

Capitola City Council

Agenda Report



Meeting: June 23, 2022

From: Finance Department

Subject: Consider the Fiscal Year 2022-2023 Budget and Capital Improvement Program for the City of Capitola

Recommended Action: Approve the proposed resolution adopting the Fiscal Year 2022-23 City Budget and Capital Improvement Program.

Background: The Proposed Fiscal Year (FY) 2022-23 Budget and Planned FY 2023-24 Budget was presented to the City Council at the May 4, 2022, special meeting at which time the Council received input from the Finance Advisory Committee (FAC). At the meeting, the City Council requested additional information which was presented at a second special meeting on May 19, 2022, at which time the City Council reviewed updates to the proposed budget and additional recommendations from the FAC and heard public comments.

At the May 19 special meeting, Council directed staff to prepare a resolution adopting the budget after discussing the following:

Discussion: The General Fund is projected to end Fiscal Year 2021-22 with an estimated \$4.4 million fund balance which includes \$385,000 set aside as a resiliency account. Pursuant to City Council direction and the recommendation of the FAC to maintain the general fund balance of \$1.7 million, the Proposed Budget allocated \$3.5 million of existing general fund resources towards the Capital Improvement Program and FY 2022-23 City Council Goals and Priorities.

Consistent with City Council direction, the budget includes \$61,000 of Restricted TOT revenue programmed to Early Childhood and Youth Programs (ECYP) for the Community Grant Program and \$51,000 of Restricted ECYP TOT fund balance to the Recreation Division as follows:

- Youth program scholarship fund - \$39,000
- Swim lesson equity program - \$10,000
- Job skills program - \$2,000

Additional revisions made to the FY 2022-23 Proposed Budget since the May 19 special meeting include:

- Increased Sales Tax revenue:
 - FY 2021-22 - \$100,000 (increasing the estimated general fund balance)
 - Based on actual receipts
 - FY 2022-23 - \$65,500
 - Consistent with FY 2021-22 revised estimates
- Increased funding for Universal Design Park - \$125,000
 - City Council direction on May 19
- Decreased General Fund HAP Shelter costs - \$1,525
 - Moved to Successor Agency special revenue fund – total funding \$31,525
- Decreased Workers Compensation Insurance premium: \$8,000
 - Based on information from Monterey Bay Area Self Insurance Authority (MBASIA)

- Increased Liability Insurance premium: \$46,500
 - Based on information from MBASIA

The net impact of the proposed budget revisions is a positive \$3,525. The FY 2022-23 Proposed Budget remains imbalanced by design due to the allocation of \$3.5 million of available general fund resources to City Council goals and priorities. In addition, the five-year budget forecast remains structurally balanced at the sunset of the Measure F District Sales Tax in December 2027.

The resolution necessary to adopt the Fiscal Year 2022-23 Budget includes the above appropriations and adjustments (Exhibit A), a General Fund overview (Exhibit B), and an estimation of FY 2022-23 fund balances (Exhibit C). In addition, the FY 2022-23 Proposed Budget is available on the City's website.

Fiscal Impact: The fiscal impact is shown in the attached General Fund overview and fund balance summary.

Attachments:

1. Proposed resolution
2. Changes to Proposed Budget
3. General Fund Summary
4. Fund Balance Summary

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Chloé Woodmansee, City Clerk

Approved By: Jamie Goldstein, City Manager