

# Capitola City Council

## Agenda Report



**Meeting:** May 30, 2024

**From:** Finance Department

**Subject:** Proposed Fiscal Year 2024-25 Budget

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**Recommended Action:** Receive the proposed budget and provide direction to staff to either: 1) continue budget deliberations to a Special City Council meeting on June 6, 2024; or 2) prepare the documents for final budget adoption at a regular meeting in June and cancel future planned budget hearings.

**Discussion:** The City of Capitola's proposed Fiscal Year (FY) 2024-25 and FY 2025-26 Budget is a two-year financial plan for the City as outlined by Administrative Policy III-3: Financial Management Policies. 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 City Council's goals and vision for the City are transmitted to staff for implementation.

Overall, the FY 2024-25 proposed budget and the projections for FY 2025-26 and 2026-27 are structurally balanced. However, current financial forecasts show that with the expiration of Measure F in December 2027, the budget becomes unbalanced beginning in FY 2027-28. The FY 2024-25 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.

The Finance Advisory Committee (FAC) and the City Council met on May 14<sup>th</sup> and May 16<sup>th</sup>, respectively, to review the FY 2024-25 Proposed Budget. Items that were identified for follow-up are listed below:

- McGregor Park Bike Pump Track
  - The City has received a \$30,000 donation, plus a verbal commitment for an additional \$20,000, for improvements to the bike track at McGregor Park. To improve usability, reduce maintenance needs, and allow for more all-weather use, staff looked into paving the track, however the cost is estimated to be \$80,000.
- Eviction Defense Collaborative
  - Investigate potential \$5,000 - \$10,000 contribution.

Amendments that were discussed at the City Council and FAC meetings are as follows:

- Personnel Costs
  - Reduced \$20,631
- LAFCO Sphere of Influence Study
  - The City has received \$15,000 from LAFCO to assist in moving the study forward which has now been programmed in FY 2024-25 revenues and expenditures.

- Community Development Department - Building Division
  - Revenue and expenditure increased by \$30,000 due to several large projects.

The result of these changes has increased the estimated general fund ending balance by \$20,163 for a total of \$848,057 with \$100,000 designated for the Employee Downpayment Assistance Program.

The FAC met on May 21, 2024, to review the 2<sup>nd</sup> draft of the proposed budget and made the following recommendations for City Council consideration:

- Allocate \$30,000 to the McGregor Pump Track and have staff continue to seek a matching donation of \$15,000 to offset City cost.
- Designate \$5,000 for the Eviction Defense Collaborative pending further follow-up by staff.

Staff will provide more information about the Eviction Defense Collaborative at the Budget Hearing including potential City funding sources (General or Special Revenue funds), and other agencies that are anticipated to fund the effort.

The draft budget has been distributed and is available for public review at City Hall, as well as on the City's website.

Fiscal Impact: The goal of these deliberations is to determine the allocation of funds to maintain a balanced budget, provide for essential City services, and support priority projects.

Attachments:

1. FY 2024-25 Proposed Budget

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager