

# Capitola City Council

## Agenda Report



**Meeting:** May 16, 2024

**From:** Finance Department

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

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**Recommended Action:** Receive the proposed budget, provide direction to staff, and continue budget deliberations to the next joint budget hearing scheduled on May 30, 2024.

**Discussion:** The City of Capitola proposed Fiscal Year (FY) 2024-25 and FY 2025-26 Budget is a two-year financial plan. This plan incorporates the use of 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 City 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 provide information about longer-term patterns and overall fiscal stability, and revenues and expenditures for the City's various departments provide additional detail and information about the City's programs and projects.

Overall, the FY 2024-25 proposed budget is structurally balanced as well as projections for FY 2025-26 and 2026-27. 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 potentially challenging economy in coming years.

Staff is presenting a Proposed FY 2024-25 Budget that is structurally balanced and forecasted to remain so for the next fiscal year. During this first budget hearing some of the key discussion points are as follows:

- The proposed budget includes the proposed creation of the Community Services and Recreation Department. The reorganization of the Recreation Division into a full-fledged Department is estimated to increase personnel costs by approximately \$78,000 annually, not including cost of living adjustments included in the proposed budget.
- The proposed budget does not include \$67,000 for Phase 2 of the City Hall Needs Assessment which was identified as an unfunded City Council Goal during the March 6<sup>th</sup> special meeting, due to both funding constraints and workload challenges in Community Development.
- During the City Council goal setting, the LAFCO Sphere of Influence study, which had been funded at \$30,000, was postponed until fall 2024. Since that time the City has received \$15,000 from LAFCO to assist in moving the study forward. In addition, Council

agreed to defer the long-range strategic planning project till Fall, potentially freeing up staff resources for the LAFCO Sphere Study.

- The City has received a \$30,000 donation for improvements to the bike track at McGregor Park. Staff looked into paving the track, however the cost is estimated to be \$80,000. Staff has followed up with potential donors for the pump track, who have committed to seeking to raise the additional \$50,000 needed to pave the pump track. Paved pump tracks are far more durable than dirt tracks and can be utilized nearly year-round.
- Staff estimates the General Fund balance on June 30, 2024, will be approximately \$827,000 with \$100,000 designated for the employee downpayment assistance program. This estimated balance is subject to change depending upon the results of ongoing labor negotiations with all employee labor groups.

The table below shows general funds allocated to the FY 2024-25 City Council goals:

<b>Project</b>	<b>Funding</b>
Employee Downpayment Assistance Program	\$ 100,000
Lifeguard Equipment Storage	25,000
PD Facility Improvements	65,000
Crosswalk Daylighting Citywide	10,000
Citywide digital applications	5,000
Employee engagement	6,000
Elections Outreach	4,000
Translation services	5,000
Website updates	7,000
Portable stage for events	7,000
Art & Cultural – funding in PW for Public Art maintenance	5,000 <sup>1</sup>
<b>Total</b>	<b>\$ 239,000</b>

- Additional FY 2024-25 and ongoing City Council Goals of approximately \$2.1 million, which utilize prior-year general fund budget allocations and special revenue funds are detailed in the City Manager’s budget message, which is included with the FY 2024-25 Proposed Budget.
- The FY 2024-25 Proposed Budget includes additional ongoing revenue above the prior year of approximately \$658,000 and additional ongoing expenditures of \$821,000.

The draft budget (Attachment 1) has been distributed and is available for public review on the City’s website.

Attachments:

1. Proposed FY 2024-25 Budget

Report Prepared By: Jim Malberg, Finance Director

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<sup>1</sup> The draft budget includes \$13,000 in Art and Cultural, which will be corrected in the second draft

Reviewed By: Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager