

Capitola City Council

Agenda Report



Meeting: May 3, 2023

From: Finance Department

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

Recommended Action: Receive the proposed budget, provide staff direction, and continue budget deliberations to the next joint budget hearing scheduled on May 18, 2023.

Discussion: The City of Capitola proposed Fiscal Year (FY) 2023-24 and FY 2024-25 Budget is a two-year financial plan. 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.

While staff is presenting a proposed FY 2023-24 Budget that is structurally imbalanced by design, during this first budget hearing some of the key discussion points are as follows:

- The proposed budget includes returning the frozen Account Clerk and the last one-half of the Deputy City Clerk position. This represents filling the last of the positions that were frozen in response to the pandemic.
- Staff seeks direction on the use, if any, of the existing fund balance within the Restricted TOT fund. The estimated fund balance at the end of FY 2022-23 is \$62,750, which is designated for early childhood and youth programs. The proposed budget includes approximately \$60,000 of Transient Occupancy Tax (TOT) revenue that has been allocated for early childhood and youth programming within the Community Grant Program. Staff will present ideas to utilize the ECYP funding during the budget hearings.
- Staff estimates the General Fund balance on June 30, 2023, will be approximately \$2.6 million, which will be combined with existing resources made available with the approval of the \$3.5 million Wharf Rehabilitation Grant. During the City Council goal setting session, the Council directed the allocation of \$4.8 million of this toward priority projects. Funding for those priority projects is included in this budget.

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
Total	\$4,820,000

The following tables show a summary of one time and ongoing revenue and expenditures changes:

New Revenue Sources	Amount	Frequency
General Fund Balance	\$4,750,000	One time
Property Tax	119,000	Ongoing
Sales Tax	127,000	Ongoing
TOT	100,000	Ongoing
Charges for Services	82,000	Ongoing

New Project / Expense	Amount	Frequency
City Council Goals	\$4,820,000	One time
CalPERS Unfunded Actuarial Liability Increase	(42,500)	One time
Contract Services	100,000	Ongoing
Staffing		
Cost of Living and Step Increases	208,400	Ongoing
Additional Staffing	98,000	Ongoing

- The FY 2023-24 Proposed Budget includes additional ongoing revenue above the prior year of approximately \$428,000 and additional ongoing expenditures of \$406,400.
- This first draft of the proposed budget does not include the Capital Improvement Program (CIP) fund. Staff plans to present the proposed CIP budget, incorporating City Council goals, during the May 18 budget hearing.
- The proposed budget includes a FY 2023-24 year ending fund balance of approximately \$1.6 million, which includes \$100,000 designated for the employee down payment

assistance program, \$800,000 designated for future major infrastructure projects, \$500,000 designated as the target ending balance, and \$249,000 undesignated.

The draft budget (Attachment 1) has been distributed and is available for public review in the City Hall lobby, as well as on the City's website.

Attachments:

1. Proposed FY 2023-24 Budget

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Moss, City Clerk

Approved By: Jamie Goldstein, City Manager