

Fiscal Year 2025-26 Proposed Budget

Overview of Tonight

Review budget process

Draft budget corrections/edits

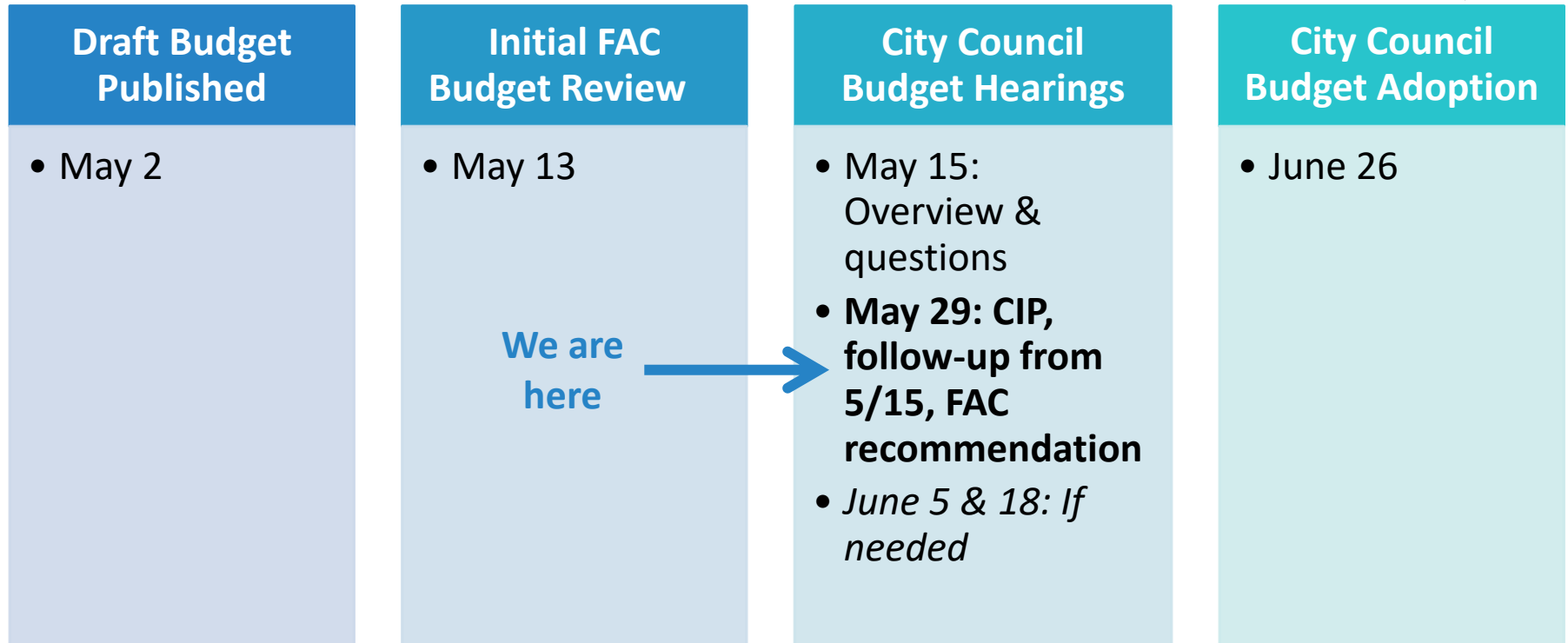
Measure Y revenue/expenditure summary

Capital Improvement Program (CIP) Overview

Items from May 15:

- Community Grant Program
- Citywide Website Update & Request Tracking
- Economic Development
- Camp Capitola & Little Campers
- Public Records Act requests costs
- City Council goals

Budget Review Process



Budget Summary

Proposed General Fund budget structurally balanced

- Estimated fund balance June 30, 2026 – \$653,000
- Additional \$100,000 set aside employee downpayment assistance program

Ongoing PERS costs remain 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 \$2.5 to \$2.9 million
 - Up from \$2.1 million in 2024

Reliance on sales & transient occupancy tax

Reserves below target balances

- Still awaiting additional 2023 storm damage reimbursements

Multiyear Budget Projection

(without New Revenue)

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	21,079,614	21,573,905	22,186,135	22,931,670	23,320,468	23,950,774
Net Impact Fund Balance	67,204	64,815	(48,806)	(279,233)	(135,794)	(402,909)

Multiyear Budget Projection (with New Revenue)

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	21,196,818	21,888,720	22,387,329	22,902,437	23,434,674	23,797,865
Expenditures	21,079,614	21,573,905	22,186,135	22,931,670	23,320,468	23,950,774
Net Impact Fund Balance	117,204	314,815	201,194	(29,233)	114,206	(152,909)

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	3,615,128	3,475,902
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	1,663,200	1,703,950
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	\$21,079,614	\$21,573,904
Impact on Fund Balance	\$ (1,982,815)	\$ (2,182,880)	\$ 3,547	\$ 27,214	\$67,204	\$64,817
Budgetary Fund Balance	\$ 3,141,552	\$ 958,672	\$ 762,219	\$ 785,885	\$ 753,090	\$ 817,906
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	\$ 653,090	\$ 717,906

Balanced Budget

**Employee Downpayment
Assistance**

**Estimated Ending
Fund Balance**

Draft Budget Edits/Corrections

Item	Original request	Amended request	Net Change	Reason
McGregor Park: portable toilets	\$ 72,000	\$ 7,200	(\$64,800)	Typo
Liability & Workers' Compensation Insurance	\$ 945,000	\$ 945,300	\$ 300	Final premiums, original was an estimate
City Manager Department Goals	Mall Economic Development	Citywide Economic Development		
Police Department Goals		Pursue Tobacco Enforcement Grants		
Early Childhood Youth Programming (ECYP) Funding	\$60,000 Restricted: ECYP Community Grants	\$60,000 Restricted: unallocated		
Impact on General Fund balance			\$ 64,500	Increase in available funding

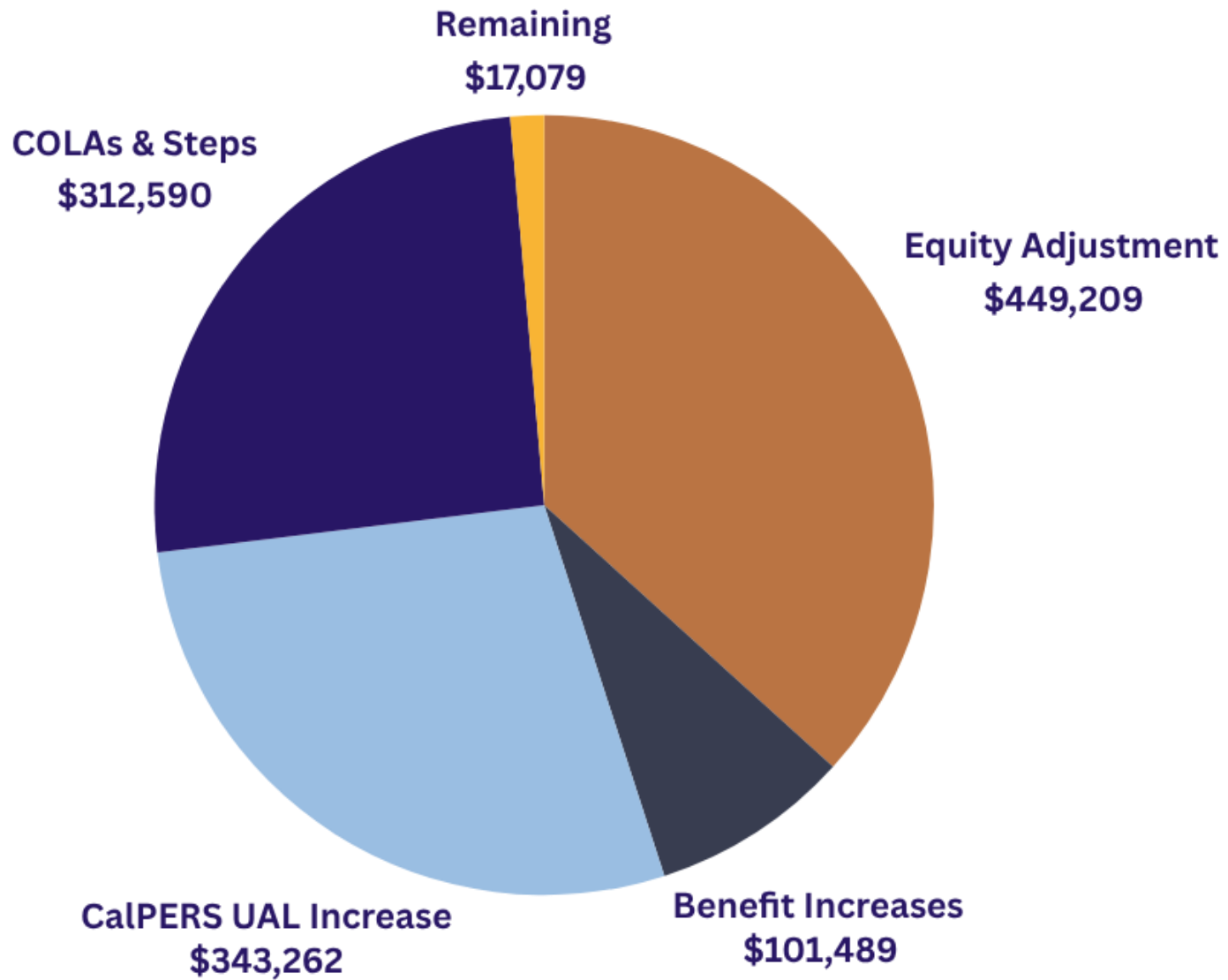
Measure Y Summary

Measure Y Estimated Revenue: \$1,122,140

Increase in Personnel Costs: \$1,105,061

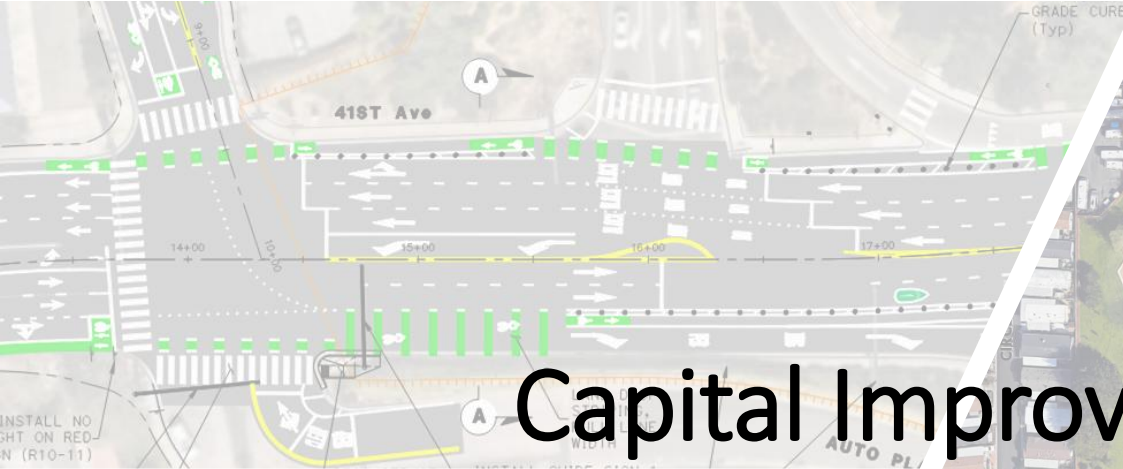
- Personnel Costs: \$449,209
 - One-time Equity Adjustment: \$347,720
 - Benefit increase: \$101,489
- CalPERS Unfunded Actuarial Liability (UAL) Increase: \$343,262
 - Increase of \$756,000 over last two fiscal years
- Cost of Living Adjustment (negotiated), step increases: \$312,590

FY 2025-26 Measure Y

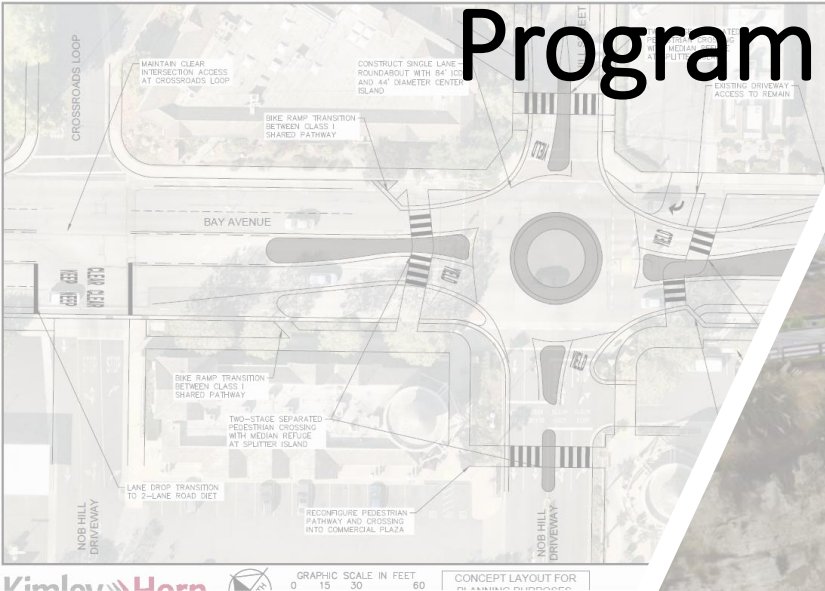


FAC Recommendations

- Agreed with staff recommendations:
 - Measure Q: Two Parks Maintenance Workers, but follow-up in future budgets if funds can supplement current expenditures
 - Measure S: Repay general fund
 - Parking pay stations: phase out number of pay stations
 - Countywide radio project: ½ SLESF, ½ General Fund
 - Reserve fund balances: Utilize FEMA / Cal OES reimbursements
 - Parametric Insurance: \$20,000 annual premium
- Additional follow-up June 17th
 - Contract Services: review of discretionary vs. non-discretionary



Capital Improvement Program (CIP) Overview



What is a CIP?

Capital Improvement Program

Multi-year plan for infrastructure investments

Meets a Minimum Cost Threshold, typically > \$50k

Includes Major Project Phases:

- Planning
- Design
- Funding
- Construction

Improves Public Facilities:

- Streets
- Parks
- Buildings
- Utilities

Funded by Multiple Sources

Adopted by City Council

5-Year CIP Document = Goal in Strategic Plan: FY 25/26 will include preliminary development

FY 25-26 Overview

Seven Active Projects

- No new projects proposed for FY 2025–26

Primary Funding Sources

- Federal & State Grants: CDBG, CNRA, FHWA, RTC

Local Funds: Measure D, SB1

- Prior General Fund appropriations

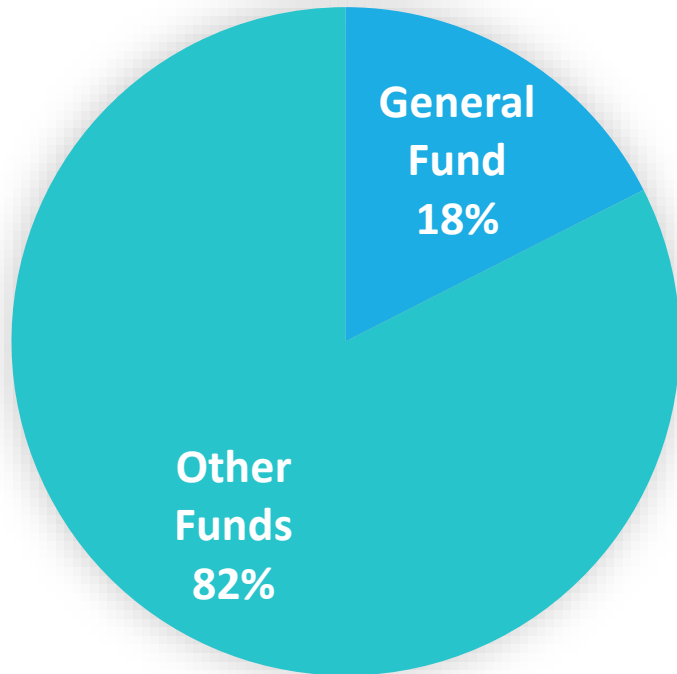
Blended Funding Models

- Many projects combine grants, fundraising, and previously allocated General Fund dollars

General Fund Status

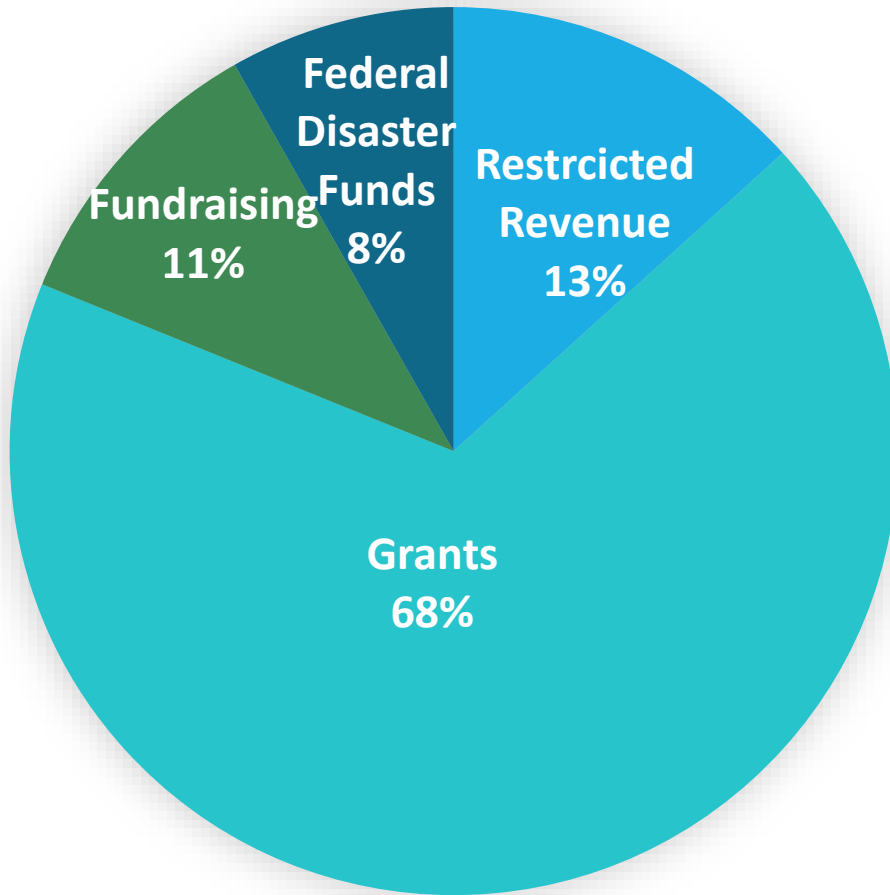
- No new General Fund contributions proposed for FY 2025–26

CIP Funding



Project	General Fund	Other Funds
41st Avenue Pavement & Multimodal		\$2,043,000
Bay Avenue Corridor Design	\$80,000	
Cliff Drive Resiliency	\$50,000	\$1,183,000
Community Center Renovation	\$887,000	\$4,360,000
UA Playground and Site Improvements	\$475,000	\$965,000
Park Avenue Traffic Calming	\$80,000	
Stockton Bridge Debris Mitigation	\$350,000	\$500,000
Total	\$1,922,000	\$9,051,000

CIP Funding: Other Funds



Funding Source	Amount
Grants	\$6,140,000
Restricted Revenue	\$1,203,000
Fundraising	\$965,000
Federal Disaster Funds	\$743,000
Total	\$9,051,000



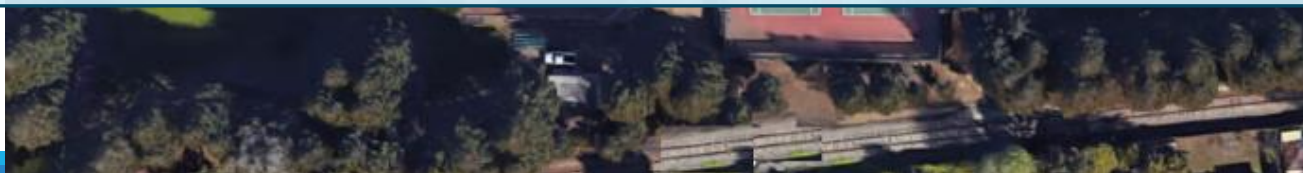
Jade Street Park Projects

Community Center Renovation:

- Budget: \$5.25M
- Funding:
 - \$3.2M CDBG
 - \$160K Other CDBG
 - \$1.0M CNRA
 - \$887K FY24-25
- Status: *in construction*

Treasure Cove UA Playground:

- Budget: \$1.4M
- Funding:
 - \$475K General Fund
 - \$965K Fundraising
- Outstanding CDBG grant application: \$3.2M
- Status: *in final design*



Resiliency & Mitigation Projects

Cliff Drive Resiliency:

- Budget: \$1.23M
- Funding:
 - \$743K FHWA
 - \$440K CCC Grant
- Status: In design/permitting

Stockton Bridge Debris Mitigation:

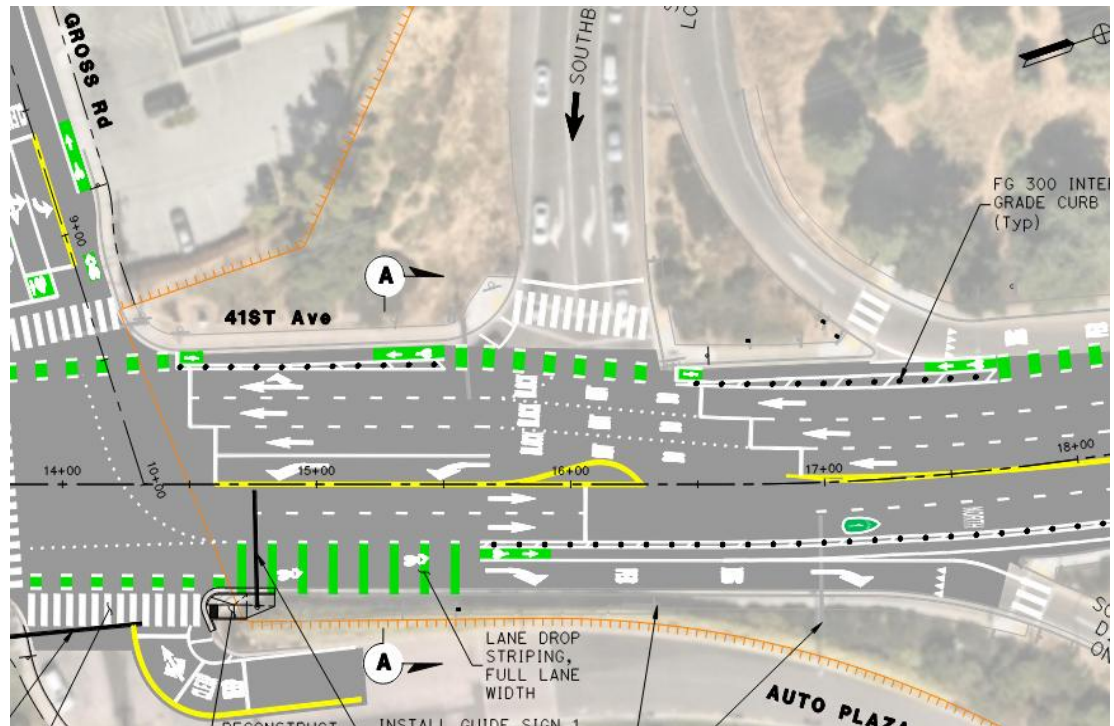
- Budget: \$785K
- Funding:
 - \$350K General Fund
 - \$500K SWRCB
- Status: Bridge testing evaluation



41st Avenue

41st Pavement & Multimodal Improvements

- Budget: \$2.04M
- Funding:
 - \$1M RTC Grant
 - \$529K Measure D
 - \$514K SB1
- Status: In design/permitting



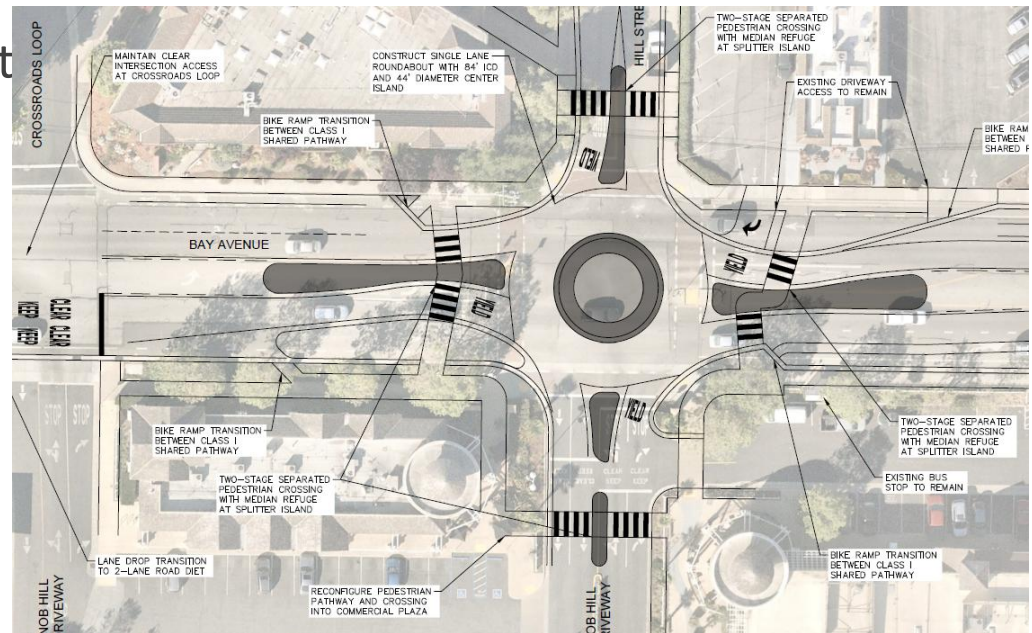
Design & Traffic Calming Studies

Bay Avenue Corridor Design:

- Funding: \$80K General Fund
- Federal Community Grant Request pending
- Status: Additional traffic data collection

Park Avenue Traffic Calming:

- Funding: \$80K General Fund
- Status: Concept development phase
- Staff recommends pausing until RTC trail plans are finalized



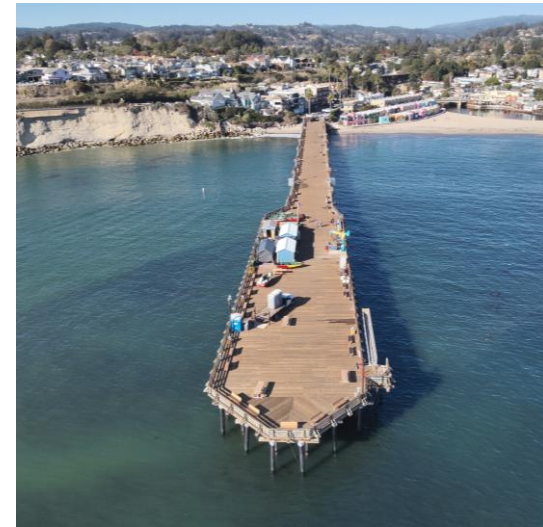
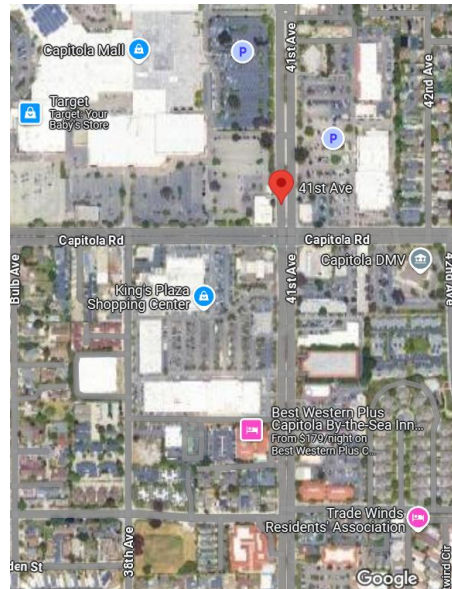
Future CIP Projects: Active in CDD

41st Avenue Corridor:

- Funding: \$80K General Fund
 - Federal Community Grant Request pending
- Status: Collecting additional traffic data

Wharf Master Plan:

- Funding: \$80K General Fund
- Status: Concept development phase



Upcoming Grant Opportunities

Parks and Open Space:

- Land and Water Conservation Fund (State Parks) – Requires 50% match
- Coastal Conservancy Grants
- Measure Q

Road Projects:

- 2025 SCCRTC Regional Transportation Improvement Program
- MBARD Motor Vehicle Emission Reduction Grants
- 2025 CDBG Grant application for Bay Avenue
- Active Transportation Grant - *pending*

Additional Projects

Council could consider allocating \$75 - \$125k in project funding to support:

- Matching funds for grant opportunities
- Implementation of small projects

Noble Gulch Dog Park



City Hall Phase 2 Study



Cortez Park Playground Improvements

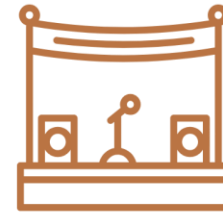


Pickleball Facilities



86 out of 102 residents are interested!

Esplanade Park Rehabilitation



Other Ideas



Council Follow Up Items 5/15

- Community Grants Program
- Citywide Website Update & Request Tracking
- Economic Development Strategy
- Camp Capitola & Little Campers
- Public Records Act requests & attorney costs
- City Council Goals

Draft Budget Funding:

\$133,425: General fund

- Homeless Action Partnership: \$8,425

\$60,000: **restricted** Early Childhood & Youth Programing (ECYP)

CDBG & PLHA: separate from program

- Grey Bears & Second Harvest
- Homeless Action Partnership: \$31,525

Program Timeline:

Council hearing in July for direction

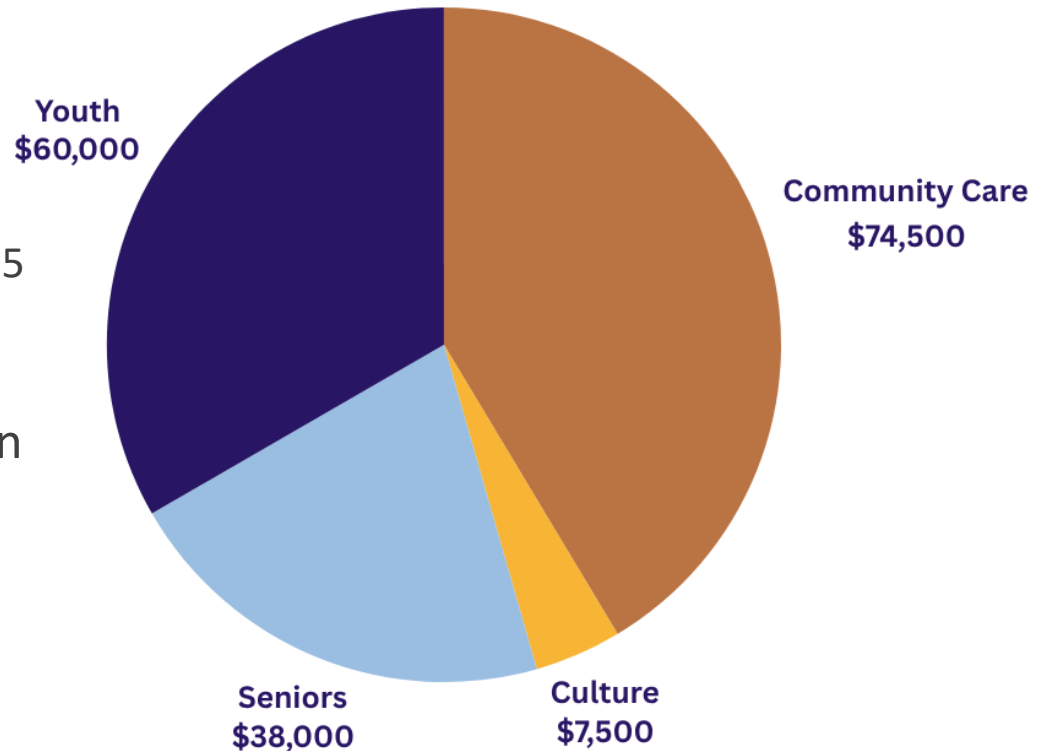
NOFA & application period: July - August

Council committee review & recommendation: September

Grant allocations: October

First grant payment: December

2022-2025 Community Grants *annual allocations*





City Council Vacancy and Appointment Process

Are you interested in serving your community?
Apply to be a City Council Member (term ends Dec. 2026) from 5/27 to 6/3. Appointments will be made 6/12. For more information, view this link.



Agendas &
Minutes



Surf
Camera



Calendar &
Events



Careers



Municipal
Code



How Can
We Help?



Last Updated: 2020

- Corresponded with backend changes & COVID-19 Pandemic

Current Need: organizational overhaul

- Enhance transparency & access to government

Request/Complaint tracking not available with current web agreement

- Staff reviewing available tools to offer better online customer experience

Citywide Website Update & Request Tracking

Economic Development

Updated Goals

New Department Name:

Building, Planning, and Economic Development Department

Launch Expanded Economic Development Strategy

Cost: ~\$20K /year

Economic Development Goals

Rebrand department as Building, Planning, and Economic Development Department

Promote economic growth through coordinated retail strategies, vacancy reduction, place making, and branding initiatives; and propose zoning incentives to catalyze redevelopment of the Capitola Mall and potential hotel sites.

Modify goal in both CDD and CM Dept: Engage property owners of economic development opportunity sites including Capitola Mall, Redtree's 1 Bay Avenue, and Swenson's 120 Monterey.

Implement Housing Element policies through convening local employers, educational institutions, faith-based organizations, and affordable housing developers to facilitate workforce and affordable housing.

Economic Development Strategy

Place Making / Branding
41st Avenue Corridor Plan

Retail Consulting Contract

Hotel Incentivized Zone

Capitola Mall Incentivized
Zone

Camp Capitola

4 & 5 yr olds



- Modification to proposed budget: increase 20% to the Lil' Campers program
 - Maximum possible capacity
 - Facility limitations
- Staff reached out to community partners to engage interest in expanding services to this age group:
 - Designate as ECYP Community Grant priority?
- Staff could:
 - Limit enrollment of number of sessions per participant (maximize number of families served)
 - Offer resident priority registration

Public Record Act Requests

- PRA Request Workflow
 - Request submitted to Clerk > Clerk reviews, routes to staff > Clerk and Attorney's Office work together to review records > records released to requester
- Trending issue statewide
 - Rising demand, complex requests, digital overload
- Case study of a costly request

FY 2025-26 Draft City Council Goals

- Provide services, staff, and equipment to ensure public safety and trust
- Develop projects and programs to maintain and enhance the quality of life in Capitola
- Finalize plans and begin construction for Treasure Cove at Jade Street Park
- Collect public input and determine path forward for Capitola Wharf Master Plan

Next Steps



*June 5: Special City Council Meeting
(If needed)*



June 12: Regular City Council Meeting



June 17: Regular FAC Meeting



*June 18: Special City Council Meeting
(If needed)*



June 26: Regular City Council Meeting
Adopt FY 2025-26 Budget

Recommendations

1. Receive FY 2025-26 Proposed Budget Presentation
 - Identify additional budget questions
2. Provide staff direction regarding:
 - Allocation for small CIP or grant matching funds (potential)
 - Economic Development Strategy
 - Little Campers (ECYP grant priority, limit registration, etc.)
 - City Council Goals
3. Direct staff to prepare final budget for consideration on June 26 and cancel remaining budget hearings **or** continue budget deliberations to June 5