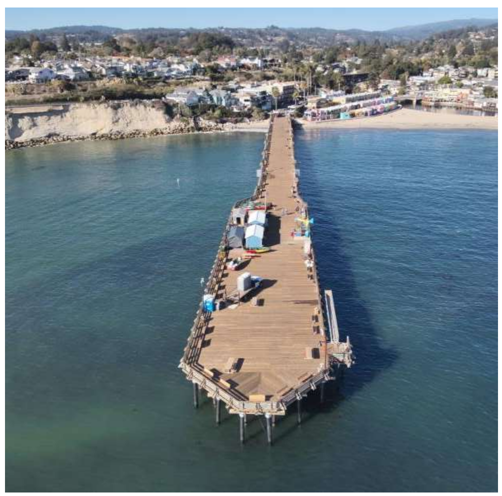
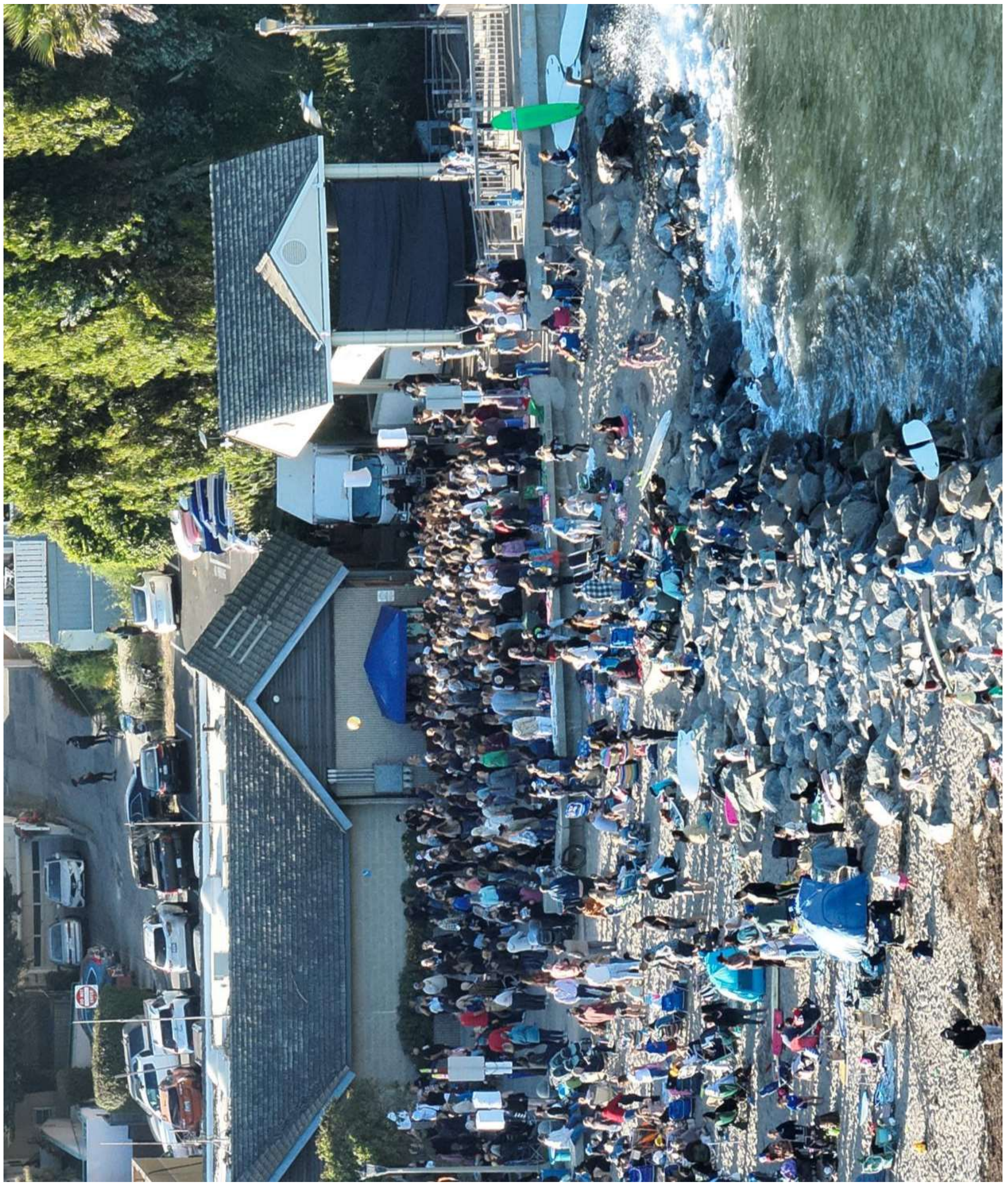
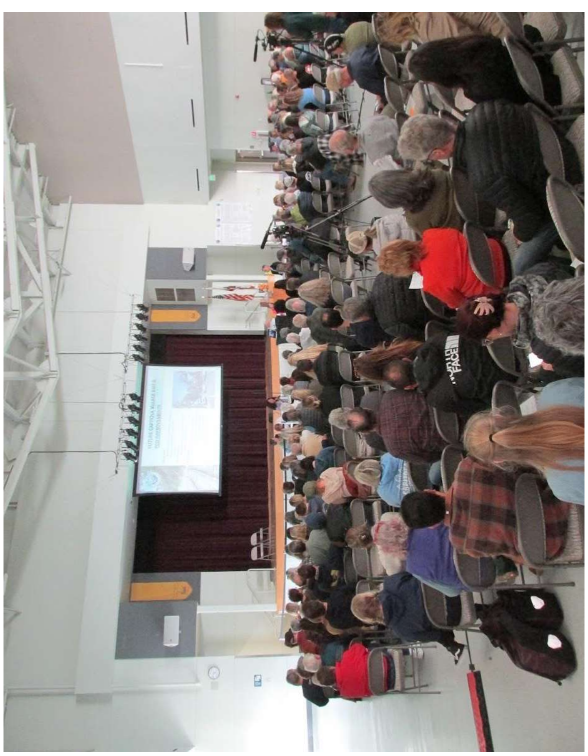

OUR SPONSORS
Cultural Commission

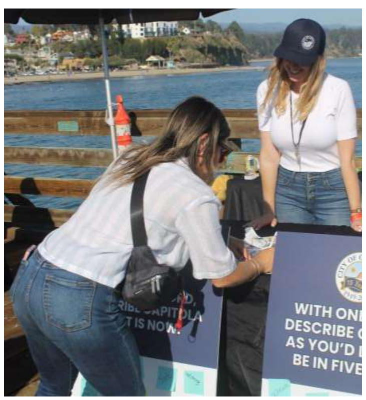



POLICE






CAPITOLA POLICE




CITY OF CAPITOLA

Budget Review Process

Draft Budget Published	• May 2
Initial FAC Budget Review	• May 13
City Council Budget Hearings	• May 15: Overview & questions • May 29: CIP, follow-up from May 15, FAC recommendation • *June 5 & 18: If needed*
City Council Budget Adoption	• June 26

Budget Summary

Approximately $1.6 million increase in general fund revenues	• Local economy may be impacted by uncertainty at national level
Measure Y	• Utilized to provide public safety and essential services
Measure Q & Measure S	• Measure Q: $200,000 annually • Measure S: $165,000 annually for 21 years
Approximately $1.6 million increase in general fund expenditures	• $1.3 million personnel costs primarily due to Measure Y and the Cal PERS UAL

Budget Summary (cont.)

Proposed General Fund budget structurally balanced

- Estimated fund balance June 30, 2026 – $588,000
  - Additional $100,000 set aside employee downpayment assistance program

Ongoing PERS costs remain a major threat to City resources

- Estimated PERS Contingency reserve balance $1.6 million
- Unfunded Actuarial Liability (UAL) increased from $33 to $35 million, up from $21 million in 2024
- Annual payment increased from $2.5 to $2.9 million
  - Up from $2.1 million in 2024

Heavy reliance on Sales & Transient Occupancy Tax

- Measure Y sunsets in 2034

Reserves below target balances

- Still awaiting additional 2023 storm damage reimbursements

Multi-year Budget Projection

REVENUE	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Property Tax (%)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Sales Tax (%)	1.00%	2.50%	2.50%	2.50%	2.50%	2.50%
TOT (%)	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Business License (%)	1.60%	1.00%	1.00%	1.00%	1.00%	1.00%
Building Permits (%)	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cannabis Business Tax	-8.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Parking (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mall Redevop Impact	-	-				
New Revenue	*50,000*	*250,000*	*250,000*	*250,000*	*250,000*	*250,000*

	FY 2026 Proposed	FY 2027 Planned	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Revenue	21,146,818	21,638,720	22,137,329	22,652,437	23,184,674	23,547,865
Expenditures	21,144,114	21,638,390	22,251,833	22,998,603	23,388,658	24,019,557
Net Impact Fund Balance	**2,704**	**330**	**(114,504)**	**(346,166)**	**(203,984)**	**(471,692)**

Multiyear Budget Projection

REVENUE	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Property Tax (%)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Sales Tax (%)	1.00%	2.50%	2.50%	2.50%	2.50%	2.50%
TOT (%)	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Business License (%)	1.60%	1.00%	1.00%	1.00%	1.00%	1.00%
Building Permits (%)	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Cannabis Business Tax	-8.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Parking (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mall Redevop Impact	-	-				
New Revenue	*50,000*	*250,000*	*250,000*	*250,000*	*250,000*	*250,000*

	FY 2026 Proposed	FY 2027 Planned	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Revenue	21,146,818	21,638,720	22,137,329	22,652,437	23,184,674	23,547,865
Expenditures	21,144,114	21,638,390	22,251,833	22,998,603	23,388,658	24,019,557
Net Impact Fund Balance	**2,704**	**330**	**(114,504)**	**(346,166)**	**(203,984)**	**(471,692)**

General Fund Summary

Major Categories	FY 22/23 Actual	FY 23/24 Actual	FY 24/25 Amended	FY 24/25 Estimated	FY 25/26 Proposed	FY 26/27 Planned
Revenues						
Taxes	$ 14,709,173	$ 14,495,884	$ 15,383,270	$ 15,358,270	$ 16,883,877	$ 17,354,164
Licenses and permits	650,188	767,635	737,309	737,309	734,500	743,740
Intergovernmental revenues	351,671	230,640	106,360	106,360	106,700	108,700
Charges for services	1,817,637	2,126,976	2,389,640	2,389,640	2,495,741	2,495,741
Fines and forfeitures	566,907	425,043	607,500	607,500	690,000	690,000
Use of money & property	70,527	355,181	190,195	190,195	139,000	143,500
Other revenues	240,413	365,348	117,206	117,206	97,000	102,875
Revenues Totals	**$18,406,515**	**$18,766,706**	**$19,531,479**	**$19,506,479**	**$21,146,818**	**$21,638,720**
Expenditures						
Personnel	$11,320,375	$12,099,946	$13,065,766	$13,065,766	$14,419,337	$15,017,010
Contract services	3,336,801	3,714,466	3,515,981	3,515,981	3,679,928	3,540,702
Training & Memberships	113,320	143,324	167,100	141,250	169,480	169,700
Supplies	778,011	960,221	842,939	820,123	791,700	786,800
Grants and Subsidies	125,000	125,000	125,000	125,000	133,425	133,425
Internal service fund charges	1,444,499	1,617,841	1,523,578	1,523,578	1,662,900	1,703,635
Other financing uses	3,271,324	2,288,788	287,568	287,568	287,344	287,116
Expenditures Totals	**$20,389,330**	**$20,949,586**	**$19,527,932**	**$19,479,266**	**$21,144,114**	**$21,638,389**
Impact on Fund Balance	**$ (1,982,815)**	**$ (2,182,880)**	**$ 3,547**	**$ 27,214**	**$2,704**	**$332**
Budgetary Fund Balance	**$ 3,141,552**	**$ 958,672**	**$ 762,219**	**$ 785,885**	**$ 688,590**	**$ 688,921**
Designations						
Employee Downpayment			**$ (100,000)**	**$ (100,000)**	**$ (100,000)**	**$ (100,000)**
Infrastructure	**$ -**	**$ -**	**$ -**	**$**		
Revised Budgetary Fund Balance	**$ 3,141,552**	**$ 758,672**	**$ 662,219**	**$ 685,885**	**$ 588,590**	**$ 588,921**

Balanced Budget

Employee Downpayment Assistance

Estimated Ending Fund Balance

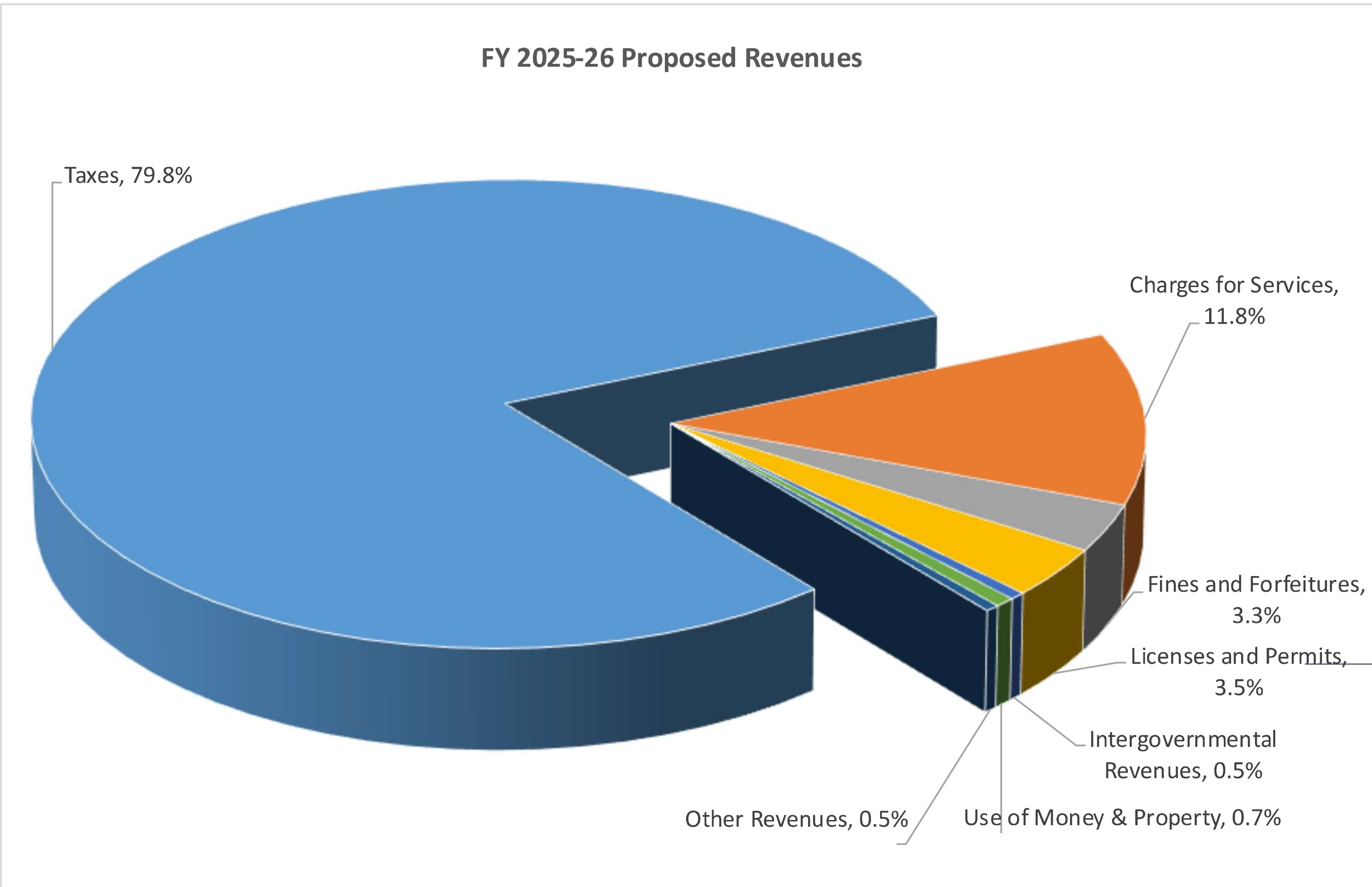
FY 25/26 Revenue Growth Forecast

Key Revenue Sources	Budget Change $	Notes
Property Tax	$164,000	County estimate + sales
Sales Tax (1%)	62,000	Consistent with HdL
Sales Tax (District)	867,000	Measure O & Y
New Taxes	315,000	Measure Q & S
Franchise Tax	92,000	Increased utility costs
Charges for Services	109,000	CS&R Events
Other revenues	(20,000)	Moved A&C to CS&R
Total	**$1.6 million**	

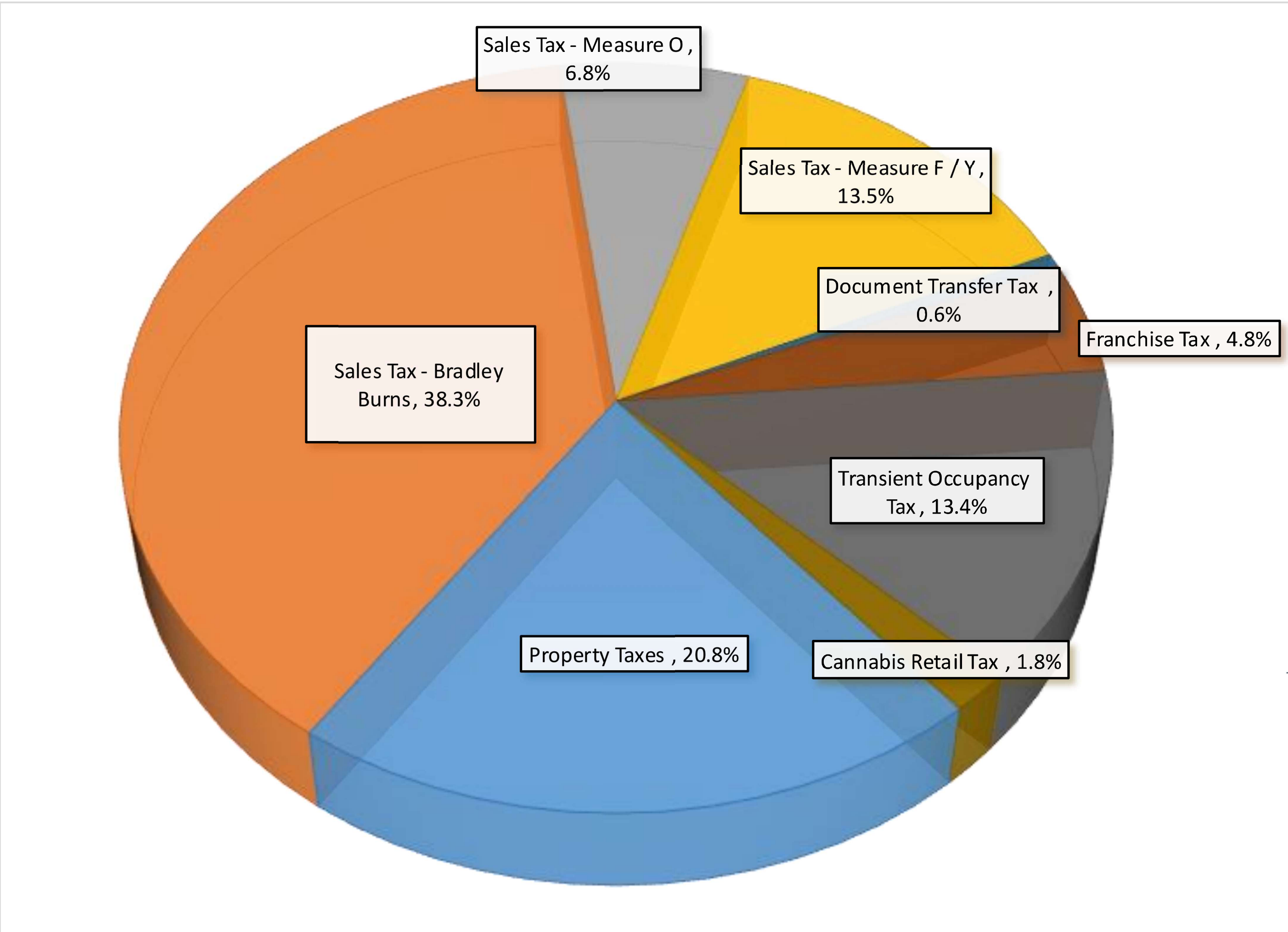
Revenue Notes

- **Total General Fund revenues**
  - Expected to increase $1.6 million from prior year
- **TOT projected to end FY 24-25 at $2.2 million**
  - Same as prior year receipts
  - Occupancy rates remain high while room rates have declined
- **Sales tax (46%) & TOT (11%) represent approximately 57% of general fund revenues**
  - Top 25 sales tax generators represent 70% of total
  - Top 5 generators represent 39% of total
  - Village represents 8% of total
- **Property tax**
  - 5% growth rate due to increased property prices
- **Charges for Services**
  - Expanded CS&R Events

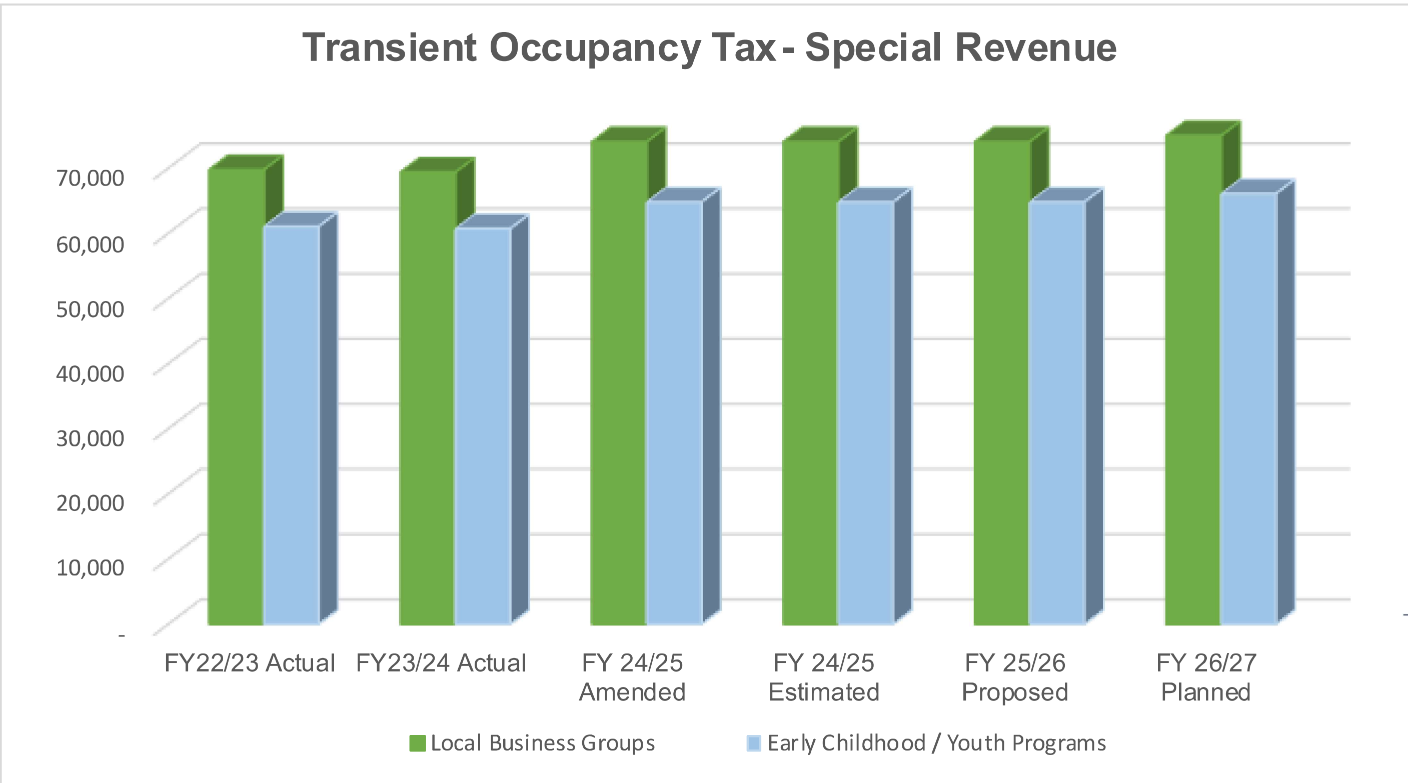
Revenue by Category



Proposed Tax Revenues



Restricted TOT

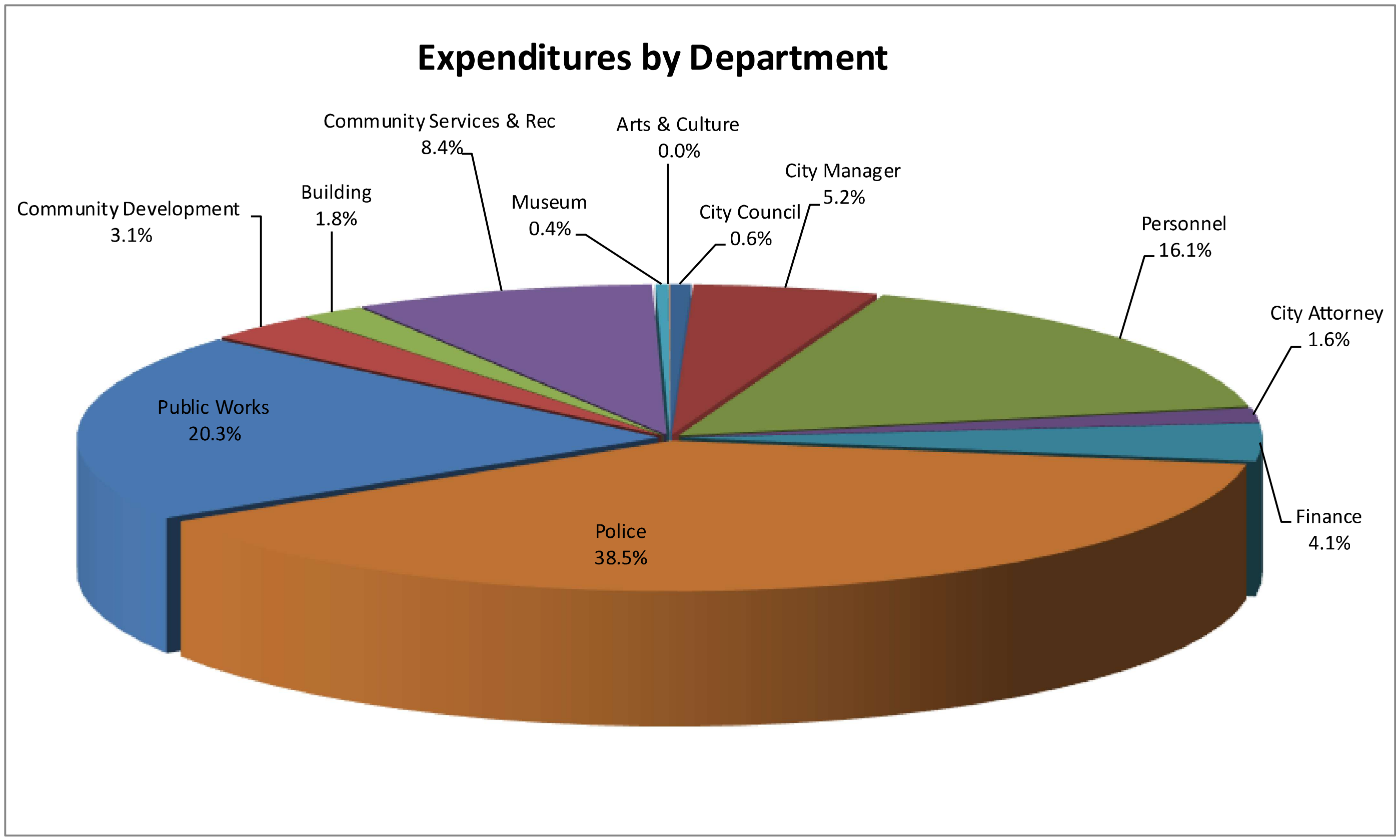


Expenditure Forecast

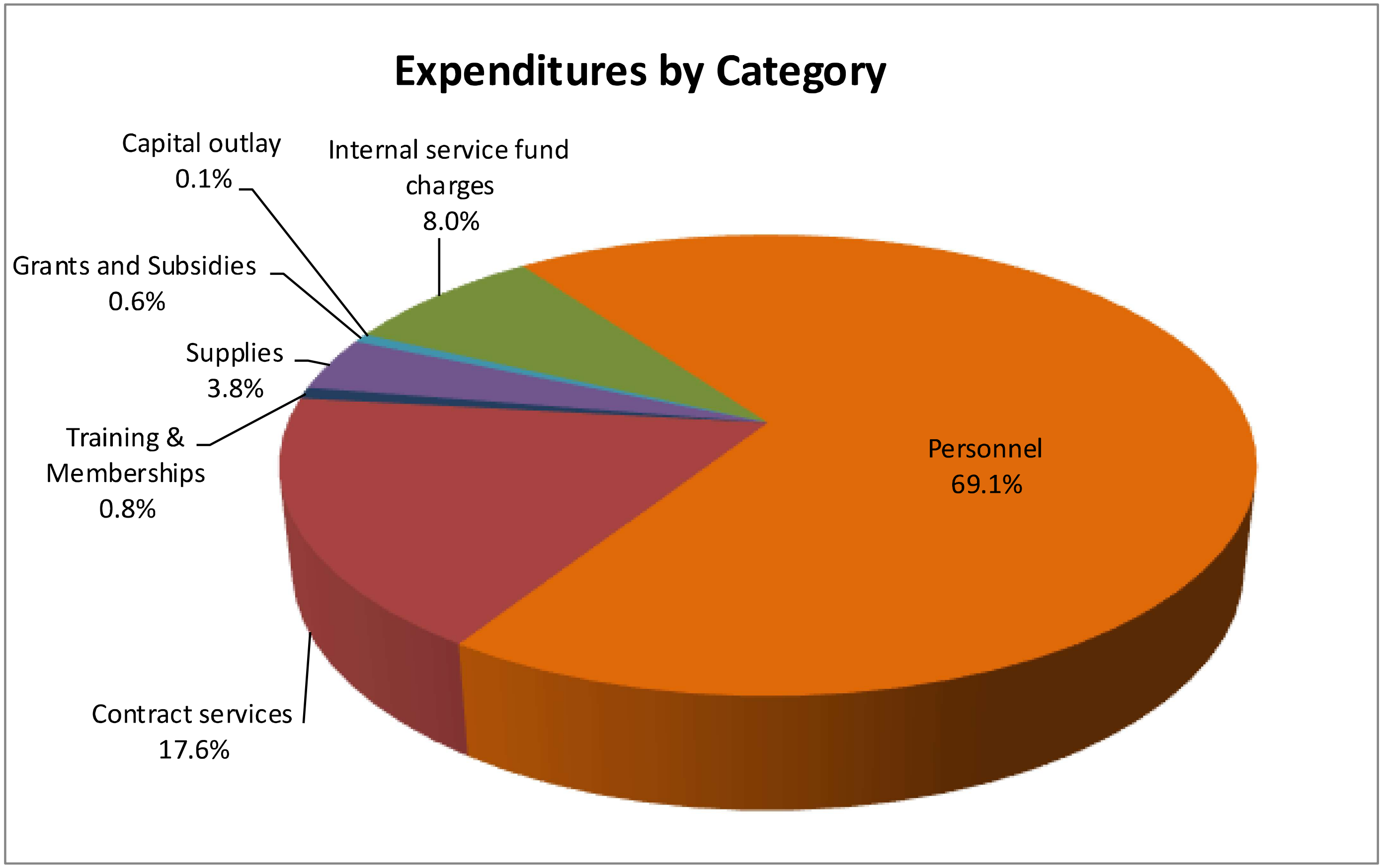
Expenditure	Budget Change $	Notes
Personnel	$1.35 million	Measure Y, CalPERS UAL, COLA’s & Step’s
All others	$263,000	Contract services & ISF’s up, supplies down
Total	$1.6 million	

- Personnel increase: $1.35 million
  - Salary, full-time: $361,000
  - Overtime: $97,000
  - Specialty pay: $120,000
  - Benefits: $746,000
    - Due to increase in CalPERS UAL & Measure Y
  - Wages, part-time/seasonal: $30,000

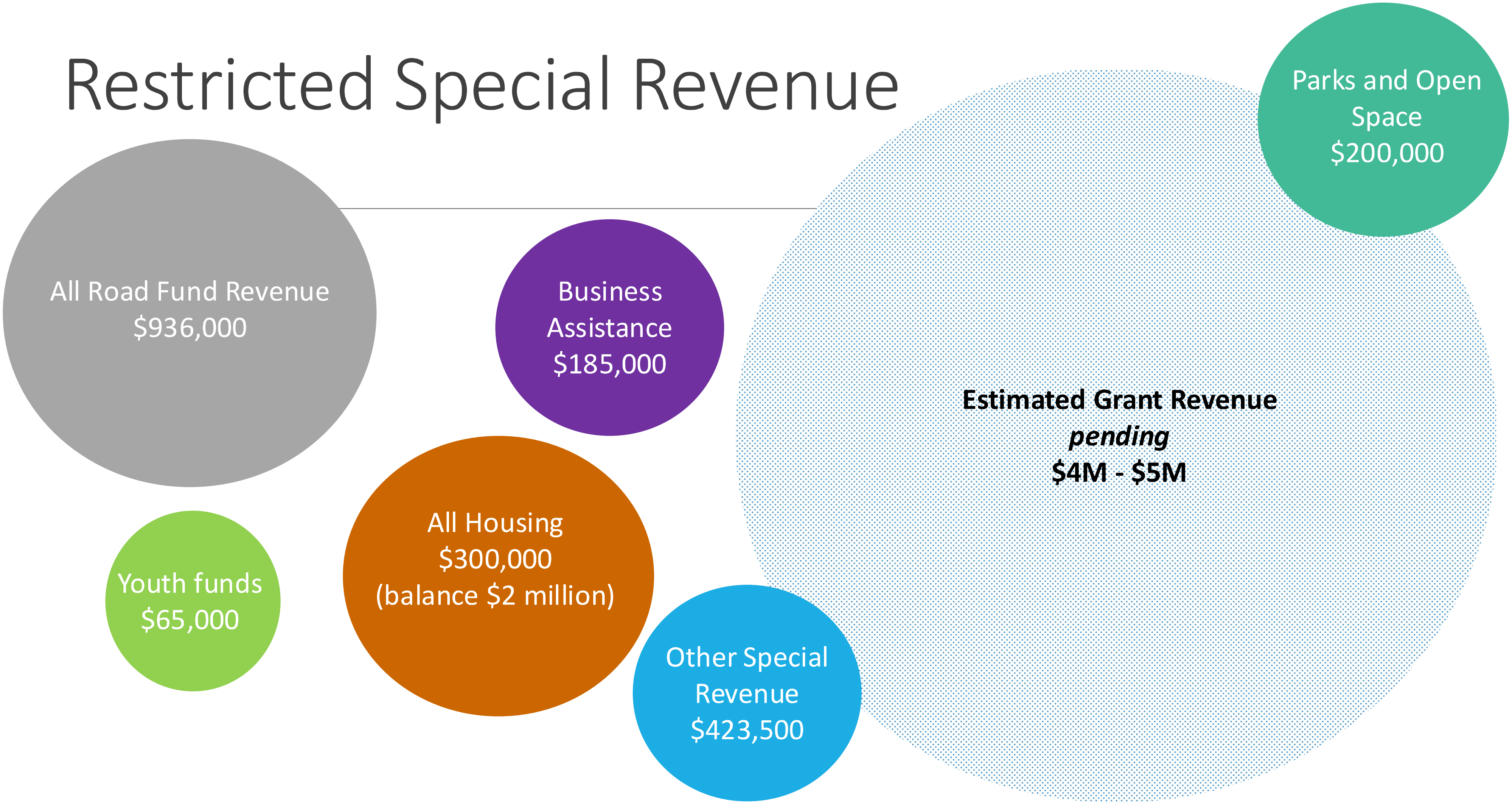
Expenditure Summary (cont.)



Expenditure Summary (cont.)



Restricted Special Revenue



General Fund	FY 00/01 Actual	FY14/15 Actual	FY15/16 Actual	FY16/17 Actual	FY 17/18 Actual	FY 18/19 Actual	FY 19/20 Actual	FY 20/21 Actual	FY 21/22 Actual	FY 22/23 Actual	FY 23/24 Actual	FY 24/25 Adopted	FY 25/26 Proposed
Elected													
City Council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Elected - Total FTE's	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Fully Benefited by Dept													
City Attorney	1	-	-	-	-	-	-	-	-	-	-	-	
Finance	5.25	3.91	4.50	4.50	4.50	3.75	2.75	2.75	2.75	3.00	4.00	4.00	5.70
City Manager	5.50	6.90	6.00	7.00	6.00	6.00	7.00	5.00	5.50	6.50	6.50	6.50	4.80
Museum	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Police	31.30	30.65	31.50	31.65	31.50	30.50	30.50	29.50	30.50	30.50	31.00	31.00	31.00
CDD	6.67	4.50	5.00	5.00	5.00	6.00	6.00	5.00	5.50	5.75	5.00	5.00	5.00
Public Works	14.33	13.00	14.00	15.00	16.00	16.00	15.50	14.00	16.00	16.00	16.00	16.00	18.00
Community Services & Rec	4.50	2.75	3.75	3.75	3.75	3.75	4.50	3.75	5.50	5.50	5.50	5.50	5.50
Dept - Total FTEs	**69.30**	**62.46**	**65.25**	**67.40**	**67.25**	**66.50**	**66.75**	**60.50**	**66.25**	**67.75**	**68.50**	**68.50**	**70.50**
Change from prior year			#REF!	2.79	2.15	(0.15)	(0.75)	0.25	(6.25)	5.75	1.50	-	2.00

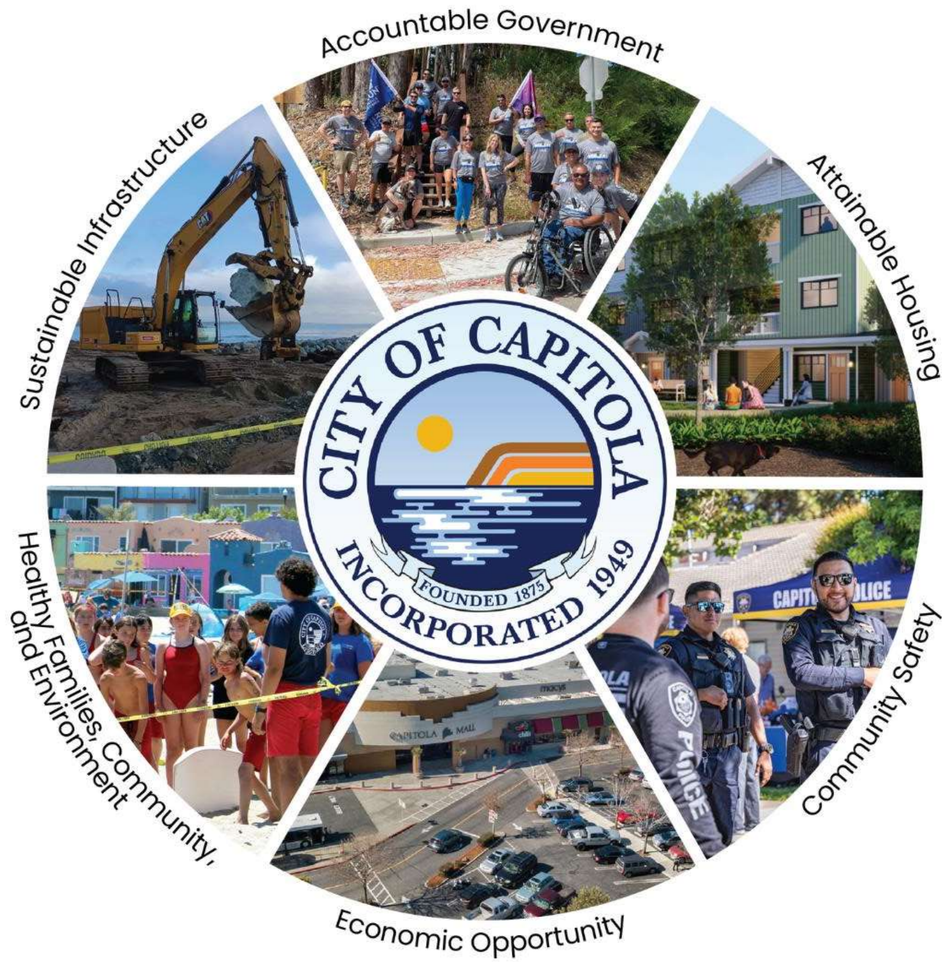
Staffing

FY 2025-26 Department Goals

MAY 15, 2025

Strategic Plan & Priorities

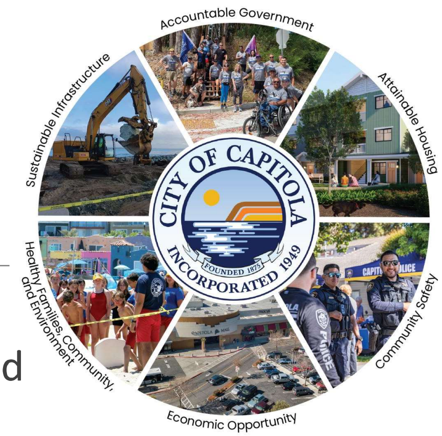
Departments considered Priorities when preparing FY 2025-26 Budget and Goals



City Manager Department 2024-25 Accomplishments:

- **City Council election**, vacancy, appointment, onboarding
- **Enhanced public outreach efforts** with social media platforms, bi-monthly digital newsletter, in-person tabling event during last 2024 Twilight Concert
- **Increased efficiency** by digitizing department forms and internal processes
- **Completed the Strategic Plan 2025-2029** adopted new Mission, Vision, and Values
- **Initiated annexation feasibility study**
- **Recruited and hired** six regular employees; maintained 0% vacancy rate
- **Enhanced employee engagement** through five events
- **Promoted** Sarah Ryan, Chief of Police & Rosie Wyatt, Deputy City Clerk
- **Negotiated new leases** with Capitola Boat and Bait and Capitola Beach Company for continued service for the community

City Manager
FY 2025-26 Goals



Accountable Government

- Encourage and improve citizen participation and communication; update and improve City website
- Review/update advisory body Municipal Code, bylaws, Admin Policies
- Increase transparency; improve public meeting access
- Allocate 100% FTE of A2CM to the CM Department

Economic Opportunity

- Work with Capitola Mall to improve the mall facility and develop economic opportunities
- Complete Annexation Feasibility study

Healthy Families, Communities, and Environment

- Continue advocacy for e-bike & youth safety
- Administer the Community Grant Program 2026-29 grant cycle

Administrative Services Department 2024-25 Accomplishments:

- **Audited** transient occupancy tax program & continued enforcement
- **Implemented online applications and payments** Citywide
- **Changed banking service provider** → West Coast Community Bank

Administrative Services FY 2025-26 Goals

Accountable Government

- Absorb Personnel (HR) and IT into a re-titled Department; increase efficiency and partnership between Finance and HR
- Collaborate with the Finance Advisory Committee

Economic Opportunity

- Implement new bail schedule
- Develop long-term financial plan for Measure Y
- Identify future revenue opportunities, address increasing costs

Police Department
2024-25 Accomplishments:

- **Implemented electronic citations** for patrol personnel.
- **Examined** alternative site for PD yellow backup radio channel.
- **Researched infrastructure upgrades** to include potential new antenna site & develop short-term plan pending larger County-wide radio project.
- **Focused on bicycle and pedestrian safety** sought grant opportunities to support traffic goals, (speed and DUI opportunities).

Police Department
FY 2025-26 Goals

Community Safety

- Bicycle and pedestrian safety- continued education & enforcement
- County-Wide Radio infrastructure project to support and improve emergency service personnel's ability to communication
- Collaborative efforts with Santa Cruz County Emergency services to navigate mental health related calls for service and services available

Economic Opportunity

- Parking Program shifting to an app and web-based platform in stages to assess usability and efficiency using proper public messaging

Police Department
FY 2025-26 Goals Continued

Community Safety

- Fully staffed Parking Enforcement
- One Community Service Officer Vacancy
- Two Police Officer vacancies
- Two Police Officer trainees not considered solo field officers

Accountable Government

- Axon interview room system

Public Works Department 2024-25 Accomplishments:

- **Advanced key capital projects**: Community Center Renovation, Treasure Cove Playground, and Park at Rispin Mansion
- **Improved public spaces**: Upper Lot sidewalk, Pump Track, Wharf signage and facilities
- **Delivered core services** and supported year-round public events

Public Works
FY 2025-26 Goals

Accountable Government
- Add 2 full-time field staff to support core parks operations (Measure Q funded)

