

Capitola City Council

Agenda Report



Meeting: September 26, 2024

From: City Manager Department

Subject: Annexation Feasibility Plan Development Contract Award

Recommended Action: Authorize the City Manager to execute an agreement with RSG Inc. to study the feasibility of annexation in an amount not to exceed \$45,000, subject to City Attorney review and approval.

Background: The City of Capitola's current sphere of influence, as defined by the Santa Cruz Local Agency Formation Commission (LAFCO), includes approximately 2,200 parcels totaling 622 acres outside the existing city limits. In 2022, LAFCO conducted a service and sphere review for the City, which reaffirmed the current sphere and recommended the City develop a plan to assess the annexation of these parcels. The City is under a May 2027 deadline, set by LAFCO, to submit this analysis.

As a part of the budget goals and priorities for FY 2024-25, and as recommended by LAFCO, the City Council identified a need to evaluate the fiscal, operational, and service impacts of annexing a portion of unincorporated Santa Cruz County into Capitola. This analysis will guide the City in determining if, when, and how the parcels within its sphere of influence could potentially be annexed. The City Council allocated \$30,000 towards the project in the approved FY 2024-25 Budget. The City also received \$15,000 from LAFCO for the project, bringing the total allocated funding to \$45,000.

Discussion: Staff issued a Request for Proposals (RFP) on August 14, 2024, with a submission deadline of Monday, September 9. Though the RFP was distributed to more than 45 consultants, the City only received two proposals, each costing more than the City's \$45,000 budget allocation. Other than the costs, the two proposals were similar in that they were from reputable consultants that City staff is confident would complete the project satisfactorily. Staff worked with both firms to amend their project budgets and slightly modify the scope of work.

City and LAFCO staff recommend awarding an agreement to RSG, Inc. because of their detailed understanding of the project scope, experience with similar projects, and excellent references. RSG's amended fee proposal is \$44,995.

Key tasks and outcomes outlined in the proposal (Attachment 1) are:

- Data collection and interviews.
- Fiscal, service, and additional analysis.
- 10-year fiscal model based on projected growth.
- Findings and recommendations on policy and, dependent on findings, potential next steps.

The City will not be obligated or required to annex based on the findings. Upon City Council approval, the City will work with RSG to initiate the annexation study following a timeline projecting a six-month work plan.

Fiscal Impact: Fiscal Year 2024-25 includes \$45,000 for annexation feasibility plan development.

Attachments:

1. RSG Proposal
2. Agreement

Report Prepared By: Chloé Woodmansee, Assistant to the City Manager

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager