

# Capitola City Council

## Agenda Report



**Meeting:** May 4, 2022

**From:** Finance Department

**Subject:** Presentation of the Proposed Fiscal Year 2022-23 Budget for the City of Capitola and the Capitola Successor Agency

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**Recommended Action:** Acting as the City Council and Successor Agency, receive the proposed budget, provide staff direction, and continue budget deliberations to the next joint budget hearing scheduled on May 19, 2022.

**Discussion:** The City of Capitola proposed Fiscal Year (FY) 2022-23 and FY 2023-24 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 2022-23 proposed budget reflects a local economy that is recovering from the fiscal impacts associated with the COVID-19 pandemic. The budget maintains services for residents of Capitola while simultaneously returning essential expenditures as much as possible. Nevertheless, the City must also remain focused on the long-term budget picture, which includes dramatically increasing CalPERS costs, and a challenging economy in coming years.

While staff is presenting a Proposed FY 2022-23 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 police officer and receptionist positions, and adding one three-quarter time Recreation Coordinator/Lifeguard and one full-time Development Services Technician. The proposed budget maintains frozen vacancies for one three-quarter time position and three partially filled positions (representing a total of two full-time equivalent positions).
- Staff seeks direction on the total funding allocation for the Community Grant Program. The proposed budget includes approximately \$61,000 of Transient Occupancy Tax (TOT) revenue that is restricted for Early Childhood and Youth programming in addition to \$165,000 of general fund money. This is in addition to \$497,000 of CDBG grant funds that can be used for senior and nutrition services benefitting low- and moderate-income people.
- Staff estimates the General Fund balance on June 30, 2022, will be approximately \$4.3

million. During the City Council goal setting session Council directed the allocation of \$3.55 million of this toward priority projects. Funding for those priority projects is included in this budget. In addition, during goal setting \$385,000 was set aside as a resiliency account to navigate any remaining fiscal impacts of COVID-19.

The table below shows funding allocated to the FY 2022-23 City Council goals:

<b>Project</b>	<b>Funding</b>
Wharf Rehabilitation	\$1,500,000
Community Center Repairs	150,000
Library TOT Lot	150,000
Local Hazzard Mitigation Projects:	
Study City Hall options	50,000
Stockton Bridge reinforcement project	350,000
Bluff / Cliff Drive study	50,000
Noble Gulch engineering feasibility analysis	50,000
Fire risk reduction (eucalyptus groves)	50,000
Minimal City Hall maintenance	100,000
EV charging stations	20,000
Bike / Pedestrian safety projects	100,000
Peery Park Bridge maintenance	50,000
Internal staff projects	50,000
Deposit in CalPERS Retirement Trust	500,000
Establish Resiliency Fund	385,000
<b>Total</b>	<b>\$3,555,000</b>

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

<b>New Revenues</b>		
Grants	\$1,357,303	One time
Mid-year ongoing	385,000	Ongoing
Property Tax	114,335	Ongoing
Sales Tax	588,333	Ongoing
TOT	100,000	Ongoing
Charges for Services	286,404	Ongoing
<b>New Expenditures</b>		
City Council Goals	\$3,555,000	One time
CalPERS UAL	212,000	Ongoing
MBASIA	138,300	Ongoing
Beach Shuttle	64,000	Ongoing
911 JPA	54,000	Ongoing
PW Engineering	25,000	Ongoing
Gas & Electric Utilities	25,000	Ongoing
Gen/Admin Contracts – ADA Compliance	50,000	Ongoing
Lifeguard Contract	(95,000)	Ongoing
Other contracts/inflation	81,867	Ongoing
Staffing		
3% COLA & Steps	264,200	Ongoing
Addl. Staffing	332,400	Ongoing

Net change to on-going revenue/expenditures	(55,000)	
FY 2021-22 mid-year projected on-going	385,000	
Budget projected on-going revenue/expenditure	330,000	

- The FY 2022-23 Proposed Budget includes additional ongoing revenue above the prior year of approximately \$1.1 million and additional ongoing expenditures of \$1.15 million.
- 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 19 budget hearing.
- The proposed budget includes a FY 2022-23 year ending fund balance of approximately \$1.3 million. During budget hearings staff will identify potential uses for a portion of these funds.

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 2022-23 Budget

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Chloé Woodmansee, City Clerk

Approved By: Jamie Goldstein, City Manager