

Fiscal Year 2014-15 Adopted Budget



THE CITY OF CAPITOLA
&
CAPITOLA SUCCESSOR AGENCY



A special thanks to those who have contributed photos to this year's budget document:
Carrie Arnone, Capitola Chamber of Commerce: Car Show p.24, Library p.29
Greg Harris: Moon over Capitola Wharf (cover)



CITY COUNCIL

Sam Storey, Mayor
Dennis Norton, Vice Mayor
Ed Bottorff
Stephanie Harlan
Michael Termini

Christine McBroom, City Treasurer

Jamie Goldstein, City Manager

Rudy Escalante, Chief of Police
Rich Grunow, Community Development Director
Tori Hannah, Finance Director
Steve Jesberg, Public Works Director
Lisa Murphy, Administrative Services Director
Su Sneddon, City Clerk

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MISSION STATEMENT

MISSION

Our mission as the employees of the City of Capitola is to provide high quality service for our residents, visitors, businesses & employees.

VISION

Our vision is to be recognized as a model organization that provides excellent and responsive public service that values the people it employs and the community we serve and to always perpetuate a strong work ethic that fosters pride in the work that we do. We will maintain the highest trust and confidence of our City Council and our Community.

VALUES

- We believe in being open, honest and ethical.
- We believe in treating everyone with respect, courtesy and dignity.
- We believe in being responsive to all the people we work with and serve, and to act in a timely and sensitive manner.
- We believe in participatory management and teamwork. We are united in our belief to support, respect and encourage individual talents and contributions.
- We value innovation and creativity and believe in taking reasonable risks.
- We believe in a philosophy of constantly improving the services we provide.
- We believe in working with our residents & businesses to prepare for and resolve community issues.
- We believe in the vital nature of planning as a continuing process, to achieve the matching of expectations and resources.

In performing our mission, attaining our vision and adhering to our values, we will first look to our core values: *Upholding the Public Trust, Practicing Sound Financial Management and Maintaining a Safe & Healthy Environment.*

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TO: City Council

FROM: City Manager

SUBJECT: FY 2014/15 Adopted and FY 2015/16 Planned Budget

OVERVIEW

On behalf of City Staff, I am pleased to submit for review and consideration a balanced budget for Fiscal Year (FY) 14/15. While the City's funding situation over the last several fiscal years has been challenging due to declining economic conditions and disaster recovery, FY 14/15 marks the second year of continued economic recovery. Cautious optimism is reflected in the City's two-year budget plan, with an emphasis on solidifying our fiscal position, planning for the long-term and implementing capital improvements. The City is anticipating just over \$1 million in Measure O sales tax revenues for each of the next two years. In the two-year budget plan, all Measure O proceeds, along with an additional \$727,000 in General Fund contributions, have been set aside to replenish and build reserves; repair and maintain City streets; and fund community policing projects.

During the current fiscal year, FY 13/14, all core revenues are continuing to meet or exceed their targeted amounts, with significant increases in transient occupancy tax revenues, as well as strong performance in sales tax. Transient Occupancy Tax rose 17% above the prior year in FY 12/13; and is estimated to continue to rise by 14.4% in FY 13/14. This trend represents increased economic performance, as well as an extended warm weather season. Due to this increasing demand and limited high-end and boutique accommodations in Santa Cruz County, the City is continuing efforts to attract various hotel segments to Capitola. In FY 14/15, the performance of core revenues are projected to increase at conservative rates of up to 2.5%

Due to salary savings, a settlement agreement, and increased revenues in FY 12/13, \$650,000 of the available fund balance was allocated to debt reduction, CIP, and reserves. We are currently projecting a FY 13/14 fund balance of \$660,000. As part of the FY 14/15 Budget Study Sessions, \$200,000 of this projected fund balance was allocated to reserves, \$200,000 to capital improvements, and \$75,000 to a new Facilities Reserve Fund. These strategic allocations demonstrate the City's commitment to supporting key community priorities; and Council's Fiscal Stability and Public Improvement Budget Principles.

Capitola's property tax revenues are also increasing in the proposed budget. The County of Santa Cruz Auditor-Controller's Office has indicated they are realizing a 3-5% increase in property tax receipts for Capitola, while some other local jurisdictions are still experiencing a decline. In general, this trend is consistent with improving state-wide economic conditions, increasing local home sales and prices; and a reduction in Capitola unemployment rates from a five-year high of 7.3% in calendar year 2010 to a rate of 5.0% in 2013.

As part of the Redevelopment dissolution process, the Successor Agency has completed the Long Range Property Management Plan (LRPMP) process and received a Finding of Completion from the Department of Finance. With the successful completion of the LRPMP, the City may now move forward with projects on the historical Rispin Mansion property. There is still some uncertainty as to whether the Department of Finance will allow reinstatement of a \$618,028 Cooperative Agreement. Due to the winding down of the RDA, the City reduced the Successor Agency's Administrative Allowance contribution to the General Fund from \$250,000 in FY 12/13 to \$150,000 in FY 13/14.

As part of last year's budget process, long-term fiscal projections were prepared to assess the challenges associated with the loss of \$1 million in Measure D sales tax revenues in December of 2017, and the eventual loss of the Successor Agency Administrative Allowance. While the initial projection indicated the City could face temporary deficits in FY 15/16 and FY 16/17, updated projections with new revenue data indicate the City could achieve a balanced budget by managing interfund transfers during those years.

Beyond FY 16/17, if revenues and expenditures are projected to remain relatively equivalent, the City will remain fiscally stable with the loss of Measure D revenues; however CIP funding will be at a lower level than when compared to years with both Measure D and O. This is primarily due to the retirement of the 2007 Pension Obligation Bonds and meeting reserve funding policy levels. However it should be noted that these long term projections are highly dependent on future fiscal conditions and are expected to change over time.

The City will continue to monitor financial trends and adopt budgetary changes as needed.

BUDGETARY AND FINANCIAL HIGHLIGHTS

The FY 14/15 General Fund budget was developed with an emphasis on financial stability, capital improvements, and enhancing the levels of programs and services for Capitola residents and visitors. Key budgetary items and changes include:

- Constructing a \$165,000 multi-use park on the City's McGregor property with supplementary funds contributed through a private sector park sponsorship program
- Contributing \$167,000 to a proposed Facility Reserve Fund to set aside funds to maintain existing City facilities.
- Reducing the Successor Agency Administrative Allowance in FY 14/15 from \$250,000 to \$150,000; with the allowance discontinued in FY 15/16.
- Applying 100% of Measure O Revenues to stated priorities
 - Reserve Replenishment
 - CIP/Street Projects
 - Staffing for street improvements: Additional Public Works Maintenance Worker I/II
 - Staffing for Village policing efforts
- Contributing approximately \$865,000 to capital improvement projects in FY 14/15.

- Implementing the following CIP projects: Clares Street, the Depot Park/Path project, Phase I of ADA improvements to the Rispin/Peery path, Village sidewalks, and finalizing the design and applying for funding for the Bay Ave/Capitola Ave roundabout
- Replacing four aging vehicles at a two-year cost of \$60,000 with the following new equipment: A hybrid or electric vehicle for the Building Department, a Police Department marked patrol vehicle; and a Public Works Pick-up and Mower
- Requesting revenues from the Redevelopment Property Tax Trust Fund (RPTTF) to fully fund the Library Trust Fund in FY 15/16, two years earlier than originally anticipated
- Fully prefunding “Other Post Employment Benefits”
- Implementing employee cost of living adjustments (COLA) as identified in memoranda of understanding (MOUs)

MAJOR INITIATIVES

Developing a Multi-Use Recreational Site – McGregor Park

In FY13/14, Council approved converting about 1.4 acres of property on the City-owned McGregor site to a multi-use park. The proposed recreational site will include a skate park, bicycle pump track, and a dog park. A budget of \$165,000 was appropriated to grade, fence, landscape; and improve the parking lot and related park features. This budget does not include funding to construct any park elements. These additional elements are anticipated to be funded through a park sponsorship program. Tentative sponsors have been identified for the pump track, while a tentative commitment of \$10,000 was received to fully fund the dog park.



Planning for a New Library

In 1999, the City of Capitola developed a temporary 4,320 square foot library at the corner of Clares Street and Wharf Road. The City's former RDA established plans to construct a permanent library building by making annual contributions to a County Trust Fund. It is anticipated the \$2.64 million obligation could be fulfilled in 2016; however additional funds will be needed to complete the library construction. In April of 2013, the Santa Cruz Public Libraries (SCPL) commissioned and accepted a \$63 million Facilities Master Plan. Currently the SCPL is considering a Community Facilities District tax to fund the plan. If successful, it is estimated that Capitola would receive an additional \$10 million towards the construction of a new library.

Establishing a Facility Reserve Fund

As part of the proposed Budget hearings, a recommendation to establish a Facilities Reserve Fund was approved. Maintenance and repairs of City facilities have been deferred due to fiscal constraints. This new fund would provide a resource to address long term maintenance needs, as well as deferred projects. Examples of projects could include replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance on adjoining parking spaces. A preliminary list of projects at City Hall, the Corporation Yard, Capitola Wharf, Library, and the Rispin Mansion are included in the Summary Section of the budget. In FY 14/15, \$167,000 was transferred to the new Facility Reserve Fund, with \$80,000 designated to remodel the City Hall Community Room, as well as renovate the entry way that is shared with Council Chambers. An additional \$20,000 in funds was budgeted from the Public Education & Government Cable TV Access Fund for the purchase and installation of qualifying equipment. A formal funding policy will also be developed in FY 14/15 to assist in implementing long-term maintenance strategies.

Funding Community Priorities

In FY 11/12, the City conducted a voter survey of 350 Capitola residents to gauge city services and needs; while also compiling information for a potential tax measure. This voter survey indicated that 70% of the voters would support a tax measure that provides for long-term financial stability and improves local streets. These priorities were incorporated into a successful ¼% sales tax measure in 2012. A five-year plan was outlined to use all Measure O revenues to fund capital improvement projects, restore and build City reserve levels; and enhance policing program efforts. Due to improved economic conditions and receipt of a \$1.35 million insurance settlement, the General Fund has contributed over \$1.2 million to these priorities. An updated table outlining the five year plan and the additional reserve contributions can be found in the Summary Section of this document.

Fee Study

In FY 13/14, the City partnered with the City of Scotts Valley to initiate a contract for a comprehensive fee study. The goal of this study is to ensure compliance with State and local legislation such as Proposition 218 and 26; identify the full costs associated with services, and streamline the existing fee schedule. It is anticipated this information will assist the Council in setting fees, while also providing the City with the opportunity to consider a cost recovery policy. In addition to providing cost data, it is anticipated that a comparative report will be developed to contrast the City of Capitola's fees with benchmark cities and surrounding jurisdictions. It is anticipated that the updated fee schedule will be implemented in FY 14/15.

Funding Other Post Employment Benefits

In the FY 13/14 Adopted Budget, the City approved a \$30,000 contribution to an OPEB Trust Fund. This was in addition to the \$27,000 needed to pay health care benefit costs for current retirees. After reviewing the most recent actuarially report, it was determined that the City could reduce its long-term liability from \$1,011,800 to \$657,500 if the City chose to contribute an additional \$12,000 to the Trust Fund. Funds were increased in FY 13/14 to fully fund the annual required contribution. This effort was continued in the FY 14/15 and FY 15/16 budgets.

Controlling Payroll Costs / Acknowledging Employee Commitment

The City has been successful in controlling payroll costs by placing a cap on retirement contributions for PERS members. In FY 13/14 all bargaining units agreed to multi-year contracts through June 30, 2018, which cap the City's share of retirement costs for Classic I plans at 28.291% for Safety employees and 16.488% for Miscellaneous Employees. Classic II plan participants receive the same retirement benefits; however the City's contribution is capped during an employee's first five years of employment at 23.291% and 11.488%, respectively. Additional savings on retirement costs will also be realized through the State's Public Employee Pension Reform Act (PEPRA) which is applicable to new employees who have not been a member of PERS or a reciprocal agency.

All new contracts include cost of living adjustments (COLA) equivalent to a CPI-based formula. A COLA that was originally scheduled in July of 2014 was moved to January 2014 to recognize employee efforts in maintaining a balanced budget over the last several years. Capitola employees have previously foregone raises over a five-year period, deferred previously negotiated salary increases, and accepted mandatory furloughs to assist with cost-containment during difficult fiscal times. The FY 14/15 budget continues the January 2014 increase, while including a CPI-based COLA in FY 15/16.

In FY 14/15, the number of positions remained constant, with the exception of an additional Measure O funded Maintenance Worker I/II.

PRIOR YEAR ACCOMPLISHMENTS

In FY 13/14, the City realized several significant accomplishments which placed the City in a stronger fiscal condition, provided residents and visitors with increased recreational and public art opportunities, while continuing to strengthen public safety and community development activities.

- Opened the Lower Pacific Cove Parking Lot, now known as Beach and Village Parking Lot II
- Unveiled the 41st Street Streetscape Public Art Project, a \$200,000 public art project which was funded through developer fees
- Allocated General Fund balances of over \$528,000 to increase reserve levels, fund capital improvement projects, purchase a street sweeper, prefund Other Post Employment Benefit liabilities, provide a one-time salary benefit; with an additional \$475,000 allocated towards CIP, reserves, and a new Facilities Reserve Fund in similar priorities in FY 14/15

- Received a \$90,000 grant to fund a roundabout at Capitola and Bay Avenues; and a \$200,000 grant for a pathway along the railroad to provide better pedestrian access to Beach and Village Parking Lot I
- Reinstated the Emergency Housing and Security Deposit Assistance Programs
- Deployed pay stations to the Beach Parking Lot I, Monterey Avenue, Cliff Drive and the 200 block of Capitola Ave, while also retrofitting parking meters on the 300 and 400 blocks of Capitola Ave., to improve aesthetics and provide visitors with expanded credit card acceptance
- Reduced violent crime by 11%, non-injury accidents by 11%, and increased self-initiated police activity by 9%
- Consolidated property and evidence storage, which will facilitate the renovation and reopening of the Community Room at City Hall
- Implemented new payroll and human resources software to streamline processes, provide a shared database, increase accessibility to reports, and save on contract costs.
- Received the Government Finance Officer's Award for Excellence in Financial Reporting for the first time on the FY 11/12 Comprehensive Annual Financial Report (CAFR)
- Completed the initial phase of a comprehensive fee study designed to ensure compliance with State legislation and provide the City with increased support for existing fees
- Negotiated collective bargaining agreements through FY 17/18, while retaining the City's cap on retirement costs
- Implemented a new Council Agenda management system to enhance public accessibility
- Completed an Esplanade sidewalk cooperative project with funding from local merchants
- Completed the Department of Finance's Long Range Property Management Plan and Asset Transfer Review which provided validation of the City's ownership of the Rispin Mansion
- Replaced an aging gas motorcycle with grant-funded electric motorcycle
- Opened a new Museum exhibit titled "Take Me Out to Capitola: The Life and Times of Harry Hooper"
- Established a contract with the City of Santa Cruz Fire Department Marine Safety Division to train and certify all Capitola Junior Lifeguard staff as Beach Lifeguards

BUDGET PRINCIPLES

The table on the following page outlines the City's adopted budget principles for FY14/15. Included in that table are staff-recommended goals for the fiscal year.

The goals and budget items represent a summary of staff's proposed mechanisms to implement the City's budget principles. The table is intended to be an easily accessible document that summarizes the key City goals and projects.

CONCLUSION

The development of the annual budget takes a great amount of staff time and effort, and has to be completed in a compressed timeline. I sincerely appreciate all the department directors and departmental budget liaisons for their contributions. Special recognition is extended to the Finance Department for their efforts in coordinating the budget process and preparing the annual budget document.

I am also pleased to report that the City of Capitola received the Excellence Award from the California Municipal Finance Officers Association for the FY 13/14 Budget. This award is presented to cities whose budgeted documents meet program criteria as a policy document, operational guide, financial plan, and a communications device. Staff believes this budget document will continue to conform to the award program requirements.

As the new fiscal year approaches, I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City Treasurer for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I know that with continued citizen participation, City Council leadership, and ongoing efforts of dedicated employees, that Capitola will continue to be a great place to live, work, and enjoy.

FY 14/15 Budget Principles

Fiscal Policy Principles

Maintain a balanced budget and ensure fiscal stability

- ✚ End each year with a positive fund balance
- ✚ Continue to reestablish the City reserves
- ✚ Continue to examine contract services to reduce costs and increase efficiency levels
- ✚ Review and prioritize City services
- ✚ Develop a Facility Maintenance Fund

Support economic development

- ✚ Work with the Capitola Mall to facilitate Mall improvements
- ✚ Reexamine the In-Lieu Parking Program
- ✚ Continue to research economic development options and tools

Maintain a responsible level of fees

- ✚ Review and revise the City fee schedule



Public Service Principles

Maintain a transparent, efficient, and accessible government

- ✚ Seek opportunities to improve citizen communication through the City's website and social media
- ✚ Expand City's ability to accept credit cards
- ✚ Produce timely, accurate, and easy to read financial reports
- ✚ Maintain the City's social media presence

Recognize the high priority the community places on public safety

Explore grant opportunities for Police Department in-vehicle video systems

Continue to review funding and funding sources for CIP, Community Based Health and Human Service Providers, Begonia Festival, and other community organizations

- ✚ Establish two year grant cycle for Community Based Health and Human Service Providers

Continue to perform timely inspection services and efficiently process building and permit applications

- ✚ Ensure programs are in place to judiciously respond to public and private development projects

Evaluate new recreational programs through research and outreach

Maintain existing Museum historic photograph and exhibit services for local residents, as well as area visitors

Consider Village internet project



Public Improvement Principles

Continue to maintain City infrastructure by providing maximum funding for the pavement management program

- ✚ Complete Clares Traffic Calming Project
- ✚ Implement proposed Measure O CIP/Streets funding plan
- ✚ Complete annual slurry seal project



Complete infrastructure improvements at McGregor site for dog, bike, and skate park

Maintain and improve Capitola's natural resources and sustainable green programs

- ✚ Update Green Building Ordinance
- ✚ Continue to increase recycling diversion rates through expansion of existing programs
- ✚ Fund the \$90,000 NPDES program and water quality monitoring
- ✚ Maintain \$9,000 in funding for recycling education

Ensure maintenance and cleanliness of City facilities, sidewalks, and streets

- ✚ Increase street and facilities maintenance through allocation of Measure O resources
- ✚ Develop Village sidewalk cleaning options in partnership with the CWVBIA
- ✚ Consider mechanisms to ensure long term Wharf maintenance

Complete City adoption of the General Plan and zoning ordinance update, including Village parking standards

Support the Capitola Library

- ✚ Continue active involvement on the Santa Cruz County Library Joint Powers Board
- ✚ Continue to accelerate the Library Trust funding through Successor Agency
- ✚ Support Library Subcommittee to review location/design options

Improve pedestrian/Americans with Disabilities Act (ADA) access in the City

- ✚ Continue to closely monitor ADA compliance in all new construction

Continue effort to develop parking structure to free up lower Pacific Cove for alternative uses

Evaluate additional projects

- ✚ Continue to seek opportunities to reduce City water use
- ✚ Consider "Welcome to Capitola" art project
- ✚ Open the entire Rispin property to the public
 - ✚ Pursue park improvement grants to complete Rispin Park



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California Society of Municipal Finance Officers

Certificate of Award

Operating Budget Excellence Award Fiscal Year 2014

Presented to the

City of Capitola

For meeting the criteria established to achieve the Operating Budget Excellence Award.

February 11, 2014



A handwritten signature in black ink, appearing to read "Pauline Marx".

Pauline Marx
CSMFO President

A handwritten signature in black ink, appearing to read "Ken Brown".

Ken Brown, Chair
***Professional Standards and
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting

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COMMUNITY PROFILE



COMMUNITY PROFILE

The City of Capitola is a small coastal community located in Santa Cruz County. Situated on the northern edge of the Monterey Bay, 35 miles north of Monterey and 75 miles south of San Francisco, Capitola enjoys a rich history and offers residents diverse recreational opportunities. Capitola Village is located along a wide beach with expansive views of Monterey Bay and is home to numerous craft galleries, boutiques and restaurants. The City is host to numerous events, including the Begonia Festival, Capitola Art & Wine Festival, and the annual Wharf to Wharf Race.



Voted one of the best beach locations on the California Coast by Sunset Magazine, Capitola has fishing and boating services in addition to its beachfront restaurants, shops and entertainment. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Capitola's history began with Frederick Hihn, a native of Germany who came to California during the Gold Rush. Frederick obtained the land that is now Capitola Village in 1865 from the heirs of rancho grantee Martina Castro. A few years later, Hihn leased the parcel near the wharf at Soquel Landing to S. A. Hall, a former contractor who planned to settle down as a farmer. In 1874, his daughter, Lulu Hall Wolbach, suggested that he set up a tent camp along the beach for the summer. It may have been Lulu, a former Soquel teacher, who named the resort "Capitola" after the heroine in a series of popular novels. Camp Capitola welcomed its first guests on July 4, 1874.



The Hall family set up the tents along a dirt path every summer for five years, until increases in rent forced them to give up the lease. A series of other tenants continued the camp and began to make improvements. By the time the Santa Cruz-Watsonville Railroad was broad gauged in 1883, Capitola had become the destination of thousands of summer visitors who wanted to escape the sweltering heat of the state's interior. Hihn himself took over direction

of the resort's progress in 1884, when he created a subdivision map and began to sell lots for summer homes. Visitors stayed at the big hotel or in cabins and tents along the beach, and enjoyed themselves on land and sea.

Following Hihn's death in 1913, Capitola was inherited by his daughter, Katherine Henderson, who sold it shortly after World War I to Henry Allen Rispin of San Francisco. Rispin's dream was to renovate and modernize Capitola so that it would be appealing to vacationers from the San Francisco Bay Area. He spent a fortune on his schemes for "Capitola-by-the-Sea," until he went bankrupt just before the start of the Great Depression in 1929.

Lulu and S. A. Hall, Frederick Hihn, and Henry Rispin were the early builders and protectors of a small seaside camp that may today be California's oldest continuing resort.

Summary Statistics

Date of Incorporation: 1949

Form of Government: Council – Manager

Area in Square Miles: Approx. 2 square miles

Average Temperature: 59 Degrees



Demographics

| Calendar Year | Population | Per Capita Personal Income \$ | Median Age | Unemployment Rate % |
|---------------|------------|-------------------------------|------------|---------------------|
| 2004 | 10,011 | 32,720 | 38 | 3.4% |
| 2005 | 9,913 | 35,080 | 37 | 3.5% |
| 2006 | 9,901 | 38,588 | 37 | 3.1% |
| 2007 | 9,922 | 40,918 | 37 | 3.2% |
| 2008 | 9,992 | 41,457 | 38 | 4.1% |
| 2009 | 10,078 | 39,769 | 41 | 6.4% |
| 2010 | 10,198 | 32,350 | 38 | 7.3% |
| 2011 | 9,981 | 33,090 | 43 | 6.9% |
| 2012 | 9,988 | 33,443 | 41 | 5.5% |
| 2013 | 10,136 | 35,232 | 41 | 5.0% |

Education

Capitola is fortunate to have outstanding educational opportunities. In addition, to the having New Brighton Middle School within its City limits, both Cabrillo Community College and the University of California Santa Cruz are within eight miles of the city. An educational profile is listed below:

- High School Graduates 95.4%
- College Graduates – Bachelor’s Degree or Higher 41.3%
- College Attendance
 - Current Enrollments in Undergraduate Programs 9%
 - Current Enrollments in Graduate or Professional Programs 1.9%

Housing

- Median Household Income ⁽¹⁾ \$54,129
- Median Value ⁽¹⁾ \$472,500
- Persons per Household ⁽¹⁾ 2.22
- Assessed Valuation ⁽²⁾ :
 - Net Total Assessed Value: \$1,860,100,004
 - Secured \$1,784,628,948
 - Unsecured \$75,387,448

(1) Source: US Census Bureau, US Department of Commerce, 2010 data

(2) Source: Hdl Companies, Santa Cruz County Assessor 2013/14 Combined Tax Rolls

Hospitals

Capitola is located within a few miles of three major hospitals.

- Dominican Hospital (3 miles)
- Sutter Maternity and Surgery Center (3 miles)
- Watsonville Community Hospital (approximately 12 miles)

Airports

The City is located within 40 miles of three airports.

- Watsonville Municipal Airport (12 miles)
- San Jose International Airport (35 miles)
- Monterey Regional Airport (38 miles)

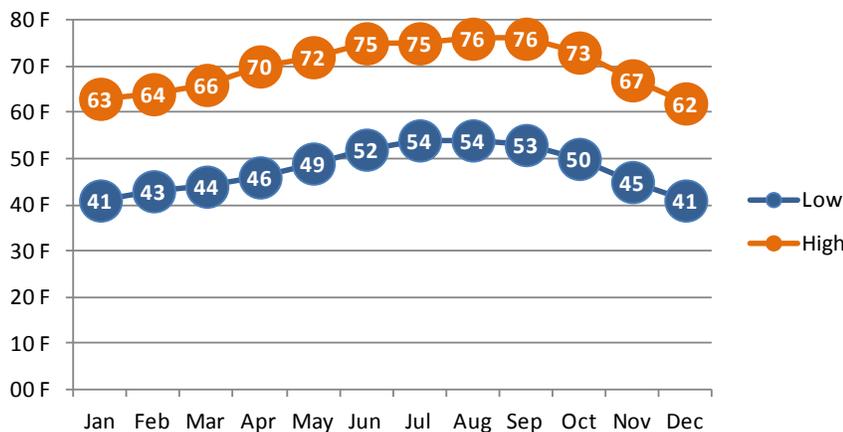
Climate

Capitola's weather can be described as nearly perfect, with temperatures ranging from the mid 70's in the summer to the mid 50's in the winter. In addition to sunny days, the proximity to the ocean results in cool ocean breezes and morning fog. Capitola is estimated to have an average annual rainfall of 31.6 inches ⁽³⁾.

Capitola's mild weather makes it a perfect location for outdoor events and festivals. Just a few of them are presented below:



Average High and Low Temperatures

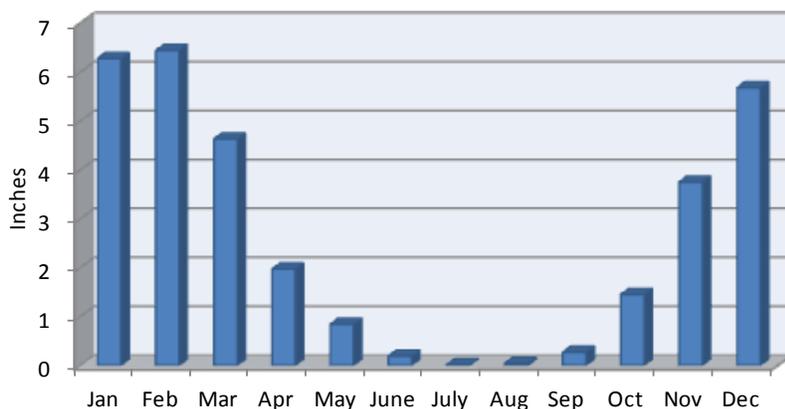


Art and Music



Begonia Festival

Average Precipitation

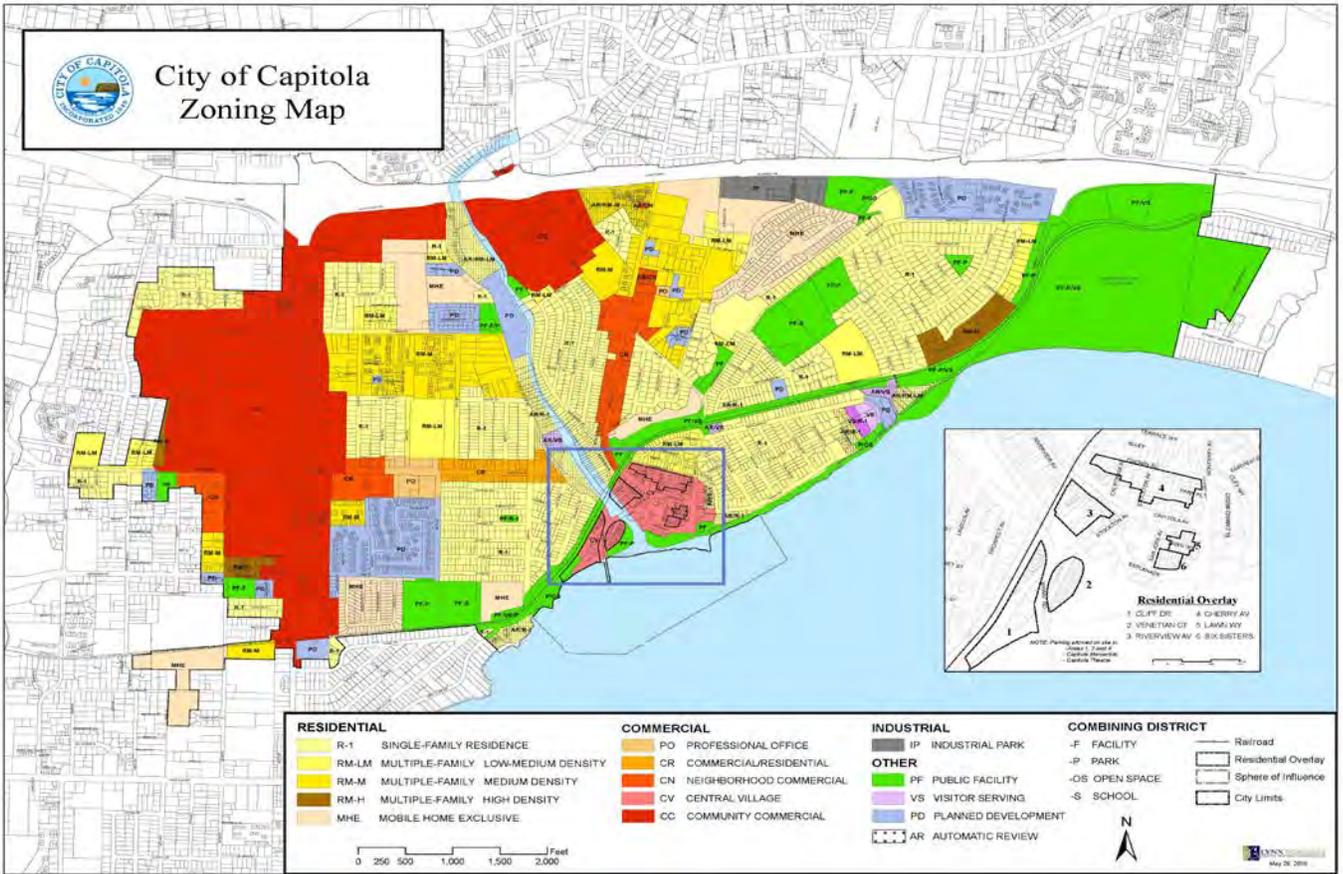


Rod and Classic Car Show

(3) www.weatherchannel.com/weather/wxclimatology/monthly/graph/95010

Planned Community

The City of Capitola has approximately twenty different zoning districts or overlays. They range from Residential, Commercial and Public Facilities, to Visitor Serving. Each zoning district has specific zoning codes or guidelines that were developed to enhance and protect each district.



Business Types

Annual business license reports provide a good overview of the types of businesses and non-profits within the City. In FY 13/14, the Finance Department issued 224 new business licenses, processed 1,085 licenses renewals, and processed 145 closures or cancellations. These transitions resulted in a net decrease of 31 entities within the City. While the number of licenses has declined, the annual business license revenues have remained relatively constant to be consistent with increased sales. The number and types of businesses/non-profits within the City for FY 13/14 are listed below:

Professional/Personal Services



Retail / Restaurants



Contractors / Builders



Miscellaneous Business/Non-Profits



Quarterly Contractors



Coin Operated Vending

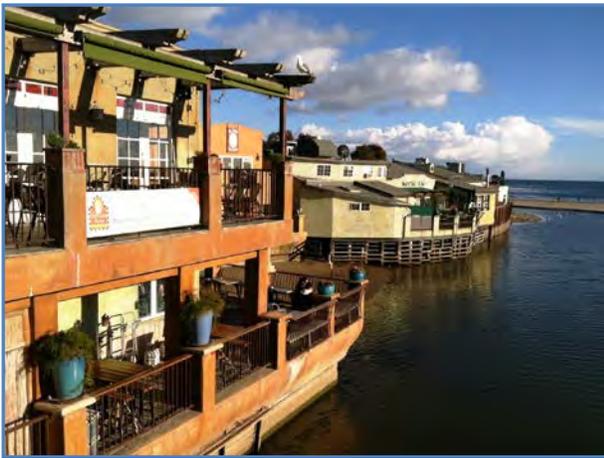


Commercial

Although Capitola’s location and atmosphere as a Central Coast beach town has made it a day trip and vacation destination city, it is also one of two major retail centers in the County. In July of 2012, the City welcomed a 100,000 square foot Target retail store to the Capitola Mall. The Mall, combined with Brown’s Ranch and 41st Avenue businesses are the retail hub of the central county. With major retailers such as Target, Macy’s, Sears, Kohl’s, CVS, Orchard Supply, Ross, and Bed Bath and Beyond, Capitola is a “net regional retail provider” bringing in five to six times the City household retail demand within Capitola. Total sales tax revenue for 2014/15 is anticipated to be \$7.3 or over 50% of General Fund operating revenues.



The economic challenges of the past few years are beginning to subside. Sales tax and transient occupancy tax revenues are both projected to increase by more than 9%; which is indicative of increased consumer confidence and economic recovery.



The City continues to seek redevelopment opportunities that will help to update and upgrade the City’s major retail corridor and mall area. This includes a \$1 million pledge for public infrastructure improvements with the Macerich Partnership, the Capitola Mall management company and majority owner. The pledged funding would be used for improvements on 41st Avenue and the update of architectural features. Proposed projects include sidewalk widening, landscaping, improved bicycle and public access, and assisting with the reconstruction of the existing public transit center located at the Mall.

Principal Employers ⁽¹⁾

| Employer | Ranking | Number of Employees | % of Total Employment |
|--|---------|---------------------|-----------------------|
| Target ⁽²⁾ | 1 | 175 | 2.6% |
| Subaru, Toyota, Kia of Santa Cruz | 2 | 175 | 2.6% |
| Gayle’s Bakery & Rosticceria | 3 | 170 | 2.5% |
| Macy’s | 4 | 160 | 2.4% |
| Shadowbrook Restaurant | 5 | 135 | 2.0% |
| Whole Foods Market | 6 | 134 | 2.0% |
| Trader Joe’s | 7 | 103 | 1.5% |
| Pacific Coast Manor ⁽²⁾ | 8 | 99 | 1.5% |
| Zelda’s on the Beach ⁽²⁾ | 9 | 96 | 1.4% |
| New Leaf Community Markets | 10 | 95 | 1.4% |
| Number of Employees: Principal Employers | | 1,342 | 14.8% |
| Total Employment: | | 6,700 | 100.0% |

(1) MuniServices, LLC: 2014

SERVING THE COMMUNITY

Police

The mission of the Capitola Police Department is to provide highly visible and responsive police service to our community. The department welcomes the opportunity and challenge of working with the community and other Criminal Justice Agencies to provide enhanced public safety and security in a diverse and dynamic community.

In a 2012 survey conducted by FM3, more than 92% of the surveyed residents indicated that they were satisfied with police protection services. This is four percentage points greater than the 2008 satisfaction levels.

The City of Capitola Police Department is comprised of the following 31.65 positions and 2 canines:

- Sworn Officers: 21
- Community Service Officers: 3
- Parking Enforcement Officers: 3
- Administrative Staff: 4.65
- K-9's/Canines: 2



Key services related to supporting Council's Public Service Principle include:

| Capitola Police Department Responses | FY 09/10 | FY 10/11 | FY 11/12 | FY 12/13 | FY 13/14 |
|--------------------------------------|----------|----------|----------|----------|----------|
| Calls for service | 19,693 | 17,760 | 19,936 | 16,480 | 20,053 |
| Crimes - Felonies | 833 | 708 | 682 | 537 | 628 |
| Crimes - Misdemeanors | 1,180 | 1,095 | 962 | 948 | 1,148 |
| Arrests | 1,096 | 946 | 875 | 836 | 1,045 |
| Citations | 4,020 | 2,126 | 1,862 | 1883 | 2,720 |

Fire

Fire protection services for the City of Capitola are provided through the Central Fire Protection District of Santa Cruz County. The Fire District has four fire stations, with Fire Station Four located within the city limits.

Parks

The City maintains over 16.5 acres of park lands and 12 acres of beach, including:

- Esplanade Park
- Noble Gulch
- Soquel Creek
- Cortez Park
- Jade Street Park
- Peery Park
- Monterey Park
- Capitola Main Beach



Capitola Wharf



The City Public Works Department maintains the Capitola Wharf. The structure was nearly rebuilt in the mid-1980's following storm damage. In addition to providing expansive views of the area and fishing opportunities, the wharf has one restaurant and a boat and bait shop.

Each July, thousands of runners and walkers participate in the annual six-mile Wharf-to-Wharf Race that begins in Santa Cruz and ends in Capitola.

Recreation

The City of Capitola's recreation programs are over 91% funded by participant fees. It provides City-staffed activities, including Junior Lifeguards and Camp Capitola. The recreation department offers adult and youth sports leagues; runs open gym basketball, futsal and volleyball; and manages the rental of the Jade Street Park tennis courts, softball field, soccer field, Monterey Park and the gymnasium.

Classes offered include:

- Preschool play, dance, tennis, martial arts
- School-age sports, drama, music, tennis, dance, art
- Adult/Teen arts & crafts, foreign language, tai chi, yoga, music, dance, martial arts, ocean & water sports, fitness, pilates, bone building, strength training, tennis and volleyball.



Service indicators related to Recreation's community services are listed below:

| Recreation Enrollment | | | | | |
|---|----------|---------|----------|----------|----------|
| | FY 09/10 | FY10/11 | FY 11/12 | FY 12/13 | FY 13/14 |
| Recreation Classes | 4,878 | 4,627 | 4,386 | 3,399 | 3,611 |
| Junior Guards - Session I/II | 1,020 | 1,029 | 1,054 | 1,073 | 1,096 |
| Camp Capitola - Regular and Extended Care | 663 | 775 | 908 | 729 | 724 |
| Junior Guards - Photos | 512 | 509 | 502 | 531 | 525 |
| Junior Guards Regional Competition | 77 | 70 | 74 | 73 | 74 |
| Camp Capitola/Junior Guards Transport | 87 | 79 | 115 | 125 | 121 |
| | | | | | |
| Sports Participation | | | | | |
| | FY 09/10 | FY10/11 | FY 11/12 | FY 12/13 | FY 13/14 |
| Sports Leagues - Teams | 81 | 90 | 69 | 69 | 32 |
| Sports Rentals - Teams/Groups | 40 | 72 | 48 | 48 | 30 |
| Open Gym - Individuals | 1,622 | 1,016 | 975 | 975 | 781 |

Museum

The Capitola Historical Museum maintains extensive collections of photographs and artifacts related to Capitola's history, and offers changing exhibits on the history and art of the area, as well as on special seasonal and topical themes. Museum grounds now include a reconstructed cottage from the era of the early 20th century beach resort, and a wash house. The museum welcomes over 6,000 guests annually.



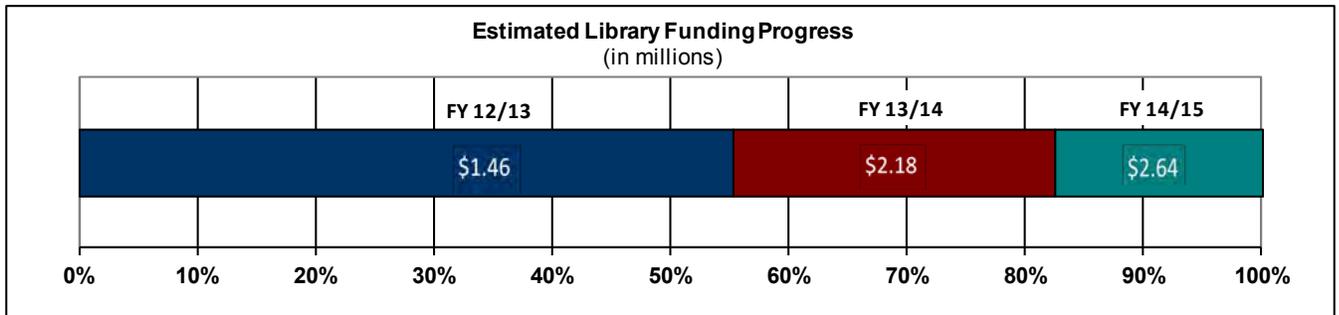
In 2013, the museum opened a new exhibit “Picture This – Capitola by the Sea”. This exhibit features images beginning in 1874 of the west coast’s oldest seaside resort. Several of the photographs on display will also appear in the Arcadia history book “Images of America” which is scheduled to be released in the summer of 2013. This book documents the history of Capitola between 1874-1974.

Library

In 1999, the City of Capitola dedicated a new temporary 4,320 square foot library at the corner of Clares Street and Wharf Road. A six-foot redwood sculpture titled “Children of the World” by Luis Villareal and a whimsical “tot lot” are two of the things that give the Capitola Library a unique and special feel.



The City’s former RDA established plans to construct a permanent library building by making annual contributions to a County Trust Fund. The \$2.64 million funding agreement was originally scheduled to be fully paid in 2018; however the full payment may be achieved as early as 2015. This accelerated timeline is contingent upon the availability of RPTTF funds that are provided to Successor Agencies. The estimated library funding progress schedule is provided below.



Arts and Cultural

Capitola has an abundant art community. Capitola’s art galleries provide an inventory of colorful sea and landscapes to fit a variety of tastes. Fine crafts are also readily available in Capitola, many of which are created by local artists.



The Art & Cultural Commission has a rich history of providing for the community a wide variety of visual and performing art events. This includes twilight concerts at the beach, movies at the beach; and children’s art events at the Begonia and Art & Wine Festivals. The Commission is also responsible for the oversight of the City’s Public Art Program.

Open Meetings

The City of Capitola is dedicated to provide residents and visitors with the highest level of public service. To assist in targeting the needs of the community, the City offers several opportunities for residents to engage in local government activities. Providing open meetings are consistent with the City’s Public Service Principle of providing a transparent and accessible government. The City Council appoints citizens to serve on boards, commissions, and committees to assist and advise in formulating policy. The City Clerk’s office compiles all City Council agendas, publishes meeting information, and prepares Council meeting minutes. The regularly scheduled Board and Committee meetings are typically coordinated and staffed by a department head or management-level employee.

A list of City Council meetings, as well as open Committee and Board meetings are provided for reference:



| City Council and RDA/ Successor Agency | | | | | |
|--|----------|---------|----------|----------|----------|
| | FY 09/10 | FY10/11 | FY 11/12 | FY 12/13 | FY 13/14 |
| Meetings ⁽¹⁾ | 34 | 37 | 31 | 34 | 26 |
| Number of agenda items | 195 | 194 | 191 | 208 | 209 |

| Committee and Board Meetings | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| | FY 09/10 | FY10/11 | FY 11/12 | FY 12/13 | FY 13/14 |
| Architecture & Site Review Committee | 0 | 8 | 11 | 10 | 12 |
| Art & Cultural Commission | 12 | 12 | 11 | 10 | 10 |
| Commission on the Environment | 10 | 5 | 4 | 3 | 6 |
| Finance Advisory Committee | 8 | 8 | 10 | 7 | 6 |
| General Plan Advisory Committee | 0 | 5 | 8 | 6 | 5 |
| Museum Board | 9 | 11 | 8 | 9 | 12 |
| Oversight Board Capitola Successor Agency | 0 | - | 4 | 7 | 4 |
| Planning Commission | 11 | 11 | 11 | 12 | 12 |
| Traffic & Parking Commission | 15 | 8 | 5 | 7 | 4 |
| Total Committee and Board Meetings | 65 | 68 | 72 | 71 | 71 |

(1) Fiscal Year 12/13 Council and RDA/Successor Agency Meetings restated from 39 to 34 meetings based on updated information.

Public Works

The Public Works Department is divided into the following divisions: Streets, Facilities, Parks, and Fleet Maintenance. The Department combines administration, engineering, and maintenance activities into a cohesive unit to develop and maintain a responsive and coordinated team.



Key service indicators and operational functions that support the Public Service Principle include:

| City Assets / Activities | FY 11/12 | FY 12/13 | FY 13/14 |
|---|----------|----------|----------|
| Miles of streets maintained | 26 | 26 | 26 |
| Hours of street sweeping | - | - | 2,100 |
| Number of street lights maintained | 71 | 71 | 71 |
| Number of traffic signals operated and maintained | 8 | 8 | 8 |
| Encroachment permits issued | 60 | 45 | 53 |
| Number of facilities maintained | 14 | 14 | 14 |
| Number of fleet vehicles maintained | 53 | 55 | 54 |
| Number of parking spaces provided | 492 | 492 | 718 |
| Number of parks managed | 8 | 8 | 8 |

Community Development – Building Division

The Building Division of the Community Development Department provides plan checks and building inspection services to ensure compliance with the California Building Code, as well as enforcement of the provisions of the State Housing and Building Codes.

As part of the Public Service Budget Principles, the Building Division strives to provide timely business inspections and the efficient processing of building and permit applications.



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SUMMARY INFORMATION



BUDGET PROCESS OVERVIEW

Each year the City of Capitola prepares an Operating Budget, a Successor Agency Budget, and a five-year Capital Improvement Program (CIP) budget. The Operating Budget contains the summary and detail information for revenue and expenditure appropriations for the fiscal year (beginning July 1st and ending June 30th) for several funds as well as a projection for the second fiscal year. The information from the CIP is incorporated in summary form in the City's annual budget. The Successor Agency budget is included in its entirety in the City's annual budget.

Budgeted revenues and expenditures related to deposit accounts are not included as part of the budget process. Transfer of funds from deposit accounts to revenue accounts are made by Finance staff at the time related expenditures are incurred.

The Municipal Code (3.200.020 E.) defines a balanced budget as one in which "financing uses including expenditures, interfund transfers out, reserves and contingencies should equal financing sources including beginning available fund balance, revenues and inter-fund transfers in." A key concept in the developmental process for the General Fund Budget revolves around City fiscal policy that the current year expenditures are balanced with current year revenue.

The City's budget process continues throughout the year, with quarterly financial updates published to the Finance Department website at the end of the following month; and discussions at weekly department head meetings with the City Manager. An outline of the on-going budget processes is listed below:

| Month | Responsibility | Budget Function |
|----------|----------------------------|--|
| December | Finance | Budget Cycle Begins |
| January | Finance | Finance prepares mid-year calculations |
| | City Manager / Departments | Review accomplishments related to prior year Budget Principles |
| | Finance / Departments | Provides year-end estimates |
| | Finance | Publishes quarterly reports for October - December |
| February | Finance / City Manager | Presents mid-year report to Council and FAC |
| | City Council | Establishes Budget Principles |
| | Finance | Projects non-departmental revenues and position costs |
| | Departments | Prepares budget and CIP |
| March | Finance / Departments | Continue budget projections |
| | Finance Advisory Committee | FAC discusses elements of the budget |
| April | City Manager | Reviews departments budget requests |
| | Finance | Adjusts proposed budget based on City Manager review |
| | Planning Commission | Reviews CIP |
| | Finance | Publishes quarterly reports for January - March |
| May | Finance Advisory Committee | Distributes proposed budget |
| | Finance / City Manager | Presents proposed budget and CIP to City Council |
| | Finance Advisory Committee | Provides recommendations to Council |
| | Community Organizations | Provides funding request information to Council |
| June | City Council | Deliberates |
| | City Council | Adopts Budget |
| July | Finance | Publishes quarterly reports for April - June |
| October | Finance | Publishes quarterly reports for July - September |

Basis of Accounting

The City's operating budget consists of governmental funds that include the General Fund, Special Revenue Funds, Internal Service Funds, Debt Service Funds, and a Capital Projects Fund. Governmental fund types and the Successor Agency fund budgets are developed using the modified accrual basis of accounting. This method is consistent with the presentation of the City's Annual Financial Statements. To summarize, under this basis, revenues are estimated for the fiscal year under the condition that they are identifiable and will be collected within sixty (60) days of the close of the fiscal year. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period or shortly thereafter to pay current liabilities.

Level of Budget Control

Both the City and the Successor Agency appropriate (control) the budget at the Budget Unit level. The Budget Unit level is defined as "department, fund, or other organizational unit whose financial activities are accounted for separately."

Expenditures for the General Fund are considered a Budget Unit at the Department level, with Community Grants controlled at the grantee level. The Successor Agency (including Housing Set-Aside) are considered Budget Units to be at the category level as defined in the budget document.

Budget Adjustments

After the budget adoption, any supplemental appropriations of fund balance, or budget transfers over \$25,000 within a Budget Unit will require Council approval. Budget adjustments that are less than \$25,000 and within the same Budget Unit may be approved by the City Manager.

All requests for budget adjustments will include an explanation for the change; along with a discussion of the fiscal impact. This information will also be documented on a Budget Adjustment Form which will be reviewed by the Finance Department for fiscal impact, correct account coding, and policy consistency prior to receiving City Council or City Manager approval.

Financial Committees and Boards

The following committees and boards, assist the City in the budget review and development process:

Finance Advisory Committee

The Finance Advisory Committee (FAC) works closely with the Finance Director to make recommendations on financial projections or policies identified by the City Council or City Manager. The Committee consists of four Council-appointed members, the Mayor, a Council Member, and the City Treasurer. The FAC meets several times throughout the year; and operates in an advisory capacity with the overall fiscal well-being of the City serving as its guiding principle.

Oversight Board to the Successor Agency of the Former Redevelopment Agency

As part of the Redevelopment Agency Dissolution Act, the City of Capitola elected to be the Successor Agency to the former Redevelopment Agency (RDA). As part of the dissolution process a seven member Oversight Board was established to review and approve recognized obligation payments of the Successor Agency. The Oversight Board also has a fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from property tax distributions. The Capitola Oversight Board will meet a minimum of two times a year to approve a six-month Recognized Obligation Payment Schedule (ROPS).

GENERAL FUND SUMMARY

A summary of the projected and historical General Fund revenues, expenditures, and fund balances is presented below. Overall revenues for FY 11/12 and FY 12/13 remained relatively constant with the exception of an extraordinary item related to insurance proceeds and the sale of a capital asset. Categorical changes between the two years were primarily related to loss of revenues from the dissolution of the RDA, which were offset by increased sales and transient occupancy tax (TOT) receipts. In April of 2013, a new 1/4% sales tax measure initiative, Measure O, was implemented which generated over \$254,000 in revenues during its first three month period. Measure O is anticipated to generate just over \$1 million annually through FY 15/16. In FY 13/14, the combined sales and TOT tax revenues increased by approximately 11%. While growth is still anticipated for these taxes in future years, it is projected to increase at a much more conservative rate. Expenditures remained fairly constant in FY 11/12 and FY 12/13 with personnel costs increasing in FY 13/14 and future years due to filling vacant positions and implementing negotiated cost of living adjustments. Significant increases in Other Financing Uses relate to contributions to fund CIP projects, restore reserves, and initiate a one-time additional debt service payment. These other contributions were funded through Measure O receipts and surplus general fund balances.

An overview of Measure O, reserves, and internal service funds are provided within this Summary Section.

General Fund Summary

| Major Categories | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Revenue | | | | | | |
| Taxes | \$8,596,277 | \$9,663,353 | \$10,521,400 | \$10,990,051 | \$11,098,500 | \$11,310,100 |
| Licenses and permits | 329,605 | 209,946 | 224,600 | 235,550 | 254,450 | 257,850 |
| Intergovernmental revenues | 285,822 | 254,646 | 229,200 | 282,268 | 168,700 | 163,700 |
| Charges for services | 2,341,934 | 1,907,023 | 1,980,400 | 1,999,500 | 1,921,400 | 1,773,900 |
| Fines and forfeitures | 724,409 | 688,272 | 707,500 | 725,200 | 718,800 | 718,800 |
| Use of money & property | 288,356 | 24,167 | 19,300 | 34,300 | 51,800 | 51,800 |
| Other revenues | 92,610 | 196,978 | 74,200 | 77,145 | 70,400 | 70,400 |
| Other financing sources | 248,500 | 99,000 | - | - | - | - |
| Extraordinary items | - | 1,349,000 | - | - | - | - |
| Revenue Totals | \$12,907,512 | \$14,392,384 | \$13,756,600 | \$14,344,014 | \$14,284,050 | \$14,346,550 |
| Expenditures | | | | | | |
| Personnel | \$7,170,943 | \$7,124,283 | \$7,768,290 | \$7,780,587 | \$7,985,744 | \$8,242,040 |
| Contract services | 2,455,822 | 2,751,137 | 2,505,500 | 2,646,189 | 2,725,130 | 2,726,630 |
| Training & Memberships | 46,163 | 65,030 | 72,280 | 78,004 | 83,545 | 81,545 |
| Supplies | 527,278 | 475,968 | 523,600 | 517,932 | 550,000 | 549,800 |
| Grants and Subsidies | 275,000 | 248,633 | 254,270 | 254,270 | 269,763 | 276,507 |
| Capital outlay | - | - | 5,000 | 27,531 | 10,000 | 40,000 |
| Internal service fund charges | 846,875 | 940,373 | 892,925 | 892,925 | 850,647 | 922,613 |
| Other financing uses | 828,302 | 2,588,639 | 1,711,912 | 2,233,725 | 2,270,025 | 1,511,065 |
| Expenditure Totals | \$12,150,382 | \$14,194,065 | \$13,733,777 | \$14,431,163 | \$14,744,854 | \$14,350,200 |
| Impact on Fund Balance | \$757,130 | \$198,320 | \$22,823 | (\$87,149) | (\$460,804) | (\$3,650) |
| Budgetary Fund Balance | \$537,216 | \$746,836 | \$769,659 | \$659,687 | \$198,883 | \$195,233 |

Revenue Summary

| | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------------|---------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|
| General Fund | \$12,907,512 | \$ 14,392,384 | \$13,756,600 | \$ 14,344,014 | \$14,284,050 | \$14,346,550 |
| Designated Reserves | | | | | | |
| Contingency Reserve | \$ - | \$ 817,750 | \$ 308,700 | \$ 398,700 | \$ 182,600 | \$ 57,000 |
| Emergency Reserve | 867,500 | 413,750 | 154,400 | 214,400 | 465,100 | 216,000 |
| Facility Reserve | - | - | - | - | 167,000 | - |
| Total Designated Reserves | \$ 867,500 | \$ 1,231,500 | \$ 463,100 | \$ 613,100 | \$ 814,700 | \$ 273,000 |
| Debt Service | | | | | | |
| Pension Obligation Bond | \$ 900,500 | \$ 672,874 | \$ 673,800 | \$ 676,100 | \$ 674,200 | \$ 671,100 |
| Pac Cove Lease Financing | 2,392,976 | 703,387 | 149,482 | 149,482 | 165,065 | 165,065 |
| Beach and Village II | - | - | 88,000 | 1,313,615 | 85,860 | 89,400 |
| OPEB Trust Fund | - | - | 30,000 | 42,000 | 39,500 | 38,600 |
| Total Debt Service | \$ 3,293,476 | \$ 1,376,260 | \$ 941,282 | \$ 2,181,197 | \$ 964,625 | \$ 964,165 |
| Capital Improvement Fund | \$ 50,000 | \$ 614,600 | \$ 1,190,900 | \$ 1,140,900 | \$ 1,341,900 | \$ 655,000 |
| Internal Service Funds | | | | | | |
| Stores Fund | \$ 30,803 | \$ 34,994 | \$ 40,000 | \$ 40,073 | \$ 39,100 | \$ 40,200 |
| Information Technology | 117,867 | 144,868 | 251,000 | 253,166 | 133,468 | 128,968 |
| Equipment Replacement | 158,000 | 116,238 | 146,759 | 304,259 | 68,147 | 65,313 |
| Self-Insurance Liability | 128,400 | 146,450 | 194,996 | 194,996 | 249,300 | 309,300 |
| Workers Compensation | 467,700 | 528,100 | 415,400 | 415,400 | 364,100 | 382,300 |
| PERS | 1,437,400 | 403,626 | - | - | - | - |
| Compensated Absences | 110,000 | 153,000 | 130,000 | 130,000 | 110,000 | 100,000 |
| Total Internal Service Funds | \$ 2,450,170 | \$ 1,527,276 | \$ 1,178,155 | \$ 1,337,894 | \$ 964,115 | \$ 1,026,081 |
| Special Revenue Funds | | | | | | |
| SLESF - Supplemental Law Enf. | \$ 100,105 | \$ 98,452 | \$ 100,100 | \$ 100,100 | \$ 100,100 | \$ 100,100 |
| SCCACT - SCC Anti Crime Team | 69,901 | 71,324 | 75,172 | 76,333 | 75,070 | 77,342 |
| Gas Tax Fund | 288,977 | 273,945 | 302,294 | 293,131 | 261,725 | 262,200 |
| Wharf Fund | 108,386 | 85,289 | 84,100 | 84,100 | 84,850 | 85,100 |
| Development Fees Fund | - | 1,415 | - | - | - | - |
| General Plan Update and Maint | 181,924 | 115,342 | 70,000 | 133,561 | 80,000 | 80,000 |
| Green Building Education Fund | 47,509 | 8,541 | 13,000 | 11,000 | 7,500 | 7,500 |
| Public Arts Fee Fund | 296,396 | 11,000 | 15,000 | 15,000 | 60,000 | 20,000 |
| Parking Reserve Fund | 90,802 | 162,800 | 100,000 | 100,000 | 100,000 | 100,000 |
| Technology Fee Fund | 13,906 | 10,543 | 7,300 | 8,600 | 9,650 | 9,650 |
| PEG - Public Education and Gov. | 19,216 | 18,856 | 19,100 | 19,100 | 19,050 | 19,050 |
| BIA - Capitola Village-Wharf BIA | 67,170 | 68,963 | 66,500 | 65,020 | 65,000 | 65,500 |
| CDBG Grants | 151,280 | 108,827 | 55,620 | 26,949 | - | - |
| CDBG Program Income | 10 | 6,970 | - | 14,069 | - | - |
| HOME Reuse Fund | 12,306 | 15,014 | 12,300 | 25,231 | 12,300 | 12,300 |
| HOME Grant Fund | 1,091,276 | - | - | 4,770 | - | - |
| Housing Trust Fund | 9,647 | 62,708 | 40,000 | 20,000 | 12,000 | 12,000 |
| BEGIN Grant Fund | 171 | (60,171) | - | - | - | - |
| Former RDA Low/Mod | 244,486 | - | - | - | - | - |
| Cap Hsg Succ- Program Income | 18,683 | 85,407 | - | 30,695 | - | - |
| Total Special Revenue Funds | \$ 2,812,152 | \$ 1,145,225 | \$ 960,486 | \$ 1,027,659 | \$ 887,245 | \$ 850,742 |
| Successor Agency | \$ 1,236,148 | \$ 1,320,549 | \$ 1,175,353 | \$ 1,250,557 | \$ 1,156,089 | \$ 1,161,402 |
| Total Revenues - All Funds | \$23,616,958 | \$ 21,607,796 | \$ 19,665,876 | \$ 21,895,321 | \$20,412,724 | \$19,276,940 |

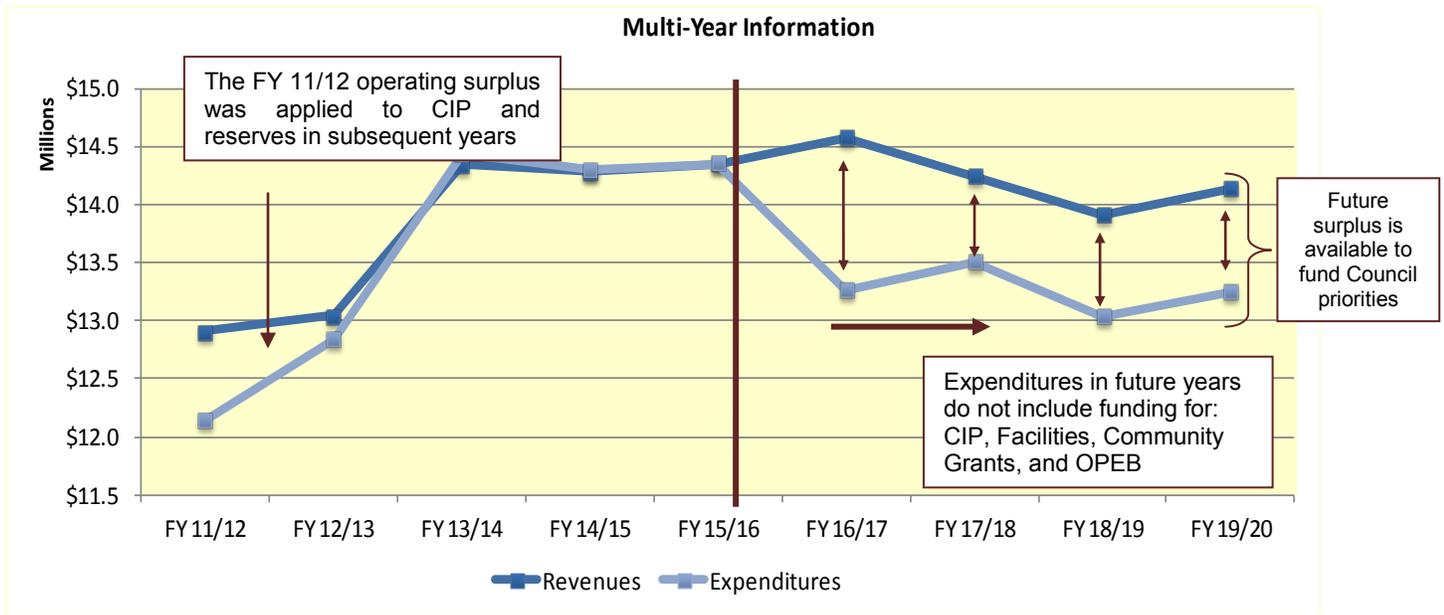
Expenditure Summary

| | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|---------------------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| General Fund | \$ 12,150,382 | \$ 14,194,065 | \$ 13,733,777 | \$ 14,431,163 | \$ 14,744,854 | \$ 14,350,200 |
| Designated Reserves | | | | | | |
| Contingency Reserve | \$ 530,000 | - | - | - | - | - |
| Emergency Reserve | 846,131 | 90 | 200,000 | 200,000 | - | - |
| Facilities Reserve | | | | | 80,000 | |
| Total Designated Reserves | \$ 1,376,131 | \$ 90 | \$ 200,000 | \$ 200,000 | \$ 80,000 | \$ - |
| Debt Service | | | | | | |
| Pension Obligation Bond | \$ 673,006 | \$ 672,466 | \$ 674,800 | \$ 674,720 | \$ 672,900 | \$ 669,200 |
| Pac Cove Lease Financing | 960,375 | 1,721,135 | 448,252 | 244,547 | 165,066 | 165,066 |
| Beach and Village Parking Lot II | - | - | 88,000 | 1,313,615 | 85,440 | 85,425 |
| OPEB Trust Fund | | | | | | |
| Total Debt Service Funds | \$ 1,633,380 | \$ 2,393,601 | \$ 1,211,052 | \$ 2,232,882 | \$ 923,406 | \$ 919,691 |
| Capital Improvement Fund | \$ 550,865 | \$ 512,257 | \$ 1,355,000 | \$ 1,005,500 | \$ 2,132,639 | \$ 654,487 |
| Internal Service Funds | | | | | | |
| Stores Fund | \$ 41,908 | \$ 37,575 | \$ 40,300 | \$ 38,000 | \$ 39,100 | \$ 40,200 |
| Information Technology | 105,113 | 243,343 | 193,000 | 193,000 | 200,000 | 165,500 |
| Equipment Replacement | 45,696 | 412,338 | 123,000 | 313,100 | 60,000 | 60,000 |
| Self-Insurance Liability | 178,425 | 141,950 | 185,708 | 185,008 | 249,300 | 309,300 |
| Workers Compensation | 467,344 | 407,960 | 388,822 | 388,822 | 364,100 | 382,300 |
| PERS | 1,701,884 | 612,874 | - | - | - | - |
| Compensated Absences | 170,626 | 128,838 | 90,000 | 90,000 | 90,000 | 90,000 |
| Total Internal Service Funds | \$ 2,710,995 | \$ 1,984,878 | \$ 1,020,830 | \$ 1,207,930 | \$ 1,002,500 | \$ 1,047,300 |
| Special Revenue Funds | | | | | | |
| SLESF - Supplemental Law Enforce | \$ 59,280 | \$ 47,424 | \$ 5,200 | \$ 101,000 | \$ 61,700 | \$ 61,700 |
| SCCACT - SCC Anti Crime Team | 69,901 | 72,486 | 75,172 | 75,192 | 75,070 | 77,342 |
| Gas Tax Fund | 285,417 | 265,570 | 315,100 | 262,950 | 279,225 | 284,500 |
| Wharf Fund | 118,155 | 95,718 | 83,200 | 66,424 | 84,850 | 65,900 |
| Development Fees Fund | - | 3,441 | - | - | - | - |
| General Plan Update and Maint. | 225,411 | 221,703 | 175,000 | 201,607 | 144,300 | 67,300 |
| Green Building Education Fund | 2,761 | - | 13,000 | 13,000 | 9,000 | 7,500 |
| Public Arts Fee Fund | 25,352 | 120,879 | 26,000 | 159,200 | 38,300 | 38,300 |
| Parking Reserve Fund | 274,423 | 84,800 | 96,298 | 153,800 | 100,000 | 100,000 |
| Technology Fee Fund | - | - | 5,000 | 5,000 | 10,000 | 5,000 |
| PEG - Public Education and Gov. | 45,589 | 19,267 | 39,000 | 39,000 | 30,000 | 10,000 |
| BIA - Capitola Village-Wharf BIA | 67,194 | 72,151 | 69,000 | 66,000 | 64,700 | 64,700 |
| CDBG Grants | 168,766 | 76,817 | 20,000 | 29,949 | - | - |
| CDBG Program Income | 2,950 | 2,500 | 5,000 | 3,000 | - | - |
| HOME Reuse Fund | 9,228 | - | 5,000 | 11,170 | 3,200 | 3,200 |
| HOME Grant Fund | 1,091,276 | 10,000 | 3,200 | - | - | - |
| Housing Trust Fund | 176,438 | 55,000 | 69,000 | 76,000 | 65,000 | 62,000 |
| BEGIN Grant Fund | (23) | - | - | - | - | - |
| Former Low/Mod Housing | 1,130,322 | - | - | - | - | - |
| Cap Hsg Succ- Program Income | 17,256 | 6,637 | 13,900 | 53,900 | 45,000 | 10,000 |
| Total Special Revenue Funds | \$ 3,769,696 | \$ 1,154,393 | \$ 1,018,070 | \$ 1,317,192 | \$ 1,010,345 | \$ 857,442 |
| Successor Agency | \$ 1,817,062 | \$ 2,561,966 | \$ 1,175,353 | \$ 1,237,585 | \$ 1,156,089 | \$ 1,161,402 |
| Total Expenditures - All Funds | \$ 24,008,512 | \$ 22,801,250 | \$ 19,714,082 | \$ 21,632,252 | \$ 21,049,833 | \$ 18,990,522 |

Multi-Year Milestones

During the FY 14/15 Budget Study sessions, the City reviewed two-year budgetary projections and received updates on upcoming financial milestones. The following projections reference current employee contracts with salary increases based on the Consumer Pricing Index (CPI). Due to the strong correlation of the CPI index with projected increases in key revenues, it is anticipated that these key revenues and expenditures will increase on average by 2%, to yield a net increase of approximately 1.7% annually. In FY 14/15 revenues are projected to decline primarily due to net effect of anticipated increases and a \$100,000 reduction in the Successor Agency Administrative Allowance. This trend continues in FY 15/16, with the projected increase offset by the potential elimination of the remaining \$150,000 Administrative Allowance. With the sunset of the 1/4% Measure D sales tax in December 2017, the City is anticipated to lose a half year or approximately \$550,000 in Measure D revenues in FY 17/18, with a complete loss projected in FY 18/19. This reduction in revenues is supplemented by Measure O funds; and offset by a reduced final payment of \$240,000 to the City's Pension Obligation Bond Fund. The remaining \$440,000 of the POB payment will come from the POB Fund's projected balance. In FY 18/19, the City will no longer have this payment.

The following chart represents a multi-year forecast that highlights significant changes to the City's revenues and expenditures. The subsequent table provides historical and estimated available funding for select expenditures. This table can be referenced to review variable funding levels in future years. During the FY 16/17 through FY 19/20 budgetary hearings, the actual funding levels will be determined based on the City's fiscal priorities and actual funding availability.



| Select Expenditures – Actual and Budgeted Years | | | | | | Select Expenditures – Unbudgeted Years ⁽¹⁾ | | | |
|---|------------------|------------------|------------------|--------------------|------------------|---|------------------|------------------|------------------|
| | FY 11/12 | FY 12/13 | FY 13/14 | FY 14/15 | FY 15/16 | FY 16/17 | FY 17/18 | FY 18/19 | FY 19/20 |
| Estimated Available Funding for Select Expenditures – Unbudgeted Years | | | | | | \$1,314,000 | \$745,000 | \$876,000 | \$891,000 |
| Select Expenditures | | | | | | | | | |
| CIP | \$50,000 | \$614,600 | \$640,900 | \$864,900 | \$655,000 | | | | |
| Facilities | - | - | - | 167,000 | - | | | | |
| Community Grants | 275,000 | 248,633 | 254,270 | 269,763 | 276,507 | | | | |
| OPEB | - | - | 42,000 | 39,500 | 38,600 | | | | |
| Total Expenditures | \$325,000 | \$863,233 | \$937,170 | \$1,341,163 | \$970,107 | | | | |

⁽¹⁾ In FY 16/17, the Measure O five-year funding plan allocates \$965,000 of the \$1,314,000 available funds to CIP.

Contingency and Emergency Reserves

In 2000, the City adopted Financial Management policies, which established a 10% Contingency and a 5% Emergency Reserve Fund. The Contingency Reserve was established to provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The Emergency Reserve was intended to protect against significant one-time costs, which might arise from major unpredictable emergency events.

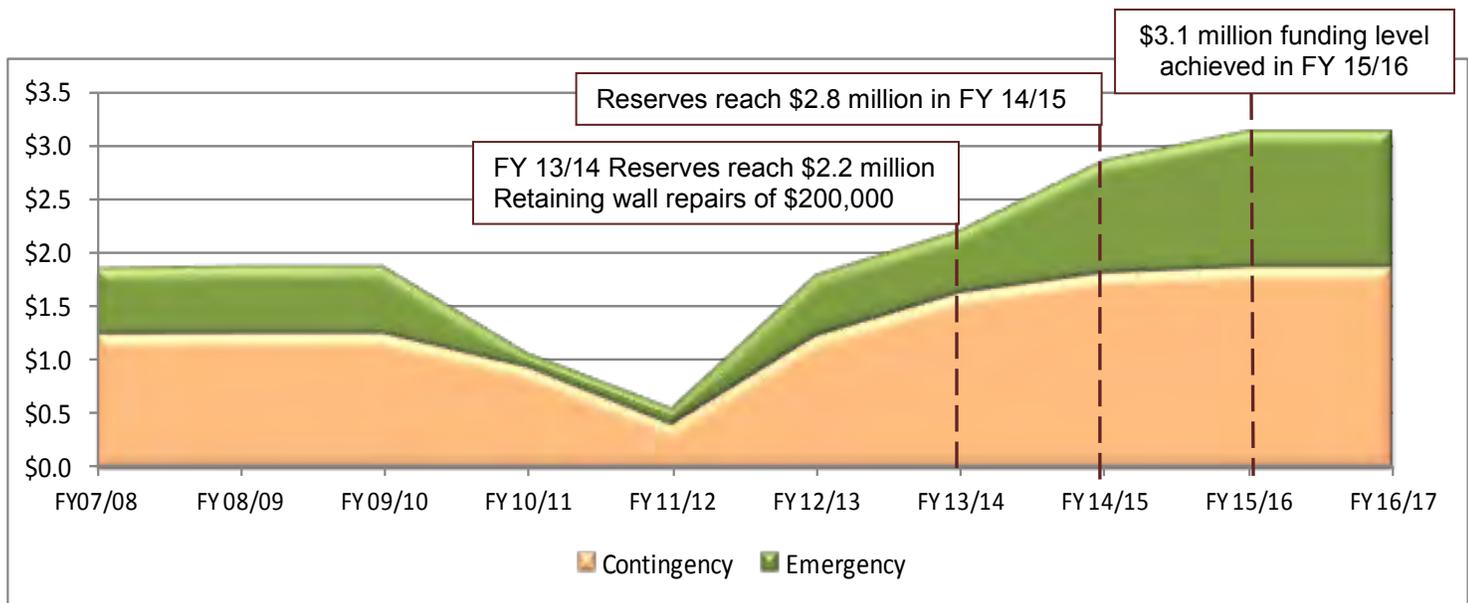
In the City's 2012 Benchmark Report, Capitola ranked last among the seven benchmark cities with the lowest total levels of reserves. Due to the volatile nature of the City's primary revenue sources, and the increased delay in the receipts of several major revenues each year, the City increased its Contingency Reserve funding levels to 15% of operating expenditures.

As the 2011 pipe failure demonstrated, a sufficient Emergency Reserve Fund is needed to respond quickly to local disasters, as well as sustain low debt ratios. Due to the City's location in an active geologic region, adjacency to the ocean, and proximity to a major creek and highway, the City chose to also increase the Emergency Reserve Funding Level to 10% of operating expenditures.

The following chart contrasts the Estimated FY 13/14 ending fund balances with the original and revised policy funding levels:

| Fund | Estimated FY 13/14 | Original Policy Level | Revised Policy Funding Level | Deficit to Revised Funding Level |
|--------------|--------------------|------------------------|------------------------------|----------------------------------|
| Contingency | \$1.6 mil | 10% - \$1.2 mil | 15% - \$1.8 mil | \$0.2 mil |
| Emergency | 0.6 mil | 5% - \$0.6 mil | 10% - \$1.2 mil | \$0.6 mil |
| Total | \$2.2 mil | 15% - \$1.8 mil | 25% - \$3.0 mil | \$0.8 mil |

With the receipt of Measure O, it was originally planned that the reserves would be fully funded in FY 16/17. In FY 12/13, an additional \$300,000 was transferred to reserves from the proceeds of an insurance settlement, along with supplementary contributions of \$150,000 and \$200,000 in FY 13/14 and FY 14/15, respectively. These additional contributions are anticipated to bring the reserves to their original \$3 million fund target in mid FY 15/16. It should be noted that due to new increased budgetary expenses, the FY 15/16 target has increased to approximately \$3.1 million.



Measure O Initiative

Sales Tax for Disaster and Economic Recovery

On November 6, 2012, voters approved Measure O, instituting a 0.25% local sales tax, which was projected to raise approximately \$1 million in additional revenues. Currently, the City has an additional 0.25% sales tax (Measure D) which is scheduled to expire in December of 2017. During the five-year bridge period when both sales tax measures are in place, the City plans to fund initiatives that assist with disaster and economic recovery. The basis for the Measure O initiative, along with the proposed funding priorities, is presented below:

Reestablish Reserves / Disaster Recovery

Due to disaster recovery efforts from the March 2011 pipe failure, the combined reserve balances were reduced to \$561,000 at the end of FY 11/12. This was \$1.2 million less than the original funding level. In addition, another \$200,000 was needed to repair a retaining wall at the Pacific Cove Mobile Home Park site. Due to the current economic conditions, it is unlikely the City will have a sufficient operating surplus to restore reserves to their target funding level. A five-year plan using Measure O revenues to restore reserves to increased reserve funding levels is included in the preceding section.

Repave and Repair City Streets / Public Works Positions

Due to the severe economic downturn over the last four years, coupled with State take-aways, the funding to maintain streets has not been sufficient to maintain their condition. Based on the most recent inventory of pavement condition, the City's overall rating decreased by 7% in the last two years. This Pavement Management Index Study also indicated that the amount necessary to maintain the existing condition of City roads is \$550,000. The Public Works staffing levels were severely reduced with the economic downturn. At the beginning of FY 12/13, the City had 25% fewer crew members, which significantly impacted the City's ability to provide long-term street support and maintenance.

Measure O funding is allocated to support the City's Pavement Management Program and significant road projects. In addition, it has provided funds to hire one additional public works crew member in FY 13/14 and one additional Maintenance Worker I/II in FY 14/15.

Support Community Policing Projects

Over the last several years the City has seen State-funding for our police cut while demands for police services increase in neighborhoods and the Village. To better respond to incidents during the peak summer tourist season, and to engage in more community-oriented policing projects, a Parking Enforcement Officer position was transitioned to a Community Service Officer to a primarily assist with Village, beach, and neighborhood issues. This would also allow for an increased Police presence in the Village during evening periods of high demand.

Five Year Plan

The following five-year Measure O funding plan was developed to promote economic and disaster recovery. Additional transfers from the operating surpluses in the General Fund in FY 12/13 and FY 13/14 promoted early funding of reserves, which resulted in increased allocations to CIP in FY 15/16 and FY16/17.

| Fiscal Year | Measure O | | | | | GF to Reserves |
|--------------|--------------------|------------------|------------------|--------------------|--------------------|------------------|
| | Measure O Funding | PW Crew | PD Staff | CIP/Street Maint. | Reserves | |
| 12/13 | \$245,600 | \$9,100 | \$5,400 | \$94,600 | \$136,500 | \$350,000 |
| 13/14 | 1,018,750 | 45,950 | 18,800 | 490,900 | 463,100 | 150,000 |
| 14/15 | 1,041,900 | 63,300 | 26,000 | 504,900 | 447,700 | 200,000 |
| 15/16 | 1,063,000 | 100,000 | 35,000 | 655,000 | 273,000 | |
| 16/17 | 1,100,000 | 100,000 | 35,000 | 965,000 | - | |
| Total | \$4,469,250 | \$318,350 | \$120,200 | \$2,710,400 | \$1,320,300 | \$700,000 |

General Fund Resources

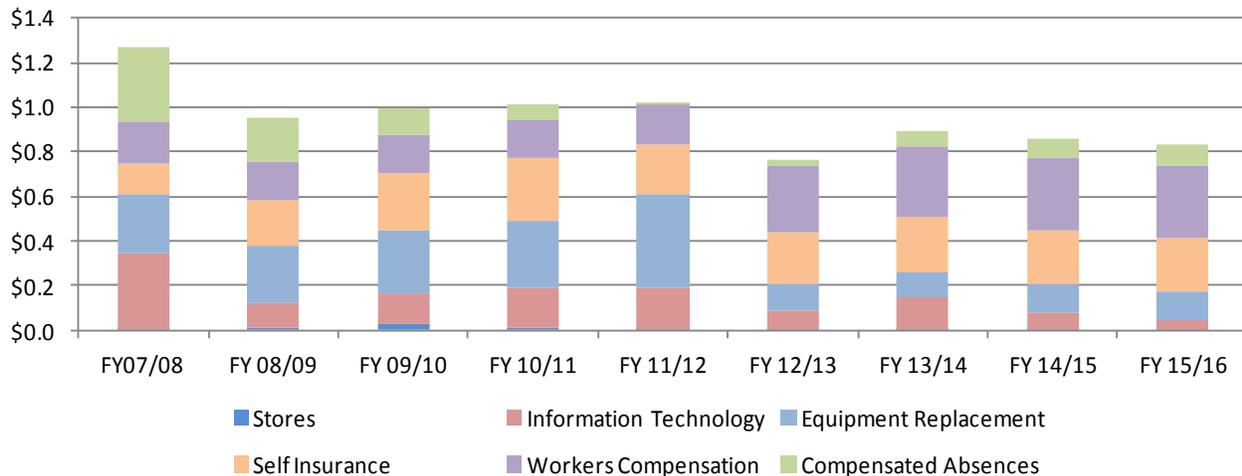
In addition to the Emergency Reserve Fund, the City also has a Contingency Reserve Fund, and Internal Service Funds that are designated for equipment purchases, risk management, and pension obligations. In FY12/13, the City closed the PERS Internal Service Fund due to a change in accounting practice. The remaining balance was credited to FY12/13 PERS Pension Obligation Bond payment.

The following table shows the estimated Total General Fund available resources:

| Estimated Fund Balance | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------------|-----------------------|---------------------|---------------------|
| General Fund | \$ 659,687 | \$ 198,883 | \$ 195,233 |
| Designated Reserves | | | |
| Emergency Reserve | 584,106 | 1,049,206 | 1,265,206 |
| Contingency Reserve | 1,621,346 | 1,803,946 | 1,860,946 |
| Facilities Reserve | - | 167,000 | 87,000 |
| Internal Service Funds | | | |
| Stores | 2,693 | 2,693 | 2,693 |
| Information Technology | 147,623 | 81,091 | 44,559 |
| Equipment Replacement | 113,297 | 121,444 | 126,757 |
| Self Insurance Liability | 241,838 | 241,838 | 241,838 |
| Workers Compensation | 321,853 | 321,853 | 321,853 |
| Compensated Absences | 68,274 | 88,274 | 98,274 |
| Total General Fund Resources | \$ 3,760,717 | \$ 4,076,228 | \$ 4,244,359 |

In FY12/13, \$400,000 was transferred from the Equipment, Information Technology, and Stores Funds to assist in restoring the City's primary reserves. The corresponding chart and graph illustrate the impact of the transfers on the affected funds. In FY 13/14, the City budgeted additional transfers of \$41,230 to the Equipment Fund and \$114,000 to the Information Technology Fund to assist with replenishment efforts. This additional funding, along with reduced spending in the upcoming budgets are anticipated to gradually bring the Equipment Fund closer to its previous fund balance.

Internal Service Funds
(In millions)



Facilities Reserve Fund

As a result of the Proposed Budget Study Sessions, the City established a Facilities Reserve Fund. This new fund is intended to serve as a resource to address the long-term maintenance needs of existing City facilities. A list of identified facilities and preliminary projects are listed below:

| Facility | Preliminary Project List |
|-----------------------|---|
| City Hall | Roof, parking lot improvements, restrooms, community room, entry area |
| Corporation Yard | Remodel , women’s locker room, restrooms, mezzanine expansion |
| Library | Exterior paint, siding, landscaping, new building |
| Community Center | Exterior paint, restrooms, sewer lines, accordion walls, roof, kitchen, flooring |
| Facility | Projects Pending Facility Needs Assessment |
| Bandstand |  |
| Esplanade Restrooms | |
| Jade Street Restrooms | |
| Museum | |
| Museum Cabin | |
| Rispin Mansion | |
| Wharf | |
| Wharf Bait Shop | |
| Wharf Restaurants | |

The National Research Council Stewardship of Federal Facilities recommends setting aside 2-4% of building replacement costs annually to preserve or extend the life of facilities. The estimated replacement value of City facilities is \$17.5 million. While the City is in the process of adopting a formal Facilities Reserve policy, the initial goal is to target a 2% or \$350,000 annual contribution to the Facilities Reserve Fund. The actual contribution would be determined during the annual budget process. In FY 14/15, the City chose to transfer \$167,000 or approximately 50% of the targeted amount. An appropriation of \$80,000 was budgeted to renovate the Community Room and entry way at City Hall, along with an additional contribution of \$20,000 from the Public Education & Government Cable TV Access Fund (PEG) for the purchase and installation of qualifying equipment.

Fund Balance Summary

| Fund Title | Estimated Balance 07/01/2014 | Revenues | Transfers In | Expenditures | Transfers Out | Estimated Balance 06/30/2015 |
|---------------------------------------|------------------------------------|----------------------|---------------------|----------------------|------------------|------------------------------------|
| General Fund | \$ 659,687 | \$ 14,284,050 | \$ - | \$ 12,474,829 | \$ 2,270,025 | \$ 198,883 |
| Designated Reserves | | | | | | - |
| Contingency Reserve | \$ 1,621,346 | - | \$ 182,600 | - | - | \$ 1,803,946 |
| Emergency Reserve | 584,106 | - | \$ 465,100 | - | - | 1,049,206 |
| Facility Reserve | - | - | \$ 167,000 | - | 80,000 | 87,000 |
| Total Designated Reserves | \$ 2,205,452 | - | \$814,700 | - | 80,000 | 2,940,152 |
| Debt Service | | | | | | |
| Pension Obligation Bond | \$ 482,214 | \$ - | \$ 674,200 | \$ 672,900 | \$ - | \$ 483,514 |
| Pac Cove Lease Financing | 319,788 | - | 165,065 | 165,066 | - | 319,787 |
| Beach and Village Parking Lot II | - | - | 85,860 | 85,440 | - | 420 |
| OPEB Trust Fund | 42,000 | - | 39,500 | - | - | 81,500 |
| Total Debt Service | 844,002 | - | 964,625 | 923,406 | - | 885,221 |
| Capital Improvement Fund | \$ 790,739 | \$ 377,000 | \$ 964,900 | \$ 2,132,639 | \$ - | \$ - |
| Internal Service Funds | | | | | | |
| Stores Fund | \$ 2,693 | \$ 39,100 | \$ - | \$ 39,100 | \$ - | \$ 2,693 |
| Information Technology | 147,623 | 133,468 | - | 200,000 | - | 81,091 |
| Equipment Replacement | 113,297 | 68,147 | - | 60,000 | - | 121,444 |
| Self-Insurance Liability | 241,838 | 249,300 | - | 249,300 | - | 241,838 |
| Workers Compensation | 321,853 | 364,100 | - | 364,100 | - | 321,853 |
| PERS | - | - | - | - | - | - |
| Compensated Absences | 68,274 | 110,000 | - | 90,000 | - | 88,274 |
| Total Internal Service Funds | \$ 895,578 | \$ 964,115 | \$ - | \$ 1,002,500 | \$ - | \$ 857,193 |
| Special Revenue Funds | | | | | | |
| SLESF - Supplemental Law Enf. | \$ 100,864 | \$ 100,100 | \$ - | \$ 61,700 | \$ - | \$ 139,264 |
| SCCACT - SCC Anti Crime Team | - | 75,070 | - | 75,070 | - | - |
| Gas Tax Fund | 42,168 | 261,725 | - | 279,225 | - | 24,668 |
| Wharf Fund | 43,892 | 84,850 | - | 84,850 | - | 43,892 |
| Development Fees Fund | - | - | - | - | - | - |
| General Plan Update and Maint | 85,445 | 80,000 | - | 144,300 | - | 21,145 |
| Green Building Education Fund | 99,994 | 7,500 | - | 9,000 | - | 98,494 |
| Public Arts Fee Fund | 144,713 | 60,000 | - | 38,300 | - | 166,413 |
| Parking Reserve Fund | 21,298 | 100,000 | - | 100,000 | - | 21,298 |
| Technology Fee Fund | 39,337 | 9,650 | - | 10,000 | - | 38,987 |
| PEG - Public Education and Gov. | 31,251 | 19,050 | - | 30,000 | - | 20,301 |
| BIA - Capitola Village-Wharf BIA | 1,264 | 65,000 | - | 64,700 | - | 1,564 |
| CDBG Grants | 7,457 | - | - | - | - | 7,457 |
| CDBG Program Income | (2,840) | - | - | - | - | (2,840) |
| HOME Reuse Fund | 37,282 | 12,300 | - | 3,200 | - | 46,382 |
| HOME Grant Fund | - | - | - | - | - | - |
| Housing Trust Fund | 128,049 | 12,000 | - | 65,000 | - | 75,049 |
| BEGIN Grant Fund | - | - | - | - | - | - |
| Cap Hsg Succ- Program Income | 56,992 | - | - | 45,000 | - | 11,992 |
| Total Special Revenue Funds | \$ 837,166 | \$ 887,245 | \$ - | \$ 1,010,345 | - | 714,066 |
| Successor Agency | \$ 602,371 | \$ 1,156,089 | \$ - | \$ 1,156,089 | - | 602,371 |
| Total Fund Balance - All Funds | \$ 6,834,995 | \$ 17,668,499 | \$ 2,744,225 | \$ 18,699,808 | 2,350,025 | 6,197,886 |

Fund Balance Summary

| | Estimated Balance 07/01/2015 | Revenues | Transfers In | Expenditures | Transfers Out | Estimated Balance 06/30/2016 |
|---------------------------------------|------------------------------------|----------------------|---------------------|----------------------|---------------------|------------------------------------|
| General Fund | \$ 198,883 | \$ 14,346,550 | \$ - | \$ 12,839,135 | \$ 1,511,065 | \$ 195,233 |
| Designated Reserves | | | | | | |
| Contingency Reserve | \$ 1,803,946 | \$ - | \$ 57,000 | \$ - | \$ - | \$ 1,860,946 |
| Emergency Reserve | 1,049,206 | - | 216,000 | - | - | 1,265,206 |
| Facility Reserve | 87,000 | - | - | - | - | 87,000 |
| Total Designated Reserves | \$ 2,940,152 | \$ - | \$ 273,000 | \$ - | \$ - | \$ 3,213,152 |
| Debt Service | | | | | | |
| Pension Obligation Bond | \$ 483,514 | \$ - | \$ 671,100 | \$ 669,200 | \$ - | \$ 485,414 |
| Pac Cove Lease Financing | 319,787 | - | 165,065 | 165,066 | - | 319,786 |
| Beach and Village Parking Lot II | 420 | - | 89,400 | 85,425 | - | 4,395 |
| OPEB Trust Fund | 81,500 | - | 38,600 | - | - | 120,100 |
| Total Debt Service | \$ 885,221 | \$ - | \$ 964,165 | \$ 919,691 | \$ - | \$ 929,695 |
| Capital Improvement Fund | \$ - | \$ - | \$ 655,000 | \$ 654,487 | \$ - | \$ 513 |
| Internal Service Funds | | | | | | |
| Stores Fund | \$ 2,693 | \$ - | \$ 40,200 | \$ 40,200 | \$ - | \$ 2,693 |
| Information Technology | 81,091 | - | 128,968 | 165,500 | - | 44,559 |
| Equipment Replacement | 121,444 | - | 65,313 | 60,000 | - | 126,757 |
| Self-Insurance Liability | 241,838 | - | 309,300 | 309,300 | - | 241,838 |
| Workers Compensation | 321,853 | - | 382,300 | 382,300 | - | 321,853 |
| PERS | - | - | - | - | - | - |
| Compensated Absences | 88,274 | - | 100,000 | 90,000 | - | 98,274 |
| Total Internal Service Funds | \$ 857,193 | \$ - | \$ 1,026,081 | \$ 1,047,300 | \$ - | \$ 835,974 |
| Special Revenue Funds | | | | | | |
| SLESF - Supplemental Law Enf. | \$ 139,264 | \$ 100,100 | \$ - | \$ 61,700 | \$ - | \$ 177,664 |
| SCCACT - SCC Anti Crime | - | 77,342 | - | 77,342 | - | - |
| Gas Tax Fund | 24,668 | 262,200 | - | 284,500 | - | 2,368 |
| Wharf Fund | 43,892 | 85,100 | - | 65,900 | - | 63,092 |
| Development Fees Fund | - | - | - | - | - | - |
| General Plan Update and Maint | 21,145 | 80,000 | - | 67,300 | - | 33,845 |
| Green Building Education Fund | 98,494 | 7,500 | - | 7,500 | - | 98,494 |
| Public Arts Fee Fund | 166,413 | 20,000 | - | 38,300 | - | 148,113 |
| Parking Reserve Fund | 21,298 | 100,000 | - | 100,000 | - | 21,298 |
| Technology Fee Fund | 38,987 | 9,650 | - | 5,000 | - | 43,637 |
| PEG - Public Education and Gov. | 20,301 | 19,050 | - | 10,000 | - | 29,351 |
| BIA - Capitola Village-Wharf BIA | 1,564 | 65,500 | - | 64,700 | - | 2,364 |
| CDBG Grants | 7,457 | - | - | - | - | 7,457 |
| CDBG Program Income | (2,840) | - | - | - | - | (2,840) |
| HOME Reuse Fund | 46,382 | 12,300 | - | 3,200 | - | 55,482 |
| HOME Grant Fund | - | - | - | - | - | - |
| Housing Trust Fund | 75,049 | 12,000 | - | 62,000 | - | 25,049 |
| BEGIN Grant Fund | - | - | - | - | - | - |
| Cap Hsg Succ- Program Income | 11,992 | - | - | 10,000 | - | 1,992 |
| Total Special Revenue Funds | \$ 714,066 | \$ 850,742 | \$ - | \$ 857,442 | \$ - | \$ 707,366 |
| Successor Agency | \$ 602,371 | \$ 1,161,402 | \$ - | \$ 1,161,402 | \$ - | \$ 602,371 |
| Total Fund Balance - All Funds | \$ 6,197,886 | \$ 16,358,694 | \$ 2,918,246 | \$ 17,479,457 | \$ 1,511,065 | \$ 6,484,304 |

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GENERAL FUND REVENUES



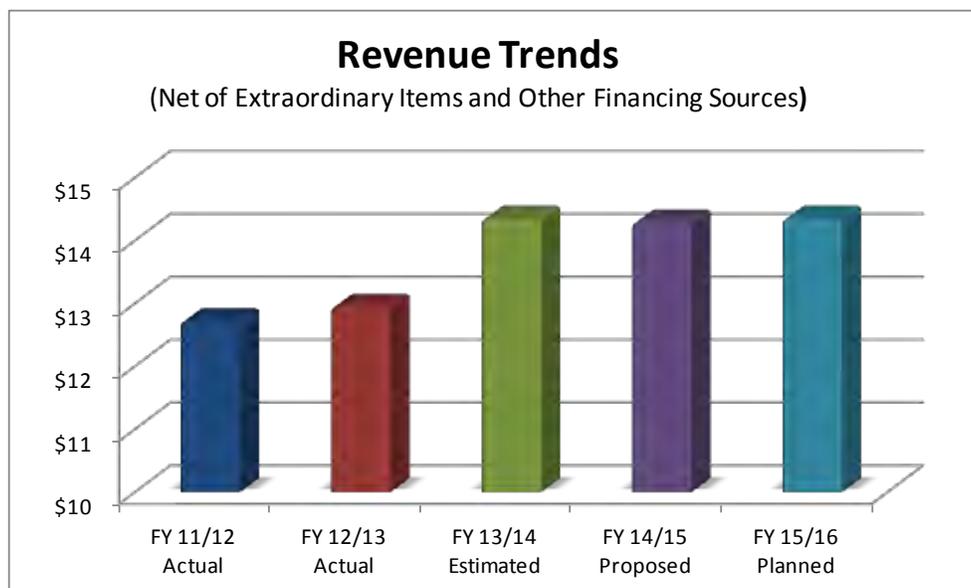
GENERAL FUND REVENUES

Revenues for the FY14/15 General Fund operating budget are projected to be \$14.3 million which is an increase of approximately \$527,450 or 3.8% over FY 13/14. This is primarily due to significant increases in sales tax and TOT revenues of 14.3% or \$154,468 which were identified in early FY 13/14. Increased TOT taxes could be a result of an extended summer season with more visitors choosing Capitola as a vacation destination. While there are increasingly positive signs of economic improvement, it is anticipated that increase will not continue to rise as rapidly in FY 14/15. Increased tax revenues in FY 14/15 and FY 15/16 are offset by reductions in intergovernmental revenues and charges for services related to reductions in federal grant funding and the reduction and loss of a \$250,000 Successor Agency Administrative Allowance. A summary of major revenues changes between the FY13/14 Adopted and FY 14/15 Adopted budgets are listed below:

- Sales Tax \$222,600
- Transient Occupancy Tax (TOT) 266,700
- Property Taxes – Motor Vehicle In-Lieu 81,000
- Successor Agency Administrative Allowance (100,000)
- Building Permits and Plan Check Fees 54,850
- \$528,150**

An overview of revenues and the related history is presented below.

| Revenues by Major Category | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Taxes | \$8,596,277 | \$9,663,353 | \$10,521,400 | \$10,990,051 | \$11,098,500 | \$11,310,100 |
| Licenses and permits | 329,605 | 209,946 | 224,600 | 235,550 | 254,450 | 257,850 |
| Intergovernmental revenues | 285,822 | 254,646 | 229,200 | 282,268 | 168,700 | 163,700 |
| Charges for services | 2,341,934 | 1,907,023 | 1,980,400 | 1,999,500 | 1,921,400 | 1,773,900 |
| Fines and forfeitures | 724,409 | 688,272 | 707,500 | 725,200 | 718,800 | 718,800 |
| Use of money & property | 288,356 | 24,167 | 19,300 | 34,300 | 51,800 | 51,800 |
| Other revenues | 92,610 | 196,978 | 74,200 | 77,145 | 70,400 | 70,400 |
| Other financing sources | 248,500 | 99,000 | - | - | - | - |
| Extraordinary items | - | 1,349,000 | - | - | - | - |
| General Fund Revenues | \$12,907,512 | \$14,392,384 | \$13,756,600 | \$14,344,014 | \$14,284,050 | \$14,346,550 |



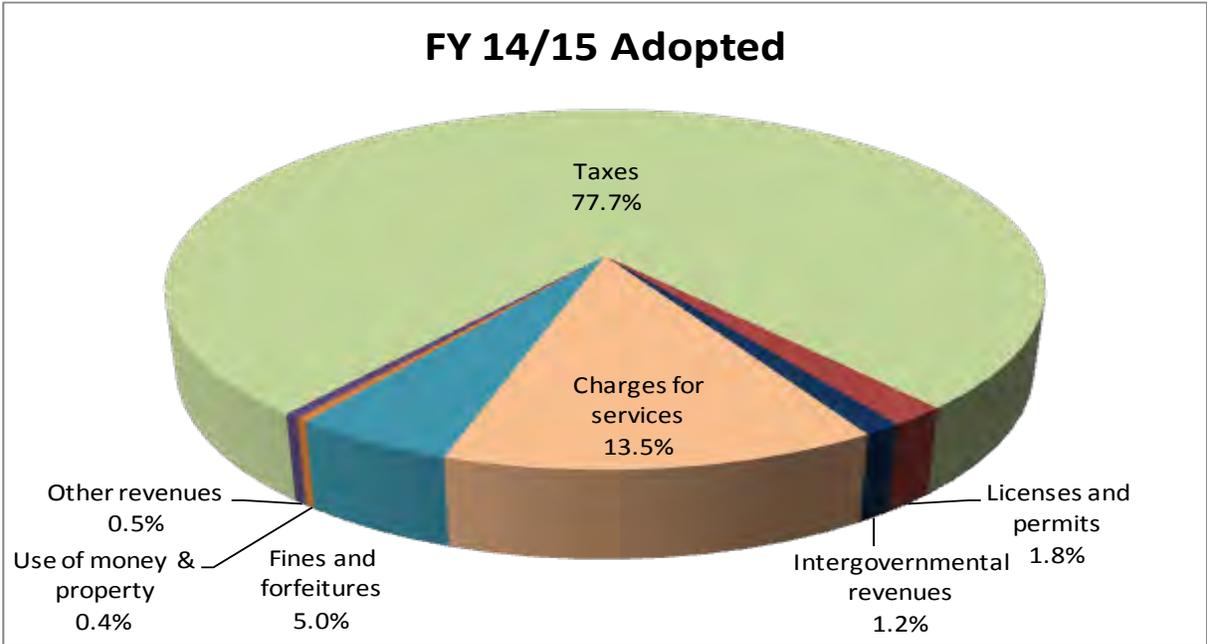
General Revenue Information

General Fund revenues are not received in equal monthly increments. While many revenues are received regularly throughout the fiscal year, others are received quarterly or annually. The variable nature of these revenues results in an uneven cash flow. For example, the City of Capitola’s lowest cash balance occurs in mid-December, while property tax revenues received in December and April are used to assist in replenishing the General Fund balance. The City developed a cash flow model to assist with on-going cash flow projections and to identify reserve requirements. While monitoring the City’s cash flow has always been a priority, the need to identify patterns became more critical during the disaster recovery period when reserves were nearly depleted. In FY12/13, the City approved increasing the Contingency Reserve balance from 10% to 15%, to assist in covering potential cash flow deficits.

Projections for each source of revenue include a review of historical trends, the local economy, new business development, and pending legislation. Due to significant changes, the City is closely monitoring the following five core revenues which represent over 80% of the General Fund:

- Sales Tax \$7,318,600
- Transient Occupancy Tax 1,251,000
- Parking Meters 709,000
- Parking Fines 467,700
- Property Taxes / Property Taxes in Lieu of Vehicle Fees 1,762,900
- \$11,509,200**

Additional information related the five core revenues are detailed within this section. In addition, five-year trends for each revenue source are provided in the Revenue Summary.



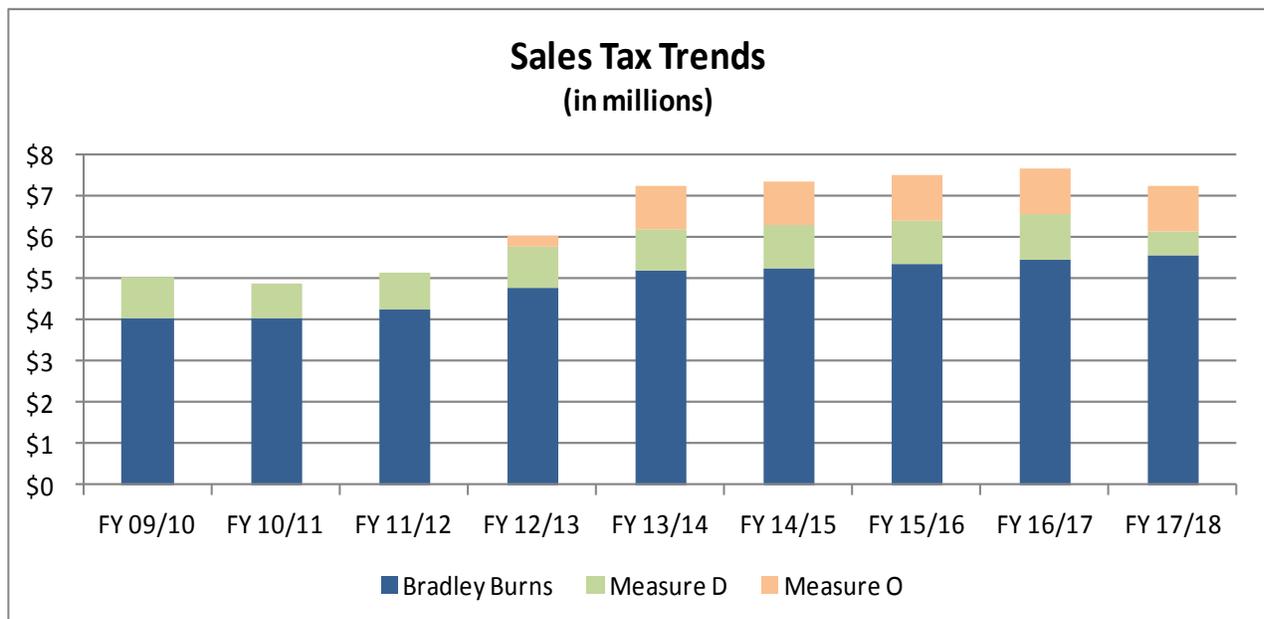
Sales Tax

The City of Capitola sales tax consists of 1% Bradley Burns, 1/4% Capitola District Tax (Measure D), and a new permanent 1/4% Capitola District Tax (Measure O). In FY13/14, annual sales tax revenue was \$7.2 million, with just over \$2 million in revenues contributed by Measure D and Measure O. Measure D is currently scheduled to sunset in December of 2017.

| Sales Tax by Geographic Area | |
|--------------------------------|---------------|
| Area | % of Sales |
| 41st Avenue Corridor | 84.3% |
| Upper Village | 7.5% |
| Village | 7.3% |
| Kennedy Drive, Other | 0.9% |
| Total Sales Tax Revenue | 100.0% |

The Finance Department staff work closely with MuniServices, the City's sales tax consultant, on tax recovery, statistics, and projections. Sales tax projections are based on a combination of "most likely" estimates provided by MuniServices, internal quarter over quarter analyses, and the impact of one-time events. In FY14/15, sales tax revenue performance is anticipated to increase by approximately 2.5% or \$197,000 over the prior year; however due to a greater than typical Triple Flip or In-Lieu payment of \$89,000 in FY 13/14, the net increase is closer to \$100,000. In FY 15/16, sales tax growth is projected to be closer to 2.3%, with increases projected of approximately 2.0% in FY 16/17 and FY 17/18.

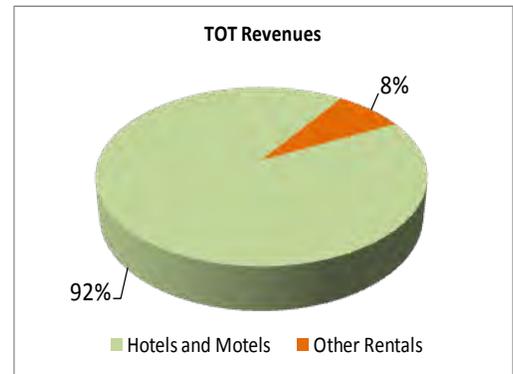
The following chart highlights signs of increased economic recovery in FY 12/13, first quarter revenues associated with Measure O, and the addition of a major retail store. In FY 12/13, Measure O, was implemented as "bridge" funding to replenish reserves, fund City street repairs, and enhance community policing projects prior to the sunset of Measure D. Measure O, which became effective in April of 2013, had first quarter revenues totaling \$254,668, with anticipated annual revenue receipts of just over \$1 million. This chart also illustrates the effect of the partial year expiration of Measure D in FY 17/18. This chart does not contain estimates based on the expiration of the State In-Lieu or Triple Flip method of disbursements that is anticipated to appear in FY 16/17. The City is waiting for clarity on this transition. Only regular operating revenue receipts have been included in the FY 16/17 and FY 17/18 estimated receipts. Due to this transition there could be an estimated one-time payment of \$232,700 due to the unwinding of this program.



Transient Occupancy Taxes (TOT)

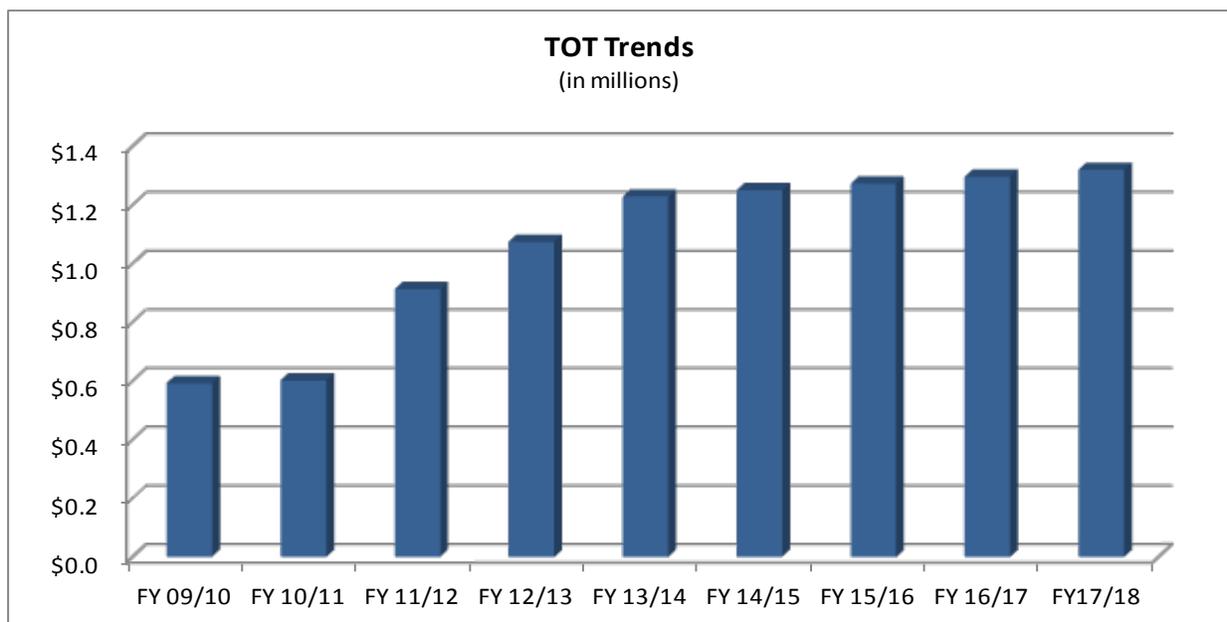
Hotel tax, also known as the Transient Occupancy Tax (TOT) is a 10% tax that is applied to rental accommodations of less than 30 days. In FY14/15, TOT is expected to account for over 8.7% of the General Fund operating revenues. The City's TOT revenues come from the following sources:

- Hotels and Motels
- Other Rentals
 - Bed and Breakfasts
 - Vacation Rentals



In FY13/14, TOT revenues are anticipated to grow by 14.4% or \$154,400. This could be attributed to an extended warm weather season, economic growth, and significant increased receipts from two hotels. The dry winter season, with limited snow in the mountains could have motivated more vacationers to choose a coastal, rather than mountain vacation destination. The FY 14/15 and FY 15/16 estimates are anticipated to increase by 1.8% or \$22,000; followed by 1.8% increases in the remaining projected years. This estimate was derived internally by monitoring quarterly revenues, reviewing local tourism trends, and referencing Consumer Pricing Index (CPI) as an indicator of growth. The U.S. Travel Association's Travel Forecast Model for Domestic Person-Trips was also referenced for comparative purposes.

The following chart illustrates the continued growth of TOT revenues within the City. Signs of economic recovery, along with the addition of a major hotel increased revenues in FY 11/12 by over \$300,000. Growth continued by 17% in FY 12/13, followed by an additional increase in FY 13/14. Due to Capitola's seaside location, proximity to regional attractions, and beginning signs of economic recovery, the City is continuing efforts to attract another hotel to the area.



Parking Meters and Parking Fines

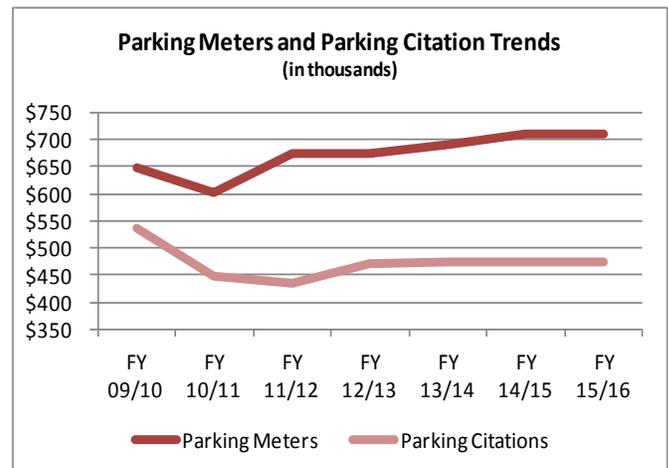
In FY 13/14, parking meter and parking fine revenues contributed over \$1.1 million to the General Fund. Revenue sources include fees collected from the meters, as well as fines resulting from expired meters and improper parking. Factors affecting these revenues include tourism and seasonal trends. At the end of FY 13/14, a 226-space parking lot opened adjacent to the existing Pacific Cove Parking Lot and City Hall. This parking lot was provided to assist in relieving congestion in the Capitola Village and facilitate the development of a new Village hotel. Shuttle bus service from the parking lots to the Village, beach, and Capitola wharf is anticipated to be offered in the summer. Projected revenues for each location are listed below:

| Location | Spaces | Estimated FY 14/15 Revenue | Avg. Meter Revenue per Space |
|--------------------------|--------|----------------------------|------------------------------|
| Village | 195 | \$ 550,000 | \$ 2,821 |
| Cliff Drive | 65 | \$ 55,000 | \$ 846 |
| Pacific Cove - Upper Lot | 232 | \$ 84,000 | \$ 362 |
| Pacific Cove - Lower Lot | 226 | \$ 20,000 | \$ 88 |

The following chart illustrates parking and parking citation trends within the City. In FY10/11, combined revenues declined by over \$140,000 due to damage caused by the ruptured storm drain, installation time associated with new paystations, parking meter holidays, and reduced parking enforcement staff. In November of 2011, the City completed the installation of the first set of paystations in the Capitola Village. All previous parking meters were replaced with paystations, with the exceptions of newly retrofitted meters on the 300 and 400 blocks of Capitola Ave. All new equipment is anticipated to increase revenues, while adding the convenience of credit card acceptance.

While parking receipts may increase, there is still some uncertainty as to the net impact of the parking meter to paystation conversion. The City only has one complete year of data available for comparative purposes. Preliminary information indicates that the cost of credit card acceptance and monthly paystation maintenance fees, netted against previous coin collection charges is relatively cost neutral. It was also noted that while parking revenues increased 6.2%, the value of citations decreased by 2.6%. This could be due to a reduction in staffing or technology changes. Staff believes that technology designed to assist parking space monitoring could be more effective with enhanced cellular service in the Village.

In the FY14/15 budgetary projections, the City chose to take a conservative approach to parking meter and parking fine estimates. Revenues are anticipated to be relatively flat with the exception of the additional parking lot. A temporary Parking Enforcement Officer was converted to a permanent full-time position in the last quarter of FY 13/14. In addition to providing parking enforcement services, this position is also anticipated to assist in pay station maintenance. The City will continue to monitor the effect of the position, as well as trends associated with the new parking lot.



Property Taxes

Property taxes are an Ad Valorem Tax imposed on real property as well as tangible personal property. Property Tax Revenue is levied at a rate of one percent of the assessed taxable property value. The City receives 7.47% of each 1.0% or 75 cents per \$1,000 of assessed property value.

In FY13/14, property taxes were responsible for over \$900,450 in revenues. This represents a 6% overall increase over the prior year, with over 1.7% or \$861,940 attributed to secured property values. This is consistent with information from the County Auditor-Controller's Office, which has indicated that property valuations in Capitola are rising at a rate of 3-5%. Additional FY 13/14 revenues result from \$38,500 in unsecured and supplemental assessments. In FY 11/12 and FY 12/13, the City received approximately \$52,000 and \$38,000 in additional revenues associated with the dissolution of the Redevelopment Agency. The prior year redistributions resulted from recaptured disallowed obligations of the former RDA. There were no residual distributions in FY 13/14. Due to the uncertainty of the residual distribution patterns, an amount was not budgeted in forthcoming years.

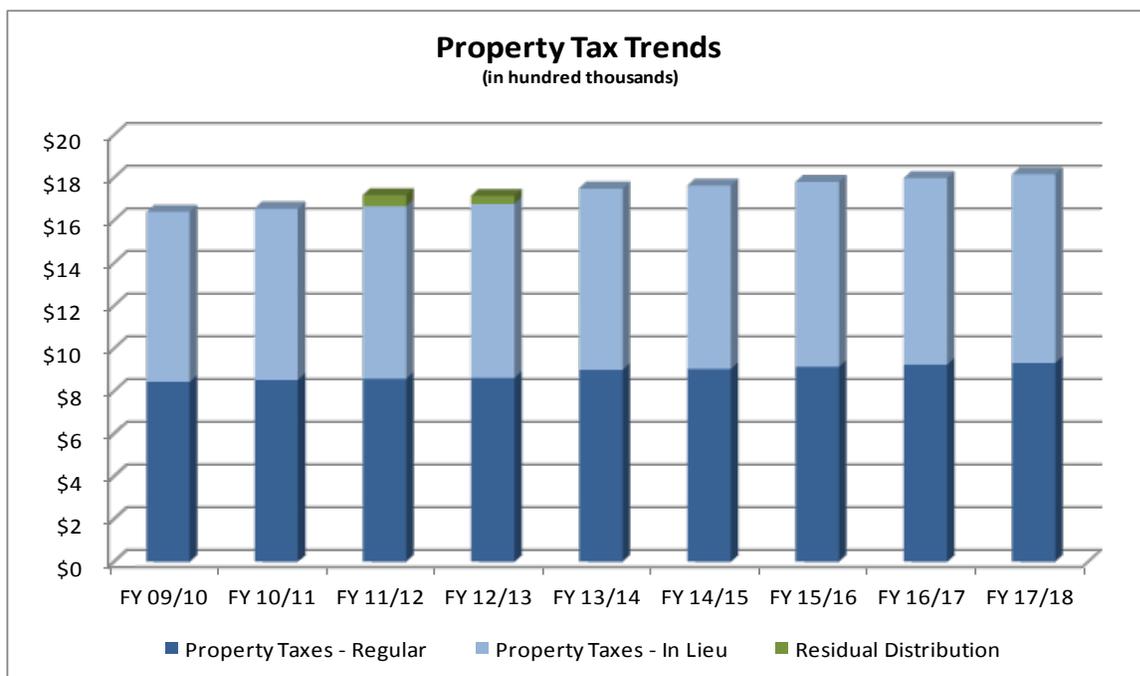
In the FY14/15 Proposed budget, base property tax revenues were estimated to increase by approximately 2.7% with a 1% increase projected in FY 15/16. This projection was based on information from the Auditor-Controller's Office; uncertainties over supplemental and unsecured assessments; and a review of the current housing market. A growth factor of 1% of the assessed property valuation was used in FY 16/17 and FY 17/18.

Property taxes are received based on the following distribution schedule:

- December: 50%
- April: 45%
- June: 5%

Property Taxes in Lieu of Vehicle License Fees

Property Tax In-Lieu of Vehicle License has been relatively constant over prior years; however there was a 4.3% or \$34,700 increase in FY 13/14. This increase is fairly consistent with the rising property values outlined by the Auditor-Controller's Office. Due to the relatively flat history associated with these revenues, conservative growth estimates of 1% have been applied to the upcoming fiscal years.



