

City of Capitola Agenda

Mayor: Michael Termini
Vice Mayor: Jacques Bertrand
Council Members: Ed Bottorff
Stephanie Harlan
Kristen Petersen

Treasurer: Peter Wilk



CAPITOLA CITY COUNCIL REGULAR MEETING

THURSDAY, DECEMBER 13, 2018

6:00 PM

CITY COUNCIL CHAMBERS
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

All correspondences received prior to 5:00 p.m. on the Wednesday preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that Wednesday may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.

All matters listed on the Regular Meeting of the Capitola City Council Agenda shall be considered as Public Hearings.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Members Kristen Petersen, Jacques Bertrand, Ed Bottorff, Stephanie Harlan, and Mayor Michael Termini

2. ADDITIONAL MATERIALS

Additional information submitted to the City after distribution of the agenda packet.

3. ADDITIONS AND DELETIONS TO AGENDA

4. PUBLIC COMMENTS

Oral Communications allows time for members of the Public to address the City Council on any item not on the Agenda. Presentations will be limited to three minutes per speaker. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the minutes. A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

5. CITY COUNCIL / CITY TREASURER / STAFF COMMENTS

City Council Members/City Treasurer/Staff may comment on matters of a general nature or identify issues for staff response or future council consideration.

6. CONSENT CALENDAR

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the public or the City Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Government.

Note that all Ordinances which appear on the public agenda shall be determined to have been read by title and further reading waived.

- A. Consider the November 20, 2018, City Council Regular Meeting Minutes
RECOMMENDED ACTION: Approve minutes.
- B. Receive Audit Report for Fiscal Year 2017-18
RECOMMENDED ACTION: Receive report.
- C. 38th Avenue Sidewalk Project Notice of Completion
RECOMMENDED ACTION: Approve the Notice of Completion and Contract Change Order No. 2 for the 38th Avenue sidewalk project by Earthworks Paving Contractors with a final cost of \$144,420 and direct the Public Work Department to record the Notice of Completion.
- D. Adopt a Resolution Setting the Interest Rate for Tenants' Security Deposits for 2019 at Zero Percent (0.00%)
RECOMMENDED ACTION: Adopt Resolution.
- E. Consider a Resolution Approving a New Hourly and Seasonal Pay Schedule
RECOMMENDED ACTION: Adopt a Resolution Repealing Resolution No. 4095 and Approving a New Hourly/Seasonal Pay Schedule.
- F. Consider a Resolution Authorizing an Increase in the Residential and Commercial Garbage Collection
RECOMMENDED ACTION: Adopt the proposed Resolution approving the Rate Schedule for Residential and Commercial Garbage Collection and Recycling in Capitola effective January 1, 2019.

7. GENERAL GOVERNMENT / PUBLIC HEARINGS

All items listed in "General Government" are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.

- A. Consider a Resolution Confirming and Approving the Canvass of Returns and Results of the General Municipal Election
RECOMMENDED ACTION: Adopt the Resolution confirming election results and thereby:
1. Adopt a Cannabis Tax ordinance
2. Adopt an ordinance amending the Transient Occupancy Tax rate
3. Adopt an ordinance making the treasurer an appointed position
4. Adopt an ordinance adding Chapter 8.72 "Greenway Capitola Corridor" to Title 8 "Health and Safety."
- B. Recognition of Outgoing Council Members
RECOMMENDED ACTION: Thank retiring Council Member Stephanie Harlan and Mayor Michael Termini.
- C. Oath of Office Ceremony for Newly Elected and Re-elected Council Members and Seating of Newly Elected Officials
RECOMMENDED ACTION: Administer the oath of office and receive comments from new Council Members.
- D. City Council Reorganization for the Selection of Mayor and Vice Mayor
RECOMMENDED ACTION: City Council members nominate and elect a new mayor and mayor pro tempore (vice mayor).
- E. Review Initial Council Appointments
RECOMMENDED ACTION: Appoint representatives to boards with early January meetings:
1. Capitola Planning Commission
2. Santa Cruz County Sanitation District Board
3. Association of Monterey Bay Area Governments
- F. Consider the 2019 Meeting Schedule for the City Council/Successor Agency
RECOMMENDED ACTION: Determine the summer meeting dates and consider if the Council wishes to change the 7:00 p.m. City Council open session meeting start time, then adopt a resolution setting the 2019 meeting schedule.

8. ADJOURNMENT

Note: Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes "final." Please be advised that in most instances the decision become "final" upon the City Council's announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

CAPITOLA CITY COUNCIL REGULAR MEETING AGENDA
December 13, 2018

Notice regarding City Council: The City Council generally meets on the 2nd and 4th Thursday of each month at 7:00 p.m. (or in no event earlier than 6:00 p.m.), in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City's website: www.cityofcapitola.org and at Capitola City Hall prior to the meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola. Need more information? Contact the City Clerk's office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk's office at least 24-hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Televised Meetings: City Council meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed "Live" on the City's website at www.cityofcapitola.org by clicking on the Home Page link "Meeting Video." Archived meetings can be viewed from the website at anytime.



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Consider the November 20, 2018, City Council Regular Meeting Minutes

RECOMMENDED ACTION: Approve minutes.

DISCUSSION: Attached for City Council review and approval are the minutes of the regular meeting of November 20, 2018.

ATTACHMENTS:

1. 11-20 draft minutes

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:

A handwritten signature in blue ink, appearing to be "JG", is written over a horizontal line.

Jamie Goldstein, City Manager

12/6/2018

**DRAFT
CAPITOLA CITY COUNCIL
REGULAR MEETING MINUTES
TUESDAY, NOVEMBER 20, 2018**

CALL TO ORDER

Mayor Termini called the meeting to order at 6:30 p.m.

No members of the public were present and the Council adjourned to the City Manager's Office with the following items to be discussed in Closed Session:

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to Govt. Code § 54956.9(d)(2).
(one potential case)

REGULAR MEETING OF THE CAPITOLA CITY COUNCIL – 7 PM

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Member Stephanie Harlan: Present, Council Member Ed Bottorff: Present, Mayor Michael Termini: Present, Vice Mayor Jacques Bertrand: Present (arrived late), Council Member Kristen Petersen: Excused.

2. PRESENTATIONS

A. Retirement Proclamation for Eddie Ray Garcia

Mayor Termini presented the proclamation recognizing 30 years of service to Mr. Garcia, who thanked his coworkers and his wife.

3. REPORT ON CLOSED SESSION

John Barisone reported there was no action taken, and noted that only Council Members Harlan and Bottorff and Mayor Termini were present.

Council Member Bertrand joined the meeting at this time.

4. ADDITIONAL MATERIALS

A. Item 9.C – One public comment email.

5. ADDITIONS AND DELETIONS TO AGENDA - None

6. PUBLIC COMMENTS

Carin Hanna praised Eddie Ray Garcia and welcomed Matt Kotila as he takes over responsibility for the Public Works crew. She also invited the community to the expanded Tree lighting Saturday following Surfin' Santa.

Jay Brown, new resident, invited the community to a November 30 event in the Village

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
November 20, 2018

focusing on managing anxiety.

7. CITY COUNCIL / CITY TREASURER / STAFF COMMENTS

Council Member Harlan encouraged participation in the Friends of the Capitola Library and praised its fundraising efforts. It hosts a book sale at Capitola Mall and is expanding holiday hours.

Council Member Bertrand said he would like to schedule a future report on senior issues, including senior loneliness.

Council Member Bottorff thanked Council Member Harlan and Mayor Termini for their service as their terms end at the next meeting.

Mayor Termini reported the City celebrated the library groundbreaking November 9, which was extremely well attended.

8. CONSENT CALENDAR

MOTION:	ADOPT AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Jacques Bertrand, Vice Mayor
SECONDER:	Stephanie Harlan, Council Member
AYES:	Stephanie Harlan, Ed Bottorff, Michael Termini, Jacques Bertrand
ABSENT:	Kristen Petersen

- A. Consider the November 8, 2018, City Council Regular Meeting Minutes
RECOMMENDED ACTION: Approve minutes.
- B. Planning Commission Action Minutes
RECOMMENDED ACTION: Receive minutes.
- C. Approval of City Check Registers Dated October 5, October 12, October 19 and October 26, 2018
RECOMMENDED ACTION: Approve check registers.
- D. Traffic Calming Measures in the Jewel Box
RECOMMENDED ACTION: Approve the speed table plan, signs, and budget transfer for previously approved traffic calming measures in the Jewel Box and authorize staff to advertise for bids.

9. GENERAL GOVERNMENT / PUBLIC HEARINGS

- A. Approve Contract with the City of Santa Cruz for Beach Lifeguard Services
RECOMMENDED ACTION: Authorize the City Manager to sign a one-year contract for \$83,152 between the City of Santa Cruz and the City of Capitola to perform lifeguard services commencing May 2019 through October 2019.

City Manager Jamie Goldstein presented the staff report to extend lifeguard services. He noted staff is working with Central Fire to train Junior Guard instructors this summer.

Santa Cruz Fire Chief Frawley praised the cooperative program of several years. His team will offer opportunities to shadow and support for Central Fire as a transition

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
November 20, 2018

develops.

Central Fire Chief Steven Hall thanked Santa Cruz's marine safety division for the opportunity and looks forward to being ready in 2020.

The Council thanked Santa Cruz for its ongoing service.

MOTION:	APPROVE CONTRACT AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Ed Bottorff, Council Member
SECONDER:	Stephanie Harlan, Council Member
AYES:	Stephanie Harlan, Ed Bottorff, Michael Termini, Jacques Bertrand
ABSENT:	Kristen Petersen

B. Review Recreation and Junior Guard Fees

RECOMMENDED ACTION: Adopt the recommended fees and include them in the amended Fiscal Year 2018-19 Fee Schedule in Item 9.E.

Recreation Supervisor Nikki Bryant LeBlond presented the staff report and outlined the process for determining the suggested increase in fees. The new one-week session would include a pilot teen program to serve older youth than Camp Capitola's usual age range.

Mayor Termini asked how fees compare to other programs. Supervisor Bryant LeBlond responded it is hard to compare because of the variety of choices locally, but they are on par with other recreational programs.

There was no public comment.

MOTION:	APPROVE NEW FEES AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Stephanie Harlan, Council Member
SECONDER:	Ed Bottorff, Council Member
AYES:	Stephanie Harlan, Ed Bottorff, Michael Termini, Jacques Bertrand
ABSENT:	Kristen Petersen

C. Consider a Capitola Beach Public Art Project

RECOMMENDED ACTION: Approve the recommended "sea life relief sculpture" public art project at a Capitola Beach entrance.

Assistant to the City Manager Larry Laurent presented the staff report. The Art and Cultural Commission recommends installation at the "main" entrance to the beach, not adjacent to Esplanade Park.

Council Member Harlan confirmed the sculptures would be securely installed to prevent theft. Assistant Manager Laurent confirmed the art is tactile but not intended for climbing.

There was no public comment.

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
November 20, 2018

Council Member Bottorff said he is concerned it will be climbed on, and while he loves the art, he wants another location. Council Members Harlan and Bertrand concurred.

MOTION:	RETURN THE ITEM TO THE ART & CULTURAL COMMISSION TO IDENTIFY AN ALTERNATIVE LOCATION.
RESULT:	ADOPTED AS AMENDED [3 TO 1]
MOVER:	Ed Bottorff, Council Member
SECONDER:	Stephanie Harlan, Council Member
AYES:	Stephanie Harlan, Ed Bottorff, Jacques Bertrand
NAYS:	Michael Termini
ABSENT:	Kristen Petersen

- D. Consider a Resolution Dissolving the Library Advisory Committee 230-10
RECOMMENDED ACTION: Adopt **Resolution No. 4131.**

City Manager Goldstein presented the staff report and the background for the recommended dissolution. He noted the group had a lot of cross membership with other library groups and the Ad Hoc Design Committee will continue through construction to address any issues that arise.

There was no public comment.

MOTION:	APPROVE AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Stephanie Harlan, Council Member
SECONDER:	Kristen Petersen, Council Member
AYES:	Harlan, Bottorff, Termini, Bertrand,
ABSENT:	Kristen Petersen

- E. Consider a Cannabis Retail Application Fee

RECOMMENDED ACTION:

1. Conduct the noticed public hearing regarding the addition of the proposed Retail Cannabis Application Fee to the Fiscal Year 2018-19 Fee Schedule; and
2. Adopt **Resolution No. 4132** repealing Resolution No. 4119 and establishing an amended Fiscal Year 2018-19 Fee Schedule including the new Retail Cannabis Application Fee and revised recreation fees.

Finance Director Jim Malberg presented the staff report. Council Member Bottorff asked if the new cannabis fee was comparable compared to other jurisdictions and was told the City and County of Santa Cruz have similar rates. Council Member Bottorff noted that Watsonville charges almost \$9,000. Director Malberg explained the cost recovery evaluation. Chief McManus confirmed he is comfortable with the process and has met with other police departments.

In public comment, resident Jay Brown asked whether CBD products fall under these regulations. He will speak with staff.

Council Member Bottorff expressed concern that the City "undersells" its fees. City Manager Goldstein noted it is a one-time fee and hopefully retailers will be successful

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
November 20, 2018

and remain long-term.

MOTION:	APPROVE AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Stephanie Harlan, Council Member
SECONDER:	Ed Bottorff, Council Member
AYES:	Stephanie Harlan, Ed Bottorff, Michael Termini, Jacques Bertrand
ABSENT:	Kristen Petersen

10. **ADJOURNMENT**

The meeting adjourned at 7:57 p.m.

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

DRAFT

Attachment: 11-20 draft minutes (Approval of City Council Minutes)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: Finance Department

SUBJECT: Receive Audit Report for Fiscal Year 2017-18

RECOMMENDED ACTION: Receive report.

BACKGROUND: The City of Capitola is required by state statute to publish a complete set of financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards. The audit must be conducted by a firm of licensed certified public accountants.

The City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018, has again received an "unmodified" opinion, which indicates the auditor believes the financial statements are presented fairly in all material respects. The City's annual audit and CAFR meets all state and federal requirements. Hard copies of the CAFR are available at City Hall.

DISCUSSION: The financial report presents the financial condition, results of operations, and current economic condition for the Fiscal Year ended June 30, 2018, for the City and its component units. Financial information for the Successor Agency is presented as a separate Private Purpose Trust Fund within the CAFR.

The independent audit firm of Vavrinek, Trine, Day & Co., LLP, has issued the following opinion on the City's financial records, found on page 2 of the CAFR: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America."

The Fiscal Year (FY) 2017-18 CAFR will be submitted to the Government Finance Officers' Association for the Excellence in Financial Reporting Award. The City's CAFR has received this prestigious award for the last six fiscal years. Previously, the City had received the California Society of Municipal Finance Officers Award for the Outstanding Financial Reporting.

In addition to the CAFR, the auditor also issues a Management Letter and the Letter of Required Disclosures to the Governing Body and Statement of Auditing Standards (SAS) 114. The Management Letter discusses the City's internal control over the financial reporting and makes recommendations, if necessary, of controls that need to be strengthened. The SAS 114 Letter is a document that discusses, among other matters, any significant audit findings. Neither

Audit report
December 13, 2018

document identified any areas of concern.

FISCAL IMPACT: The following are key financial highlights of the FY 2017-18 CAFR:

- **Net Position**

○ Current and other assets	\$ 21,626,778
○ Capital assets	<u>18,213,187</u>
○ Total Assets	\$ 39,839,965
○ Total Deferred Outflows of Resources	<u>\$ 6,287,905</u>
○ Other Liabilities	\$ 1,569,269
○ Long term liabilities	
▪ Due in one year	252,553
▪ Due in more than one year	<u>25,967,063</u>
○ Total Liabilities	<u>\$ 27,788,885</u>
○ Total Deferred Inflows of Resources	<u>\$ 2,360,561</u>
○ Net Position:	
○ Net investment in capital assets	\$ 15,772,831
○ Restricted	11,322,786
○ Unrestricted	<u>(11,117,193)</u>
○ Total Net Position	<u>\$ 15,978,424</u>

- **Revenues**

○ General Revenues:	
○ Taxes:	
▪ Sales and use taxes	\$ 7,687,959
▪ Property taxes	2,497,980
▪ Transient occupancy taxes	1,456,899
▪ Franchise taxes	555,475
▪ Business license taxes	308,236
○ Motor vehicle in-lieu	223,319
○ Investment income	237,383
○ Miscellaneous revenue	406,456
○ Program Revenues:	
▪ Charges for services	3,022,549
▪ Operating grants and contributions	1,832,247
▪ Capital contributions and grants	<u>412,534</u>
○ Total Revenues	<u>\$ 18,641,037</u>

- **Expenses**

○ General Government	\$ 3,594,141
○ Public Safety	6,822,428
○ Community Development	1,057,049
○ Culture and Recreation	1,227,673
○ Public Works	3,382,294
○ Interest and other charges	<u>77,003</u>
○ Total Expenses	<u>\$ 16,160,588</u>

Audit report
December 13, 2018

○ Change in Net Position	2,480,449
○ Beginning Net Position	<u>13,497,975</u>
○ Ending Net Position	<u>\$ 15,978,424</u>
• General Fund	
○ Fund balance:	
○ Non-spendable:	
▪ Prepaid items	\$ 11,068
▪ Due from Successor Agency	47,362
○ Assigned:	
▪ Emergency Reserve	1,344,206
▪ Contingency Reserve	2,036,346
▪ PERS Retirement Trust	815,856
○ Unassigned	<u>2,500,276</u>
○ Total Fund Balance	<u>\$ 6,755,114</u>
• Capital Assets:	
○ Land	\$ 4,883,789
○ Building & Improvements	2,392,272
○ Equipment	3,965,265
○ Infrastructure	29,844,039
○ Construction in Progress	2,391,865
○ Total Capital Assets	<u>\$ 43,477,230</u>
○ Less Depreciation	<u>25,264,043</u>
○ Capital Assets Net of Depreciation	<u>\$ 18,213,187</u>
• Long-Term Debt / Liability	
○ Pacific Cove Capital Lease	1,295,592
○ Beach & Village Parking Lease	1,144,764
○ Notes Payable	8,895
○ Compensated Absences	810,662
○ Net OPEB Obligation	604,437
○ Net Pension Liability	<u>22,355,266</u>
○ Total Long-Term Debt	<u>\$ 26,219,616</u>

The next opportunity to review the City's financial picture, including updated revenue and expenditure forecasts, will be at the Mid-Year Budget Review in February.

ATTACHMENTS:

1. Capitola FY 2017-18 CAFR Final Draft
2. Internal Control Compliance Report
3. SAS 114 Letter

Report Prepared By: Jim Malberg

Audit report
December 13, 2018

Finance Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/6/2018

Comprehensive Annual Financial Report



Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

City of Capitola, California
Fiscal Year Ended June 30, 2018

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CITY OF CAPITOLA, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Prepared by the Capitola Finance Department

**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2018**

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Comprehensive Annual Financial Report
Year Ended June 30, 2018**

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Comprehensive Annual Financial Report
Year Ended June 30, 2018**

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INTRODUCTORY SECTION

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December 13, 2018

Honorable Mayor,
Members of the City Council, and
Citizens of the City of Capitola

SUBJECT: Comprehensive Annual Financial Report - June 30, 2018

The Comprehensive Annual Financial Report (CAFR) for the City of Capitola for the fiscal year ended June 30, 2018, is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

State law requires the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City's independent auditor, Vavrinek, Trine, Day & Co., LLP has audited the City's financial statements and issued an unmodified opinion that the financial statements for fiscal year ended June 30, 2018, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements of the City, are hereby submitted as the CAFR for the City of Capitola for the fiscal year ended June 30, 2018 and included in the financial section of this report in fulfillment of the above requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. A Single Audit Report on Federal Award Programs was not required or prepared in FY 2018 because the City had less than \$750,000 in federal grant expenditures. The City's last required Single Audit Report is available for the year ended June 30, 2012.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented is accurate in all material respects and that they are presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the

information presented is free from material misstatements. As management, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF CAPITOLA PROFILE

The City of Capitola is a small coastal community located in Santa Cruz County that occupies approximately two square miles and serves a population of about 10,500. Located on the northern edge of Monterey Bay, approximately 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 sandy 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 and Wine Festival, and the annual Wharf to Wharf race.

Named the Most Walkable Beach Town in the United States by Elle Décor Magazine and voted as one of the best small coastal towns by Sunset Magazine, Capitola offers fishing and boating services in addition to its beachfront restaurants, shops, and entertainment. Other visitor attractions include the Capitola Historical Museum and Capitola Wharf.

Although Capitola is considered a central coast beach destination, it is also one of two major retail centers in Santa Cruz County. The Capitola Mall, combined with Brown Ranch and 41st Avenue businesses, is the retail hub of the central county. With major retailers such as Target, Macy's, Kohl's, CVS, Ross, and Bed Bath and Beyond, Capitola is a "net regional retail provider" with retail sales several times higher than the retail demand of Capitola city residents. The City also has two major car dealerships.

Capitola is also fortunate to have outstanding educational opportunities. In addition to 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. According to the U.S. Census Bureau's 2010 data, 95% of Capitola residents are high school graduates and 41% possess a Bachelor's Degree or higher-level degree.

Form of Government

Capitola is a General Law City, which was incorporated on January 11, 1949. The City is subject to the framework and procedures established by State Law and operates under the Council – City Manager form of government. The Council is comprised of four Council Members and a Mayor, all of whom are directly elected by the citizens. The Council Members serve four-year staggered terms; and the Mayor and Vice-Mayor are elected annually by the Council. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject only to the limitations of the City Municipal Code and the State legislation.

The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager provides direction and leadership to all City departments and ensures that all City Council policies are implemented.

City Services

The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

The Comprehensive Annual Financial Report includes all financial activities of the City and the Successor Agency to the former Redevelopment Agency of the City of Capitola; two separate legal entities. City Council members also serve as the governing board members of the Successor Agency and the City Manager serves as its Executive Director. Financial activities of the Successor Agency are also subject to approval by an independent Oversight Board.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by the Government Accounting Standards Board (GASB), which is the authoritative body in establishing United States Generally Accepted Accounting Procedures (GAAP) for local governments.

Budgetary Policy and Control

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. The City produces a two-year annual budget, which serves as the foundation for the City of Capitola's financial planning and control. Based on the City's Financial Management Policies, the City is required to maintain a balanced operating budget; along with using one-time revenues to fund non-recurring expenditures. In the budget development process, the City references the following Budgeting Principles to identify key projects and goals: Fiscal Policy, Public Service, Public Improvement, and Public Improvement Possibilities.

In accordance with the City's Municipal Code, the budget is adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit level. Capital projects are budgeted at the individual project level. City Council may appropriate, amend, or transfer funds by an affirmative vote of three or more Council members at any regular or special Council meeting.

The Successor Agency's two-year budget is incorporated into the City's budget process; however, all obligations are subject to annual approval by the Oversight Board and the Department of Finance.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

Local Economy

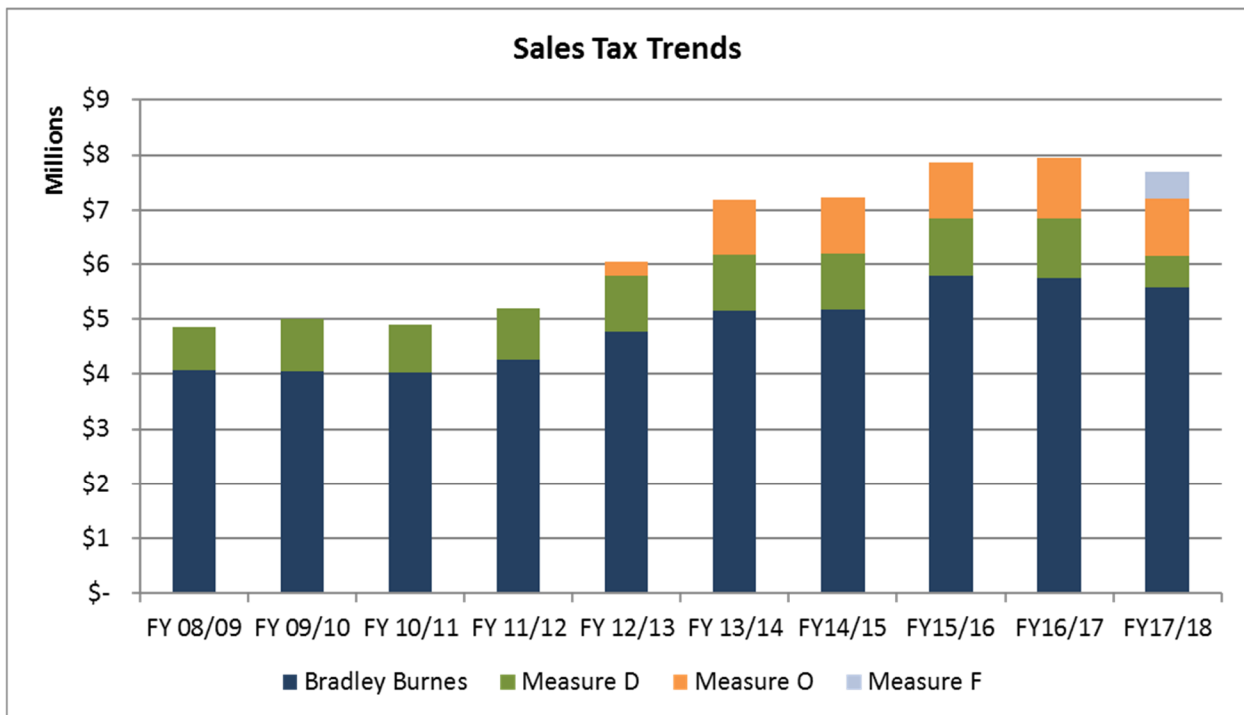
The City of Capitola is beginning to see the local economy level off after several years of growth. The budget for core revenues, such as sales, property, and transient occupancy taxes was increased at mid-year by \$75,000 to reflect increased performance during the first half of the year, however the combined year-end amounts were below the amended budget by \$287,902. It should be noted that the California Department of Tax and Fee Administration (CDTFA) implemented new software in January 2018 and have had issues processing tax returns. As of June 30, 2018,

it was estimated that there were approximately 90,000 unprocessed tax returns state wide which has contributed to the reduced sales tax receipts by the City. First quarter sales tax receipts for FY 2018/19 exceeded the budget by \$258,484 (18%) which is most likely the result of the CDTFA catching up on processing tax returns from prior quarters. The General Funds primary operations resulted in a net decrease in fund balance of \$581,911, however, this was substantially less than the budgeted decrease in fund balance of \$868,509. Attention was paid to the leveling off of key revenue sources in developing the City’s two-year budget plan, with an emphasis on solidifying the City’s fiscal position, planning for the long-term and implementing capital improvements.

The three major sources of General Fund revenue include Sales Tax, Property Tax, and Transient Occupancy Tax (TOT). These three revenues account for approximately 73% of all General Fund Revenues.

Sales tax is the City’s largest source of revenue, accounting for just under 50% of the General Fund Revenues. The City sales tax consists of 1% Bradley Burns, 0.25% Capitola District Tax (Measure F), and a 0.25% Capitola District Tax (Measure O) that became effective in the last quarter of FY 2012/13. In FY 2017/18, the combined sales tax receipts of \$7.69 million were 2.31% less than amended budgetary estimates and \$271,127 lower than the prior year, however, some of the reduction is due to unprocessed sales tax returns previously mentioned.

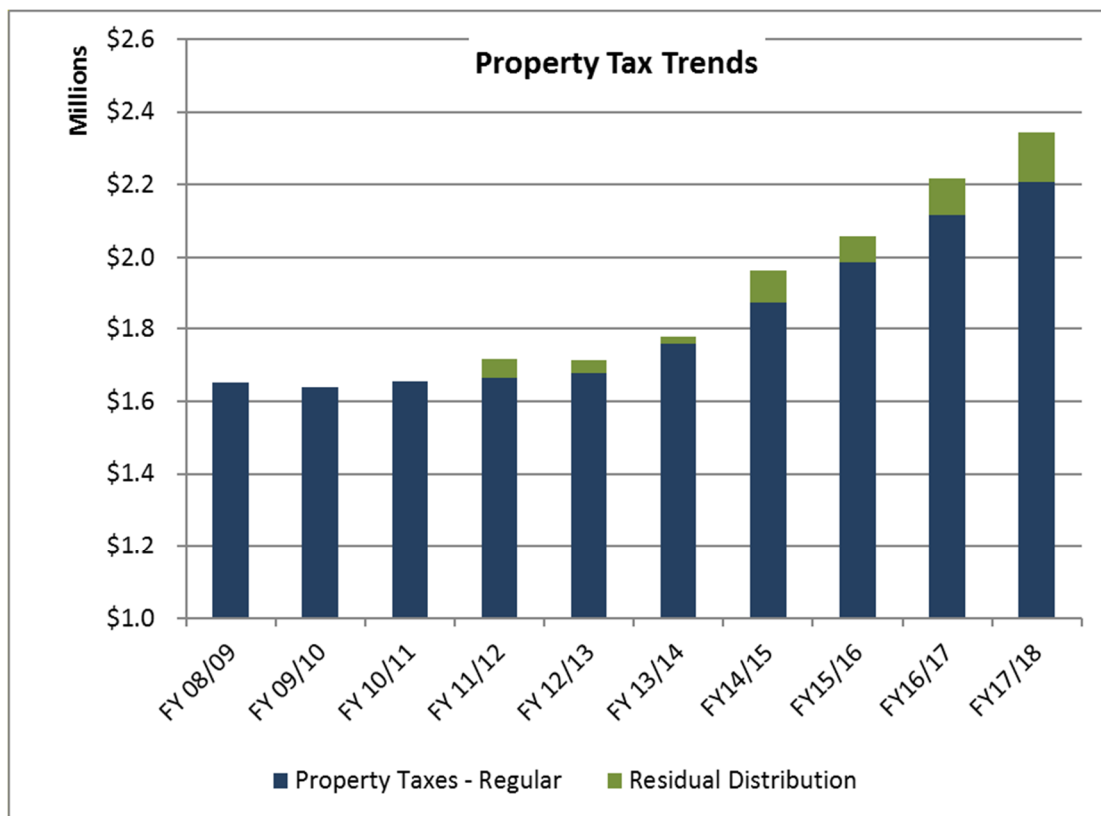
Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales Tax collections for the City of Capitola decreased year over year for the first time since FY 2009/10. The graph below shows that sales tax revenues responded to the weakening economy in FY 2008/09 after the closure of two auto dealerships and two major department stores. In FY 2009/10, the economy began to slowly show signs of recovery. The following chart shows these increases as well as demonstrates the proportional share of District and Bradley Burns Sales taxes.



Capitola's second major source of revenue is property tax. In FY 2017/18 the General Fund received \$2.24 million in property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was approximately \$123,444 more than the prior year and was \$34,213 above the final budgeted amount. Over the last three fiscal years the City has experienced approximately 13.8% growth in property tax collections.

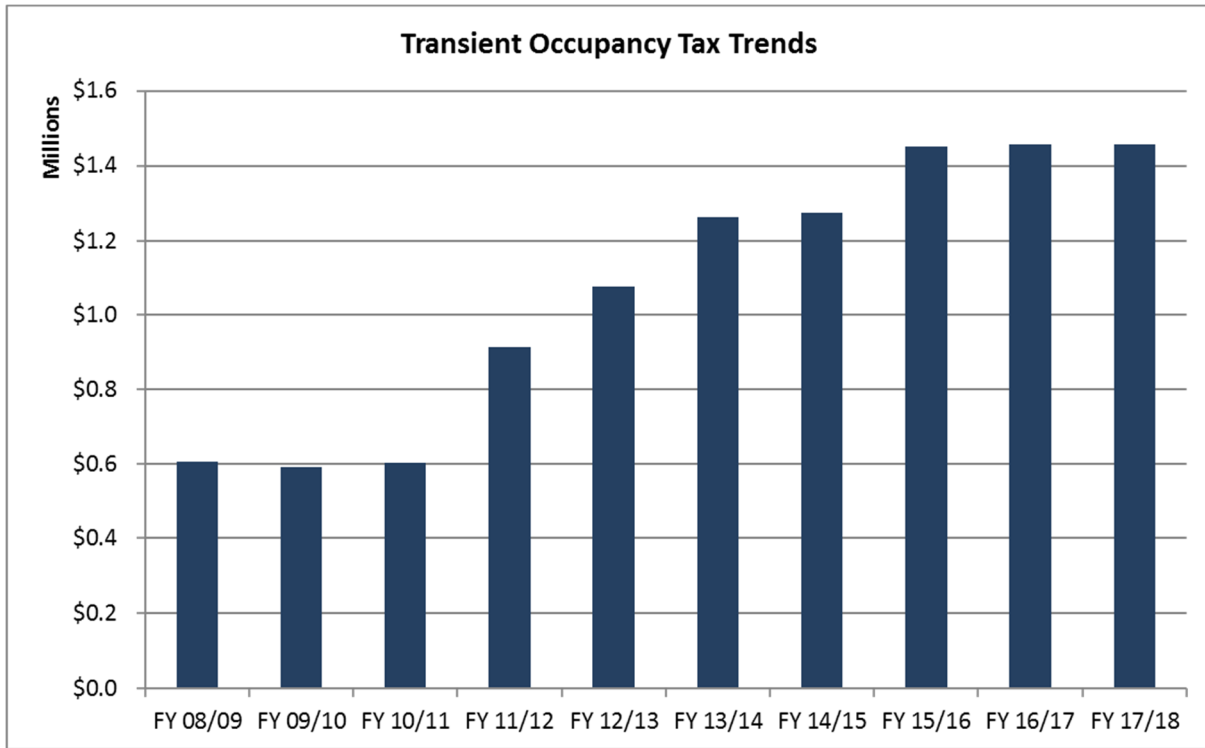
Due to the dissolution of the Capitola Redevelopment Agency (RDA), the RDA's tax increment revenues are distributed to the Successor Agency Redevelopment Property Tax Trust Fund (RPTTF) in amounts that are only sufficient to fund obligations approved by the independent Oversight Board. Before the RDA dissolution, the City and RDA received over \$2 million a year. It is anticipated the City will receive residual distributions of RPTTF revenues in FY 2018/19 due to a reduction in required Successor Agency obligations.

The City's property tax revenues do not respond to economic conditions as quickly as sales tax revenues. This delayed response, along with less volatility, assists the City in adjusting to economic downturns by lessening the immediacy of revenue loss. The following chart includes Property Tax Revenue, as well as Property Tax In-Lieu of Vehicle License Fees. Based on the historical data, property tax revenues have remained relatively consistent until recently, due to appreciating property values. It is anticipated this trend will continue into the next fiscal year.



Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Transient occupancy tax (TOT) represents approximately 10% of General Fund revenues. In FY 2011/12, TOT revenues increased by \$310,000 over the prior year due to increased economic performance and the addition of a new 84-room major hotel. Tourism and Economic growth have remained stable, however TOT decreased slightly in FY 2017/18 following 7 years of growth. The City processed a TOT overpayment claim in FY 2014/15 that reduced year over year TOT performance. TOT collections in FY 2017/18 decreased 0.06% compared to the prior year. The current FY 2018/19 TOT collections continue to remain stable and on budget for the first quarter.



Long-term Financial Planning

In the past, the City has made strategic decisions to help maintain resiliency in difficult economic times. As a continuation of this practice, the City is focusing on the following planning measures:

Planning for Sales Tax Revenues

The City of Capitola sales tax revenue consists of 1% Bradley Burns Sales tax and two 0.25% District taxes. The first District tax, Measure D, extended an existing 0.25% temporary sales tax that was scheduled to sunset in 2008, with the extension to expire in December of 2017. In 2016, voters passed Measure F to extend the temporary quarter of one percent sales tax for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2018/19 budget continues implementing these commitments as Measure F went into effect on January 1, 2018.

The second District sales tax, Measure O, is a permanent 0.25% sales tax that was approved by voters in November 2012 and went into effect April 1, 2013. Measure O was implemented with the goal of replenishing reserves, funding CIP projects, and providing support for public safety initiatives. The City developed a five-year plan to ensure that Measure O funds were applied to their stated priorities. Each of the district taxes collect approximately \$1.1 million in General Fund revenues annually.

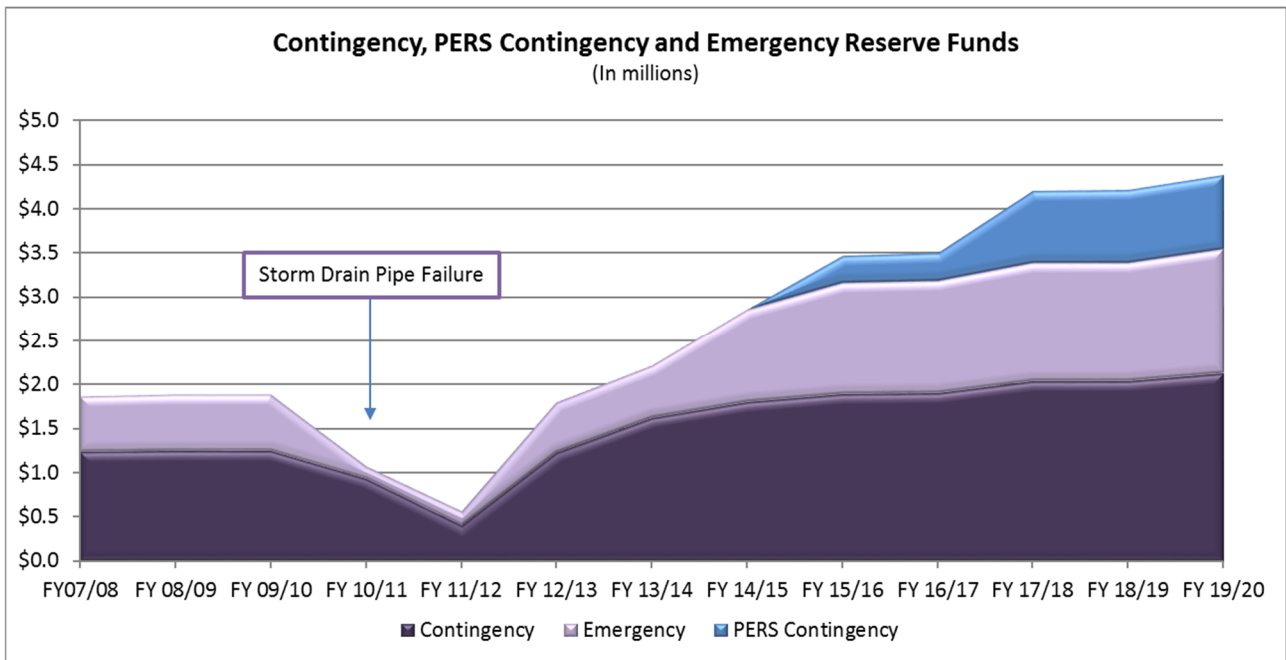
Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Replenishing and Increasing Reserves

The City has been proactive in rebuilding a stable reserve level. A portion of Measure O revenues were set aside to replenish the Contingency and Emergency Reserve Funds. The City’s reserves were depleted in March of 2011 when an underground storm drain failed, which resulted in damage to the Pacific Cove Mobile Home Park, City Hall, and portions of Capitola Village. As a result, the City paid \$1.4 million in flood related costs over a two-year period and assumed a \$2.39 million debt to relocate residents of the City-owned Pacific Cove mobile home park. This incident reduced the City’s reserves from \$1.87 million in FY 2009/10 to \$561,000 in FY 2011/12. This incident, along with the economic downturn, emphasized the need to review reserve policy levels to ensure the City was maintaining a sufficient balance to effectively manage unforeseen events.

In FY 2012/13 the City increased the Emergency Reserve funding level from 5% to 10% of operating expenditures and the Contingency Reserve funding level from 10% to 15% to ensure sufficient reserves are available to offset the effects of the next economic downturn and unforeseen emergencies.

In FY 15/16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases. The initial funding came from a \$300,000 transfer from the General Fund. The City invested the funds with Public Agency Retirement Services (PARS) in a moderately conservative trust fund that allows for a higher rate of return. During FY 2017/18, the City put an additional \$500,000 in the PERS trust fund.



Maintain the Facilities Reserve Fund

The City created a Facilities Reserve Fund in FY 2014/15. The purpose of the Facilities Reserve Fund is to create a mechanism to fund future facility maintenance projects. Examples of projects that could be financed through the fund include: replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance of adjoining parking spaces. The Facilities Reserve Fund ended FY 2017/18 with a cash balance of \$339,870. The FY 2018/19 budget includes an additional \$90,000 transfer into the Facilities Reserve Fund to offset anticipated expenditures of \$90,000.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Funding Other Post-Employment Benefits Obligation (OPEB)

The City created an OPEB trust fund in FY 2013/14. Before prefunding the OPEB Liability, the City historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA). The transition from "pay as you go" financing to full funding, reduced the City's long-term liability from \$1,011,800 to \$657,500. The Unfunded Actuarial Accrued Liability at June 30, 2018 was \$604,437. In the FY 18/19 Adopted and FY 19/20 Planned Budgets the City has planned to fully fund the annual actuarially determined contribution amount.

Controlling Personnel Costs

Being a service-oriented organization, personnel costs make up the largest General Fund expenditure. The personnel budget comprises approximately 65 percent of the General Fund.

In FY 2013/14 all bargaining units agreed to multi-year contracts through June 30, 2018, with a cost sharing of CalPERS contributions, cost of living adjustments (COLA) based on the Consumer Price Index, and Flex Health Care spending increases. All bargaining units, with the exception of the Police Officers Association, agreed to new two-year contracts with similar cost sharing of CalPERS contributions, COLA's, and Flex Health Care spending increases in June 2018. The Police Officers Association agreed to a new three-year contract with similar cost sharing elements in October 2018.

Recent changes in CalPERS' risk pools have had a significant negative impact on the City. These changes will result in average annual increases of 15% in CalPERS costs over the next five years. Understanding that existing employees were already contributing more than the CalPERS-designated "employee share," the City's current labor contracts set future employee CalPERS contribution rates at a fixed percentage of compensation to reduce the impact on employees.

The number of positions city-wide decreased .75 FTE in FY 2018/19, due to a reorganization in multiple departments ultimately reducing staff in the Finance Department. The total city-wide FTE's in FY 2018/19 is 66.50.

Major Initiatives

Seeking Resolution on City / Successor Agency Loans

In 2011, the Governor of the State of California signed Assembly Bill X1 26, which dissolved California Redevelopment Agencies. On January 12, 2012, the City of Capitola adopted a resolution to serve as the Successor Agency for the RDA and the RDA's Low/Moderate Income Housing Fund. This legislation provides for the Successor Agency to receive RPTTF revenues sufficient to pay items on an approved Recognized Obligation Payment Schedule (ROPS). The payments listed on the Successor Agency's ROPS were subject to the initial certification by the County Auditor-Controller and semi-annual approval from the Successor Agency, the Oversight Board to the Successor Agency, and the Department of Finance. While all obligations were certified on the ROPS, the City/Successor Agency Loans were initially disallowed by the Department of Finance.

In June 14, 2012, the Successor Agency and City approved exchanging the \$1.35 million Rispin Property Loan for the original subject property. Due to delays in Department of Finance approval, the City formally accepted the Rispin property in October of 2013, after successfully completing a Long-Range Property Management Plan. The City plans to open the park to the public after completing ADA improvements funded by City, grant funds, and RPPTF distributions related to a

Rispin Settlement Agreement. A complete discussion of the related Rispin Settlement Agreement is included in Note 14.

The Successor Agency was able to reinstate the \$618,028 Loan and Cooperative Agreement, with the first payment received in February 2016. The FY 2018/19 adopted budget includes a payment of \$47,363 which will complete the payoff of the loan one year earlier than originally anticipated.

Funding Measure F Commitments

In November 2016 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years. The city has committed this sales tax revenue to protecting the beach and wharf from rising sea levels and storms, supporting bike and pedestrian safety projects, and maintaining police staffing levels.

The FY 2018/19 adopted budget includes the allocation of Measure F funding to continue work on the preliminary design of the Wharf, flume reconstruction and jetty reconstruction. Work began on these projects in FY 2017/18 along with the use of Measure F funds to replace the 20-year-old front end loader for beach maintenance.

New Capitola Branch Library

In 1999 the City of Capitola built a temporary 4,320 square foot library at the corner of Clares Street and Wharf Road. The City's former RDA entered a contract with the County to construct a permanent library and contributed \$2.67 million to a County-held trust fund that would be used to help build the Capitola library. Measure S, which was approved by voters on June 7, 2016, will provide an additional \$10 million which is \$2 million more than originally anticipated. The current project budget is \$15.15 million and is fully funded by the above mentioned former RDA and Measure S funds as well as General Fund transfers and fundraising by the Friends of the Capitola Library. The City broke ground for the new Library on November 9, 2018 and anticipates the project to take 16 – 18 months for completion.

Relevant Financial Policies

Financial Management Policies

The City has developed comprehensive Financial Management Policies to assist with the management of the operating and capital budgeting process and to standardize and rationalize the issuance of debt. This document focuses on Capital Budgeting and Reserves – Issuance of Debt, Operating Budgeting and Reserves and Other Polices, which addresses conformance with Generally Accepted Accounting Principles (GAAP), and Internal Borrowings. This policy requires the City to maintain a balanced operating budget; along with the use of one-time revenues to fund non-recurring expenditures.

A key component of this policy focuses on reserve requirements. Each fiscal year, the final adopted General Fund budget is required to have a Contingency Reserve appropriation equal to 15% of the General Fund operating expenditures and an Emergency Reserve appropriation equal to 10% of the General Fund operating expenditures. The purpose of the Contingency Reserve is 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. The purpose of the Emergency Reserve Fund is to protect against one-time significant costs that may arise from major unpredictable emergency events.

Investment Policy

The City's Investment Policy governs the investment of temporary cash excesses. Investments are prioritized based on the following order of importance: Safety of principal, liquidity, and earnings. Various low risk investments, such as U.S. Treasury bills are permitted. During the year, all excess cash balances, which were not held by a fiscal agent, were invested in the California Local Agency Investment Fund (LAIF). At no time during the year was the City's cash invested in a manner that violates this policy.

AWARD FOR EXCELLENCE IN FINANCIAL REPORTING



The Government Finance Officers Association of the United States and Canada (GFOA) also awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Capitola's CAFR for the fiscal years ended June 30, 2012 through June 30, 2017. This Certificate of Achievement is a prominent national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A GFOA Certificate of Achievement is valid for a period of only one year. The City of Capitola believes this current CAFR conforms to the Certificate of Achievement program requirements and will be submitting it to GFOA for review.

Prior to receiving the GFOA Award, the City received the Certificate for Outstanding Financial Reporting for its Comprehensive Annual Financial Report (CAFR) by the California Society of Municipal Finance Officers (CSMFO). This award was received consistently since FY 1999/00. Once a GFOA Award is received, CSMFO prohibits cities from applying and receiving both awards.

ACKNOWLEDGEMENTS



The preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance Department staff. I would like to also express our appreciation to the partners and staff of our auditors for their assistance and support.

I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City Treasurer for their unfailing leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jamie Goldstein
City Manager

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
LIST OF PRINCIPAL OFFICIALS
FOR
FISCAL YEAR ENDED JUNE 30, 2018

ELECTED OFFICIALS

Mayor – Michael Termini
 Vice Mayor – Jacques Bertrand
 Council Member – Ed Bottorff
 Council Member – Stephanie Harlan
 Council Member – Kristen Petersen
 City Treasurer – Peter Wilk

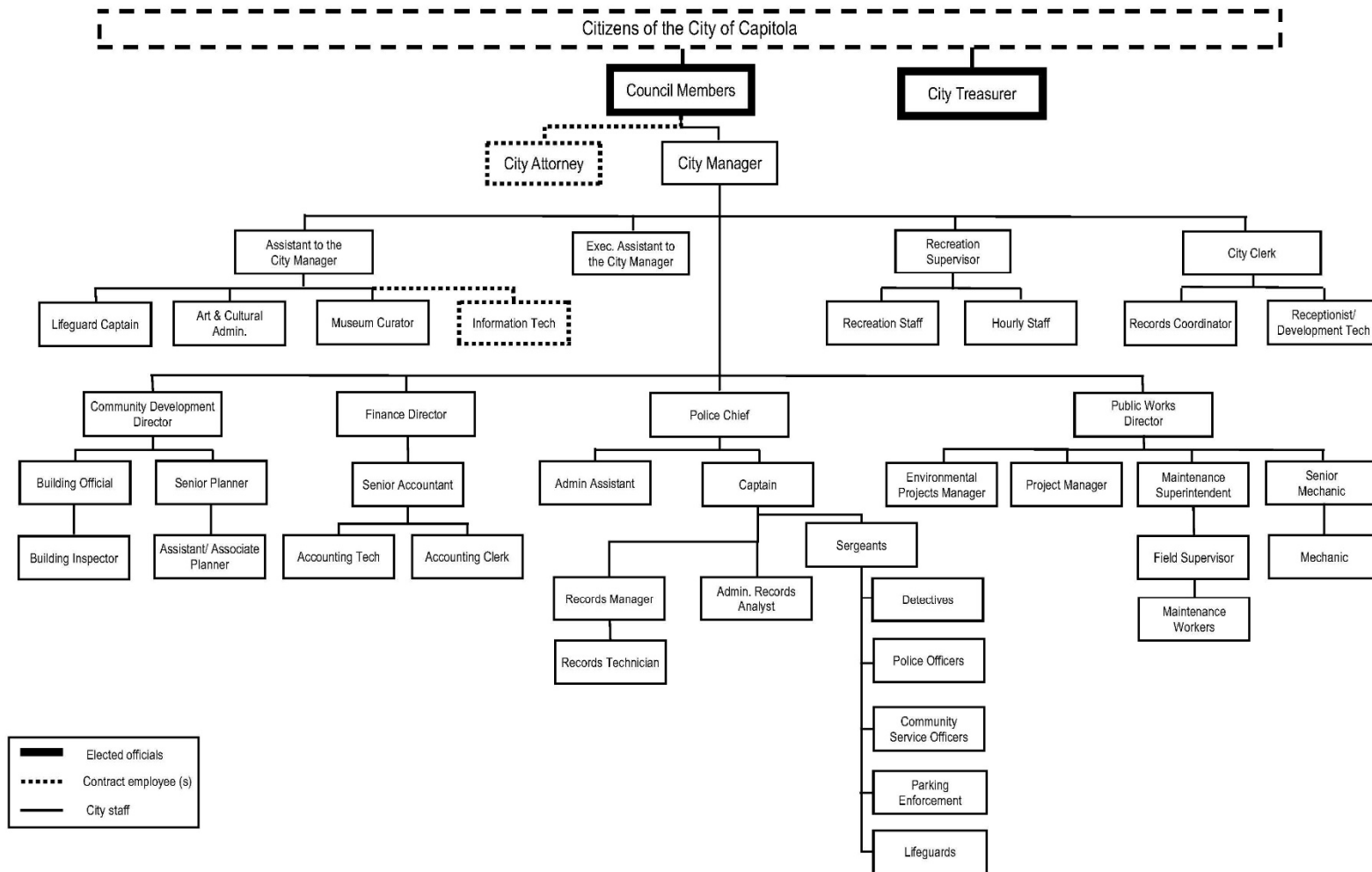
APPOINTED OFFICIALS

City Manager - Jamie Goldstein
 City Attorney - Atchison, Barisone, Condotti & Kovacevich

DEPARTMENT HEADS/ADMINISTRATORS

Assistant to the City Manager – Larry Laurent
 Chief of Police – Terry McManus
 City Clerk – Linda Fridy
 Community Development Director – Katie Herlihy
 Finance Director – Jim Malberg
 Public Works Director – Steve Jesberg

CITY OF CAPITOLA ORGANIZATIONAL CHART



Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA

GFOA Awards



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Capitola
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
 Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council
 City of Capitola, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Capitola, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net OPEB Liability, Schedule of OPEB Contributions, Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date, Schedule of Plan Contributions, Budgetary Comparison Schedules, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 6, 2018

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Management's Discussion and Analysis

As management of the City of Capitola, California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.98 million (net position).
- Total net position increased by \$2,480,449 from FY 2016/17.
- The City's net capital assets increased by \$1,137,225 from the prior year.
- The City's long-term liabilities increased by \$2,333,881 from the prior year. This change is mostly due to the increase in net pension liability. See Notes 6 and 10 for details.

Fund Highlights

- The City's governmental funds reported combined fund balances of \$20 million, an increase of \$10 million from the prior year. Of the \$20 million fund balance, \$58,430 is reported as non-spendable, \$2.9 million is assigned and \$5.4 million is unassigned, or available for spending at the City's discretion. An additional \$11.7 million is restricted for specific purposes by their providers through constitutional provisions or by enabling legislation in accordance with generally accepted accounting principles, which is further described in Note 1, Section D10.
- The \$10 million increase in the combined governmental fund balances was primarily the result of the reclassification \$8.7 million of housing related loans from unearned revenue to loans receivable. Additionally, the fund balance in the Library Fund increased by \$1.4 million as the City prepared to begin construction of a new Library.
- The Unassigned fund balance for the General Fund was \$5.4 million, or 41% of General Fund operating expenditures, a decrease of 2% compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

The Government-Wide Financial Statements distinguish functions of the City of Capitola that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, culture and recreation, and transportation. The City does not have any business-type activities.

The Government-Wide Financial Statements include the City of Capitola (known as the primary government).

The Government-Wide Financial Statements can be found on pages 17-18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City currently has two major governmental funds: General Fund and the Capital Projects Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The City maintains six internal service funds that provide goods and services solely for governmental activities. The activities are eliminated at the end of the fiscal year and any residual fund balances are combined with the General Fund.

The City adopts an annual appropriated budget for all funds. A budgetary comparison statement is provided for each of the City's governmental funds to demonstrate compliance with this budget. This comparison for the General Fund and the Capital Projects Fund are presented in the Required Supplementary Information section of this document. The budgetary comparison statements for Non-Major Governmental Funds and Fiduciary Funds are presented in the Supplementary Information Section of this report. All budget amendments require City Council approval for amounts over \$25,000.

The basic governmental fund financial statements can be found on pages 19-23 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because these resources are not available to support the City's programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are presented in the Basic Financial Statement section of this document. The City's only agency fund is the Auto Center Assessment District. The Private Purpose Trust Fund includes the Successor Agency to the Capitola Redevelopment Agency.

Notes to the Financial Statements

The Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27-65 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the City of Capitola's net other postemployment benefits liability and contributions for the Healthcare Plan, the schedule of the City's proportionate share of the plans' net pension liability and related ratios, the schedule of plan contributions, and budget to actual comparisons, as noted in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of the City's financial position. For the fiscal year ended June 30, 2018, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$15.98 million.

	Governmental Activities	
	2018	2017
Current and other assets	\$ 21,626,778	\$ 19,926,121
Capital assets	18,213,187	17,075,962
Total Assets	\$ 39,839,965	\$ 37,002,083
Total Deferred Outflows of Resources	6,287,905	3,616,979
Other liabilities	1,569,269	1,550,297
Long term liabilities		
Due in one year	252,553	852,883
Due in more than one year	25,967,063	23,032,852
Total Liabilities	27,788,885	25,436,032
Total Deferred Inflows of Resources	2,360,561	1,512,367
Net Position:		
Net investment in capital assets	15,772,831	14,457,242
Restricted	11,741,946	9,096,369
Unrestricted	(11,536,353)	(9,882,948)
Total Net Position	\$ 15,978,424	\$ 13,670,663

The largest portion of the City's net position, \$15.77 million, is reflected in its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Although the City of Capitola's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used. An additional portion of the City's net position, \$11.7 million, represented resources that were subject to external restrictions on how they may be used. The remaining (\$11.5) million of the City's net position, were "unrestricted," and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted portion of net position is negative due to the City's \$22.4 million net pension liability.

Further analysis is provided in the governmental activities section of this report.

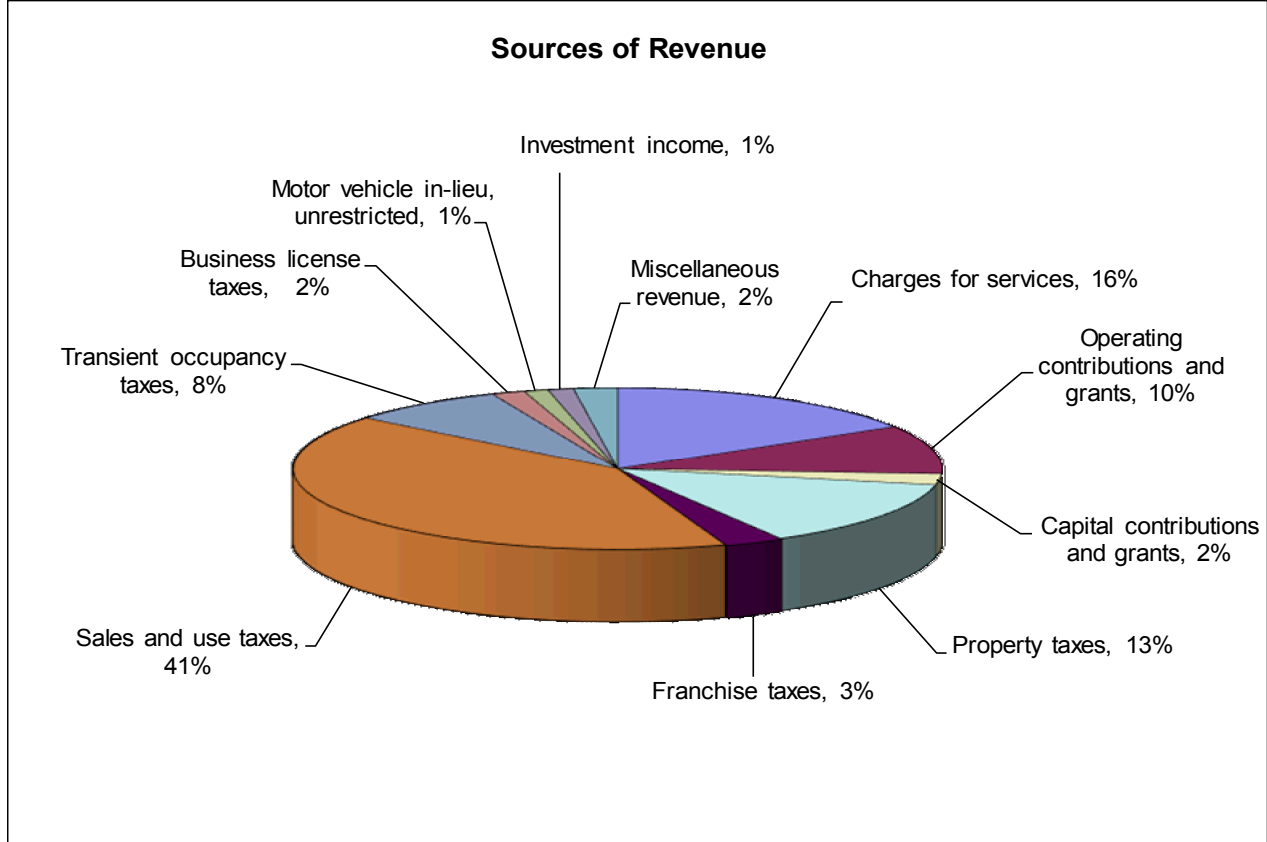
Governmental Activities

Governmental activities increased the City of Capitola's net position by \$2,440,449. The increase is due to decreases of expenses exceeding the decreases of revenues when compared to the prior year. The table below shows the changes between fiscal years 2017 & 2018:

	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 3,022,549	\$ 2,900,636
Operating grants and contributions	1,832,247	3,329,091
Capital contributions and grants	412,534	146,378
General revenues:		
Taxes:		
Property taxes	2,497,980	2,288,341
Franchise taxes	555,475	534,513
Sales and use taxes	7,687,959	7,959,086
Transient occupancy taxes	1,456,899	1,457,704
Business license taxes	308,236	301,545
Motor vehicle in-lieu, unrestricted	223,319	201,295
Investment income, unrestricted	237,383	264,040
Miscellaneous revenue	406,456	225,230
Total revenues	18,641,037	19,607,859
Expenses		
General government	3,594,141	3,975,030
Public safety	6,822,428	7,461,862
Community development	1,057,049	1,090,291
Culture and recreation	1,227,673	1,301,852
Transportation	3,382,294	3,211,535
Interest and other charges	77,003	119,171
Total expenses	16,160,588	17,159,741
Change in Net Position	2,480,449	2,448,118
Beginning Net Position, Previously Reported	13,670,663	11,222,545
Restatement - Change in Accounting Principle	(172,688)	-
Beginning Net Position, as Restated	13,497,975	11,222,545
Ending Net Position	\$ 15,978,424	\$ 13,670,663

Revenues

As shown in the Statement of Activities, revenues for FY 2017/18 totaled \$18.6 million. The following graph includes program and general revenues and shows the percentage of governmental revenues by source:



Revenues decreased \$966,822, or 4.9%, from the prior year. This was primarily due to the following factors:

- Operating grants and contributions – Decreased \$1,496,844 from the prior year. The decrease was primarily due to recognizing unavailable revenue rather than showing it as a deferred inflow of resources on the statement of net position in the prior year.
- Property taxes – Increased \$209,639 over the prior year. This increase was consistent with property valuation increases provided by the County Auditor Controller.
- Sales and use taxes – Decreased \$271,127 over the prior year primarily due to unprocessed sales tax returns by the California Department of Tax and Fee Administration.
- Capital contributions and grants – Increased \$266,156 compared to last fiscal year due to an increase in public safety related grants.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Cost of Services

Based on generally accepted accounting principles, program revenues are derived directly from programs or from parties outside the reporting government’s taxpayers or citizenry. These revenues reduce the net cost of the function to be financed from the government’s general revenues. General revenues are all other revenues not categorized as program revenues and include taxes, unrestricted grants, contributions, investment earnings, and miscellaneous revenues. Total program revenues from governmental activities were \$5.27 million.

The table below shows the costs and revenues of each of the City’s programs:

	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 3,594,141	\$ 2,345,258	\$ (1,248,883)
Public safety	6,822,428	1,110,477	(5,711,951)
Community development	1,057,049	1,077,274	20,225
Culture and recreation	1,227,673	635,744	(591,929)
Transportation	3,382,294	98,577	(3,283,717)
Interest and other charges	77,003	-	(77,003)
Totals	\$ 16,160,588	\$ 5,267,330	\$ (10,893,258)

A description of each program is listed below:

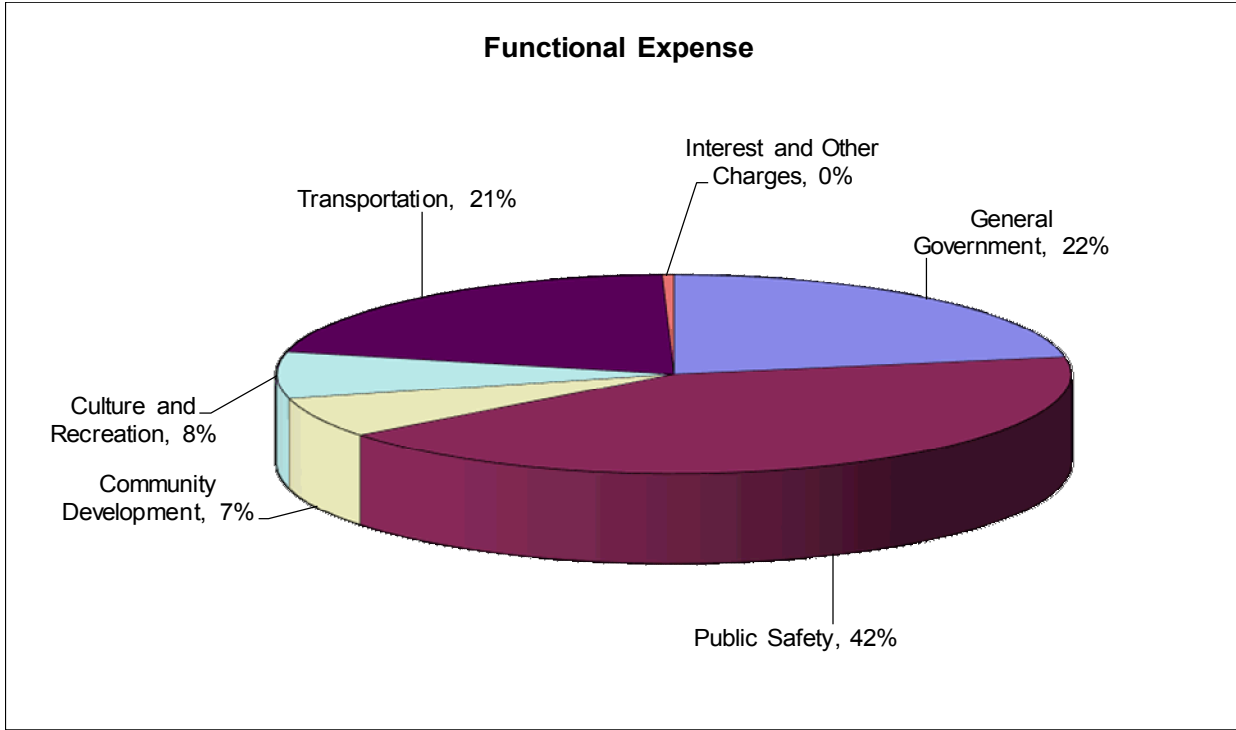
- General Government expenses comprise approximately 22% of all government expenses. This includes City Council, City Manager, City Clerk, City Attorney, Finance, Administrative Services, and Risk Management. These programs are offset by parking meter collections, grants, and administrative support fees.
- Public Safety expenses comprise 42% of all governmental expenses. Revenues from fines, citations, grants, and animal services partially offset the cost of this program.
- Community Development expenses comprise approximately 7% of all governmental expenses. Various building and planning fees, along with grant revenues, assist in funding these program costs.
- Culture and Recreation expenses comprise 8% of all governmental expenses. These programs are primarily funded through recreational classes and sports fees.
- Transportation/Public Works expenses comprise 21% of all governmental expenses. This includes street, facility, park, and fleet maintenance. Costs are partially offset by motor vehicle fuel taxes and various fees.
- Interest expense comprises less than 1% of all governmental expenses. This interest expense is used to pay long-term debt obligations.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Expenses

As shown in the Statement of Activities, expenses decreased by \$999,153. This was primarily due to decreased expenses in general government and public safety related to vacant positions and contract services.

A distribution of expenses by function is provided below:



Financial Analysis of the City’s Funds

As noted earlier, the City of Capitola uses fund accounting to comply with finance-related legal requirements.

Governmental Funds

The focus of the City of Capitola’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Capitola’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

At the end of the current fiscal year, the City of Capitola’s governmental funds reported a combined ending fund balance of \$20 million, an increase of \$1,663,720 compared with the prior year. Of this fund balance, \$58,430 is reported as non-spendable and \$2.9 million is assigned to the following priorities: \$1.3 million is allocated to emergency reserves, \$0.1 million is assigned to debt service and \$1.5 million is allotted to capital projects. An additional \$5.8 million is available for spending at the City’s discretion.

General Fund - The General Fund is the chief operating fund of the City of Capitola and had a fund balance of \$7.2 million at year end. This represents an increase of \$0.1 million, or 2.4%, below the prior year. Approximately 81% was unassigned fund balance, which was available for spending at the City’s discretion. Most of the non-spendable fund balance represents the remaining balance of \$47,362 of the Loan and Cooperative Agreement with the Successor Agency that was used to establish the former Redevelopment Agency. Additional information regarding this agreement can be found in Note 14.

A reconciliation of the General Fund operating activities presented in the City budget documents to the Governmental General Fund Financial Statements is presented below:

	City Budget Documents	General Plan / Open Space / Donations	Emergency / Contingency / Facilities Reserve / PERS	Internal Service Funds	Financial Statements
Beginning Fund Balance	\$ 2,648,924	\$ 36,899	\$ 3,828,608	\$ 822,594	\$ 7,337,025
Revenues	15,609,484	98,292	7,670	-	15,715,446
Expenditures	13,284,573	38,378	33,521	503,214	13,859,686
Net Operating Difference	2,324,911	59,914	(25,851)	(503,214)	1,855,760
Financing Sources/Uses	(3,622,550)	(10,120)	810,000	385,000	(2,437,670)
Net Change in Fund Balance	(1,297,639)	49,794	784,149	(118,214)	(581,910)
Ending Fund Balance	\$ 1,351,285	\$ 86,693	\$ 4,612,757	\$ 704,380	\$ 6,755,115

It should be noted that the presentation of the General Fund for the City’s budget document is different than its presentation in the Governmental Fund Financial Statements. This is primarily due to the consolidation of the following funds for financial statement reporting purposes: General Fund, Contingency Reserve, PERS Contingency, Emergency Reserve, Facilities Reserve, General Plan Update and Maintenance, Stores, Information Technology, Equipment Replacement, Self-Insurance Liability, Workers Compensation, and Compensated Absences.

Federal Home Loan Reuse - The Federal Home Loan Reuse Fund receives loan payments from recipients of HOME Program loans and uses these revenues to fund additional affordable housing activities. All housing funded activities must be within the City and be in accordance with the Federal Home Reuse Guidelines. The revenues represent the receipt of principal and interest payments from loan recipients.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Capitola Housing Successor - This fund is used to account for the assets of the former RDA Low and Moderate Income Fund and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. As loan payments are received, the revenue generated provides a funding source for new housing assistance programs. Additional information regarding this transition can be found in Note 15.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of public 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2018, is presented as Required Supplementary Information following the notes to the financial statements. This information can be found on page 67. Key budgetary differences are provided below.

Revenues:

Actual revenues were below final budgeted amounts by \$547,344. The shortfall was primarily due to lower sales tax receipts, reduced citation and fine revenues and lower community development and recreation fees received, offset partially by higher property taxes, licenses and permits and other revenues.

Expenses:

Expenses, prior to transfers, were \$350,937 above the final budget total due primarily to capital outlay related expenditures. This was partially offset due to lower than budgeted personnel expenditures due to vacant positions and a reorganization of staff between departments to improve operational efficiency.

Appropriations:

Variiances between the Original and Final budgets are primarily due to the inclusion of continuing appropriations for special projects from the prior year, mid-year adjustments to reflect updated revenue and expenditure estimates, and new funding appropriated for additional CIP projects.

Fund Balance:

The General Fund’s ending fund balance was \$6,755,114 as of June 30, 2018. This amount was approximately \$286,599 greater than the final budget projection based on the revenue and expenditure information noted above. A breakdown of General Fund fund balance is provided below. An additional discussion of the City’s Contingency and Emergency Reserves can be found in the Financial Management Policies section of the Transmittal letter.

Fund balance:	
Nonspendable:	
Prepaid items	\$ 11,068
Due from successor agency	47,362
Assigned:	
Emergency reserve	1,277,206
Unassigned:	
Contingencies	3,335,551
Unassigned	<u>2,083,927</u>
Total fund balance	<u>\$ 6,755,114</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION



Capital Assets

The City’s value of governmental assets (net of accumulated depreciation) at the end of FY 2017/18 was \$18,213,187. This investment in capital assets includes land, building, equipment, vehicles and infrastructure. The infrastructure classification typically includes roads, streets, sidewalks, medians, and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was \$1,130,068, or 6.7%. The increase is due to an increase in construction in progress related to the Capitola Library project. Additional information on the City of Capitola’s capital assets can be found in Note 4 to the financial statements.

Statement of Net Position	
Asset Type	
Land	\$ 4,883,789
Buildings and improvements	2,392,272
Equipment	3,965,265
Infrastructure	29,844,039
Construction in progress	<u>2,391,865</u>
Total fixed assets	43,477,230
Less Depreciation	<u>(25,264,043)</u>
Capital Assets net of Depreciation	<u>\$ 18,213,187</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Long-Term Debt

The City’s long-term debt at the end of FY 2017/18 was \$3,259,913, a decrease of \$20,625,822 compared to FY 2016/17. The significant change is due to reclassifying the net pension liability as a long-term liability as opposed to long-term debt. An overview of all long-term obligations is presented below while comprehensive information can be found in Note 6.

Loans payable:	
Capital lease payable - Pacific Cove financing	1,295,592
Capital lease payable - Beach & Village financing	1,144,764
Notes payable	8,895
Compensated absences	810,662
	<hr/>
Total long-term debt	<u>\$ 3,259,913</u>

ECONOMIC FACTORS, NEXT YEAR’S BUDGETS AND RATES

On June 28, 2018, the Council adopted the FY 2018/19 Budget with a total appropriation of \$28.4 million and a General Fund appropriation of \$15.9 million. Adequate resources were projected to be available to fund the proposed expenditures. The General Fund budget reflects a conservative growth estimate with projected sales tax revenues level with FY17/18 receipts, transient occupancy tax revenues up 1.5% and property tax revenues increasing 4.0%. General Fund revenues are budgeted to exceed General Fund expenditures by approximately \$11,000.

The City has negotiated contracts with the Police Officers Association through FY 2020/21 and all remaining bargaining units through FY 2019/20, which include fixed cost of living adjustments (COLA’s). The City implemented caps on pension costs prior to the FY 2015/16 budget but modified the cap to ensure employees didn’t experience large decreases in net pay due to the projected contribution rate increases. Those caps remain in place under the new contracts.

Prospects for the Future

When the voters of Capitola passed Measure O, a quarter of one percent sales tax for a period of ten years, the City committed to replenishing reserves, maintaining police staffing levels and completing major street improvements during the five-year overlap with Measure D. Measure O sales tax revenues have been utilized to fully fund reserves at the City Council adopted funding levels as well as to increase street projects and maintain police department and public works staffing levels. Measure O expired on December 31, 2017.

In 2016 voters passed Measure F to extend the temporary quarter of one percent sales tax for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The adopted FY 2018/19 budget continues implementing these commitments as Measure F went into effect on January 1, 2018.

Opportunities for development include the Capitola Branch Library, Wharf resiliency improvements, flume repair or replacement, jetty improvements, and a roundabout on Bay Avenue. The new Capitola Branch Library began construction in November 2018 while the other projects are still in the planning phase. The funding for the new library comes from several sources, including the

recently passed countywide Measure S, the former RDA trust fund held by the County, fundraising, and contributions from the General Fund for the remainder.

The City has successfully completed all current RDA dissolution and Assembly Bill 1484 (AB 1484) reporting and audit requirements and received approval for repayment of the \$618,028 loan made to the former RDA. The final payment will be made during FY 2018/19. Additional information can be found in the transmittal letter, as well as Note 14.

Local, State, and National Economy

In 2008 events in the local, state, and national economies led to a significant downturn in financial markets. In FY 2011/12, there were beginning signs of economic recovery, with increased sales tax, TOT tax, and an increasing demand for building/planning services. This trend continued through FY 2016/17, however, Capitola's annual sales tax and transient occupancy tax leveled off in FY 2017/18. Increased home sales and prices have resulted in continued growth in property tax revenue which is consistent with statewide economic conditions.

In early 2017 the CalPERS Board approved a decrease in the discount rate it uses to project future funding needs. The discount rate is the expected rate of return on investments. The decreased discount rate has a major impact to the City's yearly unfunded actuarial liability (UAL) payment.

The City's FY 2018/19 UAL payment is approximately \$1.2 million which is a 25% increase over the prior year. Current projections show the City's UAL increasing to over \$2 million by FY 2021/22. These rising pension costs will likely pose significant challenges in coming fiscal years.

Requests for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information please contact the Finance Director at 420 Capitola Avenue, Capitola, California 95010.

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BASIC FINANCIAL STATEMENTS

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**CITY OF CAPITOLA
Statement of Net Position
June 30, 2018**

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 10,917,914
Accounts receivable	50,355
Due from other governments	1,899,222
Prepaid items	11,068
Due from successor agency	47,362
Loans receivable, net	8,700,857
Capital assets:	
Non-depreciable:	
Land	4,883,789
Construction in progress	2,391,865
Depreciable:	
Equipment	3,965,265
Buildings and improvements	2,392,272
Infrastructure	29,844,039
Accumulated depreciation	(25,264,043)
Total Assets	39,839,965
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	6,201,815
OPEB related	86,090
Total Deferred Inflows of Resources	6,287,905
LIABILITIES	
Accounts payable	412,432
Accrued liabilities	401,845
Interest payable	33,627
Deposits payable	342,790
Unearned revenue	378,575
Noncurrent liabilities:	
Due within one year	252,553
Due in more than one year	3,007,360
Other postemployment liability	604,437
Pension liability	22,355,266
Total Liabilities	27,788,885
DEFERRED INFLOWS OF RESOURCES	
Pension related	2,360,561
NET POSITION	
Net investment in capital assets	15,772,831
Restricted for:	
Public safety	10,101
Transportation	419,897
Community development	11,190,893
Culture and recreation	121,055
Unrestricted	(11,536,353)
Total Net Position	\$ 15,978,424

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Statement of Activities
Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 3,594,141	\$ 1,056,958	\$ 1,288,300	\$ -	\$ (1,248,883)
Public safety	6,822,428	601,387	167,630	341,460	(5,711,951)
Community development	1,057,049	694,892	311,308	71,074	20,225
Culture and recreation	1,227,673	635,744	-	-	(591,929)
Transportation	3,382,294	33,568	65,009	-	(3,283,717)
Interest and other charges	77,003	-	-	-	(77,003)
Total Governmental Activities	\$ 16,160,588	\$ 3,022,549	\$ 1,832,247	\$ 412,534	(10,893,258)
General Revenues:					
Taxes:					
					2,497,980
					555,475
					7,687,959
					1,456,899
					308,236
					223,319
					237,383
					406,456
					<u>13,373,707</u>
					<u>2,480,449</u>
					13,670,663
					(172,688)
					<u>13,497,975</u>
					<u>\$ 15,978,424</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

General Fund - accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

SPECIAL REVENUE FUNDS

Federal Home Loan Reuse Fund - This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

Capitola Housing Successor Fund - This fund is used to account for the assets of the former RDA Low and Moderate Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

CAPITAL PROJECTS FUND

Capital Projects Fund - Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

Non-Major Governmental Funds

Other Governmental Funds - These funds constitute all other governmental funds that do not meet the GASB Statement No. 34 major fund test of assets, liabilities, revenues or expenditures for the governmental funds. These funds consist of other Special Revenue Funds, and Debt Service Funds of the City for the year ended.

CITY OF CAPITOLA
Governmental Funds
Balance Sheet
June 30, 2018

	General	Special Revenue Funds	
		Federal Home Loan Reuse	Capitola Housing Successor
ASSETS			
Cash and investments	\$ 6,211,249	\$ 206,675	\$ 181,068
Accounts receivable	48,674	-	-
Due from other governments	1,830,582	980	863
Prepaid items	11,068	-	-
Due from other funds	59,178	-	-
Advances to other funds	47,362	-	-
Loans receivables	-	4,061,843	3,941,976
Total Assets	\$ 8,208,113	\$ 4,269,498	\$ 4,123,907
LIABILITIES			
Accounts payable	\$ 337,989	\$ -	\$ 4,010
Accrued liabilities	401,845	-	-
Unearned revenue	378,575	-	-
Due to other funds	-	-	-
Deposits payable	334,590	-	-
Total Liabilities	1,452,999	-	4,010
FUND BALANCES			
Nonspendable	58,430	-	-
Restricted	-	4,269,498	4,119,897
Assigned	1,277,206	-	-
Unassigned	5,419,478	-	-
Total Fund Balances	6,755,114	4,269,498	4,119,897
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,208,113	\$ 4,269,498	\$ 4,123,907

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

Capital Projects Fund		
Capital Projects	Non-Major Governmental Funds	Totals
\$ 1,518,619	\$ 2,800,303	\$ 10,917,914
-	1,681	50,355
-	66,797	1,899,222
-	-	11,068
-	-	59,178
-	-	47,362
-	697,038	8,700,857
<u>\$ 1,518,619</u>	<u>\$ 3,565,819</u>	<u>\$ 21,685,956</u>
\$ 16,380	\$ 54,053	\$ 412,432
-	-	401,845
-	-	378,575
-	59,178	59,178
7,200	1,000	342,790
<u>23,580</u>	<u>114,231</u>	<u>1,594,820</u>
-	-	58,430
-	3,352,551	11,741,946
1,495,039	138,222	2,910,467
-	(39,185)	5,380,293
<u>1,495,039</u>	<u>3,451,588</u>	<u>20,091,136</u>
<u>\$ 1,518,619</u>	<u>\$ 3,565,819</u>	<u>\$ 21,685,956</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

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CITY OF CAPITOLA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2018

Fund balances of governmental funds	\$	20,091,136
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included in governmental fund activity:		
Capital assets		43,477,230
Accumulated depreciation		(25,264,043)
Pension related deferred inflows and outflows of resources are not reported in the governmental funds:		
Deferred outflows		6,201,815
Deferred inflows		(2,360,561)
OPEB related deferred inflows and outflows of resources are not reported in the governmental funds:		
Deferred outflows		86,090
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		
		(33,627)
Long-term debt has not been included in the governmental fund activity:		
Notes payable		(8,895)
Capital lease financing		(1,295,592)
Lease-back financing		(1,144,764)
Net pension liability		(22,355,266)
Compensated absences		(810,662)
Net OPEB liability		(604,437)
Net position of governmental activities	\$	15,978,424

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Governmental Fund Types
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	General	Special Revenue Funds	
		Federal Home Loan Reuse	Capitola Housing Successor
REVENUES			
Taxes	\$ 12,198,313	\$ -	\$ -
Licenses and permits	680,141	-	-
Fines and forfeitures	557,617	-	-
Intergovernmental	194,853	90,373	216,135
Charges for services	1,848,673	-	-
Use of money and property	108,005	14,050	3,567
Other revenue	127,844	-	25
Total Revenues	15,715,446	104,423	219,727
EXPENDITURES			
Current:			
General government	2,700,867	-	-
Public safety	6,323,493	-	-
Community development	683,670	3,200	22,619
Culture and recreation	1,093,734	-	-
Transportation	2,558,399	-	-
Capital outlay	499,524	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	13,859,687	3,200	22,619
Excess (Deficiency) of Revenues over (Under) Expenditures	1,855,759	101,223	197,108
OTHER FINANCING SOURCES (USES)			
Transfers in	35,000	-	-
Transfers out	(2,472,670)	-	-
Total Other Financing Sources (Uses)	(2,437,670)	-	-
Net Change in Fund Balances	(581,911)	101,223	197,108
Fund Balances, Beginning of Year	7,337,025	196,805	196,948
Restatement - Loan receivables	-	3,971,470	3,725,841
Fund Balances, beginning of year, as restated	7,337,025	4,168,275	3,922,789
Fund Balances, End of Year	\$ 6,755,114	\$ 4,269,498	\$ 4,119,897

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

Capital Projects Fund		
Capital Projects	Non-Major Governmental Funds	Totals
\$ -	\$ 217,970	\$ 12,416,283
70,064	16,024	766,229
-	-	557,617
341,460	1,407,309	2,250,130
-	158,266	2,006,939
-	111,761	237,383
274,474	4,113	406,456
<u>685,998</u>	<u>1,915,443</u>	<u>18,641,037</u>
-	122,909	2,823,776
-	9,867	6,333,360
-	257,549	967,038
-	60,339	1,154,073
80,600	212,633	2,851,632
524,222	900,023	1,923,769
-	-	-
-	828,701	828,701
-	94,968	94,968
<u>604,822</u>	<u>2,486,989</u>	<u>16,977,317</u>
<u>81,176</u>	<u>(571,546)</u>	<u>1,663,720</u>
535,320	2,294,350	2,864,670
(174,000)	(218,000)	(2,864,670)
<u>361,320</u>	<u>2,076,350</u>	<u>-</u>
<u>442,496</u>	<u>1,504,804</u>	<u>1,663,720</u>
1,052,543	1,286,478	10,069,799
-	660,306	8,357,617
<u>1,052,543</u>	<u>1,946,784</u>	<u>18,427,416</u>
<u>\$ 1,495,039</u>	<u>\$ 3,451,588</u>	<u>\$ 20,091,136</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,663,720

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays, net of disposals	2,063,233
Depreciation, net of disposals	(926,008)

Repayment of debt service principal and capital lease liabilities are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

828,701

Governmental funds report all contributions as expenditures in relation to Pensions and OPEB, however, in the Statement of and OPEB and pension expenses are based on the change in these liabilities

Change in pension related items	(1,182,823)
Change in OPEB	19,892

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable	(4,231)
Change in accrued interest expense	17,965

Change in net position of governmental activities

\$ 2,480,449

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and investments	\$ 395,006	\$ 20,830
Due from others	-	99
	395,006	20,929
Total Assets	395,006	20,929
LIABILITIES		
Deposits	-	20,929
Advances to other funds	47,362	-
	47,362	-
Total Liabilities	47,362	\$ 20,929
NET POSITION		
Held in trust for successor agency and other purposes	347,644	
Total Net Position (Deficit)	\$ 347,644	

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

CITY OF CAPITOLA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
RPTTF distributions	\$ 308,375
DEDUCTIONS	
Administrative expenses	30,000
Enforceable obligations	333,090
Total Deductions	363,090
Change in Net Position	(54,715)
Net Position (Deficit), Beginning of Year	402,359
Net Position (Deficit), End of Year	\$ 347,644

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

The accompanying notes are an integral part of these financial statements.

**City of Capitola
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Year Ended June 30 2018**

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CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The City of Capitola (the City) was incorporated in 1949 under the laws of the State of California. Capitola is a General Law City and is subject to the framework and procedures established by State law. The City operates under the Council-City Manager form of government. The City provides police protection, street, park and facilities maintenance; recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and limited drainage services.

B. Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All City activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers the majority of revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City's only exception to this timeline is Sales Tax receipts which are recorded as revenues if received within 90 days.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

Federal Home Loan Reuse Fund

The Federal Home Loan Reuse 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 reuse guidelines.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, (continued)

Capital Projects Fund

The Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

The City also reports the following:

Agency Funds

The Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains the following two Agency funds as an agent for bondholders: Brookvale Assessment City and Auto Center Assessment City.

Private Purpose Trust Funds

The Private Purpose Trust Fund accounts for the activities of the City of Capitola as Successor Agency to the Capitola Redevelopment Agency. The Successor Agency's primary purpose is to expedite the dissolution of the former Redevelopment Agency's assets in accordance with AB X1 26 and AB 1484.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in interest rates.

Changes in fair market value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity, (continued)

1) Cash and Investments (continued)

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a quarterly basis based on the cash balance in each fund.

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

3) Property Taxes

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	Secured	Unsecured
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

**CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity,
(continued)**

3) Property Taxes (continued)

The City adopted an alternative method of property tax distribution (the “Teeter Plan”). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

4) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at acquisition value as of the date received. City policy is to capitalize all tangible property with a useful life of five or more years and a cost or assigned valued exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

The City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, in accordance with generally accepted accounting principles.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year’s pro rata share of the cost of capital assets. Generally accepted accounting principles requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Deprecation is provided using the straight-line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 – 20 years
Infrastructure	15 – 50 years

5) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements. The City accounts for such items using the consumption method.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity, (continued)

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

7) Compensated Absences

In compliance with generally accepted accounting principles, the City has established a liability for accrued vacation in relevant funds. Based on prior MOU language, a sick leave liability is also accrued for one remaining employee. For governmental fund types, the current liability appears in the respective funds, if due and payable, and the long-term liability appears in the government-wide financial statements. This liability is set up for the current employees at the current rates of pay. If vacation and the sick leave balances are not used by employees during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

8) Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that the expenses are reported only once - in the function in which they are allocated.

9) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity, (continued)

10) Fund Equity

The City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. These classifications and constraints have been incorporated into the City's Fund Balance Policy, Administrative Policy III-10.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that have constraints placed on them by third-party providers (grantors, bondholders, and higher levels of government) or by law through constitutional provisions or by enabling legislation.

Committed – Amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority. This includes an action by the City Council passing a resolution. The Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it previously employed to commit those amounts.

Assigned – Amounts the City intends to use for a specific purpose but are neither restricted nor committed. Intended use can be established by the City Council, or by a City official designated as having that authority, such as the City Manager or Finance Director.

Unassigned – Amounts that are for any purpose; positive amounts are reported only in the General Fund.

When an expenditure is incurred for which both restricted and unrestricted (committed, assigned, or unassigned) are available, it is the City's policy to consider restricted amounts first, then unrestricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance appropriations could be used, it is the City's Policy that committed amounts would be used first, followed by assigned, and then unassigned fund balance classifications.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity, (continued)

11) Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

12) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

E. New Accounting Pronouncements

Effective this fiscal year

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). This Statement is effective for fiscal years (FY) beginning after June 15, 2017, or the FY 2017/2018. The City has implemented this Statement as of July 1, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016. The implementation of this Statement did not have a material effect on the financial statements.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

E. New Accounting Pronouncements (continued)

Effective this Fiscal Year, (continued)

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018 fiscal year. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources — resources other than the proceeds of refunding debt — are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The implementation of this Statement did not have a material effect on the financial statements.

Effective in Future Fiscal Years

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the FY 2018/2019. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the FY 2019/2020. The City is evaluating the impact of this Statement on the financial statements.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. New Accounting Pronouncements (continued)

Effective in Future Fiscal Year, (continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 88 – GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement is effective for reporting periods beginning after June 15, 2018 or FY 2018/2019. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or FY 2020/2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61*. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The City is evaluating the impact of this Statement on the financial statements.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

2. CASH AND INVESTMENTS

Cash and investments held by the City at June 30, 2018, are classified in the accompanying financial statement as follows:

Statement of Net Position:	
Cash and investments	\$ 10,917,914
Statement of Fiduciary Net Position:	
Cash and investments	415,836
Total cash and investments	<u>\$ 11,333,750</u>

Cash and investment held by the City consisted of the following:

Petty cash	\$1,449
Demand deposits	3,603,469
Investments	7,728,832
Total cash and investments	<u>\$11,333,750</u>

Investments Authorized by the California Government Code and the City of Capitola's Investment Policy:

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase.

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code (or the City's investment policy, if more restrictive). The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit (CD)	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65,000,000
Authorized by Debt Agreements			
Guaranteed Investment Contracts	15 months	None	None

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

2. CASH AND INVESTMENTS, (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City pools its investments in the Local Agency Investment Fund (LAIF). This pool has a weighted average maturity of less than one year.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in LAIF were not rated as of June 30, 2018.

Concentration of Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments, required to be disclosed.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2018, the City had deposits with financial institutions in excess of federal depository insurance limits by \$2,958,463 that were held in collateralized accounts. As of June 30, 2018, the Successor Agency had deposits with financial institutions in excess of federal depository insurance limits by \$145,006 that were held in collateralized accounts.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

2. CASH AND INVESTMENTS, (continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF was established in 1977 under the California Government Code Section 16429.1 et seq. as an investment alternative for local California governments and cities. LAIF oversight is governed by a five-member board designated by law, with the State Treasurer as Board Chairman. The State Treasurer elected to invest these monies as part of the State's Pooled Money Investment Account (PMIA) to achieve the maximum rate of return, while maintaining the goals of safety, liquidity, and yield. All LAIF funds are insulated from State borrowing including State General Fund transfers or loans and AB 55 loans. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro rata share of the fair value provided by LAIF (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded as an amortized cost basis. LAIF is not registered with the SEC.

Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The City's investments in Local Agency Investment Fund are not categorized under either level because withdrawals from the pool are based on the amortized cost and not market value.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/From Other Funds

Due to/from other funds at June 30, 2018, is as follows:

Due from other Funds	Due to other Funds	Amount
General Fund	Non-Major governmental funds	\$ 59,178

The interfund payable balances represent routine and temporary cash flow assistance from and to the General Fund until the amounts receivable from other agencies are collected to reimburse eligible expenditures.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, (continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, are as follows:

	Transfer In			Total
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	
Transfers Out				
General Fund	\$ -	\$ 535,320	\$ 1,937,350	\$ 2,472,670
Capital Projects Fund	-	-	174,000	174,000
Non-Major Governmental Funds	35,000	-	125,000	160,000
Total	<u>\$ 35,000</u>	<u>\$ 535,320</u>	<u>\$ 2,236,350</u>	<u>\$ 2,806,670</u>

The General Fund transferred \$535,320 to the Capital Projects fund for street maintenance projects. The General Fund transferred \$47,800 to the Wharf Fund to replace wharf piers damaged during a storm event. The General Fund transferred \$89,004 to the Beach Village Lot, \$40,066 to the Pacific Cover Debt Financing Fund, and \$187,351 to the 2007 POB Debt Service Fund for debt service payments. The General Fund transferred \$1,505,129 to the Library Capital Projects Fund for design and construction of the new Library, including \$174,000 previously appropriated for other capital projects that was no longer needed as those projects were completed under budget. The Supplemental Law Enforcement Fund transferred \$35,000 to the General Fund to purchase a new police vehicle. Additional transfers to the Pacific Cove Debt Financing Fund for debt service payments originated from the following Non-Major Funds: Parking Reserve for \$100,000, and the Affordable Housing Trust for \$25,000.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, is as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,883,789	\$ -	\$ -	\$ 4,883,789
Construction in progress	921,817	1,645,764	(175,716)	2,391,865
Total capital assets, not being depreciated	5,805,606	1,645,764	(175,716)	7,275,654
Capital assets, being depreciated:				
Equipment	3,494,695	552,720	(82,150)	3,965,265
Building and improvements	2,392,272	-	-	2,392,272
Infrastructure	29,721,424	122,615	-	29,844,039
Total capital assets, being depreciated	35,608,391	675,335	(82,150)	36,201,576
Less accumulated depreciation for:				
Equipment	(2,636,296)	(280,222)	75,952	(2,840,566)
Building and improvements	(1,499,588)	(48,681)	-	(1,548,269)
Infrastructure	(20,202,151)	(673,057)	-	(20,875,208)
	(24,338,035)	(1,001,960)	75,952	(25,264,043)
Total capital assets, being depreciated, net	11,270,356	(326,625)	(6,198)	10,937,533
Total governmental activities capital assets, net of accumulated depreciation	\$ 17,075,962	\$ 1,319,139	\$ (181,914)	\$ 18,213,187

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:	
General government	\$ 537,359
Public safety	99,803
Cultural and recreation	40,493
Transportation	324,305
Total depreciation Expense - Governmental Activities	\$ 1,001,960

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

5. OTHER LONGTERM RECEIVABLES

Due from Successor Agency

The City provided unreimbursed support services, valued at \$618,028, to the former Redevelopment Agency (RDA) from July 1, 1997 through June 30, 2001. The City provided substantial support for the proposed expansion of the redevelopment area and amendment of the redevelopment plan.

The City and RDA entered into a Cooperation Agreement for the RDA to repay the City at a 5% simple interest rate, with interest payments due annually. In June 2006, the City and RDA agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any obligation bond sold by the City; c) the State of California LAIF rate, or d) 5%. The principal amount of the reimbursement was originally to be paid as RDA funds become available, but in no event later than twenty-five years from the Agreement date. As of June 30, 2018, the principal owed to the City is \$47,362.

Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse, Affordable Housing and CDBG Program Income funds to provide housing loans to eligible applicants. Such loans are made to low and moderate-income households to improve or rehabilitate residences. The City accounts for this program in the Special Revenue Funds. Total detail of loans receivable of \$8.7 million at June 30, 2018, is listed below:

	CDBG Program Income	Federal Home Loan Reuse	Affordable Housing	Capitola Housing Successor	Total
Individual Loans	\$503,825	\$ 503,774	\$ -	\$ 551,396	\$ 1,558,995
Bay Avenue Senior Apartments	-	3,383,633	-	1,741,086	5,124,719
Millennium Housing	-	-	193,213	1,649,494	1,842,707
Wharf Road Manor	-	174,436	-	-	174,436
Totals	\$503,825	\$ 4,061,843	\$193,213	\$ 3,941,976	\$ 8,700,857

These loans have been reflected in the financial statements as loans receivable.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

6. LONG TERM DEBT

A summary of changes in long-term debt for the fiscal year ended June 30, 2018, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due Within One Year
2007 POB Bonds	\$ 645,000	\$ -	\$ 645,000	\$ -	\$ -
Capital Lease - Cove Financing	1,415,100	-	119,508	1,295,592	105,963
Beach & Village Lot II Financing	1,203,620	-	58,856	1,144,764	60,187
Note Payable	14,232	-	5,337	8,895	5,337
Compensated Absences	806,431	425,231	421,000	810,662	81,066
Totals	<u>\$ 4,084,383</u>	<u>\$ 425,231</u>	<u>\$ 1,249,701</u>	<u>\$ 3,259,913</u>	<u>\$ 252,553</u>

2007 Pension Obligation Bonds

In July of 2007, the City issued \$5,040,000 of Pension Obligation Bonds in order to pre-fund a portion of the PERS Side Fund liability as determined by PERS for the City's Safety and Miscellaneous Plans. Payments of interest are payable semi-annually on August 1 and February 1 of each year with a stated interest rate of 6.01%. The Bonds mature through August 1, 2017. The bonds are payable from any source of legally available funds of the City, including amounts on deposit in the General Fund. During the fiscal year ended June 30, 2018, the City made its last payment for \$645,000.

Capital Leases Payable - Pacific Cove Debt Financing

On March 23, 2012, the City executed a \$2.39 million lease/sublease agreement to facilitate relocating the residents of the Pacific Cove Mobile Home Park. The City-owned mobile home park was permanently closed for safety reasons after a pipe failure flooded the park. This lease agreement used the existing City Hall site and the adjacent Upper Pacific Cove Parking lot as the subject lease property. The original lease agreement was for 20 years at 5.14% fixed interest rate for the first 10 years, with a reset to 10-year T-Bill plus 3%. The lease was renegotiated during fiscal year 2012-13 to a tax-exempt lease with a 3.25% interest rate, with a reset in year 10 to a 10-year T-Bill + 1.5%. As a result of the refinancing, annual loan payments were reduced by approximately \$28,000. Savings on interest over the first nine years is estimated to be \$350,000.

