

City of Capitola

Special City Council Meeting Agenda

Monday, September 28, 2026 – 10:30 AM



City Council Chambers

420 Capitola Avenue, Capitola, CA 95010

Mayor: Margaux Morgan

Vice Mayor: Gerry Jensen

Council Members: Joe Clarke, Melinda Orbach, Susan Westman

Special Meeting of the Capitola City Council – 10:30 AM

1. Roll Call

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

2. 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.

3. 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. Employment Agreement of Retired Annuitant (Interim City Manager)

Recommended Action: 1) Adopt a resolution appointing Rudolph Escalante as Interim City Manager pursuant to Government Code Section 21221(h); 2) approve a retired annuitant employment agreement; and 3) direct staff to begin the recruitment process for a permanent City Manager.

4. Adjournment

The next regularly scheduled City Council meeting is on October 8, 2026 at 6:00 PM.

How to View the Meeting

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

Other ways to Watch:

Spectrum Cable Television channel 8 City of Capitola, California YouTube Channel How to Provide Comments to the City Council Members of the public may provide public comments to the City Council in-person during the meeting. If you are unable to attend in-person, please email

your comments to citycouncil@cityofcapitola.gov and they will be included as a part of the record for the meeting.

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

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

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

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

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

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

Capitola City Council

Agenda Report

Meeting: September 28, 2026

From: City Attorney

Subject: Employment Agreement of Retired Annuitant (Interim City Manager)



Recommended Action: 1) Adopt a resolution appointing Rudolph Escalante as Interim City Manager pursuant to Government Code Section 21221(h); 2) approve a retired annuitant employment agreement; and 3) direct staff to begin the recruitment process for a permanent City Manager.

Background: On September 10, 2026, longtime City Manager Jaime Goldstein announced his retirement after 18 years of service to the City of Capitola. Through this action, the City Council will begin the process of recruiting for a new permanent City Manager. In the meantime, the City requires interim leadership during that recruitment to provide continuity in City operations and support the Council, staff, and community.

Discussion

Rudy Escalante previously served as a Lieutenant with the Santa Cruz Police Department, Deputy Chief with the Watsonville Police Department, and Chief of Police for the City of Capitola from 2012 to 2017. His executive leadership experience, familiarity with Capitola, and established relationships throughout the broader Santa Cruz community will be valuable during this transition.

Mr. Escalante is a CalPERS retired annuitant. Government Code Section 21221(h) permits the governing body of a CalPERS contracting agency to appoint a retiree to a vacant position on an interim basis during recruitment for a permanent appointment when the position requires specialized skills. The proposed appointment is subject to applicable retired-annuitant requirements, including a combined limit of 960 hours of work for all CalPERS employers in a fiscal year. The attached employment agreement set out the terms of the temporary appointment.

Fiscal Impact: The cost of the temporary appointment will be paid at the proposed rate of \$121.88 per hour. The maximum cost of the appointment being limited to no more than 960 hours, per CalPERS rules, would equate to a maximum cost of \$117,000. There are no benefits associated with this temporary assignment.

Alignment with 2025-2029 Strategic Plan Priority: Responsible Government

Report Prepared By: Lesley Milton, Interim City Clerk

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

Approved By: Donald Larkin, Deputy City Attorney

RETIRED ANNUITANT EMPLOYMENT AGREEMENT FOR THE POSITION OF INTERIM CITY MANAGER

This Retired Annuitant Employment Agreement (“AGREEMENT”) is made and entered into by and between the City of Capitola, a California municipal corporation (“CITY”), and Rudolph Escalante (“ESCALANTE”), a retired annuitant individual, on the following terms and conditions below. Both CITY and ESCALANTE may be collectively referred to as the “Parties”.

