susan Westman (<i>Alternate – Appt. June 2025</i>)
<p>Santa Cruz County Regional Transportation Commission (SCCRTC) ▲ ■ <i>(Meets: 1st Thursday of each month except for July, at 9 AM at various locations)</i></p>	<p><i>No Term Limits. Council should review and recommend every 2 years.</i></p> <ul style="list-style-type: none"> • Gerry Jensen (Appt. June 25) • Joe Clarke (<i>Alternate</i>)

<p>Santa Cruz County Sanitation District ▲ ♦ <i>(Meets: 1st & 3rd Thursday of each month at 4:45 PM at the East Cliff Pumping Station on Lode St., Santa Cruz)</i></p>	<p><i>Council to review appointments annually</i></p> <ul style="list-style-type: none"> • Joe Clarke (Appt. Dec. 24) • Gerry Jensen (Alternate)
<p>Santa Cruz Metropolitan Transit District Board ▲ ■ <i>(Meets: 3rd Friday of each month at 8:15 AM at various locations)</i></p>	<p><i>Four-year term, expires December 31, 2024</i></p> <ul style="list-style-type: none"> • Melinda Orbach (Appt. Dec. 24) • Susan Westman (Alternate – Appt. June 2025)
<p>Santa Cruz Regional 911 Board ▲ <i>(Meets: Every other month at 1:30 PM)</i></p>	<p><i>City Manager is appointed</i></p> <ul style="list-style-type: none"> • Jamie Goldstein, City Manager
<p>Housing for Health Partnership Policy Board</p>	<p><i>Two-year term, rotates with Scotts Valley, term expires Fall 2026</i> Not currently Capitola</p>
<p>Santa Cruz County Animal Services Agency</p>	<p>Chief Ryan</p>
<p>United Way Youth Liaison Program</p>	<ul style="list-style-type: none"> • Joe Clarke (Appt. July 2024) • Melinda Orbach (Appt. June 2025)

▲ = Members are required to File Statements of Economic Interest, Form 700

■ = Members are required to complete AB 1234 Ethics Training

♦ = Council Member appointment required

Revised: 12/12/2025 JG