

Capitola City Council

Agenda Report



Meeting: March 1, 2023

From: Finance Department

Subject: FY 2023-24 Budget Principles and Goals

Recommended Action: 1) Review progress and status of Fiscal Year 2022-23 budget goals; 2) Adopt the Fiscal Year 2023-24 budget principles; and 3) Identify goals and related key projects/programs for Fiscal Year 2023-24.

Background: Each year, the City prepares and adopts an annual budget. The annual budget drives the City's operations and gives City Council direction to the City Manager regarding day-to-day functions. The budget not only outlines the City's financial plan, but also establishes the framework in which the City will provide services to the community. Principles and goals identified in the budget establish metrics against which actual performance can be measured.

Progress/Status of Fiscal Year 2022-23 Budget Goals

City Council identified Fiscal Year (FY) 2022-23 Budget Principles and Goals on March 1, 2022, listed in the below chart. Status/Progress: **green** = completed, **orange** = in progress, **purple** = project changed/updated due to circumstances, **red** = paused)

Goal/Item	Prioritized at (\$)	Status/Progress Details
Wharf Rehabilitation Project	\$1.5 million	Project changed due to storm (remains fully funded)
Allocate funding to CalPERS Trust	\$500,000	Completed
Stockton Bridge reinforcement project	\$350,000	Bridge damaged in storm
Universal Design Playground at Community Center	\$275,000	In progress: Council approved design contract on 2/9/23
Community Center (near-term needs)	\$150,000	In progress: Council approved design contract on 2/23/23
City Hall Maintenance (minimal)	\$100,000	New roof installed; staff bathroom improvements completed - Winter 2022 In progress: Tree removal/landscaping; lobby bathroom improvements
Bike/Pedestrian safety projects	\$100,000	Bollards installed; flashing pedestrian signs installed
Peery Park Bridge maintenance	\$50,000	In progress: scope of work expected in late Spring 2023
Fire Risk Reduction (Eucalyptus Grove)	\$50,000	In progress: analysis expected in March 2023
Noble Gulch Engineering Feasibility Analysis	\$50,000	In progress

Bluff/Cliff Drive Study	\$50,000	Damaged during storm
City Hall Options/Study	\$50,000	In progress: RFP planned for issuance winter/spring 2023
<ul style="list-style-type: none"> • Housing Element Update • Enhance Community Outreach • Launch Regional Bikeshare Contract • Update comprehensive Fee Study • Consider Potential Ballot Measures (2022) • Memorial Bench Replacement Program • Implement Bike Patrol for Parking Enforcement Officers • Update Special Event Permit Process 	\$50,000	<p>All completed, excluding the following:</p> <ul style="list-style-type: none"> • In progress: Housing Element Update • Paused: Memorial Bench Replacement Program; Comprehensive Fee Study

The in-progress goals in the above table, coupled with storm-recovery, remain priorities for staff, and thus represent significant time constraints dedicated to completing them.

Discussion: To ensure the prepared draft budget is consistent with the Council’s direction, the City adopts budget goals for each upcoming fiscal year. While the budget goals provide an overarching guide to budget development, the Council can provide more specific direction by identifying key projects/programs. The key projects/programs for the City Council can be specific projects (such as Capitola Wharf Rehabilitation) or service changes (like expanding the City’s lifeguard program). One important reason to adopt budget goals and identify key projects is to increase focus on the Council’s overall priorities and help to clearly articulate those priorities to Capitola residents and other stakeholders.

Staff suggests Council identify budget goals that encompass five or six key projects for the coming fiscal year. During the special meeting, staff will facilitate a Council discussion to identify these projects. When preparing the draft budget, staff will integrate Council’s budget goals and key projects, including attainable metrics associated with each key project.

General Budget Principles

The City of Capitola prioritizes the following budget principal categories:

- Fiscal Policy Principles
 - Maintain a balanced budget that ensures ongoing expenditures can be met with ongoing revenues
 - Use one-time revenues for one-time expenditures
 - Ensure the budget plans for future cost increases and attainable revenue projections
- Public Service Principles
 - Maintain, and improve upon, the transparency of City operations and accessibility of government
 - Recognize the high priority the community places on the public’s safety
 - Analyze future service level increases with their long-term financial impacts to ensure financial stability
- Public Improvement Principles

- Maintain the City’s infrastructure by providing maximum funding for the pavement management system
- Maintain and improve Capitola’s natural resources and sustainable green programs
- Ensure maintenance and cleanliness of City facilities, sidewalks, and streets

Looking Ahead to Fiscal Year 2022-24 (budget year beginning July 1, 2023)

During the FY 2022-23 mid-year budget update item, staff identified approximate amounts of one-time funding and ongoing funding available for budget planning. Looking ahead to FY 2023-24, staff tentatively identified the following revenue to utilize towards Council goals:

Item	Amount
General fund balance	\$2.5 million <i>(Including \$385,000 in Resiliency account)</i>
Wharf grant	\$2.75 million
FY 2022-23 revenues and expenditures	TBD during budget process
Expected minimum total available	\$5.3 million

In general, staff recommends the City maintain a minimum Fund Balance of approximately \$500,000, however with the increased uncertainty associated with the current economic climate, staff suggests a minimum fund balance of approximately \$750,000. That would leave approximately \$4.5 million available to allocate to City Council goals at this time.

Staff has identified potential goals for the coming fiscal year (below). These efforts are singled-out because they will likely involve significant funding, staff resources, community input, or multijurisdictional coordination if Council prioritizes them as new goals for FY 2023-24. Under each recommended goal is a short list of specific projects that serve as examples of budget items that would be prioritized in the FY 2023-24 budget, if the corresponding goal is agreed upon by Council. This is intended as a big picture example of possible goals for the coming budget year, not an exhaustive list of all projects, expenditures, or staff work items that will be prioritized in the coming year.

Please keep in mind that due to the January 2023 storm and significant among of projects designated as goals in FY 2022-23, there is limited staff capacity to add major new work initiatives this next year.

- Improve Recreational Spaces/Opportunities for Residents, Youth, and Community
 - Jade Street Community Center Rehabilitation Project
- Reduce Long-term Debt
 - Pay Pacific Cove Mobile Home Park loan
- Enhance and Maintain Public Infrastructure
 - Pavement Management
 - Hill and Bay Avenue improvements
 - Bay and Capitola Avenue Roundabout
- Invest in Technology to Maintain Excellent Service for Residents
 - Police Radios/Axon Transition
 - Expand records digitization efforts
- Support Economic Development Throughout City

- Capitola Mall Redevelopment Project

At the hearing, staff will be seeking City Council about these, and other potential budget goals.

Fiscal Impact: The annual review and revision of Budget Principles and key projects is the first step in the budget process. The Budget Principles clearly articulate the City's financial management strategies. Staff will incorporate the City Council budget goals into the first draft of the proposed FY 2023-24 budget at which time City Council can prioritize the goals based on available resources.

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk

Approved By: Jamie Goldstein, City Manager