In Fiscal Year 2012-13, the City made a decision to apply \$500,000 from the disaster recovery insurance settlement to the Pacific Cove Lease. This resulted in a principal reduction of \$476,190, with a prepayment penalty of \$23,810.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

6. LONG TERM DEBT, (continued)

Capital Leases Payable - Pacific Cove Debt Financing, (continued)

Future lease payments under the capital lease as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 105,963	\$ 59,103	\$ 165,066
2020	109,435	55,631	165,066
2021	113,021	52,045	165,066
2022	116,724	48,342	165,066
2023	120,548	44,518	165,066
2024-2028	664,637	160,691	825,328
2029	65,264	17,871	83,135
Total	<u>\$ 1,295,592</u>	<u>\$ 438,201</u>	<u>\$ 1,733,793</u>

Capital Leases Payable - Beach & Village Lot II Financing

On March 14, 2014, the City of Capitola executed a \$1,372,500 low-interest loan with the California Infrastructure and Economic Development Bank (IBank). This loan is considered a lease-lease back obligation with the General Fund as the source of repayment; and the City Public Works Corporation Yard serving as the leased asset. The loan term is 20 years at a fixed 2.26% interest rate.

Future lease payments under the capital lease as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 60,187	\$ 28,626	\$ 88,813
2020	61,547	27,069	88,616
2021	62,938	25,478	88,416
2022	64,360	23,851	88,211
2023	65,815	22,187	88,002
2024-2028	352,069	84,629	436,698
2029-2033	393,693	37,009	430,702
2034	84,155	1,204	85,359
Total	<u>\$ 1,144,764</u>	<u>\$ 250,053</u>	<u>\$ 1,394,817</u>

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

6. LONG TERM DEBT, (continued)

Note Payable

On January 26, 2012, the City Council approved the City's participation in a financing program and retrofit project with PG&E to place LED fixtures in City-owned streetlights. The City has executed a loan document with PG&E in the amount of \$38,249. The terms of the loan are at 0% interest and will be paid off over 86 months. The monthly payment is \$445.

Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$810,662 as of June 30, 2018.

7. FUND BALANCES

The details of the fund balances as of June 30, 2018, are presented below:

	General Fund	Federal Home Loan Reuse	Capitola Housing Successor	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid items	\$ 11,068	\$ -	\$ -	\$ -	\$ -	\$ 11,068
Due from successor agency	47,362	-	-	-	-	47,362
Restricted for:						
Public Safety	-	-	-	-	10,101	10,101
Transportation	-	-	-	-	419,897	419,897
Community Development	-	4,269,498	4,119,897	-	2,801,498	11,190,893
Culture and Recreation	-	-	-	-	121,055	121,055
Assigned to:						
Debt Service	-	-	-	-	138,222	138,222
Other Capital Projects	-	-	-	1,495,039	-	1,495,039
Emergency Reserve	1,277,206	-	-	-	-	1,277,206
Unassigned:						
Contingencies	3,335,551	-	-	-	-	3,335,551
Unassigned	2,083,927	-	-	-	(39,185)	2,044,742
Total	\$ 6,755,114	\$ 4,269,498	\$ 4,119,897	\$ 1,495,039	\$ 3,451,588	\$20,091,136

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

7. FUND BALANCES, (continued)

Deficit Fund Balances

The following funds reported deficit fund balances at June 30, 2018:

Beach and Village Lot II Debt Financing	\$	(39,185)
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These deficits are expected to be reduced by future revenues or transfers from other funds.

8. RISK MANAGEMENT

The City participates in the Monterey Bay Area Self-Insurance Agency (the Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year-end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the five previous years.

Premium payment amounts are determined by the fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member. Audited financial statements of the Authority can be obtained at 1 Civic Center Drive, Scotts Valley, CA 90566.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

9. JOINT VENTURES

Santa Cruz Consolidated Emergency Communications Center

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 495 Upper Park Rd, Santa Cruz, CA 95065.

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. These bonds were refunded in May as 2012 Lease Revenue Bonds, Series A with a principal of \$3,965,000. The proceeds were used to refinance the existing debt that was used for building costs; purchase additional equipment and make a lease termination payment to the County to acquire space that is currently being used for the Emergency Operations Center (EOC). The term bonds are due on June 15, 2034.

Other Activities

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Benefits Provided (continued)

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Membership date	January 1, 2013	January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2%-2.5%	1.0%-2.5%
Required employee contribution rates	7.95%	6.25%
Required employer contribution rates	10.11% plus	6.53%
	\$501,000 annual lump sum prepayment	

	Safety	
	Classic	PEPRA
	Prior to	On or after
	January 1, 2013	January 1, 2013
Membership date	January 1, 2013	January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0%-2.7%
Required employee contribution rates	8.99%	11.50%
Required employer contribution rates	19.72% plus	11.99%
	\$469,908 annual lamp sum prepayment	

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2018 were \$1,770,027.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Net pension liability

The City of Capitola's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial methods and assumptions used to determine total pension liability

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets	Actuarial Value of Assets
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases ⁽¹⁾	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	7.15%	7.15%
Mortality Rate Table ⁽³⁾	Derived using CALPERS' membership data for all Funds	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

⁽¹⁾ Annual increases vary by category, entry age, and duration of service

⁽²⁾ Net pension plan investment and administrative expenses; includes inflation

⁽³⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The 2014 Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change of Assumptions

The Discount rate was reduced from 7.65% to 7.15% in the current fiscal year.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Discount rate, (continued)

Asset Class	Current Target Allocation	Real Return Years 1 – 10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	100.00%		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Proportionate share of net pension liability

The following table shows the Plans' proportionate share of the net pension liability over the measurement period.

	Plan Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2017	\$ 70,795,162	\$ 51,359,361	\$ 19,435,801
Balance at: 6/30/2018	78,877,060	56,521,794	22,355,266
Net changes	8,081,898	5,162,433	2,919,465

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the Plan as of the June 30, 2017 and 2018 was as follows:

Proportionate Share of NPL - June 30, 2017	0.224611%
Proportionate Share of NPL - June 30, 2018	0.225418%
Change - Increase (Decrease)	0.000807%

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Total Plans' Net Pension Liability	\$ 33,302,429	\$ 22,355,266	\$ 13,350,839

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

Recognition of gains and losses

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C). The EARSL for the Plan is 3.8 years.

Pension expense and deferred outflows and deferred inflows of resources related to pensions

For the year ended June 30, 2018, the City incurred a pension expense of \$2,952,851.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

10. DEFINED BENEFIT PENSION PLANS, (continued)

As of June 30, 2018, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,770,027	\$ -
Contributions in excess of proportionate share	-	(1,213,780)
Changes in assumptions	3,317,187	(253,764)
Difference in expected and actual experience	133,228	(212,536)
Adjustment due to differences in proportions	245,362	(680,481)
Net differences between projected and actual earnings on plan investments	736,011	-
Total	<u>\$ 6,201,815</u>	<u>\$ (2,360,561)</u>

These amounts above are net of outflows and inflows recognized as of the end of the current fiscal year. Contributions subsequent to the measurement date of \$1,770,027 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2019	\$ 157,651
2020	1,502,484
2021	844,803
2022	(433,711)
	<u>\$ 2,071,227</u>

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

11. PUBLIC AGENCY RETIREMENT PLAN

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public-sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under Internal Revenue Code Sections 401(a) and 501.

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

The City has the right to terminate or amend the Plan at any time.

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City of Capitola contributes 1.3% and the employee contributes 6.2%. During the fiscal year ending June 30, 2018, contributions totaled \$26,254. This included contributions of \$4,562 by the City and \$21,692 by employees. The City acts as administrator with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

The City's contribution for fiscal year 2018 differs from the contribution totals provided by PARS in the following table because PARS reports on a calendar year, rather than a fiscal year basis.

Plan Net Position and Changes in Net Position

Balance 1/1/17	\$	64,723
Contributions		24,084
Earnings		993
Subtotal		89,800
Less: Expenses		(4,754)
Disbursements		(11,860)
Balance 12/31/17	\$	73,186

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statute within the Public Employees' Retirement Law. The CRHP's plan provisions are established and may be amended through negotiation and Memoranda of Understanding between the City Council and the various bargaining units. All contracts with CalPERS are approved through City resolution. CalPERS issues publicly available reports that can be found on the CalPERS' website, at www.calpers.ca.gov.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	Active employees	66
Inactive employees or beneficiaries currently receiving benefits payments	17	83
	83	

Contributions

The obligation of the City to contribute to the plan is based on an actuarial determined rate. For the fiscal year ended June 30, 2018, the City's cash contributions were \$60,000 in payments to the trust and the estimated implied subsidy was \$26,090 resulting in total payments of \$86,090. The City makes contributions and participates in the California Employers' Retiree Benefit Trust (CERBT) Fund for the purpose of prefunding obligations for past services. Through this plan, the California Public Employees' Retirement System (CalPERS) Board of Administration has the sole and exclusive control and power over the administration and investment of the prefunding plan.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was based on the following actuarial methods and assumptions:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	7.00%
Mortality Rate	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	4.00% per annum

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	43%	7.8%
US Small Cap	23%	7.8%
Long-Term Corporate Bonds	12%	5.3%
Long-Term Government Bonds	6%	4.5%
Treasury Inflation Protected Securities	5%	7.8%
US Real Estate	8%	7.8%
All Commodities	3%	7.8%
	<u>100%</u>	

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Discount Rate

The discount rate used to measure the total OPEB Liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

The changes in the net OPEB liability for the City's Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 766,166	\$ 143,387	\$ 622,779
Changes Recognized for year:			
Service Cost	26,537	-	26,537
Interest	51,739	-	51,739
Changes of benefit terms	-	-	-
Difference in expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions	-	81,540	(81,540)
Net investment income	-	15,205	(15,205)
Administrative expenses	-	(127)	127
Benefit payments, including refunds of employee contributions	(26,632)	(26,632)	-
Net changes	51,644	69,986	(18,342)
Balance at June 30, 2018	\$ 817,810	\$ 213,373	\$ 604,437

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

12. OTHER POST EMPLOYMENT BENEFITS, (continued)

Sensitivity of the Net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate, for measurement period ended June 30, 2017:

Net OPEB Liability		
Discount Rate - 1% (6%)	Current Discount Rate (7%)	Discount Rate +1% (8%)
\$ 722,056	\$ 604,437	\$ 507,650

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for measurement period ended June 30, 2017:

Net OPEB Liability		
Healthcare Cost		
Trend Rate - 1% (3.00%)	Trend Rates (4.0%)	Trend Rate +1% (5.00%)
\$ 506,801	\$ 604,437	\$ 718,826

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in the future OPEB expense. For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$66,198. As of fiscal year, ended June 30, 2018, the City reported deferred outflows of resources related to OPEB in the amount of \$86,090 for its contributions subsequent to the measurement date. This amount will be recognized as an OPEB expense in fiscal year 2019.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 that provided for the dissolution of all redevelopment agencies in the State of California. Most cities in California established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the governing board of the city or county in many cases, also served as the governing board for those agencies). The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government could agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council met and created a Successor Agency in accordance with the Bill as part of City resolution number 3906.

After the law was enacted on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations or commitments. Upon the date of dissolution, February 1, 2012, significant matters previously controlled by the City Councils of the cities that created each redevelopment agency were now subject to the approval of the seven-member Oversight Board, and typically the California Department of Finance (DOF):

- Sale and distribution of assets
- Any change in obligation of terms
- Prepayment or defeasance of debt
- Acceptance of grants
- Funding of debt service reserves
- Budget for any remaining activities

In the current and future years, successor agencies are only allocated tax revenue in the amount that is necessary to pay the estimated annual payments on approved Recognized Obligation Payment Schedules (ROPS) until all enforceable obligations are paid in full. All obligations listed on the Capitola ROPS were approved by the Successor Agency and the Oversight Board, however the Department of Finance disallowed payment requests on two City/RDA loans. These loans included a \$618,028 Loan and Repayment Agreement and a \$1.35 million loan to purchase the City-owned Rispin Mansion property.

In June 2012, the California legislature passed AB 1484. This legislation provided clarification regarding the dissolution process and imposed new requirements. AB 1484 declared Successor Agencies are separate legal entities distinct from the sponsoring government, clarified matters pertaining to the affordable housing programs previously performed by the former RDA; and clarified matters pertaining to Enforceable Obligation and Recognized Obligation Payment Schedules (EOPS/ROPS). The legislation also established a requirement for all Successor Agencies to complete a due diligence review, established a process to receive a Finding of Completion that will provide significant benefits to local agencies (allowing them to begin spending debt proceeds and providing a formula for the repayment of money previously borrowed from the sponsoring government); and made a number of other significant changes in the dissolution process and the post-dissolution activities of Successor Agencies.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

**14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY,
(continued)**

In Fiscal Year 2012-13, the Successor Agency completed two Due Diligence Reviews as required by the legislation. The Due Diligence review resulted in a recapture of the residual fund balance in the Successor Agency's primary operating account of \$89,536 and a disallowed payment to the City in the amount of \$47,895 for a City/RDA loan. While the Successor Agency and the City disagreed with this determination, the combined amount of \$137,431 was remitted to the County Auditor-Controller to maintain compliance. The completion of these two reviews resulted in the Successor Agency receiving a Finding of Completion on May 24, 2013.

The Bill also directed the California State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the Successor Agency. The Capitola Successor Agency completed the Asset Transfer Review on October 7, 2013. The report findings required the City to return \$52,313 to the Successor Agency for an interest payment on a City/RDA loan. The Successor Agency and the City also disagreed with this determination.

The Successor Agency and Oversight Board have approved reinstatement of the \$618,028 Loan and Repayment Agreement at a reduced interest rate; however, this reinstatement was initially denied by the Department of Finance. The Department of Finance has indicated that application for this reinstatement should be subject to the timelines established in AB 1484.

The Successor Agency, City, and the Oversight Board approved a resolution to terminate the Rispin Property Purchase Loan in exchange for the return of the property. This would result in the reduction of \$1.35 million dollars in Successor Agency debt. The Department of Finance requested the Oversight Board reconsider this decision; and the Oversight Board unanimously reaffirmed their property transfer decision in August. The City did not receive a response from the Department of Finance in relation to this action, and the statutory time to deny the action has elapsed. The City's RDA attorney believed the action was effective due timing; however, the official property transfer was delayed until after the Successor Agency successfully completed a Long-Range Property Management Plan. This plan was completed on March 21, 2014; followed by the termination of the Rispin Purchase Loan and the City's acceptance of the property by Resolution on October 10, 2013. This transaction relieved the Successor Agency of all capital assets.

After the date of dissolution, activities of the dissolved redevelopment agency are reported in a fiduciary trust fund (private purpose trust fund) in the financial statements of the City. The assets and liabilities relating to the Successor Agency are provided in the following sections:

Long-Term Debt

In accordance with the provisions of California AB X 1 26 (Bill), the obligations of the former Redevelopment Agency became vested with the funds established for the Successor Agency upon the date of dissolution, February 1, 2012. Former tax increment revenues pledged to fund the debts of the former Redevelopment Agency are distributed to the Successor Agency subject to the reapportionment of such revenues as provided by the Bill.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

**14. SUCCESSOR AGENCY TO THE FORMER CAPITOLA REDEVELOPMENT AGENCY,
(continued)**

The debt of the Successor Agency as of June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending balance	Due Within One Year
Advances Payable -					
Due to the City	\$ 401,191	\$ -	\$ (353,829)	\$ 47,362	\$ 47,362

Due to the City

The obligations due to the City represent a loan in the amount of \$47,362 for staff and administrative costs associated with the expansion of the redevelopment area and the amendment of the redevelopment plan.

15. RISKS AND UNCERTAINTIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City/Successor Agency Obligations

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2018 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. Over the last fiscal year, the Successor Agency has been successful in receiving funding for all approved obligations, with the exception of City/RDA loans. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time as to be immaterial or not.

The City and the Successor Agency reinstated the \$618,028 Loan and Repayment Agreement in the 2015/16 Recognized Obligation Payment Schedule (ROPS). This reinstatement was initially denied by the Department of Finance due to timing. The Department of Finance approved the repayment and allowed payments to begin in January 2016. The entire \$618,028 Loan and Repayment Agreement will be completed over five equal payments. At June 30, 2018 the outstanding balance was \$47,362.

CITY OF CAPITOLA
Notes to Financial Statements
Year Ended June 30, 2018

16. RESTATEMENTS

Implementation of GASB Statement No. 75

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Other Post-employment Benefits, as of July 1, 2017. The impact of the implementation on the beginning net position is as follows:

Government-wide Financial Statements	Net Position, Originally Stated, June 30, 2017	Adjustment	Net Position, Restated, June 30, 2017
Net OPEB liability and related deferral	\$ 13,670,663	(172,688)	\$ 13,497,975

Deferred Inflows of Resources related to Loans receivable

The City changed the treatment of its housing loans. The loans were treated as unavailable resources and reported these amounts as deferred inflows of resources of the respective funds that made these loans. The City has changed its treatment of these loans and is now reporting these amounts as restricted fund balances. The change resulted in an increase in the fund balances of the following funds and a reduction of the deferred inflows of resources.

Deferred Inflows previously reported on:	Fund Balance, Originally Stated, June 30, 2017	Adjustment	Net Position, Restated, June 30, 2017
Federal Home Loan Reuse Fund	\$ 196,805	\$3,971,470	\$ 4,168,275
Capitola Housing Successor Fund	196,948	3,725,841	3,922,789
Non-major Funds	80,829	660,306	741,135
Total	<u>\$ 474,582</u>	<u>\$8,357,617</u>	<u>\$ 8,832,199</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2018

Schedule of Changes in Net OPEB Liability
Last Ten Years*

	2018
Total OPEB Liability	
Service cost	\$ 26,537
Interest	51,739
Changes of benefit terms	-
Differences between expected and actual experience	-
Change of assumptions	-
Benefit payments, included refunds of employee contributions	(26,632)
Net change in total OPEB liability	51,644
Total OPEB liability - beginning of year	766,166
Total OPEB liability - end of year (a)	\$ 817,810
Plan Fiduciary Net Position	
Net investment income	\$ 15,205
Contributions	
Employer	81,540
Employer - implicit subsidy	-
Employee	-
Benefit payments, included refunds of employee contributions	(26,632)
Administrative expense	(127)
Other	-
Net change in plan fiduciary net position	69,986
Plan fiduciary net position - beginning of year	143,387
Plan fiduciary net position - end of year (b)	213,373
Net OPEB liability - end of year = (a) - (b)	\$ 604,437
Plan fiduciary net position as a percentage of the total OPEB liability	26.09%
Covered employee payroll	\$5,787,564

* - Fiscal year 2018 was the first year of implementation of the OPEB standards

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2018

Schedule of OPEB Contributions
 Last Ten Years*

	2018
Actuarially determined contribution	\$ 86,090
Contributions in relation to the actuarially determined contribution	(86,090)
Contribution deficiency (excess)	\$ -
 Covered payroll	 \$ 5,361,855
Contributions as a percentage of covered employee payroll	1.61%

* - Fiscal year 2018 was the first year of implementation of the OPEB standards

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2018

Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
 Last 10 Years *

	2015	2016	2017	2018
Proportion of the Collective Net Pension Liability ¹	0.17280%	0.18590%	0.22461%	0.22542%
Proportionate Share of the Collective Net Pension Liability	\$12,221,177	\$15,290,351	\$19,435,801	\$22,355,266
Covered Payroll ²	\$ 5,315,720	\$5,315,720	\$5,029,882	\$5,787,564
Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	229.91%	287.64%	386.41%	386.26%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	75.39%

* - Fiscal year 2015 was the first year of implementation of the pension standards

CITY OF CAPITOLA
Required Supplementary Information
Year Ended June 30, 2018

Schedule of Pension Contributions
Last 10 Years*

	2015	2016	2017	2018
Contractually Determined Contribution	\$ 902,235	\$ 1,190,602	\$ 1,053,235	\$ 1,770,027
Contributions in Relation to the Contractually Determined Contribution	(902,235)	(1,190,602)	(1,053,235)	(1,770,027)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 5,315,720	\$ 5,029,882	\$ 5,787,564	\$ 5,361,855
Contributions as a Percentage of Covered-Employee Payroll	16.97%	23.67%	18.20%	33%

* - Fiscal year 2015 was the first year of implementation of the pension standards

CITY OF CAPITOLA
Required Supplementary Information
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 12,411,214	\$ 12,486,214	\$ 12,198,313	\$ (287,901)
Licenses and permits	611,000	611,000	680,141	69,141
Fines and forfeitures	663,700	663,700	557,617	(106,083)
Intergovernmental	152,850	208,345	194,853	(13,492)
Charges for services	2,134,481	2,134,481	1,848,673	(285,808)
Use of money and property	70,200	95,200	108,005	12,805
Other revenue	63,850	63,850	127,844	63,994
Total revenues	16,107,295	16,262,790	15,715,446	(547,344)
Expenditures:				
Current:				
General government:				
City council	162,596	162,596	150,639	11,957
City manager	830,426	830,426	822,808	7,618
Personnel	326,960	326,960	349,636	(22,676)
City attorney	230,000	230,000	272,869	(42,869)
Finance	881,918	881,918	829,924	51,994
Community grants	275,000	275,000	274,990	10
Public safety	6,386,021	6,328,946	6,323,493	5,453
Community development	794,657	794,657	683,670	110,987
Culture and recreation	1,095,696	1,120,696	1,093,734	26,962
Transportation	2,692,550	2,557,550	2,558,399	(849)
Capital Outlay	-	-	499,524	(499,524)
Total expenditures	13,675,824	13,508,749	13,859,686	(350,937)
Excess (deficiency) of revenues over (under) expenditures	2,431,471	2,754,041	1,855,760	(196,407)
Other financing sources (uses):				
Transfers In	-	-	35,000	35,000
Transfers out	(3,290,550)	(3,622,550)	(2,472,670)	1,149,880
Total Other Financing Sources (Uses)	(3,290,550)	(3,622,550)	(2,437,670)	1,184,880
Net change in fund balance	(859,079)	(868,509)	(581,910)	286,599
Fund balance, beginning of year	7,337,025	7,337,025	7,337,025	-
Fund balance, end of year	\$ 6,477,946	\$ 6,468,516	\$ 6,755,115	\$ 286,599

CITY OF CAPITOLA
Required Supplementary Information
Federal Home Loan Reuse Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 90,373	\$ 90,373
Use of money and property	12,300	12,300	14,050	1,750
Total revenues	12,300	12,300	104,423	92,123
Expenditures:				
Current:				
Community development	3,200	3,200	3,200	-
Total expenditures	3,200	3,200	3,200	-
Net change in fund balance	9,100	9,100	101,223	92,123
Fund balance, beginning of year, as restated	4,168,275	4,168,275	4,168,275	-
Fund balance, end of year	<u>\$ 4,177,375</u>	<u>\$ 4,177,375</u>	<u>\$ 4,269,498</u>	<u>\$ 92,123</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Required Supplementary Information
Capitola Housing Successor Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 216,135	\$ 216,135
Use of money and property	-	-	3,567	3,567
Other revenue	-	-	25	25
	-	-	219,727	219,727
Total revenues	-	-	219,727	219,727
Expenditures:				
Current:				
Community development	60,000	60,000	22,619	37,381
	60,000	60,000	22,619	37,381
Total expenditures	60,000	60,000	22,619	37,381
	(60,000)	(60,000)	197,108	257,108
Net change in fund balance	(60,000)	(60,000)	197,108	257,108
Fund balance, beginning of year, as restated	3,922,789	3,922,789	3,922,789	-
Fund balance, end of year	\$ 3,862,789	\$ 3,862,789	\$ 4,119,897	\$ 257,108

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Notes to Required Supplementary Information
Year Ended June 30, 2018

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases or decreases to a fund's overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year-end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year-end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per Capitola Municipal Code 3.20.060.C: "The appropriation for the uncompleted balance of executory contracts should not lapse at year-end but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action."

Budgets were adopted for all governmental funds with the exception of the following special revenue fund: CDBG Program Income Fund.

There were no excess expenditures over appropriations in the General Fund departments. The excess of expenditures over appropriations in individual funds are listed below:

Funds	Appropriations	Expenditures	Variance
Major Governmental:			
Capital Projects	\$ 567,200	\$ 604,822	\$ (37,622)
Non-Major Governmental:			
CDBG Fund	100,000	182,371	(82,371)

Sufficient revenues in listed funds were used to subsidize the excess expenditures.

SUPPLEMENTARY INFORMATION

CITY OF CAPITOLA
Capital Projects Fund
Major Capital Projects Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Licenses and permits	\$ 33,000	\$ 33,000	\$ 70,064	\$ 37,064
Intergovernmental	-	-	341,460	341,460
Other revenue	50,000	50,000	274,474	224,474
	<u>83,000</u>	<u>83,000</u>	<u>685,998</u>	<u>602,998</u>
Total revenues				
Expenditures:				
General government	30,000	24,000	-	24,000
Transportation	-	-	80,600	(80,600)
Capital outlay	542,200	543,200	524,222	18,978
	<u>572,200</u>	<u>567,200</u>	<u>604,822</u>	<u>(37,622)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(489,200)	(484,200)	81,176	640,620
Other financing sources (uses):				
Transfers in	467,200	525,200	535,320	10,120
Transfers out	-	(174,000)	(174,000)	-
	<u>467,200</u>	<u>351,200</u>	<u>361,320</u>	<u>10,120</u>
Total other financing sources (uses)				
Net change in fund balance	(22,000)	(133,000)	442,496	575,496
Fund balance, beginning	1,052,543	1,052,543	1,052,543	-
Fund balance, ending	<u>\$ 1,030,543</u>	<u>\$ 919,543</u>	<u>\$ 1,495,039</u>	<u>\$ 575,496</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2018**

NON-MAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

SB1 Road Rehab Fund - This fund accounts for receipts and expenditures received from the passage of Senate Bill 1 – Road Repair and Accountability Act of 2017.

RTC Fund - This Fund accounts for receipts and expenditures of the 2016 Measure D sales tax received from the Santa Cruz County Regional Transportation Commission.

Supplemental Law Enforcement Fund - This fund accounts for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - This fund accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

Wharf Fund - In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

Parking Reserve Fund - This fund accounts for 16% of parking meter revenue from the village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the village.

Technology Fees Fund - This fund accounts for revenues received from technology fees to be used for new permit processing program.

PEG Cable TV Access Fee Fund - This fund accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - This fund accounts for the receipt and expenditure of assessments for the Business Improvement Area.

Community Development Block Grants (CDBG) Fund - This fund accounts for grant revenue applied for and received from the Federal Department of Housing and Urban Development (HUD) through the California Small Cities Grant Program administered by California Department of Housing and Community Development (HCD) to address local community development needs.

CDBG Program Income - This fund accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

Capitola Housing Successor Fund - This fund is used to account for the assets of the former RDA Low and Moderate-Income Fund, and related housing activities. The funds are restricted in their use, reuse, and repayment pursuant to the original program requirements. It is anticipated that as loan payments are received, the revenue generated would fund new housing activities.

**CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statements
June 30, 2018**

NON-MAJOR FUNDS, (CONTINUED)

DEBT SERVICE FUNDS

Beach & Village Lot II Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Beach & Village Lot II project. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

Pacific Cove Debt Financing Fund - This fund accounts for the debt proceeds and the corresponding expenditures for the Pacific Cove Mobile Home Park Relocation Plan. This fund is also used for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs of the long-term debt issued by the City.

2007 POB Debt Service Fund - Accounts for the accumulation of resources for, and payment of long-term debt principal and interest related to the 2007 Pension Obligation Bonds.

CAPITAL PROJECT FUNDS

Library Fund - This fund accounts for library project financial resources segregated for the acquisition of major capital facilities and equipment by the City.

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CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2018

	SPECIAL REVENUE FUNDS		
	SB1		Supplemental
	Road Rehab and Maintenance	RTC Streets	Law Enforcement
ASSETS			
Cash and investments	\$ -	\$ 391,048	\$ 10,057
Accounts receivable	-	-	-
Due from other governments	21,538	34,217	44
Loans receivables, net	-	-	-
Total Assets	<u>\$ 21,538</u>	<u>\$ 425,265</u>	<u>\$ 10,101</u>
LIABILITIES			
Accounts payable	\$ -	\$ 7,650	\$ -
Due to other funds	19,993	-	-
Deposits Payable	-	-	-
Total Liabilities	<u>19,993</u>	<u>7,650</u>	<u>-</u>
FUND BALANCES			
Restricted	1,545	417,615	10,101
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,545</u>	<u>417,615</u>	<u>10,101</u>
Total Liabilities and Fund Balances	<u>\$ 21,538</u>	<u>\$ 425,265</u>	<u>\$ 10,101</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

SPECIAL REVENUE FUNDS

Gas Tax	Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$ 4,033	\$ 46,321	\$ 737	\$ 54,948	\$ 73,691	\$ 21,581	\$ 41,903
-	-	-	142	-	1,539	-
-	123	-	-	4,250	-	-
-	-	-	-	-	-	-
<u>\$ 4,033</u>	<u>\$ 46,444</u>	<u>\$ 737</u>	<u>\$ 55,090</u>	<u>\$ 77,941</u>	<u>\$ 23,120</u>	<u>\$ 41,903</u>
\$ 4,033	\$ 2,330	\$ -	\$ -	\$ -	\$ 879	\$ -
-	-	-	-	-	-	-
-	1,000	-	-	-	-	-
<u>4,033</u>	<u>3,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>879</u>	<u>-</u>
-	43,114	737	55,090	77,941	22,241	41,903
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>43,114</u>	<u>737</u>	<u>55,090</u>	<u>77,941</u>	<u>22,241</u>	<u>41,903</u>
<u>\$ 4,033</u>	<u>\$ 46,444</u>	<u>\$ 737</u>	<u>\$ 55,090</u>	<u>\$ 77,941</u>	<u>\$ 23,120</u>	<u>\$ 41,903</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Balance Sheet (continued)
June 30, 2018

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS
	CDBG Program Income	Affordable Housing	Beach & Village Lot II Debt Financing
ASSETS			
Cash and investments	\$ 29,361	\$ 70,989	\$ -
Accounts receivable	-	-	-
Due from other governments	139	345	-
Loans receivables, net	503,825	193,213	-
Total Assets	\$ 533,325	\$ 264,547	\$ -
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	39,185
Deposits Payable	-	-	-
Total Liabilities	-	-	39,185
FUND BALANCES			
Restricted	533,325	264,547	-
Assigned	-	-	-
Unassigned	-	-	(39,185)
Total Fund Balances	533,325	264,547	(39,185)
Total Liabilities and Fund Balances	\$ 533,325	\$ 264,547	\$ -

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND	
Pacific Cove Debt Financing	2007 POB Debt Service	Library	Non-Major Governmental Funds
\$ 132,892	\$ 4,896	\$ 1,917,846	\$ 2,800,303
-	-	-	1,681
434	-	5,707	66,797
-	-	-	697,038
<u>\$ 133,326</u>	<u>\$ 4,896</u>	<u>\$ 1,923,553</u>	<u>\$ 3,565,819</u>
\$ -	\$ -	\$ 39,161	\$ 54,053
-	-	-	59,178
-	-	-	1,000
<u>-</u>	<u>-</u>	<u>39,161</u>	<u>114,231</u>
-	-	1,884,392	3,352,551
133,326	4,896	-	138,222
-	-	-	(39,185)
<u>133,326</u>	<u>4,896</u>	<u>1,884,392</u>	<u>3,451,588</u>
<u>\$ 133,326</u>	<u>\$ 4,896</u>	<u>\$ 1,923,553</u>	<u>\$ 3,565,819</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS		
	SB1 Road Rehab and Maintenance	RTC Streets	Supplemental Law Enforcement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-
Intergovernmental	59,545	312,311	100,000
Charges for Services	-	-	-
Use of Money and Property	-	2,652	225
Other Revenue	-	-	-
Total Revenues	<u>59,545</u>	<u>314,963</u>	<u>100,225</u>
EXPENDITURES			
Current:			
General Government	-	108,602	-
Public safety	-	-	9,867
Community development	-	-	-
Culture and recreation	-	-	-
Transportation	-	-	-
Capital outlay	-	-	53,196
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>108,602</u>	<u>63,063</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>59,545</u>	<u>206,361</u>	<u>37,162</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	200,000	-
Transfers out	(58,000)	-	(35,000)
Total Other Financing Sources (Uses)	<u>(58,000)</u>	<u>200,000</u>	<u>(35,000)</u>
Net change in fund balances	<u>1,545</u>	<u>406,361</u>	<u>2,162</u>
Fund Balances, beginning of year, as previously reported	-	11,254	7,939
Restatement - Loan receivables	-	-	-
Fund Balances, beginning of year, as restated	<u>-</u>	<u>11,254</u>	<u>7,939</u>
Fund Balances, end of year	<u>\$ 1,545</u>	<u>\$ 417,615</u>	<u>\$ 10,101</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

SPECIAL REVENUE FUNDS

Gas Tax	Wharf	Parking Reserve	Technology Fees	PEG Cable TV Access Fee	Capitola Village and Wharf BIA	CDBG
\$217,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	16,024	-	-
-	-	-	-	-	-	71,074
-	-	-	16,223	-	73,298	-
-	94,261	-	-	1,058	517	-
-	-	-	-	-	3,189	-
<u>217,970</u>	<u>94,261</u>	<u>-</u>	<u>16,223</u>	<u>17,082</u>	<u>77,004</u>	<u>71,074</u>
-	-	-	-	14,232	-	-
-	-	-	-	-	-	-
-	-	-	8,567	-	66,611	182,371
-	60,339	-	-	-	-	-
212,633	-	-	-	-	-	-
-	122,617	-	-	-	-	-
5,337	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>217,970</u>	<u>182,956</u>	<u>-</u>	<u>8,567</u>	<u>14,232</u>	<u>66,611</u>	<u>182,371</u>
-	(88,695)	-	7,656	2,850	10,393	(111,297)
-	47,800	100,000	-	-	-	-
-	-	(100,000)	-	-	-	-
-	47,800	-	-	-	-	-
-	(40,895)	-	7,656	2,850	10,393	(111,297)
-	84,009	737	47,434	75,091	11,848	25,664
-	-	-	-	-	-	127,536
-	84,009	737	47,434	75,091	11,848	153,200
<u>\$ -</u>	<u>\$43,114</u>	<u>\$ 737</u>	<u>\$ 55,090</u>	<u>\$ 77,941</u>	<u>\$ 22,241</u>	<u>\$ 41,903</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures (continued)
and Changes in Fund Balances
Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS
	CDBG Program Income	Affordable Housing	Beach & Village Lot II Debt Financing
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-
Intergovernmental	159,468	4,800	-
Charges for Services	-	68,745	-
Use of Money and Property	404	596	-
Other Revenue	-	924	-
Total Revenues	159,872	75,065	-
EXPENDITURES			
Current:			
General Government	-	-	-
Public safety	-	-	-
Community development	-	-	-
Culture and recreation	-	-	-
Transportation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	58,856
Interest	-	-	30,148
Total Expenditures	-	-	89,004
Excess (Deficiency) of Revenues over (Under) Expenditures	159,872	75,065	(89,004)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	89,004
Transfers out	-	(25,000)	-
Total Other Financing Sources (Uses)	-	(25,000)	89,004
Net change in fund balances	159,872	50,065	-
Fund Balances, beginning of year, as previously reported	29,096	26,069	(39,185)
Restatement - Loan receivables	344,357	188,413	-
Fund Balances, beginning of year, as restated	373,453	214,482	(39,185)
Fund Balances, end of year	\$ 533,325	\$ 264,547	\$ (39,185)

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

DEBT SERVICE FUNDS		CAPITAL PROJECTS FUND	Non-Major Governmental Funds
Pacific Cove Debt Financing	2007 POB Debt Service	Library	
\$ -	\$ -	\$ -	\$ 217,970
-	-	-	16,024
-	-	700,111	1,407,309
-	-	-	158,266
1,294	-	10,754	111,761
-	-	-	4,113
<u>1,294</u>	<u>-</u>	<u>710,865</u>	<u>1,915,443</u>
-	75	-	122,909
-	-	-	9,867
-	-	-	257,549
-	-	-	60,339
-	-	-	212,633
-	-	724,210	900,023
119,508	645,000	-	828,701
45,558	19,262	-	94,968
<u>165,066</u>	<u>664,337</u>	<u>724,210</u>	<u>2,486,989</u>
<u>(163,772)</u>	<u>(664,337)</u>	<u>(13,345)</u>	<u>(571,546)</u>
165,066	187,351	1,505,129	2,294,350
-	-	-	(218,000)
<u>165,066</u>	<u>187,351</u>	<u>1,505,129</u>	<u>2,076,350</u>
<u>1,294</u>	<u>(476,986)</u>	<u>1,491,784</u>	<u>1,504,804</u>
132,032	481,882	392,608	1,286,478
-	-	-	660,306
<u>132,032</u>	<u>481,882</u>	<u>392,608</u>	<u>1,946,784</u>
<u>\$ 133,326</u>	<u>\$ 4,896</u>	<u>\$ 1,884,392</u>	<u>\$ 3,451,588</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Senate Bill 1 – Road Rehab Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 58,532	\$ 59,545	\$ 1,013
Total revenues	-	58,532	59,545	1,013
Other financing sources (uses):				
Transfers out	-	(58,000)	(58,000)	-
Total Other Financing Sources (Uses)	-	(58,000)	(58,000)	-
Net change in fund balance	-	532	1,545	1,013
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ 1,545</u>	<u>\$ 1,013</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
RTC Streets Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 312,311	\$ 27,311
Use of money and property	-	-	2,652	2,652
Total revenues	285,000	285,000	314,963	29,963
Expenditures:				
Current:				
Transportation	485,000	485,000	108,602	(376,398)
Total expenditures	485,000	485,000	108,602	(376,398)
Excess (deficiency) of revenues over (under) expenditures	(200,000)	(200,000)	206,361	406,361
Other financing sources (uses):				
Transfers In	200,000	200,000	200,000	-
Total Other Financing Sources (Uses)	200,000	200,000	200,000	-
Net change in fund balance	-	-	406,361	406,361
Fund balance, beginning of year	11,254	11,254	11,254	-
Fund balance, end of year	\$ 11,254	\$ 11,254	\$ 417,615	\$ 406,361

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Supplemental Law Enforcement Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of money and property	400	400	225	(175)
Total revenues	100,400	100,400	100,225	(175)
Expenditures:				
Current:				
Public safety	48,000	48,000	9,867	38,133
Capital Outlay	18,000	73,000	53,196	19,804
Total expenditures	66,000	121,000	63,063	57,937
Excess (deficiency) of revenues over (under) expenditures	34,400	(20,600)	37,162	(58,112)
Other financing sources (uses):				
Transfers out	(35,000)	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	(35,000)	(35,000)	(35,000)	-
Net change in fund balance	(600)	(55,600)	2,162	(58,112)
Fund balance, beginning of year	7,939	7,939	7,939	-
Fund balance, end of year	\$ 7,339	\$ (47,661)	\$ 10,101	\$ (58,112)

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
Gas Tax Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 289,421	\$ 230,889	\$ 217,970	\$ (12,919)
Total revenues	289,421	230,889	217,970	(12,919)
Expenditures:				
Current:				
Transportation	214,000	214,000	212,633	1,367
Debt service:				
Principal	5,400	5,400	5,337	63
Total expenditures	219,400	219,400	217,970	1,430
Net change in fund balance	70,021	11,489	-	(11,489)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 70,021	\$ 11,489	\$ -	\$ (11,489)

CITY OF CAPITOLA
Wharf Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ 85,700	\$ 85,700	\$ 94,261	\$ 8,561
Total revenues	85,700	85,700	94,261	8,561
Expenditures:				
Current:				
Culture and recreation	95,600	95,600	60,339	35,261
Capital Outlay	126,300	126,300	122,617	3,683
Total expenditures	221,900	221,900	182,956	38,944
Excess (deficiency) of revenues over (under) expenditures	(136,200)	(136,200)	(88,695)	(30,383)
Other financing sources (uses):				
Transfers In	47,800	47,800	47,800	-
Total Other Financing Sources (Uses)	47,800	47,800	47,800	-
Net change in fund balance	(88,400)	(88,400)	(40,895)	(30,383)
Fund balance, beginning of year	84,009	84,009	84,009	-
Fund balance, end of year	\$ (4,391)	\$ (4,391)	\$ 43,114	\$ (30,383)

