

Capitola City Council

Agenda Report



Meeting: May 18, 2023

From: Finance Department

Subject: Presentation of the Proposed Fiscal Year 2023-24 Budget for the City of Capitola

Recommended Action: Receive the proposed budget, provide staff direction, and either: 1) Continue budget deliberations to the next scheduled joint budget hearing on June 1, 2023; or 2) Direct staff to prepare the documents for final budget adoption at a regular meeting in June and cancel future planned budget hearings.

Discussion: The City of Capitola proposed Fiscal Year (FY) 2023-24 and FY 2024-25 Budget is a two-year financial plan for the City as outlined by Administrative Policy III-3: Financial Management Policies. This year, the plan incorporates the use of additional available resources programmed toward City Council goals and key projects. The proposed budget was prepared based on a combination of known factors, such as increases in CalPERS (Public Employees' Retirement System) costs, and conservative estimates for both revenues and expenditures.

The budget is the City's operating plan and a primary mechanism by which the Council's goals and vision for the City are transmitted to staff for implementation.

The document is organized to present information in several ways. General Fund revenues and expenditures are shown to provide information about longer-term patterns and overall fiscal stability, then revenues and expenditures for the City's various departments are shown to provide additional detail and information about the City's programs and projects.

Overall, the FY 2023-24 proposed budget reflects a local economy that has recovered from the fiscal impacts associated with the COVID-19 pandemic. The budget maintains services for residents of Capitola while simultaneously providing resources to address City Council Goals & Priorities. Nevertheless, the City must also remain focused on the long-term budget picture, which includes unpredictable CalPERS costs, and a challenging economy in coming years.

This second budget hearing will provide an overview of the City's proposed Capital Improvement Program (CIP) as well as a focused discussion on the following items that were identified during the City Council special budget hearing on May 3, 2023.

Items Identified on May 3^d:

- City Council Goals:
 - Strategic Plan – Increase City Council contract services - \$50,000
 - Water filling stations – Increased Parks Division supplies - \$50,000
 - Payoff SCCB Loan
 - Decreased general fund transfer - \$100,500
 - Increased housing trust fund transfer - \$100,500
 - Mall Redevelopment Committee – General Plan Update Fund - \$25,000
 - This was included in the 1st draft of the proposed budget.

- Restricted Transient Occupancy Tax Revenue – Early Childhood & Youth Programs

The Early Childhood and Youth Program (ECYP) is estimated to receive \$64,000 of restricted Transient Occupancy Tax (TOT) revenues in addition to the estimated June 30, 2023, ending fund balance of \$23,000. Additionally, the Restricted TOT fund includes \$27,000 of ECYP scholarships that have not yet been distributed. In FY 2022-23 the City Council authorized the use of \$39,000 over two fiscal years for ECYP scholarships and programming in the Recreation Dept. Approximately \$12,000 was utilized in FY 2022-23 and staff anticipates the remaining \$27,000 to be utilized during FY 2023-24. The proposed budget currently programs \$60,000 in the Community Grant Program for ECYP community grants and \$5,000 for bike safety equipment. Staff has not programmed any of the \$23,000 estimated remaining funds and is seeking direction on:

- How to program the \$23,000 remaining funds; identify potential uses in Recreation and/or maintaining a target fund balance

- General Fund Balance

The estimated general fund balance on June 30, 2024, is \$1.5 million. Traditionally, the City has maintained a target general fund balance of \$500,000 (this was increased to \$750,000 during the pandemic). In addition to the general fund balance, the City Council designated \$100,000 to reestablish the employee downpayment assistance program which was suspended during the pandemic.

During the City Council goal setting on Mar. 1, 2023, the Council directed staff to maintain a general fund target balance of \$500,000, designate \$800,000 for major infrastructure projects and the \$100,000 for the employee downpayment assistance program. There is an estimated \$178,000 of one-time general fund balance that remains undesignated and available for programming.

- Does the Council support adding this amount to the \$800,000 designated for major infrastructure to mitigate inflationary cost increases?

Amendments to Proposed Budget Previously Discussed:

Amendments discussed during the May 3rd Budget Hearing are detailed below:

- Equipment Internal Service Fund – Increase expenditures by \$209,000.
 - City vehicle replacement with EV's/Hybrids – City Council Goal
 - May 3, 2023, Council gave authorization to proceed with replacement van purchase.
 - Increased Equipment ISF expenditures \$8,000
 - Hybrid Toyota Sienna purchased May 9, 2023 - \$52,463
 - Original staff estimate - \$45,000
 - Additional Equipment Purchases
 - EV Utility Truck – Public Works - \$65,000
 - Truck mounted crane – Public Works - \$25,000
 - ¾ Ton 4 Super Cab Truck – Public Works - \$51,000
 - EV Admin vehicle – Police Dept. - \$60,000

- Police Dept. Staffing: Decrease expenditures by \$20,640
 - Reduced estimated general fund overtime – \$11,159
 - Staffing reorganization – \$9,481
 - 2 Police Captains (currently 1)
 - 4 Police Sergeants (currently 5)
 - Hold ½ time Administrative Assistant vacant – (currently vacant)
- Information Technology Internal Service Fund – Increase \$30,000
 - Computerized Maintenance Management System Software – Public Works
 - Increased department ISF charges
- Wharf Fund - Added FY 2024-25 planned budget.
- Department Accomplishments and Goals – updated.
- Library Fund – Added to special revenue funds section.
- Special Revenue Funds – added information related to contract services.
- Evaluate bringing back the Parking and Traffic Committee

FY 2023-24 Council Goals:

The table below shows funding allocated to the FY 2023-24 City Council goals:

Project	Funding
Survey for possible revenue ballot measure	\$ 25,000
Employee Downpayment Assistance	100,000
Increase City Council training budget	5,000
Complete LAFCO sphere study	30,000
Payoff SCCB Loan (4.76%)	725,000
Emergency Reserve Replenishment	250,000
Hold for Major Infrastructure	800,000
Universal Design Playground	200,000
City vehicle replacement with EV's	200,000
Police Dept. tech updates	235,000
Community Center Renovation	1,650,000
Pavement Management	500,000
Hill / Bay Pilot Project	50,000
Esplanade Park	50,000
Gun buy-back program	5,000
Strategic Plan	50,000
Water Filling Stations	50,000
Mall Redevelopment Committee	25,000
Total	\$4,950,000

Additional FY 2023-24 Council Goals:

- Adopt children’s bill of rights.
- Bring climate goals to City Council (from climate action plan)
- Reach out to school district regarding possible collaborative project at Monterey Park
- Encourage local businesses to participate in CA green business certification program
- Explore grants for Maker Space in Community Center project
- Research intergenerational programs to connect youth with elders utilizing ECYP funding

Remaining FY 2022-23 Council Goals

The table below shows the funding allocated to the remaining FY 2022-23 City Council goals:

Project	Funding
Funding to study City Hall options	\$ 50,000
Bluff / Cliff Drive study	50,000
Noble Gulch engineering feasibility study	50,000
Fire risk reduction (eucalyptus groves)	50,000
Peery Park Bridge maintenance	50,000
Total	\$ 250,000

Additional Proposed Minor Amendments:

Additional items identified by staff since the first budget hearing include the following:

- City Council supplies, Recognition & Awards – increase \$5,000
 - Return of volunteer appreciation dinner
- Recreation – increase \$6,700
 - Training - \$2,700
 - Supplies - \$4,000
- Wharf Fund – increase expenditures by \$17,500
 - Wharf project enhancement design

The Proposed FY 2023-24 Capital Improvement Program (CIP) includes updates on projects with prior year appropriations of \$14.4 million including \$1.1 million of projects currently under construction, \$3.2 million of additional funding for City Council key projects, and \$2.7 million of completed projects during FY 2022-23. Additionally, both the Wharf Rehabilitation and Rispin Park projects are out for bid representing \$11.5 million of projects anticipated to be under construction in FY 2023-24.

The draft budget has been distributed and is available for public review in the City Hall lobby, as well as on the City’s website.

FISCAL IMPACT: The goal of these deliberations is to determine the allocation of funds to maintain a balanced budget, provide essential City services, and support priority projects.

Attachments:

1. FY 2023-24 Proposed Budget including the Capital Improvement Program

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk

Approved By: Jamie Goldstein, City Manager