Revenue Summary

| | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|--|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| <u>Taxes</u> | | | | | | |
| Property taxes - Secured | \$836,485 | \$842,226 | \$855,500 | \$881,465 | \$885,700 | \$894,600 |
| Property taxes - Unsecured | 20,542 | 19,821 | 20,400 | 18,986 | 19,200 | 19,400 |
| Property taxes In lieu of motor vehicle fee | 809,102 | 814,722 | 806,000 | 849,435 | 858,000 | 867,000 |
| Property taxes Residual Distr. - Former RDA | 52,534 | 37,928 | - | - | - | - |
| General Sales Tax | 4,228,463 | 4,765,126 | 5,058,500 | 5,169,191 | 5,224,500 | 5,348,300 |
| General Sales Tax - Measure D | 916,645 | 1,020,747 | 1,018,750 | 1,034,970 | 1,052,200 | 1,073,400 |
| General Sales Tax - Measure O | - | 254,668 | 1,018,750 | 1,016,444 | 1,041,900 | 1,063,000 |
| Documentary Transfer Tax | 55,535 | 63,340 | - | 34,600 | - | - |
| Business License Tax | 281,336 | 291,643 | 280,000 | 280,000 | 280,800 | 285,800 |
| Franchise Tax Electric | 97,230 | 98,500 | 97,000 | 97,000 | 98,000 | 98,000 |
| Franchise Tax Gas | 29,394 | 27,049 | 29,000 | 29,000 | 29,000 | 29,000 |
| Franchise Tax Refuse | 229,612 | 224,866 | 230,000 | 230,000 | 230,000 | 230,000 |
| Franchise Tax Refuse AB939 Surcharge | 4,018 | 4,707 | 4,000 | 5,134 | 6,000 | 6,000 |
| Franchise Tax Cable TV | 98,684 | 95,264 | 95,000 | 92,247 | 94,000 | 94,000 |
| Franchise Tax Universe-AT&T | 19,644 | 24,041 | 20,000 | 18,405 | 24,000 | 24,000 |
| Franchise Tax Recycling Grant | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 |
| Transient Occupancy Tax | 912,852 | 1,074,506 | 984,300 | 1,228,974 | 1,251,000 | 1,273,400 |
| Taxes - Totals | \$8,596,277 | \$9,663,353 | \$10,521,400 | \$10,990,051 | \$11,098,500 | \$11,310,100 |
| <u>Licenses and permits</u> | | | | | | |
| Building Permits | \$264,704 | \$135,070 | \$165,800 | \$176,600 | \$191,900 | \$197,000 |
| Encroachment Permit | 15,788 | 22,940 | 15,000 | 15,000 | 15,000 | 15,000 |
| Special Events Permit | 1,073 | 890 | 800 | 800 | 900 | 900 |
| Entertainment Permit | 4,782 | 4,596 | 4,000 | 4,000 | 4,000 | 4,000 |
| Parking Permit | 35,665 | 33,777 | 33,000 | 33,000 | 32,900 | 32,900 |
| Other Permit | 7,593 | 12,673 | 6,000 | 6,150 | 9,750 | 8,050 |
| Licenses and permits - Totals | \$329,605 | \$209,946 | \$224,600 | \$235,550 | \$254,450 | \$257,850 |
| <u>Intergovernmental Revenues</u> | | | | | | |
| Federal government grants Federal grant-operating | \$187,536 | \$98,776 | \$131,000 | \$166,765 | \$85,000 | \$80,000 |
| Federal government grants Federal grant-capital | - | 2,762 | - | 22,531 | - | - |
| State gov't shared revenues State- Prop 172 Sales tax | 33,437 | 35,468 | 30,000 | 30,000 | 35,000 | 35,000 |
| State gov't shared revenues Abandoned vehicle | 10,949 | 12,619 | 10,000 | 10,000 | 10,500 | 10,500 |
| State gov't shared revenues POST Police offcr sfty | 9,357 | 24,305 | 16,000 | 16,000 | 16,000 | 16,000 |
| State gov't shared revenues Motor vehicle in-lieu tax | 26,533 | 5,228 | 25,000 | 19,772 | 5,000 | 5,000 |
| State gov't shared revenues State recycling grant | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| State gov't shared revenues Homeowner prop tax relief | 7,120 | 7,165 | 7,200 | 7,200 | 7,200 | 7,200 |
| State gov't shared revenues SB90 State mandated cost | 5,889 | 6,822 | 5,000 | 5,000 | 5,000 | 5,000 |
| Local Government Revenue County Contribution | - | 56,500 | - | - | - | - |
| Intergovernmental Revenues - Totals | \$285,822 | \$254,646 | \$229,200 | \$282,268 | \$168,700 | \$163,700 |
| <u>Charges for Services</u> | | | | | | |
| Gen gov't RDA bus svcs/OSB Admin | \$358,915 | \$250,000 | \$250,000 | \$250,000 | \$150,000 | - |
| Gen gov't Pkg meters/pay stations-Village | 544,810 | 550,149 | 550,000 | 550,000 | 550,000 | 550,000 |
| Gen gov't Pkg meters/pay stations-Cliff Dr | 49,963 | 65,664 | 50,000 | 53,300 | 55,000 | 55,000 |
| Gen gov't Pkg meters/Paystations - Beach & Village Lot | 80,977 | 58,178 | 104,000 | 87,300 | 84,000 | 84,000 |
| Gen gov't Pkg meters/Paystations - Beach & Village Lot | - | - | - | - | 20,000 | 20,000 |

| | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|--|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| <u>Charges for Services (cont.)</u> | | | | | | |
| Gen govt BIA - finance support services | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 |
| Gen govt CVC-Finance Support Services | 875 | 940 | - | 600 | 600 | 600 |
| Gen govt Green Building Program Mgmt | - | - | - | - | 1,000 | 1,000 |
| Public safety Vehicle release fee | 11,143 | 12,969 | 12,000 | 15,000 | 15,000 | 15,000 |
| Public safety Police reports and others | 4,278 | 5,059 | 4,600 | 4,600 | 4,600 | 4,600 |
| Public safety Booking fees | 2,701 | 2,566 | 2,000 | 5,000 | 5,000 | 5,000 |
| Public safety DUI collections | 5,918 | 3,535 | 3,600 | 2,700 | 3,500 | 3,500 |
| Public safety Animal services | 2,867 | 4,123 | 3,500 | 3,500 | 3,500 | 3,500 |
| Public safety Special events - police services | 7,740 | 15,108 | 14,000 | 14,000 | 14,000 | 14,000 |
| Public safety Special Events-Lifeguard Svcs | 350 | 200 | 1,000 | 1,000 | - | - |
| Public works BIA - public works services | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Public works Special events - pw services | - | 8,878 | 8,500 | 8,500 | 8,500 | 8,500 |
| Public works Sweeper Svc Provided to Gas Tax | 45,000 | 45,000 | - | - | - | - |
| Public works Trash & Cleanup Removal Agrmt | - | 2,000 | - | - | - | - |
| Building fees Building plan check fees | 118,392 | 86,753 | 80,000 | 90,000 | 105,000 | 107,500 |
| Comm Dev Planning fee - Sr Plnr Cost | 71,338 | 56,720 | 60,000 | 60,000 | 37,500 | 37,500 |
| Comm Dev Planning fee - Assist Plnr Cost | - | - | - | - | 17,500 | 17,500 |
| Comm Dev Planning Fee - Director Cost | 2,685 | 1,547 | 10,000 | 35,000 | 15,000 | 15,000 |
| Comm Dev Planning Fee - Cost Recovery Adj | 4,838 | - | - | - | - | - |
| Comm Dev Planning - Plan Check Fee | 32,939 | 13,222 | 10,000 | 10,000 | 10,000 | 10,000 |
| Comm dev Planning application fee | 18,881 | 17,528 | 12,000 | 12,000 | 18,000 | 18,000 |
| Comm dev Hsg admin billing - RDA Low/Mod | 100,295 | - | - | - | - | - |
| Comm Dev Planning - Billing to Gen Plan | 94,080 | - | 50,000 | 25,000 | 25,000 | 25,000 |
| Comm Dev Hsg Admin Billing - HOME Grant | 577 | - | - | - | - | - |
| Comm Dev - Green Building | | | | | 3,000 | 3,000 |
| Comm Dev Planning - Other Fees | 23,817 | 14,960 | 10,000 | 15,000 | 18,000 | 18,000 |
| Recreation Fees - Class Fees | 335,502 | 299,947 | 298,000 | 289,000 | 289,000 | 289,000 |
| Recreation Fees - Class Fee Refunds | (6,756) | (2,111) | (3,000) | (1,200) | (1,500) | (1,500) |
| Recreation Fees - Jr. Guard Fees | 245,959 | 246,804 | 270,000 | 295,000 | 295,000 | 295,000 |
| Recreation fees - Jr. Guard Fee Refund | (4,958) | (6,342) | (5,000) | (3,000) | (2,000) | (2,000) |
| Recreation Fees - Camp Capitola Fees | 122,395 | 93,981 | 126,200 | 122,000 | 122,000 | 122,000 |
| Recreation Fees - Camp Fee Refunds | (1,077) | (73) | (1,200) | (500) | (500) | (500) |
| Recreation Fees - Sports Fees | 62,028 | 52,521 | 54,500 | 50,000 | 50,000 | 50,000 |
| Recreation fees - Sports Fee Refund | (1,737) | - | (1,500) | (1,500) | (1,500) | (1,500) |
| Charges for Services Totals | 2,341,934 | 1,907,023 | 1,980,400 | 1,999,500 | 1,921,400 | 1,773,900 |
| <u>Fines and forfeitures</u> | | | | | | |
| Redlight Camera Enforcement | \$104,121 | \$82,388 | \$90,000 | \$90,000 | \$90,000 | \$90,000 |
| General Fines | 167,356 | 144,230 | 160,600 | 162,100 | 161,100 | 161,100 |
| Trees | 25,000 | - | - | 7,200 | - | - |
| Pkg Citations | 427,932 | 461,654 | 456,900 | 465,900 | 467,700 | 467,700 |
| Fines and Forfeitures - Totals | \$724,409 | \$688,272 | \$707,500 | \$725,200 | \$718,800 | \$718,800 |

| | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| <u>Use of Money & property</u> | | | | | | |
| Investment earnings LAIF | \$6,737 | \$5,277 | \$7,000 | \$4,500 | \$4,500 | \$4,500 |
| Investment earnings RDA \$1.35M | 104,625 | - | - | - | - | - |
| Investment earnings RDA \$618k Loan | 47,895 | - | - | - | - | - |
| Rents Pac cove park - Space Lease | 91,373 | 2,495 | - | - | - | - |
| Rents Pac Cove Coach Rent | 24,442 | - | - | - | - | - |
| Rents Beulah | 300 | - | - | - | - | - |
| Rents Jade Street Facility | 5,761 | 7,335 | 5,000 | 5,000 | 5,000 | 5,000 |
| Rents Esplanade Restaurants | 3,739 | 3,834 | 3,800 | 3,800 | 3,800 | 3,800 |
| Rents Esplanade - Surf Trailer | 1,204 | 1,236 | 1,200 | 1,200 | 1,200 | 1,200 |
| Rents Esplanade Bandstand | 2,280 | 3,990 | 2,300 | 2,300 | 2,300 | 2,300 |
| Lease Revenue Vehicles and Equipment | - | - | - | 17,500 | 35,000 | 35,000 |
| Use of Money & Property Totals | \$288,356 | \$24,167 | \$19,300 | \$34,300 | \$51,800 | \$51,800 |
| <u>Other Revenues</u> | | | | | | |
| Safety Donations & Contributions | - | \$10,030 | \$3,000 | \$8,251 | \$5,000 | \$5,000 |
| Surf Camera Contribution | 2,601 | - | - | - | - | - |
| Arts - Twilight Concert Sponsors | 12,200 | 5,800 | 13,200 | 13,200 | 13,200 | 13,200 |
| Arts - Movies at the Beach Sponsors | 2,000 | 1,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Arts - Art at the Beach Fee | 3,600 | 3,810 | 3,600 | 3,600 | 3,600 | 3,600 |
| Sunday Art & Music Concerts | 2,400 | 800 | 2,400 | 1,600 | 1,600 | 1,600 |
| Museum Donations - Box Revenue | 984 | 664 | 500 | 1,000 | 1,000 | 1,000 |
| Museum Donations-Fundraising | - | 5,725 | 3,500 | 9,500 | 5,000 | 5,000 |
| Memorial Plaques and Benches | 11,320 | 17,416 | 6,000 | 10,000 | 10,000 | 10,000 |
| Miscellaneous Revenues | 15,294 | 127,353 | 0 | 3,994 | 5,000 | 5,000 |
| Recreation Donation | 7,000 | - | - | - | - | - |
| Reimburse - Fuel by CFPD/School | 31,206 | 24,405 | 40,000 | 20,000 | 20,000 | 20,000 |
| Change Machine-Misc Rev | 4,005 | (26) | 0 | 4,000 | 4,000 | 4,000 |
| Other Revenues Totals | \$92,610 | \$196,978 | \$74,200 | \$77,145 | \$70,400 | \$70,400 |
| <u>Other financing sources</u> | | | | | | |
| Interfund transfer in Emergency Rsv | \$223,500 | - | - | - | - | - |
| Interfund transfer in ISF Equip | 25,000 | - | - | - | - | - |
| Proceeds of gen cap asst dispos Sale of general | - | 99,000 | - | - | - | - |
| Extraordinary Items | - | 1,349,000 | - | - | - | - |
| Otherr financing Sources Totals | \$248,500 | \$1,448,000 | - | - | - | - |
| Revenue Totals | \$12,907,512 | \$14,392,384 | \$13,756,600 | \$14,344,014 | \$14,284,050 | \$14,346,550 |

GENERAL FUND EXPENDITURES



GENERAL FUND EXPENDITURES

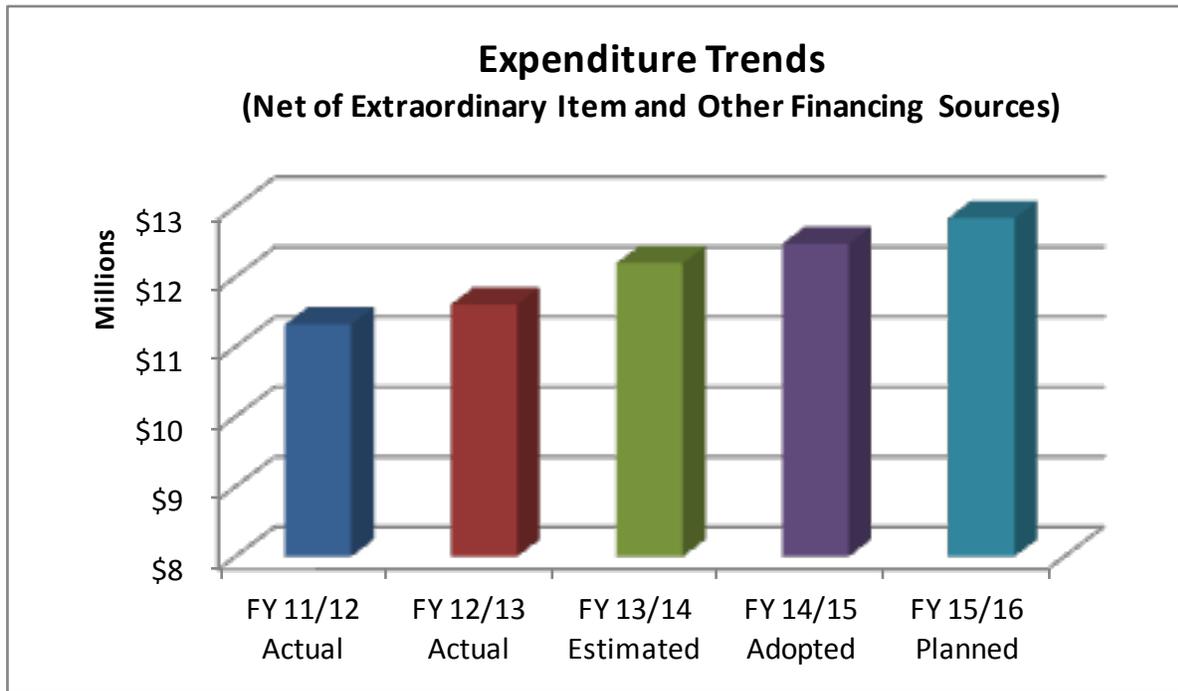
In FY 14/15, General Fund operating expenditures are anticipated to exceed the FY13/14 Adopted expenditures by \$452,964; while transfers are expected to exceed the prior year Adopted budget by \$558,113. Key differences between the two fiscal years include:

- Addition of a Measure O funded Maintenance Worker I/II
- Deletion of 900 hours of a temporary Parking Enforcement Office and addition of a 1.0 permanent Parking Enforcement Officer
- Voluntary reduction in Museum Coordinator position hours from .750 FTE to .50 FTE
- Increase in salary and flex credit personnel costs based on current contracts estimated at 2.5% or \$190,000 annually
- Increase in costs related to the following contract services:
 - 911 Center \$43,000
 - State surcharges on citation processing 34,700
 - Election costs 15,000
 - Community television broadcasting 10,000
 - Property repair and maintenance 32,000
 - Utility costs – Water 35,000
 - Police grant funded purchases 39,200
 - Additional ADA Maintenance 10,000
 - One-time Additional Museum funding 10,000
- Increase in Transfers relating to CIP and the Facilities Reserve Fund, net of replenishment contributions to the Information Technology and Equipment Fund.

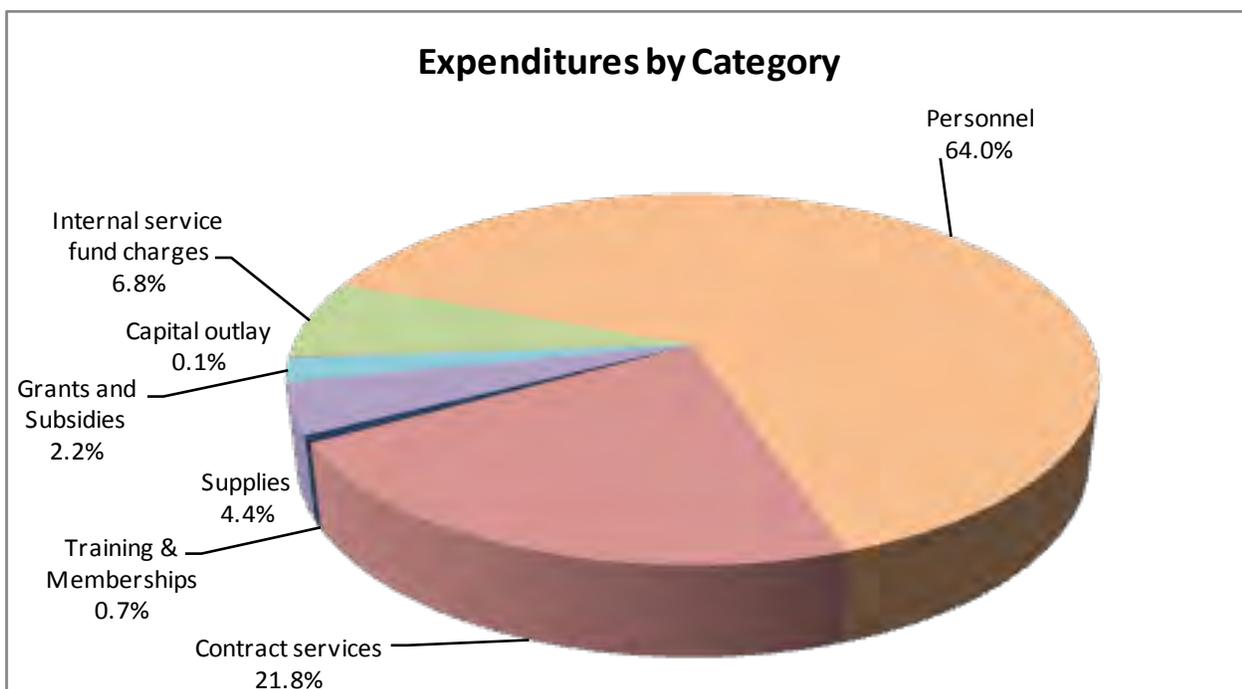
The following chart provides an overview of actual and planned expenditures for the period from FY11/12 to FY 15/16. A complete description of major changes will follow in the related expenditure detail pages.

| Major Categories | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| Expenditures | | | | | | |
| Personnel | \$7,170,943 | \$7,124,283 | \$7,768,290 | \$7,780,587 | \$7,985,744 | \$8,242,040 |
| Contract services | 2,455,822 | 2,751,137 | 2,505,500 | 2,646,189 | 2,725,130 | 2,726,630 |
| Training & Memberships | 46,163 | 65,030 | 72,280 | 78,004 | 83,545 | 81,545 |
| Supplies | 527,278 | 475,968 | 523,600 | 517,932 | 550,000 | 549,800 |
| Grants and Subsidies | 275,000 | 248,633 | 254,270 | 254,270 | 269,763 | 276,507 |
| Capital outlay | - | - | 5,000 | 27,531 | 10,000 | 40,000 |
| Internal service fund charges | 846,875 | 940,373 | 892,925 | 892,925 | 850,647 | 922,613 |
| Sub Total | \$11,322,080 | \$11,605,426 | \$12,021,865 | \$12,197,438 | \$12,474,829 | \$12,839,135 |
| Other financing uses | 828,302 | 2,588,639 | 1,711,912 | 2,233,725 | 2,270,025 | 1,511,065 |
| Expenditure Totals | \$12,150,382 | \$14,194,065 | \$13,733,777 | \$14,431,163 | \$14,744,854 | \$14,350,200 |

The following chart provides an overview of expenditure trends, excluding transfers. The chart illustrates a five year average increase of just over 3%, with an increase of 5.1% in FY 13/14. This increase is in relation to increased contract costs, anticipated water rate increases, filling vacant positions, and a partial year of a cost of living increase.

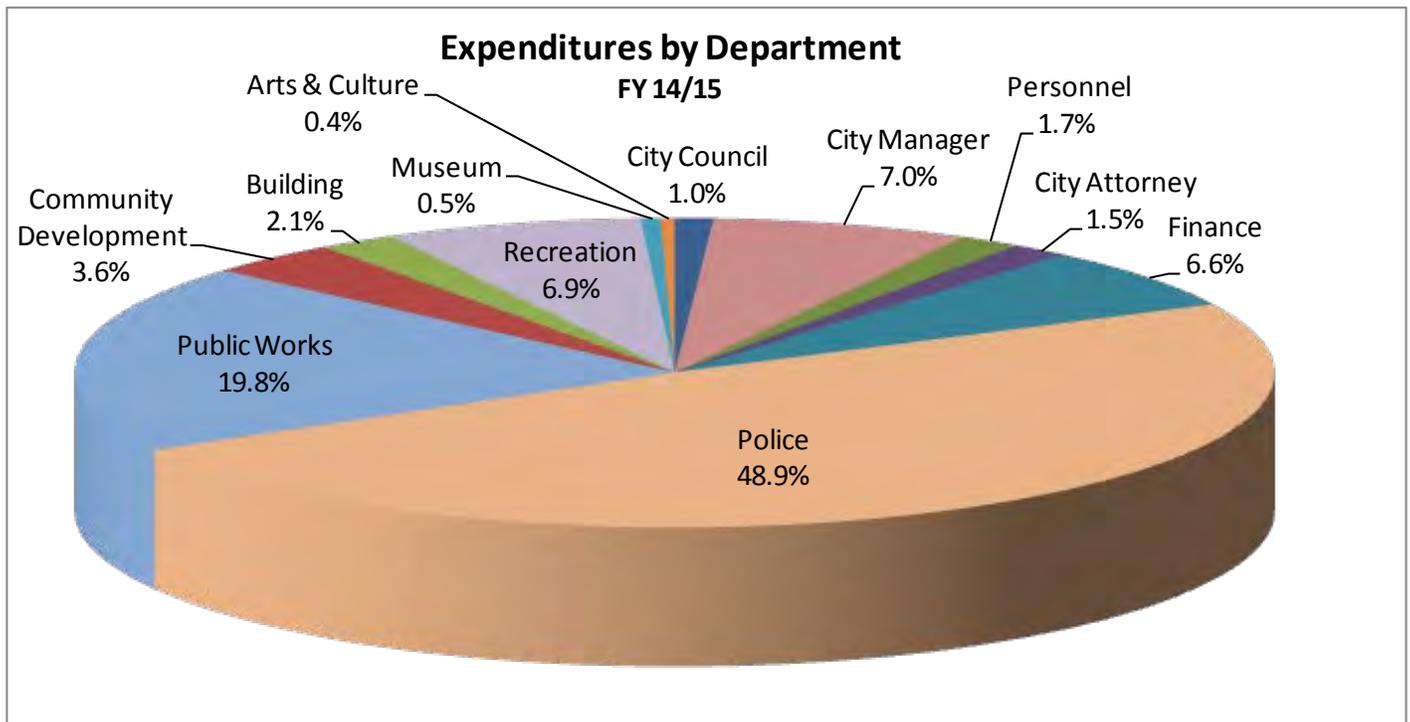


A chart displaying the percentage of expenditures by category is also provided for reference. Although salary costs have increased by \$217,454 over the last fiscal year, the ratio of personnel services to other expenditures has decreased from 64.6% to 64%. This change is primarily due to a similar increase in the costs of contract services.



General Fund Expenditures - By Department

| Department | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| City Council | \$134,845 | \$121,249 | \$118,245 | \$116,589 | \$127,115 | \$128,115 |
| City Manager | 786,523 | 792,131 | 803,222 | 810,435 | 850,228 | 851,327 |
| Personnel | 196,566 | 194,245 | 209,302 | 211,993 | 201,926 | 208,368 |
| City Attorney | 207,685 | 599,255 | 195,000 | 195,000 | 185,000 | 185,000 |
| Finance | 650,353 | 679,598 | 742,877 | 781,749 | 800,366 | 819,291 |
| Community Grants | 275,000 | 248,633 | 254,270 | 254,270 | 269,763 | 276,507 |
| Police - Law Enforcement | 4,958,006 | 5,075,524 | 5,183,854 | 5,333,287 | 5,338,631 | 5,563,960 |
| Police - Parking Enforcement | 424,893 | 429,779 | 520,189 | 465,698 | 534,916 | 551,212 |
| Police - Lifeguard Services | 76,772 | 73,018 | 78,465 | 78,465 | 71,900 | 72,300 |
| Police - Animal Services | 13,694 | 22,326 | 23,390 | 23,390 | 23,500 | 26,600 |
| Public Works - Streets | 1,049,333 | 987,135 | 1,185,101 | 1,207,200 | 1,268,501 | 1,329,337 |
| Public Works - Facilities | 217,832 | 182,477 | 222,070 | 237,750 | 263,100 | 268,200 |
| Public Works - Fleet | 308,272 | 303,771 | 319,982 | 304,458 | 327,732 | 333,198 |
| Public Works - Parks | 438,367 | 471,079 | 518,623 | 529,833 | 558,096 | 567,058 |
| Community Development | 463,544 | 281,425 | 407,008 | 432,647 | 439,845 | 438,596 |
| Building | 204,341 | 221,977 | 253,834 | 255,230 | 255,485 | 259,227 |
| Recreation | 800,656 | 800,555 | 808,922 | 847,273 | 847,398 | 858,009 |
| Museum | 73,486 | 79,704 | 79,831 | 67,369 | 65,175 | 56,478 |
| Art & Cultural | 41,912 | 41,544 | 44,680 | 44,802 | 46,152 | 46,352 |
| Subtotal | \$11,322,080 | \$11,605,426 | \$11,968,865 | \$12,197,438 | \$12,474,829 | \$12,839,135 |
| Non - Departmental | - | 200,415 | 53,000 | 52,313 | - | - |
| Transfers | 828,302 | 2,388,224 | 1,711,912 | 2,233,725 | 2,270,025 | 1,511,065 |
| Expenditure Totals | \$12,150,382 | \$14,194,065 | \$13,733,777 | \$14,483,476 | \$14,744,854 | \$14,350,200 |



SALARIES & BENEFITS

All positions listed in the General Fund are fully funded with full benefit costing. Fully benefited non-safety employees have been budgeted at top step; an average rate was estimated for Police Officers, Sergeants and the Captain are based on the current employees; specialty pays are budgeted as a separate line item. Hourly employees have been budgeted at mid-range. Changes include the following:

FY 13/14: Full funding of the Community Development Director position, deletion of a .33 Development Services Technician, addition of 1.0 Environmental Projects Manager, and the addition of a .25 Records Clerk for half of the year. In response to the Affordable Health Care Act, a temporary Recreation Assistant was also moved into a permanent position. The funds associated with the remaining .67 Development Services Technician were reallocated to the Community Development and Finance Departments for assuming additional responsibilities. This cost-neutral transition resulted in the following position changes: Addition of .50 Assistant Planner, .167 Account Clerk, and a reclassification of .750 Account Clerk to .750 Accounting Technician. The Police Department also increased an Administrative Assistant by .15 FTE to extend counter hours and partially restore the original position.

FY14/15: Addition of a Measure O funded Maintenance Worker

FY 15/16: Reinstatement of .10 voluntary reduction in the City Clerk position. The savings from the City Clerk reduction was used to partially fund the initial purchase of the Sire software package.

The table below summarizes the budget positions & hours, while the following page provides funding changes at the budgeted salary category and department levels.

| General Fund | FY08/09 | FY09/10 | FY10/11 | FY11/12 | FY12/13 | FY13/14 | FY14/15 | FY 15/16 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|-----------------|
| | Actual | Actual | Actual | Actual | Actual | Estimated | Adopted | Planned |
| <u>Elected</u> | | | | | | | | |
| City Council | 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 | 1.00 | 1.00 |
| Elected - Total FTE's | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| <u>Fully Benefited by Dept</u> | | | | | | | | |
| City Attorney | - | - | - | - | - | - | - | - |
| Finance | 5.38 | 4.38 | 4.38 | 3.95 | 4.38 | 4.50 | 4.50 | 4.50 |
| City Manager | 6.75 | 6.75 | 6.75 | 7.00 | 6.90 | 6.90 | 6.90 | 7.00 |
| Museum | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Police | 32.75 | 30.25 | 30.25 | 29.59 | 30.25 | 31.65 | 31.65 | 31.65 |
| CDD | 6.67 | 6.17 | 4.67 | 4.12 | 3.92 | 4.50 | 4.50 | 4.50 |
| Public Works | 14.33 | 12.33 | 12.33 | 11.83 | 12.33 | 13.00 | 14.00 | 14.00 |
| Recreation | 3.00 | 3.00 | 3.00 | 3.00 | 2.75 | 3.00 | 3.00 | 3.00 |
| Dept - Total FTEs | 69.63 | 63.63 | 62.13 | 60.24 | 61.28 | 64.30 | 65.30 | 65.40 |
| Change from prior year | 1.13 | (6.00) | (1.50) | (1.89) | 1.04 | 3.02 | 1.00 | 0.10 |

SALARIES & BENEFITS (continued)

City services are primarily staff delivered, therefore staffing is the most significant expenditure. For the FY14/15 Budgeted staffing costs total \$7,985,744 in the General Fund. This represents a 2.8% or \$217,454 increase from the FY13/14 Adopted Budget. This is primarily due to negotiated cost of living adjustments (COLA) for all bargaining units which are based on the Consumer Pricing Index (CPI). The increase for both fiscal years has been estimated to be 2.5%, with an additional 2.5% increase in flex benefits. The salaries also reflect the addition of a Measure O funded Maintenance Worker I/II in FY 14/15.

In FY 13/14, a one-time salary adjustment accelerated a negotiated July 1, 2014 cost of living adjustment (COLA) to January 2014. This increase was funded by the distribution of excess fund balance to recognize employee groups for participating in prior year cost-saving concessions. Due to salary savings this increase is not readily apparent when comparing the FY 13/14 Adopted to the FY 13/14 Estimated Budget.

| Staffing by Category | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-----------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Salary | \$4,344,192 | \$4,361,723 | \$4,802,687 | \$4,722,470 | \$4,966,431 | \$5,148,089 |
| Salary Temp | 319,164 | 286,045 | 308,200 | 331,980 | 260,100 | 260,700 |
| Overtime | 207,063 | 194,296 | 217,432 | 260,505 | 221,825 | 226,825 |
| Specialty Pays | 217,278 | 197,622 | 198,479 | 224,787 | 207,414 | 220,227 |
| Benefits | 2,083,246 | 2,084,597 | 2,241,492 | 2,240,845 | 2,329,974 | 2,386,199 |
| Total Staffing | \$7,170,943 | \$7,124,283 | \$7,768,290 | \$7,780,587 | \$7,985,744 | \$8,242,040 |

| Staffing by Department | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|---------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| City Council | \$38,884 | \$35,874 | \$37,200 | \$35,350 | \$34,715 | \$34,715 |
| City Manager | 646,900 | 611,489 | 631,907 | 639,190 | 663,408 | 690,207 |
| Personnel | 141,859 | 145,567 | 157,997 | 162,188 | 154,826 | 160,168 |
| Finance | 414,081 | 463,677 | 493,672 | 512,399 | 545,866 | 550,391 |
| Law Enforcement | 3,621,617 | 3,744,840 | 3,896,849 | 4,002,764 | 3,998,771 | 4,132,568 |
| Parking Enforcement | 184,739 | 202,333 | 245,514 | 189,023 | 215,116 | 226,212 |
| Lifeguard Services | 49,954 | - | - | - | - | - |
| Streets | 686,504 | 603,794 | 802,110 | 759,888 | 850,182 | 892,416 |
| Fleet | 81,163 | 102,734 | 112,308 | 116,784 | 128,223 | 131,298 |
| Parks | 284,445 | 293,959 | 318,918 | 296,912 | 314,262 | 320,983 |
| Community Development | 337,010 | 200,242 | 301,253 | 324,867 | 337,645 | 348,296 |
| Building | 158,647 | 193,582 | 202,139 | 204,560 | 212,685 | 217,927 |
| Recreation | 457,713 | 457,953 | 444,182 | 477,983 | 482,093 | 488,004 |
| Museum | 57,015 | 56,534 | 59,041 | 46,479 | 35,400 | 36,303 |
| Art & Cultural | 10,411 | 11,704 | 12,200 | 12,200 | 12,552 | 12,552 |
| Potential Position Reallocation | - | - | 53,000 | - | - | - |
| | \$7,170,943 | \$7,124,283 | \$7,768,290 | \$7,780,587 | \$7,985,744 | \$8,242,040 |

Staffing Budget Assumptions - Salary

There are five bargaining groups in the City. The Management employees are on individual contracts. The hourly employees are not included in any of these groups and are not represented by a union. The following table lists the different groups, the start and end dates of their current agreements.

| <u>Group</u> | <u>Current Agreement</u> | <u>Expiration Date</u> |
|---|---------------------------------|-------------------------------|
| Assoc. of Capitola Employees/Gen. Govt. | 7/1/2012, amended 12/12/2013 | 06/30/2018 |
| Confidential | 7/1/2012, amended 12/12/2013 | 06/30/2018 |
| Mid-Management | 7/1/2012, amended 12/12/2013 | 06/30/2018 |
| Police Captains | 7/1/2013 | 06/30/2018 |
| Police Officers Association (POA) | 7/1/2013 | 06/30/2018 |

Retirement costs are not projected to increase due to the continuing caps on retirement costs.

Staffing Budget Assumptions - Overtime

The following table provides the detail for the overtime budget. The overtime budget for the Police Department increased in FY11/12 and FY 12/13 due to multiple vacancies, a few significant police efforts; and the carry-forward of grant funding. While this trend was anticipated to decrease in FY 13/14, several significant cases and police activities resulted in increased overtime. It is not anticipated that this trend will continue in FY 14/15 and FY 15/16. In the FY 14/15 Adopted and the FY 15/16 Planned Budgets, \$35,100 in overtime expenditures are anticipated to be funded through the SLESF grant program.

| Overtime | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-----------------------|----------------------------|----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
| City Manager | \$793 | \$695 | \$300 | \$600 | \$600 | \$600 |
| Finance | 9,512 | 6,271 | 5,477 | 5,500 | 5,500 | 5,500 |
| Police* | 183,857 | 178,181 | 194,800 | 235,280 | 196,600 | 201,600 |
| Public Works | 10,443 | 6,974 | 12,000 | 12,000 | 12,000 | 12,000 |
| Community Development | 715 | - | - | - | - | - |
| Recreation | 1,743 | 2,174 | 4,855 | 7,125 | 7,125 | 7,125 |
| Total Overtime | \$207,063 | \$194,296 | \$217,432 | \$260,505 | \$221,825 | \$226,825 |

***Funding Sources for Police Overtime**

| | | | | | | |
|--------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund | \$130,622 | \$135,977 | \$156,500 | \$163,500 | \$161,500 | \$166,500 |
| Grant Funded | 53,235 | 42,204 | 38,300 | 71,780 | 35,100 | 35,100 |
| | \$183,857 | \$178,181 | \$194,800 | \$235,280 | \$196,600 | \$201,600 |

Staffing Budget Assumptions – Specialty Pay

The FY14/15 and FY15/16 budget includes the following specialty pays in the calculation of staffing costs; these are also added to the calculation of the overtime rate. Specialty pays include education, longevity, bilingual; as well as a variety of other premium pays that are primarily used by the Police Department.

| Specialty Pays | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-----------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
| City Manager | \$8,834 | \$616 | - | - | - | - |
| Finance | 1,661 | 1,755 | 1,616 | 1,937 | 1,995 | 2,045 |
| Police | 152,539 | 144,217 | 156,775 | 168,600 | 158,214 | 169,630 |
| Public Works | 44,154 | 41,369 | 34,709 | 45,700 | 39,091 | 40,279 |
| Community Development | 6,382 | 4,247 | - | 4,500 | 4,575 | 4,647 |
| Recreation | 1,782 | 3,439 | 3,439 | 3,450 | 3,539 | 3,626 |
| Museum | 1,927 | 1,979 | 1,940 | 600 | - | - |
| Total Specialty Pays | \$217,278 | \$197,622 | \$198,479 | \$224,787 | \$207,414 | \$220,227 |

Staffing Budget Assumptions – Benefits

Benefits –Post Retirement Medical Benefit

The City of Capitola's contribution toward employee and annuitant Health Benefit enrollment is at the minimum amount provided under Government Code Section 22826 of the Public Employees Medical and Hospital Care Act. This is contract expenditure within the City Manager's Personnel Department budget. The minimum monthly contribution for each retired employee is as follows:

- January 1, 2011 \$108
- January 1, 2012 \$112
- January 1, 2013 \$115
- January 1, 2014 \$119
- January 1, 2015 \$122

Benefits – Public Employee Retirement System (PERS)

The City offers defined benefit retirement plans to safety and non-sworn employees, except hourly/seasonal employees. These retirement plans are administered by California Public Employee Retirement Systems ("CalPERS" or "PERS"). The Safety plan is 3% @ 50 and the Miscellaneous plan is 2.5% @ 55. Both plans include a cap on the total amount the City contributes to employee's retirement costs. A CalPERS member becomes eligible for retirement benefits upon reaching the age of 50 with at least 5 years of credited services (total service across all CalPERS employers). The City's retirement costs are defined as a percentage of payroll, which is actuarially determined annually by CalPERS.

City Payment Cap In 2007, Capitola instituted a cap on the amount the City would contribute toward employee retirement costs at 28.291% for Safety and 16.488% for Miscellaneous. During 2012 collective bargaining sessions, employee groups agreed to reduce the City's cap by 5% on new hires for their first five years of employment. These employees are considered to have a Classic Tier II benefit. The FY 14/15 PERS rate for Classic Tier I and Tier II Safety is 40.165% with employees paying 11.874% and 16.874%, respectively. For the Miscellaneous Group, the rate for Classic Tier I and Tier II is 26.780% and employees pay 10.292% and 15.292%, respectively.

Pension Obligation Bonds (POB). In July 2007, the City Council authorized the issuance of pension obligation bonds (POB) for approximately \$5 million to refinance the unfunded liability with CalPERS. Additionally, on that date, Council authorized the use of \$1 million in available City funds to pay down the PERS unfunded liability by June 30, 2007. Additional bond information can be found in the Multi-Year Assets and Obligations section of the budget.

Public Employees Pension Reform Act (PEPRA). On September 12, 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. This law became effective on January 1, 2013 and will require all employees who were not previously members of the PERS reciprocal system to be placed in an alternate retirement plan. The City's PEPRA plan for Safety employees is 2.7% at 50 and 2% at 62 for Miscellaneous Employees. This new plan requires that the City and plan members contribute an equivalent share of retirement costs. The rates for public safety and Miscellaneous employees are 11.5% and 6.25%, respectively.

CONTRACT SERVICES

| Department | Contract Description | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|----------------------------|--|-----------------------|---------------------|---------------------|
| City Council | Gen/Admin Winter Shelter | \$14,600 | \$14,700 | \$14,700 |
| City Council | Gen/Admin Begonia Festival | 5,000 | 5,000 | 5,000 |
| City Council | Gen/Admin United Way | 1,000 | 1,000 | 1,000 |
| City Council | Gen/Admin Chamber of Commerce Funding | 29,000 | 30,000 | 30,000 |
| City Council | Gen/Admin - Community TV | - | 10,000 | 10,000 |
| City Council | Gen/Admin Contracts - General | 2,000 | 2,500 | 2,500 |
| City Council | Legal Notices | 174 | - | - |
| City Council Total | | \$51,774 | \$63,200 | \$63,200 |
| City Manager | Gen/Admin Muni code - Codification Services | \$5,000 | \$5,000 | \$5,000 |
| City Manager | Gen/Admin Records Mgmt-Document Imaging | 1,000 | 5,000 | 3,000 |
| City Manager | Gen/Admin Records Mgmt-Storage | 3,000 | 3,500 | 3,500 |
| City Manager | Gen/Admin Newsletter | 6,000 | 7,000 | 7,000 |
| City Manager | Gen/Admin Council Election | 54 | 15,000 | - |
| City Manager | Gen/Admin Contracts - General | 6,500 | 5,000 | 5,000 |
| City Manager | City Web Site Services | 4,000 | - | - |
| City Manager | Environmental Svcs - Central Coast Recycling Media | 5,000 | 5,000 | - |
| City Manager | Environmental Svcs E-Waste Day | 500 | 500 | 500 |
| City Manager | Environmental Svcs Garage Sale Day | 1,300 | 1,300 | 1,300 |
| City Manager | Environmental Svcs SCC-Hazardouse Waste Disp | 25,000 | 25,000 | 25,000 |
| City Manager | Environmental Svcs Mosquito and Vector Control | 100 | - | - |
| City Manager | Environmental Svcs Recycling Services | 7,200 | 7,200 | 7,200 |
| City Manager | Environmental Svcs Recycling Prog-NB Middle | 4,200 | 4,200 | 4,200 |
| City Manager | Environmental Svcs JPA-Pollution Control | 2,500 | 2,500 | 2,500 |
| City Manager | Temp. Staff & Instr. Temporary Staff | 3,000 | 3,000 | 3,000 |
| City Manager | Other Contract Services Unanticipated Events | 10,000 | 10,000 | 10,000 |
| City Manager Total | | \$84,354 | \$99,200 | \$77,200 |
| Personnel | Gen/Admin Contracts - General | \$4,000 | \$4,000 | \$4,000 |
| Personnel | Legal svcs Labor and Personnel Related | 5,000 | 3,000 | 3,000 |
| Personnel | Personnel Svcs Recruitment Services | 500 | 1,000 | 1,000 |
| Personnel | Personnel Svcs Background Investigations | 4,000 | 4,000 | 4,000 |
| Personnel | Personnel Svcs Medical Examinations | 3,000 | 2,500 | 2,500 |
| Personnel | Personnel Svcs Education Reimbursement | 2,000 | 2,000 | 2,000 |
| Personnel | Other Contract Services Flex-Health-Dental-Vision | 6,500 | 5,000 | 5,000 |
| Personnel | Other Contract Services Advertising | 1,000 | 1,500 | 1,500 |
| Personnel Total | | \$26,000 | \$23,000 | \$23,000 |
| City Attorney | Gen/Admin Contracts - General | \$20,000 | \$10,000 | \$10,000 |
| City Attorney | Legal Svcs Legal Services - General | 135,000 | 135,000 | 135,000 |
| City Attorney | Legal Svcs Special Services | 40,000 | 40,000 | 40,000 |
| City Attorney Total | | \$195,000 | \$185,000 | \$185,000 |
| Finance | Gen/Admin Contracts - General | \$20,600 | \$6,000 | \$6,000 |
| Finance | Legal Svcs Dissolution Legal Fees | 8,000 | 7,000 | 7,000 |
| Finance | Fin Svcs Financial Consultant | 5,000 | 5,000 | 5,000 |
| Finance | Fin Svcs Audit-Annual Financial Audits | 32,000 | 34,000 | 34,000 |
| Finance | Fin Svcs Audit-Sales Tax (1%) | 10,650 | 10,000 | 10,000 |
| Finance | Fin Svcs Audit-Sales Tax (City 1/4%) | 2,000 | 3,000 | 3,000 |
| Finance | Fin Svcs Sales Tax Report (STAR) | 4,750 | 4,850 | 4,950 |
| Finance | Fin Svcs State Mandated Claims Svcs | 2,700 | 2,550 | 2,550 |
| Finance | Fin Svcs Audit-OPEB Valuation GASB 45 | 4,200 | 500 | 4,500 |
| Finance | Fin Svcs Collections Services | 650 | 600 | 600 |
| Finance | Fin Svcs Bank Fees (Excl Cr Card Fees) | 6,000 | 6,000 | 6,000 |
| Finance | Fin Svcs SCC-Property Tax Admin Fee | 12,000 | 12,200 | 12,400 |
| Finance | Fin Svcs State Admin fee - Bradley-Burns | 58,000 | 60,000 | 60,000 |
| Finance | Fin Svcs State Admin fee - Xaction & Use | 50,000 | 50,000 | 55,000 |
| Finance | Fin Svcs State Architect fee - SB1186 | 152 | 300 | 300 |
| Finance Total | | \$216,702 | \$202,000 | \$211,300 |

| Department | Contract Description | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|----------------------------------|---|-----------------------|---------------------|---------------------|
| Law Enforcement | Gen/Admin Contracts - General | \$2,000 | \$2,100 | \$2,100 |
| Law Enforcement | Grant funded Allied Agencies | 39,200 | 39,200 | 39,200 |
| Law Enforcement | Police Svcs Investigation and Hearing Svcs | 500 | 600 | 600 |
| Law Enforcement | Police Svcs Hazardous Material Response - SV | 5,300 | 5,300 | 5,500 |
| Law Enforcement | Police Svcs Towing Service | 1,300 | 1,400 | 1,400 |
| Law Enforcement | Police Svcs SCCECC JPA-SCRMS | 19,000 | 25,600 | 25,600 |
| Law Enforcement | Police Svcs SCCECC-911 JPA | 400,000 | 443,300 | 443,300 |
| Law Enforcement | Police Svcs Red Light Enforcement | 85,500 | 85,000 | 85,000 |
| Law Enforcement | Police Svcs SCC-Booking Fees | 9,300 | 10,000 | 10,000 |
| Law Enforcement | Police Svcs SCC-Blood Alcohol Trust Fund | 4,500 | 4,700 | 4,900 |
| Law Enforcement | Police Svcs SCC-Anti-Crime Team | 18,000 | 18,000 | 18,000 |
| Law Enforcement | Police Svcs SCC-Sexual Assault Response Prog | 5,800 | 6,000 | 6,500 |
| Law Enforcement | Police Svcs SCC-Info Svcs for SCAN Chgs | 6,400 | 7,000 | 7,300 |
| Law Enforcement | Fin Svcs Collections-Booking Fees | 1,500 | 2,000 | 2,000 |
| Law Enforcement | Fin Svcs Collections-False Alarms | 300 | - | - |
| Law Enforcement | Fin Svcs Collections-DUI Cost Recovery | 1,000 | 1,500 | 1,500 |
| Law Enforcement | Personnel Svcs Background Investigations | 500 | 500 | 500 |
| Law Enforcement | Prop & Equip Comm - Local & Long Distance | 4,500 | 4,500 | 4,600 |
| Law Enforcement | Prop & Equip Comm - T-1 Line | 10,000 | 10,000 | 10,000 |
| Law Enforcement | Prop & Equip Comm - Mobile Phone | 27,800 | 28,000 | 29,000 |
| Law Enforcement | Prop & Equip Property Alarm Service | 2,000 | 2,000 | 2,300 |
| Law Enforcement | Prop & Equip Property Repair and Maintenance | 5,000 | 5,000 | 5,000 |
| Law Enforcement | Prop & Equip Equipment Repair and Maintenance | 10,000 | 12,000 | 14,000 |
| Law Enforcement | Rental contracts Equipment and vehicles | 3,500 | 3,600 | 3,700 |
| Law Enforcement | Other Contract Services Uniform cleaning Services | 8,500 | 7,300 | 7,500 |
| Law Enforcement Total | | \$671,400 | \$724,600 | \$729,500 |
| Parking Enforcement | Police Svcs State of CA-DMV processing fee | \$7,800 | \$7,800 | \$7,800 |
| Parking Enforcement | Police Svcs State of CA-Equip Assess | 1,000 | 200 | 200 |
| Parking Enforcement | Police Svcs State of CA-Reg assess | 32,500 | 67,200 | 67,200 |
| Parking Enforcement | Police Svcs State of CA-Immed & Critical nd | 25,000 | 25,000 | 25,000 |
| Parking Enforcement | Police Svcs State of CA-St Court Facilities | 13,000 | 13,000 | 13,000 |
| Parking Enforcement | Police Svcs State of CA-Trial Court Trust Fd | 22,900 | 22,900 | 22,900 |
| Parking Enforcement | Police Svcs SCC-Citation processing | 38,000 | 35,000 | 35,000 |
| Parking Enforcement | Police Svcs SCC-Criminal Justice Fac surchg | 13,000 | 12,000 | 12,000 |
| Parking Enforcement | Police Svcs SCC-Courthouse surcharge | 13,000 | 12,000 | 12,000 |
| Parking Enforcement | Fin Svcs Courier-Cash & Coin | 11,000 | 11,000 | 11,500 |
| Parking Enforcement | Fin Svcs Credit card merchant fees | 37,000 | 37,000 | 37,000 |
| Parking Enforcement | Prop & Equip Property Repair and Maintenance | 20,000 | - | - |
| Parking Enforcement | Prop & Equip Equipment Repair and Maintenance | 1,000 | 1,500 | 1,500 |
| Parking Enforcement | Prop & Equip Wheelchair purchase and repairs | 9,000 | 10,000 | 10,000 |
| Parking Enforcement | Prop & Equip Pkg Meter Repairs | 1,000 | 1,000 | 1,000 |
| Parking Enforcement | Prop & Equip Pay Station Repair & Maintenance | - | 32,100 | 32,100 |
| Parking Enforcement Total | | \$245,200 | \$287,700 | \$288,200 |
| Lifeguard Services | Police Svcs Lifeguard Services | \$74,400 | \$68,500 | \$68,500 |
| Lifeguard Services | Police Svcs Special Events-Lifeguard Svcs | 1,000 | - | - |
| Lifeguard Services Total | | \$75,400 | \$68,500 | \$68,500 |
| Animal Services | Police Svcs Animal Services | \$22,000 | \$22,000 | \$25,000 |
| Animal Services Total | | \$22,000 | \$22,000 | \$25,000 |

| Department | Contract Description | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------|---|-----------------------|---------------------|---------------------|
| Streets | Grant funded Pass Through | \$46,000 | \$ - | \$ - |
| Streets | PW & Trans. Transportation-Beach shuttle svc | 28,000 | 30,000 | 30,000 |
| Streets | PW & Trans. Lagoon grading | 12,000 | 14,000 | 16,000 |
| Streets | PW & Trans. Soquel Crk Monitoring-Fish | 35,000 | 35,000 | 35,000 |
| Streets | PW & Trans. Soquel Crk Monitoring-Water Qual | 25,000 | 27,500 | 30,000 |
| Streets | PW & Trans. Inspections | 30,000 | 30,000 | 30,000 |
| Streets | PW & Trans. Electrical Services | 6,000 | 7,000 | 8,000 |
| Streets | PW & Trans. PW Engineering Services | 28,821 | 30,000 | 32,000 |
| Streets | PW & Trans. CA NPDES-Stormwater Mgmt Prog | 40,000 | 45,000 | 50,000 |
| Streets | Temp. Staff & Instr. Temporary staff | 30,000 | 32,500 | 35,000 |
| Streets | Temp. Staff & Instr. Hope Services | 13,000 | 13,000 | 13,000 |
| Streets | Path Maintenance | - | 7,000 | - |
| Streets | Prop & Equip Comm - Mobile Phone | 6,500 | 6,500 | 6,500 |
| Streets | Prop & Equip Eucalyptus Maintenance -Park Ave | 4,000 | 4,000 | 4,000 |
| Streets | Prop & Equip Riparian Restoration | 10,000 | 10,000 | 10,000 |
| Streets | Rental contracts Union Pacific RR Yearly | 500 | 500 | 500 |
| Streets | Other Contract Svcs Unanticipated Events Budget | 10,000 | 10,000 | 10,000 |
| Streets Total | | \$324,821 | \$302,000 | \$310,000 |
| Facilities | PW & Trans. Inspections | \$100 | \$100 | \$100 |
| Facilities | PW & Trans. Electrical Services | 200 | 200 | 200 |
| Facilities | PW & Trans. ADA Compliance | 10,000 | 25,000 | 20,000 |
| Facilities | Prop & Equip Comm - Local & Long Distance | 1,100 | 1,150 | 1,150 |
| Facilities | Prop & Equip Comm - T-1 Line | 2,100 | 4,000 | 4,000 |
| Facilities | Prop & Equip Utility Serv - Gas and Electric | 47,365 | 46,300 | 49,000 |
| Facilities | Prop & Equip Utility Serv - Sanitation Distr | 8,050 | 8,150 | 8,550 |
| Facilities | Prop & Equip Utility Serv - Water | 11,200 | 12,500 | 13,700 |
| Facilities | Prop & Equip Janitorial Services | 34,000 | 34,000 | 34,000 |
| Facilities | Prop & Equip Property Alarm Service | 1,000 | 1,100 | 1,200 |
| Facilities | Prop & Equip Property Repair and Maintenance | 56,400 | 59,500 | 61,500 |
| Facilities | Prop & Equip Equipment Repair and Maintenance | 16,350 | 16,500 | 17,500 |
| Facilities | Rental contracts Equipment and Vehicles | 820 | 1,000 | 1,000 |
| Facilities Total | | \$188,685 | \$209,500 | \$211,900 |
| Fleet | Prop & Equip Equipment Repair and Maintenance | \$5,000 | \$5,000 | \$5,000 |
| Fleet Total | | \$5,000 | \$5,000 | \$5,000 |
| Parks | PW & Trans. Tree Services | \$15,000 | \$15,000 | \$15,000 |
| Parks | Prop & Equip Comm - Mobile Phone | 2,500 | 2,500 | 2,500 |
| Parks | Prop & Equip Utility Serv - Gas and Electric | 5,646 | 5,575 | 5,575 |
| Parks | Prop & Equip Utility Serv - Sanitation Distr | 10,500 | 11,250 | 11,500 |
| Parks | Prop & Equip Utility Serv - Water | 87,200 | 93,300 | 102,950 |
| Parks | Prop & Equip Janitorial Services | 12,500 | 15,000 | 16,000 |
| Parks | Prop & Equip Property Repair and Maintenance | 10,585 | 12,000 | 12,000 |
| Parks | Prop & Equip Equipment Repair and Maintenance | 14,500 | 13,000 | 13,000 |
| Parks | Rental contracts Equipment and Vehicles | 200 | 500 | 500 |
| Parks Total | | \$158,631 | \$168,125 | \$179,025 |

| Department | Contract Description | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|----------------------------------|---|-----------------------|---------------------|---------------------|
| Planning | Gen/Admin Contracts - General | \$11,800 | \$12,000 | \$12,000 |
| Planning | Info Tech Contracts Geographic Information Systems | 5,900 | 4,100 | 4,100 |
| Planning | Legal Svcs Legal Services - General | 3,000 | 3,000 | 3,000 |
| Planning | Legal Svcs Dissolution Legal Fees | 2,000 | - | - |
| Planning | Plng & Hsg Hsg Grant Admin & CDD Technical | 26,000 | 23,000 | 23,000 |
| Planning | Plan Svc Library Planning | 15,000 | 15,000 | - |
| Planning | Other Contract Services Legal Notices | 3,000 | 3,000 | 3,000 |
| Planning Total | | \$66,700 | \$60,100 | \$45,100 |
| Building | Info Tech Contracts Building Permit Tracking | \$1,500 | \$1,500 | \$1,500 |
| Building | Bldg Svcs Engineering & Inspections | 2,000 | 2,000 | 2,000 |
| Building | Bldg Svcs Bldg Plan Checks - Outsourced | 25,000 | 15,000 | 15,000 |
| Building Total | | \$28,500 | \$18,500 | \$18,500 |
| Recreation | Gen/Admin Contracts - General | \$7,245 | \$7,250 | \$6,750 |
| Recreation | Fin Svcs Credit Card Merchant Fees | 18,000 | 18,000 | 18,000 |
| Recreation | Personnel Svcs Background Investigations | 1,330 | 1,330 | 1,330 |
| Recreation | PW & Trans. Transportation-Rec Program | 9,000 | 9,750 | 9,750 |
| Recreation | Temp. Staff & Instr. Rec Contract Inst and Sports Off | 159,000 | 159,000 | 159,000 |
| Recreation | Temp. Staff & Instr. Recreation Youth Volunteers | 8,000 | 8,000 | 8,000 |
| Recreation | Prop & Equip Comm - Local & Long Distance | 2,500 | 2,500 | 2,500 |
| Recreation | Prop & Equip Comm - T-1 Line | 2,300 | 2,300 | 2,300 |
| Recreation | Prop & Equip Property Repair and Maintenance | 1,000 | 1,000 | 1,000 |
| Recreation | Rental Contracts Equipment and Vehicles | 600 | 500 | 500 |
| Recreation | Rental Contracts Office Equipment | 700 | 700 | 700 |
| Recreation | Other Contract Services Events liability insurance | 1,000 | 1,000 | 1,000 |
| Recreation | Other Contract Services Advertising | 725 | 725 | 725 |
| Recreation | Other Contract Services Mailing Service | 10,000 | 10,000 | 10,000 |
| Recreation | Other Contract Services Copying, printing and | 30,000 | 30,000 | 30,000 |
| Recreation | Other Contract Services Photography | 5,000 | 5,000 | 5,000 |
| Recreation Total | | \$256,400 | \$257,055 | \$256,555 |
| Museum | Prop & Equip Comm - Local & Long Distance | \$100 | \$150 | \$150 |
| Museum | Rental Contracts Land and Buildings | 4,600 | 4,600 | 4,600 |
| Museum Total | | \$4,700 | \$4,750 | \$4,750 |
| Arts & Cultural | Other, Events & Tourism Art at the Beach | \$3,200 | \$3,200 | \$3,200 |
| Arts & Cultural | Other, Events & Tourism Twilight Concert-Sound | 6,000 | 6,000 | 6,000 |
| Arts & Cultural | Other, Events & Tourism Twilight Concert-Band | 13,200 | 13,200 | 13,200 |
| Arts & Cultural | Other, Events & Tourism Art in Public Places | 22 | - | - |
| Arts & Cultural | Other, Events & Tourism Jazz in the Park | 2,500 | 2,500 | 2,500 |
| Arts & Cultural Total | | \$24,922 | \$24,900 | \$24,900 |
| Grand Total | | \$2,646,189 | \$2,725,130 | \$2,726,630 |

COMMUNITY BASED HEALTH AND HUMAN SERVICES PROVIDERS

Community Based Health and Human Service Providers is a program that is entirely funded by the General Fund. Due to reduced General Fund revenues in FY12/13, an in-depth review of all grants was conducted, with a renewed emphasis on health and human services. This new focus continued through the Adopted and Planned budgets. In FY 14/15, the City Council also established a two-year grant cycle with the goal of streamlining processes and providing financial certainty for the grantees.

The FY 14/15 budget includes a 2.2% CPI increase, while the FY 15/16 amounts contains an estimated 2.5% increase. In FY 15/16, the projected increase will be adjusted based on the actual CPI percentage.

| AGENCY | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Estimated | FY 14/15 Adopted | FY 14/15 Planned |
|--|--------------------|--------------------|-----------------------|---------------------|---------------------|
| ARTS: | | | | | |
| Cultural Council of Santa Cruz County | \$ 4,147 | \$ 930 | \$ 930 | \$ 950 | \$ 974 |
| TOTAL - ARTS | \$ 4,147 | \$ 930 | \$ 930 | \$ 950 | \$ 974 |
| ENVIRONMENTAL: | | | | | |
| Save Our Shores | \$ 1,379 | \$ 1,309 | \$ 2,000 | \$ 2,044 | \$ 2,095 |
| O'Neill Sea Odyssey | 5,816 | 2,746 | 2,746 | 2,806 | 2,877 |
| TOTAL - ENVIRONMENTAL | \$ 7,195 | \$ 4,055 | \$ 4,746 | \$ 4,850 | \$ 4,972 |
| COMMUNITY CONTRIBUTIONS | | | | | |
| Community Action Board, Inc. | \$ 1,356 | \$ 1,286 | \$ 1,286 | \$ 1,314 | \$ 1,347 |
| Conflict Resolution Program | 2,758 | 2,686 | 3,000 | 3,066 | 3,143 |
| Native Animal Rescue | 1,188 | 1,118 | 1,118 | 1,143 | 1,171 |
| Volunteer Center of Santa Cruz County | 1,356 | 1,286 | 3,000 | 3,066 | 3,143 |
| TOTAL - COMMUNITY CONTRIBUTIONS | \$ 6,658 | \$ 6,376 | \$ 8,404 | \$ 8,589 | \$ 8,804 |
| HUMAN SERVICES: | | | | | |
| Advocacy, Inc. | \$ 4,235 | \$ 7,165 | \$ 7,165 | \$ 7,323 | \$ 7,506 |
| Big Brothers/Big sisters | 2,762 | 2,692 | 2,692 | 2,751 | 2,820 |
| Cabrillo College Stroke and Disability Center | 6,758 | 6,688 | 6,688 | 6,835 | 7,006 |
| California Grey Bears, Inc. | 13,941 | 13,871 | 13,871 | 14,176 | 14,531 |
| California Rural Legal Assistance | 3,626 | - | - | - | - |
| Campus Kids Connection - After School | 16,565 | 16,495 | 16,495 | 16,858 | 17,279 |
| Central Coast Center for Independent Living | 14,697 | 4,627 | 4,627 | 9,627 | 9,868 |
| Child Development Resource Center | 1,356 | - | - | - | - |
| Community Bridges ⁽¹⁾ | 110,528 | - | - | - | - |
| Meals on Wheels for Santa Cruz County | - | 55,361 | 55,361 | 56,579 | 57,993 |
| Lift Line | - | 44,730 | 44,730 | 45,714 | 46,857 |
| Live Oak Family Resource Center | - | 4,794 | 4,794 | 4,899 | 5,022 |
| Child Development Division | - | 863 | 863 | 882 | 904 |
| Companion for Life / Lifeline | - | - | - | 5,000 | 5,125 |
| Court-Appointed Special Advocates | 2,227 | 2,157 | 2,957 | 3,022 | 3,098 |
| Dientes Community Dental Care | 1,378 | 1,308 | 1,308 | 1,337 | 1,370 |
| Diversity Center | - | - | 1,000 | 1,022 | 1,048 |
| Families in Transition of Santa Cruz County | 2,422 | 2,352 | 2,352 | 2,404 | 2,464 |
| Family Service Agency of Santa Cruz ⁽¹⁾ | 8,599 | - | - | - | - |
| Counseling - North County | - | 4,575 | 4,575 | 4,676 | 4,793 |
| I - You Venture | - | 1,305 | 1,305 | 1,334 | 1,367 |
| Senior Outreach | - | 1,305 | 1,305 | 1,334 | 1,367 |
| Suicide Prevention | - | 1,134 | 1,134 | 1,159 | 1,188 |
| Survivors Healing Center | 528 | 458 | 458 | 468 | 480 |
| WomenCARE | 2,265 | 2,195 | 2,195 | 2,243 | 2,299 |
| Homeless Services Center - Paul Lee Loft Shelter | 2,508 | 2,502 | 2,500 | 2,555 | 2,619 |
| Hospice of Santa Cruz County | 1,380 | 1,310 | 1,500 | 1,533 | 1,571 |

| AGENCY | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|--|----------------------------|----------------------------|-------------------------------|-----------------------------|-----------------------------|
| HUMAN SERVICES (CONT.) | | | | | |
| Parents Center, Inc. | \$ 7,088 | \$ 7,018 | \$ 7,018 | \$ 7,172 | \$ 7,352 |
| Santa Cruz Community Counseling Center ⁽¹⁾ | | | | | |
| Santa Cruz AIDS Project | 9,150 | 7,080 | 7,080 | 7,236 | 7,417 |
| Youth Services Counseling | 6,886 | 6,816 | 6,816 | 6,966 | 7,140 |
| Santa Cruz County Red Cross | - | - | - | - | - |
| Santa Cruz Toddler Care Center | 1,234 | 1,164 | 1,164 | 1,190 | 1,219 |
| Second Harvest Food Bank - Santa Cruz/San Benito | 9,825 | 9,755 | 9,755 | 9,970 | 10,219 |
| Senior Citizens Legal Services | 9,743 | 9,673 | 9,673 | 9,886 | 10,133 |
| Senior Network Services | 2,461 | 2,391 | 2,391 | 2,444 | 2,505 |
| Seniors Council of Santa Cruz/San Benito - Project Scout | 3,277 | 3,207 | 3,207 | 3,278 | 3,359 |
| United Way ⁽¹⁾ | | | | | |
| Santa Cruz County Child Abuse Prevention Council | 6,107 | 6,037 | 6,037 | 6,170 | 6,324 |
| Community Assessment Report | - | 930 | 930 | 950 | 974 |
| 2-1-1 Help Line | - | - | 930 | 950 | 974 |
| Vista Center for the Blind (formerly Doran) | 1,841 | 1,771 | 1,771 | 1,810 | 1,855 |
| Women's Crisis Support | 3,613 | 3,543 | 3,543 | 3,621 | 3,711 |
| TOTAL - HUMAN SERVICES | \$ 257,000 | \$ 237,271 | 240,190 | 255,374 | 261,757 |
| TOTAL COMMUNITY GRANTS | \$ 275,000 | \$ 248,633 | \$ 254,270 | \$ 269,763 | \$ 276,507 |

MATERIALS, SUPPLIES, TRAINING, AND MEMBERSHIPS

The following table provides a history of the material and supply budgets by department. The FY11/12 and prior includes both Materials & Supplies and Training. Beginning with FY12/13, Training is a separately budgeted category. Refer to the General Fund Department section for additional information.

| Materials and Supplies | FY 11/12 | FY 12/13 | FY 13/14 | FY 13/14 | FY 14/15 | FY 15/16 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Adopted | Estimated | Adopted | Planned |
| City Council | \$1,793 | \$1,970 | \$3,700 | \$3,700 | \$3,700 | \$3,700 |
| City Manager | 17,109 | 16,454 | 24,700 | 24,390 | 23,700 | 23,700 |
| Finance | 967 | 1,986 | 2,000 | 2,000 | 2,300 | 2,300 |
| Police Department | 129,645 | 83,786 | 90,900 | 94,952 | 96,700 | 104,700 |
| Public Works | 286,024 | 292,518 | 314,800 | 304,340 | 324,950 | 327,750 |
| Community Development | 17,830 | 3,138 | 4,700 | 5,700 | 6,700 | 5,700 |
| Recreation | 59,794 | 55,907 | 65,200 | 65,150 | 64,250 | 64,250 |
| Museum | 8,180 | 14,274 | 12,000 | 12,000 | 21,500 | 11,500 |
| Arts & Culture | 5,936 | 5,936 | 5,600 | 5,700 | 6,200 | 6,200 |
| Total Materials and Supplies | \$527,278 | \$475,968 | \$523,600 | \$517,932 | \$550,000 | \$549,800 |

| Training & Memberships | FY 11/12 | FY 12/13 | FY 13/14 | FY 13/14 | FY 14/15 | FY 15/16 |
|-----------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|
| | Actual | Actual | Adopted | Estimated | Adopted | Planned |
| City Council | \$15,404 | \$15,280 | \$17,800 | \$17,820 | \$17,800 | \$17,900 |
| City Manager | 6,297 | 9,780 | 8,555 | 8,841 | 10,220 | 10,320 |
| Finance | 3,298 | 4,665 | 6,000 | 5,993 | 5,500 | 5,500 |
| Police | 12,609 | 27,811 | 23,600 | 31,135 | 34,800 | 34,800 |
| Public Works | 780 | 850 | 1,600 | 1,990 | 2,300 | 2,300 |
| Community Development | 5,830 | 4,708 | 12,600 | 9,800 | 10,500 | 8,300 |
| Recreation | 1,560 | 1,590 | 2,000 | 2,300 | 2,300 | 2,300 |
| Museum | 385 | 345 | 125 | 125 | 125 | 125 |
| Total Training/Memberships | \$46,163 | \$65,030 | \$72,280 | \$78,004 | \$83,545 | \$81,545 |

INTERNAL SERVICES

Internal Service Funds are used to finance special activities and services performed by one City department for another on a cost and reimbursement basis. Shared costs are identified, designated reserves are targeted, and costs are allocated to all departments benefiting from these activities and services. The methodology for cost allocation for each Internal Service Fund (Workers Compensation; Self Insurance Liability; Stores; Information Technology; PERS; and Equipment Replacement) is described in the Internal Service Fund section. In FY12/13, the PERS Internal Service Fund was discontinued to simplify accounting. Payments for the employer's share of PERS payroll costs and pension obligation bond payments will now be paid directly from the General Fund. Previously, the employer's share of PERS payroll costs were excluded from the following tables, and instead reported as PERS benefits in the Staffing Cost section.

In FY 13/14 and FY 14/15, the costs of the liability fund increased due to a change in the method used to calculate insurance rates. This change also resulted in a reduction in the cost of Workers Compensation insurance. Additional liability fund increases are anticipated in FY 14/15 and FY 15/16 to assist with offsetting excess insurance costs absorbed by the pipe failure. It is anticipated this amount will be included in premiums over a five-year period.

| Internal Transfers | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|--------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Stores Fund | \$30,700 | \$34,450 | \$40,000 | \$40,000 | \$39,100 | \$40,200 |
| Information Technology Fund | 117,000 | 141,400 | 137,000 | 137,000 | 130,000 | 125,500 |
| Equipment Replacement Fund | 103,000 | 89,973 | 105,529 | 105,529 | 68,147 | 65,313 |
| Self Insurance Liability Fund | 128,400 | 146,450 | 194,996 | 194,996 | 249,300 | 309,300 |
| Workers Compensation Fund | 467,775 | 528,100 | 415,400 | 415,400 | 364,100 | 382,300 |
| Total Internal Services | \$846,875 | \$940,373 | \$892,925 | \$892,925 | \$850,647 | \$922,613 |

GENERAL FUND TRANSFERS

General Fund Transfers are funds that are moved directly from the General Fund to a specific fund for specified expenditures not expressly attributed to a department. Each of the funds listed in the table below are detailed in the section titled "Other Funds" for the Contingency Reserve, Emergency Reserve and the Compensated Absences Fund. The CIP is detailed in a separate section and the Pension Obligation Bond is detailed in the Multi-Year Assets and Obligations section.

In FY11/12, the flood disaster depleted the Emergency Reserve Fund. To assist in restoring emergency reserves, \$200,000 that was typically allocated to the CIP and \$137,500 that was used to fund Community Based Health and Human Service Providers (CBHHSP) were redirected to the Emergency Reserve Fund. To assist in replenishing reserves, Capitola voters approved a ¼ % sales tax measure (Measure O) in FY 12/13. Approximately \$245,600 or a percentage of the first quarter of Measure O revenues; along with \$1 million in insurance proceeds and residual general fund balances were transferred to reserves in FY 12/13. In the Estimated, Adopted, and Planned budgets, over \$900,000 in Measure O funding was applied to CIP and reserve funds. In addition to mid-year appropriations of fund balance to the CIP and reserves, Council approved transferring \$400,000 of the projected FY 13/14 fund balance to the CIP and reserves funds in FY 14/15, while also allocating \$75,000 to establish a Facilities Reserve Fund.

Below is a summary of the transfers from the General Fund to other funds/reserves:

| General Fund Transfers | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|----------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Contingency Reserves | - | \$551,000 | \$308,700 | \$398,700 | \$182,600 | \$57,000 |
| Emergency Reserves | 337,500 | 280,500 | 154,400 | 214,400 | 465,100 | 216,000 |
| Facilities Fund | - | - | - | - | 167,000 | - |
| CIP Capital Projects | 50,000 | 614,600 | 490,900 | 640,900 | 864,900 | 655,000 |
| Information Technology | - | - | 114,000 | 114,000 | - | - |
| Equipment Acquisition | - | - | 41,230 | 198,730 | - | - |
| Compensated Absences | 110,000 | 153,000 | 130,000 | 130,000 | 110,000 | 100,000 |
| Parking Reserve | 90,802 | 162,800 | 100,000 | 100,000 | 100,000 | 100,000 |
| Pension Obligation Bond | 240,000 | 60,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| OPEB Trust Fund | - | - | 30,000 | 42,000 | 39,500 | 38,600 |
| Pacific Cove Lease | - | 566,324 | 14,682 | 14,682 | 15,065 | 15,065 |
| Pacific Cove Park | - | - | 88,000 | 88,000 | 85,860 | 89,400 |
| Redevelopment Property Tax | - | 200,415 | - | 52,313 | - | - |
| Total Transfers | \$828,302 | \$2,588,639 | \$1,711,912 | \$2,233,725 | \$2,270,025 | \$1,511,065 |

DEPARTMENT OVERVIEW



CITY COUNCIL DEPARTMENT

DEPARTMENT PURPOSE

The City Council is composed of four Council Members and the Mayor, all of who are directly elected by the people. The Council elects the Mayor and Vice-Mayor annually and the Council Members serve four-year staggered terms. Although not granted special decision-making powers, the Mayor does represent the City in all ceremonial and official affairs. In 2002, the voters approved a 2 consecutive terms limit for council members. The City's Municipal elections are held the first Tuesday of November in each even-numbered year.

The Council meets regularly twice monthly on the second and fourth Thursdays. The purpose of the City Council is to establish local laws, to set policy, to reject or to approve programs, to allocate funds and provide direction, through the City Manager, to City staff to implement its policy. The Council can also appoint members to various local and regional committees, commissions and other boards.

As Capitola is a General Law City, its Council must act within the framework of limitations and procedures established by State Law. Local laws are established by ordinance and are compiled in a book called the Municipal Code. These laws are enforceable by the City, and violations thereof constitute an infraction. Other directives and policies of the City Council are recorded in Council resolutions and Council minutes.

KEY CHANGES

Contract services will increase due to the funding of a contract with Community Television to broadcast City Council and Planning Commission meetings. Previously funding was in the Public, Education, and Government Cable TV Access Fund (PEG) but State and Federal law now prevents this contract from being paid for by PEG funds.

FISCAL YEAR ACCOMPLISHMENTS - 2013/14

- Completed the Beach Village Parking Lot 1 and 2
- Completed the planning process for the McGregor Drive Lot
- Installed Pay Stations
- Installed new Village sidewalks
- Negotiated Employee Contract Extensions
- Completed Pacific Cove Financing Loan
- Created Library Ad-Hoc Committee
- Reinstated the Capitola Local Government Academy

FISCAL YEAR GOALS - 2014/15 and 2015/16

| |
|--|
| Goal Develop projects and programs to maintain and enhance the quality of life in Capitola |
| Fiscal Policy Principles |
| Public Services Principles |
| Public Improvement Principles |

CITY COUNCIL DEPARTMENT

BUDGET SUMMARY

| City Council | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenues | | | | | | |
| General Fund | \$ 134,845 | \$ 121,249 | \$ 118,245 | \$ 116,589 | \$ 127,115 | \$ 128,115 |
| Revenue Total | \$ 134,845 | \$ 121,249 | \$ 118,245 | \$ 116,589 | \$ 127,115 | \$ 128,115 |
| Expenditures | | | | | | |
| Personnel | \$ 38,884 | \$ 35,874 | \$ 37,200 | \$ 35,350 | \$ 34,715 | \$ 34,715 |
| Contract services | 73,464 | 61,425 | 51,600 | 51,774 | 63,200 | 63,200 |
| Training & Memberships | 15,404 | 15,280 | 17,800 | 17,820 | 17,800 | 17,900 |
| Supplies | 1,793 | 1,970 | 3,700 | 3,700 | 3,700 | 3,700 |
| Internal service fund charges | 5,300 | 6,700 | 7,945 | 7,945 | 7,700 | 8,600 |
| Expenditure Totals | \$ 134,845 | \$ 121,249 | \$ 118,245 | \$ 116,589 | \$ 127,115 | \$ 128,115 |
| Authorized Positions | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Mayor | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Vice Mayor | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Council Members | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| TOTAL FTE's | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |

CITY MANAGER DEPARTMENT – OVERVIEW

MISSION STATEMENT

The City Manager's Department is responsible for the overall administration of the City. Working closely with the City Council this department's priority is to assist them with policy legislation and direct policy implementation. In pursuing these endeavors emphasis is placed on excellence in customer services, thorough community outreach, recruiting and retaining skilled and knowledgeable employees, creating and maintaining a working environment that fosters creativity and innovation, and prioritizing scarce resources.

DEPARTMENT PURPOSE

Under the Council-Manager form of government used by Capitola, the City Council appoints a City Manager to serve as the City's chief administrative officer and be responsible for ensuring the policies of the City Council are implemented. The City Manager provides administrative direction and leadership to all City departments. The City Manager's Office is responsible for a wide variety of activities including general administration, personnel and labor relations. The department is composed of Personnel, City Clerk Administration, and Information Systems.

KEY CHANGES

The City Managers Department expenditures reflects a modest increase in the budget primarily due to City Council elections in November 2014 and the implementation of a LaserFiche project. This department maintains existing programs such as; solid waste & recycling programs, management of all franchise agreements, oversight of the City Attorney, Museum and Art & Cultural Commission, City Clerk Administration and Information Systems. In addition, human resources programs including; liability & risk management, employee training, safety programs, and benefit administration are administered by this department.

FISCAL YEAR GOALS - 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none"> • Maintain a balanced budget • Develop a Facility Maintenance fund • Reexamine in-lieu parking program • Work with the Capitola Mall to facilitate improvements • Review and revise the City fee schedule | Fiscal Policy |
| <ul style="list-style-type: none"> • Maintain a transparent, efficient, and accessible government by developing a social media presence. • Establish a two year grant cycle for Community based Health and Human Service Providers. • Consider viability of a Village internet project | Public Service |
| <ul style="list-style-type: none"> • Complete McGregor Park project • Ensure programs are in place to respond to public and private development projects. • Continue to increase recycling diversion rates and support recycling education. • Continue to pursue opening the Rispin property to the public. | Public Improvement |

CITY MANAGER DEPARTMENT - SUMMARY

BUDGET SUMMARY

| City Manager - Summary | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 973,163 | \$ 981,780 | \$ 1,003,524 | \$ 1,013,428 | \$ 1,043,154 | \$ 1,055,695 |
| Licenses and permits | 4,782 | 4,596 | 4,000 | 4,000 | 4,000 | 4,000 |
| Other revenues | 5,144 | - | 5,000 | 5,000 | 5,000 | - |
| Revenue Totals | \$ 983,089 | \$ 986,376 | \$ 1,012,524 | \$ 1,022,428 | \$ 1,052,154 | \$ 1,059,695 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Expenditures | | | | | | |
| Personnel | \$ 788,759 | \$ 757,056 | \$ 789,904 | \$ 801,378 | \$ 818,234 | \$ 850,375 |
| Contract services | 118,724 | 127,186 | 111,900 | 110,354 | 122,200 | 100,200 |
| Training & Memberships | 6,297 | 9,780 | 8,555 | 8,841 | 10,220 | 10,320 |
| Supplies | 17,109 | 16,454 | 24,700 | 24,390 | 23,700 | 23,700 |
| Internal service fund charges | 52,200 | 75,900 | 77,465 | 77,465 | 77,800 | 75,100 |
| Expenditure Totals | \$ 983,089 | \$ 986,376 | \$ 1,012,524 | \$ 1,022,428 | \$ 1,052,154 | \$ 1,059,695 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| City Manager | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| City Clerk | 1.00 | 0.90 | 0.90 | 0.90 | 0.90 | 1.00 |
| Administrative Services Director | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Executive Assistant | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Information System Specialist | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Records Coordinator | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Receptionist | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 7.00 | 6.90 | 6.90 | 6.90 | 6.90 | 7.00 |

CITY MANAGER DEPARTMENT – ADMINISTRATION

MISSION STATEMENT

The mission of the City Manager’s Department is to ensure that all City programs and services are provided effectively and efficiently. The core services of the City Manager’s Office are to: provide administrative direction and leadership for City departments, programs, and services to ensure the community receives a high level of service.

DEPARTMENT PURPOSE

The purpose of this division is to implement the policies of the City Council and provide leadership and direction to the city departments. In addition, the City Manager’s office oversees the Council agenda process; provides staff support to the Art and Culture Commission; manages sustainability programs; manages the Community Grant process; oversees all Personnel related activities and the Information Systems division.

KEY CHANGES

There are no significant changes in the FY14/15 City Manager’s budget. It is generally status quo with the exception of the council election costs in November 2014 and the implementation of a Laserfiche project.

FISCAL YEAR ACCOMPLISHMENTS - 2013/14

- Submitted a balance budget
- Successfully coordinated and administered the activities of the city
- Advised and informed the City Council on policy and action matters
- Revised the Municipal Code related to Personnel Administration
- Approved multi use recreational facility at McGregor Drive property.
- Implemented a new council agenda management system enhancing accessibility for the public
- Supported the Art & Culture Commission in the implementation of the Village Kiosk & the completion of the 41st Ave. Street Median Project.

FISCAL YEAR GOALS - 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none"> • Maintain a balanced budget and ensure fiscal stability • Continue to reestablish the City reserves. • Review and prioritize City services • Support economic development • Seek opportunities to partner with other agencies to achieve savings. | Fiscal Policy |
| <ul style="list-style-type: none"> • Seek opportunities to improve citizen communication and interaction through social media. • Establish two year grant cycle for Community Based Health and Human Service Providers • Consider Village internet project • Continue to increase recycling diversion rates by expanding the commercial composting program. • Support the Capitola Library • Open Rispin property to the public • Conduct a resident satisfaction survey • Implement a document management system using LaserFiche. | Public Service |

CITY MANAGER DEPARTMENT - ADMINISTRATION

BUDGET SUMMARY

| City Manager - Administration | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--------------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenues | | | | | | |
| General Fund | \$ 776,597 | \$ 787,535 | \$ 794,222 | \$ 801,435 | \$ 841,228 | \$ 847,327 |
| Licenses and permits | 4,782 | 4,596 | 4,000 | 4,000 | 4,000 | 4,000 |
| Intergovernmental revenues | 5,144 | - | 5,000 | 5,000 | 5,000 | - |
| Revenue Totals | \$ 786,523 | \$ 792,131 | \$ 803,222 | \$ 810,435 | \$ 850,228 | \$ 851,327 |
| Expenditures | | | | | | |
| Personnel | \$ 646,900 | \$ 611,489 | \$ 631,907 | \$ 639,190 | \$ 663,408 | \$ 690,207 |
| Contract services | 80,551 | 92,682 | 84,400 | 84,354 | 99,200 | 77,200 |
| Training & Memberships | 6,297 | 9,780 | 8,555 | 8,525 | 9,220 | 9,320 |
| Supplies | 6,075 | 9,080 | 8,200 | 8,206 | 8,200 | 8,200 |
| Internal service fund charges | 46,700 | 69,100 | 70,160 | 70,160 | 70,200 | 66,400 |
| Expenditure Totals | \$ 786,523 | \$ 792,131 | \$ 803,222 | \$ 810,435 | \$ 850,228 | \$ 851,327 |
| Authorized Positions | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| City Manager | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 | 0.65 |
| City Clerk | 1.00 | 0.90 | 0.90 | 0.90 | 0.90 | 1.00 |
| Administrative Services Director | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Executive Assistant | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Information System Specialist | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Records Coordinator | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Receptionist | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 5.90 | 5.80 | 5.80 | 5.80 | 5.80 | 5.90 |

CITY MANAGER DEPARTMENT – PERSONNEL

MISSION STATEMENT

To provide excellent internal and external customer service and assist departments in recruiting and retaining exceptional employees.

DEPARTMENT PURPOSE

The Personnel Department is a subset of the City Managers Department. Personnel functions are the responsibility of the City Manager and all programs associated with personnel including:

- Employee Recruitment and Selection Testing, including examination development and administration
- Benefits Coordination, including administration of the employee insurance and retirement benefit programs.
- Employee Relations, including labor negotiations
- Classification and Compensation, including development and maintenance of job descriptions and compensation plans
- Employee Development, including coordination of the citywide employee training program
- Risk Management, including the administration of liability claims against the City, and the purchase of excess liability and property insurance policies

KEY CHANGES

There are no significant changes in the budget or existing programs for next fiscal year.

FISCAL YEAR ACCOMPLISHMENTS - 2013/14

- Continue to reduce City’s workers compensation claims
- Developed a Mandated Reporter policy and training program
- Conducted two Citywide employee trainings
- Vision & Dental programs became fully insured programs, thereby saving the City financially and providing better service to employees.
- Updated the Municipal Code relating to personnel related activities.
- Negotiated employee contract extensions.

FISCAL YEAR GOALS - 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none"> • Reduce workers compensation claims through safety training and education • Continue to find free benefit enhancement programs for employees • Continue to monitor and implement new federal healthcare reform. • Seek new opportunities to provide training and organizational development • Streamline existing processes with the use of technology | Public Service |

CITY MANAGER DEPARTMENT - PERSONNEL

BUDGET SUMMARY

| City Manager - Personnel | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenues | | | | | | |
| General Fund | \$ 196,566 | \$ 194,245 | \$ 209,302 | \$ 211,993 | \$ 201,926 | \$ 208,368 |
| Revenue Totals | \$ 196,566 | \$ 194,245 | \$ 209,302 | \$ 211,993 | \$ 201,926 | \$ 208,368 |
| Expenditures | | | | | | |
| Personnel | \$ 141,859 | \$ 145,567 | \$ 157,997 | \$ 162,188 | \$ 154,826 | \$ 160,168 |
| Contract services | 38,173 | 34,504 | 27,500 | 26,000 | 23,000 | 23,000 |
| Training & Memberships | - | - | - | 316 | 1,000 | 1,000 |
| Supplies | 11,034 | 7,374 | 16,500 | 16,184 | 15,500 | 15,500 |
| Internal service fund charges | 5,500 | 6,800 | 7,305 | 7,305 | 7,600 | 8,700 |
| Expenditure Totals | \$ 196,566 | \$ 194,245 | \$ 209,302 | \$ 211,993 | \$ 201,926 | \$ 208,368 |
| Authorized Positions | | | | | | |
| City Manager | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 |
| Administrative Services Director | 0.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Assistant to the City Manager | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Executive Assistant | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| TOTAL FTE's | 0.95 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |

CITY ATTORNEY DEPARTMENT

DEPARTMENT PURPOSE

The City Attorney became a contract position during the FY01-02. The City Attorney represents the City as primary Counsel in all legal matters. To this end, the City Attorney provides legal analysis and advice on a variety of matters; assists staff with legal issues such as: municipal code interpretation, understanding and complying with state and federal laws, drafting various legal documents such as agreements, resolutions and ordinances; provides counsel on labor matters and employee/employer relations.

KEY CHANGES

The City Attorney is a contract position with the firm of Atchison, Barisone, Condotti & Kovacevich. There are no changes to the existing contract.

FISCAL YEAR ACCOMPLISHMENTS - 2013/14

- Resolved all litigation relating to the Capitola Drain Pipe Failure.
- Advised on matters associated with the dissolution of the Redevelopment Agency

FISCAL YEAR GOALS - 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none">• Successfully advise the council regarding potential litigation• Provide assistance and advice to staff regarding contracts, labor relations and other legal assessments• Resolve existing litigation. | Fiscal Policy |

CITY ATTORNEY DEPARTMENT

BUDGET SUMMARY

| City Attorney | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 207,685 | \$ 599,255 | \$ 195,000 | \$ 195,000 | \$ 185,000 | \$ 185,000 |
| Revenue Totals | \$ 207,685 | \$ 599,255 | \$ 195,000 | \$ 195,000 | \$ 185,000 | \$ 185,000 |
| Expenditures | | | | | | |
| Contract services | \$ 207,685 | \$ 599,255 | \$ 195,000 | \$ 195,000 | \$ 185,000 | \$ 185,000 |
| Expenditure Totals | \$ 207,685 | \$ 599,255 | \$ 195,000 | \$ 195,000 | \$ 185,000 | \$ 185,000 |

| Contract Detail | FY10/11 Actual | FY11/12 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Pacific Cove | \$ - | \$ - | \$ - | \$ 150,000 | \$ - | \$ - |
| Rent Control | 548,353 | - | - | - | - | - |
| Other legal service | (474,268) | 465,655 | 61,400 | 26,000 | 60,000 | 40,000 |
| City Attorney | 133,600 | 133,600 | 133,600 | 133,600 | 135,000 | 135,000 |
| Total City Attorney | \$ 207,685 | \$ 599,255 | \$ 195,000 | \$ 309,600 | \$ 195,000 | \$ 175,000 |

FINANCE DEPARTMENT

MISSION STATEMENT

The Finance Department's mission is to present timely and accurate financial information and analysis to Capitola stakeholders, with an emphasis on transparency, while providing City Management with sound fiscal data to facilitate informed decision-making on the allocation of resources. The Finance Department strives to present the City's financial performance and financial alternatives in a transparent and understandable manner, while holding customer service and continuous improvement as top functional priorities.

DEPARTMENT PURPOSE

Finance provides staff support to internal departments, assures legal and financial accountability to the public, and provides superior customer service to both internal and external customers. Finance maintains a standard of excellence in financial reporting and oversight, and administers all City Funds and accounts. Core functions include Accounts Payable, Payroll, Accounts Receivable, Cash Receipts, Banking, and Business Licenses. The professional staff prepares the Comprehensive Annual Financial Report, annual Budget, quarterly and monthly financial statements and analysis, as well as provides fiscal guidance.

KEY CHANGES

In FY 12/13, the Finance Department assumed Successor Agency Management functions. This required the department to assume costs associated with two required Due Diligence Audits, legal fees, and training. The total costs for FY 12/13 and FY 13/14 was \$41,000 and \$14,000, respectively.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Implemented a new in-house payroll system to streamline processes, achieve contract savings, and automate the PERS reporting processes
- Secured low-interest financing with I-Bank and received reimbursements for 60% of costs
- Transitioned the City banking function to Wells Fargo, with estimated contract savings of approximately \$10,000 annually, while also facilitating acceptance of American Express Cards
- Initiated User Fee and Overhead Rate Study
- Provided key managerial support in the winding down of the RDA, including the completion of Asset Transfer documents, Long Range Property Management Plans, and their related audits, as well as successful completion of two required Recognized Obligation Payment Schedules
- Initiated an OPEB Trust Fund with CalPERS
- Received the GFOA Certificate of Achievement for Excellence in Financial Reporting and CSMFO Operating Budget Awards

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|---------------------------|
| <ul style="list-style-type: none"> • Maintain a balanced budget | Fiscal |
| <ul style="list-style-type: none"> • Increase City's ability to accept credit cards | Fiscal and Public Service |
| <ul style="list-style-type: none"> • Continue to publish innovative and information financial management reports to the City's website | Fiscal and Public Service |
| <ul style="list-style-type: none"> • Review implementing a cost recovery policy for City fees | Fiscal and Public Service |
| <ul style="list-style-type: none"> • Receive the CSMFO and GFOA Excellence Awards for Financial Reporting and Budgeting | Fiscal and Public Service |
| <ul style="list-style-type: none"> • Explore potential short-term investment opportunities | Fiscal |

FINANCE DEPARTMENT

BUDGET SUMMARY

| Finance | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ (548,911) | \$ 382,815 | \$ 458,677 | \$ 496,949 | \$ 514,766 | \$ 533,691 |
| Taxes | 1,194,189 | 291,643 | 280,000 | 280,000 | 280,800 | 280,800 |
| Charges for services | 5,075 | 5,140 | 4,200 | 4,800 | 4,800 | 4,800 |
| Use of money & property | 123,338 | 11,555 | 7,300 | 7,300 | 7,300 | 7,300 |
| Other revenues | 2,601 | - | - | - | - | - |
| Revenue Totals | \$ 776,292 | \$ 691,153 | \$ 750,177 | \$ 789,049 | \$ 807,666 | \$ 826,591 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenditures | | | | | | |
| Personnel | \$ 414,081 | \$ 463,677 | \$ 493,672 | \$ 512,399 | \$ 545,866 | \$ 550,391 |
| Contract services | 199,307 | 168,670 | 196,550 | 216,702 | 202,000 | 211,300 |
| Training & Memberships | 3,298 | 4,665 | 6,000 | 5,993 | 5,500 | 5,500 |
| Supplies | 967 | 1,986 | 2,000 | 2,000 | 2,300 | 2,300 |
| Internal service fund charges | 32,700 | 40,600 | 44,655 | 44,655 | 44,700 | 49,800 |
| Expenditure Totals | \$ 650,353 | \$ 679,598 | \$ 742,877 | \$ 781,749 | \$ 800,366 | \$ 819,291 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Finance Director | 0.41 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Senior Accountant ⁽¹⁾ | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Accountant II | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Accts Rec/Payable Clerk | 1.38 | 1.38 | 1.38 | 0.75 | 0.75 | 0.75 |
| Account Technician | 0.16 | 0.00 | 0.00 | 0.75 | 0.75 | 0.75 |
| TOTAL FTE's | 3.95 | 4.38 | 4.38 | 4.50 | 4.50 | 4.50 |

| | | | | | | |
|---|------|------|------|------|------|------|
| Elected Official Treasurer (Annual Salary \$3,000) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
|---|------|------|------|------|------|------|

(1) Title change only in FY12/13 - Supervising Accountant to Senior Accountant

POLICE DEPARTMENT – OVERVIEW

MISSION STATEMENT

To provide highly visible and responsive police service to our community. Staff takes great pride in the professionalism, creativity and dedication of our staff. We welcome the opportunity and challenge of working with the Community, City Departments, and other Criminal Justice Agencies to provide enhanced public safety and security in a diverse and dynamic community.

DEPARTMENT PURPOSE

The Department carries out implementation of the mission of prevention and deterrence of crime by the utilization of patrol in response to calls for service, POP projects and directed patrol, detectives performing comprehensive investigations and liaison with other local law enforcement agencies, parking enforcement, juvenile diversion programs, and city wide traffic enforcement.

KEY CHANGES

Contracted with Santa Cruz County Animal Services Agency to maintain animal services costs and improve efficiency.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Applied for and were awarded grants for National Night Out event, women's self defense classes, DUI enforcement, Selective Traffic Enforcement Program, and an electric motorcycle
- Completed radio system upgrade
- Consolidated property and evidence storage
- Implemented internal audit procedures
- Expanded office hours to full time

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|---------------------------|
| <ul style="list-style-type: none">• Continue to explore ways of mitigating traffic concerns throughout the city | Public Service |
| <ul style="list-style-type: none">• Continue to explore contract service opportunities wherever possible | Public Service and Fiscal |
| <ul style="list-style-type: none">• Evaluate and expand advanced training and education opportunities | Public Service |
| <ul style="list-style-type: none">• Continue to develop community partnerships | Public Service |

POLICE DEPARTMENT - SUMMARY

BUDGET SUMMARY

| Police - Summary | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 4,465,380 | \$ 4,645,398 | \$ 4,883,898 | \$ 4,899,693 | \$ 5,021,647 | \$ 5,268,472 |
| Licenses and permits | 37,444 | 39,708 | 34,800 | 34,800 | 36,400 | 34,700 |
| Intergovernmental revenues | 236,135 | 173,681 | 136,000 | 194,296 | 141,500 | 141,500 |
| Charges for services | 34,997 | 43,559 | 40,700 | 45,800 | 45,600 | 45,600 |
| Fines and forfeitures | 699,409 | 688,271 | 707,500 | 718,000 | 718,800 | 718,800 |
| Other revenues | - | 10,030 | 3,000 | 8,251 | 5,000 | 5,000 |
| Revenue Totals | \$ 5,473,365 | \$ 5,600,647 | \$ 5,805,898 | \$ 5,900,840 | \$ 5,968,947 | \$ 6,214,072 |

| | | | | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenditures | | | | | | |
| Personnel | \$3,856,311 | \$3,947,173 | \$4,142,363 | \$4,191,787 | \$4,213,887 | \$4,358,780 |
| Contract services | 931,880 | 936,908 | 1,002,600 | 1,014,000 | 1,102,800 | 1,111,200 |
| Training & Memberships | 12,609 | 27,811 | 23,600 | 31,135 | 34,800 | 34,800 |
| Supplies | 129,645 | 83,786 | 90,900 | 94,952 | 96,700 | 104,700 |
| Capital outlay | - | - | 5,000 | 27,531 | 10,000 | 40,000 |
| Internal service fund charges | 542,920 | 604,969 | 541,435 | 541,435 | 510,760 | 564,592 |
| Expenditure Totals | \$ 5,473,365 | \$ 5,600,647 | \$ 5,805,898 | \$ 5,900,840 | \$ 5,968,947 | \$ 6,214,072 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Chief of Police | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Police Captain | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Police Sergeant | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Police Officer* | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Police Officer - Grant Funded | 1.00 | - | - | - | - | - |
| Community Service Officer | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Parking Enforcement Officer ⁽¹⁾ | 2.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 |
| Records Manager | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Records Clerk | 1.00 | 1.50 | 1.75 | 1.75 | 1.75 | 1.75 |
| Administrative Records Analyst | 0.84 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Administrative Assistant | 0.75 | 0.75 | 0.75 | 0.90 | 0.90 | 0.90 |
| TOTAL FTE's | 29.59 | 30.25 | 30.50 | 31.65 | 31.65 | 31.65 |

Hourly Employee Allocation - Annual Hours

| | | | | | | |
|----------------------------------|-----|-----|-----|---|---|---|
| Temp Parking Enforcement Officer | 900 | 900 | 900 | - | - | - |
|----------------------------------|-----|-----|-----|---|---|---|

(1) In FY 13/14 the Temporary Parking Officer position was deleted during the last quarter and replaced with a permanent Parking Enforcement Officer

POLICE DEPARTMENT – LAW ENFORCEMENT

MISSION STATEMENT

To provide highly visible and responsive police service to our community. Staff takes great pride in the professionalism, creativity and dedication of our staff. We welcome the opportunity and challenge of working with the Community, City Departments, and other Criminal Justice Agencies to provide enhanced public safety and security in a diverse and dynamic community.

DEPARTMENT PURPOSE

The Department carries out implementation of the mission of prevention and deterrence of crime by the utilization of patrol in response to calls for service; POP projects and directed patrol; Detectives performing comprehensive investigations and liaison with other local law enforcement agencies; parking enforcement Juvenile Diversion programs, and city wide traffic enforcement.

KEY CHANGES

Increased a Records Clerk position from 50% to 75% and the Administrative Assistant position from 75% to 90%.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Reduced non-injury accidents by 11%
- Increased self-initiated activity by 9%
- Reduced violent crime by 11%
- Installed speed signs on Park Ave. that decreased average speed from 37 mph to 33 mph
- Replaced aging gas motorcycle with electric motorcycle
- Replaced aging marked patrol vehicle

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|--|---------------------------|
| <ul style="list-style-type: none">• Explore grant opportunities for in-vehicle video systems | Fiscal |
| <ul style="list-style-type: none">• Evaluate staffing needs and allocations for maximum efficiency | Public Service and Fiscal |
| <ul style="list-style-type: none">• Address aging equipment replacement needs | Public Service |

POLICE DEPARTMENT - LAW ENFORCEMENT

BUDGET SUMMARY

| Police - Law Enforcement | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 4,389,124 | \$ 4,594,600 | \$ 4,731,354 | \$ 4,810,640 | \$ 4,870,631 | \$ 5,097,660 |
| Licenses and permits | 37,444 | 39,708 | 34,800 | 34,800 | 36,400 | 34,700 |
| Intergovernmental revenues | 236,135 | 173,681 | 136,000 | 194,296 | 141,500 | 141,500 |
| Charges for services | 31,780 | 39,236 | 36,200 | 41,300 | 42,100 | 42,100 |
| Fines and forfeitures | 263,523 | 218,269 | 242,500 | 244,000 | 243,000 | 243,000 |
| Other revenues | - | 10,030 | 3,000 | 8,251 | 5,000 | 5,000 |
| Revenue Totals | \$ 4,958,006 | \$ 5,075,524 | \$ 5,183,854 | \$ 5,333,287 | \$ 5,338,631 | \$ 5,563,960 |

| | | | | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenditures | | | | | | |
| Personnel | \$ 3,621,617 | \$ 3,744,840 | \$ 3,896,849 | \$ 4,002,764 | \$ 3,998,771 | \$ 4,132,568 |
| Contract services | 679,514 | 640,610 | 659,000 | 671,400 | 724,600 | 729,500 |
| Training & Memberships | 12,609 | 27,811 | 23,600 | 31,135 | 34,800 | 34,800 |
| Supplies | 119,846 | 77,994 | 79,900 | 80,952 | 80,700 | 86,700 |
| Capital outlay | - | - | 5,000 | 27,531 | 10,000 | 40,000 |
| Internal service fund charges | 524,420 | 584,269 | 519,505 | 519,505 | 489,760 | 540,392 |
| Expenditure Totals | \$ 4,958,006 | \$ 5,075,524 | \$ 5,183,854 | \$ 5,333,287 | \$ 5,338,631 | \$ 5,563,960 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Chief of Police | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Police Captain | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Police Sergeant | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Police Officer | 14.50 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Police Officer - Grant Funded | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Service Officer | 1.50 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Records Manager | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Records Clerk | 1.00 | 1.50 | 1.75 | 1.75 | 1.75 | 1.75 |
| Administrative Assistant | 0.75 | 0.75 | 0.75 | 0.90 | 0.90 | 0.90 |
| Administrative Records Analyst | 0.84 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 26.59 | 28.25 | 28.50 | 28.65 | 28.65 | 28.65 |

POLICE DEPARTMENT – PARKING ENFORCEMENT

MISSION STATEMENT

To provide highly visible and responsive parking enforcement and public assistance to visitors, merchants and the residents of Capitola, who are the most heavily impacted by parking problems and traffic congestion.

DEPARTMENT PURPOSE

The Parking Enforcement Unit enforces California Vehicle Code regulations and Municipal Parking Ordinances to minimize parking problems, reduce traffic congestion and maximize access to parking by visitors and residents alike.

KEY CHANGES

Transferred hourly Parking Enforcement Officer to full time position and eliminated hourly position.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Expanded pay station area to include Pacific Cove, Monterey Avenue, Cliff Drive and 200 block of Capitola Avenue
- Replaced parking meters on 300 and 400 blocks of Capitola Avenue with meters that accept credit cards
- Removed change machines from Pacific Cove lot, reducing courier costs

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|--|---|
| <ul style="list-style-type: none">• Evaluate opportunities to reduce parking maintenance costs | Fiscal |
| <ul style="list-style-type: none">• Continue to partner with Public Works to evaluate parking-related issues within the city | Public Service, Public Improvement and Fiscal |

POLICE DEPARTMENT - PARKING ENFORCEMENT

BUDGET SUMMARY

| Police - Parking Enforcement | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ (10,993) | \$ (40,223) | \$ 55,189 | \$ (8,302) | \$ 59,116 | \$ 75,412 |
| Fines and forfeitures | 435,886 | 470,002 | 465,000 | 474,000 | 475,800 | 475,800 |
| Revenue Totals | \$ 424,893 | \$ 429,779 | \$ 520,189 | \$ 465,698 | \$ 534,916 | \$ 551,212 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenditures | | | | | | |
| Personnel | \$ 184,739 | \$ 202,333 | \$ 245,514 | \$ 189,023 | \$ 215,116 | \$ 226,212 |
| Contract services | 215,373 | 205,167 | 246,200 | 245,200 | 287,700 | 288,200 |
| Supplies | 9,181 | 4,979 | 9,000 | 12,000 | 14,000 | 16,000 |
| Capital outlay | - | - | - | - | - | - |
| Internal service fund charges | 15,600 | 17,300 | 19,475 | 19,475 | 18,100 | 20,800 |
| Expenditure Totals | \$ 424,893 | \$ 429,779 | \$ 520,189 | \$ 465,698 | \$ 534,916 | \$ 551,212 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Parking Enforcement Officer ⁽¹⁾ | 3.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 |
| TOTAL FTE's | 3.00 | 2.00 | 2.00 | 3.00 | 3.00 | 3.00 |

| | | | | | | |
|-----------------------------------|-----|-----|-----|---|---|---|
| <u>Hourly Employee Allocation</u> | | | | | | |
| Temp Parking Enforcement Officer | 900 | 900 | 900 | - | - | - |

(1) In FY 13/14 the Temporary Parking Officer position was deleted during the last quarter and replaced with a permanent Parking Enforcement Officer

POLICE DEPARTMENT – LIFEGUARD SERVICES

MISSION STATEMENT

To serve and protect the visitors of Capitola Beach from the natural and manmade hazards inherent in the ocean environment, with the ultimate focus being the prevention of drowning and other serious injuries, while providing a highly visible and responsive lifeguard staff.

DEPARTMENT PURPOSE

The Lifeguard Program protects swimmers, surfers, and waders in the Capitola Beach area during the summer months and the surrounding weekends. Lifeguards respond to water rescues, major and minor first aid calls, basic law enforcement issues on the beach and various animal calls, in addition to educating the public on a variety of marine environmental issues. Lifeguard services have been contracted to the City of Santa Cruz Fire Department since May 2012.

POLICE DEPARTMENT - LIFEGUARD SERVICES

BUDGET SUMMARY

| Police - Lifeguard Services | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Revenues | | | | | | |
| General Fund | \$ 76,422 | \$ 72,818 | \$ 77,465 | \$ 77,465 | \$ 71,900 | \$ 72,300 |
| Charges for services | 350 | 200 | 1,000 | 1,000 | - | - |
| Revenue Totals | \$ 76,772 | \$ 73,018 | \$ 78,465 | \$ 78,465 | \$ 71,900 | \$ 72,300 |
| Expenditures | | | | | | |
| Personnel | \$ 49,954 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contract services | 23,500 | 69,500 | 75,400 | 75,400 | 68,500 | 68,500 |
| Supplies | 618 | 318 | 1,000 | 1,000 | 1,000 | 1,000 |
| Internal service fund charges | 2,700 | 3,200 | 2,065 | 2,065 | 2,400 | 2,800 |
| Expenditure Totals | \$ 76,772 | \$ 73,018 | \$ 78,465 | \$ 78,465 | \$ 71,900 | \$ 72,300 |
| | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Authorized Positions | | | | | | |
| Community Service Officer | 0.33 | - | - | - | - | - |
| TOTAL FTE's | 0.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

POLICE DEPARTMENT – ANIMAL SERVICES

MISSION STATEMENT

To balance the health, public safety, and welfare needs of people and animals in the City of Capitola by responsibly and humanely enforcing animal-related laws; providing nourishment and a safe environment for unwanted, stray, abused, and impounded animals; educating the public about responsible companion animal ownership; investigating cases where animal care is questionable; and assist in finding new homes for homeless animals.

DEPARTMENT PURPOSE

The Animal Services Unit (ASU) promotes and protects public safety and animal care through sheltering, pet placement programs, education, and animal law enforcement. Our purpose is to provide responsive, efficient and quality animal control services that preserves and protects the public and promotes animal safety.

POLICE DEPARTMENT - ANIMAL SERVICES

BUDGET SUMMARY

| Police - Animal Services | FY11/12 | FY12/13 | FY13/14 | FY13/14 | FY14/15 | FY15/16 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Adopted | Estimated | Adopted | Planned |
| Revenue | | | | | | |
| General Fund | \$ 10,827 | \$ 18,203 | \$ 19,890 | \$ 19,890 | \$ 20,000 | \$ 23,100 |
| Charges for services | 2,867 | 4,123 | 3,500 | 3,500 | 3,500 | 3,500 |
| Revenue Totals | \$ 13,694 | \$ 22,326 | \$ 23,390 | \$ 23,390 | \$ 23,500 | \$ 26,600 |
| Expenditures | | | | | | |
| Contract services | \$ 13,494 | \$ 21,631 | \$ 22,000 | \$ 22,000 | \$ 22,000 | \$ 25,000 |
| Supplies | - | 495 | 1,000 | 1,000 | 1,000 | 1,000 |
| Internal service fund charges | 200 | 200 | 390 | 390 | 500 | 600 |
| Expenditure Totals | \$ 13,694 | \$ 22,326 | \$ 23,390 | \$ 23,390 | \$ 23,500 | \$ 26,600 |

PUBLIC WORKS DEPARTMENT – OVERVIEW

DEPARTMENT PURPOSE

The Public Works Department is composed of four divisions: Streets, Parks, Facilities and Fleet Maintenance. A summary of the department's budget is presented below. Each division has its own budget as detailed in the following pages.

KEY CHANGES

In FY 13/14, the Department of Public Works maintenance crew, with the aid of Measure O dollars, began the process of returning to a full crew by filling one of two frozen positions with the second position budgeted to be filled in FY 14/15. Filling the maintenance crew positions strengthens the department's ability to meet the needs of the City in day to day and seasonal demands.

The Department is also requesting a restructuring of the Fleet staffing in FY 14/15. This restructuring is recommended to accommodate the pending retirement of an annuitant employee in this department. The recommended fleet staffing will consist of a Lead Mechanic and a ½ time hourly staff mechanic.

The FY14/15 Public Works budget reflects a 5.3% increase in expenses when compared to the Actual FY13/14 budget. Salaries account for the largest increase, with 10.1% related to the changes in fleet staffing discussed above and programmed salary and benefit increases. Contract services remains relatively constant, but anticipated increases in stormwater program regulations will necessitate future increases. The capital outlays, training, and internal service budgets have minor changes. Projections for department related direct revenue remains relatively unchanged.

FISCAL YEAR ACCOMPLISHMENTS - 2013/14

- Lower Pacific Cove Parking Lot Project
- Pay station deployment in Upper Pacific Cove Parking Lot and expanded Village areas
- Water conservation projects completed by City crews at parks and landscaped areas
- Completed Esplanade sidewalk cooperative project
- Awarded grant of \$90,000 for roundabout at Capitola Ave and Bay Ave and \$200,000 for pathway along the railroad

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|--|--------------------------------|
| <ul style="list-style-type: none"> • Review purchases of cleaning and other materials to make sure safest materials are used • Improve implementation environmental stewardship programs | Public Service and Improvement |
| <ul style="list-style-type: none"> • Improve completion of Capital Improvement Program | Public Improvement and Fiscal |
| <ul style="list-style-type: none"> • Develop and implement long term water conservation programs and projects on City properties | Public Improvement |
| <ul style="list-style-type: none"> • Improve quality of public spaces through improved maintenance and contract service | Public Service |

PUBLIC WORKS DEPARTMENT - SUMMARY

BUDGET SUMMARY

| Public Works - Summary | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 1,907,489 | \$ 1,820,573 | \$ 2,127,276 | \$ 2,176,741 | \$ 2,360,929 | \$ 2,441,293 |
| Licenses and permits | 15,788 | 22,940 | 15,000 | 15,000 | 15,000 | 15,000 |
| Intergovernmental revenues | - | 250 | 46,000 | 46,000 | - | - |
| Charges for services | 48,000 | 58,878 | 11,500 | 11,500 | 11,500 | 11,500 |
| Other revenues | 42,527 | 41,821 | 46,000 | 30,000 | 30,000 | 30,000 |
| Revenue Totals | \$ 2,013,804 | \$ 1,944,462 | \$ 2,245,776 | \$ 2,279,241 | \$ 2,417,429 | \$ 2,497,793 |

| | | | | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenditures | | | | | | |
| Personnel | \$ 1,052,111 | \$ 1,000,487 | \$ 1,233,336 | \$ 1,173,584 | \$ 1,292,667 | \$ 1,344,697 |
| Contract services | 555,129 | 540,863 | 573,850 | 677,137 | 684,625 | 705,925 |
| Training & Memberships | 780 | 850 | 1,600 | 1,990 | 2,300 | 2,300 |
| Supplies | 286,024 | 292,518 | 314,800 | 304,340 | 324,950 | 327,750 |
| Internal service fund charges | 119,760 | 109,744 | 122,190 | 122,190 | 112,887 | 117,121 |
| Expenditure Totals | \$ 2,013,804 | \$ 1,944,462 | \$ 2,245,776 | \$ 2,279,241 | \$ 2,417,429 | \$ 2,497,793 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Public Works Director | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Maint. Superintendent | 0.50 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Environmental Projects Manager | - | - | 1.00 | 1.00 | 1.00 | 1.00 |
| Str. & Facilities Maint. Supervisor | 1.00 | - | - | - | - | - |
| Development Services Tech | 0.33 | 0.33 | - | - | - | - |
| Maintenance Worker I & II ⁽¹⁾ | 7.00 | 8.00 | 8.00 | 8.00 | 9.00 | 9.00 |
| Maintenance Worker III ⁽¹⁾ | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | - | - |
| Senior Mechanic | - | - | - | - | 1.00 | 1.00 |
| TOTAL FTE's | 11.83 | 12.33 | 13.00 | 13.00 | 14.00 | 14.00 |

⁽¹⁾ Addition of Measure O funded Maintenance Worker I/II in Fiscal Year 13/14 and Maintenance Worker III in FY 14/15.

PUBLIC WORKS DEPARTMENT – STREETS

MISSION STATEMENT

The Public Works Street Department combines administration, engineering and maintenance activities into a cohesive unit to develop and maintain a responsive and coordinated team. The Department goals are to serve the public while developing employee growth and development. New and old technologies are used to best achieve outstanding results.

DEPARTMENT PURPOSE

The Street Department provides for maintenance and improvement of the City's streets. It also provides maintenance of Soquel Creek, Capitola Lagoon, City owned buildings and the municipal wharf. Project design and construction, pavement program management, and transportation and related grant oversight is also performed by this department. Public Works staff serves as City representative to the Inter-Agency Technical Advisory Committee of the Santa Cruz County Regional Transportation Commission, and is currently staffing the Capitola Traffic and Parking Commission and the Commission on the Environment.

PUBLIC WORKS DEPARTMENT - STREETS

BUDGET SUMMARY

| Public Works - Street Maintenance | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| General Fund | \$ 943,018 | \$ 887,651 | \$ 1,106,601 | \$ 1,124,700 | \$ 1,232,001 | \$ 1,292,837 |
| Licenses and permits | 15,788 | 22,940 | 15,000 | 15,000 | 15,000 | 15,000 |
| Intergovernmental revenues | - | 250 | 46,000 | 46,000 | - | - |
| Charges for services | 48,000 | 58,878 | 11,500 | 11,500 | 11,500 | 11,500 |
| Other revenues | 42,527 | 17,416 | 6,000 | 10,000 | 10,000 | 10,000 |
| Revenue Totals | \$ 1,049,333 | \$ 987,135 | \$ 1,185,101 | \$ 1,207,200 | \$ 1,268,501 | \$ 1,329,337 |
| Expenditures | | | | | | |
| Personnel | \$ 686,504 | \$ 603,794 | \$ 802,110 | \$ 759,888 | \$ 850,182 | \$ 892,416 |
| Contract services | 236,187 | 269,103 | 261,000 | 324,821 | 302,000 | 310,000 |
| Supplies | 43,372 | 48,070 | 44,500 | 45,000 | 47,750 | 48,000 |
| Internal service fund charges | 83,270 | 66,168 | 77,491 | 77,491 | 68,569 | 78,921 |
| Expenditure Totals | \$ 1,049,333 | \$ 987,135 | \$ 1,185,101 | \$ 1,207,200 | \$ 1,268,501 | \$ 1,329,337 |
| Authorized Positions | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Public Works Director | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Maint. Superintendent | 0.50 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Environmental Projects Manager | - | - | 1.00 | 1.00 | 1.00 | 1.00 |
| Str. & Facilities Maint. Supervisor | 1.00 | - | - | - | - | - |
| Development Services Tech | 0.33 | 0.33 | - | - | - | - |
| Maintenance Worker I & II ⁽¹⁾ | 3.00 | 4.00 | 4.00 | 4.00 | 5.00 | 5.00 |
| Maintenance Worker III ⁽¹⁾ | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 6.83 | 7.33 | 8.00 | 8.00 | 9.00 | 9.00 |

⁽¹⁾ Addition of Measure O funded Maintenance Worker I/II in Fiscal Year 13/14 and Maintenance Worker III in FY 14/15.

PUBLIC WORKS DEPARTMENT – FACILITIES

MISSION STATEMENT

The Public Works Facilities Department strives to improve and maintain the existing city owned buildings and other facilities in such a way as to maximize the benefit to both the Public and City Staff.

DEPARTMENT PURPOSE

Maintenance and operation of all city owned buildings, including City Hall, Jade Street Community Center, Corporation Yard, and the Municipal Wharf.

PUBLIC WORKS DEPARTMENT - FACILITIES

BUDGET SUMMARY

| Public Works - Facilities Maintenance | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenues | | | | | | |
| General Fund | \$ 217,832 | \$182,477 | \$ 222,070 | \$ 237,750 | \$ 263,100 | \$268,200 |
| Revenue Totals | \$ 217,832 | \$182,477 | \$ 222,070 | \$ 237,750 | \$ 263,100 | \$268,200 |
| Expenditures | | | | | | |
| Contract services Totals | \$ 175,040 | \$130,987 | \$ 174,565 | \$ 188,685 | \$ 209,500 | \$211,900 |
| Supplies | 39,692 | 47,090 | 43,100 | 44,660 | 47,800 | 49,300 |
| Internal service fund charges | 3,100 | 4,400 | 4,405 | 4,405 | 5,800 | 7,000 |
| Expenditure Totals | \$ 217,832 | \$182,477 | \$ 222,070 | \$ 237,750 | \$ 263,100 | \$268,200 |
| | | | | | | |
| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL FTE's | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

PUBLIC WORKS DEPARTMENT – PARKS

MISSION STATEMENT

The Public Works Parks Department is committed to developing and maintaining the City parks and other landscaped areas in such a manner as to allow all members of our community to enjoy these jewels. Using professional staff and technologies to maintain top rated playing surfaces, beautiful landscaping and safe facilities are top priorities for this department.

DEPARTMENT PURPOSE

To maintain City parks and landscaped areas throughout the City in a safe manner while conserving water and other resources.

PUBLIC WORKS DEPARTMENT - PARKS

BUDGET SUMMARY

| Public Works - Park Maintenance | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Revenues | | | | | | |
| General Fund | \$ 438,367 | \$ 471,079 | \$ 518,623 | \$ 529,833 | \$ 558,096 | \$567,058 |
| Revenue Totals | \$ 438,367 | \$ 471,079 | \$ 518,623 | \$ 529,833 | \$ 558,096 | \$567,058 |
| Expenditures | | | | | | |
| Personnel | \$ 284,445 | \$ 293,959 | \$ 318,918 | \$ 296,912 | \$ 314,262 | \$320,983 |
| Contract services | 108,291 | 118,585 | 133,285 | 158,631 | 168,125 | 179,025 |
| Training & Memberships | 780 | 850 | 1,600 | 1,990 | 2,300 | 2,300 |
| Supplies | 20,881 | 24,609 | 32,000 | 39,480 | 43,100 | 43,150 |
| Internal service fund charges | 23,970 | 33,076 | 32,820 | 32,820 | 30,309 | 21,600 |
| Expenditure Totals | \$ 438,367 | \$ 471,079 | \$ 518,623 | \$ 529,833 | \$ 558,096 | \$567,058 |
| Authorized Positions | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Park Maint. Supervisor | - | - | - | - | - | - |
| Maintenance Worker III | - | - | - | - | - | - |
| Maintenance Worker I & II | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| TOTAL FTE's | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |

PUBLIC WORKS DEPARTMENT – FLEET MAINTENANCE

MISSION STATEMENT

The Public Works Fleet Department will maintain all mobile equipment for the City in the safest operating condition possible while striving to minimize repair times and costs.

DEPARTMENT PURPOSE

This Department services all City vehicles, equipment, purchases fuel, and maintains a parts inventory.

PUBLIC WORKS DEPARTMENT - FLEET MAINTENANCE

BUDGET SUMMARY

| Public Works - Fleet Maintenance | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Revenues | | | | | | |
| General Fund | \$ 308,272 | \$ 279,366 | \$ 279,982 | \$ 284,458 | \$ 307,732 | \$313,198 |
| Other revenues | - | 24,405 | 40,000 | 20,000 | 20,000 | 20,000 |
| Revenue Totals | \$ 308,272 | \$ 303,771 | \$ 319,982 | \$ 304,458 | \$ 327,732 | \$333,198 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Expenditures | | | | | | |
| Personnel | \$ 81,163 | \$ 102,734 | \$ 112,308 | \$ 116,784 | \$ 128,223 | \$131,298 |
| Contract services | 35,610 | 22,188 | 5,000 | 5,000 | 5,000 | 5,000 |
| Supplies | 182,079 | 172,749 | 195,200 | 175,200 | 186,300 | 187,300 |
| Internal service fund charges | 9,420 | 6,100 | 7,474 | 7,474 | 8,209 | 9,600 |
| Expenditure Totals | \$ 308,272 | \$ 303,771 | \$ 319,982 | \$ 304,458 | \$ 327,732 | \$333,198 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|----------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | - | - |
| Senior Mechanic | - | - | - | - | 1.00 | 1.00 |
| TOTAL FTE's | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

| | | |
|---|-----|-----|
| Temporary Mechanic Hours (previously contract hours) | 960 | 960 |
|---|-----|-----|

COMMUNITY DEVELOPMENT DEPARTMENT – OVERVIEW

MISSION STATEMENT

The Community Development Department (CDD) promotes safe and orderly development which provides economic vitality while preserving Capitola’s unique cultural and historic character. The Department is dedicated to providing responsive, high-quality services and programs which enhance the quality of life for the City’s residents, businesses, and visitors.

DEPARTMENT PURPOSE

The CDD administers the City's land use policies and standards adopted by the City Council including the General Plan, Local Coastal Program, zoning ordinance, and other regulations. The Department’s key functions include: review of land development applications, application of the California Environmental Quality Act, maintenance of the General Plan, Housing Element, and Local Coastal Program, building plan check and inspection services, building and zoning code compliance, ordinance and policy development, preservation of neighborhood character, and implementation of affordable housing and CDBG programs. The Department provides staff support to the City Council, Planning Commission, and the Architectural and Site Review Committee.

KEY CHANGES

A full-time Senior Planner and a half-time Assistant Planner were hired during FY 13/14.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Completed the General Plan Update and associated Environmental Impact Report (EIR).
- Established asset limits for inclusionary housing units and income-restricted mobile home parks.
- Established an In-Lieu Parking Fee Program.
- Reinstated the Emergency Housing and Security Deposit Assistance Programs. Established a Green Energy Incentive Program
- Completed building and fire code updates.

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|--|--|
| • Complete the zoning ordinance update. | Fiscal and Public Service |
| • Complete a Climate Action Plan | Fiscal and Public Service |
| • Revise the CDD Fee Structure and convert some deposit accounts to flat fees. | Fiscal and Public Service |
| • Initiate the Housing Element update | Public Service |
| • Support Library Subcommittee to develop design options | Public Service and Public Improvements |
| • Reinstated the Housing Rehabilitation and Homebuyers Assistance Programs | Public Service |

COMMUNITY DEVELOPMENT DEPARTMENT - SUMMARY

BUDGET SUMMARY

| Community Development - Summary | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|-----------------------|-----------------------|------------------------|--------------------------|------------------------|------------------------|
| Revenue | | | | | | |
| General Fund | \$ (96,547) | \$ 169,971 | \$ 258,042 | \$ 251,927 | \$ 246,280 | \$ 241,173 |
| Licenses and permits | 271,590 | 142,701 | 170,800 | 181,750 | 199,050 | 204,150 |
| Intergovernmental revenues | - | - | - | - | - | - |
| Charges for services | 467,842 | 190,730 | 232,000 | 247,000 | 250,000 | 252,500 |
| Fines and forfeitures | 25,000 | - | - | 7,200 | - | - |
| Revenue Totals | \$ 667,885 | \$ 503,402 | \$ 660,842 | \$ 687,877 | \$ 695,330 | \$ 697,823 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenditures | | | | | | |
| Personnel | \$ 495,657 | \$ 393,824 | \$ 503,392 | \$ 529,427 | \$ 550,330 | \$ 566,223 |
| Contract services | 103,233 | 52,972 | 92,400 | 95,200 | 78,600 | 63,600 |
| Training & Memberships | 5,830 | 4,708 | 12,600 | 9,800 | 10,500 | 8,300 |
| Supplies | 17,830 | 3,138 | 4,700 | 5,700 | 6,700 | 5,700 |
| Internal service fund charges | 45,335 | 48,760 | 47,750 | 47,750 | 49,200 | 54,000 |
| Expenditure Totals | \$ 667,885 | \$ 503,402 | \$ 660,842 | \$ 687,877 | \$ 695,330 | \$ 697,823 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-----------------------------|-----------------------|-----------------------|------------------------|--------------------------|------------------------|------------------------|
| Community Dev. Director | - | 0.25 | 1.00 | 1.00 | 1.00 | 1.00 |
| Assistant Planner | - | - | - | 0.50 | 0.50 | 0.50 |
| Senior Planner | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Development Services Tech | 0.67 | 0.67 | 0.67 | - | - | - |
| Housing & RDA Proj Manager | 0.70 | 0.00 | - | - | - | - |
| Building Official | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Building Inspector | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 4.12 | 3.92 | 4.67 | 4.50 | 4.50 | 4.50 |

| Officials | | | | | | |
|-----------------------|-----------|----------|----------|----------|----------|----------|
| Planning Commissioner | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Annual Payment | \$ 15,000 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 |
| Arc & Site Committee | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Annual Payment | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |

COMMUNITY DEVELOPMENT DEPARTMENT – PLANNING

MISSION STATEMENT

To provide efficient and accurate services to the public and the City’s elected and appointed officials which accommodates growth, advances sustainable development principles, enhances Capitola’s unique community character, and promotes safe and livable communities.

DEPARTMENT PURPOSE

The CDD Planning section provides the following core services:

- Current Planning - Reviews land development proposals including design review, subdivisions, rezones, and conditional use permits
- Advance Planning - Maintenance and updates of the City’s General Plan, zoning ordinance, Local Coastal Plan, and ordinance and policy development
- Environmental Planning - Implementation of CEQA and other City environmental regulations
- Zoning Code Compliance - Ensures compliance with City’s zoning ordinance and permit conditions
- Housing and Community Planning and Development - CDBG, HOME, inclusionary housing programs, etc

KEY CHANGES

There are no key changes to report for the Planning Division.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Completed the General Plan Update and associated EIR
- Established asset limits for inclusionary housing units and income-restricted mobile home parks
- Established an In-Lieu Parking Fee Program
- Established a Green Energy Incentive Program
- Anticipated completion of draft EIR for the proposed Monarch Cove Hotel expansion project
- 133 planning permits issued, including the 38th Avenue Senior Housing project, the Surf and Sand Mobile Home Park subdivision, and the Cinelux Expansion at King’s Plaza

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|--|---------------------------|
| <ul style="list-style-type: none"> • Complete customer service improvements (applicant guidance brochures, FAQs, standard conditions of approval, website integration, etc) | Public Service |
| <ul style="list-style-type: none"> • Continue process discretionary permit applications in a timely and cost effective manner | Fiscal and Public Service |
| <ul style="list-style-type: none"> • Develop ordinances which implement the City Council and Planning Commission’s policies and priorities | Fiscal and Public Service |

COMMUNITY DEVELOPMENT DEPARTMENT - PLANNING

BUDGET SUMMARY

| Community Development - Planning | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 82,207 | \$ 170,117 | \$ 250,008 | \$ 263,447 | \$291,845 | \$ 290,596 |
| Licenses and permits | 6,887 | 7,331 | 5,000 | 5,000 | 7,000 | 7,000 |
| Intergovernmental revenues | - | - | - | - | - | - |
| Charges for services | 349,450 | 103,977 | 152,000 | 157,000 | 141,000 | 141,000 |
| Fines and forfeitures | 25,000 | - | - | 7,200 | - | - |
| Revenue Totals | \$ 463,544 | \$ 281,425 | \$ 407,008 | \$ 432,647 | \$439,845 | \$ 438,596 |

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Expenditures | | | | | | |
| Personnel | \$ 337,010 | \$ 200,242 | \$ 301,253 | \$ 324,867 | \$337,645 | \$ 348,296 |
| Contract services | 76,263 | 44,467 | 63,900 | 66,700 | 60,100 | 45,100 |
| Training & Memberships | 1,336 | 75 | 5,000 | 3,225 | 2,800 | 2,800 |
| Supplies | 16,260 | 2,191 | 2,400 | 3,400 | 3,400 | 3,400 |
| Internal service fund charges | 32,675 | 34,450 | 34,455 | 34,455 | 35,900 | 39,000 |
| Expenditure Totals | \$ 463,544 | \$ 281,425 | \$ 407,008 | \$ 432,647 | \$439,845 | \$ 438,596 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|--|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Community Dev. Director | - | 0.45 | 1.00 | 1.00 | 1.00 | 1.00 |
| Assistant Planner | - | - | - | 0.50 | 0.50 | 0.50 |
| Senior Planner | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Development Services Tech ⁽¹⁾ | 0.67 | 0.67 | 0.67 | - | - | - |
| Housing & RDA Proj Manager | 0.70 | - | - | - | - | - |
| TOTAL FTE's | 2.37 | 2.12 | 2.67 | 2.50 | 2.50 | 2.50 |

⁽¹⁾ Funding for this position not included in the Non-Departmental position costs. Distribution or need to be evaluated.

Officials

| | | | | | | |
|-----------------------|-----------|----------|----------|----------|----------|----------|
| Planning Commissioner | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Annual Payment | \$ 15,000 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ 7,500 |
| Arc & Site Committee | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Annual Payment | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 | \$ 1,200 |

COMMUNITY DEVELOPMENT DEPARTMENT – BUILDING

MISSION STATEMENT

The CDD Building section is committed to safeguard life, health, property and public welfare through efficient administration and enforcement of the uniform building codes and the City's adopted ordinances and policies.

DEPARTMENT PURPOSE

The Building section provides plan checking and building inspection services to ensure compliance with the California Building Code and enforces the provisions of the State Housing Code and Abatement of Dangerous Building Code. In addition, the Building Official serves as the City of Capitola's Americans with Disabilities Act Compliance officer.

KEY CHANGES

There are no key changes to report in the Building section.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Issued 337 building permits with a total valuation over \$11 million (07/13 – 05/14)
- Initiated a priority permit process for green energy projects.

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|---------------------------|
| <ul style="list-style-type: none">• Continue to perform timely inspection services and efficiently process building permit applications | Fiscal and Public Service |
| <ul style="list-style-type: none">• Update the Green Building Ordinance | Fiscal and Public Service |

COMMUNITY DEVELOPMENT DEPARTMENT - BUILDING DEPARTMENT

BUDGET SUMMARY

| Community Development - Building | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---|-----------------------|-----------------------|------------------------|--------------------------|------------------------|------------------------|
| Revenue | | | | | | |
| General Fund | \$ (178,754) | \$ (146) | \$ 8,034 | \$ (11,520) | \$ (45,565) | \$ (49,423) |
| Licenses and permits | 264,703 | 135,370 | 165,800 | 176,750 | 192,050 | 197,150 |
| Charges for services | 118,392 | 86,753 | 80,000 | 90,000 | 109,000 | 111,500 |
| Revenue Totals | \$ 204,341 | \$ 221,977 | \$ 253,834 | \$ 255,230 | \$255,485 | \$ 259,227 |
| Expenditures | | | | | | |
| Personnel | \$ 158,647 | \$ 193,582 | \$ 202,139 | \$ 204,560 | \$212,685 | \$ 217,927 |
| Contract services | 26,970 | 8,505 | 28,500 | 28,500 | 18,500 | 18,500 |
| Training & Memberships | 4,494 | 4,633 | 7,600 | 6,575 | 7,700 | 5,500 |
| Supplies | 1,570 | 947 | 2,300 | 2,300 | 3,300 | 2,300 |
| Internal service fund charges | 12,660 | 14,310 | 13,295 | 13,295 | 13,300 | 15,000 |
| Expenditure Totals | \$ 204,341 | \$ 221,977 | \$ 253,834 | \$ 255,230 | \$255,485 | \$ 259,227 |
| Authorized Positions | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Building Official | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Building Inspector | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| TOTAL FTE's | 1.75 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |

RECREATION DEPARTMENT – OVERVIEW

The Capitola Recreation Department's mission is to enhance the leisure lifestyle and quality of life for the people of Capitola through recreational activities and opportunities. The department is committed to providing affordable, fun, integrated, and safe recreational activities to people of all ages, races, and ability levels. The department has a commitment to excellence, and continually strives to improve its programs, procedures, and services, to best meet the needs and interests of the community.

DEPARTMENT PURPOSE

The Recreation Department plans, organizes, schedules, markets, oversees and evaluates recreation and leisure services offered to the City of Capitola and the broader community beyond the City's borders. These services come in a variety of formats, including City-staffed programs such as Junior Lifeguards, Camp Capitola, and Adult Sports Leagues as well as over 500 Classes offered by Contract Instructors. The department also manages the Capitola Community Center, the Capitola Community Gymnasium, and Jade Street and Monterey Parks.

KEY CHANGES

A $\frac{3}{4}$ -time Recreation Assistant Authorized position was approved; all other front office staffing is currently allocated as Hourly Employees. Junior Guard instructor staffing hours have increased in the past few years due to additionally required pre-season training and an increase in Guard participation. For the 2014 Summer season, the City approved the contract with the City of Santa Cruz Fire Department Marine Safety Division to train and certify all Junior Lifeguard staff as beach lifeguards.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Processed approximately 4,500 enrollments in over 500 regular classes.
- Processed over 800 enrollments in 4 sessions of Camp Capitola, including $\frac{1}{2}$ -day and all-day care, morning and afternoon extended care, and transportation to and from the beach for children participating in both Camp and Junior Lifeguards.
- Processed approximately 1,700 enrollments in Junior Guards, including program enrollments, regional competitions, and photos
- Hired new independent contractors as class Instructors; added approximately 30 new classes.
- Worked with the City of Santa Cruz Fire Department Marine Safety Division to create a contract to train and certify all Capitola Junior Lifeguard staff as beach lifeguards. This training, and affiliation with the United States Surf Lifesaving Association, now provides the program with professional affiliation with nationwide standards of excellence and care in beach and aquatic programs.
- Developed a 3-tier refund policy for Camp and Junior Guards, significantly reducing refunds.
- Worked with the City Manager and the Capitola Police Department to create free parking passes for the Junior Lifeguard parents to reduce congestion through the Esplanade.
- Recreation staff redesigned the recreation website within the format of the City of Capitola website.
- Redesigned the recreation department's Facebook page and added weekly features, including upcoming registration dates, instructor and class profiles, art displays, and local events. Increased page "likes" from 20 to over 430 at this time.
- Through the Junior Lifeguard Captains Corps and the Camp Capitola Junior Leader program, provided opportunities for approximately 65 teens to train for future summer employment as Junior Lifeguard Instructors and Camp Leaders.
- Produced 6 Capitola Recreation brochures; evaluated the mailing area and eliminated some postal zones, reducing expenditures and making mailing more targeted and efficient.

- Successfully established year-round, low/no-cost women’s self-defense classes, in cooperation with the Capitola Police Department.
- Successfully coordinated 3 art shows at the Capitola Community Center related to Capitola Recreation classes, generating significant interest and participation in those classes, and adding to the attractiveness of the Center.
- Planned, implemented and scheduled 12 adult sports leagues (65 teams/over 800 players) and over 800 open gym program participants.
- Coordinated use of City facilities for groups using the Capitola Community Center, including renters for meetings and small events, the Red Cross, Santa Cruz County Election Department, Central Fire Protection District, Soquel Union Elementary School District, Capitola Police Department and City of Capitola sponsored meetings.
- Issued permits for 50 rental groups for use of the Capitola gymnasium at New Brighton Middle School, Jade Street Soccer field, Jade Street Softball field, and Monterey Park.

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|---------------------------|
| <ul style="list-style-type: none"> • Work to build revenues and program participation through development of new programs; evaluation of community needs, desires and trends; online research; professional development and networking; and outreach. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Continue promotional marketing, advertising, Facebook and other social media posting; evaluate regularly for effectiveness and continue to explore other ideas. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Evaluate the effectiveness of listing the entire brochure of classes on the department’s website. Explore the possibility of removing the brochure pages and using ActiveNet, the online registration program only. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Work with ActiveNet to explore options for enhancement of the recreation registration site to provide a more attractive, promotional site and a more user-friendly interface. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Explore the possibility of online registration for summer programs for 2015. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Continue to update and expand training for recreation summer employees. | Public Service and Fiscal |
| <ul style="list-style-type: none"> • Maximize rental opportunities for sports groups; continue to expand on outreach for those groups. | Public Service and Fiscal |

RECREATION DEPARTMENT - SUMMARY

BUDGET SUMMARY

| Recreation - Summary | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Revenue | | | | | | |
| General Fund | \$ 36,539 | \$ 108,494 | \$ 65,922 | \$ 92,473 | \$ 91,898 | \$ 102,509 |
| Charges for services | 751,356 | 684,726 | 738,000 | 749,800 | 750,500 | 750,500 |
| Use of money & property | 5,761 | 7,335 | 5,000 | 5,000 | 5,000 | 5,000 |
| Other revenues | 7,000 | - | - | - | - | - |
| Revenue Totals | \$ 800,656 | \$ 800,555 | \$ 808,922 | \$ 847,273 | \$ 847,398 | \$ 858,009 |

Expenditures

| | | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Personnel | \$457,713 | \$457,953 | \$444,182 | \$477,983 | \$482,093 | \$488,004 |
| Contract services | 238,329 | 237,505 | 252,100 | 256,400 | 257,055 | 256,555 |
| Training & Memberships | 1,560 | 1,590 | 2,000 | 2,300 | 2,300 | 2,300 |
| Supplies | 59,794 | 55,907 | 65,200 | 65,150 | 64,250 | 64,250 |
| Internal service fund charges | 43,260 | 47,600 | 45,440 | 45,440 | 41,700 | 46,900 |
| Expenditure Totals | \$ 800,656 | \$ 800,555 | \$ 808,922 | \$ 847,273 | \$ 847,398 | \$ 858,009 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-----------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Recreation Supervisor | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Class Coordinator | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Recreation Assistant | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 |
| Sports Coordinator | 0.75 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| TOTAL FTE's | 3.00 | 2.75 | 2.75 | 3.00 | 3.00 | 3.00 |

Hourly Employee Allocation

| | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Aquatics Coordinator | 225 | - | - | - | - | - |
| Aquatics Instructor | 1,120 | - | - | - | - | - |
| Sports Scorekeepers | 2,350 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 |
| Camp Capitola Coordinator | 850 | 850 | 480 | 480 | 480 | 480 |
| CC Jr. Leader Coordinator | 400 | 400 | 400 | 400 | 400 | 400 |
| CC Leader | 3,000 | 2,900 | 2,500 | 2,500 | 2,500 | 2,500 |
| Jr. Lifeguard Coordinator | 450 | 450 | 450 | 450 | 450 | 450 |
| Jr. Lifeguard Instructor | 8,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Recreation Program Assistant | 3,500 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 |
| Recreation Facility Assistant | 1,350 | 1,100 | 1,100 | 200 | 200 | 200 |
| SHOWN IN HOURS | 21,245 | 18,100 | 17,330 | 16,430 | 16,430 | 16,430 |

*The Recreation Assistant "authorized position"- Dependent upon the available workforce, the Rec. Assist. Authorized position may be filled by a seasonal/temp emp. In conjunction with the Recr Program Assist. Hours.

RECREATION DEPARTMENT – JUNIOR GUARDS, CAMP CAPITOLA, CLASSES, SPORTS AND MORE



RECREATION DEPARTMENT - PROGRAM REVENUE BUDGET SUMMARY

| Recreation by Programs | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Proposed | FY15/16 Planned |
|------------------------|-------------------|-------------------|--------------------|----------------------|---------------------|--------------------|
| Recreation Classes | \$ 328,745 | \$ 297,836 | \$ 295,000 | \$ 287,800 | \$ 287,500 | \$ 287,500 |
| Capitola Junior Guards | 248,001 | 240,461 | 265,000 | 292,000 | 293,000 | 293,000 |
| Camp Capitola | 121,318 | 93,908 | 125,000 | 121,500 | 121,500 | 121,500 |
| Sports Teams | 60,291 | 52,521 | 53,000 | 48,500 | 48,500 | 48,500 |
| Total | \$ 758,355 | \$ 684,726 | \$ 738,000 | \$ 749,800 | \$ 750,500 | \$ 750,500 |

Camp Capitola and Junior Guards receives over 2,500 enrollments annually. Of these enrollments, over 75% of the participants come from outside the City. These programs bring in both parents and children to the City. These visitors bring in additional City revenues associated with shopping, eating, and parking, while building positive, enjoyable associations with the City of Capitola. The Recreation Department receives an additional 4,500 class enrollments throughout the year. The Department provides participants with an impression of Capitola through the programs offered, class instructors selected, seasonal youth hired and trained, smooth registration and participation processes, and condition of locations and facilities utilized.

In addition, the Recreation Program provides training for approximately 50 young people through the Junior Lifeguard Captains Corps and another 20-30 through the Camp Capitola Junior Leader Program.

CAPITOLA MUSEUM

MISSION STATEMENT

The Capitola Historical Museum preserves and promotes the history of Capitola.

DEPARTMENT PURPOSE

To promote, through the establishment and maintenance of a museum and allied projects, a program that will bring a better understanding and appreciation by the Capitola community of its history, architecture, culture, technology, and its creative and natural environments.

KEY CHANGES

FY13/14 was a year of significant staffing changes in the Museum. Long time Museum Coordinator Carolyn Swift retired after growing and developing the Museum into the outstanding program it is today. Stepping into her position was the very experienced Frank Perry who immediately began developing his first Museum exhibit. This current budget remains status quo with no changes from the previous year.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Opened a new exhibit, “Take Me out to Capitola: The Life and Times of Harry Hooper.”
- Received more than 500 donated volunteer hours, and welcomed over 6,000 guests to the museum.
- Accepted over a dozen donations of historic artifacts and photographs.
- Provided walking tours and lectures for local organizations and the public.
- Assisted public with questions about local history and historic buildings.
- Produced quarterly newsletter.
- Contributed to Capitola Walking Tour App.
- Participated in the Art & Wine Festival, Begonia Festival, and Open Streets.

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none"> • Work to reduce expenditures and increase private donations | Public Service |
| <ul style="list-style-type: none"> • Continue work highlighted in FY13/14 | Public Service |
| <ul style="list-style-type: none"> • Create a new exhibit | Public Service |
| <ul style="list-style-type: none"> • Maintain existing services to the public. | Public Service |
| <ul style="list-style-type: none"> • Continue promotional marketing of the Museum to attract new visitors. | Public Service |

CAPITOLA MUSEUM

BUDGET SUMMARY

| Capitola Museum | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-----------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|----------------------------|----------------------------|
| Revenue | | | | | | |
| General Fund | \$ 72,502 | \$ 73,315 | \$ 75,831 | \$ 56,869 | \$ 59,175 | \$ 50,478 |
| Charges for services | - | - | - | - | - | - |
| Other revenues | 984 | 6,389 | 4,000 | 10,500 | 6,000 | 6,000 |
| Revenue Totals | \$ 73,486 | \$ 79,704 | \$ 79,831 | \$ 67,369 | \$ 65,175 | \$ 56,478 |
| Expenditures | | | | | | |
| Personnel | \$57,015 | \$56,534 | \$59,041 | \$46,479 | \$35,400 | \$36,303 |
| Contract services | 4,305 | 4,351 | 4,600 | 4,700 | 4,750 | 4,750 |
| Training & Memberships | 386 | 345 | 125 | 125 | 125 | 125 |
| Supplies | 8,180 | 14,274 | 12,000 | 12,000 | 21,500 | 11,500 |
| Internal service fund charges | 3,600 | 4,200 | 4,065 | 4,065 | 3,400 | 3,800 |
| Expenditure Totals | \$ 73,486 | \$ 79,704 | \$ 79,831 | \$ 67,369 | \$ 65,175 | \$ 56,478 |
| | | | | | | |
| | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
| Authorized Positions | | | | | | |
| Museum Coordinator ⁽¹⁾ | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| TOTAL FTE's | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |

(1) In FY 13/14 - FY 15/16 the Museum Coordinator is authorized at .750 FTE; however it is staffed and funded at .50 FTE

CAPITOLA ART & CULTURAL COMMISSION

MISSION STATEMENT

The Mission of the Capitola Art & Cultural Commission is to foster, assist and or plan events for the City of Capitola and its residents to enhance the community's cultural fabric, support local artists, create an interesting environment for art and cultural growth, and provide both residents and visitors the opportunity to experience local art and cultural events.

DEPARTMENT PURPOSE

The first Arts Commission was created in 1984. The commission was reorganized by Ordinance #851 effective May 10, 2003 under the new title of Art & Cultural Commission. The composition, term of office, duties and responsibilities were modified to empower the commission to accomplish the development of arts and culture within the City of Capitola. With the adopted Arts & Cultural Master Plan, the Art & Cultural Commission develops and reviews Public Art projects and creates opportunities for a variety of art and cultural experiences for City Council approval.

The City Council, under the City Manager's direction, provides an Administrative Assistant to the Art & Cultural Commission. Clerical duties include: preparing agendas; taking minutes; coordinating correspondence; researching and preparing reports; reviewing and processing financial functions; assisting in coordination of cultural events; filing and keeping records; providing information for the city scroll and website, and informing the city and other agencies of Art & Cultural Commission activities.

KEY CHANGES

There are no significant changes to the budget. The Commission continues to off-set nearly 50% of its budget by obtaining sponsors for the events.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- 41st Ave Streetscape Public Art project installed April 2014
- Public Art: Esplanade Kiosk project completed summer 2013
- Sponsors obtained to continue funding concerts and movies
- Implemented an Art Display program in City Hall and the Police Department.
- Conducted children's art events at the Begonia Festival and Art & Wine Festival
- Implemented a Public Art App. which inform visitors of locations of public art in Capitola and historical places of interest.

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| <ul style="list-style-type: none"> • Continue to offer twilight concerts, art in the park, music on Sundays and movies at the beach. • Display art work by community members at City Facilities • Identify new Public Art Projects. • Promote Capitola as a culturally rich and fun destination • Create a dynamic interaction between art and people • Develop a Winter Performing Arts event. | Public Services |

CAPITOLA ART & CULTURAL COMMISSION

BUDGET SUMMARY

| Capitola Art & Cultural Commission | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|---|-----------------------|-----------------------|------------------------|--------------------------|------------------------|------------------------|
| Revenue | | | | | | |
| General Fund | \$ 21,712 | \$ 30,134 | \$ 23,480 | \$ 24,402 | \$ 25,752 | \$ 25,952 |
| Other revenues | 20,200 | 11,410 | 21,200 | 20,400 | 20,400 | 20,400 |
| Revenue Totals | \$ 41,912 | \$ 41,544 | \$ 44,680 | \$ 44,802 | \$ 46,152 | \$ 46,352 |

| | | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Expenditures | | | | | | |
| Personnel | \$10,411 | \$11,704 | \$12,200 | \$12,200 | \$12,552 | \$12,552 |
| Contract services | 23,765 | 22,004 | 24,900 | 24,922 | 24,900 | 24,900 |
| Supplies | 5,936 | 5,936 | 5,600 | 5,700 | 6,200 | 6,200 |
| Internal service fund charges | 1,800 | 1,900 | 1,980 | 1,980 | 2,500 | 2,700 |
| Expenditure Totals | \$ 41,912 | \$ 41,544 | \$ 44,680 | \$ 44,802 | \$ 46,152 | \$ 46,352 |

| Authorized Positions | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-----------------------------|-----------------------|-----------------------|------------------------|--------------------------|------------------------|------------------------|
| None | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL FTE's | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | | | | | | |
|---|-----|-----|-----|-----|-----|-----|
| <u>Hourly Employee Allocation</u> shown in hours | 480 | 480 | 480 | 480 | 480 | 480 |
|---|-----|-----|-----|-----|-----|-----|

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INTERNAL SERVICE FUNDS



INTERNAL SERVICE FUNDS

Information Technology (City Manager): The Information Technology Fund provides funding for replacement and upgrade of the existing computer network. Replacement costs are charged to the departments based on the number of personal computers, laptops, printers, and servers each department uses.

Self-Insurance Liability (City Manager): This fund is a collection point for funding from the operating departments to pay for self-insured liability and property protection insurance premiums.

Workers Compensation (City Manager): The annual appropriation to this fund represents self-insurance premiums paid by the operating departments.

Stores (City Manager): This Internal Service Fund accounts for general supplies, postage, and rental of office equipment.

Equipment Replacement (Public Works): This Internal Service Fund has been established to provide adequate funding levels for the replacement of city vehicles, including passenger cars, parks maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation expense of existing vehicles. Revenues received for vehicles used for trade in or sold as surplus are recorded in this Fund.

Compensated Absences (Finance Department): Compensated Absences accumulates money to pay future employee benefit costs, such as vacation and sick leave payouts as applicable, at termination or retirement. Funding levels necessary to assure that these obligations can be met are policy matters within the City Council's discretion.

Public Employees Retirement (PERS) (Finance): A PERS Fund was utilized between FY04/05 and FY 12/13 to distinguish specific PERS details. It is no longer utilized due to changes in accounting practices.

INFORMATION TECHNOLOGY FUND

Funds are designated for the future replacement of citywide hardware and software. Annual on-going information technology costs are allocated based on the distribution of resources identified in Table 2.

SOURCES AND USES

| Fund - 2211 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 173,178 | \$ 185,932 | \$ 87,457 | \$ 87,457 | \$ 147,623 | \$ 81,091 |
| Revenue | | | | | | |
| Other Revenues | \$ 867 | \$ 3,468 | \$ - | \$ 2,166 | \$ 3,468 | \$ 3,468 |
| Internal Service Charges | 117,000 | 141,400 | 137,000 | 137,000 | 130,000 | 125,500 |
| Other Financing Sources | - | - | 114,000 | 114,000 | - | - |
| Revenue Totals | \$ 117,867 | \$ 144,868 | \$251,000 | \$ 253,166 | \$ 133,468 | \$128,968 |
| Expenditures | | | | | | |
| Contract Services | \$ 56,589 | \$ 71,618 | \$ 77,000 | \$ 77,000 | \$ 67,000 | \$ 70,500 |
| Training & Memberships | 234 | 160 | 1,000 | 1,000 | 1,000 | 1,000 |
| Supplies | 48,289 | 48,242 | 50,000 | 50,000 | 52,000 | 54,000 |
| Capital Outlay | - | 11,123 | 65,000 | 65,000 | 80,000 | 40,000 |
| Other Financing Uses | - | 112,200 | - | - | - | - |
| Expenditure Totals | \$ 105,113 | \$ 243,343 | \$193,000 | \$ 193,000 | \$ 200,000 | \$165,500 |
| Fund Balance at 06/30 | \$ 185,932 | \$ 87,457 | \$145,457 | \$ 147,623 | \$ 81,091 | \$ 44,559 |

| Table 2 | | | | | | |
|--|-------------------|------------------|------------------|------------------|-------------------|--|
| Department | PC | Laptop | MDC | Printers | Servers | Hardware - only Annual Charge |
| Council | | 4 | | | | 4,000 |
| Finance | 6 | 0 | | 2 | 4 | 16,800 |
| Attorney Manager | 9 | 8 | | 2 | 6 | 32,800 |
| Personnel | 1 | | | | | 700 |
| Museum | 1 | 1 | | | | 1,200 |
| Arts | 1 | | | | | 700 |
| Police - Law Enf | 25 | 5 | 10 | 5 | 3.00 | 46,500 |
| Police - Parking Enf | 1 | 0 | | 1 | 0 | 1,000 |
| Police - Lifeguard | 1 | 0 | | 0 | 0 | 700 |
| CDD | 4 | 0 | | 2 | 0.50 | 4,900 |
| Building | 2 | 0 | | 1 | 0.25 | 2,500 |
| PW - Streets | 4 | | | | 0.25 | 3,400 |
| PW - Facilities | 1 | | | | | 700 |
| PW - Parks | 2 | | | | | 1,300 |
| PW - Fleet | | | | | | - |
| Recreation | 7 | | | 1 | 1 | 8,000 |
| Total | 65 | 18 | 10 | 14 | 15 | \$ 125,200 |
| | PC | Laptop | MDC | Printers | Servers | |
| Replacement Cost/Each | \$ 2,000 | \$ 3,000 | \$ 7,000 | \$ 1,500 | \$ 12,000 | |
| Estimated Life | 3 | 3 | 5 | 4 | 4 | |
| Total Replacement Cost | \$ 130,000 | \$ 52,500 | \$ 70,000 | \$ 21,000 | \$ 180,000 | \$ 453,500 |
| | | | | | | 25% |
| Replacement Budget - Target Balance 25% of Replacement Budget | | | | | | \$ 113,400 |

SELF-INSURANCE LIABILITY FUND

The Self-Insurance Liability Program Fund established to accumulate funds for deductible expenditures and excess incidents which are above the City's liability coverage. Funds are primarily collected for the following expenses:

- Excess Insurance Premiums - The City belongs to the Monterey Bay Area Self Insurance Authority (MBASIA) joint powers authority. MBASIA covers all liability expenses, fire, and property protection. Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence.
- Property Insurance: Insurance coverage is provided through the Public Entity Property Insurance Program and insured by Lexington. The City's premium is \$11,000.
- Vehicle and Equipment Insurance Coverage – Coverage for vehicles and equipment with a purchase value of \$35,000 or more. The annual premium is \$3,000 with a \$2,000 deductible.
- Unemployment Insurance - The City is defined as a "State Unemployment Insurance Reimbursement Client" by the California Employment Development Department (EDD). The City does not pay unemployment insurance premiums to the State. When an employee files for and receives unemployment benefits from the State, the City is responsible for that benefit.

Charges for services are allocated to each of the General Fund Departments on their percent of the total operating budget from the prior fiscal year less the budget for unanticipated events.

SOURCE AND USES

| Fund - 2213 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 277,375 | \$ 227,350 | \$ 231,850 | \$ 231,850 | \$ 241,838 | \$ 241,838 |
| Revenue | | | | | | |
| Internal Service Charges | \$ 128,400 | \$ 146,450 | \$ 194,996 | \$ 194,996 | \$ 249,300 | \$ 309,300 |
| Revenue Totals | <u>\$ 128,400</u> | <u>\$ 146,450</u> | <u>\$ 194,996</u> | <u>\$ 194,996</u> | <u>\$ 249,300</u> | <u>\$ 309,300</u> |
| Expenditures | | | | | | |
| Contract Services | \$ 178,178 | \$ 141,750 | \$ 184,708 | \$ 184,508 | \$ 248,800 | \$ 308,800 |
| Supplies | - | - | 500 | 500 | 500 | 500 |
| Grants and Subsidies | 247 | 200 | 500 | - | - | - |
| Expenditure Totals | <u>\$ 178,425</u> | <u>\$ 141,950</u> | <u>\$ 185,708</u> | <u>\$ 185,008</u> | <u>\$ 249,300</u> | <u>\$ 309,300</u> |
| Fund Balance at 06/30 | \$ 227,350 | \$ 231,850 | \$ 241,138 | \$ 241,838 | \$ 241,838 | \$ 241,838 |

WORKERS' COMPENSATION FUND

This Internal Service Fund was established to satisfy the requirements of the Capitola Municipal Code, 3.24.030, Workers Compensation Reserve Fund, which states "The City Manager and City Treasurer shall establish a reserve fund for purposes of paying future workers compensation claims and shall, hereafter, make such annual deposits into that fund as the city is advised are actually necessary to provide a suitable reserve". This program also covers City volunteers.

The City belongs to a Joint Powers Authority (JPA), Monterey Bay Area Self Insurance Authority, composed of several local agencies, Del Rey Oaks, Gonzales, Greenfield, Hollister, King City, Marina, Sand City, Scotts Valley and Soledad. The City retains exposure to temporary disability payments as long as the injured worker remains an employee of the City. MBASIA purchases excess coverage beyond \$500,000 per occurrence up to statutory requirements.

The annual premium that is assessed to each of the participating Cities in the JPA is based on three primary factors: (1) the number of employees in each of the two major categories (Safety & Miscellaneous); (2) the experience rate (cost incurred) of each the participating agency and (3) debt service allocation. The greater a City experience rate (the number of Worker's Compensation claims) the more the annual premium assessment to that City exceeds its FTE participation level. Containment of worker's compensation claims results in a lower premium.

When an employee makes a claim, the City pays the employee's salary portion directly from the general fund based upon the standard worker's compensation formula, while the claim is considered "temporary". The formulas for employees receiving Workers Compensation are as follows:

1. Public Safety: Compensation is 100% of salary, non-taxable
2. Miscellaneous: Compensation is 2/3 of salary with a cap of \$840 per week, non-taxable.

For non-safety staff, City policy allows that accruals (i.e. sick, vacation, etc.) may be used to supplement the Worker's Compensation salary. If the person becomes "permanently disabled" then the JPA picks up the salary portion. The JPA pays all other costs including legal and medical. While on Worker's Compensation status, the safety and non-safety staff continue to accrue sick and vacation leave balances.

Distribution to General Fund Departments:

The allocation methodology for Worker's Compensation charges to the General Fund Departments corresponds closely to the cost allocation method used by the JPA. Employees are divided into three classifications: Sworn, Non-Sworn and Volunteers, with cost per FTE calculated.

A fund balance is maintained to accommodate future premium fluctuations, deductibles and excess liability.

SOURCES AND USES

| Fund - 2214 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
| Beginning Fund Balance | \$ 174,779 | \$ 175,135 | \$ 295,275 | \$ 295,275 | \$ 321,853 | \$ 321,853 |
| Revenue | | | | | | |
| Internal Service Charges | \$ 467,700 | \$ 528,100 | \$ 415,400 | \$ 415,400 | \$ 364,100 | \$ 382,300 |
| Revenue Totals | \$ 467,700 | \$ 528,100 | \$ 415,400 | \$ 415,400 | \$ 364,100 | \$ 382,300 |
| Expenditures | | | | | | |
| Contract Services | \$ 467,344 | \$ 407,960 | \$ 388,822 | \$ 388,822 | \$ 364,100 | \$ 382,300 |
| Expenditure Totals | \$ 467,344 | \$ 407,960 | \$ 388,822 | \$ 388,822 | \$ 364,100 | \$ 382,300 |
| Fund Balance at 06/30 | \$ 175,135 | \$ 295,275 | \$ 321,853 | \$ 321,853 | \$ 321,853 | \$ 321,853 |

STORES FUND

This fund accounts for general supplies and postage. Supplies are ordered and maintained by the Receptionist, as overseen by the Executive Assistant to the City Manager. This also includes the rental of the postage machine, the repair and maintenance of shared office equipment and the city hall copier maintenance.

Past experience was reviewed and a percentage of usage assigned to each of the departments using the supply room, and the central postage machine. The following table represents the two-year budget plan.

| Fund - 2210 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 14,306 | \$ 3,201 | \$ 620 | \$ 620 | \$ 2,693 | \$ 2,693 |
| Revenue | | | | | | |
| Other Revenues | \$ 103 | \$ 544 | \$ - | \$ 73 | \$ - | \$ - |
| Internal Service Charges | 30,700 | 34,450 | 40,000 | 40,000 | 39,100 | 40,200 |
| Revenue Totals | \$ 30,803 | \$ 34,994 | \$ 40,000 | \$ 40,073 | \$ 39,100 | \$ 40,200 |
| Expenditures | | | | | | |
| Contract Services | \$ 10,678 | \$ 14,084 | \$ 12,500 | \$ 13,000 | \$ 13,400 | \$ 13,800 |
| Supplies | 31,230 | 18,691 | 27,800 | 25,000 | 25,700 | 26,400 |
| Other Financing Uses | - | 4,800 | - | - | - | - |
| Expenditure Totals | \$ 41,908 | \$ 37,575 | \$ 40,300 | \$ 38,000 | \$ 39,100 | \$ 40,200 |
| Fund Balance at 06/30 | \$ 3,201 | \$ 620 | \$ 320 | \$ 2,693 | \$ 2,693 | \$ 2,693 |

EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund was established to provide adequate funding levels for the replacement of city vehicles, including passenger cars, parks maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation expense of existing vehicles. Revenues received for vehicles used for trade in or sold as surplus are recorded in this Fund. Revenue accumulated is generally not designated to a particular vehicle. The General Fund charges for services are based on the prior year fleet depreciation costs adjusted by the CPI index.

During the annual budget process, the Public Works and the Police Department review the current vehicle inventory listing and make recommendations for vehicle acquisitions and replacements. The vehicle replacement and on-going maintenance costs are taken into consideration. All budgeted vehicles are approved by the City Manager. In FY 12/13, \$283,000 was transferred to the General Fund to assist in replenishing reserves. In FY 13/14, an additional \$52,000 was transferred from the General Fund to assist in restoring the Equipment Fund's balance; while \$146,730 was transferred from the General Fund to purchase a street sweeper. Typically, new street sweepers are financed with Gas Tax Revenues; however in an effort to achieve interest savings and maintain the City's debt ratio, the General Fund purchased the equipment. It is anticipated that the cost of the street sweeper will be recovered through an operating lease with the Gas Tax Fund.

| FY 14/15 Capital Outlay | | FY 15/16 Capital Outlay | |
|-------------------------------------|-----------------|-------------------------|-----------------|
| Hybrid or EV Building Dept. Vehicle | \$35,000 | Marked Police Vehicle | \$40,000 |
| Public Works Pick-Up | 25,000 | Public Works Mower | 20,000 |
| | | | |
| | | | |
| Total | \$60,000 | Total | \$60,000 |

SOURCES AND USES

| Fund - 2212 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 305,934 | \$ 418,238 | \$ 122,138 | \$ 122,138 | \$113,297 | \$ 121,444 |
| Revenue | | | | | | |
| Internal Service Charges | \$103,000 | \$89,973 | \$105,529 | \$105,529 | \$68,147 | \$65,313 |
| Other Financing Sources | 55,000 | 26,265 | 41,230 | 198,730 | - | - |
| Revenue Totals | \$ 158,000 | \$ 116,238 | \$ 146,759 | \$ 304,259 | \$ 68,147 | \$ 65,313 |
| Expenditures | | | | | | |
| Capital Outlay | \$ 20,696 | \$ 129,338 | \$ 123,000 | \$ 313,100 | \$ 60,000 | \$ 60,000 |
| Other Financing Uses | 25,000 | 283,000 | - | - | - | - |
| Expenditure Totals | \$ 45,696 | \$ 412,338 | \$ 123,000 | \$ 313,100 | \$ 60,000 | \$ 60,000 |
| Fund Balance at 06/30 | \$ 418,238 | \$ 122,138 | \$ 145,897 | \$ 113,297 | \$121,444 | \$ 126,757 |

COMPENSATED ABSENCES FUND

This fund was established to accumulate reserves to pay for employee cash-outs, such as accumulated sick leave and vacation, as applicable, due to employees upon termination or retirement. Following is an itemized description of the various liabilities of this fund.

Police Captain Cashable Sick Leave Refer to contract.

Vacation > 360 hours The standard memorandum of understanding between all employee bargaining groups and the City of Capitola dictates that an employee who has accumulated more than 360 hours as of the last pay period in April of any year shall be paid in cash at a rate equal to 100% of his/her current hourly pay rate for all hours in excess of 360 except that such payment shall not exceed the employee's annual vacation accrual amount.

Vacation - Voluntary Cash Out In accordance with various memoranda of understanding between the employee bargaining groups and the City of Capitola, employees may elect to voluntarily cash out up to 80 hours of vacation depending on the MOU.

Final Pay Upon resignation, employees are eligible for various cash outs, dependent upon the applicable memorandum of understanding with the City of Capitola.

Retirement In FY 10/11 and FY 11/12 there were two significant retirements. In FY 12/13, the City approved an early retirement agreement which was funded through anticipated salary savings. The original full-time position was reduced to 3/4 time for the remainder of the fiscal year and was later staffed by an entry level employee. There are no anticipated retirements in FY 13/14.

Severance Pay The City provides the following severance payout packages:

| | | | |
|-----------------------|-----------|--------------------------|----------|
| City Manager | 12 months | Finance Director | 4 months |
| Public Works Director | 4 months | Police Chief | 4 months |
| Comm. Dev. Director | 4 months | Admin. Services Director | 4 months |

SOURCES AND USES

| Fund - 2216 | FY 11/12 | FY 12/13 | FY 13/14 | FY 13/14 | FY 14/15 | FY 15/16 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Adopted | Estimated | Adopted | Planned |
| Beginning Fund Balance | \$ 64,738 | \$4,112 | \$28,274 | \$28,274 | \$68,274 | \$88,274 |
| Revenue | | | | | | |
| Other Financing Sources | \$110,000 | \$153,000 | \$130,000 | \$130,000 | \$110,000 | \$100,000 |
| Revenue Totals | \$110,000 | \$153,000 | \$130,000 | \$130,000 | \$110,000 | \$100,000 |
| Expenditures | | | | | | |
| Personnel | \$170,626 | \$94,838 | \$90,000 | \$90,000 | \$90,000 | \$90,000 |
| Contract Services | - | 34,000 | - | - | - | - |
| Other Financing Uses | - | - | - | - | - | - |
| Expenditure Totals | \$170,626 | \$128,838 | \$90,000 | \$90,000 | \$90,000 | \$90,000 |
| Fund Balance at 06/30 | \$4,112 | \$28,274 | \$68,274 | \$68,274 | \$88,274 | \$98,274 |

The City's estimated noncurrent Compensated Absence Liability based on Governmental Accounting Standards Board Statement No. 16 for the fiscal year ended June 30, 2013 is \$648,413.

PUBLIC EMPLOYEES' RETIREMENT FUND

The Public Employees Retirement Internal Service Fund was established in the 2004-05 fiscal year. This Internal Service Fund allowed the City to accumulate funds for the purpose of General Fund PERS expenditures and PERS unfunded liability. For consistency in staffing cost analysis, the PERS expenditures were excluded from the General Fund Internal Service Fund Expenditures, and instead reported as PERS benefits in the General Fund Staffing Cost section.

This fund was primarily used as a pass-through account for debt service and the employer's share of PERS payments.

In FY12/13 and future years, payments will be made directly from the General Fund to PERS and the Pension Obligation Fund. The remaining fund balance was closed into the General Fund as a one-time credit.

SOURCES AND USES

| Fund - 2215 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|---------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 473,732 | \$ 209,248 | \$ - | \$ - | \$ - | \$ - |
| Revenue | | | | | | |
| Internal Service Charges | \$ 1,437,400 | \$ 403,626 | \$ - | \$ - | \$ - | \$ - |
| Revenue Totals | \$ 1,437,400 | \$ 403,626 | \$ - | \$ - | \$ - | \$ - |
| Expenditures | | | | | | |
| Personnel | \$ 1,041,384 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Financing Uses | 660,500 | 612,874 | \$ - | \$ - | \$ - | \$ - |
| Expenditure Totals | \$ 1,701,884 | \$ 612,874 | \$ - | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$ 209,248 | \$ - | \$ - | \$ - | \$ - | \$ - |

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SPECIAL REVENUE FUNDS



SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services (Police): These funds are provided by a State of California COPS grant to provide funding for Community Oriented Policing & Problem Solving (COPPS) programs.

Santa Cruz County Anti-Crime Team (Police): A joint task force by all county law enforcement agencies to address sales of drugs in and around Santa Cruz County.

Gas Tax (Public Works): This fund accounts for receipt and expenditure of gasoline tax revenue as provided by state law. The Gas Tax Fund is used for new construction, maintenance and the reconstruction of City streets.

Wharf (Public Works): The Wharf Fund accounts for rents and other income generated from wharf operations and related costs involving major improvements.

Development Fees (Public Works): This Fund accounts for fees imposed on building permits for new development or substantial improvements in specific areas to pay for traffic improvements, which mitigate the effect of that development.

General Plan Update and Maintenance (Community Development): This fund accumulates money received as General Plan Maintenance Fee to cover the cost of a future comprehensive update of the City's General Plan.

Green Building Education (Building): A Green Building Education Fund is to be used only for program management, training, publications and public educational purposes.

Public Art (City Manager): This fund accumulates money received as public art fees to acquire works of art to be displayed in or about public places within the city.

Parking Reserve (Public Works): In 2009 the Council authorized a special reserve fund from the Village parking meters for parking-related projects.

Technology Fee (Community Development): The fee is 5% of the building permit fee to fund new software for permit processing.

Public Education & Government Cable TV Access (City Manager): This Special Revenue Fund accounts for PEG cable television fees. The expenditures are restricted to PEG access-related activities.

Capitola Village & Wharf Business Improvement Area (Finance): Established to generate revenue for the exclusive purpose of promoting business in the Capitola Village and Wharf Business Improvement Area.

Community Development Block Grants (Community Development): This Fund accounts for active CDBG grants that are awarded to the City on a project-by-project basis. Typically these grants are conducted with CDBG on a reimbursement basis.

Community Development Block Grant Program Income (Community Development): This fund accounts for income from housing loans that are funded with Community Development Block Grant funds. Loan payoffs and interest earning in this fund are restricted to CDBG approved uses.

HOME Program Reuse (Community Development): This fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME Program Re-use Guidelines.

HOME Grant (Community Development): This Special Revenue Fund is the depository for loan payments made on prior year HOME program loans made by the City using funds from the federal Home Investments Partnership Program (HOME).

Housing Trust (Community Development): City Council adopted an Inclusionary Housing Ordinance in November 2004. This ordinance will create an Affordable Housing Trust Fund, funded from in-lieu fees, which can be used to provide a local, flexible source of funding for the creation of new affordable housing, and the rehabilitation of existing affordable housing.

BEGIN Grant (Community Development): A Building Equity and Growth in Neighborhoods (BEGIN) grant through the California Department of Housing and Community Development to assist the First Time Homebuyer Loans the Inclusionary housing units as a part of the Capitola Beach Villas condominium project.

Capitola Housing Successor (Community Development): At the dissolution of the Capitola Redevelopment Agency, the City elected to become the Housing Successor to the former Low and Moderate Income Housing Fund of the RDA.

SUPPLEMENTAL LAW ENFORCEMENT SERVICES – POLICE

The City of Capitola receives \$100,000 each year from the State of California Citizens Option for Public Safety (COPS) program. Funds from the COPS program must be used for front-line law enforcement services and may not be used to supplant existing funding. These funds were used last year to fund Police supplies and equipment.

SOURCES AND USES

| Fund - 1300 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 9,911 | \$ 50,736 | \$ 101,764 | \$ 101,764 | \$ 100,864 | \$ 139,264 |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ 100,000 | \$ 98,230 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Use of money & property | 105 | 222 | 100 | 100 | 100 | 100 |
| Revenue Totals | \$ 100,105 | \$ 98,452 | \$ 100,100 | \$ 100,100 | \$ 100,100 | \$ 100,100 |
| Expenditures | | | | | | |
| Personnel | \$ 40,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contract services | 2,367 | 1,623 | 1,700 | 1,700 | 1,700 | 1,700 |
| Supplies | 1,883 | 8,298 | 2,500 | 49,400 | 30,000 | 30,000 |
| Capital outlay | 15,030 | 37,503 | 1,000 | 49,900 | 30,000 | 30,000 |
| Expenditure Totals | \$ 59,280 | \$ 47,424 | \$ 5,200 | \$ 101,000 | \$ 61,700 | \$ 61,700 |
| Fund Balance at 06/30 | \$ 50,736 | \$ 101,764 | \$ 196,664 | \$ 100,864 | \$ 139,264 | \$ 177,664 |

SANTA CRUZ COUNTY ANTI-CRIME TEAM – POLICE

The Santa Cruz County Anti Crime Team (SCCACT) is a joint task force which includes participation by all county law enforcement agencies (either staffing or funding) to address sales of drugs in and around Santa Cruz County, and criminal street gang activity. SCCACT provides investigative and undercover assistance in drug sales investigations to local police agencies and the Sheriff's Department, which require special equipment, training and/or expertise. The DA's Office provides assistance in filing, collecting and distributing asset forfeiture collections from the courts. SCCACT is based in Santa Cruz County and receives additional funding and resources from State and Federal drug enforcement agencies during large-scale investigations.

The City of Capitola contributes \$18,000 to SCCACT for operations costs from the General Fund, which is budgeted in the Police Department, Contract Services. The County Anti-Crime Team also applies for and receives additional funding from Byrne Grant opportunities and HIDTA funding sources to supplement equipment and training needs. The Anti-Crime Team has expanded its investigative scope to include major crime activity and criminal street gang violence. Additionally, the City pays for an Administrative Assistant. Staffing costs are reimbursed by SCCACT from their Adjudicated Asset Forfeiture Account on a monthly basis.

SOURCES AND USES

| Fund - 1301 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 21 | \$ 21 | \$ (1,141) | \$ (1,141) | \$ - | \$ - |
| Revenue | | | | | | |
| Other revenues | \$ 69,901 | \$ 71,324 | \$ 75,172 | \$ 76,333 | \$ 75,070 | \$ 77,342 |
| Revenue Totals | \$ 69,901 | \$ 71,324 | \$ 75,172 | \$ 76,333 | \$ 75,070 | \$ 77,342 |
| Expenditures | | | | | | |
| Personnel | \$ 69,901 | \$ 72,486 | \$ 75,172 | \$ 75,192 | \$ 75,070 | \$ 77,342 |
| Expenditure Totals | \$ 69,901 | \$ 72,486 | \$ 75,172 | \$ 75,192 | \$ 75,070 | \$ 77,342 |
| Fund Balance at 06/30 | \$ 21 | \$ (1,141) | \$ (1,141) | \$ - | \$ - | \$ - |

GAS TAX – PUBLIC WORKS

This fund accounts for receipt and expenditure of gasoline tax revenue as provided by state law. The Gas Tax Fund is primarily used to cover the expenses related to maintenance and operation of the City's traffic signals and streetlights. Other Gas Tax Fund Programs includes street maintenance patching and striping project, street sweeper lease payments, and engineering.

SOURCES AND USES

| Fund - 1310 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 52 | \$ 3,612 | \$ 11,987 | \$ 11,987 | \$ 42,168 | \$ 24,668 |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ 288,947 | \$ 235,663 | \$ 302,294 | \$ 293,101 | \$ 261,725 | \$ 262,200 |
| Use of money & property | 30 | 33 | - | 30 | - | - |
| Other financing sources | - | 38,249 | - | - | - | - |
| Revenue Totals | \$ 288,977 | \$ 273,945 | \$ 302,294 | \$ 293,131 | \$ 261,725 | \$ 262,200 |
| Expenditures | | | | | | |
| Contract services | \$ 243,654 | \$ 216,709 | \$ 272,600 | \$ 250,100 | \$ 271,725 | \$ 277,000 |
| Supplies | 1,632 | 7,499 | 7,500 | 7,500 | 7,500 | 7,500 |
| Capital outlay | - | 38,249 | - | - | - | - |
| Debt service | 40,131 | 3,113 | 35,000 | 5,350 | - | - |
| Expenditure Totals | \$ 285,417 | \$ 265,570 | \$ 315,100 | \$ 262,950 | \$ 279,225 | \$ 284,500 |
| Fund Balance at 06/30 | \$ 3,612 | \$ 11,987 | \$ (819) | \$ 42,168 | \$ 24,668 | \$ 2,368 |

WHARF – PUBLIC WORKS

The Wharf Fund accounts for rents and other income generated from wharf operations and related costs including maintenance and improvements.

The Wharf Fund retains these revenues in order to help meet the majority of its expenditure demands. Major repairs that tend to occur in a 3-5 year cycle require occasional general fund support in order to keep this key public facility open.

SOURCES AND USES

| Fund - 1311 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 46,414 | \$ 36,645 | \$ 26,216 | \$ 26,216 | \$ 43,892 | \$ 43,892 |
| Revenue | | | | | | |
| Use of money & property | \$ 83,386 | \$ 85,289 | \$ 84,100 | \$ 84,100 | \$ 84,850 | \$ 85,100 |
| Other financing | 25,000 | - | - | - | - | - |
| Revenue Totals | \$ 108,386 | \$ 85,289 | \$ 84,100 | \$ 84,100 | \$ 84,850 | \$ 85,100 |
| Expenditures | | | | | | |
| Contract services | \$ 103,098 | \$ 93,389 | \$ 83,200 | \$ 64,200 | \$ 62,450 | \$ 62,900 |
| Supplies | 2,253 | 2,329 | - | 2,224 | 3,000 | 3,000 |
| Capital outlay | 12,804 | - | - | - | 19,400 | - |
| Expenditure Totals | \$ 118,155 | \$ 95,718 | \$ 83,200 | \$ 66,424 | \$ 84,850 | \$ 65,900 |
| Fund Balance at 06/30 | \$ 36,645 | \$ 26,216 | \$ 27,116 | \$ 43,892 | \$ 43,892 | \$ 63,092 |

DEVELOPMENT FEES – PUBLIC WORKS

The Development Fee Fund accounts for fees imposed as part of development agreements for new development or substantial improvements in certain areas, to pay for traffic improvements, which mitigate the effect of that development. Simple interest is recorded on an annual basis and attributed to the corresponding deposit.

SOURCES AND USES

| Fund - 1312 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 2,026 | \$ 2,026 | \$ - | \$ - | \$ - | \$ - |
| Revenue | | | | | | |
| Other revenue | \$ - | \$ 1,415 | \$ - | \$ - | \$ - | \$ - |
| Revenue Totals | \$ - | \$ 1,415 | \$ - | \$ - | \$ - | \$ - |
| Expenditures | | | | | | |
| Contract services | \$ - | \$ 3,441 | \$ - | \$ - | \$ - | \$ - |
| Expenditure Totals | \$ - | \$ 3,441 | \$ - | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$ 2,026 | \$ - | \$ - | \$ - | \$ - | \$ - |

GENERAL PLAN UPDATE & MAINTENANCE – COMMUNITY DEVELOPMENT

In 2002, the State Legislature passed AB 2936 to enable cities to collect fees “reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations”. The General Plan Maintenance Fee is currently 0.6% of the total building valuation with a cap of \$100,000 to cover the cost of a future comprehensive update of the City’s General Plan.

Valuation is calculated on a cost per square foot basis. The City of Capitola uses \$200/square foot valuation for the average house, and \$300/square foot for houses with increased values. These valuations are close to market rates.

The City is scheduled to adopt the General Plan Update and certify the associated Environmental Impact Report in the spring of 2014. Following General Plan adoption, the City will resume work on updating its zoning ordinance and developing its first Climate Action Plan. The City will also initiate an update of its Housing Element in Fiscal Year 14-15. The adopted budget provides adequate resources to fund consultant contracts and staff time to continue these efforts.

SOURCES AND USES

| Fund - 1313 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 303,339 | \$ 259,852 | \$ 153,491 | \$ 153,491 | \$ 85,445 | \$ 21,145 |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ 17,450 | \$ 48,989 | \$ - | \$ 33,561 | \$ - | \$ - |
| Charges for services | 163,311 | 65,662 | 70,000 | 100,000 | 80,000 | 80,000 |
| Use of money & property | 1,163 | 691 | - | - | - | - |
| Revenue Totals | \$ 181,924 | \$ 115,342 | \$ 70,000 | \$ 133,561 | \$ 80,000 | \$ 80,000 |
| Expenditures | | | | | | |
| Contract services | \$ 223,921 | \$ 221,703 | \$ 170,000 | \$ 198,607 | \$ 144,300 | \$ 67,300 |
| Supplies | 1,490 | - | 5,000 | 3,000 | - | - |
| Other financing uses | - | - | - | - | - | - |
| Expenditure Totals | \$ 225,411 | \$ 221,703 | \$ 175,000 | \$ 201,607 | \$ 144,300 | \$ 67,300 |
| Fund Balance at 06/30 | \$ 259,852 | \$ 153,491 | \$ 48,491 | \$ 85,445 | \$ 21,145 | \$ 33,845 |

GREEN BUILDING EDUCATION – BUILDING

On May 22, 2008, the City of Capitola adopted an ordinance, which added Chapter 17.10 to the Capitola Municipal Code establishing the Capitola Green Building Regulations. The City finds that green building design, construction and operation can have a significant positive effect on energy and resource efficiency, waste and pollution generation, and the health and productivity of a building's occupants over the life of the building. The second purpose is to create healthy work and living environments increasing the productivity of workers and residents and visitors to the city by improving indoor air quality and lighting.

The intent of this section is to help promote the environmental sustainability of natural resources and improvement of the interior environment by efficiently redirecting the use of recyclable materials away from landfills, by introducing recycled-content and materials created with a low embodied energy materials in construction, and by reducing the energy consumption needs of structures by making use of efficient construction methods.

The City also finds that green design and construction decisions made by the City in the construction and remodeling of City buildings can result in significant cost savings to the City over the life of the buildings. The City also recognizes that it must lead by example in order to have the general populace follow suit and therefore commits itself to the practice of green building for all new and remodeling construction on City owned buildings and structures.

Application and Use of Funds (per City municipal code): The Capitola Green Building Regulation applies to non-residential additions and/or exterior remodels totaling 1,000 or more square feet and residential additions and/or remodels totaling 350 square feet or more. Building permits which are required to comply with the Green Building Regulations shall be assessed a fee of 0.0025 times the overall valuation of the project. Revenues collected shall be maintained by the Finance Department as a revolving Green Building Education Fund and shall be used only for program management, training, publications and public educational purposes.

SOURCES AND USES

| Fund - 1314 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 48,705 | \$ 93,453 | \$ 101,994 | \$ 101,994 | \$ 99,994 | \$ 98,494 |
| Revenue | | | | | | |
| Charges for services | \$ 47,509 | \$ 8,541 | \$ 13,000 | \$ 11,000 | \$ 7,500 | \$ 7,500 |
| Revenue Totals | \$ 47,509 | \$ 8,541 | \$ 13,000 | \$ 11,000 | \$ 7,500 | \$ 7,500 |
| Expenditures | | | | | | |
| Contract services | \$ 1,560 | \$ - | \$ 10,000 | \$ 10,000 | \$ 7,000 | \$ 5,500 |
| Training & Memberships | 225 | - | 2,000 | 2,000 | 1,000 | 1,000 |
| Supplies | 976 | - | 1,000 | 1,000 | 1,000 | 1,000 |
| Expenditure Totals | \$ 2,761 | \$ - | \$ 13,000 | \$ 13,000 | \$ 9,000 | \$ 7,500 |
| Fund Balance at 06/30 | \$ 93,453 | \$ 101,994 | \$ 101,994 | \$ 99,994 | \$ 98,494 | \$ 98,494 |

PUBLIC ART – CITY MANAGER

The City established a Public Arts Fee in 2004. The purpose is to ensure that 2% of the cost of eligible municipal capital improvement, renovation, or restoration projects funded in whole or in part by the City of Capitola or any private, non-residential development project with a total building permit valuation of \$250,000 or more is set aside for the acquisition of works of art to be displayed in or about public places within the City. For a private development, there is an in lieu option to contribute 1% of the total budget to the Public Art Program. As part of the program expenses, up to 20% of the art allocations may be expended on program administration, project management and community outreach activities. There will be 268 hours of the Administrative Assistant for the Art & Cultural Commission time allocated to administering projects.

Completed Art Projects Include:

- Historical Directional signs
- Sea Kelp Medallion on Esplanade Park
- Sea Wall Tiles
- Graphic Traffic Box Art Project.
- Wharf Road Mural & 41st Ave Median Project
- Bay Ave. tile mural project
- Esplanade Kiosk
- 41st Ave. Street Median Project

SOURCES AND USES

| Fund - 1315 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 127,748 | \$ 398,792 | \$ 288,913 | \$ 288,913 | \$ 144,713 | \$ 166,413 |
| Revenue | | | | | | |
| Charges for services | \$ 296,396 | \$ 11,000 | \$ 15,000 | \$ 15,000 | \$ 60,000 | \$ 20,000 |
| Revenue Totals | \$ 296,396 | \$ 11,000 | \$ 15,000 | \$ 15,000 | \$ 60,000 | \$ 20,000 |
| Expenditures | | | | | | |
| Personnel | \$ 859 | \$ - | \$ - | \$ 3,300 | \$ 3,300 | \$ 3,300 |
| Contract services | 24,493 | 118,238 | 25,000 | 155,900 | 35,000 | 35,000 |
| Supplies | - | 2,641 | 1,000 | - | - | - |
| Expenditure Totals | \$ 25,352 | \$ 120,879 | \$ 26,000 | \$ 159,200 | \$ 38,300 | \$ 38,300 |
| Fund Balance at 06/30 | \$ 398,792 | \$ 288,913 | \$ 277,913 | \$ 144,713 | \$ 166,413 | \$ 148,113 |

PARKING RESERVE – PUBLIC WORKS

In 2009, as part of a parking meter rate increase, the City Council established the Parking Reserve Fund. Revenues deposited into this fund represent 16% of parking meter revenues from the Village area (Parking Meter Zone A1). This fund was established to fund parking improvement projects throughout the Village.

