

Capitola City Council

Agenda Report



Meeting: May 29, 2025

From: Finance Department

Subject: Proposed Fiscal Year 2025-26 Budget

Recommended Action: Receive a report on the proposed budget and provide direction to staff to either: 1) prepare the documents for final budget adoption at a regular meeting in June and cancel future planned budget meetings, or 2) continue budget deliberations to a special City Council meeting on June 5, 2025.

Background/Discussion: The City of Capitola's proposed Fiscal Year (FY) 2025-26 and FY 2026-27 Budget is a two-year financial plan for the City, as outlined by Administrative Policy III-3: Financial Management Policies. The proposed budget was prepared based on combined known factors, such as increases in CalPERS (Public Employees' Retirement System) costs, and conservative estimates for City 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.

Overall, the FY 2025-26 proposed budget and FY 2026-27 budgets are structurally balanced; however, current financial forecasts show that the budget becomes unbalanced beginning in FY 2027-28. The FY 2025-26 budget maintains services for residents of Capitola while simultaneously providing resources to address the City Council adopted Strategic Plan. Nevertheless, the City must also remain focused on the long-term budget picture, which includes unpredictable CalPERS costs and a challenging economy in coming years.

The proposed Capital Improvement Projects (CIP) budget is included in the second draft of the FY 2025-26 Budget (Attachment 1).

During the special meeting on May 15, City Council requested more information on a variety of topics; staff responses are included in Attachment 2.

The Finance Advisory Committee (FAC) and the City Council met on May 13 and May 20, respectively, to review the FY 2025-26 Proposed Budget. Recommendations from the FAC for City Council consideration are listed below:

- Measure Q: Requested staff to evaluate if funds could be used to offset current costs.
- Measure S: Agreed with staff's recommendation.
- Parking pay stations: Agreed with staff's recommendation.
- Countywide radio project: Agreed with staff's recommendation.
- Reserve fund balances: Agreed with staff's recommendation.
- Parametric Insurance: Agreed with staff's recommendation.
- Contract Services: Requested more time to review with a follow-up discussion at the next FAC meeting on June 17.

Since the budget hearing on May 15th, staff has made several administrative amendments and corrections as detailed below:

Item	Original request	Amended request	Net Change	Reason
McGregor Park – portable toilets	\$ 72,000	\$ 7,200	(\$64,800)	Typo
Liability & Workers Comp Ins.	\$ 945,000	\$ 945,300	\$ 300	Final premiums, original was an estimate
Impact on General Fund balance			\$ 64,500	Increase in available funding

Additional administrative amendments include:

- Increase the Early Childhood & Youth Program restricted funding by \$1,400 for the Youth Action Network (YAN) student liaison program.
- Adjust request for equipment from two police vehicles to one police vehicle & one fleet vehicle – no cost difference.

The draft budget has been distributed and is available for public review at City Hall, as well as on the City's website.

Fiscal Impact: The goal of these deliberations is to determine the allocation of funds to maintain a balanced budget, provide for essential City services, and support priority projects.

Attachments:

1. FY 2025-26 Proposed Budget
2. FY 2025-26 Proposed Capital Improvement Program Budget
3. May 15 Budget Meeting Follow Up Items

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Reviewed By: Chloé Woodmansee, Assistant to the City Manager; Julia Gautho, City Clerk

Approved By: Jamie Goldstein, City Manager