

Capitola City Council

Agenda Report



Meeting: March 26, 2026

From: Administrative Services Department

Subject: FY 2026-27 Budget Principals and Goals

Recommended Action: 1) Review progress and status of adopted 2025-27 Strategic Plan Priorities; and 2) Identify goals and related key projects for Fiscal Year 2026-27.

Background: Each year, the City prepares and adopts an annual budget. The annual budget drives the City’s operations and serves as City Council direction to the City Manager regarding day-to-day functions. The budget not only outlines the City’s financial plan but also establishes the framework in which the City provides services to the community. Principles and goals identified in the budget establish metrics against which actual performance can be measured.

Strategic Plan Priorities and Objectives: In March 2025, the City Council adopted the 2025-2027 Strategic Plan with the following priorities for the City:

1. Accountable Government
2. Attainable Housing
3. Community Safety
4. Economic Opportunity
5. Healthy Families, Community, and Environment
6. Sustainable Infrastructure

Each priority includes four to five objectives and several performance measures, designed to track the City’s progress towards achieving the strategic priority over five years. A link to the Strategic Plan 2025-2027 is provided on the list of attachments at the end of this report.

Discussion: Due to the economic climate, it is unlikely the City budget will include large amounts of unallocated General Fund money. Staff recommends the City prioritize addressing the City’s cash position and allocating any additional funding towards projects already in the design phase that could also leverage grant opportunities. To assist with this, high-level summaries of CIP, planning/programs, and staff identified goals are included in the remainder of this report.

Previously Identified Capital Improvement Projects: The Council has identified and funded, or partially funded, multiple capital improvement projects, and some are currently in progress. The table below provides a status update on each of the identified capital improvement projects.

Project	Current Phase	Status / Key Milestone
Stockton Bridge Rehabilitation	Assessment / Design	Structural evaluation underway; results expected Spring 2026.
Community Center Complex	Construction	Construction underway; opening scheduled for Summer 2026.
Cliff Drive	Planning / Engineering	Technical studies underway; advancing toward environmental clearance and funding for construction phases.
Park at Rispin Mansion: Landscaping and Additional Elements	Implementation	Park open; funding needed for additional landscaping; community fundraiser identified for additional

		elements (MOU in April). Measure Q grant for restoration and interpretive signs submitted.
41 st Avenue Pavement Rehabilitation and Multimodal Improvements	Construction Bids Received	Council contract consideration March 26.
Pavement Management	Ongoing Program	Annual street resurfacing and pavement preservation program (FY 2025-26: 41 st Avenue Rehab & Multimodal; FY 2026-27: residential street project)
Esplanade Park Design	Concept Planning / Design	\$275,000 Coastal Conservancy grant award. RFP for design team issued.
Grand Avenue Pathway (Depot Hill)	Feasibility / Alignment Study	Council allocated \$13,000 funding for study; preliminary alignment review anticipated in Spring 2026.
Bay Avenue Corridor Improvements	Design Development	Corridor study and design underway with RTC funding. Council review of draft design scheduled in April.

Previously Identified Planning/Program Projects: The Council has identified additional City projects, some of which are in the early stages of design planning and/or have received grant funding toward their eventual development. The table below provides a status update planning and design projects.

Project	Current Phase	Status/ Key Milestone
Five-Year Capital Improvement Program	Program Development	Draft FY 2026-31 CIP anticipated for Council review in Spring 2026.
Capitola Wharf Master Plan	Project Planning	Design presentation scheduled for Council review in April.
Climate Action Plan Update	Project Planning	Update underway; completion anticipated within ~6 months.
Active Transportation Plan (ATP)	Project Planning	Planning and community outreach to begin May 2026.

Staff Proposed Projects/Goals for FY 2026-2027: In addition to the projects outlined in the tables above, all of which align with the adopted Strategic Plan, staff have identified the following goals for FY 2026-2027. This is not an exhaustive list of day-to-day work for all City departments, but a high-level preview of specific priorities identified for the coming fiscal year.

Department	Draft Goals
City Manager	Election: three Council seats
City Manager	Employee contract negotiations
City Manager	Beach Lifeguard Service Organizational Study
Police	Anti Human Trafficking Ordinance

Police	Countywide records management system rollout
Police	Continued funding for: Drone Program, RING, Body Worn Cameras
Community & Economic Development	Continue working with Mall, Village hotel owners and other economic development opportunities.
Community & Economic Development	Ordinance updates: Community Benefits, ADUs, Bicycle Parking, Hotel Incentives
Community & Economic Development	Review Outdoor Dining Program
Community & Economic Development	Development impact fees - 41 st Avenue
Community & Economic Development	Housing Element Implementation: Down payment assistance program, update nexus study for rental housing.
Community Services & Recreation	Update Community Center rental package
Community Services & Recreation	Explore and develop new opportunities related to renovated facilities
Administrative Services	Improve fiscal transparency
Administrative Services	Transition to paperless HR Division
Administrative Services	Return TOT administration to internal staff

The estimated June 30, 2026, General Fund balance is currently \$200,000 which is below our historical target of \$500,000. Additionally, as we continue to wait for FEMA & Cal OES reimbursements for 2023 storm damages, the City's Contingency Reserve is approximately \$441,000 below its target balance and the Emergency Reserve is approximately \$326,000 below its target balance.

During the March 26 Meeting, Council will have the opportunity to review and provide direction regarding the various projects summarized in this report. Staff recommends City Council establish a budget goal for Fiscal Year 2026-27 to split unallocated general fund, with 50% reestablishing the City reserve funds and 50% increasing the City's cash fund balance.

Fiscal Impact: The annual review and revision of budget principals and key projects is the first step in the budget process. Staff will incorporate the City Council budget goals into the first draft of the proposed FY 2026-27 Budget, at which time the City Council can prioritize the goals based on available resources.

Attachments:

1. [Strategic Plan](#)

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government

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