

Westly, Austin

From: Goldstein, Jamie (jgoldstein@ci.capitola.ca.us)
Sent: Thursday, February 22, 2024 3:53 PM
To: City Council
Subject: FW: Proposed Resolution to Fund Additional Wharf Expenditures

FYI

From: Goldstein, Jamie (jgoldstein@ci.capitola.ca.us)
Sent: Thursday, February 22, 2024 3:53 PM
To: 'Paul Estey' <paul.estey1@gmail.com>
Cc: Malberg, Jim <jmalberg@ci.capitola.ca.us>
Subject: RE: Proposed Resolution to Fund Additional Wharf Expenditures

Hi Paul,

The FY 2023-24 Adopted Budget includes an estimated ending General Fund balance of \$1,554,000 with \$100,000 designated for the Employee Downpayment Assistance Program, \$954,000 designated for Infrastructure (Capital Improvements), and \$500,000 as an operating balance. Staff will recommending that we use \$500,000 of the \$954,000 designated for CIP as we were informed today that the \$500,000 wharf grant that was on hold has been approved and returned to the project funding sources. Additionally, staff is working on reducing the budget amendment request from \$1,264,000 to \$1 million.

The Reserve Funds remain fully funded over the two-year adopted and planned budgets with the only exception being requesting the use of \$80,000 of Emergency Reserves for Dec. storm damages during the mid-year budget report.

From: Paul Estey <paul.estey1@gmail.com>
Sent: Thursday, February 22, 2024 9:48 AM
To: City Council <citycouncil@ci.capitola.ca.us>
Subject: Proposed Resolution to Fund Additional Wharf Expenditures

City Council Members:

The presentation in today's (22-Feb-24) City Council Meeting Packet relative to the issues with the Wharf reconstruction/rehabilitation project shows a projected deficit of \$1,264,000. This deficit will result from the proposed contract changes for the Wharf reconstruction effort (see below). The resolution does not direct the City to use certain funds to cover this deficit. The current year (FY 23-24) budget General Fund has a reserve of only \$500,000 (see below). Note that prior to the pandemic, City Council with the help of the Finance Department rebuilt the City's reserves that were depleted primarily due to the storm drain disaster in 2011. Those reserves were built up further during the pandemic. Now they have been reduced substantially again. The question then is how will the City account for this excess spending? The Capital Improvement Program (CIP) fund has a projected balance of \$1,655,400 by the end of this fiscal year. I assume that these funds can be reallocated to the Wharf Project. If so then then there will be less than \$400,000 left in the fund balance unless other CIP projects are deferred or cancelled. I am not sure on how the accounting is done for such multi-year projects funded primarily by County, State, or Federal sources. I think that as part of the City's report there should be a report by the

Finance Director on the source(s) of the extra funds to cover the proposed overspending so that the public sees how this all washes out.

Thank you for your consideration,
Paul Estey

Wharf Resiliency and Public Access Project Budget

<u>Funding</u>	
Coastal Conservancy Grant	\$1,900,000
HUD Grant	\$3,500,000
Measure F	\$2,500,000
Insurance from January 2023 Storm Damages	\$1,000,000
California Natural Resources Agency	TBD
FEMA	TBD
CWEP Fundraising	\$400,000
Total Project Funding	\$9,300,000
<u>Expenses</u>	
Initial Contract (inclusive of January 2023 Storm Damage)	\$7,740,000
Change Order 1	\$104,300
Change Order 2	\$43,000
Change Order 3	\$213,700
Change Order 4 - Storm Damage (December 2023)	\$213,000
CWEP – Cushman Construction	\$313,000
CWEP – Non-Cushman Items	\$337,000
Building Demolition	\$1,000,000
Repair Work Under Buildings	\$500,000
Head of Wharf Repair	\$100,000
Total Project Costs to Date	\$10,564,000
<u>Available Funds</u>	
Projected Deficit	\$1,264,000