RECITALS

A. Government Code section 21224 of the Public Employees’ Retirement Law permits the CITY to employ a retiree of the California Public Employees’ Retirement System (“CalPERS”) with specialized skills needed to perform work of limited duration; and

B. The City will have a vacancy in the position of City Manager following the retirement of its City Manager;

B. On September 28, 2026, the CITY commenced recruitment for a permanent City Manager;

C. The vacancy in the City Manager position will place significant strain on the City by creating a gap in executive leadership and day-to-day administrative oversight. This vacancy will impact coordination among departments, implementation of City Council direction, oversight of key initiatives and contracts, and the timely execution of CITY priorities;

D. The CITY requires assistance in the City Manager’s Office to provide executive leadership, oversee day-to-day administrative operations, support implementation of City Council direction, coordinate among departments, and manage key City priorities while the City recruits to permanently fill the City Manager position;

E. ESCALANTE has extensive professional experience in public sector executive management and municipal administration and is uniquely qualified and has the requisite specialized skills, training, and experience to serve as Interim City Manager for the CITY;

F. The CITY desires to employ the specialized services of ESCALANTE as Interim City Manager for CITY in consideration of and subject to the terms, conditions, and benefits set forth in this AGREEMENT and State Law;

G. ESCALANTE desires to accept Retired Annuitant employment as Interim City Manager in consideration of and subject to the terms, conditions, and benefits set forth in this AGREEMENT and State Law;

H. ESCALANTE represents that he is a retired annuitant of the California Public Employees’ Retirement System (“CalPERS”) within the meaning of Government

Code § 21221(h) as of the effective date of this AGREEMENT. ESCALANTE represents that he retired from the CalPERS system at least 180 days prior to the effective date of this agreement. ESCALANTE acknowledges that he is restricted to working no more than a combined 960 hours for the CITY, a state agency, or other CalPERS contracting agencies (collectively “CalPERS Agencies”) during the CITY'S 2026-2027 fiscal year and that his compensation and benefits are statutorily limited as provided in Government Code § 21221(h). ESCALANTE represents that he has not received any unemployment compensation from any CalPERS Agencies during the 12-month period preceding the effective date of this AGREEMENT, and that he has attained normal retirement age within the meaning of Government Code § 21220.5;

I. This AGREEMENT was approved by the CITY'S City Council at a Special City Council meeting held on September 28, 2026.

OPERATIVE PROVISIONS

THEREFORE, in consideration of the above recitals and promises and conditions contained herein, the CITY and ESCALANTE mutually agree as follows:

1. Position and Duties.

1.1 Position. ESCALANTE accepts retired annuitant employment with the CITY as Interim City Manager and shall perform all functions, duties, and services of said position as set forth in the Capitola Municipal Code and as directed by the City Council. ESCALANTE shall serve at the direction of, and report directly to, the City Council. It is the intent of the parties that ESCALANTE, as Interim City Manager, shall keep the City Council fully apprised. Toward that end, ESCALANTE shall periodically, or as may otherwise be specifically requested by the City Council, provide status reports to the City Council regarding his activities and the operations of the CITY.

1.2 Term. This AGREEMENT commences and is effective on September 29, 2026 (“COMMENCEMENT DATE”) after being approved by the City Council and executed by ESCALANTE. Subject to the provisions set forth in Section 3 [Termination], ESCALANTE shall be employed in the position of City Manager for a term commencing on the COMMENCEMENT DATE. This AGREEMENT shall expire as of the first of the following to occur: (i) 6:00 p.m. on June 30, 2027 (ii) upon ESCALANTE working the maximum number of hours allowed by CalPERS, without reinstatement from retirement or loss or interruption of benefits, in a fiscal year; or (iii) upon termination of the AGREEMENT by either ESCALANTE or CITY as provided in Section 3 [Termination] of this AGREEMENT.

1.3 At-Will. ESCALANTE acknowledges that he is an at-will employee of CITY who shall serve at the pleasure of the CITY at all times during the period of his service hereunder and that his employment may be terminated at any time for any or no reason with or without cause as provided in Section 3 [Termination] of this AGREEMENT and/or by operation of California or federal law. Nothing in this AGREEMENT is intended to, or does, confer upon ESCALANTE any right to any property interest in continued

employment, or any due process right to a hearing before or after a decision by CITY to terminate his employment, except as is expressly provided in Section 3 [Termination] of this AGREEMENT and/or by operation of California or federal law. Nothing contained in this AGREEMENT shall in any way prevent, limit or otherwise interfere with the right of CITY to terminate the services of ESCALANTE as provided in Section 3 [Termination]. Nothing in the AGREEMENT shall prevent, limit or otherwise interfere with the right of ESCALANTE to resign at any time from the position with CITY, subject only to the provisions set forth in Section 3 [Termination] of this AGREEMENT. The terms of the CITY'S personnel rules, employee handbook, policies, procedures, ordinances, resolutions, or Municipal Code (collectively "PERSONNEL POLICIES") shall not apply to ESCALANTE to the extent such PERSONNEL POLICIES conflict with this Agreement.

1.4 Duties. ESCALANTE agrees to provide the following services: Under the direction of the City Council, ESCALANTE will provide Interim City Manager services to the CITY on an as-needed basis. ESCALANTE will also perform all other legally permissible and proper duties and functions consistent with the City Manager position, including those set forth in the City of Capitola Municipal Code, the PERSONNEL POLICIES, and as the City Council shall assign from time to time.

1.5 Hours of Work. ESCALANTE shall devote the time necessary to adequately perform his duties as Interim City Manager. The PARTIES anticipate that ESCALANTE will work 40 hours per week during regular City Hall business hours or as mutually agreed by ESCALANTE and the City Council. However, in no event shall ESCALANTE be required or permitted to work in excess of 960 hours for all CalPERS employers combined during any fiscal year, as defined by applicable CalPERS law and guidance.

1.6 Other Activity. In accordance with Government Code Section 1126, during the period of his employment, ESCALANTE shall not accept, except current non-government clients, any other work without the express prior written consent of the City Council, any other employment or engage, directly or indirectly, in any other business, commercial, or professional activity (except for Professional Activity or Educational Activities), whether or not for pecuniary advantage, that is or may be competitive with the CITY, that might cause a conflict-of-interest with the CITY, or that otherwise might interfere with the business or operation of the CITY or the satisfactory performance of ESCALANTE 'S duties as Interim City Manager.

1.7 Reimbursement. The CITY shall reimburse ESCALANTE for reasonable and necessary business expenses incurred by ESCALANTE in the performance of his duties. All reimbursements require prior approval by the Director of Finance or are reimbursable under CITY policies and shall be subject to and in accordance with California and federal law.

2. Compensation.

2.1 Rate of Pay. For all services performed by ESCALANTE as the Interim CITY MANAGER under this AGREEMENT, the CITY shall pay ESCALANTE

compensation at the rate of the salary range which is currently \$121.88 per hour. Such compensation shall be payable according to the scheduled paydays for CITY personnel.

2.2 Compliance with CalPERS Requirements. It is the intent of the parties to compensate ESCALANTE only to the extent permitted under Government Code § 21221(h) and corresponding CalPERS regulations and policy statements. The Rate of Pay set forth above is based on the salary limitations established by CalPERS. The monthly base salary for the position of City Manager as listed on a publicly available pay schedule is \$121.88 The Rate of Pay is calculated by taking a monthly base salary of \$21,125.4 and dividing it by 173.333 to equal an hourly rate of \$121.88.

2.3 Recordation and Reporting of Hours Worked. ESCALANTE will comply with all applicable CalPERS rules and regulations governing employment after retirement, including the recordation and reporting of all hours worked for the CITY to CalPERS as may be required. CITY shall assist in any such reporting obligation to CalPERS. Additionally, ESCALANTE shall keep CITY continually informed of any hours worked by ESCALANTE for other CalPERS Agencies during the term of this Agreement.

2.4 Benefits. Pursuant to Government Code § 21221(h) and related CalPERS regulations and policy statements, ESCALANTE shall not receive from the CITY any benefits the CITY commonly provides to its employees including, without limitation, medical, dental, vision, long term disability, life insurance, deferred compensation, except for Worker's Compensation Insurance coverage, social security, Medicare, or similar benefits required by state or federal law, or any paid personal time off such as vacation, sick leave, administrative leave, paid holidays or similar leave benefits.

3. Termination.

3.1 By City. The CITY may terminate ESCALANTE for any reason, and at any time, with or without cause, during the term of the AGREEMENT, by providing ESCALANTE with written notice five (5) working days before said termination date. The CITY's only obligation in the event of such termination will be payment to ESCALANTE of all compensation then due and owing as set forth in Section 2.1 [Rate of Pay] up to and including the effective date of termination.

3.2 By Employee. ESCALANTE may terminate his employment for any reason, and at any time, with or without cause, during the term of the AGREEMENT, by providing the City Council with seven (7) days advance written notice. The CITY shall have the option, in its complete discretion, to make ESCALANTE'S termination effective at any time prior to the end of such notice period, provided the CITY pays ESCALANTE all compensation as set forth in Section 2.1 [Rate of Pay] then due and owing him through the last day of ESCALANTE'S notice. ESCALANTE shall not be entitled to any other severance under the AGREEMENT. It is understood and agreed that any notice of termination should be given as soon as practicable and in the best interest of the CITY.

3.3 No Notice for Expiration. Nothing in Section 3 [Termination] shall be construed to require either ESCALANTE or the CITY to give advance written notice in order for the AGREEMENT to expire as set forth in Section 1.2 [Term].

3.4 Termination Obligations. ESCALANTE agrees that all property, all equipment, and other City Property, City Proprietary Information (as described Section 4) City records, and contracts shall be returned promptly to the CITY upon termination of ESCALANTE'S employment. ESCALANTE'S obligations under this subsection shall survive the termination of his employment and/or the expiration of this AGREEMENT.

4. Proprietary Information.

"Proprietary Information" is all non-public information pertaining in any manner to the business of the CITY (or any CITY affiliate), its employees, clients, consultants, or business associates, which was produced by any employee of the CITY in the course of his employment or otherwise produced or acquired by or on behalf of the CITY. Proprietary Information shall include, without limitation, trade secrets, confidential financial data and formulae, attorney client-privileged information, confidential licensing information, software and other computer programs, copyrightable material, and other information exempt from production under the California Public Records Act and or the Federal Freedom of Information Act. All Proprietary Information not generally known outside of the CITY's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." During his employment by the CITY, ESCALANTE shall use Proprietary Information, and shall disclose Confidential Information, only for the benefit of the CITY and as is or may be necessary to perform his job responsibilities under this AGREEMENT. Following termination, ESCALANTE shall not use any Proprietary Information and shall not disclose any Confidential Information, except with the express written consent of the CITY. ESCALANTE's obligations under this Section shall survive the termination of his employment and the expiration of this AGREEMENT. A disclosure of Proprietary Information or Confidential Information by ESCALANTE in response to an order by a court of competent jurisdiction or in response to a subpoena by a Grand Jury or any state, federal or local law enforcement agency shall not be deemed a breach of this AGREEMENT.

5. Conflict Of Interest.

ESCALANTE represents and warrants to the CITY that, to the best of his knowledge, he presently has no interest, and represents that he will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or interfere in any way with performance of his services under this AGREEMENT.

6. General Provisions.

6.1 Recitals. The recitals, inclusive of all facts and representation, are incorporated into this AGREEMENT as if set forth in the Operative Provisions.

6.2 Notices. All notices, requests, demands and other communications under this AGREEMENT shall be in writing and shall be effective upon delivery by hand

or four (4) business days after deposit in the United States mail, postage prepaid, certified or registered, and addressed to the CITY at the address below, and/or to the last known address maintained in ESCALANTE'S personnel file. ESCALANTE agrees to notify the CITY in writing of any change in his address during his employment with the CITY. Notice of change of address shall be effective only when accomplished in accordance with this Section.