SOURCES AND USES

| Fund - 1316 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 180,719 | \$ (2,902) | \$ 75,098 | \$ 75,098 | \$ 21,298 | \$ 21,298 |
| Revenue | | | | | | |
| Other financing sources | \$ 90,802 | \$ 162,800 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Revenue Totals | \$ 90,802 | \$ 162,800 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Expenditures | | | | | | |
| Contract services | \$ 6,144 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital outlay | 218,279 | - | 11,498 | 69,000 | - | - |
| Other financing uses | 50,000 | 84,800 | 84,800 | 84,800 | 100,000 | 100,000 |
| Expenditure Totals | \$ 274,423 | \$ 84,800 | \$ 96,298 | \$ 153,800 | \$ 100,000 | \$ 100,000 |
| Fund Balance at 06/30 | \$ (2,902) | \$ 75,098 | \$ 78,800 | \$ 21,298 | \$ 21,298 | \$ 21,298 |

TECHNOLOGY FEE – COMMUNITY DEVELOPMENT

On November 12, 2009, the City of Capitola adopted a resolution establishing the Technology Fee. The fee is 5% of the Building, Community Development and Public Works permit fees. Permit processing in the City of Capitola is currently a paper process in the Community Development and Public Works departments and an outdated and antiquated computer process in the Building Department. All three departments need an upgrade to current computer software in order to provide the minimum service level the development community has come to expect when dealing with local government permitting. The industry standard is quickly becoming electronic communication, with the internet as the primary conduit between city services and our customers. Installing new web based software system will provide up-to-date communications, as well as improve in-house productivity. The system will better coordinate plan review activities among departments and will allow the public to inquire and search records and monitor progress of applications through the internet. The General Plan update and its ongoing maintenance will also benefit from the system's data resources and enhanced reporting capabilities. The City has identified a vendor and is in the process of updating its building and planning permit tracking software.

SOURCES AND USES

| Fund - 1317 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 11,288 | \$ 25,194 | \$ 35,737 | \$ 35,737 | \$ 39,337 | \$ 38,987 |
| Revenue | | | | | | |
| Charges for services | \$ 13,906 | \$ 10,543 | \$ 7,300 | \$ 8,600 | \$ 9,650 | \$ 9,650 |
| Revenue Totals | \$ 13,906 | \$ 10,543 | \$ 7,300 | \$ 8,600 | \$ 9,650 | \$ 9,650 |
| Expenditures | | | | | | |
| Contract services | \$ - | \$ - | \$ - | \$ - | \$ 5,000 | \$ - |
| Supplies | - | - | 5,000 | 5,000 | 5,000 | 5,000 |
| Expenditure Totals | \$ - | \$ - | \$ 5,000 | \$ 5,000 | \$ 10,000 | \$ 5,000 |
| Fund Balance at 06/30 | \$ 25,194 | \$ 35,737 | \$ 38,037 | \$ 39,337 | \$ 38,987 | \$ 43,637 |

PUBLIC EDUCATION & GOVERNMENT CABLE TV ACCESS (PEG) – CITY MANAGER

This Special Revenue Fund accounts for Public, Education & Government (PEG) cable television fees. The PEG Access fee from all cable service providers is 64 cents per Subscriber and is due to the City concurrent with the Franchise Fee Payments. The City is required to segregate PEG access fees and related purchases in a separate fund.

The funds received through PEG fees will be retained by the City and utilized for capital equipment purchases in support of PEG access only. PEG channels are set aside for the following purposes:

- Public: Available for use by the public
- Education: Available for use by educational institutions for educational programming
- Governmental: Used for programming by local governments

SOURCES AND USES

| Fund - 1320 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 77,935 | \$ 51,562 | \$ 51,151 | \$ 51,151 | \$ 31,251 | \$ 20,301 |
| Revenue | | | | | | |
| Licenses and permits | \$ 18,958 | \$ 18,704 | \$ 19,000 | \$ 19,000 | \$ 19,000 | \$ 19,000 |
| Use of money & property | 258 | 152 | 100 | 100 | 50 | 50 |
| Revenue Totals | \$ 19,216 | \$ 18,856 | \$ 19,100 | \$ 19,100 | \$ 19,050 | \$ 19,050 |
| Expenditures | | | | | | |
| Contract services | \$ 45,589 | \$ 19,267 | \$ 39,000 | \$ 39,000 | \$ 10,000 | \$ 10,000 |
| Capital Outlay | \$ - | \$ - | \$ - | \$ - | \$ 20,000 | \$ - |
| Expenditure Totals | \$ 45,589 | \$ 19,267 | \$ 39,000 | \$ 39,000 | \$ 30,000 | \$ 10,000 |
| Fund Balance at 06/30 | \$ 51,562 | \$ 51,151 | \$ 31,251 | \$ 31,251 | \$ 20,301 | \$ 29,351 |

CAPITOLA VILLAGE & WHARF BUSINESS IMPROVEMENT AREA (BIA) – FINANCE

In June 2005, the City of Capitola adopted Ordinance No. 889, which added Chapter 5.10 to the Capitola Municipal Code establishing the Capitola Village and Wharf Business Improvement Area (BIA). It was established to generate revenue for the sole purpose of promoting business in Capitola Village and on the Wharf. The governing State law requires certain annual actions and public hearing to continue this assessment district. The program is run with the assistances of a BIA Board of Directors. The BIA Directors will provide their budget proposal to Council in a separate document and public hearing during May and June 2014.

SOURCES AND USES

| Fund - 1321 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 5,456 | \$ 5,432 | \$ 2,244 | \$ 2,244 | \$ 1,264 | \$ 1,564 |
| Revenue | | | | | | |
| Charges for services | \$ 67,049 | \$ 68,890 | \$ 66,500 | \$ 65,000 | \$ 65,000 | \$ 65,500 |
| Use of money & property | 121 | 73 | - | 20 | - | - |
| Revenue Totals | \$ 67,170 | \$ 68,963 | \$ 66,500 | \$ 65,020 | \$ 65,000 | \$ 65,500 |
| Expenditures | | | | | | |
| Contract services | \$ 52,745 | \$ 57,226 | \$ 57,000 | \$ 55,500 | \$ 54,200 | \$ 54,200 |
| Supplies | 14,449 | 14,925 | 12,000 | 10,500 | 10,500 | 10,500 |
| Expenditure Totals | \$ 67,194 | \$ 72,151 | \$ 69,000 | \$ 66,000 | \$ 64,700 | \$ 64,700 |
| Fund Balance at 06/30 | \$ 5,432 | \$ 2,244 | \$ (256) | \$ 1,264 | \$ 1,564 | \$ 2,364 |

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) – COMMUNITY DEVELOPMENT

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The program is funded through the federal Department of Housing and Urban Development (HUD) and Capitola participates in the competitive Small Cities Grant Program administered by the California Department of Housing and Community Development.

Work has been completed on two prior \$35,000 City CDBG study grants, the Green Economy/Environmental Economic Analysis and 41st Avenue/Capitola Mall Re-Visioning Plan. The studies were incorporated into the City's General Plan update process, and allowed the City to focus efforts on specific planning for the redevelopment of the 41st Avenue corridor and mechanisms to boost the City's "green" employment sector. The Final Report for the Green Economy grant, "The Capitola Green Economy: Job Creation and a Sustainable Future," identified twenty-one strategies to be considered for incorporation into the city's General Plan Update and the Climate Action Plan as applicable. The Report estimates that if all twenty-one strategies were implemented, Capitola could attract from 150 to 600 additional jobs through 2035. The Final Report was accepted by the City Council in November 2011.

The City was also awarded a 2008 Disaster Recovery Initiative (DRI) grant from the California Community Development Block Grant program for \$250,000 for development of the City's Local Hazard Mitigation Plan (LHMP) and Safety Element of the General Plan Update. The grant plan also includes a review of relocating emergency responders at the current City Hall site, a sea level rise analysis, and coordination of the LHMP with the General Plan Update, the Local Coastal Plan, and the Climate Action Plan. Work is concluding on both portions of the grant and is expected to be completed by the end of Fiscal Year 13-14.

SOURCES AND USES

| Fund - 1350 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|--------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ (4,067) | \$ (21,553) | \$ 10,457 | \$ 10,457 | \$ 7,457 | \$ 7,457 |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ 151,280 | \$ 108,827 | \$ 55,620 | \$ 26,949 | \$ - | \$ - |
| Revenue Totals | \$ 151,280 | \$ 108,827 | \$ 55,620 | \$ 26,949 | \$ - | \$ - |
| Expenditures | | | | | | |
| Contract services | \$ 168,766 | \$ 76,817 | \$ 20,000 | \$ 29,949 | \$ - | \$ - |
| Expenditure Totals | \$ 168,766 | \$ 76,817 | \$ 20,000 | \$ 29,949 | \$ - | \$ - |
| Fund Balance at 06/30 | \$ (21,553) | \$ 10,457 | \$ 46,077 | \$ 7,457 | \$ 7,457 | \$ 7,457 |

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) PROGRAM INCOME – COMMUNITY DEVELOPMENT

This special revenue fund accounts for issuance and repayment of CDBG-funded housing loans made by the City to income-qualifying households. These funds are referred to as CDBG Program Income. CDBG Program Income must be used for CDBG-approved purposes. The three primary sources of CDBG Program Income are the payoff of Loma Vista Mobile Home Park resident loans, CDBG-funded First Time Homebuyer Program loans, and CDBG-funded Rehabilitation Program loans.

If the total amount of Program Income received in any fiscal year is less than \$25,000, the funds received are not subject to Federal CDBG regulations. If the amount exceeds \$25,000, all Program Income received during that fiscal year is restricted to CDBG-approved Federal spending guidelines. Fiscal Year 07/08 was the last time the City qualified under this requirement. The applicable funds have since been distributed and the restricted fund closed.

In FY14/15, the City does not anticipate receiving more than \$25,000 in Program Income revenue. Fund balance will return to a positive balance as loans are repaid to the fund.

SOURCES AND USES

| Fund - 1351 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|--------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ (15,439) | \$ (18,379) | \$ (13,909) | \$ (13,909) | \$ (2,840) | \$ (2,840) |
| Revenue | | | | | | |
| Use of money & property | \$ 10 | \$ 6,970 | \$ - | \$ 14,069 | \$ - | \$ - |
| Revenue Totals | \$ 10 | \$ 6,970 | \$ - | \$ 14,069 | \$ - | \$ - |
| Expenditures | | | | | | |
| Contract services | \$ 2,950 | \$ 2,500 | \$ 5,000 | \$ 3,000 | \$ - | \$ - |
| Expenditure Totals | \$ 2,950 | \$ 2,500 | \$ 5,000 | \$ 3,000 | \$ - | \$ - |
| Fund Balance at 06/30 | \$ (18,379) | \$ (13,909) | \$ (18,909) | \$ (2,840) | \$ (2,840) | \$ (2,840) |

HOME PROGRAM REUSE – COMMUNITY DEVELOPMENT

This special revenue fund accounts for revenue from the repayment of Federal Home Investments Partnership Program (HOME) loans. Expenditures in this fund must be used for affordable housing activities in accordance with the Federal HOME Program Reuse Guidelines.

Ongoing revenue of \$12,200 represents principal and interest payments on the 30 year \$238,000 Wharf Road Manor Mobile Home Park Acquisition and Rehabilitation Project loan. The funds were loaned in October, 2004 with payments deferred until January, 2008 after completion of on-site rehabilitation work, including hazardous material abatement and demolition of a building on site, and installation of two new mobile homes.

SOURCES AND USES

| | FY11/12 | FY12/13 | FY13/14 | FY13/14 | FY14/15 | FY15/16 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Adopted | Estimated | Adopted | Planned |
| Fund - 1370 | | | | | | |
| Beginning Fund Balance | \$ 5,129 | \$ 8,207 | \$ 23,221 | \$ 23,221 | \$ 37,282 | \$ 46,382 |
| Revenue | | | | | | |
| Use of money & property | \$ 12,306 | \$ 15,014 | \$ 12,300 | \$ 25,231 | \$ 12,300 | \$ 12,300 |
| Revenue Totals | \$ 12,306 | \$ 15,014 | \$ 12,300 | \$ 25,231 | \$ 12,300 | \$ 12,300 |
| Expenditures | | | | | | |
| Contract services | \$ - | \$ - | \$ 5,000 | \$ 6,400 | \$ 3,200 | \$ 3,200 |
| Grants and Subsidies | 9,228 | - | - | - | - | - |
| Other financing uses | - | - | - | 4,770 | - | - |
| Expenditure Totals | \$ 9,228 | \$ - | \$ 5,000 | \$ 11,170 | \$ 3,200 | \$ 3,200 |
| Fund Balance at 06/30 | \$ 8,207 | \$ 23,221 | \$ 30,521 | \$ 37,282 | \$ 46,382 | \$ 55,482 |

HOME GRANT – COMMUNITY DEVELOPMENT

In January 2009, the City of Capitola entered into a Standard Agreement with the California Department of Housing and Community Development for a HOME grant in the amount of \$2,000,000 for rehabilitation expenses related to the 109-unit Bay Avenue Senior Apartments Project. Construction of the project was completed in May 2011. \$100,000 of the grant was used to cover administrative costs for the project. The balance of the grant was provided to First Community Housing, the Bay Avenue Senior Apartments project developer, as a residual receipts loan at 3% interest. In May, 2011, the HOME program increased the grant award by \$1.2 million dollars to cover additional costs related to required rent level revisions, which are lower than estimated in the original pro-forma. The grant funds have been received and dispersed.

SOURCES AND USES

| Fund - 1371 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|---------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 5,230 | \$ 5,230 | \$ (4,770) | \$ (4,770) | - | - |
| Revenue | | | | | | |
| Intergovernmental | \$ 1,091,276 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other financing | - | - | - | 4,770 | - | - |
| Revenue Totals | \$ 1,091,276 | \$ - | \$ - | \$ 4,770 | \$ - | \$ - |
| Expenditures | | | | | | |
| Contract services | \$ 25,577 | \$ 10,000 | \$ 3,200 | \$ - | \$ - | \$ - |
| Grants and Subsidies | 1,065,699 | - | - | - | - | - |
| Expenditure Totals | \$ 1,091,276 | \$ 10,000 | \$ 3,200 | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$ 5,230 | \$ (4,770) | \$ (7,970) | \$ - | \$ - | \$ - |

HOUSING TRUST – COMMUNITY DEVELOPMENT

As part of the City’s ongoing efforts to provide affordable housing the City Council adopted an Inclusionary Housing Ordinance on November 10, 2004. This ordinance created an Affordable Housing Trust Fund, funded from in-lieu fees, which can be used to provide a local, flexible source of funding for the creation of new affordable housing, the rehabilitation of existing affordable housing, for the funding of local programs to assist lower and moderate income purchasers find affordable housing, and for use as leverage of local funds for larger State and Federal grants. The in-lieu fees collected will depend on the amount of development that occurs. The fees are a source of funding for affordable housing and will not impact the General Fund.

The Affordable Inclusionary Housing Ordinance refers to a City Municipal Code Section that requires that fifteen percent (15%) of the units in a new for- sale residential construction project be made available to low or moderate-income buyers. Condominium conversion projects are also covered under this Ordinance. As outlined in the Ordinance, project developers provide the affordable set aside units or under certain conditions can pay an in-lieu fee..

The City’s Housing Trust Fund allows for up to \$75,000 per year to be spent on affordable housing program administration. This includes working with developers on fee collection, administration of the Housing Trust Fund, and implementation of the Inclusionary Ordinance.

SOURCES AND USES

| Fund - 1372 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 343,132 | \$ 176,341 | \$ 184,049 | \$ 184,049 | \$ 128,049 | \$ 75,049 |
| Revenue | | | | | | |
| Charges for services | \$ 9,647 | \$ 45,008 | \$ 40,000 | \$ 20,000 | \$ 12,000 | \$ 12,000 |
| Use of money & property | - | 17,700 | - | - | - | - |
| Revenue Totals | \$ 9,647 | \$ 62,708 | \$ 40,000 | \$ 20,000 | \$ 12,000 | \$ 12,000 |
| Expenditures | | | | | | |
| Contract services | \$ 16,200 | \$ 5,000 | \$ 19,000 | \$ 26,000 | \$ 15,000 | \$ 12,000 |
| Supplies | 341 | - | - | - | - | - |
| Grants and Subsidies | 159,897 | - | - | - | - | - |
| Other Financing Uses | - | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Expenditure Totals | \$ 176,438 | \$ 55,000 | \$ 69,000 | \$ 76,000 | \$ 65,000 | \$ 62,000 |
| Fund Balance at 06/30 | \$ 176,341 | \$ 184,049 | \$ 155,049 | \$ 128,049 | \$ 75,049 | \$ 25,049 |

BEGIN GRANT – COMMUNITY DEVELOPMENT

In February 2008, the City entered into a Standard Agreement with the California Department of Housing and Community Development (HCD) for a grant commitment from the Building Equity and Growth in Neighborhoods (BEGIN) Program in the amount of \$240,000. The exclusive purpose of the grant is to assist in the provision of First Time Homebuyer Loans for the eight Inclusionary housing units that were built as a part of the 55-unit Capitola Beach Villas condominium project on 41st Ave. Due to financial hardship, the ownership of the completed project was transferred and the sale of the individual units delayed. In FY 08/09, \$60,000 of the \$240,000 was released to the City. These funds were returned to HCD in FY 12/13.

SOURCES AND USES

| Fund - 1380 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ 59,977 | \$ 60,171 | \$ - | \$ - | \$ - | \$ - |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ - | \$ (60,000) | \$ - | \$ - | \$ - | \$ - |
| Use of money & property | 171 | (171) | - | - | - | - |
| Revenue Totals | \$ 171 | \$ (60,171) | \$ - | \$ - | \$ - | \$ - |
| Expenditures | | | | | | |
| Supplies | \$ (23) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenditure Totals | \$ (23) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$ 60,171 | \$ - | \$ - | \$ - | \$ - | \$ - |

CAPITOLA HOUSING SUCCESSOR - COMMUNITY DEVELOPMENT

In 2011, the California State Legislature passed ABX1 26 to dissolve redevelopment agencies. The legislation was contested and upheld by the California Supreme Court. It requires a number of actions to be taken by the city in the winding down of the RDA. Among other things, it allows cities to elect to retain the former RDA Low and Moderate Income Housing Fund. The Capitola City Council elected to retain the former RDA Housing with the following new city special revenue fund, The Capitola Housing Successor.

A further requirement of the legislation is the establishment of a program income fund to segregate any loan payoffs received by the Housing Successor after the dissolution of the Redevelopment Agency. As these funds were initially restricted in their use, repayment, and reuse; this newly established program income fund continues this restriction. As payments are received on loans associated with the original RDA Low and Moderate Income Housing Fund; and the Capitola Housing Successor, the revenue received is applied to the Capitola Housing Successor's fund balance.

SOURCES AND USES

| Fund - 5552 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY14/15 Adopted | FY15/16 Planned |
|-------------------------------|-------------------|-------------------|--------------------|----------------------|--------------------|--------------------|
| Beginning Fund Balance | \$ - | \$ 1,427 | \$ 80,197 | \$ 80,197 | \$ 56,992 | \$ 11,992 |
| Revenue | | | | | | |
| Use of money & property | \$ 17,256 | \$ 84,407 | \$ - | \$ 30,195 | \$ - | \$ - |
| Other revenues | 2,124 | 1,000 | - | 500 | - | - |
| Extraordinary items | (697) | - | - | - | - | - |
| Revenue Totals | \$ 18,683 | \$ 85,407 | \$ - | \$ 30,695 | \$ - | \$ - |
| Expenditures | | | | | | |
| Contract Services | \$ - | \$ 5,000 | \$ 13,200 | \$ 13,200 | \$ 10,000 | \$ 10,000 |
| Training & Memberships | - | - | 500 | 500 | - | - |
| Supplies | - | - | 200 | 200 | - | - |
| Grants and Subsidies | 17,256 | 1,637 | - | 40,000 | 35,000 | - |
| Expenditure Totals | \$ 17,256 | \$ 6,637 | \$ 13,900 | \$ 53,900 | \$ 45,000 | \$ 10,000 |
| Fund Balance at 06/30 | \$ 1,427 | \$ 80,197 | \$ 66,297 | \$ 56,992 | \$ 11,992 | \$ 1,992 |

RESERVES



Reserves

Emergency Reserves (Finance Department): The Emergency Reserve Fund was established by the City Council to accumulate funds to meet future unanticipated needs. The City of Capitola Administrative Policy III-3, Financial Management Policy, was amended on February 28, 2013, to increase the required level of Emergency Reserves from 5% to 10% of operating expenditures.

Contingency Reserve (Finance Department): The Contingency Reserve Fund was established by the City Council to accumulate a prudent level of financial resources to protect the City against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The City of Capitola Administrative Policy III-3, Financial Management Policy, was amended on February 28, 2013, to increase the level of Contingency Reserves from 10% to 15% of operating expenditures.

Facilities Reserve (Finance Department): The Facilities Reserve Fund was established to serve as a resource to fund capital improvements and major repairs on City facilities. Based on the National Research Council Stewardship of Federal Facility guidelines, the City's goal is to provide annual contributions equal to 2% of the facility replacement values. This annual contribution will be determined each budget year. The City is anticipated to formalize a funding policy in FY 14/15.

Emergency Reserves

The City of Capitola adopted an Emergency Reserve Policy as part of the City's Financial Management Policies. This reserve was established to protect against significant one-time costs which may arise from major unpredictable emergency events. In FY 12/13, the City amended the Financial Management Policies to increase the funding level of Emergency Reserves from 5% to 10% of the General Fund budgeted expenditures, with full funding originally expected in FY 16/17. Due to increased General Fund performance and resulting additional transfers, it is anticipated this goal will be achieved in FY 15/16.

The Emergency Reserve fund was nearly depleted in March of 2011 due to an underground storm drain failure that flooded Capitola Village and the surrounding area. The City was required to recognize a \$1.4 million extraordinary loss on the FY 10/11 and FY 11/12 financial statements. An additional \$200,000 was needed to fund a related retaining wall project. While CalEMA and FEMA did on-site assessments of the disaster, no funding for repairs was awarded by either agency. In FY 12/13, a settlement was reached with the City's insurance carrier to pay \$1.35 million in damages to the City.

The March, 2011 pipe failure repairs were paid for from the City's Emergency Reserve Fund. As funding in the Emergency Reserve Fund fell short of the flood-related costs, additional funding to respond to the flood event was provided through interfund loans from the Contingency Reserve Fund and CIP. In FY 11/12, the Emergency Reserve Fund balance was \$410,000 lower than the targeted balance. In FY 12/13, funds were transferred from the internal service funds, Measure O revenue receipts, and the General Fund operating balance to assist in replenishing the reserves.

In FY 14/15 and FY 15/16, contributions of \$465,100 and \$216,000 respectively, have been budgeted to meet the new targeted level, while providing support for any unforeseeable emergencies.

SOURCES AND USES

| Fund - 1020 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 134,677 | \$156,046 | \$569,706 | \$569,706 | \$584,106 | \$1,049,206 |
| Revenue | | | | | | |
| Other Financing Sources | \$867,500 | \$413,750 | \$154,400 | \$214,400 | \$465,100 | \$216,000 |
| Revenue Totals | \$867,500 | \$413,750 | \$154,400 | \$214,400 | \$465,100 | \$216,000 |
| Expenditures | | | | | | |
| Contract Services | \$614,762 | \$90 | \$ - | \$ - | \$ - | \$ - |
| Supplies | 7,870 | - | - | - | - | - |
| Other Financing Uses | 223,500 | - | 200,000 | 200,000 | - | - |
| Expenditure Totals | \$846,131 | \$90 | \$ 200,000 | \$ 200,000 | \$ - | \$ - |
| Fund Balance at 06/30 | \$156,046 | \$569,706 | \$524,106 | \$584,106 | \$1,049,206 | \$1,265,206 |

Calculation of Funding Target

| | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gen. Fund Expense - Excludes Transfe | \$11,322,080 | \$11,605,426 | \$12,021,865 | \$11,777,438 | \$12,011,336 | \$12,395,898 |
| Designated at 10% in FY 13/14 | 5% | 5% | 10% | 10% | 10% | 10% |
| Target Balance | \$566,104 | \$580,271 | \$1,202,187 | \$1,177,744 | \$1,201,134 | \$1,239,590 |
| Over or Short of Target | (\$410,058) | (\$10,566) | (\$678,081) | (\$593,638) | (\$151,928) | \$25,616 |

⁽¹⁾ In the FY 13/14 Amended Budget \$420,000 related to the POB expiring in December 2017 was removed from the target calculation.

Contingency Reserves

The City of Capitola adopted a Contingency Reserve Policy as part of the City's Financial Management Policies. This reserve was established to provide a prudent level of financial resources to protect against temporary revenue shortfalls, unanticipated operating costs, and/or to meet short-term cash flow requirements. In FY 12/13, the City amended the Financial Management Policies to increase the Contingency Reserve funding target from 10% to 15% of the General Fund budgeted expenditures, with full funding originally expected in FY 16/17. Due to increased General Fund performance and resulting additional transfers, it is anticipated this goal will be achieved in FY 15/16.

Due to expenses associated with the March 2011 pipe failure, the Contingency Reserve balance was nearly depleted. A loan was made from the Contingency Reserves to the Emergency Reserves to assist with emergency repairs. As a result, Contingency Reserves were \$727,000 below their Financial Management Policy funding goal in FY 11/12. In FY 12/13, funds were transferred from the Internal Service Funds, Measure O revenue receipts, and the General Fund operating balance to assist in replenishing and building the reserves.

In FY 14/15 and FY 15/16, a total of \$239,600 has been budgeted to meet the new Contingency Reserve targeted levels.

SOURCES AND USES

| Fund - 1010 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 934,896 | \$404,896 | \$1,222,646 | \$1,222,646 | \$1,621,346 | \$1,803,946 |
| Revenue | | | | | | |
| Other Financing Sources | \$ - | \$817,750 | \$308,700 | \$398,700 | \$182,600 | \$57,000 |
| Revenue Totals | \$ - | \$817,750 | \$308,700 | \$398,700 | \$182,600 | \$57,000 |
| Expenditures | | | | | | |
| Other Financing Uses | \$530,000 | - | - | - | - | - |
| Expenditure Totals | \$530,000 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$404,896 | \$1,222,646 | \$1,531,346 | \$1,621,346 | \$1,803,946 | \$1,860,946 |

Calculation of Funding Target

| | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gen. Fund Expense - Excludes Transfr | \$11,322,080 | \$11,605,426 | \$12,021,865 | \$11,777,438 | \$12,011,336 | \$12,395,898 |
| Designated at 10% in FY 13/14 | 10% | 10% | 15% | 15% | 15% | 15% |
| Target Balance | \$1,132,208 | \$1,160,543 | \$1,803,280 | \$1,766,616 | \$1,801,700 | \$1,859,385 |
| Over or Short of Target | (\$727,312) | \$62,103 | (\$271,934) | (\$145,270) | \$2,246 | \$1,561 |

⁽¹⁾ In the FY 13/14 Amended Budget \$420,000 related to the POB expiring in December 2017 was removed from the target calculation.

Facilities Reserve

The Facilities Reserve Fund was established in FY 14/15 to serve as a resource to fund capital improvements and major repairs on City facilities. The National Research Council Stewardship of Federal Facilities recommends setting aside 2-4% of building replacement costs to preserve or extend the life of facilities. The estimated replacement value of the City's facilities is \$17.5 million. While the City is in the process of adopting a formal Facilities Reserve policy, the initial goal is to target 2% or a \$350,000 annual contribution to the Facilities Reserve Fund. The City is anticipated to formalize a funding policy in FY 14/15.

As facility projects are approved, funds will be transferred to the CIP Fund for project implementation. The annual contribution, along with designation of projects will be determined each budget year. As part of the FY 14/15 budget process, a \$167,000 transfer was approved to establish the account. In addition, \$75,000 was transferred to the CIP fund for the City Hall Community Room Project, which includes remodeling the community room, providing entry way improvements, and planting drought tolerant landscaping.

| SOURCES AND USES | | | | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------------|------------------|--|
| Fund - 1025 | FY11/12 | FY12/13 | FY13/14 | FY13/14 | FY 14/15 | FY15/16 | |
| | Actual | Actual | Adopted | Estimated | Adopted | Planned | |
| Beginning Fund Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 87,000 | |
| Revenue | | | | | | | |
| Other financing sources | \$ - | \$ - | \$ - | \$ - | \$ 167,000 | \$ - | |
| Revenue Totals | \$ - | \$ - | \$ - | \$ - | \$ 167,000 | \$ - | |
| Expenditures | | | | | | | |
| Other Financing Uses | \$ - | \$ - | \$ - | \$ - | 80,000 | - | |
| Expenditure Totals | \$ - | \$ - | \$ - | \$ - | \$ 80,000 | \$ - | |
| Fund Balance at 06/30 | \$ - | \$ - | \$ - | \$ - | \$ 87,000 | \$ 87,000 | |

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MULTI-YEAR ASSETS & OBLIGATIONS



MULTI-YEAR ASSETS & OBLIGATIONS

City & Joint Powers Authority (JPA) Multi-Year Obligations: The City of Capitola has seven multi-year obligations, two of which are as part of a Joint Powers Authority. The obligations are paid from various funding sources.

2007 Pension Obligation Bonds: The City of Capitola issued Taxable Pension Obligation Bonds of \$5,040,000 dated July 13, 2007 to finance the public employee retirement system (PERS) unfunded liability.

OPEB Trust Fund: The City of Capitola has an actuarially accrued liability of \$ 657,500 for Other Post Employment Benefits (OPEB). The City approved partially prefunding the actuarially accrued liability in FY 13/14. The balance presented reflects the deposits made into the OPEB Trust Fund, net of administrative expenses and/or interest earnings.

Pacific Cove Lease Financing: In March 2011, a pipe failure flooded the City-owned Pacific Cove Mobile Home Park. The City of Capitola entered into a \$2,390,000 lease/sublease agreement to finance the relocation of mobile home residents and close the park.

Beach and Village Parking Lot II: The City of Capitola initiated a \$1,372,500 California Infrastructure and Economic Development Bank (I-Bank) loan to fund the development of a parking lot and related improvements at the site of the former Pacific Cove Mobile Home Park.

CITY & JOINT POWERS AUTHORITY MULTI-YEAR ASSET AND OBLIGATION LISTING

The City of Capitola has seven multi-year obligations, two of which are as part of a Joint Powers Authority. The obligations are paid from various funding sources. All obligations are shown in the budgets of the applicable funds and all payments are current.

The anticipated obligations at June 30, 2014 are as follows:

| City Multi-Year Obligations | Principal balance as of June 30, 2014 | Form of payment | Original Obligation | Other Terms |
|---|---|------------------------------|------------------------|--|
| Current employee compensated absences (a) | \$648,413 | Accrual | Ongoing | On-going. No interest due. (Refer to Compensated Absence Fund) |
| Other Post Employment Benefits (OPEB) - Capitola Retiree Healthcare Plan (CRHP) | \$657,500 | Financial Statement Footnote | Ongoing | The City of Capitola's OPEB unfunded actuarial accrued liability was determined to be \$1 million under the pay-as-you-go funding option at the inception of GASB 45. The City approved partially prefunding the actuarially accrued liability in FY 2013/14. The City continues to contribute the PEMHCA minimum required monthly payment of \$119 per retiree on PERS Health for 2014. |
| Pension Obligation Bond | \$ 2,375,000 | PERS payments | 10 | Originally a CalPERS 18 year, 7.75% liability, refinanced as a POB. Balance at June 30, 2014 reflects year 7 of the 10 year bond term. |
| Pacific Cove Lease Financing | \$ 1,751,467 | Financing Lease | 20 | 20 year term, 3.25% fixed rate through 10 years, then resets to 10 Yr. T-Bill + 1.5%. |
| Beach & Village Parking Lot II Lease Financing | \$ 1,372,500 | Tax Exempt Lease | 20 | 20 year term, fixed 2.26% interest. The \$1,372,500 lBank loan, begins FY 13/14. |
| Total City Multi-Year Obligation | \$ 6,804,880 | | | |

(a) Compensated absences are through 6/30/2013.

| JPA Bond Obligations | Original Principal | Form of payment | Original Obligation | Other Terms |
|---|-----------------------|--------------------------------------|------------------------|--|
| Monterey Bay Area Self-Insurance Authority (MBASIA) JPA Bond | \$ 5,150,000 | JPA membership and paid via premiums | 30 | On Oct. 1, 2004, MBASIA issued debt in the amount of \$5.150,000. Each year the debt service is included in the MBASIA budget and used to determine each member agency's premium. While the MBASIA debt is amortized over 30 years, the first fixed term is for five years. At the end of this initial five year term MBASIA has the option to a 30 day variable payment, indexed to 60 basis points above LIBOR or negotiate another fixed term for a yet to be determined interest rate. |
| Santa Cruz Consolidated Emergency Communications Center (SCCECC) JPA Bond | \$ 3,965,000 | JPA membership and paid via premiums | 22 | In 2002, SCCECC issued lease revenue refunding bonds in the amount of \$5,760,000. This was refinanced in April, 2012 for \$3,965,000. Each member agency entered into a Use Agreement which obligates the member agencies to pay use payments each year as rental for the use and occupancy of the related facilities. These payments are included in the City's contract services budget to SCCECC. The Use Agreement between Capitola and SCCECC is effective through 2024. |

DEBT SERVICE 2007 PENSION OBLIGATION BOND

The City of Capitola contracts with California Public Employee Retirement Systems (“PERS”) for two retirement plans: Safety Plan for sworn police personnel and Miscellaneous Plan for all other employees. Contribution rates for each plan are the “normal cost” for the plan, (i.e. the cost the City would incur if provisions of the plan don’t change, actuarial assumptions are accurate and the return on investment is as expected) plus the City’s pension cost related to each plan’s “funded status.”

In 2003, Risk Pooling was implemented as part of the PERS actuarial valuation process. This pooling program was designed to protect small employers against large fluctuation in employer contribution rates caused by unexpected demographic events. Like many other public agencies with less than 100 members in each plan, the City of Capitola entered two separate risk pools for Safety and Miscellaneous employees. All existing agency Unfunded Actuarial Accrued Liabilities (the “Prior UAAL”) were placed in side funds (the “Side Fund”) as the responsibility of the individual agency, in addition to UAAL’s that could accrue from the risk pool. The side fund functions similar to a loan, with an 18 year life at the current PERS interest rate of 7.75%; and annual payments expressed as a percentage of payroll. At June 30, 2007, the City of Capitola’s UAAL totaled \$5,912,220, with \$3.0 million attributed to the Safety Plan and \$2.9 million allotted to the Miscellaneous Plan. On July 13, 2007, the PERS UAAL obligation through June 30, 2007 was paid off, with financing from \$1 million in City funds and \$5,040,000 of taxable pension obligation bonds (POB). The terms of the POB include an interest rate of 6.09%, a 10-year payment schedule, and level debt service payments.

SOURCES AND USES

| Fund - 1410 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|--------------------|--------------------|---------------------|----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$252,932 | \$480,426 | \$480,834 | \$ 480,834 | \$ 482,214 | \$483,514 |
| Revenue | | | | | | |
| Other Financing | \$900,500 | \$672,874 | \$673,800 | \$ 676,100 | \$ 674,200 | \$671,100 |
| Revenue Totals | \$900,500 | \$672,874 | \$673,800 | \$ 676,100 | \$ 674,200 | \$671,100 |
| Expenditures | | | | | | |
| Contract Services | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| Debt Service | 671,506 | 670,966 | 673,300 | 673,220 | 671,400 | 667,700 |
| Expenditure Totals | \$673,006 | \$672,466 | \$674,800 | \$ 674,720 | \$ 672,900 | \$669,200 |
| Fund Balance at | \$480,426 | \$480,834 | \$479,834 | \$ 482,214 | \$ 483,514 | \$485,414 |

2007 Taxable Pension Obligation Bond Debt Service

| Payment Dates | Principal | Interest | Total | Fiscal Year |
|------------------|---------------------|---------------------|---------------------|---------------------|
| 2/1/2008 | | \$ 166,597 | \$ 166,597 | \$ 166,597 |
| 8/1/2008 | \$ 370,000 | \$ 151,452 | \$ 521,452 | |
| 2/1/2009 | | \$ 140,334 | \$ 140,334 | \$ 661,786 |
| 8/1/2009 | \$ 405,000 | \$ 140,334 | \$ 545,334 | |
| 2/1/2010 | | \$ 128,163 | \$ 128,163 | \$ 673,497 |
| 8/1/2010 | \$ 435,000 | \$ 128,163 | \$ 563,163 | |
| 2/1/2011 | | \$ 115,092 | \$ 115,092 | \$ 678,255 |
| 8/1/2011 | \$ 455,000 | \$ 115,092 | \$ 570,092 | |
| 2/1/2012 | | \$ 101,419 | \$ 101,419 | \$ 671,510 |
| 8/1/2012 | \$ 485,000 | \$ 101,419 | \$ 586,419 | |
| 2/1/2013 | | \$ 86,845 | \$ 86,845 | \$ 673,263 |
| 8/1/2013 | \$ 515,000 | \$ 86,845 | \$ 601,845 | |
| 2/1/2014 | | \$ 71,369 | \$ 71,369 | \$ 673,213 |
| 8/1/2014 | \$ 545,000 | \$ 71,369 | \$ 616,369 | |
| 2/1/2015 | | \$ 54,992 | \$ 54,992 | \$ 671,360 |
| 8/1/2015 | \$ 575,000 | \$ 54,992 | \$ 629,992 | |
| 2/1/2016 | | \$ 37,713 | \$ 37,713 | \$ 667,704 |
| 8/1/2016 | \$ 610,000 | \$ 37,713 | \$ 647,713 | |
| 2/1/2017 | | \$ 19,382 | \$ 19,382 | \$ 667,095 |
| 8/1/2017 | \$ 645,000 | \$ 19,382 | \$ 664,382 | \$ 664,382 |
| TOTAL | \$ 5,040,000 | \$ 1,828,663 | \$ 6,868,663 | \$ 6,868,663 |

DEBT SERVICE OPEB TRUST FUND

The City's defined benefit postemployment healthcare plan provides a contribution to medical benefit costs for eligible retired City employees and spouses. The City has historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA) on a pay-as-you go basis. The monthly contribution for each eligible retired employee is \$119 for calendar year 2014 and \$122 for calendar year 2015.

In accordance with GASB 45, the City has accrued an OPEB liability based on an actuarial determined amount. As of June 30, 2014, the actuarially accrued liability is anticipated to be \$657,500.

In FY13/14, the City budgeted \$30,000 to begin prefunding the actuarially accrued liability through (California Public Employees Retirement Benefit Trust Fund (CERBT). The City Council approved the prefunding on March 27, 2014 for an initial \$42,000. Prefunding will allow the City to substantially reduce its unfunded actuarially accrued liability and increase its return on investment. The actuarially calculated discount rate for prefunding is 7.5% versus the 4.5% of the prior pay-as-you-go method. In determining to use CERBT, the City considered the option that best minimizes risk, produces the best investment return and provides the most effective trust administrative fees. The following table references the estimated value of the OPEB Trust fund contributions, net of administrative costs and interest earnings.

SOURCES AND USES

| Fund - 1430 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|------------------------------|--------------------|--------------------|---------------------|----------------------|---------------------|---------------------|
| Beginning Fund | \$ - | \$ - | \$ - | \$ - | \$ 42,000 | \$ 81,500 |
| Revenue | | | | | | |
| Other Financing Sources | - | - | 30,000 | 42,000 | 39,500 | 38,600 |
| Revenue Totals | \$ - | \$ - | \$ 30,000 | \$ 42,000 | \$ 39,500 | \$ 38,600 |
| Expenditures | | | | | | |
| Contract Services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt Service | - | - | - | - | - | - |
| Expenditure Totals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balance at 06/30 | \$ - | \$ - | \$ 30,000 | \$ 42,000 | \$ 81,500 | \$120,100 |

City of Capitola Retiree Health Plan
ARC Minus Benefits Contributed End of Year Assumed
Investment Income at 7.5% per Year
ARC Increases with Payroll at 3% per Year

| Fiscal Yr Begin | Number Retirees | Annual Benefits | City ARC | Assets End of Year |
|----------------------------|----------------------------|----------------------------|---------------------|-------------------------------|
| 2013 | 21 | 29,800 | 69,900 | 40,100 |
| 2014 | 22 | 32,500 | 72,000 | 82,600 |
| 2015 | 23 | 35,600 | 74,200 | 127,400 |
| 2016 | 25 | 38,700 | 76,400 | 174,700 |
| 2017 | 26 | 42,200 | 78,700 | 224,300 |
| 2018 | 27 | 45,600 | 81,100 | 276,600 |
| 2019 | 28 | 49,200 | 83,500 | 331,600 |
| 2020 | 29 | 52,900 | 86,000 | 389,600 |
| 2021 | 29 | 56,400 | 88,600 | 451,000 |
| 2022 | 30 | 60,000 | 91,300 | 516,100 |
| 2023 | 31 | 63,900 | 94,000 | 584,900 |
| 2024 | 31 | 67,700 | 96,800 | 657,900 |
| 2025 | 32 | 71,400 | 99,700 | 735,500 |
| 2026 | 32 | 75,400 | 102,700 | 818,000 |
| 2027 | 33 | 79,500 | 105,800 | 905,700 |
| 2028 | 33 | 83,000 | 109,000 | 999,600 |

Source: Steven T. Itelson, Consulting Actuary

DEBT SERVICE PACIFIC COVE LEASE FINANCING

The City of Capitola owns the property at 426 Capitola Avenue, formerly Pacific Cove Mobile Home Park. At that time, the Park included 44 spaces and 41 mobile homes. On March 24, 2011 following a heavy storm, a 72" storm drain that carries Noble Gulch Creek water from Bay Avenue to Soquel Creek catastrophically failed resulting in a flood of the Pacific Cove Mobile Home Park, City Hall and the Village. The initial estimate to bring the Park to a temporary operable condition for one year was \$255,275; and \$1.33 million to bring the Park up to current code. Due to the high cost and potential for future liability, Capitola City Council approved a Relocation Impact Report (RIR) for the closure of Pacific Cove Mobile Home Park on January 12, 2012. The RIR estimated the cost of relocating residents, including the services of a professional relocation consultant to help Park residents find suitable replacement housing.

In order to provide financing for this project, the City executed a \$2.39 million lease/sublease agreement using the existing City Hall site and adjacent parking lot, as the subject property. The City verified income status as part of the relocation process; and determined that a percentage of Housing Trust Fund monies could be used to repay the debt service at a proportion no greater than the number of low income mobile home occupants. The funding sources for debt service payments will be determined annually. Any General Fund monies for the share of allowable costs from other funding sources may be reimbursed in subsequent years as funds become available.

At the time the loan was issued, there was some uncertainty as to whether the property would be developed for public or private use. This resulted in the City entering into a 20-year taxable lease/sublease agreement at an interest rate of 5.14%. In FY 12/13, the City determined that the site would be converted to a public parking lot, now named Beach & Village Parking Lot I (BVPL I). This public use allowed the City to refinance the existing debt at a 3.25% tax-exempt interest rate with a Treasury Bill reset + 1.5% in year 10. As a result of the refinancing, annual loan payments was reduced by approximately \$28,000, with an estimated nine-year interest savings of approximately \$350,000. In FY 12/13 the City reached a \$1.35 million insurance settlement related to the pipe failure. This resulted in a principal reduction of \$476,200, with a prepayment penalty of \$23,800.

SOURCES AND USES

| Fund - 1420 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|-------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ - | \$ 1,432,601 | \$ 414,853 | \$ 414,853 | \$ 319,788 | \$ 319,787 |
| Revenue | | | | | | |
| Use of money & property | \$ 2,976 | \$ 2,262 | \$ - | \$ - | \$ - | \$ - |
| Other Financing Sources | 2,390,000 | 701,125 | 149,482 | 149,482 | 165,065 | 165,065 |
| Revenue Totals | \$ 2,392,976 | \$ 703,387 | \$ 149,482 | \$ 149,482 | \$ 165,065 | \$ 165,065 |
| Expenditures | | | | | | |
| Contract Services | \$ 916,981 | \$ 1,006,011 | \$ 298,770 | \$ 95,065 | \$ - | \$ - |
| Debt Service | 43,394 | 715,124 | 149,482 | 149,482 | 165,066 | 165,066 |
| Expenditure Totals | \$ 960,375 | \$ 1,721,135 | \$ 448,252 | \$ 244,547 | \$ 165,066 | \$ 165,066 |
| Fund Balance at 06/30 | \$ 1,432,601 | \$ 414,853 | \$ 116,083 | \$ 319,788 | \$ 319,787 | \$ 319,786 |

Expenditures related to the Pacific Cove Leasing Financing are listed in the table below:

| Pacific Cove Financing Lease Expenditures | FY11/12 Actual | FY12/13 Actual | FY13/14 Amended | Total |
|--|-----------------------|-----------------------|------------------------|---------------------|
| Relocation Services | \$ 133,144 | \$ 126,814 | \$ 8,955 | \$ 268,913 |
| Coach Purchase Costs | 168,115 | 452,196 | 7,460 | 627,771 |
| Purchase Price Differential | 582,969 | 418,700 | 78,650 | 1,080,319 |
| Claims | 18,225 | 5,600 | - | 23,825 |
| Professional Services | 14,528 | 2,701 | - | 17,229 |
| Total | \$ 916,981 | \$ 1,006,011 | \$ 95,065 | \$ 2,018,057 |

Pacific Cove Financing Lease Debt Service

| Payment Date | Principal | Interest /Prepmt penalty | Total | Fiscal Year |
|---------------------|--------------------|---------------------------------|--------------------|---------------------|
| 9/1/2012 | \$ 30,815 | \$ 53,893 | \$ 84,708 | |
| 3/1/2013 | 35,871 | 60,632 | 96,503 | |
| 6/28/2013 | 476,200 | 23,810 | 500,010 | \$ 681,221 |
| 9/1/2013 | 42,440 | 22,843 | 65,283 | |
| 3/1/2014 | 53,207 | 29,326 | 82,533 | 147,816 |
| 9/1/2014 | 46,196 | 36,337 | 82,533 | |
| 3/1/2015 | 46,947 | 35,586 | 82,533 | 165,066 |
| 9/1/2015 | 47,710 | 34,823 | 82,533 | |
| 3/1/2016 | 48,485 | 34,048 | 82,533 | 165,066 |
| 9/1/2016 | 49,273 | 33,260 | 82,533 | |
| 3/1/2017 | 50,074 | 32,459 | 82,533 | 165,066 |
| 9/1/2017 | 50,887 | 31,645 | 82,533 | |
| 3/1/2018 | 51,714 | 30,819 | 82,533 | 165,066 |
| 9/1/2018 | 52,555 | 29,978 | 82,533 | |
| 3/1/2019 | 53,409 | 29,124 | 82,533 | 165,066 |
| 9/1/2019 | 54,277 | 28,256 | 82,533 | |
| 3/1/2020 | 55,159 | 27,374 | 82,533 | 165,066 |
| 9/1/2020 | 56,055 | 26,478 | 82,533 | |
| 3/1/2021 | 56,966 | 25,567 | 82,533 | 165,066 |
| 9/1/2021 | 57,891 | 24,641 | 82,533 | |
| 3/1/2022 | 58,832 | 23,701 | 82,533 | 165,066 |
| 9/1/2022 | 59,788 | 22,745 | 82,533 | |
| 3/1/2023 | 60,760 | 21,773 | 82,533 | 165,066 |
| 9/1/2023 | 61,747 | 20,786 | 82,533 | |
| 3/1/2024 | 62,751 | 19,782 | 82,533 | 165,066 |
| 9/1/2024 | 63,770 | 18,763 | 82,533 | |
| 3/1/2025 | 64,807 | 17,726 | 82,533 | 165,066 |
| 9/1/2025 | 65,860 | 16,673 | 82,533 | |
| 3/1/2026 | 66,930 | 15,603 | 82,533 | 165,066 |
| 9/1/2026 | 68,017 | 14,515 | 82,533 | |
| 3/1/2027 | 69,123 | 13,410 | 82,533 | 165,066 |
| 9/1/2027 | 70,246 | 12,287 | 82,533 | |
| 3/1/2028 | 71,387 | 11,145 | 82,533 | 165,066 |
| 9/1/2028 | 72,548 | 9,985 | 82,533 | |
| 3/1/2029 | 57,304 | 7,887 | 65,191 | 147,724 |
| 9/1/2029 | - | - | - | |
| 3/1/2030 | - | - | - | - |
| 9/1/2030 | - | - | - | |
| 3/1/2031 | - | - | - | - |
| 9/1/2031 | - | - | - | |
| 3/1/2032 | - | - | - | - |
| TOTAL | \$2,390,000 | \$897,681 | \$3,287,681 | \$ 3,287,681 |

The corresponding amortization schedule reflects the additional \$476,200 payment applied to the loan principal. The City negotiated an option to pay up to an additional \$34,500 in principal annually without a prepayment penalty.

The 2014/15 budget includes the higher payment for the years 2014/15 and 2015/16. The loan will be fully paid in March, 2027 if this higher payment level is maintained.

DEBT SERVICE BEACH & VILLAGE PARKING LOT II LEASE FINANCING

In April 2013, the City of Capitola applied for financing from the California Infrastructure and Economic Development Bank (I-Bank) to fund the development of a parking lot at the previous Pacific Cove Mobile Home Park site. This funding was used to develop a 226 space public parking lot, now known as Beach & Village Parking Lot II (BVPL II). The project included grading and installation of pay stations, shuttle bus stops, public restrooms, landscaping, and pedestrian walkways. In addition, it includes pay stations for the upper parking lot. The I-Bank application was approved as a tax exempt lease in June 2013 for \$1,372,500 at a 2.26% interest rate. The loan is structured to reimburse the City for pre-approved project costs.

This project improves access to Capitola Village, Capitola Beach, and the wharf area, while increasing vehicle parking during peak seasonal periods. The additional parking spaces are also anticipated to facilitate the development of a hotel. To finance the construction, the City will transfer \$88,000 from the General Fund to the Beach and Village Parking Lot II Lease Financing Fund on an annual basis, with an estimated \$40,000 in annual revenues generated from the BVPL II. These revenues are anticipated to be lower in the first year due to the timing of construction.

SOURCES AND USES

| Fund - 1421 | FY 11/12 Actual | FY 12/13 Actual | FY 13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY 15/16 Planned |
|---------------------------|--------------------|--------------------|---------------------|----------------------|---------------------|---------------------|
| Beginning Fund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 420 |
| Revenue | | | | | | |
| Other Financing | - | - | 88,000 | 1,313,615 | 85,860 | 89,400 |
| Revenue Totals | \$ - | \$ - | \$ 88,000 | \$ 1,313,615 | \$ 85,860 | \$ 89,400 |
| Expenditures | | | | | | |
| Contract Services | \$ - | \$ - | \$ - | \$ 1,225,615 | \$ - | \$ - |
| Debt Service | - | - | 88,000 | 88,000 | 85,440 | 85,425 |
| Expenditure Totals | \$ - | \$ - | \$ 88,000 | \$ 1,313,615 | \$ 85,440 | \$ 85,425 |
| Fund Balance at | \$ - | \$ - | \$ - | \$ - | \$ 420 | \$ 4,395 |

**Beach & Village Parking Lot II Lease Financing
Debt Service**

| Payment Dates | Principal | Interest | Total | Fiscal Year |
|--------------------------|---------------------|-------------------|---------------------|------------------------|
| 8/1/2014 | \$ 55,040 | 15,922 | 70,962 | |
| 2/1/2015 | | 14,887 | 14,887 | \$ 85,849 |
| 8/1/2015 | 56,284 | 18,840 | 75,124 | |
| 2/1/2016 | | 14,251 | 14,251 | 89,375 |
| 8/1/2016 | 57,556 | 18,035 | 75,591 | |
| 2/1/2017 | | 13,601 | 13,601 | 89,192 |
| 8/1/2017 | 58,857 | 17,212 | 76,069 | |
| 2/1/2018 | | 12,936 | 12,936 | 89,004 |
| 8/1/2018 | 60,187 | 16,370 | 76,557 | |
| 2/1/2019 | | 12,256 | 12,256 | 88,812 |
| 8/1/2019 | 61,547 | 15,509 | 77,056 | |
| 2/1/2020 | | 11,560 | 11,560 | 88,616 |
| 8/1/2020 | 62,938 | 14,629 | 77,567 | |
| 2/1/2021 | | 10,849 | 10,849 | 88,416 |
| 8/1/2021 | 64,360 | 13,729 | 78,089 | |
| 2/1/2022 | | 10,122 | 10,122 | 88,211 |
| 8/1/2022 | 65,815 | 12,809 | 78,624 | |
| 2/1/2023 | | 9,378 | 9,378 | 88,002 |
| 8/1/2023 | 67,302 | 11,868 | 79,170 | |
| 2/1/2024 | | 8,618 | 8,618 | 87,788 |
| 8/1/2024 | 68,823 | 10,905 | 79,728 | |
| 2/1/2025 | | 7,840 | 7,840 | 87,568 |
| 8/1/2025 | 70,379 | 9,921 | 80,300 | |
| 2/1/2026 | | 7,045 | 7,045 | 87,344 |
| 8/1/2026 | 71,969 | 8,915 | 80,884 | |
| 2/1/2027 | | 6,231 | 6,231 | 87,116 |
| 8/1/2027 | 73,596 | 7,886 | 81,482 | |
| 2/1/2028 | | 5,400 | 5,400 | 86,881 |
| 8/1/2028 | 75,259 | 6,833 | 82,092 | |
| 2/1/2029 | | 4,549 | 4,549 | 86,641 |
| 8/1/2029 | 76,960 | 5,757 | 82,717 | |
| 2/1/2030 | | 3,680 | 3,680 | 86,396 |
| 8/1/2030 | 78,699 | 4,657 | 83,356 | |
| 2/1/2031 | | 2,790 | 2,790 | 86,146 |
| 8/1/2031 | 80,478 | 3,531 | 84,009 | |
| 2/1/2032 | | 1,881 | 1,881 | 85,890 |
| 8/1/2032 | 82,297 | 2,380 | 84,677 | |
| 2/1/2033 | | 951 | 951 | 85,627 |
| 8/1/2033 | 84,156 | 1,204 | 85,360 | 85,360 |
| Total | \$ 1,372,500 | \$ 375,736 | \$ 1,748,236 | \$ 1,748,236 |

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CAPITAL IMPROVEMENT PROGRAM



CAPITAL IMPROVEMENT FUND

Capitola's Capital Improvement Fund is the data collection point for the City's Capital Improvement Program. It is designed to track the planning, design, and construction costs of the City's improvement projects. The CIP program is broken into five categories including facilities, parks, streets, creek enhancement, and neighborhood traffic projects. The project lists are developed through a collaborative effort involving city staff, the City Council and the community.

The City's facilities include City Hall and Police Station complex, the Corporation Yard, Jade Street Park Community Center, the Capitola Municipal Wharf, and the library building. Parks include Monterey Park, Peery Park, Cortez Park, Esplanade Park, Nobel Gulch Park, Soquel Creek Park, Library Tot-lot, Hihn Park, and multiple City medians, streetscapes, and public art displays. In addition, the City has two major parking lots: Beach and Village Parking Lot I and II.

The Street system includes 9.3 miles of arterial roads, 3.4 miles of collector roads, and 13.5 miles of local roads. The City utilizes a Pavement Management Program to track pavement conditions and plan maintenance efforts on 112 individual roads.

Keeping up City infrastructure requires long range planning and prioritizing to plan for needed improvements, identify funding needs, and allocate available funding.

The following materials are provided for reference:

- FY 13/14 Project List
- Project Descriptions
- Pavement Management Program Information

SOURCES AND USES

| Fund - 1200 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY15/16 Planned |
|--|---------------------|-------------------|---------------------|----------------------|---------------------|--------------------|
| Beginning Fund Balance ⁽¹⁾ | \$ 1,053,861 | \$ 552,996 | \$ 655,339 | \$ 655,339 | \$ 790,739 | \$ - |
| Revenue | | | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ 300,000 | \$ 300,000 | \$ 377,000 | \$ - |
| Other financing sources | 50,000 | 614,600 | 890,900 | 840,900 | 964,900 | 655,000 |
| Revenue Totals | \$ 50,000 | \$ 614,600 | \$ 1,190,900 | \$ 1,140,900 | \$ 1,341,900 | \$ 655,000 |
| Expenditures | | | | | | |
| Contract Services | \$ 525,865 | \$ 512,257 | \$ 1,355,000 | \$ 1,005,500 | \$ 2,132,639 | \$ 654,487 |
| Other financing uses | 25,000 | - | - | - | - | - |
| Expenditure Totals | \$ 550,865 | \$ 512,257 | \$ 1,355,000 | \$ 1,005,500 | \$ 2,132,639 | \$ 654,487 |
| Fund Balance at 06/30 | \$ 552,996 | \$ 655,339 | \$ 491,239 | \$ 790,739 | \$ - | \$ 513 |

(1) The FY 14/15 Estimated Beginning Fund Balance assumes that all FY 13/14 CIP projects have sufficient project revenues and expenditures to cover existing projects. Any incomplete project revenues and expenditures are subject to carry forward in the subsequent year. Additional appropriations from fund balance are subject to Council approval.

Capital Improvement Program

| Project | Category | Location |
|----------------|-----------------|---|
| McGregor Park | Parks | Development of a multi-use park on the city owned McGregor property |

Description: Complete grading, fencing, landscaping, parking lot improvements, and related features of the park on the McGregor property. This project does not include construction of any of the feature elements which are skate park ramps, dog park, and bike park.

Maintenance Impact:
TBD

Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | 165,000 | - | - | - | - | - | 165,000 |
| Planning & Permitting | - | - | - | - | - | - | - |
| Design | - | - | - | - | - | - | - |
| Right of Way | - | - | - | - | - | - | - |
| Construction Management | - | - | - | - | - | - | - |
| Contingency | - | - | - | - | - | - | - |
| Project Totals | 165,000 | - | - | - | - | - | 165,000 |
| <u>Funding Sources</u> | | | | | | | |
| General Fund | 165,000 | | | | | | 165,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | \$ 165,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 165,000 |

Funding Shortfall:
\$ -

Capital Improvement Program

| Project | Category | Location |
|---|----------|--|
| Clares Street Pedestrian Improvements and Traffic Calming | NTAC | Clares Street from 41 st to and including Wharf Rd intersection |

Description:

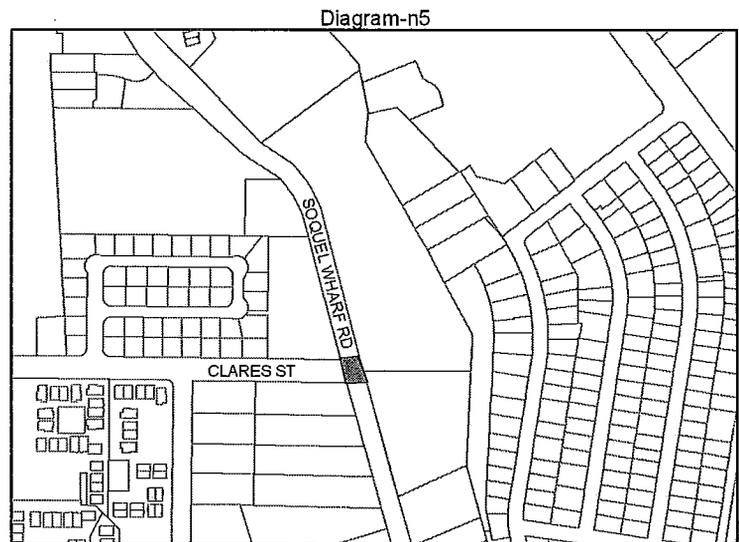
Construct traffic calming along Clares Street from 41st Avenue to Wharf Road. Original project concept was a condition placed on the Rispin Mansion project. Project to include use of chicanes, narrowed lanes, and center island medians. A preliminary plan was prepared by Harris & Associates and approved by the City on December 9, 2004. As of June 2014, the project is in the final design phase, but construction has been delayed to accommodate a Santa Cruz County Sanitation Project that includes open cut trenching on Clares Street.

General Plan Consistency:

Chapter 9, Circulation: Policy 11, Protect the ability of minor arterials to provide through traffic while maintaining the livability of the street.

Maintenance Impact:

Increase in landscape maintenance cost of \$200 per month.



Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | | | | | | | |
|-------------------------|----------------|------|------|------|------|------|------|------------|
| Project Construction | 390,000 | - | - | - | - | - | - | 390,000 |
| Planning & Permitting | - | - | - | - | - | - | - | - |
| Design | 6% 23,400 | - | - | - | - | - | - | 23,400 |
| Right of Way | - | - | - | - | - | - | - | - |
| Construction Management | - | - | - | - | - | - | - | - |
| Contingency | 4% 16,600 | - | - | - | - | - | - | 16,600 |
| Project Totals | 430,000 | - | - | - | - | - | - | 430,000 |
| <u>Funding Sources</u> | | | | | | | | |
| RTC | 120,000 | - | - | - | - | - | - | 120,000 |
| TDA Funds | - | - | - | - | - | - | - | - |
| Measure O | 310,000 | - | - | - | - | - | - | 310,000 |
| Funding Totals | \$ 430,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 430,000 |

Funding Shortfall:

\$ -

Capital Improvement Program

| Project | Category | Location |
|---------------------------------|----------|---|
| 38 th Avenue Overlay | Street | 38 th Avenue from southern City limit to Capitola Road |

Description:

Reconstruct 38th Avenue from just south of Brommer Street, north to Capitola Road. This street is the primary collector in the middle of the city’s commercial corridor, which centers along adjacent 41st Avenue. 38th Avenue provides secondary ingress and egress to a shopping center with Orchard Supply Hardware, Save Mart Grocery, Rite Aid, Palace Arts, 41st Avenue movie theater, and other stores. The average daily traffic is 6,400 trips.

The project will also include the construction of 470 feet of curb, gutter and sidewalk immediately south of Capitola Road completing on the largest gaps in the sidewalk system. Currently there is only a complete sidewalk connection on the eastern side of the street. Right of way acquisition will be required for the sidewalk, though no private improvements will need to be relocated.

Maintenance Impact:

Reduction in maintenance costs used on filling potholes.



Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|----------------------------|-------------------|----------------|----------------|----------------|----------------|---------------------|-------------------|
| Project Construction | 362,500 | - | - | - | - | - | 362,500 |
| Planning & Permitting | 10% 36,300 | - | - | - | - | - | 36,300 |
| Design | 25% 53,000 | - | - | - | - | - | 53,000 |
| Right of Way | 7% 65,000 | - | - | - | - | - | 65,000 |
| Construction Management | 0% - | - | - | - | - | - | - |
| Contingency | 20% 72,500 | - | - | - | - | - | 72,500 |
| Project Totals | 589,300 | - | - | - | - | - | 590,000 |
| <u>Funding Sources</u> | | | | | | | |
| RSTPX | 438,000 | - | - | - | - | - | 438,000 |
| General Fund | 152,000 | - | - | - | - | - | 152,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | \$ 590,000 | \$ - | \$ 590,000 |

Funding Shortfall:

\$ -

Capital Improvement Program

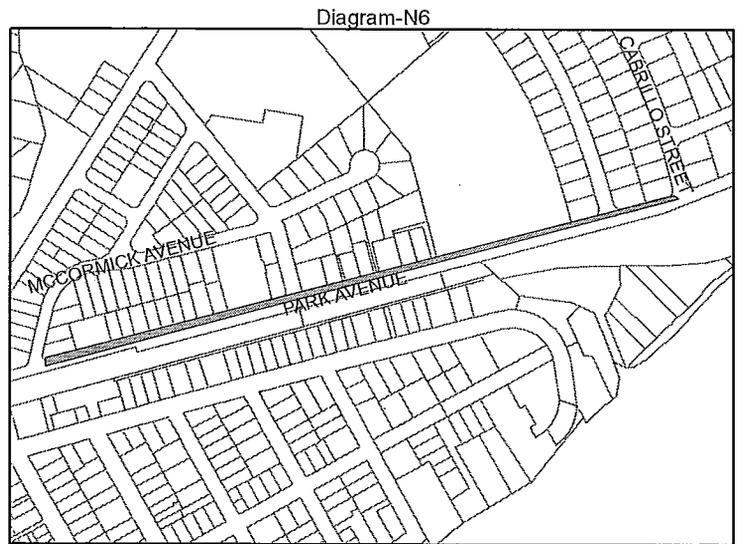
| Project | Category | Location |
|-----------------------|----------|-------------|
| Sidewalk construction | NTAC | Park Avenue |

Description:

Construct curb, gutter, and sidewalk along the north side of Park Avenue from McCormick Avenue to Cabrillo Avenue, including crosswalks at Washburn Avenue and Cabrillo Avenue.

Maintenance Impact:

None



Fiscal Estimate:

| <u>Fiscal Year</u> | | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>Unprogrammed</u> | <u>Total</u> |
|----------------------------|-----|-------------------|----------------|----------------|----------------|----------------|---------------------|-------------------|
| Project Construction | | 283,900 | - | - | - | - | - | 283,900 |
| Planning & Permitting | 5% | 14,200 | - | - | - | - | - | 14,200 |
| Design | 22% | 62,500 | - | - | - | - | - | 62,500 |
| Right of Way | 4% | 11,400 | - | - | - | - | - | 11,400 |
| Construction Management | 10% | 28,400 | - | - | - | - | - | 28,400 |
| Contingency | 10% | 49,600 | - | - | - | - | - | 49,600 |
| Project Totals | | 450,000 | - | - | - | - | - | 450,000 |
| <u>Funding Sources</u> | | | | | | | | |
| RTC Grant | | 200,000 | | | | | | 200,000 |
| TDA Funds | | 100,000 | | | | | | 100,000 |
| General Fund | | 150,000 | | | | | | 150,000 |
| Funding Totals | | \$ 450,000 | \$ - | \$ 450,000 |

Funding Shortfall:

\$

Capital Improvement Program

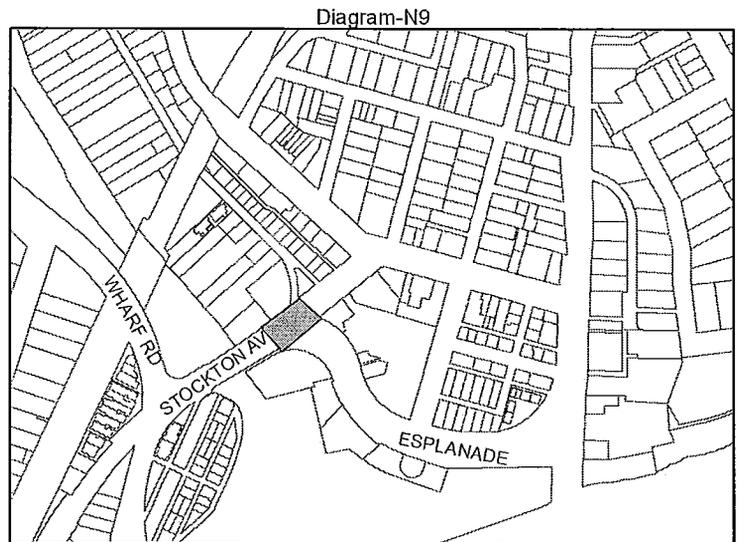
| Project | Category | Location |
|---|----------|--|
| Stockton Avenue and Esplanade Pedestrian Improvements | NTAC | Intersection of Stockton Ave and Esplanade |

Description:

Construction of raised crosswalks or some other form of pedestrian safety devices at the Stockton Avenue/Esplanade intersection.

General Plan Consistency:

Chapter 9, Circulation, Policies 35 & 37 directs the development of safe pedestrian pathways.



Maintenance Impact:

None

Fiscal Estimate:

| Fiscal Year | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Unprogrammed | Total |
|-------------------------|---------|---------|---------|---------|---------|--------------|------------|
| Project Construction | 100,000 | - | - | - | - | - | 100,000 |
| Planning & Permitting | 5% | 5,000 | - | - | - | - | 5,000 |
| Design | 10% | 10,000 | - | - | - | - | 10,000 |
| Right of Way | 0% | - | - | - | - | - | - |
| Construction Management | 15% | 15,000 | - | - | - | - | 15,000 |
| Contingency | 20% | 20,000 | - | - | - | - | 20,000 |
| Project Totals | 150,000 | - | - | - | - | - | 150,000 |
| Funding Sources | | | | | | | |
| General Fund | 150,000 | - | - | - | - | - | 150,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | 150,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 150,000 |

Funding Shortfall:

\$ -

Capital Improvement Program

| Project | Category | Location |
|-------------------------------------|----------|---|
| Hill Street pedestrian improvements | Streets | South side of Hill Street between Capitola Avenue and Rosedale Avenue |

Description:

Hill Street between Capitola Avenue and Rosedale Avenue is narrow with parking on both sides of the street and no sidewalk or bike lanes. Pedestrians and cyclists are forced to compete with cars while in this area. This project would remove all parking along the southern side of Hill Street and construct either a Class II bike lane or a standard sidewalk.

General Plan Consistency:

Chapter 9, Circulation, Policies 35 & 37 directs the development of safe pedestrian pathways

Maintenance Impact:

None



Fiscal Estimate:

| Fiscal Year | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Unprogrammed | Total |
|-------------------------|-----|-----------|---------|---------|---------|---------|--------------|-----------|
| Project Construction | | 46,100 | - | - | - | - | - | 46,100 |
| Planning & Permitting | 5% | 2,300 | - | - | - | - | - | 2,300 |
| Design | 15% | 6,900 | - | - | - | - | - | 6,900 |
| Right of Way | 5% | 2,300 | - | - | - | - | - | 2,300 |
| Construction Management | 5% | 2,300 | - | - | - | - | - | 2,300 |
| Contingency | 20% | 9,200 | - | - | - | - | - | 9,200 |
| Project Totals | | 69,100 | - | - | - | - | - | 70,000 |
| Funding Sources | | | | | | | | |
| General Fund | | 70,000 | - | - | - | - | - | 70,000 |
| Funding Totals | | \$ 70,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 70,000 |

Funding Shortfall:

\$ -

Capital Improvement Program

| Project | Category | Location |
|---------------------------------|-----------------|-----------------------------------|
| Bay Avenue Streetscape & Paving | Streets | From Oak Drive to Monterey Avenue |

Description: Repave portion of Bay Avenue between Oak Drive and Capitola Avenue. Add two landscaped drainage catchment areas next to sidewalk on south side of Bay Avenue between Capitola Avenue and Monterey Avenue.

Project is approximately 50% funded.

Maintenance Impact:

Increase in landscape maintenance.

Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | - | - | - | - | - | - | - |
| Planning & Permitting | 1% | - | - | - | - | - | - |
| Design | 10% | - | - | - | - | - | - |
| Right of Way | 0% | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - |
| Contingency | 10% | - | - | - | - | - | - |
| Project Totals | - | - | - | - | - | - | - |
| <u>Funding Sources</u> | | | | | | | |
| Measure O | 34,000 | | | | | | 34,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | \$ 34,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 34,000 |

Funding Shortfall:

\$ (34,000)

Capital Improvement Program

| Project | Category | Location |
|-------------------------------|-----------------|---------------------------------------|
| Pavement Management – 2014 | Streets | Park Avenue from Wesley to Kennedy |

Description: Pavement Management Program implementation

General Plan Consistency:

Maintenance of existing local streets is consistent with Circulation Element general objectives for all roadways.

Maintenance Impact:

Reduction of street maintenance costs such as pothole filling estimated at \$1000 per year.

Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | 350,000 | - | - | - | - | - | 350,000 |
| Planning & Permitting | 0% | - | - | - | - | - | - |
| Design | 15% | 52,000 | - | - | - | - | 52,000 |
| Right of Way | 0% | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - |
| Contingency | 10% | 35,000 | - | - | - | - | 35,000 |
| Project Totals | 437,000 | - | - | - | - | - | 437,000 |

Funding Sources

| | | | | | | | |
|-------------------|------------|------|------|------|------|------|------------|
| City General Fund | 400,000 | - | - | - | - | - | 400,000 |
| Funding Totals | \$ 400,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 400,000 |

Funding Shortfall:

\$ 37,000

Project No:

Capital Improvement Program

| Project | Category | Location |
|-------------------------------|----------|---|
| Pavement Management Program - | Streets | Rosedale Ave, Carl Lane, Alma Lane, & Rosedale Ct |

Description:

Paving project to be completed following Santa Cruz County Sanitation Noble Gulch Realignment project. County project has been delayed and is currently being redesigned. Anticipate start of sewer project in summer on 2015.

Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Tota</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|-------------|
| Project Construction | 70,000 | - | - | - | - | - | 70,000 |
| Planning & Permitting | 0% | - | - | - | - | - | - |
| Design | 14% | 9,800 | - | - | - | - | 9,800 |
| Right of Way | 0% | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - |
| Contingency | 10% | 7,000 | - | - | - | - | 7,000 |
| Project Totals | 86,800 | - | - | - | - | - | 87,000 |
| <u>Funding Sources</u> | | | | | | | |
| Measure O | 87,000 | | | | | | 87,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | \$ 87,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 87,000 |

Funding Shortfall:

\$ -

Project No:

Capital Improvement Program

| Project | Category | Location |
|--|----------|---|
| Monterey Avenue and Park Avenue Railroad Depot and Pathway | Streets | Pathway from Beach and Village Lot 1 to corner of Park Ave and Monterey Ave |

Description: Construct pedestrian pathway along rail corridor adjacent City owned Beach and Village Parking Lot I. Trail would run from the parking lot to Monterey Avenue and would include new signage for the pedestrian crossing at Monterey Avenue to a newly constructed metro shelter located in a newly landscaped setting along the rail corridor.

Fiscal Estimate:

| Fiscal Year | | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Unprogrammed | Total |
|-------------------------|-----|------------|---------|---------|---------|---------|--------------|------------|
| Project Construction | | 247,900 | - | - | - | - | - | 247,900 |
| Planning & Permitting | 0% | - | - | - | - | - | - | - |
| Design | 11% | 27,300 | - | - | - | - | - | 27,300 |
| Right of Way | 0% | - | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - | - |
| Contingency | 10% | 24,800 | - | - | - | - | - | 24,800 |
| Project Totals | | 300,000 | - | - | - | - | - | 300,000 |
| <u>Funding Sources</u> | | | | | | | | |
| Measure O | | 50,000 | | | | | | 50,000 |
| RTC Grant | | 250,000 | | | | | | 250,000 |
| | | - | - | - | - | - | - | - |
| Funding Totals | | \$ 300,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 300,000 |

Funding Shortfall:

\$ -

Project No:

Capital Improvement Program

| Project | Category | Location |
|--|-----------------|--|
| Community Room Reconstruction at City Hall | Facilities | Reconstruct Community Room, former kitchen space, and outside plaza at City Hall |

Description: Following the relocation of Parking Enforcement staff to a new facility, the Community Room will be remodeled from its existing use as office space back to a community room. The project includes construction of a new closet for storage and conversion of the kitchen space to an office.

Fiscal Estimate:

| <u>Fiscal Year</u> | | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|-----|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | | 90,000 | - | - | - | - | - | 90,000 |
| Planning & Permitting | 0% | - | - | - | - | - | - | - |
| Design | 11% | 9,900 | - | - | - | - | - | 9,900 |
| Right of Way | 0% | - | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - | - |
| Contingency | 0% | - | - | - | - | - | - | - |
| Project Totals | | 99,900 | - | - | - | - | - | 100,000 |
| <u>Funding Sources</u> | | | | | | | | |
| Facility Fund | | 80,000 | | | | | | 80,000 |
| PEG Funds | | 20,000 | | | | | | 20,000 |
| | | - | - | - | - | - | - | - |
| Funding Totals | | \$ 100,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 100,000 |

Funding Shortfall:
\$ -

Project No:

Capital Improvement Program

| Project | Category | Location |
|--|----------|-----------------------------------|
| Village Sidewalk Cooperative Projects – Bank | Streets | All sidewalks in the Village area |

Description: Project bank to fund future projects to replace old sidewalk with “Village Streetscape” sidewalk. Project bank will be used to pay for all engineering and accessibility portions of the project and 50% of the remaining construction costs. The remaining 50% of the construction costs are to be paid by the property owner/tenant by agreement.

Fiscal Estimate:

| Fiscal Year | | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|-----|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | | - | - | - | - | - | - | - |
| Planning & Permitting | 0% | - | - | - | - | - | - | - |
| Design | 14% | - | - | - | - | - | - | - |
| Right of Way | 0% | - | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - | - |
| Contingency | 10% | - | - | - | - | - | - | - |
| Project Totals | | - | - | - | - | - | - | - |
| <u>Funding Sources</u> | | | | | | | | |
| Measure O | | 19,000 | | | | | | 19,000 |
| | | - | - | - | - | - | - | - |
| Funding Totals | | \$ 19,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 19,000 |

Funding Shortfall:
 \$ (19,000)

Project No:

Capital Improvement Program

| Project | Category | Location |
|--|----------|-----------------------|
| Rispin/Peery Park ADA pathway improvements | Parks | Rispin and Peery Park |

Description: Reconstruction of the ADA pathway from the Nob Hill Shopping Center to the pedestrian bridge over Soquel Creek. This is the first of three phases of work as stipulated in a stipulated agreement entered into by the City in August, 2014. The project also includes the development of final park design for the Rispin Park and completion of the required environmental review.

Fiscal Estimate:

| <u>Fiscal Year</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | 203,000 | - | - | - | - | - | 203,000 |
| Planning & Permitting | 20% 40,600 | - | - | - | - | - | 40,600 |
| Design | 12% 24,400 | - | - | - | - | - | 24,400 |
| Right of Way | 0% - | - | - | - | - | - | - |
| Construction Management | 0% - | - | - | - | - | - | - |
| Contingency | 15% 31,500 | - | - | - | - | - | 31,500 |
| Project Totals | 299,500 | - | - | - | - | - | 300,000 |
| <u>Funding Sources</u> | | | | | | | |
| General Fund | 300,000 | - | - | - | - | - | 300,000 |
| | - | - | - | - | - | - | - |
| Funding Totals | \$ 300,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 300,000 |

Funding Shortfall:

\$ -

Capital Improvement Program

| Project | Category | Location |
|---------------------------------|----------|--|
| Construct Roundabout or Signals | NTAC | Intersection of Bay Avenue and Capitola Avenue |

Description:

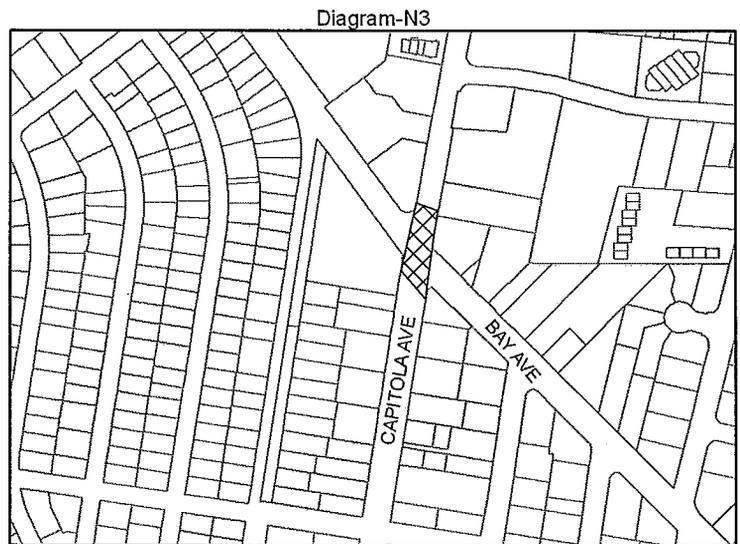
Perform engineering analysis of intersection to determine whether a roundabout or traffic signal would be the best method for reducing both congestion and traffic right-of-way problems.

General Plan Consistency:

Maintaining LOS (Level of Service) of C or better for all city roadways.

Maintenance Impact:

Roundabout construction would result in increased landscaping maintenance estimated at \$2,400 per year. Signal maintenance would be approximately \$5,000 per year.



Fiscal Estimate:

| Fiscal Year | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | Unprogrammed | Total | |
|-------------------------|---------|---------|---------|---------|---------|--------------|---------|---------|
| Project Construction | 270,750 | - | - | - | - | - | 270,750 | |
| Planning & Permitting | 5% | - | - | - | - | - | - | |
| Design | 20% | - | - | - | - | - | - | |
| Right of Way | 25% | - | - | - | - | - | - | |
| Construction Management | 15% | 40,600 | - | - | - | - | 40,600 | |
| Contingency | 20% | 54,200 | - | - | - | - | 54,200 | |
| Project Totals | | 365,550 | - | - | - | - | 365,550 | |
| Funding Sources | | | | | | | | |
| General Fund | | 10,000 | | | | | 10,000 | |
| RTC Grant | | 90,000 | | | | | 90,000 | |
| | | - | | | | | - | |
| Funding Totals | \$ | 100,000 | \$ | - | \$ | - | \$ | 100,000 |

Funding Shortfall:

\$ 265,550

Project No:

Capital Improvement Program

| Project | Category | Location |
|---|----------|----------------|
| Water recycling system for the public showers | Parks | Esplanade Park |

Description: Develop, design, and construct a water recycling system for the showers at Esplanade Park so that the water is reused for irrigation of the lawns in the park.

Fiscal Estimate:

| Fiscal Year | | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>Unprogrammed</u> | <u>Total</u> |
|-------------------------|-----|----------------|----------------|----------------|----------------|----------------|---------------------|--------------|
| Project Construction | | 25,000 | - | - | - | - | - | 25,000 |
| Planning & Permitting | 0% | - | - | - | - | - | - | - |
| Design | 20% | 5,000 | - | - | - | - | - | 5,000 |
| Right of Way | 0% | - | - | - | - | - | - | - |
| Construction Management | 0% | - | - | - | - | - | - | - |
| Contingency | 0% | - | - | - | - | - | - | - |
| Project Totals | | 30,000 | - | - | - | - | - | 30,000 |
| <u>Funding Sources</u> | | | | | | | | |
| General Fund | | 30,000 | | | | | | 30,000 |
| | | - | - | - | - | - | - | - |
| Funding Totals | | \$ 30,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 30,000 |
| Funding Shortfall: | | | | | | | | |
| \$ | | | | | | | | |

PAVEMENT MANAGEMENT PROGRAM

The City conducted a pavement condition survey in September 2010. The pavement survey information, along with a new five year Pavement Management Program Plan are provided for reference.

This survey broke the street into the following classifications and lengths:

| Road Classification | Total Street Sections | Total Center Line Miles | Total Miles |
|---------------------|-----------------------|-------------------------|-------------|
| Arterials | 44 | 9.3 | 19.7 |
| Collectors | 18 | 3.4 | 6.8 |
| Residential | 119 | 13.5 | 26.3 |
| Totals | 181 | 26.2 | 52.8 |

The Pavement Condition Index (PCI) was determined to be:

| Classification | 2010 PCI |
|---------------------|----------|
| Arterials | 69 |
| Collectors | 62 |
| Residential | 68 |
| Total System | 68 |

The PCI is based on a 0-100 base on the following range:

| Condition | PCI Range | Typical Maintenance Treatment |
|------------------|-----------|----------------------------------|
| Excellent | 90-100 | Do Nothing |
| Very Good | 70-89 | Slurry Seal |
| Good | 50-69 | Slurry Seal with digouts/overlay |
| Poor | 25-49 | Mill and thick overlay |
| Very Poor | 0-24 | Reconstruct |

By condition the city's streets broke down as follows:

| Condition | Miles of street |
|------------------|-----------------|
| Excellent | 1.1 |
| Very Good | 13.3 |
| Good | 7.2 |
| Poor | 4.3 |
| Very Poor | 0.4 |

A budget analysis of the maintenance costs determined the following budgetary needs:

| Annual Budget Amount | Results |
|-----------------------------|--|
| \$0 | PCI decreases from 68 to 59 in 5 years |
| \$550,000 | PCI remains at 68 |
| \$700,000 | PCI increased to 70 after 5 years |
| \$920,000 | PCI increases 5 points, to 73 in 5 years |
| \$1.74 million | PCI optimizes at 81 in 5 years |

Staff has run some preliminary budgetary analysis based on neighborhoods and determined the needs as follows:

| Neighborhood | Estimated Budgetary Needs |
|--------------------------|----------------------------------|
| Cliffwood Heights | \$ 637,736 |
| Depot Hill | \$ 137,253 |
| Village/Fanmar | \$ 558,105 |
| Riverview | \$ 384,918 |
| Jewel Box | \$ 141,046 |
| The Avenues | \$ 117,919 |
| Francesco Cir | \$ 5,450 |
| Deanes Lane | \$ 38,958 |
| Reposa | \$ 95,900 |
| Arterials | \$ 1,532,609 |
| Cliffwood Heights | \$ 637,736 |
| Total | \$ 3,649,894 |
| Five year plan | \$ 729,979 |
| Ten year plan | \$ 364,989 |

Capitola Pavement Management Implementation Program Five-Year Plan

Fiscal Year 2014/2015

| Street Name | Limits of work | Est. Project Cost | Type of work | | | | | |
|---------------|---------------------------|-------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------|-------------|
| | | | Mill, SAMI & 2.5" Overlay | 2" Overlay w/ PavementMat | 1.5" Overlay w/ PavingMat | 1.5" Overlay w/ SAMI | Cape Seal | Slurry Seal |
| | | | \$36/SY | \$20/SY | \$15/SY | 17/SY | \$4.25/SY | \$2.75/SY |
| Park Avenue | Grove Ln to Kennedy Drive | \$400,000 | X | | | | | |
| Rosdale Ave. | Bay Ave. to Plum St. | \$60,000 | | | X | | | |
| Carl Lane | Rosedale Ave. to End | \$11,000 | | | X | | | |
| Alma Lane | Rosedale Ave. to End | \$9,000 | | | X | | | |
| Rosedale Cir. | Rosedale Ave. to End | \$7,000 | | | X | | | |

TOTAL PROJECTED COST: \$487,000

Fiscal Year 2015/2016

| Street Name | Limits of work | Est. Project Cost | Type of work | | | | | |
|----------------------------|---------------------------|-------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------|-------------|
| | | | Mill, SAMI & 2.5" Overlay | 2" Overlay w/ PavementMat | 1.5" Overlay w/ PavingMat | 1.5" Overlay w/ SAMI | Cape Seal | Slurry Seal |
| | | | \$36/SY | \$20/SY | \$15/SY | 17/SY | \$4.25/SY | \$2.75/SY |
| Monterey Ave./Kennedy Ave. | Wasburn Ave. to Park Ave. | \$330,000 | | X | | | | |
| 42nd Ave. | Jade St. to Capitola Rd. | \$83,000 | | | | X | | |
| Diamond Street | 42nd Ave. to 45th Ave. | \$91,000 | | | | X | | |
| Ruby Court | Jade St. to End | \$24,000 | | | | X | | |

TOTAL PROJECTED COST: \$528,000

Fiscal Year 2016/2017

| Street Name | Limits of work | Est. Project Cost | Type of work | | | | | |
|--------------|--------------------------------|-------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------|-------------|
| | | | Mill, SAMI & 2.5" Overlay | 2" Overlay w/ PavementMat | 1.5" Overlay w/ PavingMat | 1.5" Overlay w/ SAMI | Cape Seal | Slurry Seal |
| | | | \$36/SY | \$20/SY | \$15/SY | 17/SY | \$4.25/SY | \$2.75/SY |
| Fanmar Way | Capitola Ave. to Monterey Ave. | \$60,000 | | | X | | | |
| 43rd Ave. | Capitola Rd. to Grace St. | \$30,000 | | | X | | | |
| 44th Ave. | Capitola Rd. to Grace St. | \$50,000 | | | X | | | |
| 47th Ave. | Capitola Rd. to Grace St. | \$50,000 | | | X | | | |
| 48th Ave. | Capitola Rd. to Grace St. | \$55,000 | | | X | | | |
| 49th Ave. | Capitola Rd. to Wharf Rd. | \$35,000 | | | X | | | |
| Grace Street | 46th Ave. to Wharf Ave. | \$55,000 | | | X | | | |
| Grace Street | 42nd Ave. to 44th Ave. | \$35,000 | | | X | | | |

TOTAL PROJECTED COST: \$370,000

Capitola Pavement Management Implementation Program Five-Year Plan

Fiscal Year 2017/2018

| Street Name | Limits of work | Est. Project Cost | Type of work | | | | | |
|------------------------------|----------------------------|-------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------|-------------|
| | | | Mill, SAMI & 2.5" Overlay | 2" Overlay w/ PavementMat | 1.5" Overlay w/ PavingMat | 1.5" Overlay w/ SAMI | Cape Seal | Slurry Seal |
| | | | \$36/SY | \$20/SY | \$15/SY | 17/SY | \$4.25/SY | \$2.75/SY |
| Bay Ave. | Monterey Ave. to Oak St. | \$200,000 | | X | | | | |
| McCormick Ave. | Park Ave. to Washburn Ave. | \$50,000 | | | X | | | |
| Younger Ave. | Monterey Ave. to Loma Ave. | \$15,000 | | | X | | | |
| Loma Ave | McCormick Ave. to Washburn | \$25,000 | | | X | | | |
| Washburn Ave. | Park Ave. to Monterey Ave. | \$55,000 | | | X | | | |
| 30th Ave. | Capitola Rd. to End | \$45,000 | | | X | | | |
| Childers Lane | 30th to Shirey Lane | \$5,000 | | | | | X | |
| Shirey Lane | Capitola Rd. to End | \$7,000 | | | | | X | |
| Lincoln Ave. | Wharf Rd. to Garnet St. | \$6,000 | | | | | | X |
| Crystal Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| Emerald Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| Topaz Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| Garnet Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| Jewel Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| Opal Street | 45th Ave. to 49th Ave. | \$14,000 | | | | | | X |
| TOTAL PROJECTED COST: | | \$492,000 | | | | | | |

Fiscal Year 2018/2019

| Street Name | Limits of work | Est. Project Cost | Type of work | | | | | |
|------------------------------|-----------------------------|-------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------|-------------|
| | | | Mill, SAMI & 2.5" Overlay | 2" Overlay w/ PavementMat | 1.5" Overlay w/ PavingMat | 1.5" Overlay w/ SAMI | Cape Seal | Slurry Seal |
| | | | \$36/SY | \$20/SY | \$15/SY | 17/SY | \$4.25/SY | \$2.75/SY |
| 41st Ave. | Clares St. to Cory St. | \$360,000 | X | | | | | |
| Wharf Rd. | Capitola Rd. to City Limits | \$200,000 | | | | X | | |
| | | | | | | | | |
| TOTAL PROJECTED COST: | | \$560,000 | | | | | | |

* Estimated project costs include 2006 construction costs, 10% contingency and 5% design and construction costs have 6% inflation rate added per year.

SUCCESSOR AGENCY



SUCCESSOR AGENCY

In 2011, the California State Legislature passed ABX1 26 officially dissolving redevelopment agencies as of February 1, 2012. The legislation was contested and upheld by the California Supreme Court. This legislation required a number of actions to be taken by the city in the winding down the Capitola Redevelopment Agency (RDA).

The RDA Operating Fund and associated assets were converted to the “City of Capitola, as Successor Agency to the former Capitola Redevelopment Agency.” The Successor Agency is overseen by an Oversight Board composed of seven members, representing the County Board of Supervisors, the School District, the Community College District, Central Fire Protection District, the Capitola community, the mayor of the City of Capitola, and the employees of the former RDA. The plans and actions for winding down the Agency must be certified by the County Auditor-Controller and approved by the California Department of Finance and State Controller’s Office. Closeout of the financials for the original Redevelopment Agency, as well as Asset Transfer Determination and Long Range Property Management Plans required detailed audits by the City/Successor Agency financial auditors, the Santa Cruz County Auditor-Controller, California State Controller’s Office and California State Department of Finance.

Payments on approved obligations for the former RDA are authorized through Recognized Obligation Payment Schedules (ROPS) for successive six month periods. All obligations were originally certified by the Santa Cruz County Auditor-Controller and approved by the Department of Finance. Funding for future payments, Redevelopment Property Tax Trust Fund (RPTTF) funding, comes from allocated property tax proceeds. The RPTTF is isolated and accounted for in a separate fund as required by law.

The Capitola Redevelopment Agency cash balance at its close was \$2.1 million, which was transferred to the Successor Agency for use, in combination with the above RPTTF, in paying Capitola’s approved obligations as carried out by the Successor Agency and its Oversight Board.

FISCAL YEAR ACCOMPLISHMENTS – 2013/14

- Completed Department of Finance (DOF) Asset Transfer Determinations audit
- Completed DOF Long Range Property Management Plan Determination audit
- Received Department of Finance final approval for ROPS 13-14B and 14-15A

FISCAL YEAR GOALS – 2014/15 and 2015/16

| Goal | Corresponding Principle |
|---|-------------------------|
| Wind down Agency obligations as quickly as possible | Fiscal Policy |
| Receive Department of Finance approval on all ROPS | Fiscal Policy |
| Endeavor to reinstate City/RDA loan | Fiscal Policy |

SOURCES AND USES

| Fund - 5501 | FY11/12 Actual | FY12/13 Actual | FY13/14 Adopted | FY13/14 Estimated | FY 14/15 Adopted | FY15/16 Planned |
|-------------------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 2,410,906 | \$ 1,830,816 | \$ 589,399 | \$ 589,399 | \$ 602,371 | \$ 602,371 |
| Revenue | | | | | | |
| Taxes | \$ 1,234,757 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of money & property | 2,215 | - | - | - | - | - |
| Intergovernmental | - | 1,120,077 | 1,175,353 | 1,198,244 | 1,156,089 | 1,161,402 |
| Other revenues | - | 57 | - | - | - | - |
| Extraordinary items | - | 200,415 | - | 52,313 | - | - |
| Revenue Totals | \$ 1,236,972 | \$ 1,320,549 | \$ 1,175,353 | \$ 1,250,557 | \$ 1,156,089 | \$ 1,161,402 |
| Expenditures | | | | | | |
| Personnel | \$ 1,500 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contract Services | 361,737 | 250,000 | 250,000 | 250,000 | 150,000 | - |
| Supplies | 107 | - | - | - | - | - |
| Grants and subsidies | - | 202,024 | 202,024 | 202,024 | 1,006,089 | 1,161,402 |
| Debt service | 445,550 | 1,972,511 | 720,000 | 729,919 | - | - |
| Pass throughs | 507,893 | - | - | 52,313 | - | - |
| Other financing uses | 500,275 | 137,431 | 3,329 | 3,329 | - | - |
| Expenditure Totals | \$ 1,817,062 | \$ 2,561,966 | \$ 1,175,353 | \$ 1,237,585 | \$ 1,156,089 | \$ 1,161,402 |
| Fund Balance at 06/30 | \$ 1,830,816 | \$ 589,399 | \$ 589,399 | \$ 602,371 | \$ 602,371 | \$ 602,371 |

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SUPPLEMENTARY INFORMATION



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SUPPLEMENTARY INFORMATION INDEX

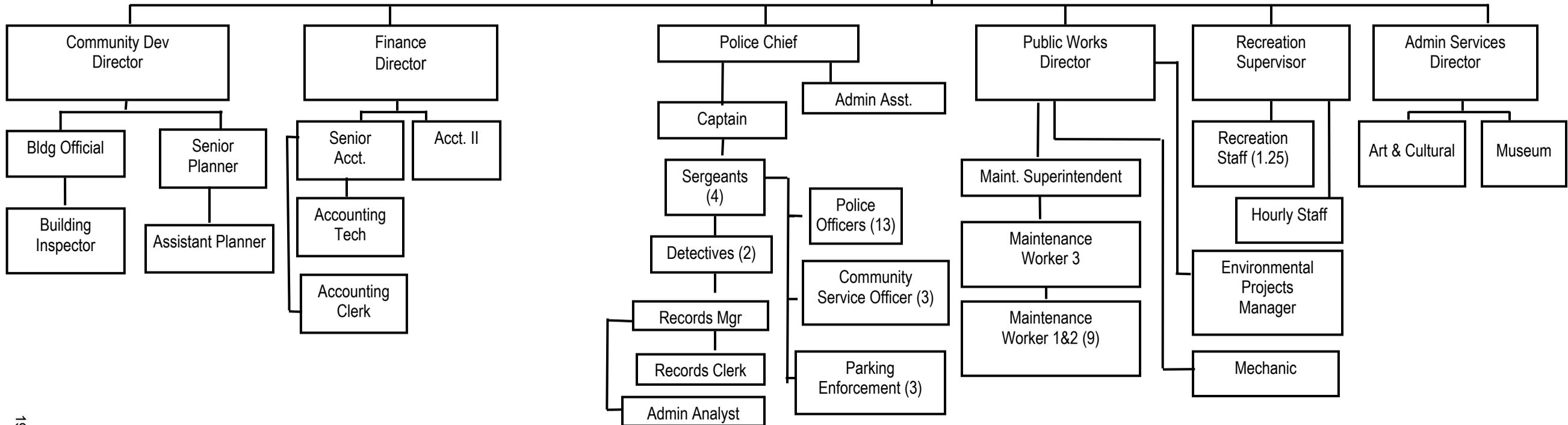
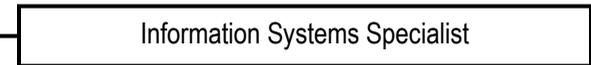
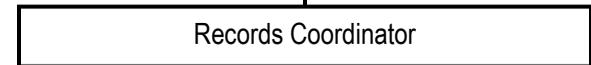
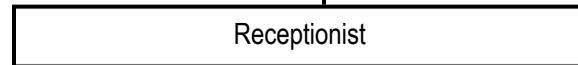
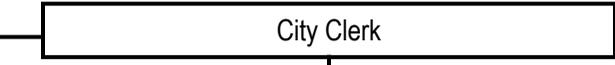
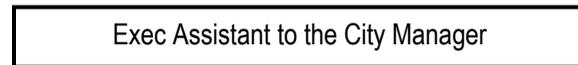
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| ORGANIZATION CHART | A |
| COMPARATIVE INFORMATION | B |
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| FUND BALANCE POLICY | D |
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ATTACHMENT A
ORGANIZATION CHART

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Citizens of the City of Capitola



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ATTACHMENT B
COMPARATIVE INFORMATION

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COMPARATIVE DATA

On February 23, 2012, the City Council approved funding for a Benchmark Study. This benchmark analysis was designed to assess the fiscal performance of the City of Capitola. The results were used to demonstrate how Capitola compares with other cities, while also providing reasonable assurance that the City was managing its fiscal affairs effectively. The completed study, which was presented to Council on September 27, 2012, suggested that the City had done an excellent job in managing its fiscal affairs in light of the recession, combined with the challenges associated with the March 2011 pipe failure.

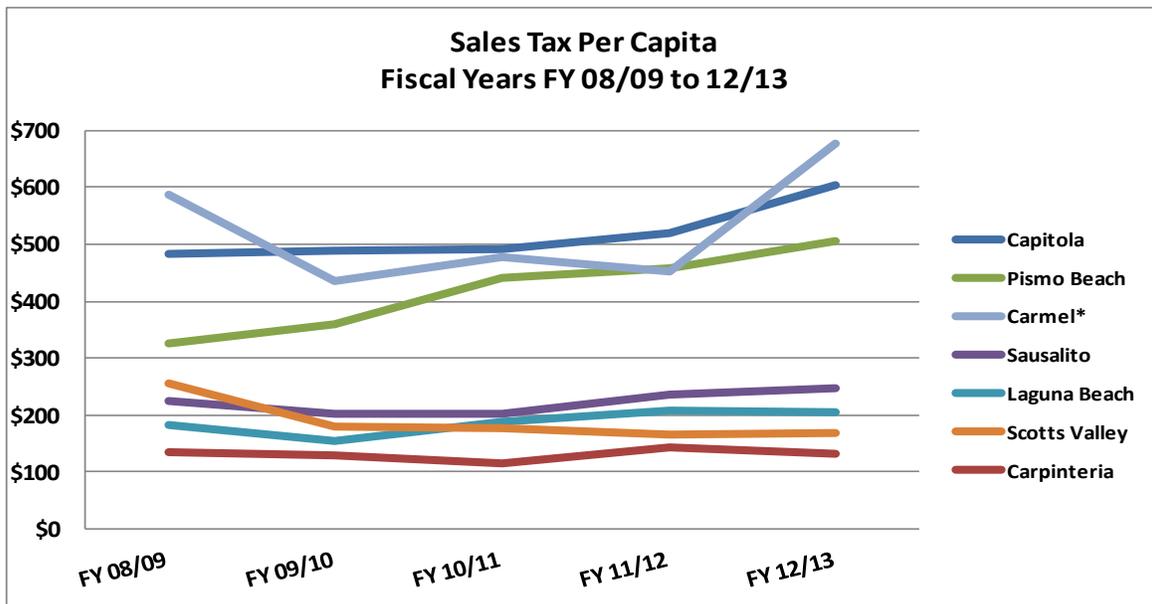
The comparable cities were chosen not only by comparable population size, but also by important service, economic, geographic and demographic characteristics. The following factors were considered in selecting benchmark cities:

- Population between 3,500 and 25,000
- Located in a coastal county
- Strong “sense of place/quality of life” community
- Economy based heavily on tourism
- Similar scope of services
- Management/governance reputation

The benchmarks in the original report were based on the comparable cities’ FY 10/11 Comprehensive Annual Financial Reports (CAFR). The following charts reference updated information from the FY 12/13 CAFR’s.

Sales Tax Per Capita

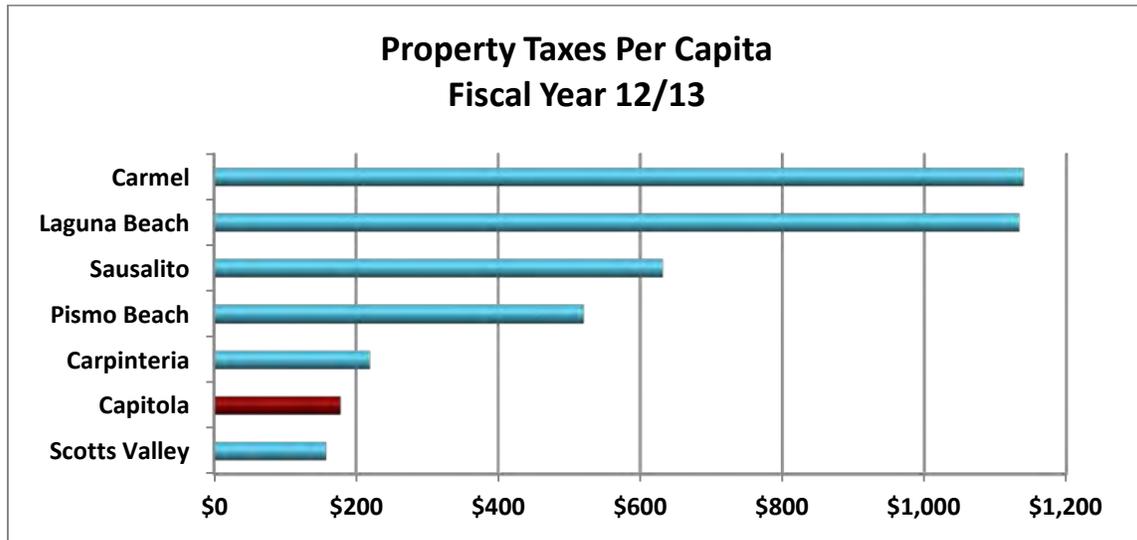
The City of Capitola’s sales tax is the largest single revenue stream. In FY 12/13, sales tax accounted for over 51.2% of General Fund operating revenues. The analysis shows all sales taxes, including locally administered sales tax measures approved by the electorate. Capitola improved upon the 2011 benchmark study from \$490 to \$521 per capita in FY 11/12. In FY 12/13, Capitola again improved to \$605 per capita, primarily due to the fourth quarter addition of Measure O, a new 1/4% district sales tax. FY 13/14 per capita sales tax is expected to see a further increase, as Measure O will have been in effect for the entire year.



*Estimated population of 3,720 for 2008 and 2009

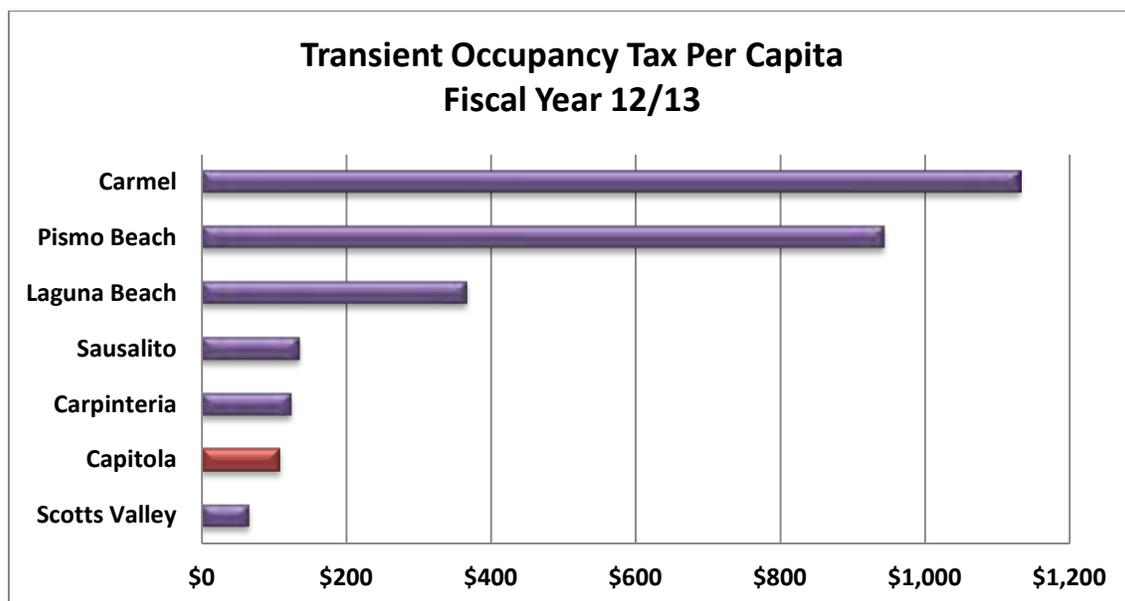
Property Taxes

Property taxes, which are based on assessed valuations, indicate the vitality of the local housing market. Carmel, Laguna Beach, and Sausalito continue to show a very strong market for assessed valuations and the resultant property tax collection. Sausalito maintained its position despite the transfer of almost \$2.7 million in property taxes caused by the annexation of the fire protection district. Capitola increased by one position in FY 11/12 and maintained its position in FY 12/13, even with only a slight decline to the property tax revenues per capita.



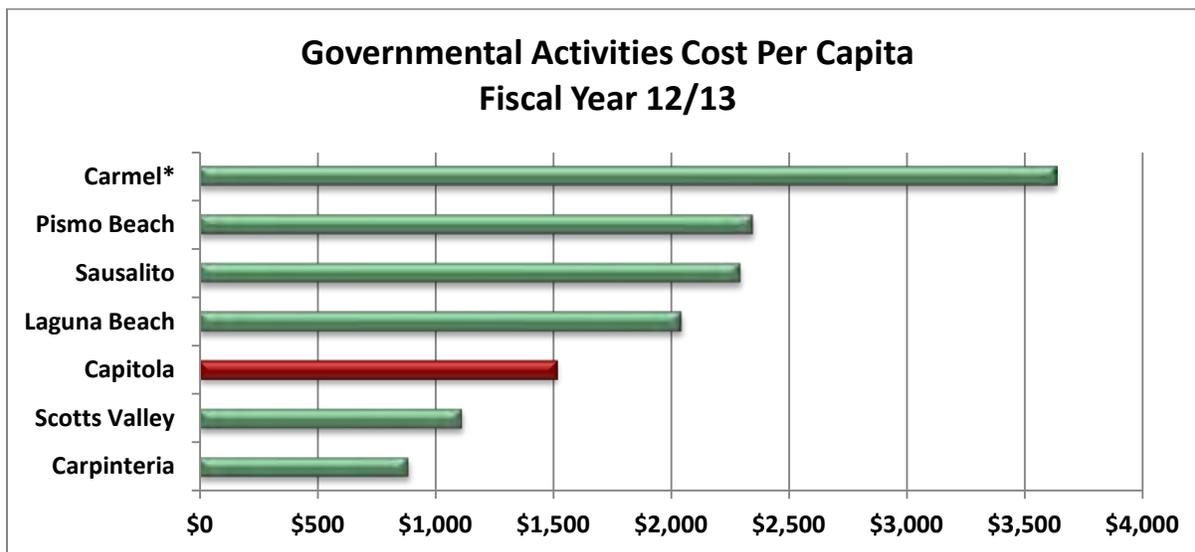
Transient Occupancy Taxes

One of the primary factors considered in the selection of benchmark cities was their reliance on tourism. This analysis shows each city's ability to obtain revenues from transient occupancy taxes. Each benchmark city charged a 10% tax on transient occupancy in FY 12/13, with the exception of Sausalito and Carpinteria, which charged 12%. In FY 12/13, transient occupancy tax increased for all benchmark cities. The City of Capitola's transient occupancy tax increased from \$91 to \$108 per capita. The city continues to maintain the sixth highest position in this category.



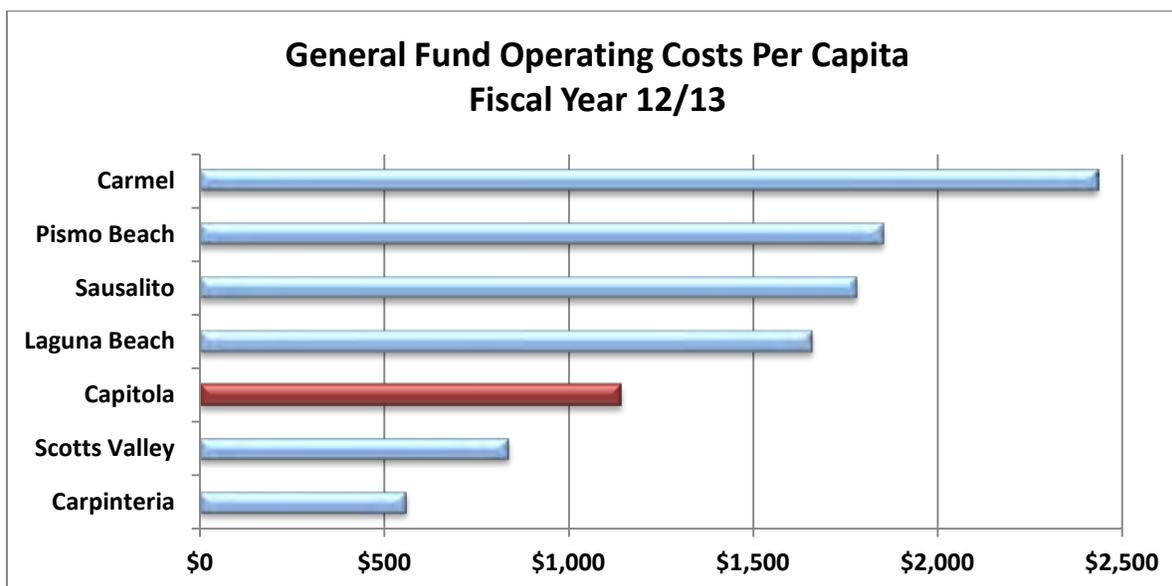
Citywide Activity Costs

One of the ways to evaluate the citywide costs of providing government services is to review the Statement of Activities section of the CAFR. This graph shows comparable data for each city and excludes fire department and sewer expenses for consistency purposes. Capitola's ratio from FY 11/12 shows a decrease from \$1,783 per capita to \$1,516 per capita. A significant factor contributing to Capitola's \$267 per capita decrease was the reduction of expenses directly related to the reduction of grant revenue. Capitola retained its position as the third lowest City in this category, while Scotts Valley and Carpinteria also reduced expenses in FY 12/13.



General Fund Operating Costs per Capita

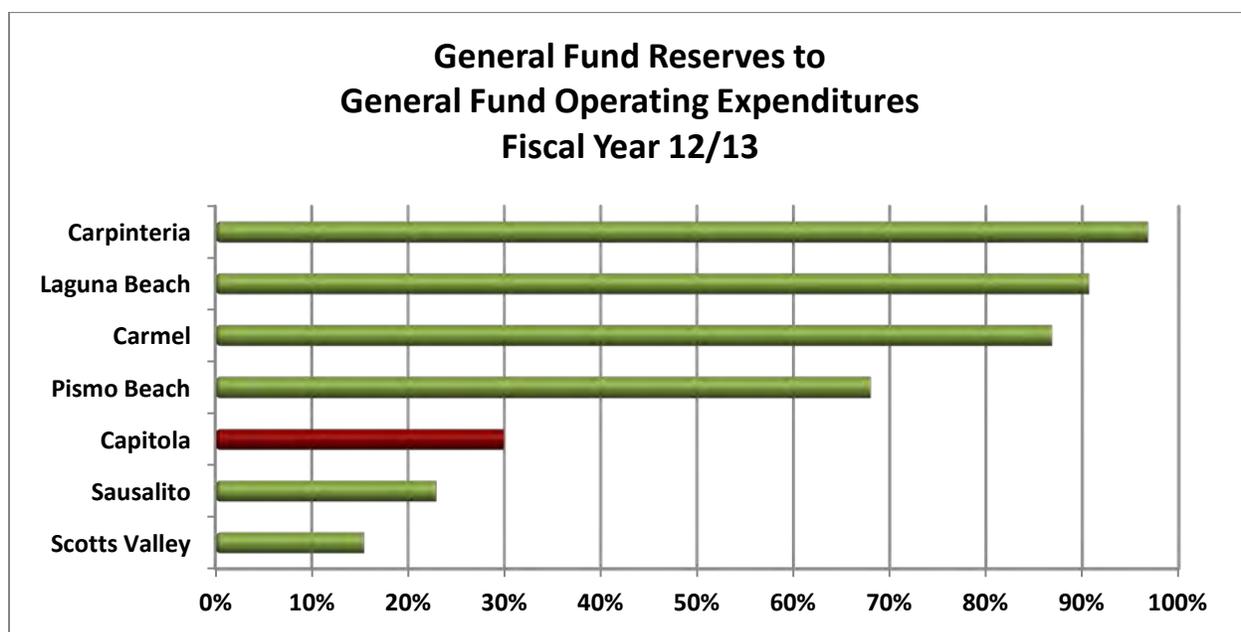
The following graph shows the operating costs per capita of each city's General Fund. For consistency, the costs of fire and sewer have been removed from each municipality. Capital outlay and debt service have also been removed to reflect only operating costs. Capitola's ratio remained relatively constant between fiscal years, with costs increasing slightly from \$1,130 to \$1,142 per capita. Capitola maintained the third lowest position in this category.



Ratio of General Fund Reserves to General Fund Operating Expenditures

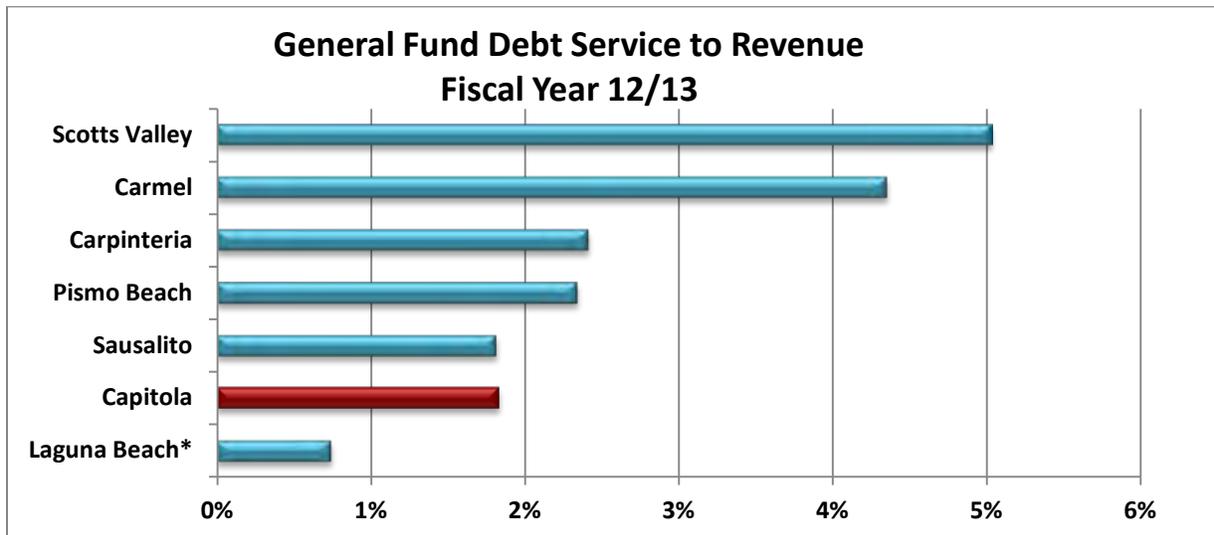
This ratio can be used as a risk management tool to assess how well a municipality can cover unplanned purchases or manage fiscal challenges. The City of Capitola's reserve ratio in this chart will differ from the method used to calculate the City's reserve policy requirements. The City's Financial Management Policies require the targeted reserve levels to be calculated on the ratio of reserves to the budgeted General Fund operating expenditures; while the City's CAFR combines the General Fund balances with reserves, internal service funds, and the General Plan. This chart references the CAFR calculation of spendable fund balances for benchmark comparability purposes,

Capitola's ratio saw a healthy increase from 23.1% in FY 11/12 to 30% in FY 12/13. The City's rank increased by one position in relation to the benchmark cities. The City's ratio is anticipated to continue to rise due to a change in policy, which increased Emergency Reserve requirements from 5% to 10% of operating expenditures and the Contingency Reserve requirements from 10% to 15% of operating expenditures. An overview of this plan is included in the Summary Section of this document.



General Fund Debt Service to Revenue

A good measure of a city's financial management is the ratio of General Fund debt service to General Fund revenues. In FY 10/11, Capitola led the benchmark analysis by maintaining its principal and interest payments below 0.5% of General Fund revenues. As a result of debt issued to fund closure costs of the Pacific Cove Mobile Home Park, Capitola's General Fund debt ratio increased from FY 11/12 at 0.3% to 1.8%. Capitola's position is now tied with Sausalito for second lowest debt service ratio in this category. Although Capitola moved up a position, it is still below the average benchmark amount and maintains a favorable national standard ratio of less than 6% of revenues.



* Excludes voter approved general obligation bonded indebtedness and pension obligation bonds

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ATTACHMENT C
FINANCIAL MANAGEMENT POLICIES

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ADMINISTRATIVE POLICY

Number: III-3
Issued: June 8, 2000
Revised: March 14, 2013
June 13, 2013

Jurisdiction: City Council

FINANCIAL MANAGEMENT POLICIES

POLICY

The following financial policies (herein, the "Policies") were developed in an effort to assist the City of Capitola with the management of its operating and capital budgeting processes and to standardize and rationalize the issuance of debt by the City. Regular, updated policies are an important tool to insure the prudent use of the City's resources to meet its commitments, to provide needed services to the citizens of Capitola, and to maintain sound financial management practices. These Policies are therefore guidelines for general use, and allow for exceptions in extraordinary conditions. The Policies will have served their intended purpose if they stimulate an open debate about the City's operating and capital budget processes, existing and/ or proposed debt position, and they lead to informed decision-making by the City Council. In order to use the Policies properly, they should be applied in the context of the community's overall objectives and goals.

The Policies are divided into three sections: Capital Budgeting and Reserves, Operating Budgeting and Reserves, and Other Policies.

A. CAPITAL BUDGETING AND RESERVES; ISSUANCE OF DEBT:

1. CAPITAL PLANNING -IN GENERAL:

To enhance creditworthiness and prudent financial management, the City of Capitola is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning, and implementation over a two-year period. Evidence of this commitment to systematic capital planning will be demonstrated through adoption of an annual review of the City's five-year capital improvement budget.

2. USE OF LONG-TERM FINANCING METHODS:

Major capital improvements or acquisitions valued over \$250,000 may be made using long-term financing, methods, rather than out of operating revenue. The prioritization of capital projects eligible for debt financing is accomplished through a "needs assessments" undertaken in the formulation and development of the City's five-year capital improvement budget.

3. FISCAL ANALYSIS:

The City will require each capital appropriation request to include a fiscal analysis that identifies the amount of funds requested, the source of funds requested and the impact of the request on existing revenues and operations.

4. ASSET LIFE:

The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years. City debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

5. CAPITAL FINANCING -IN GENERAL:

The City will rely first on internally generated funds and/or grants and contributions from other government sources to finance its capital improvement needs. Capital improvements will be financed through user fees, service charges, assessments, special taxes or developer exactions so long as the benefits the City will derive from such improvements can be attributed to the users of the improvements. Moreover, the City will specifically consider the costs associated with any borrowing in order to determine that the above funding sources are adequate to service the proposed debt. Accordingly, the Policies assume that development fees will be set at a level that is sufficient at all times to insure that new development pays its fair share of the cost of constructing new facilities in the community.

Debt will be issued for a capital improvement project only in the case of emergency or when it is an appropriate means to achieve an equitable allocation of costs between current and future beneficiaries as determined by the City Council. Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction. Debt will only be undertaken when the City believes that project revenues or specific resources will be available and sufficient to service the debt over its life. Debt financing will not be considered appropriate for any recurring purpose such as operating or maintenance costs.