General Fund Summary

Major Categories	FY 20/21 Actual	FY 21/22 Actual	FY 22/23 Amended	FY 22/23 Estimated	FY 23/24 Adopted	FY 24/25 Planned
Revenues						
Taxes	\$ 12,838,748	\$ 14,514,218	\$ 14,573,969	\$ 14,607,713	\$ 14,943,971	\$ 15,225,246
Licenses and permits	657,786	718,402	642,100	600,354	651,600	654,725
Intergovernmental revenues	1,404,860	1,350,001	1,442,308	105,700	89,700	91,360
Charges for services	1,604,582	1,894,868	2,076,331	1,797,950	2,157,937	2,487,760
Fines and forfeitures	494,772	588,832	592,000	648,000	607,500	607,500
Use of money & property	79,464	31,722	89,500	123,200	198,495	198,495
Other revenues	112,881	898,648	106,344	83,850	89,300	90,450
Revenues Totals	\$17,193,093	\$19,996,692	\$19,522,552	\$17,966,767	\$18,738,503	\$19,355,536
Expenditures						
Personnel	\$9,127,386	\$10,273,758	\$11,364,691	\$11,430,752	\$11,681,919	\$12,122,364
Contract services	2,250,977	2,912,962	3,777,026	3,348,754	3,290,190	3,121,345
Training & Memberships	64,292	101,501	147,645	149,959	172,736	173,786
Supplies	495,219	672,330	516,000	581,563	603,975	573,175
Grants and Subsidies	43,650	101,650	125,000	125,000	125,000	125,000
Internal service fund charges	911,212	1,192,463	1,439,415	1,439,415	1,617,843	1,647,118
Other financing uses	809,383	3,608,343	5,231,569	3,390,366	2,288,788	1,587,909
Expenditures Totals	\$13,702,120	\$18,863,007	\$22,601,346	\$20,465,809	\$19,780,450	\$19,350,697
Impact on Fund Balance	\$ 3,490,974	\$ 1,133,684	\$ (3,078,794)	\$ (2,499,042)	(\$1,041,947)	\$ 4,839
Budgetary Fund Balance	\$ 4,346,128	\$ 5,479,812	\$ 2,016,018	\$ 2,595,770	\$ 1,553,823	\$ 1,558,662
Designations						
Employee Downpayment		\$ (385,000)	\$ (385,000)		\$ (100,000)	\$ (100,000)
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ (953,823)	\$ (953,823)
Revised Budgetary Fund Balance	\$ 4,346,128	\$ 5,094,812	\$ 1,631,018	\$ 2,595,770	\$ 500,000	\$ 504,839

The FY 2023-24 budget includes \$2.5 million of general fund with \$1.1 million coming from Measure F, \$3.5 million of federal grant funding, \$227,000 local grant funding, and \$1.0 million insurance claim proceeds. The Wharf project has approximately \$8.9 million of remaining funding which will bring the total rehabilitation project and storm damage repairs to \$10.5 million. The FY 2023-24 budget also includes \$609,500 of SB1 and Measure D revenues for the Capitola Road Rehabilitation project, and \$2,450,000 of fund balance from the General Fund programmed towards City Council goals within the CIP program.

SOURCES AND USES

Fund - 1200	FY20/21	FY21/22	FY22/23	FY22/23	FY23/24	FY24/25
Capital Improvement Program	Actual	Actual	Amended	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 2,186,822	\$ 1,472,661	\$ 3,762,200	\$ 3,762,200	\$ 7,164,700	\$ 1,655,400
Revenue						
Intergovernmental revenue	\$ 300,000	\$ 812,774	\$ 1,900,000	\$ 1,900,000	\$ 3,500,000	\$ -
Other revenues	42,864	(6,834)	587,000	764,000	1,227,000	-
Other financing sources	-	2,960,066	3,966,203	2,125,000	2,450,000	972,341
Revenue Totals	\$ 342,864	\$ 3,766,006	\$ 6,453,203	\$ 4,789,000	\$ 7,177,000	\$ 972,341
Expenditures						
Contract services	\$ 3,308	\$ 14,515	\$ -	\$ 62,500	\$ -	\$ -
Construction services	\$ 1,010,716	\$ 1,455,818	\$ 6,863,140	\$ 1,250,000	\$ 12,686,300	\$ 1,190,000
Other financing uses	\$ 43,000	\$ 6,134	\$ -	\$ 74,000	\$ -	\$ -
Expenditure Totals	\$ 1,057,024	\$ 1,476,467	\$ 6,863,140	\$ 1,386,500	\$ 12,686,300	\$ 1,190,000
Fund Balance at 6/30	\$ 1,472,661	\$ 3,762,200	\$ 3,352,263	\$ 7,164,700	\$ 1,655,400	\$ 1,437,741