

# Capitola City Council

## Agenda Report

**Meeting:** October 9, 2025

**From:** Finance Department

**Subject:** City Check Registers



**Recommended Action:** Approve check registers dated June 13, 2025, June 27, 2025, July 4, 2025, July 11, 2025, July 18, 2025, July 25, 2025, August 1, 2025, August 8, 2025, August 15, 2025, August 22, 2025, August 29, 2025, September 5, 2025, and September 12, 2025.

**Background:** California Government Code Section 41004 requires the City Treasurer provide to the City Clerk and City Council a written report and accounting of all receipts, disbursements, and fund balances at least once each month. Additionally, the City Council is required to ratify all check registers as part of its oversight of city finances.

To meet this requirement, staff provide check registers for Council ratification on a regular basis as part of the Consent Agenda and prepare a monthly Treasurer's Report, which is posted on the City's website.

The check registers presented to the City Council include a cash position report reflecting the available cash balances in the General Fund, Payroll Fund, Reserve Funds, Capital Improvement Fund, and Internal Service Funds. The Treasurer's Report expands on this by including balances in the Special Revenue Funds and Debt Service Funds and is prepared once all monthly bank statements have been reconciled. The City's cash position is different from the City's budget position, which is based on fund accounting.

Fund accounting is how governments keep track of money by separating it into funds, each with its own purpose and restrictions, and showing the total revenue and expenditures over the entire fiscal year. That is how the budget presents the City's fiscal position. The City's cash position, however, is different because it reflects the actual timing of when revenues are received and when expenditures are paid.

**Discussion:** Like most California cities, Capitola generally experiences its lowest cash position each fiscal year between July and December. This is due to the timing of revenues and expenditures:

- **Revenues:**
  - Sales tax and transient occupancy tax (TOT), two of the City's top three revenue sources, are received monthly and can be volatile.
  - Property tax, the City's second largest revenue source, is received 45% at the end of December, 45% at the end of April, and 10% in July.
- **Expenditures:**
  - Several of the City's largest expenses, including CalPERS Unfunded Actuarial Liability (UAL), liability and workers' compensation insurance premiums, and the City's contribution to the 911 Emergency Operations Joint Powers Association (JPA), are due in July with additional payments throughout the remainder of the calendar year.

While the City historically budgets for a \$500,000 General Fund balance, this only represents a little over 2% of the total \$21.2 million General Fund budget. In addition, the City budget includes \$2.5 million in Contingency Reserves, which is intended to help meet short-term cash flow

requirements, as well as protect against temporary revenue shortfalls or unanticipated operating costs.

In addition, two major capital projects—the Jade Street Community Center and Treasure Cove Playground—are primarily funded by federal reimbursement grants. These reimbursements are typically received two to three months after expenditures are made, creating short-term cash flow challenges.

The City also continues to await approximately \$1 million in FEMA/Cal OES storm damage reimbursements. This delay has kept reserve fund balances below their target levels, further straining both cash and fund balances.

Historically the City has carried a positive balance in the Capital Improvement Project (CIP) fund as some projects took multiple fiscal years to fully implement. Best practice for municipalities is to utilize CIP funding as it is allocated to minimize inflationary losses due to rising construction costs. Due to improved project delivery timing, and recent successes at obtaining significant grants, the CIP fund is now in a negative position as we await reimbursements.

While staff has successfully managed cash balances in recent years, the August 2nd report reflected, for the first time, a negative General Fund cash balance, effectively meaning that special revenue funds were temporarily covering General Fund operations.

#### **Upcoming Revenues:**

- FEMA reimbursement of \$769,655 expected late October/early November.
- Cal OES reimbursement of \$192,400 is expected approximately one month later.
- \$985,000 contribution from the Friends of the County Parks for the Treasure Cove project expected later this fiscal year.
- \$294,000 from FHWA for 2023 repairs to Stockton Bridge later this year.

Staff recommend prioritizing these revenues to restore reserve funds to their target balances, with remaining amounts directed to the Capital Improvement Fund to support cash flow for grant-funded projects. The goal is to return to a positive General Fund cash position by the end of December and strengthen balances in the second half of the fiscal year.

#### **Reporting Improvements:**

Staff has also revised the format of the bi-weekly cash report provided with check registers to align with the Treasurer's Report. While the cash report is based on current accounts payable activity and the Treasurer's Report reflects cash position, both will now present consistent and more comprehensive financial information for City Council oversight.

**Fiscal Impact:** None at this time. This report is informational and intended to provide transparency on the City's financial position.

#### Attachments:

1. Checks issued over \$10,000
2. 06-13-25 Check Register
3. 06-27-25 Check Register
4. 07-04-25 Check Register
5. 07-11-25 Check Register
6. 07-18-25 Check Register
7. 07-25-25 Check Register
8. 08-01-25 Check Register
9. 08-08-25 Check Register
10. 08-15-25 Check Register

11. 08-22-25 Check Register
12. 08-29-25 Check Register
13. 09-05-25 Check Register
14. 09-12-25 Check Register

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