The City will evaluate the use of debt in-Lieu of "pay-as-you-go" financing based on the following criteria:

Factors Favoring "Pay-as-you-Go" Financing:

1. Current fund balances or project revenues are adequate to fund the project;
2. existing or proposed debt levels would have a deleterious effect on the City's credit rating;
3. Credit market conditions are unstable or present extraordinary difficulty in marketing the proposed debt.

Factors Favoring Use of Debt:

1. Revenues are deemed to be stable & reliable enough to support the proposed debt at investment grade ratings;
2. The nature of the financed project will support investment grade ratings;
3. Credit market conditions present favorable interest rates and demand for financing such as the City's;
4. The project being financed is mandated by the state or federal government and resources are insufficient or unavailable;
5. The project being financed is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable;
6. The estimated useful life of the asset to be financed is greater than 5 years.

6. GENERAL OBLIGATION DEBT:

General obligation bonds provide the lowest borrowing costs for major public assets. The use of a general obligation pledge usually eliminates the need for a bond reserve and due to its high credit quality and the ability to levy a tax to repay it, produces borrowing terms and costs unavailable through other methods. Moreover, since the source of repayment of a general obligation bond is from proceeds of specific taxes, the City's operating funds and its operating position are not impacted by the issuance of general obligation bonds. Though the use of the term "general obligation bond" implies that the City's "full faith and credit" would be pledged to the repayment of the bond, the bond is actually repaid from an ad valorem tax on real property. Accordingly, the general obligation bond is more properly described as a "unlimited tax" bond.

Because of the absence of a limitation on the rate and amount of the tax that might be levied to pay a general obligation bond, state law and prudent finance practice require the submission of such a proposed debt to the electorate. Article XIII of the California Constitution requires that general obligation bonds be submitted to the voters for approval and that the issuance of such bonds be approved by a two-thirds vote.

Ad valorem property taxes affect various classes of taxpayers differently. Since the enactment of Proposition 13 in 1978, the increases in assessed value of real property have been limited for established property owners. This has the effect of disproportionately burdening newer property owners, who may have less wealth or taxpaying capacity than older, more established property owners. Moreover, business property owners, whose property turns over less frequently than residential property often benefit as a result of this phenomenon.

Cities in California may issue general obligation bonds only for the purpose of acquiring, improving or constructing real property. Accordingly, it shall be the City's policy to issue general obligation bonds only for such purposes and then only when the acquisition, improvement, or construction of the proposed real property will provide benefits to the community, in significant amounts, to both users and non-users of the facility.

7. USE OF OTHER DEBT, INCLUDING REVENUE BONDS, CERTIFICATES OF PARTICIPATION OR FINANCING LEASES.

Before issuing revenue debt or financing leases, the City will determine that the proposed facility is both necessary and desirable, and that no other financing method is practical to finance it. The City may use revenue debt or financing leases for those projects which are not sufficiently popular to obtain a two-thirds vote for the issuance of general obligation bonds or which must be financed at a time, or in a manner which do not permit the use of general obligation bonds. The City shall only use revenue debt or financing leases: if the project to be financed will generate positive net revenues after debt service; or, if the project will significantly reduce City operating costs; or, if an equal or greater amount of non-City matching funds

will be lost if City's revenue or financing lease funds are not applied in a timely manner; or, in the case of a financing lease, if the project to be financed is less than \$250,000; or, if the project to be financed provides essential City services or would so advance core City policy objectives that its value overrides the value of obtaining voter approval.

B. OPERATING BUDGETING AND RESERVES

1. TWO YEAR OPERATING BUDGET.

The City will maintain a long-range fiscal perspective through the use of a two-year operating budget and a five-year capital improvement budget.

2. BALANCED OPERATING BUDGET.

The City will maintain a balanced operating budget for all governmental funds with on-going revenues equal to or greater than on-going expenditures and debt service. This policy requires that in any given fiscal year we do not budget proposed expenditures in excess of the revenue we expect to receive in the same time frame.

3. "ONE-TIME" REVENUE.

The City will use "one-time" revenues, including fund balance carry-forwards, to fund nonrecurring expenditures. "One time" revenues cannot be relied on in future budget periods and should be used to stabilize existing revenues, retire early debt or for capital purchases.

4. NORMAL REVENUE INFLATION WILL GO TO PAY NORMAL INFLATION EXPENSES.

The City will assume that normal revenue inflation will go to pay normal inflation expenses. Any new or expanded programs will be required to identify funding sources. If normal revenue inflation does not keep up with expense inflation, expenses will be decreased or a new revenue source will be found. If revenues grow at a rate faster than expense inflation, expanded service levels may be considered.

5. CONTINGENCY APPROPRIATION.

For each fiscal year, the final adopted General Fund budget shall contain a funded Contingency Appropriation equal to fifteen percent (15%) of General Fund Expenditures. The City shall implement a strategy to reach the required funding level in no more than five fiscal years. The Contingency Appropriation " will provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. "

6. EMERGENCY RESERVES.

To protect against significant one-time costs, which might arise from major unpredictable emergency events, in addition to the Contingency Appropriation, the City shall maintain a funded emergency reserve equal to ten percent (10%) of General Fund budgeted expenditures.

7. REVENUE DIVERSIFICATION.

The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation and to protect it from short-term fluctuations in any revenue source.

8. REVENUE PROJECTIONS.

The City will prepare multi-year projections of revenues and other resources in order to understand the level of funding available for services and capital acquisition. The revenue projections will assist the City in understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to tax rates or fees. The revenue projection will be for a period of at least two years into the future to evaluate how revenues may change over time, to isolate non-reoccurring revenues and to understand the impact of revenue growth. The major assumptions used in the revenue projection will be documented and identified and different scenarios may be developed to enable City Council to choose a preferred scenario.

9. EXPENDITURE PROJECTIONS.

The City will prepare multi-year projections of expenditures for each fund and for existing and proposed new programs. The expenditure projections will assist the City in determining whether projected expenditure levels can be sustained, whether new programs are affordable, and whether a program's current and future costs are acceptable compared to program benefits and projected revenue availability. The expenditure projections will be for a period of at least two years into the future to evaluate how expenditures may change over time. All expenditure projections should identify service level assumptions and key issues that may affect actual expenditures.

10. DEVELOPMENT FEES

The City's development process costs and related administrative expenses should be offset by development fees to the greatest extent possible. Fees will be reviewed and updated on an on-going basis to ensure that they keep pace with changes in the actual costs of service delivery as well as changes in the methods or levels of service delivery.

C. OTHER POLICIES

1. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The City will comply with all the requirements of Generally Accepted Accounting Principles. The City will always conduct its financial affairs and maintain its records in accordance with GAAP as established by the Government Accounting Standards Board, so as to maintain accuracy and public confidence in its financial reporting systems.

2. COUNCIL ACTION TO BE A SCHEDULED BUSINESS ITEM, NOT CONSENT CALENDAR.

For all debt sales, the City will require that the action taken by the City Council to incur the debt will be taken as a scheduled business item, and at a regular or special City Council meeting, consistent with state law. Generally, it shall be the City's

policy to submit the proposed debt issuance to the City Council in a study session wherever possible prior to submittal to the full City Council as an action item at a regular or special meeting.

3. INTERFUND LOANS

Provided sufficient resources are available, liquidity will not be impaired, and a defined source of repayment is available, the City will favor internal over external borrowings to achieve short-term liquidity. The City Manager is authorized to make temporary cash loans between and among the General Fund, internal service funds, and the Contingency Fund. All short-term loans and the changes in cash position will be presented to the City Council on a monthly basis. The Finance Director has the authority to initiate year-end accounting entries that create temporary interfund loans for the financial statement presentation purposes.

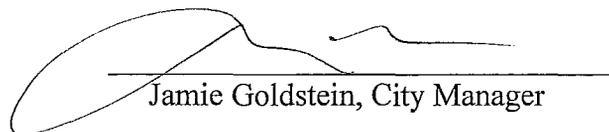
All short-term loans from other funds must be authorized by the City Council. This includes the Emergency Reserve Fund which has been designated as "Assigned" pursuant to Governmental Accounting Standards Board (GASB) Statement 54.

All interfund loans shall be repaid by the borrowing fund to the lending fund as soon as, in the opinion of the City Manager; it is fiscally prudent to do so. In addition, interest on interfund loans will be recorded only when necessitated by state or federal program requirements, or other contractual or legal obligations.

4. EMPLOYEE COMPENSATION

The City will continue to pay competitive market level compensation to our employees to ensure that the City has the ability to attract and retain well-qualified personnel while ensuring that the City's compensation practices are competitive and consistent with those of comparable employers.

This policy is approved and authorized by:



Jamie Goldstein, City Manager

ATTACHMENT D
FUND BALANCE POLICY

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ADMINISTRATIVE POLICY

Number: III-10
Issued: 6/9/11
Jurisdiction: City Council

FUND BALANCE POLICY

I. PURPOSE

To comply with Governmental Accounting Standards Board (GASB) issued statement 54 which requires the City Council to make certain decisions regarding the use of resources and classifications of ending fund balance in order for the annual financial reports to be in compliance with Generally Accepted Accounting Principles (GAAP).

II. SUMMARY

With GASB 54, a hierarchy of fund balance classifications has been created. These classifications are based primarily on the extent to which governments are bound by the constraints placed on resources reported in those funds. This approach is intended to provide users more consistent and understandable information about a fund's net resources. Previously, the city reported fund balances that were reserved, designated, or unreserved. With the implementation of GASB 54, there are five new categories required for ending fund balances. This statement applies to governmental funds only.

III. DEFINITIONS

The five new categories of ending fund balance are:

Nonspendable Fund Balance

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually (principal of a permanent fund)

Restricted Fund Balance

- Amounts constrained for a specific purpose by external parties, constitutional provision of enabling legislation

Committed Fund Balance

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period

Assigned Fund Balance

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed

- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance

Unassigned Fund

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.
- For all governmental funds other than the general fund, amount expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

IV. POLICY

The City of Capitola will use GASB's definitions of fund balance for the annual financial reports (audits) and for all other financial reporting.

The City of Capitola policy establishes the order of use of unrestricted resources when any of these amounts are available for expenditure as committed amounts should be used first, followed by the assigned amounts, and then the unassigned amounts.

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a city officer or designee. To provide the city with the most flexibility in financial reporting, staff is recommending that the Finance Director be given authority to assign resources and ending fund balances if applicable.

This policy was approved by the City Council of the City of Capitola at its meeting held on the 9th day of June, 2011, and authorized by:



Jamie Goldstein
City Manager

JG/ljs

ATTACHMENT E
CITY INVESTMENT POLICY

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ADMINISTRATIVE POLICY

Number: III-1
Issued: May 9, 1996
Revised: August 9, 2001
Jurisdiction: City Council

INVESTMENT POLICY

The policy for the investment of public funds shall at all times conform, by law, to Section 53601, et seq., of the California Government Code. In order of importance, the investment policy shall:

1. Provide for the safety of the funds
2. Assure the liquidity of the funds
3. Acquire earnings of the funds

This investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council and copies made available upon request.

The Treasurer's investment portfolio contains pooled investments of funds by both the City and of benefit assessment districts within the City. The earnings from pooled investments are shared proportionately with each investor.

City investment funds shall only be invested in the following permitted investments:

1. State of California Local Agency Investment Fund
2. U.S. Treasury T-Bills
3. Negotiable Certificates of Deposit
4. Guaranteed Investment Contracts (GIC) of AAA quality, for a term not to exceed fifteen (15) months*

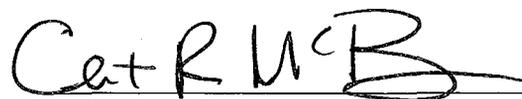
The following limitations shall apply to permitted investments:

T-Bills: Total dollar investment not to exceed 60% of total portfolio at time of investment:

Certificates of Deposit:

- A. Total dollar investment not to exceed 20% of total portfolio at time of investment.
- B. Maturity date of securities shall not be more than 365 days from date of purchase.
- C. Issuer must be one of top 20 national or state chartered banks, one of top 20 state or federal savings associations, or one of top 10 state licensed foreign banks as compiled by American Banker from Merrill Lynch.
- D. CD's may be purchased only from the issuer, a federal or state chartered bank, a federal or state association, or a brokerage firm designated as a primary dealer by the Federal Reserve Bank.
- E. The deposit shall not exceed the total of the paid-up capital and the surplus of any depository bank, nor shall the deposit exceed the net worth of any depository association.

City funds placed in a qualified Other Post Employment Benefit (OPEB) Trust Fund for retiree healthcare can be invested in accordance with Government Codes 53620-53622.


Christine McBroom, City Treasurer

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GANN / APPROPRIATION LIMITS

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GANN APPROPRIATION LIMIT

On November 6, 1979, California voters approved Proposition 4, commonly known as the Gann Initiative, establishing Article XIII B of the State Constitution. This proposition places annual limits on the appropriation of tax proceeds that can be made, based on the 1978-79 base year, and adjusted each year for population growth and cost-of-living factors. It precludes state and local government from retaining “excess” revenues above the appropriation limit, and requires the State to reimburse local government for the cost of certain mandates.

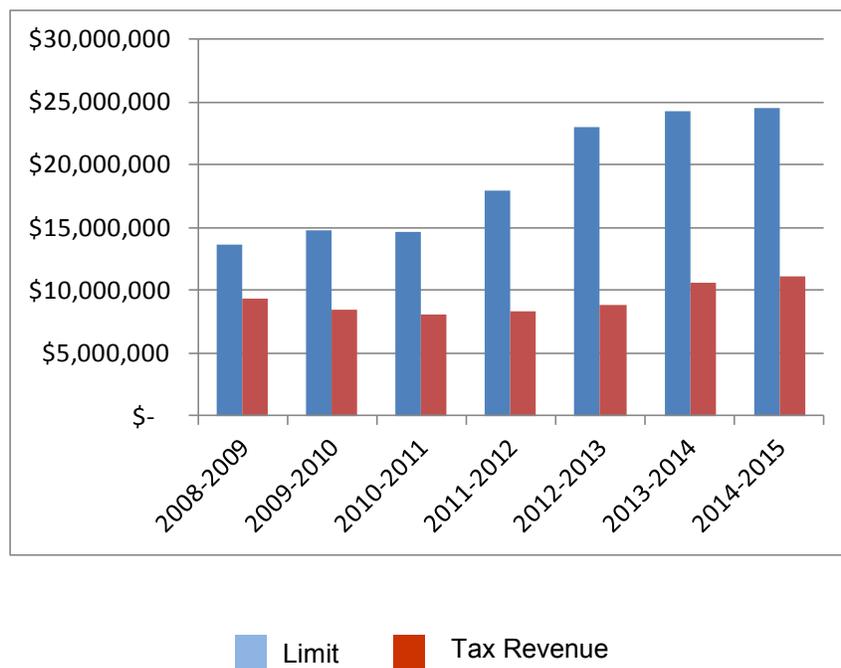
Two subsequent initiatives, Proposition 98 in 1988 and Proposition 111 in 1990, modify the appropriation limit requirements. Proposition 98 amends the methodology for allocation of excess revenues. Proposition 111 changes the population growth and cost-of-living factors to be used in calculating the limit, adds additional exempted items, and further adjusts allocation of excess revenues.

The appropriations limit applies only to tax proceeds. Charges for services, fees, grants, loans, donations, and other non-tax based proceeds are excluded. Exemptions are also made for voter approved debt, debt that existed prior to January 1, 1979, and for the cost of compliance with court or Federal government mandates.

The Appropriations Limit for a given fiscal year is established in the months prior to the beginning of a fiscal year. The California Revenue and Taxation Code, Section 2227, mandates that the Department of Finance transmit an estimate of the percentage change in population, “Annual Percent Change in Population Minus Exclusions”, to local governments. Each local jurisdiction uses this percentage change in population factor for January 1 in conjunction with the County-issued “Local Nonresidential Property Value Increment By Fund” or “Change in California Per Capita Income” to calculate the Appropriation Factor used in determining the Limit. The State Constitution requires that prior to June 30 of each year, Council ratify calculation factors and set the City’s appropriations limit for the upcoming fiscal year.

In FY13/14, the City has appropriated 45.36% of the calculated appropriation limit. Based on historical information, it is estimated that the City will not be impacted in the next few years by the Gann Limit.

Historic Limit versus Tax Revenue



Capitola's 2014-15 calculation is:

| | | | | | | | | | |
|---------|--|---|--|---|-------------------------|---|--------------------------------------|---|--------------------------------------|
| | Annual % change in County Population minus Exclusions | X | Change in California per capita Income | = | Appropriation Factor | X | FY 2013-14 Appropriation Limit | = | FY 2014-15 Appropriation Limit |
| 2014-15 | 1.0127 | | 0.9977 | | 1.0104 | | \$24,220,024 | | \$24,471,912 |

The proposed 2014-15 Budget tax revenues are:

| Source of Tax Revenue | 2014-15 Budget |
|-----------------------------------|-------------------|
| Sales Tax and Triple Flip (1%) | \$ 5,224,500 |
| District Taxes (Measures D and O) | \$ 2,094,100 |
| Property Tax and In-Lieu | \$ 1,762,900 |
| Transient Occupancy Tax | \$ 1,251,000 |
| Franchise Taxes | \$ 485,200 |
| Business License Tax | \$ 280,800 |
| Interest Income from tax revenue | \$ 918 |
| Total Tax Revenue | \$11,099,418 |

The 2014-15 % of appropriations limit used is shown below:

| For Fiscal Year ended: | 2012-13 | 2013-14 | 2014-15 |
|---|-----------------------|----------------------|--------------------|
| Appropriations Limit | \$ 22,924,774 | \$ 24,220,024 | \$ 24,471,912 |
| Tax revenue | \$ 8,817,975 | \$ 10,522,830 | \$ 11,099,418 |
| Remaining to limit | \$ 14,106,799 | \$ 13,697,194 | \$ 13,372,494 |
| % of limit used | 38.46% | 43.45% | 45.36% |
| Change in Appropriations Limit over prior year | \$ 5,009,196 28.0% | \$ 1,295,250 5.7% | \$ 251,888 1.0% |

The appropriations limit for FY14/15 is \$24.5 million, or 1.0% higher than prior year after two years of significant increases. In FY 12/13, the appropriations limit increased by 28.0% and by 5.7% in FY 13/14. Tax revenue as a percent of the appropriations limit has decreased from 55.62% in FY 10/11 to 38.46% in FY 12/13. Due to the addition of Measure O and increased economic performance over the past two years, tax revenues in relation to the appropriation limit have risen to 45.36% in FY 14/15.

For the current year, the population change factor issued by the Department of Finance increased 0.77 basis points or 0.8%, while the change in California per capita Income dropped 5.35 basis points or 5.1% from prior year. The combined effect of these changes is drop in the appropriation factor of 4.61 basis points or a 4.4% drop.

RESOLUTION NO. 3992

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
SETTING THE 2014-2015 FISCAL YEAR APPROPRIATION LIMIT PURSUANT
TO ARTICLE XIIB OF THE CALIFORNIA CONSTITUTION**

WHEREAS, before June 30 of each year, the City Council must select the factors to calculate the appropriation limit for the ensuing fiscal year and set the appropriation limit accordingly.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2014-2015 Fiscal Year Appropriation Limit shall be \$ 24,471,912 calculated as follows:

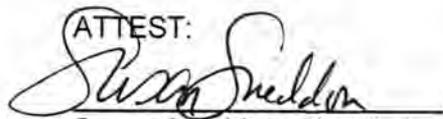
| | |
|--|----------------------|
| Population change within the county: | 1.0127 |
| Change in California per capita Income | 0.9977 |
| | |
| 2013-14 Appropriation Limit: | \$ 24,220,024 |
| Adjustment Factor (1.0127 x 1.0023) | x 1.0104 |
| 2014-15 Appropriation Limit: | <u>\$ 24,471,912</u> |

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 12th day of June, 2014, by the following vote:

AYES: Council Members Harlan, Norton, Bottorff, Termini, and Mayor Storey
 NOES: None
 ABSENT: None
 ABSTAIN: None



 Sam Storey, Mayor

ATTEST:

 Susan Sneddon, City Clerk CMC

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ATTACHMENT G
BUDGET RESOLUTION

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RESOLUTION NO. 3993

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA AND
THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY
ADOPTING THE 2014/2015 FISCAL YEAR CITY BUDGET
AND CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET**

WHEREAS, it is necessary to adopt the 2014/2015 Fiscal Year Budget for all City funds and Capital Improvement Program; and

WHEREAS, the City Council has conducted budget study sessions, has heard and considered public comments, and has modified the proposed budget accordingly, and wishes to adopt such budget for the Fiscal Year July 1, 2014 through June 30, 2015; and

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2014/2015 Fiscal Year Budget is hereby adopted as amended, including Exhibit A (Changes to Proposed Budget), Exhibit B (General Fund Overview), and Exhibit C (Summary by Fund) to this Resolution; and

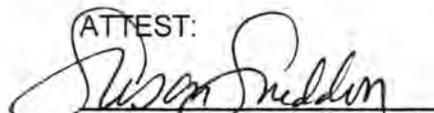
BE IT FURTHER RESOLVED that the Finance Director is directed to enter the budget into the City's accounting records in accordance with appropriate accounting practices, and the City Manager, with the Finance Director's assistance, shall assure compliance therewith.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 12th day of June, 2014, by the following vote:

AYES: Council Members Harlan, Norton, Bottorff, Termini, and Mayor Storey
NOES: None
ABSENT: None
ABSTAIN: None



Sam Storey, Mayor

ATTEST:

 Susan Sneddon, City Clerk, CMC

| Changes to Proposed Budget | | |
|---|-------------------------|-----------------------|
| | | Incr./.(Decr.) |
| FY14/15 Budget Amendments | | |
| FY 14/15 Revenues /Resources | Acct # | Amount Incr./.(Decr.) |
| Transfer in from General Fund (Pacific Cove Debt) | 1420-00-00-000-3910.100 | \$ (15,200) |
| Transfer in from Parking Reserve (Pacific Cove Debt) | 1420-00-00-000-3910.316 | 15,200 |
| Transfer in from General Fund (Emerg. Fund Incr.) | 1020-00-00-000-3910.100 | 25,000 |
| Transfer in from General Fund (Emerg. Fund Incr.) | 1025-00-00-000-3910.100 | (25,000) |
| Transfer in from General Fund (Facilities) | 1025-00-00-000-3910.100 | (20,000) |
| Transfer in from General Fund (CIP) | 1010-00-00-000-3910.100 | (45,000) |
| Transfer in from General Fund (Facilities) | 1025-00-00-000-3910.100 | 37,000 |
| Public Art - Major Project | 1315-00-00-000-3460.053 | 40,000 |
| Total Revenue Changes - All Funds | | \$ 12,000 |
| FY 14/15 Expenditures/Transfers | Acct # | Amount |
| Transfer out from General Fund (Pacific Cove Debt) | 1000-99-99-000-4910.420 | \$ (15,200) |
| Transfer out from Parking Reserve (Pacific Cove Debt) | 1316-00-00-000-4910.420 | 15,200 |
| Transfer out from General Fund (Emerg. Fund Incr.) | 1000-99-99-000-4910.102 | 25,000 |
| Transfer out from General Fund (Emerg. Fund Incr.) | 1000-99-99-000-4910.104 | (25,000) |
| Transfer out from General Fund (Facilities) | 1000-99-99-000-4910.104 | (20,000) |
| Transfer out from General Fund (Facilities) | 1000-99-99-000-4910.104 | 37,000 |
| PEG - Community Room Improvements | 1320-00-00-000-4650.400 | 20,000 |
| Transfer out from General Fund (CIP) | 1000-99-99-000-4910.101 | (45,000) |
| GF: Chamber of Commerce | 1000-00-00-000-4305.106 | 1,000 |
| GF: CBHHSP - Changes to funded organizations | 1000-10-18-000-4600.xxx | 16,000 |
| GF: PW Streets - ADA maintenance | 1000-30-31-310-4355.365 | 10,000 |
| GF: Cultural & Leisure - Museum | 1000-50-51-000-4450.500 | 10,000 |
| GF: PW Streets - Path maintenance | 1000-30-30-000-4355.401 | 7,000 |
| Facilities - Community Room Improvements ⁽¹⁾ | 1025-00-00-000-4650.XXX | 75,000 |
| Total Expenditure/Transfer Changes - All Funds | | \$ 111,000.00 |
| FY15/16 Planned | | |
| FY15/16 Expenditure | Acct # | Amount |
| Chamber of Commerce | 1000-00-00-000-4305.106 | \$ 1,000.00 |
| CBHHSP - Changes to funded organizations | 1000-10-18-000-4600.xxx | \$ 22,750.00 |
| Total Expenditure Changes - All Funds | | \$ 23,750.00 |

(1) The establishment of the Facilities Reserve Fund was approved as part of the FY 14/15 Budget Study Sessions

General Fund Summary

| Major Categories | FY 13/14 Adopted | FY 13/14 Estimated | FY 14/15 Proposed | FY 15/16 Planned |
|--|---------------------|-----------------------|----------------------|---------------------|
| Revenue | | | | |
| Taxes | \$10,521,400 | \$10,990,051 | \$11,098,500 | \$11,310,100 |
| Licenses and permits | 224,600 | 235,550 | 254,450 | 257,850 |
| Intergovernmental revenues | 229,200 | 282,268 | 168,700 | 163,700 |
| Charges for services | 1,980,400 | 1,999,500 | 1,921,400 | 1,773,900 |
| Fines and forfeitures | 707,500 | 725,200 | 718,800 | 718,800 |
| Use of money & property | 19,300 | 34,300 | 51,800 | 51,800 |
| Other revenues | 74,200 | 77,145 | 70,400 | 70,400 |
| Other financing sources | - | - | - | - |
| Extraordinary items | - | - | - | - |
| Revenue Totals | \$13,756,600 | \$14,344,014 | \$14,284,050 | \$14,346,550 |
| Expenditures | | | | |
| Personnel | \$7,768,290 | \$7,780,587 | \$7,985,744 | \$8,242,040 |
| Contract services | 2,505,500 | 2,645,689 | 2,741,130 | 2,749,380 |
| Training & Memberships | 72,280 | 78,004 | 83,545 | 81,545 |
| Supplies | 523,600 | 518,432 | 550,000 | 549,800 |
| Grants and Subsidies | 254,270 | 254,270 | 254,270 | 254,270 |
| Capital outlay | 5,000 | 27,531 | 10,000 | 40,000 |
| Internal service fund charges | 892,925 | 892,925 | 850,647 | 922,613 |
| Other financing uses ⁽¹⁾ | 1,711,912 | 2,233,725 | 2,270,025 | 1,511,065 |
| Expenditure Totals | \$13,733,777 | \$14,431,163 | \$14,745,361 | \$14,350,713 |
| Impact on Fund Balance ⁽¹⁾ | \$ 22,823 | \$ (87,149) | \$ (461,311) | \$ (4,163) |
| Estimated Ending Fund Balance | \$ 769,659 | \$ 659,687 | \$ 198,376 | \$ 194,213 |

| Fund Title | Estimated Balance 07/01/2014 | Revenues | Transfers In | Expenditures | Transfers Out | Estimated Balance 06/30/2015 |
|---------------------------------------|------------------------------------|----------------------|---------------------|----------------------|---------------------|------------------------------------|
| General Fund | \$ 659,687 | \$ 14,284,050 | \$ - | \$ 12,475,336 | \$ 2,270,025 | \$ 198,376 |
| Designated Reserves | | | | | | |
| Contingency Reserve | \$ 1,621,346 | - | \$ 182,600 | - | - | \$ 1,803,946 |
| Emergency Reserve | 584,106 | - | \$ 465,100 | - | - | \$ 1,049,206 |
| Facility Reserve | - | - | \$ 167,000 | 75,000 | - | \$ 92,000 |
| Total Designated Reserves | \$ 2,205,452 | - | \$814,700 | - | - | 2,945,152 |
| Debt Service | | | | | | |
| Pension Obligation Bond | \$ 482,214 | \$ - | \$ 675,900 | \$ 672,900 | \$ - | \$ 485,214 |
| Pac Cove Lease Financing | 319,788 | - | 165,065 | 165,066 | - | 319,787 |
| Pac Cove Park | - | - | 85,860 | 85,440 | - | 420 |
| OPEB Trust Fund | 42,000 | - | 39,500 | - | - | 81,500 |
| Total Debt Service | 844,002 | - | 966,325 | 923,406 | - | 886,921 |
| Capital Improvement Fund | \$ 798,839 | \$ - | \$ 864,900 | \$ - | \$ - | \$ 1,663,739 |
| Internal Service Funds | | | | | | |
| Stores Fund | \$ 2,693 | \$ 39,100 | \$ - | \$ 39,100 | \$ - | \$ 2,693 |
| Information Technology | 147,623 | 133,468 | - | 200,000 | - | 81,091 |
| Equipment Replacement | 113,297 | 68,147 | - | 60,000 | - | 121,444 |
| Self-Insurance Liability | 241,838 | 249,300 | - | 249,300 | - | 241,838 |
| Workers Compensation | 321,853 | 364,100 | - | 364,100 | - | 321,853 |
| PERS | - | - | - | - | - | - |
| Compensated Absences | 68,274 | 110,000 | - | 90,000 | - | 88,274 |
| Total Internal Service Funds | \$ 895,578 | \$ 964,115 | \$ - | \$ 1,002,500 | \$ - | \$ 857,193 |
| Special Revenue Funds | | | | | | |
| SLESF - Supplemental Law Enforce | \$ 100,864 | \$ 100,100 | \$ - | \$ 61,700 | \$ - | \$ 139,264 |
| SCCACT - SCC ANTI CRIME TEAM | - | 75,070 | - | 75,070 | - | - |
| Gas Tax Fund | 42,168 | 261,725 | - | 279,225 | - | 24,668 |
| Wharf Fund | 43,892 | 84,850 | - | 84,850 | - | 43,892 |
| Development Fees Fund | - | - | - | - | - | - |
| General Plan Update and Maint | 85,445 | 80,000 | - | 144,300 | - | 21,145 |
| Green Building Education Fund | 99,994 | 7,500 | - | 9,000 | - | 98,494 |
| Public Arts Fee Fund | 144,713 | 60,000 | - | 38,300 | - | 166,413 |
| Parking Reserve Fund | 21,298 | 100,000 | - | 100,000 | - | 21,298 |
| Technology Fee Fund | 39,337 | 9,650 | - | 10,000 | - | 38,987 |
| PEG - Public Education and Gov. | 31,251 | 19,050 | - | 30,000 | - | 20,301 |
| BIA - Capitola Village-Wharf BIA | 1,264 | 65,000 | - | 64,700 | - | 1,564 |
| CDBG Grants | 7,457 | - | - | - | - | 7,457 |
| CDBG Program Income | (2,841) | - | - | - | - | (2,841) |
| CDBG Prog Inc | - | - | - | - | - | - |
| HOME Reuse Fund | 37,282 | 12,300 | - | 3,200 | - | 46,382 |
| HOME Grant Fund | - | - | - | - | - | - |
| Housing Trust Fund | 128,049 | 12,000 | - | 65,000 | - | 75,049 |
| BEGIN Grant Fund | - | - | - | - | - | - |
| Former RDA Low/Mod | - | - | - | - | - | - |
| Cap Hsg Succ- Program Income | 56,992 | - | - | 45,000 | - | 11,992 |
| Total Special Revenue Funds | \$ 837,165 | \$ 887,245 | \$ - | \$ 1,010,345 | - | 714,065 |
| Successor Agency | \$ 602,370 | \$ 1,156,089 | \$ - | \$ 1,156,089 | - | 602,370 |
| Total Fund Balance - All Funds | \$ 6,843,093 | \$ 17,291,499 | \$ 2,645,925 | \$ 16,567,676 | \$ 2,270,025 | \$ 7,867,816 |

ATTACHMENT H
GLOSSARY

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GLOSSARY OF BUDGET TERMS

Accounting System – The set of records and procedures, which are used to record, classify, and report information on the financial status and operations of the City.

Accrual Basis Accounting – Under this accounting method, transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements.

Ad Valorem – Property taxes levied on value of property. Includes the general obligation bond rates added to the 1% rate allowed by Prop. 13. These rates are applied to the secured, unsecured, supplemental, and other miscellaneous tax rolls.

Adoption – Formal action by the City Council which sets the spending limits for the fiscal year. The City's budget is adopted by Council resolution.

Annual Budget – Budget applicable to a single fiscal year.

Appropriation – An authorization made by the City Council, which permits officials to incur obligations against and to make expenditures of government resources. Appropriations are typically granted for a one-year period.

Assessed Valuation – A value established for real property for use as a basis in levying property taxes. For all agencies in the State of California, assessed value is established by the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of real taxable property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change of ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Audit – Prepared by an independent Certified Public Accountant (CPA), the primary objective of an audit is to determine if the City's Financial Statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principles. In conjunction with their performance of an audit, it is customary for an independent auditor to issue a Management Letter stating the adequacy of the City's internal controls as well as recommending improvements to the City's financial management practices.

Bond – A bond is a written promise to pay a specified sum of money (called the face value or principle amount) at a specified date or dates in the future (called the maturity date) together with periodic interest at a specified rate. Bonds are typically used to finance capital facilities.

Budget - As the City's financial operating plan for the fiscal year, the budget displays the estimated expenditures (costs) for providing services and the estimated sources of revenue (income) to pay for them. Once the City Council adopts the budget, the total becomes the maximum spending limit. Capitola's budget encompasses fiscal year (July 1, through June 30).

Budget Amendment – The Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption. The City Manager has the authority to approve administrative adjustments to the budget as outlined in the Financial and Administrative Policies set by Council.

Budget Calendar – The schedule of key dates used for the preparation and adoption of the budget.

Budget Document – The official financial spending and resource plan submitted by the City Manager and adopted by the City Council explaining the approved budget to the public and City Council.

Budget Overview – This section provides an overview of the changes adopted in the budget. Significant impacts of budgetary changes are shown.

Budget Policies – General and specific guidelines adopted by the Council that govern the financial plan's preparation and administration.

Building Permit – Fee required for new construction or for any alteration or addition to a residence or commercial building. The fee is based on square footage and valuation. Electrical or plumbing/mechanical work will require a similar permit.

Business License Tax – Imposed on those conducting business within the limits.

Capital or Community Improvements – Capital or community improvements are major construction, acquisition or maintenance/repair projects. Typical examples of major construction would include new street improvements, park development and public buildings. Acquisition includes land for parks and open space. Major maintenance/repairs may include street resurfacing or modifications to public buildings.

Capital Improvement Plan (CIP) - plan or schedule of expenditures for major construction of roads, sidewalks, facilities and/or park improvements and for the purchase of equipment. The City of Capitola CIP follows a five-year schedule. Although the City adopts the CIP budget in a process, which is separate from the adoption of the budget, the budget incorporates the first year of the five-year CIP.

Capital Projects Fund – In governmental accounting, a fund that accounts for financial resources to be used for the acquisition or construction of capital facilities. The total cost of a capital project is accumulated in a single expenditures account, which accumulates until the project is completed, at which time the fund ceases to exist.

Capital Outlay – Expenditures which result in the acquisition of or additions to fixed assets. Examples include land, buildings, machinery, equipment and construction projects.

Capital Assets – Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets.

Cash Basis Accounting – Basis of accounting under which transactions are recognized only when cash is received or disbursed.

CDBG (Community Development Block Grant Program) – A flexible program that provides federal funding, administered as pass through grants to the City. The funds are used to benefit low- and moderate- income persons within the City.

Code – A book that contains the City Council approved ordinances currently in effect. The code defines City policy with respect to areas such as planning, etc.

COLA – Cost of living allowance.

Comprehensive Annual Financial Report (CAFR) – The official financial statement for the City. It meets the accounting requirements of the Governmental Accounting Standards Board and includes an audit opinion, basic financial statements and supporting schedules necessary to demonstrate compliance.

Constant Dollars – A measure of the cost of goods or services with the effects of inflation removed.

Contingency – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contingent Liabilities – Items which may become liabilities of the City but are undetermined at a given date, such as pending lawsuits, unsettled disputed claims, unfilled purchase orders and uncompleted contracts.

Contract Services – Services provided to the City from the private sector or other public agencies.

Contributed Capital – Resources, which are externally restricted for the acquisition or construction of capital assets. This category includes, but is not limited to, capital grants, residual equity transfers in and contributions from developers.

Cost Allocation – A fair and equitable methodology for identifying and distributing direct and indirect cost, from a service provider to the service consumer. In the City's case, the General Fund is the service provider and the external funds are the service consumers.

Court Fines - Portion of the fines collected upon conviction of a misdemeanor or infraction committed within boundaries.

Debt Instrument – Methods of borrowing funds, including General Obligation (G.O.) bonds, revenue bonds, lease/purchase agreements, lease-revenue bonds, tax allocation bonds, Certificates of Participation (COPs), and assessment district bonds(LIDSs). (See Bonds.)

Debt Service – Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or Certificates of Participation (COPs).

Debt Service Fund – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deficit – The excess of liabilities over assets.

Department – A major organizational unit of the City, which has been assigned overall management responsibility for an operation or a group of related operations within a functional area. In Capitola, Department Heads are the chief administrators within a department.

Developer Fees and Permits – Fees that are charge for specific Planning services.

Documentary Transfer Tax – Imposed on the transfer of real property, exclusive of any lien or encumbrance. The City receives 50% of revenue collected by the County.

Due Diligence Review – A qualified third party audit, defined by statute and required by the California Department of Finance, to determine the unobligated balances of former redevelopment agencies available for transfer to taxing entities. Review is composed of two separate reviews and reports – Low and Moderate Income Housing asset and non-Low and Moderate Income Housing assets.

Encumbrances – Commitments against an approved budget for unperformed (executory) contracts for goods or services. They cease to be encumbrances when the obligations are paid or otherwise terminated.

Enterprise Funds – Established to account for the financing of self-supporting activities of governmental units, which render services on a user charge basis to the general public.

Equipment Replacement Fund – Equipment Replacement Fund is used to account for the replacement of existing fixed assets as equipment, machinery or building improvements become unserviceable or obsolete.

Expenditure – The outflow of funds paid or to be paid for an asset obtained or goods and services obtained. Note: An encumbrance is not expenditure; an encumbrance reserves funds to be expended. (See encumbrances.)

FEMA – Federal Emergency Management Agency.

FHWA – Federal Highway Administration – A governmental agency responsible for administration of Federal grant programs for streets and highways.

Fiscal Year – The 12 month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. The City of Capitola's fiscal year begins July 1st and ends June 30th.

Five-Year Financial Forecast – Estimates of future revenues and expenditures to help predict the future financial condition of the community.

Fixed Assets – Non-consumable assets of long-term nature such as land, buildings, machinery, furniture, and the other equipment. The City has defined such assets as those with an expected life in excess of one year and value in excess of \$5,000.

FLSA (Fair Labor Standards Act) – The Fair Labor Standards Act sets minimum wage, overtime pay, equal pay and Child Labor Standards for private and public sector employees. Enforcement of the FLSA is assigned to the Department of Labor, Wage and Hour Division.

Franchise Fees – Imposed on utility companies for the privilege of doing business in the City. Fees are usually based upon a percentage of gross revenue derived from business conducted in the City.

Full-Time Equivalents (FTE) – The amount of time that is equivalent to the annual hours paid for a regular, full-time employee. Full-time employees are paid for 2,080 hours in each year, which equate to 1.0 FTE. Correspondingly, a part-time employee who works 1,040 hours, is equivalent to a 0.5 FTE.

Fund- An independent fiscal and accounting entity with a self-balancing set of accounts in which cities record financial transactions relating to revenues, expenditures, assets and liabilities. Each fund has a budget with exception of the General Fund (which accounts for general purpose actions and has unrestricted revenue sources). Each remaining fund typically has a unique funding source and purpose. Establishing funds enables an organization to account for the use of restricted revenue sources, along with expenditures related to specific activities or objectives.

Fund Accounting – System used by non-profit organizations, particularly governments. Since there is no profit motive, accountability is measured instead of profitability. The main purpose is stewardship of financial resources received and expended in compliance with legal requirements.

Fund Balance – Also known as financial position, fund balance is the excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses.

Fund Descriptions - The basic accounting and reporting entity for the City is a fund. A fund is “an independent fiscal and accounting entity used to record all financial transactions related to the specific purpose for which the fund was created.” Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds used in government are classified into three broad categories: governmental, proprietary and fiduciary. Governmental funds include activities usually associated with a typical state or local government’s operations (public safety, general government activities, etc. Proprietary funds are used in governments to account for activities often found in the private section (utilities, stadiums and golf courses are prime examples). Trust and Agency funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or agent. The various funds are grouped in fund types and categories as follows:

GAAP (Generally Accepted Accounting Principles) – Uniform minimum standards for financial accounting and reporting. They govern the form and content of the basic financial statements.

General Fixed Assets and General Long Term Debt Account Groups – accounts for fixed assets and long-term debt not used in proprietary fund operations or accounted for in trust funds.

Gas Tax Fund – The Gas Fund Tax is used to account for revenues and expenditures apportioned under the Streets and Highways Code of the State of California. Expenditures may be made for any street related purpose in the City’s system of streets.

General Fund – In governmental accounting, the fund used to account for all assets and liabilities of a non-profit entity, except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of the City .

General Liability Self Insurance Fund – The General Liability Self Insurance Fund is used to provide the City with liability insurance. Coverage is provided through the City’s participation in a joint powers agreement through (MBIAF) Monterey Bay Area Insurance Fund.

General Obligation Bonds – Bonds for which a state or local government pledges its full faith and credit for repayment. Debt Service is paid from property tax revenue levied (in the case of voter-approved bonds) or other general revenue.

Goal – A statement of broad direction, purpose, or intent.

Governmental Funds - Includes activities usually associated with a governmental entity’s operations (police, fire, and general governmental functions).

Grant – External contributions, and/or gifts of cash, or other assets typically from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is a Community Development Block grant funded by the Federal Government.

Home Owners’ Property Tax Relief (HOPTR) – Is the tax on the \$7,000 reduction in assessed value, which is allowed on owner occupied residential property. The State pays the tax on this exemption.

Housing Successor – The State of California eliminated Redevelopment Agencies as of February 1, 2012 and established Housing Successors to manage and continue low and moderate income housing projects underway or contractually committed, make payments on its enforceable obligations, and manage its programs, assets, and properties. The Housing Successor is governed by the local agency.

Housing Set-Aside Fund – Fund is used to account for the 20% set aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing.

Improvements – Buildings, structures or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

Interest Income – The interest earned from the prudent investment of idle funds. The types of investments that can be made are limited by the Government Code to protect the safety of taxpayer's money.

Intergovernmental Revenue – Revenue received from other governmental agencies and municipalities, such as grants from the State or Federal government.

Internal Services Fund – The Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments on a cost reimbursement basis.

Interfund Transfers - When money is moved between various funds. This is also referred to as transfers-in and transfers-out. In aggregate, transfers in and out offset each other for the fiscal year.

Lease-Purchase Agreements – Contractual agreements which are termed “leases”, but which in substance amount to purchase contracts.

Levy - To impose taxes, special assessments or service charges for the support of governmental activities. The total amount of taxes, special assessments or service charges imposed by Santa Cruz County levying property taxes.

Licenses and Permits – Revenues earned by the issuance of licenses or permits levied in accordance with the benefits conferred by the license or permit.

Line-item Budget – A budget that lists detailed expenditure categories (salaries & benefits, office supplies, travel, dues, rents, etc.) separately, along with the amount budgeted for each specified category. The Summary Budget reflects the program rather than line item budgets. The Detail Budget reflects the line-item detail.

Modified Accrual Basis – Under this accounting method, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for prepayments, accumulated employee leave and long-term debt. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Motor Vehicle in Lieu – Portion of the vehicle registration fee paid annually to the State.

NPDES – National Pollution Discharge Elimination System

OES- Office of Emergency Services

Object – An expenditure classification which refers to the type of item purchased or the service obtained.

Objective- A statement of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program or service level.

Ordinance – A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An Ordinance has a higher legal standing than a Resolution and is typically codified in a City’s municipal code.

Operating Budget – The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled. Law requires the use of annual operating budgets.

Other Revenues – Revenues from sources other than those specifically identified that are too immaterial in amount to justify the creation of new revenue account line items.

Oversight Board – The Oversight Board was created by the State of California and its composition and directive defined in state legislation. When Redevelopment Agencies were eliminated as of February 1, 2012, Successor Agencies were established to manage redevelopment projects underway or contractually committed, make payments on its enforceable obligations, and dispose of its assets and properties. The Oversight Board supervises the Successor Agency and is comprised of representatives of the local agencies that serve the redevelopment project area.

Performance Measure – Sets forth a performance objective and a goal for achieving the objective.

Personnel Benefits – Benefits paid by the City in conjunction with employment.

Personnel – Employees.

Proposition 218 – A statewide initiative passed by the voters of California on November 5, 1996. The initiative provided voters with the right to vote on new taxes.

Program – As subdivisions of departments, programs are budgetary or organizational units of government with limited sets of work responsibilities within their respective departments. Programs also serve to increase budgetary accountability. Capitola’s budget is compiled on a program basis.

Property Tax – Imposed on real property (land and permanently attached improvements). The tax is based upon the assessed value of such property. The tax rate may not exceed 1% of assessed value.

Property Tax Secured – Real property both land and improvements

Property Tax (Supplemental) – An assessment which reflects the difference between the prior assessed value and the new assessment due to a change in ownership or completion of new construction. The value is prorated based on the number of months remaining in the fiscal year ending June 30. This is in addition to the regular tax bill.

Property Tax Unsecured – Business or personal property such as boats, aircraft & servers.

Public Employees' Retirement System (PERS) – City employees' retirement fund, paid for by both the City and employee contributions and managed by the State of California.

RDA – Redevelopment Agency

Redevelopment Agency Fund – Fund is used to account for the proceeds of notes, advances and other forms of indebtedness, and the expenditures of these funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the City of Capitola Redevelopment Agency.

Redevelopment Property Tax Trust Fund (RPTTF) – Property tax allocated by the County Auditor-Controller to Successor Agencies based on formulas and procedures applicable to each jurisdiction and as identified and approved as an enforceable obligation of the dissolved redevelopment agency.

Reserve – An account used to indicate that a portion of fund equity is legally restricted for a specific purpose.

Resolution – A special order of the City Council, which has a lower legal standing than an ordinance.

Resources – Total amounts available for appropriation including estimated revenues, inter-fund transfers, and beginning fund balances.

Retained Vehicle – A vehicle in the City's fleet that is still in operation, but is held past the scheduled date of replacement. The retained vehicles do not have monies set aside for replacement.

Revenue – Sources of income, which the City receives during a fiscal year. Examples of revenue include taxes, intergovernmental grants, charges for services, resources forward from the prior year, operating transfers for other funds, and other financing sources such as the proceeds derived from the sales of fixed assets.

Revenue Estimate – A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a fiscal year.

Recognized Obligations Payment Schedule (ROPS) – Successor Agencies are responsible for drafting a ROPS document for each six month period, delineating the enforceable obligations of the City's former Redevelopment Agency and the source of the funds for the payment. The ROPS is subject to the approval of the Successor Agency's Oversight Board.

Sales Tax – The State Board of Equalization returns 1% of the Bradley Burns sales tax to local governments. The government may choose to enact a separate District sales tax to increase revenues. Sales taxes are received on a monthly direct deposit basis.

Special Revenue Fund – In governmental accounting, a fund used to account for the proceeds of a special revenue source (other than special assessments, expandable trusts, or for major capital projects) that are legally restricted to expenditure for specified purpose.

Service Charge – Charges for specific services rendered.

Services and Supplies – Expenditures for services and supplies, which are directly related to a department's primary service activities.

Subventions – Revenues collected by the State, which are allocated to local governments on a formula basis.

Successor Agency – The State of California eliminated Redevelopment Agencies as of February 1, 2012 and established Successor Agencies to manage redevelopment projects underway or contractually committed, make payments on its enforceable obligations, and dispose of its assets and properties. The Successor Agency is governed by the same council as the local agency and supervised by a local oversight board defined by legislation.

Supplemental Appropriation – An appropriation approved by the Council after the initial budget is adopted.

Supplemental Property Tax Assessment - State law requires the Assessor's Office to reappraise property immediately upon change in ownership or completion of new construction. The Assessor's Office must issue a supplemental assessment which reflects the difference between the prior assessed value and the new assessment. The value is prorated based on the number of months remaining in the fiscal year, ending June 30. This is in addition to the regular tax bill.

Supplies – An expenditure classification for articles and commodities purchased for consumption or resale.

Taxes – Compulsory charges levied by the City, County and State for the purpose of financing services performed for the common benefit.

Teeter – The Alternate Methods of Property Tax Apportionment as authorized in Revenue & Taxation Code Sections 4701-4717. These taxes and assessments are paid on the basis of the full tax levy (receivable) regardless of delinquencies. If a property is ultimately sold for non-payment of taxes, any shortfall is deducted from the tax Losses Reserve Fund.

Traffic Fines – A portion of the fines collected upon conviction or bail forfeiture of vehicle code violations committed within the jurisdiction's boundaries.

Transient Occupancy Tax – Imposed on hotels, motels, inns or other lodging facilities.

Transfers In/Out – Money transferred from one fund to another.

Unsecured Taxes - Unsecured taxes are assessed for ownership of assets including, but not limited to boats, planes, business property, mobile homes, structural improvements on leased land and other leasehold interests. The tax is assessed if you were in business or possessed the asset on January 1 of the tax year.

Worker's Compensation Fund – A fund used to account for the cost to provide worker's compensation insurance coverage to all employees in compliance with State of California requirements.

GLOSSARY OF AFFORDABLE HOUSING TERMS

Affordable Housing

Affordable housing is an extremely broad and non-technical term that basically includes rental and ownership housing that is affordable to a range of household incomes up to the moderate-income level. A rule of thumb says that to be “affordable” the combined total of all housing related costs (rent, mortgage, upkeep, utilities & taxes) should not exceed 30% of the household’s income. Most affordable housing funding sources utilize eligibility requirements that identify each income group by household size. The basic State income limits for Santa Cruz County for 2013 are listed below:

The Santa Cruz County Area Median Income for a family of four in 2013 was: \$87,000.

State of California Income Limits for Santa Cruz County 2013 Number of Persons In household

| | One | Two | Three | Four |
|---|----------|----------|----------|-----------|
| Extremely Low-Income (< 30% of area median income) | \$20,150 | \$23,000 | \$25,900 | \$28,750 |
| Very Low-Income (30% to 50% of area median income) | \$33,550 | \$38,350 | \$43,150 | \$47,900 |
| Low-Income (50% to 80% of area median income) | \$53,700 | \$61,350 | \$69,000 | \$76,650 |
| Median Income | \$56,900 | \$69,000 | \$78,300 | \$87,000 |
| Moderate-Income (80% to 120% of area median income) | \$68,300 | \$78,300 | \$93,950 | \$104,400 |

Affordable housing units can include both rental and ownership units. Some affordable housing units are determined “affordable” only at the time of purchase while other programs will also require long-term affordability for future buyers through the use of resale restrictions. Affordable rental units developed with local, state or federal assistance will usually have an affordability term of fifty-five years or longer.

BEGIN Program

Building Equity and Growth in Neighborhoods Program (BEGIN) is a grant program of the California State Department of Housing and Community Development (HCD). The program provides grants of up to \$30,000 per unit to local jurisdictions to make deferred-payment second mortgage loans to low or moderate-income first time new home buyers in BEGIN projects that have affordability enhanced by local regulatory incentives or barrier reductions. For example, the Capitola Beach Villas project on 41st Avenue would qualify for funding under this project for its affordable housing units due to the bonus density and parking variances provided to the project.

CDBG Program

The Community Development Block Grant (CDBG) Program is provided by the Federal Department of Housing and Urban Development (HUD). Larger jurisdictions are called participating jurisdictions and receive CDBG funding directly from HUD. Smaller communities apply for CDBG funding through a program administered by the California State Department of Housing and Community Development (HCD). The purpose of the program is to fund housing activities, public works, community facilities, and public service projects serving lower-income

people and to provide funds for planning and evaluation studies related to any CDBG-eligible activity. The funds are provided as a grant to the local jurisdiction. There is one annual Notice of Funding Availability for General Allocation, Economic Development, and Planning and Technical Assistance. The City has received a number of CDBG grants over the last fifteen years.

CalHFA

For over 30 years, California Housing Finance Agency (CalHFA) has supported the needs of renters and first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges. Established in 1975, CalHFA was chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars.

First Time Homebuyer Loan Program

The City of Capitola has established a First-Time Homebuyer Program to help low and moderate income households purchase homes in the City of Capitola. The program is funded through the City of Capitola and the Capitola Housing Successor (former Capitola Redevelopment Agency Low and Moderate Income Fund) and is administered by the Housing Authority of the County of Santa Cruz and the City Housing program. The program provides assistance in the form of a deferred payment loan or "silent second" to help meet the gap between purchase price and the principal first mortgage. The program provides loans of up to \$60,000 or 15% of the sales price of the home. To be eligible to participate in the program the borrower must be a first time homebuyer, must be low or moderate-income, must have a household member that is employed in Capitola and must occupy the home as their principal residence. Interest on the loan is 3% simple interest. Payments are deferred until sale or transfer of the home. This loan program can be used for the purchase of single-family homes, condominiums and mobile homes. Because of the high housing costs in Capitola this loan program has almost exclusively been used for the purchase of mobile homes and for single-family homes that have reduced sales prices provided through the City's Inclusionary Housing Program.

HOME Program

The HOME Investment Partnerships Program (HOME) is funded through the Federal Department of Housing and Urban Development (HUD). Smaller communities apply for HOME funding through a program administered by the California State Department of Housing and Community Development (HCD). The purpose of the program is to assist cities, counties and non-profit community development organizations to create and retain affordable housing. The funds are provided to cities in the form of grants that can then be loaned to affordable housing development projects or to individual homeowners in the community. A three million dollar HOME grant was awarded to the Bay Avenue Senior Apartments project. As HOME funded loans are repaid to the local community those funds are held in a HOME Reuse Fund that can then be used on future affordable housing related activities.

Home Rehabilitation Loan/grant Program

This program is funded by the City of Capitola and is administered by the Housing Authority. The program is geared to help meet the basic safe and healthy living environment needs of low and moderate-income mobile home homeowners. Low interest, deferred payment loans of up to \$20,000 are available. Emergency Repair Grants of up to \$7,500 are also available for mobile home homeowners who are very low-income and in need of urgent repairs.

Housing Element

The housing element is one of the seven mandated elements of the local general plan. Housing element law, enacted in 1969, mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide

opportunities for, and do not unduly constrain, housing development. As a result, housing policy in the State rests largely upon the effective implementation of local general plans and, in particular, local housing elements. Local Housing Elements must be updated periodically and unlike the other elements in the General Plan, must be certified by the State Department of Housing and Community Development (HCD). Capitola's current 2007-2014 Housing Element must be updated and submitted to the state in 2014. Local municipalities that are not in compliance with State housing element law are prohibited from participation in HOME, CDBG and other State housing loan and grant programs.

Inclusionary Housing Ordinance

The City of Capitola has an Affordable (Inclusionary) Housing Ordinance. The Ordinance requires developers of residential projects to contribute toward the provision of affordable housing in the City. Projects that entail seven or more for-sale housing units, residential parcels or converted condominiums are required to provide fifteen percent of the units for sale to low or moderate-income households. Housing development projects that are smaller than seven units in size, including major single-family home rehabilitation projects, are required to pay affordable housing in-lieu fees to the City's Affordable Housing Trust Fund. The City's Inclusionary Housing Ordinance utilizes an affordability formula to calculate the original sale price of the inclusionary units. Resale restrictions are then recorded against the property so that all future sales are also restricted as to the income level of the buyer and the affordable sale price of the unit.

MPROP

Mobile home Park Resident Ownership Program (MPROP) is a loan program provided by the State Department of Housing and Community Development (HCD). The purpose of the program is the preservation of affordable mobilehome parks by conversion to ownership or control by resident organizations, nonprofit housing sponsors, or local public agencies. MPROP loans were key to the resident purchases of both the Wharf Road Manor and the Turner Lane Mobile Home Parks in Capitola.

Regional Housing Needs Assessment (RHNA)

By State law local Housing Elements must include the identification of development opportunity sites to meet the local municipality's fair share of the Regional Housing Need. The Association of Monterey Bay Area Governments (AMBAG) prepares a Regional Housing Needs Assessment (RHNA) to identify the housing needs for each jurisdiction within the AMBAG region. State law does not required that the housing sites identified in the Housing Element are actually developed as affordable housing. It does, however, required that the identified sites are available for that purpose and that appropriate replacement sites are identified if any of the current sites are rezoned or developed for other purposes.

Resale Restricted Housing Units

Affordable housing units provided through the City's Inclusionary Housing Ordinance and some other units funded with City or State loan or grant programs include resale restrictions that ensure affordability not just for the current owner but also for all future buyers. These resale restricted units allow the opportunity for lower-income households to become homeowners while also helping build the community's permanent affordable housing stock. The owners of these units will be able to enjoy the benefits of homeownership and take advantage of lower than market mortgage payments but they will not be in a position to build equity in their home. Upon resale the unit must be sold to another income eligible buyer and the sale price is limited to be affordable to the new lower-income buyer.

ATTACHMENT I

ACRONYMS

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ACRONYMS

| | |
|----------------|---|
| AB | Assembly Bill |
| AB X1 | First Extraordinary Session, California Assembly Bill |
| ADA | American with Disabilities Act |
| ASU | Animal Services Unit |
| BEGIN | Building Equity and Growth in Neighborhoods Program |
| BIA | Capitola Village & Wharf Business Improvement Area |
| CAFR | Comprehensive Annual Financial Report |
| CaIPERS | California Public Employees' Retirement System |
| CDBG | Community Development Block Grant |
| CEQA | California Environmental Quality Act |
| CFPD | Central Fire Protection District |
| CHS | Capitola Housing Successor |
| CIP | Capital Improvement Program |
| COLA | Cost of living allowance |
| CPI | Consumer Price Index |
| CSMFO | California Society of Municipal Finance Officers |
| CSO | Community Service Officer |
| CVC | Santa Cruz County Conference & Visitors Council |
| CVWBIA | Capitola Village & Wharf Business Improvement Area |
| DA | District Attorney |
| DDR | Due Diligence Review |
| DEA | Drug Enforcement Agency |
| DOF | State of California Department of Finance |
| FEMA | Federal Emergency Management Agency |
| FHWA | Federal Highway Administration |
| FLSA | Fair Labor Standards Act |

| | |
|---------------|--|
| FTE | Full-Time Equivalents |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GASB | Governmental Accounting Standards Board |
| GFOA | Government Finance Officers Association |
| GIS | Geographic Information System |
| GPAC | General Plan Advisory Committee |
| HCD | State of California Housing and Community Development Department |
| HOPTR | Home Owners' Property Tax Relief |
| HOME | Housing Investment Partnerships Program |
| HS | Housing Successor |
| HUD | U.S. Department of Housing and Urban Development |
| ISF | Internal Services Fund |
| IT | Information Technology |
| JPA | Joint Powers Authority |
| LAFCO | Local Agency Formation Commission |
| LAIF | Local Agency Investment Fund |
| LMIHF | Low and Moderate Income Housing Fund |
| MBASIA | Monterey Bay Area Self-Insurance Authority |
| MOU | Memorandum of Understanding |
| MVLI | Motor Vehicle in Lieu |
| NPDES | National Pollution Discharge Elimination System |
| OES | Office of Emergency Services |
| OPEB | Other Post Employment Benefits |
| OSB | Oversight Board of the City of Capitola, as Successor Agency to the former Capitola Redevelopment Agency |
| PEG | Public Education & Government Cable Access TV |
| PEPRA | Public Employees' Pension Reform Act |

| | |
|---------------|---|
| PERS | Public Employees' Retirement System |
| POA | Police Officers' Association |
| POB | Pension Obligation Bond |
| POST | Police Officer Standardized Training |
| RDA | Redevelopment Agency |
| ROPS | Recognized Obligation Payment Schedule |
| RPTTF | Redevelopment Property Tax Trust Fund |
| SA | City of Capitola, as Successor Agency to the former Capitola Redevelopment Agency |
| SCAN | Open query, Santa Cruz County Information Services Department |
| SCC | Santa Cruz County |
| SCCACT | Santa Cruz County Anti-Crime Team |
| SCCECC | Santa Cruz Consolidated Emergency Communications Center |
| SCO | California State Controller's Office |
| SCRMS | Santa Cruz Regional 9-1-1 |
| TOT | Transient Occupancy Tax |
| UAAL | Unfunded Actuarial Accrued Liability |

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