Community Safety
- Complete 41st Avenue multimodal improvements
- Design and advance Bay Avenue Corridor Project

Sustainable Infrastructure
- Complete design of Cliff Drive Resiliency Project
- Update the City’s Climate Action Plan

Healthy Families, Community, & Environment
- Complete Community Center Renovation
- Complete Treasure Cove Playground project

Public Works Department Additional Staff:

- Core staffing hasn't kept pace
- Heavy reliance on temp workers
- More public events, year-round
- Upcoming retirements

	1999–2000	**2024–2025**
Full-Time Field Staff	13	12
Parks Maintained	8	10 (McGregor & Rispin)
Vehicles Managed	30+	50+
Public Events Supported	~10 per year (seasonal)	40+ per year (year-round, large-scale)

Community Development Department 2024-25 Accomplishments:

- **Certified** 6th Cycle Housing Element; implementation underway.
- **Issued** 4401 Capitola Road Building Permit: 36-unit 100% affordable.
- **Obtained** $500k CDBG Grant for food and transit services to low-income families.
- **Granted** $3.3 million CDBG for renovation of the Jade Street Community Center.
- **Loaned** $1.6 million to MidPen Housing for 52-unit, 100% affordable at 1098 38th Ave.
- **Initiated** Capitola Wharf Master Plan, 41st Avenue Corridor Plan.
- **Established** Housing Rehabilitation Program with Habitat for Humanity.
- **Processed** 100 planning permits and 331 building permits.

Community Development FY 2025-26 Goals

Attainable Housing

- Housing Rehabilitation Program with Habitat for Humanity and Dakota Apartments
- Update Multifamily and Mall zoning to remove barriers to housing
- Issue occupancy of 36-unit, 100% affordable housing at 4401 Capitola Rd
- Issue building permit for 52-unit, 100% affordable housing at 1098 38th Ave

Economic Opportunity Infrastructure

- 41st Avenue Corridor Plan
- Issue building permit for Hill St. hotel

Healthy Families, Community, & Environment

- Capitola Wharf Master Plan and funding opportunities for implementation.
- CDBG Grants for food, transportation, and Treasure Cove Playground

Community Servies & Rec Department 2024-25 Accomplishments:

- **Implemented a Park Space Reservation Permit system**, enabling small groups to reserve space for events like birthday parties in City Parks
- **Provided Lifeguard services** to event organizers; maintained Beach tower services through October
- **Sustained classes for Adults and Youth** during the Community Center remodel
- **Hosted two Wharf events** to celebrate the Wharf reopening; assessed future programming
- **Integrated Art & Cultural events into the Department** to streamline event implementation
- **Completed Pickleball community survey** results for presentation at future meeting

Community Services & Recreation FY 2025-26 Goals

Accountable Government

- Enhance Junior Guard program by redistributing age division throughout the session providing smaller group sizes for effective instruction.

Healthy Families, Community, & Environment

- Continue programming the Wharf with fun, family-friendly activities by hosting “Boogie on the Wharf” dance event series.
- Reenvision the former “Art at the Beach” event series to a “Makers Market” to draw visitors and residents.
- Introduce two new music events: “New Music Sundays” featuring local youth bands, and “Dueling Pianos” offering a fresh and interactive community opportunity.

Potential New Community Services & Recreation Events:

Seeking City Council Direction

- Boogie on the Wharf
  - 3 events in series: Sundays
  - Logistics well suited for Wharf & staffing
  - Fiscally responsible event series: $6,000, seeking sponsors
  - Feedback incorporated from BIA and Chamber

Art & Cultural Recommendations:

- Makers Market
  - 4 events in series: 2 on Wharf & 2 at Esplanade
- New Music Sundays
  - Youth Bands from music schools
  - Will occur same day as Wharf Makers Market
- Dueling Pianos
  - 2 events in series: Saturdays

Public Art

Accomplishments

Projects: Begonia Festival Commemorative Public Art Project

Maintenance: 41^{st} Ave Signal Boxes Murals

FY 25/26 Goals

Projects:

- Complete Monterey Ave Railing Public Art Project
- Consider projects for City entry of Capitola Road, Park at Rispin Mansion and Bandstand Weathervane

Maintenance: Professional Cleaning of 41^{st} Ave Median Sculptures

Key Budget Elements

- **Measure Q: Water & Wildlife Protection Initiative**
  - Annual revenue: $200,000
  - Staff proposes two new public works maintenance positions
    - Annual cost: $150,000
    - Maintain parks & open space
- **Measure S: Santa Cruz Public Libraries**
  - Annual revenue: $165,000 for 21 years (restricted for Library)
  - Staff proposes repaying the general fund for Library construction costs
    - General fund contribution: $856,000
    - Remaining $2.5 million for future library project

Key Budget Elements

- **Parking Pay Stations**
  - Gradually reduce funding for maintenance & repair
  - Increase promotion & support for digital payment options
  - Coordinating with BIA on transition
  - Long-term goal retain limited number of strategically placed pay stations while enhancing user experience
- **Countywide Radio Project: Est. $23 million**
  - Capitola’s rough estimated cost: $45,000/year for 10 years
    - Half general fund & half SLESF special revenue fund
  - Countywide public safety radio upgrade
  - Significant new radio infrastructure in Capitola
  - Compliant with new DOJ standards

Key Budget Elements

- Administrative Services Department
  - Reorganize Finance into Admin. Services
    - Consolidate Finance, HR, and IT
    - CM remains Personnel Officer
    - No salary adjustments or additional costs
    - Improved communication & efficiency as we transition to contract IT services and increased digitized processes
    - $2.9 million CalPERS UAL payment now accounted for in HR
  - Assistant to the CM allocated 100% to CM Dept.
    - Expand public outreach & community engagement, special projects

Additional Items

Reserve Fund Balances

- Contingency: $2.5 million
  - $384,000 below June 30, 2026 target
- Emergency: $1.6 million
  - $288,000 below June 30, 2026 target
- Storm damages still under FEMA/Cal OES review: $800,000
  - Potentially could replenish reserves

Parametric (Earthquake) Insurance

- Proposed budget includes $20,000 annual premium
- Provides up to $1 million of coverage if ground moves
- Collaboration with other local cities to reduce costs

Council Action

Identify:

- Budget questions
- Details for presentation at next hearing

Provide preliminary feedback on:

- Draft Budget
- Key discussion points/proposed changes
- Direction on proposed new CS&R events

Next Steps: Special Meeting May 29

- Draft Capital Improvement Project Budget
- Minor budget adjustments/corrections
- Response to questions/requests for additional detail
- Consider recommendations from FAC