CITY's Notice Address:

City of Capitola
City Hall, Attn: City Manager
420 Capitola Avenue
Capitola, CA 95010

ESCALANTE'S Notice Address:

The most recent address on file with Human Resources

6.3 Indemnification. In accordance with and to the extent provided by California's Tort Claims Act (Government Code Section 825 et seq.) and Government Code Section 995-996.6, the CITY shall defend and indemnify ESCALANTE against and for all losses sustained by ESCALANTE arising out of an act or omission occurring within the scope of his employment under this AGREEMENT.

6.4 Bonding. The CITY shall bear the full cost of any fidelity or other bond required of the City Manager under any law or ordinance.

6.5 Merger, Integration and Modification. This AGREEMENT is intended to be the final, complete, and exclusive statement of the terms of ESCALANTE'S Retired Annuitant employment by the CITY under this AGREEMENT. This AGREEMENT supersedes all other prior and contemporaneous agreements and statements, whether written or oral, express or implied, pertaining in any manner to the employment of ESCALANTE, and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements. To the extent that the practices, policies, or procedures of the CITY, now or in the future, apply to ESCALANTE and are inconsistent with the terms of this AGREEMENT, the provisions of this AGREEMENT shall control. This AGREEMENT may be modified only in a writing approved by the City Council and signed by all the parties.

6.6 Waiver. Either party's failure to exercise any right under this AGREEMENT shall not constitute a waiver of such right. Waiver by any party hereto of any term, condition, or covenant of this AGREEMENT shall not constitute the waiver of any other term, condition, or covenant hereof.

6.7 Assignment. Neither this AGREEMENT, nor any interest in it, may be assigned or transferred by any party without the prior written consent of all the parties. Any such assignment will be subject to such terms and conditions as the CITY may choose to impose.

6.8 Severability. In the event any portion of this AGREEMENT is declared void, such portion shall be severed from this AGREEMENT and the remaining provisions shall remain in effect, unless the result of such severance would be to substantially alter this AGREEMENT or the obligations of the parties, in which case this AGREEMENT shall be immediately terminated.

6.9 Attorneys' Fees. In any legal action, arbitration, or other proceeding brought to enforce or interpret the terms of this AGREEMENT, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

6.10 Governing Law. This AGREEMENT shall be governed by and construed in accordance with the laws of the State of California, and any action in connection with or arising out of this AGREEMENT or any dispute between the parties shall be commenced and maintained in the Superior Court of the State of California for the County of Santa Cruz or the United States District Court for the Northern District of California.

6.11 Interpretation. This AGREEMENT shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not in limitation, this AGREEMENT shall not be construed in favor of the party receiving a benefit nor against the party responsible for any particular language in this AGREEMENT. Captions are used for reference purposes only and should be ignored in the interpretation of the AGREEMENT. This AGREEMENT may be altered, amended or modified only by an instrument in writing, executed by the parties to this AGREEMENT and by no other means. Each party waives their future right to claim, contest or assert that this AGREEMENT was modified, cancelled superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

6.12 Binding Effect. The rights and obligations of this AGREEMENT shall inure to the benefit of, and be binding upon, the parties to the contract and their heirs, administrators, executors, personal representatives, successors and assigns, and whenever the context so requires, the masculine gender and includes the feminine and neuter, and the singular number includes the plural. This AGREEMENT may be executed in any number of counterparts, each of which shall be considered as an original and be effective as such.

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6.13 Further Assurances. Each party shall execute and deliver such papers, documents, and instruments, and perform such acts as are necessary or appropriate, to implement the terms of this AGREEMENT and the intent of the parties to this AGREEMENT.

IN WITNESS WHEREOF, CITY and ESCALANTE has signed and executed this AGREEMENT.

DATED: _____

CITY OF CAPITOLA

Margaux Morgan, Mayor

DATED: _____

RUDOLPH ESCALANTE:

RUDOLPH ESCALANTE

ATTEST:

APPROVED AS TO FORM:

Lesley Milton, Interim City Clerk

Marc Barraza Tran, City Attorney