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
Parking Reserve Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses):				
Transfers In	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Transfers out	(100,000)	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	737	737	737	-
Fund balance, end of year	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ 737</u>	<u>\$ -</u>

**CITY OF CAPITOLA
Technology Fees Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 11,000	\$ 11,000	\$ 16,223	\$ 5,223
Total revenues	11,000	11,000	16,223	5,223
Expenditures:				
Current:				
Community development	15,000	15,000	8,567	6,433
Total expenditures	15,000	15,000	8,567	6,433
Excess (deficiency) of revenues over (under) expenditures	(4,000)	(4,000)	7,656	11,656
Net change in fund balance	(4,000)	(4,000)	7,656	11,656
Fund balance, beginning of year	47,434	47,434	47,434	-
Fund balance, end of year	\$ 43,434	\$ 43,434	\$ 55,090	\$ 11,656

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
PEG Cable TV Access Fee Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Licenses and permits	\$ 16,000	\$ 16,000	\$ 16,024	\$ 24
Use of money and property	100	100	1,058	958
Total revenues	16,100	16,100	17,082	982
Expenditures:				
Current:				
General government:				
City manager	7,500	7,500	14,232	(6,732)
Capital Outlay	7,500	7,500	-	7,500
Total expenditures	15,000	15,000	14,232	768
Net change in fund balance	1,100	1,100	2,850	1,750
Fund balance, beginning of year	75,091	75,091	75,091	-
Fund balance, end of year	\$ 76,191	\$ 76,191	\$ 77,941	\$ 1,750

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Capitola Village and Wharf BIA Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$73,000	\$ 73,000	\$ 73,298	\$ 298
Use of money and property	100	100	517	417
Other revenue	-	-	3,189	3,189
Total revenues	73,100	73,100	77,004	3,904
Expenditures:				
Current:				
Community development	74,750	74,750	66,611	8,139
Total expenditures	74,750	74,750	66,611	8,139
Excess (deficiency) of revenues over (under) expenditures	(1,650)	(1,650)	10,393	12,043
Net change in fund balance	(1,650)	(1,650)	10,393	12,043
Fund balance, beginning of year	11,848	11,848	11,848	-
Fund balance, end of year	<u>\$ 10,198</u>	<u>\$ 10,198</u>	<u>\$ 22,241</u>	<u>\$ 12,043</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
CDBG Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 71,074	\$ (28,926)
Total revenues	100,000	100,000	71,074	(28,926)
Expenditures:				
Current:				
Community development	100,000	100,000	182,371	(82,371)
Total expenditures	100,000	100,000	182,371	(82,371)
Excess (deficiency) of revenues over (under) expenditures	-	-	(111,297)	(111,297)
Net change in fund balance	-	-	(111,297)	(111,297)
Fund balance, beginning of year, as restated	153,200	153,200	153,200	-
Fund balance, end of year	<u>\$ 153,200</u>	<u>\$ 153,200</u>	<u>\$ 41,903</u>	<u>\$ (111,297)</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Affordable Housing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 4,800	\$ 4,800
Charges for services	25,000	25,000	68,745	43,745
Use of money and property	-	-	596	596
Other revenue	-	-	924	924
Total revenues	25,000	25,000	75,065	50,065
Other financing sources (uses):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(25,000)	-
Net change in fund balance	-	-	50,065	50,065
Fund balance, beginning of year, as restated	214,482	214,482	214,482	-
Fund balance, end of year	<u>\$ 214,482</u>	<u>\$ 214,482</u>	<u>\$ 264,547</u>	<u>\$ 50,065</u>

CITY OF CAPITOLA
Beach & Village Lot II Debt Financing
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Debt service expenditures:				
Principal	\$ 58,856	\$ 58,856	\$ 58,856	\$ -
Interest	30,148	30,148	30,148	-
Total expenditures	89,004	89,004	89,004	-
Excess (deficiency) of revenues over (under) expenditures	(89,004)	(89,004)	(89,004)	-
Other financing sources (uses):				
Transfers In	89,004	89,004	89,004	-
Total Other Financing Sources (Uses)	89,004	89,004	89,004	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	(39,185)	(39,185)	(39,185)	-
Fund balance, end of year	\$ (39,185)	\$ (39,185)	\$ (39,185)	\$ -

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Pacific Cove Debt Financing Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 1,294	\$ 1,294
Total revenues	-	-	1,294	1,294
Debt service expenditures:				
Principal	115,469	115,469	119,508	(4,039)
Interest	49,597	49,597	45,558	4,039
Total expenditures	165,066	165,066	165,066	-
Excess (deficiency) of revenues over (under) expenditures	(165,066)	(165,066)	(163,772)	1,294
Other financing sources (uses):				
Transfers In	165,066	165,066	165,066	-
Total Other Financing Sources (Uses)	165,066	165,066	165,066	-
Net change in fund balance	-	-	1,294	1,294
Fund balance, beginning of year	132,032	132,032	132,032	-
Fund balance, end of year	<u>\$ 132,032</u>	<u>\$ 132,032</u>	<u>\$ 133,326</u>	<u>\$ 1,294</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

**CITY OF CAPITOLA
2007 POB Debt Service Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
Current:				
General government:				
City council	\$ 4,500	\$ 4,500	\$ 75	\$ (4,425)
Debt service:				
Principal	645,000	645,000	645,000	-
Interest	19,382	19,382	19,262	(120)
Total expenditures	<u>668,882</u>	<u>668,882</u>	<u>664,337</u>	<u>(4,545)</u>
Other financing sources (uses):				
Transfers In	<u>187,351</u>	<u>187,351</u>	<u>187,351</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>187,351</u>	<u>187,351</u>	<u>187,351</u>	<u>-</u>
Net change in fund balance	(481,531)	(481,531)	(476,986)	4,545
Fund balance, beginning of year	<u>481,882</u>	<u>481,882</u>	<u>481,882</u>	<u>-</u>
Fund balance, end of year	<u>\$ 351</u>	<u>\$ 351</u>	<u>\$ 4,896</u>	<u>\$ 4,545</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Library Capital Project Fund
Non-Major Governmental Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 9,777,300	\$ 9,777,300	\$ 700,111	\$ (9,077,189)
Use of money and property	-	-	10,754	10,754
Total revenues	9,777,300	9,777,300	710,865	(9,066,435)
Expenditures:				
Capital Outlay	10,776,429	10,221,429	724,210	9,497,219
Total expenditures	10,776,429	10,221,429	724,210	9,497,219
Excess (deficiency) of revenues over (under) expenditures	(999,129)	(444,129)	(13,345)	430,784
Other financing sources (uses):				
Transfers In	999,129	1,505,129	1,505,129	-
Total Other Financing Sources (Uses)	999,129	1,505,129	1,505,129	-
Net change in fund balance	-	1,061,000	1,491,784	430,784
Fund balance, beginning of year	392,608	392,608	392,608	-
Fund balance, end of year	\$ 392,608	\$ 1,453,608	\$ 1,884,392	\$ 430,784

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Funds – Agency Funds
Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance 6/30/2018
<u>AUTO CENTER ASSESSMENT DISTRICT</u>				
Assets				
Cash and investments	\$ 20,634	\$ 196	\$ -	\$ 20,830
Due from other governments	-	99	-	99
Total assets	<u>\$ 20,634</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 20,929</u>
Liabilities				
Deposits	\$ 20,634	\$ 295	\$ -	\$ 20,929
Total liabilities	<u>\$ 20,634</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 20,929</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

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CITY OF CAPITOLA
 Comprehensive Annual Financial Report
 Statistical Section (Unaudited)
 Table of Contents
 Fiscal Year Ended June 30, 2018

This part of The City of Capitola's Comprehensive Annual Financial Report presents detailed information as context for understanding the information in the financial statements, note disclosures, and required supplementary information and provides additional information useful in assessing the City's economic condition.

Financial Trends

The financial trends shown on the following charts are designed to help the reader understand the City's performance trends and relative well-being over time.

Net Position by Component	103
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Changes in Fund Balances of Governmental Funds	108
General Revenues By Source	110

Revenue Capacity

The sources and relative value of revenues shown on the following charts are designed to assist the reader in assessing the City's most significant sources of revenue and the performance of these sources over time.

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Direct & Overlapping Property Tax Rates	113
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CITY OF CAPITOLA
Comprehensive Annual Financial Report
Statistical Section (Unaudited)
Table of Contents, Continued
Fiscal Year Ended June 30, 2018

Debt Capacity

Debt is a useful tool for financing capital acquisition, construction, and meeting long term financing needs. The following charts present information to help the reader assess the City's current debt levels and capacity for future debt.

Ratios of Outstanding Debt by Type	117
Ratios of General Bonded Debt Outstanding	118
Direct and Overlapping Debt	119
Legal Debt Margin Information	120
Pledged-Revenue Coverage	121

Demographic and Economic Information

The demographic and economic information provided in the charts below is designed to help the reader understand the general socio-economic environment in which the City's financial activities take place.

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Principal Employers - Top Ten	123
Full-time and Part-time City Employees by Function	124

Operating Information

The following charts provide information to show the size and nature of the City's operations in order to assist the reader in understanding the services the City is able to provide and activities it is able to undertake within its available financial framework.

2018- 12	Operating Indicators by Function	125
2018- 13	Capital Asset Statistics by Function	126

Unless otherwise noted, the source of the information noted in the tables below were from the prior year's City's Comprehensive Annual Financial Reports.

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CITY OF CAPITOLA, CALIFORNIA
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015*	2016	2017	2018
Primary government activities Net Investment in Capital Assets	\$ 15,659	\$ 15,598	\$ 15,054	\$ 11,918	\$ 11,521	\$ 12,751	\$ 11,604	\$ 13,154	\$ 14,457	\$ 15,773
Restricted for										
Public Safety			10	51	101	119	101	98	8	10
Transportation	73	63	184	2,445	1,513	416	393	113	119	420
Community Development	1,107	1,317	1,256	1,141	3,511	3,852	6,357	6,599	8,811	11,191
Culture and Recreation	-	-	185	88	77	116	141	143	159	121
Total Restricted	1,180	1,380	1,635	3,725	5,202	4,503	6,992	6,953	9,097	11,742
Unrestricted	3,435	4,575	3,249	4,134	4,893	5,957	(9,381)	(8,884)	(9,883)	(11,536)
Total Primary govt net position	\$ 20,274	\$ 21,553	\$ 19,938	\$ 19,777	\$ 21,616	\$ 23,211	\$ 9,215	\$ 11,223	\$ 13,671	\$ 15,978

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same. The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003.

*Fiscal year 2014-2015 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior period restatement of (\$15,436,035) to the Governmental Activities.

Source: City of Capitola Finance Department

CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

EXPENSES:	Fiscal Year				
	2009	2010	2011	2012	2013
Primary government activities					
General government	\$ 4,482	\$ 5,103	\$ 5,453	\$ 4,851	\$ 4,862
Public safety	5,927	5,533	5,422	5,491	5,411
Community development	2,218	2,428	2,068	3,471	727
Culture and recreation	1,035	1,025	995	1,010	1,398
Transportation	2,530	1,932	2,445	2,556	2,456
Interest and other charges	533	509	448	419	288
Total primary government expenses	16,725	16,530	16,831	17,798	15,142
PROGRAM REVENUES:					
Primary government activities					
Charges for services:					
General government	658	806	759	1,059	948
Public safety	905	1,009	902	759	732
Community development	1,617	2,266	1,077	1,145	523
Culture and recreation	709	696	655	751	685
Transportation	34	53	54	166	145
Operating grants and contributions	286	1,469	1,040	3,131	2,292
Capital grants and contributions	527	388	421	-	3
Total primary govt program revenues	4,736	6,687	4,908	7,011	5,328
NET PRIMARY GOVT REV/(EXP)	(11,989)	(9,843)	(11,923)	(10,787)	(9,814)
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION:					
Primary government activities					
Taxes:					
Property Taxes	4,147	4,066	4,107	2,993	1,778
Transaction and Use Tax (.25%)	788	928	850	932	1,510
Sales and Use tax	2,858	3,289	3,002	3,322	4,531
Transient occupancy taxes	605	592	602	913	1,074
Franchise taxes	459	462	477	483	479
Business license tax	278	282	267	281	292
Other taxes					
Intergovernmental	1,417	979	1,323	947	241
Investment income	394	238	185	190	131
Other general revenues	305	287	289	309	497
Transfers	-	-	-	-	-
Extraordinary Item	-	-	(795)	380	1,118
Total primary government activities	11,251	11,123	10,307	10,750	11,651
CHANGES IN NET POSITION:					
Total primary government activities	\$ (738)	\$ 1,280	\$ (1,616)	\$ (37)	\$ 1,837

* Fiscal year 2014-15 reflects the first year of the implementation of GASB Statement Nos. 68 and 71, which resulted in a prior restatement of (\$15,436,035) to the Governmental Activities. GASB 75 restatement was reflected in 2018 for \$172,688

Source: City of Capitola Finance Department

		Fiscal Year							
		2014	2015*	2016	2017	2018			
\$	3,403	\$	3,582	\$	3,557	\$	3,975	\$	3,594
	5,412		6,181		6,211		7,462		6,822
	741		809		1,076		1,090		1,057
	970		974		1,150		1,302		1,228
	3,070		2,866		3,218		3,212		3,382
	211		217		158		119		77
	<u>13,807</u>		<u>14,629</u>		<u>15,370</u>		<u>17,160</u>		<u>16,161</u>
	1,109		1,012		970		911		1,057
	782		806		701		597		601
	683		633		727		637		695
	749		765		751		640		636
	131		120		112		116		34
	313		657		400		3,329		1,832
	15		12		511		146		413
	<u>3,782</u>		<u>4,005</u>		<u>4,172</u>		<u>6,376</u>		<u>5,267</u>
	<u>(10,025)</u>		<u>(10,624)</u>		<u>(11,198)</u>		<u>(10,784)</u>		<u>(10,893)</u>
	1,849		2,041		2,194		2,288		2,498
	-		-		-		-		-
	2,036		7,330		7,860		7,959		7,688
	1,263		1,276		1,452		1,458		1,457
	497		508		524		535		555
	287		284		298		302		308
	327		265		226		201		223
	107		119		227		264		237
	238		242		424		225		406
	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
	<u>6,604</u>		<u>12,065</u>		<u>13,205</u>		<u>13,232</u>		<u>13,374</u>
\$	<u>(3,421)</u>	\$	<u>1,441</u>	\$	<u>2,007</u>	\$	<u>2,448</u>	\$	<u>2,480</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽²⁾	2012 ⁽²⁾	2013 ⁽²⁾	2014 ⁽²⁾
GENERAL FUND						
Reserved						
Prepaid	\$ 21	\$ 116	\$ -	\$ -	\$ -	\$ -
Advances	1,968	1,968	-	-	-	-
Total Reserved	1,989	2,084	-	-	-	-
Unreserved						
Designated	2,659	2,928	-	-	-	-
Unrestricted	1,350	1,350	-	-	-	-
Total Unreserved	4,009	4,278	-	-	-	-
Fund Balance GASB 54						
Nonspendable	-	-	1,973	1,970	2,024	620
Assigned	-	-	-	-	570	584
Unassigned	-	-	2,786	2,608	2,846	3,686
Total General Fund	5,998	6,362	4,759	4,578	5,440	4,890
ALL OTHER GOVERNMENT FUNDS						
Unreserved, reported in:						
Special revenue funds	2,976	1,643	-	-	-	-
Capital project funds	1,322	627	-	-	-	-
Debt service funds	-	1,458	-	-	-	-
Total Unreserved	4,298	3,728	-	-	-	-
Fund Balance GASB 54						
Nonspendable	-	-	109	586	-	-
Restricted	-	-	1,705	1,858	1,497	1,043
Assigned	-	-	1,564	1,045	1,046	1,764
Unassigned	-	-	(19)	(148)	(19)	(2)
Total All Other Govt Funds	4,298	3,728	3,359	3,341	2,524	2,805
TOTAL	\$ 10,296	\$ 10,090	\$ 8,118	\$ 7,919	\$ 7,964	\$ 7,695

(1) Data prior to GASB 54 implementation

(2) Data incorporating GASB 54 implementation

Source: City of Capitola Finance Department

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

Fiscal Year			
2015 ⁽²⁾	2016 ⁽²⁾	2017 ⁽²⁾	2018 ⁽²⁾
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
618	524	426	58
1,049	1,262	1,277	1,277
4,338	4,899	5,645	5,419
<u>6,005</u>	<u>6,685</u>	<u>7,348</u>	<u>6,755</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
985	736	834	11,742
2,457	2,745	1,927	1,633
(41)	(215)	(39)	(39)
<u>3,401</u>	<u>3,266</u>	<u>2,722</u>	<u>13,336</u>
<u>\$ 9,406</u>	<u>\$ 9,951</u>	<u>\$ 10,070</u>	<u>\$ 20,091</u>

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
REVENUES:					
Taxes	10,239	10,285	10,335	9,878	9,607
Licenses & permits	664	609	474	630	520
Intergovernmental	1,745	2,932	2,426	2,755	837
Fines and forfeitures	702	803	702	724	688
Charges for services	1,744	1,380	1,278	1,907	1,862
Use of money and property	812	595	492	403	235
Other	178	163	173	90	238
Total revenues	16,084	16,767	15,880	16,387	13,987
EXPENSES:					
Current:					
General government	3,591	4,232	4,483	4,034	3,865
Public safety	5,869	5,441	5,468	5,436	5,369
Community development	2,362	2,338	1,986	3,458	712
Culture and recreation	1,009	986	1,009	1,041	1,118
Transportation	2,575	2,017	2,294	2,204	2,157
Capital outlay	1,224	847	665	757	551
Subtotal	16,630	15,861	15,905	16,930	13,772
Debt service:					
Debt issuance costs	-	-	-	43	38
Principal retirement	499	535	704	673	1,031
Interest and agent fees	529	507	447	394	320
Subtotal	1,028	1,042	1,151	1,110	1,389
Total expenditures	17,658	16,903	17,056	18,040	15,161
Excess/(deficiency) of revenues over/(under) expenditures	(1,574)	(136)	(1,176)	(1,653)	(1,174)
OTHER FINANCING SOURCES/(USES):					
Sale of capital assets	-	-	-	2,390	99
Transfers in	1,775	1,337	1,945	2,272	2,151
Transfers out	(1,775)	(1,337)	(1,945)	(2,272)	(2,151)
Issuance of bonds	-	-	-	-	-
Total other financing sources/(uses)	-	-	-	2,390	99
Special Items					
Flood Disaster loss/recovery	-	-	(795)	(623)	1,118
Gain/Loss on RDA dissolution	-	-	-	(190)	-
Net change in fund balances	(1,574)	(136)	(1,971)	(76)	43
Beginning fund balance, as restated	10,729	9,155	9,019	7,995	7,920
Changes in fund balance	(1,574)	(136)	(1,971)	(75)	43
Ending fund balance	9,155	9,019	7,048	7,920	7,963
Debt Service as a percentage of non-capital expenditures					
Total Expenditures	17,658	16,903	17,056	18,040	15,161
Capitalized Portion of Capital Outlay	1,220	888	430	824	306
Total Non-Capitalized Expenditures	16,438	16,015	16,626	17,216	14,855
Debt service: Principal & Interest	1,028	1,042	1,151	1,110	1,389
Debt service as a percentage of noncapital expenditures	6.25%	6.51%	6.92%	6.45%	9.35%

Note: Debt service as a percentage of noncapital expenditures reflects total governmental fund expenditures less the capital outlay shown separately in the Changes in Fund Balances schedule and any expenditures for capitalized assets contained within the functional expenditure categories. The sum of these items is reported in this calculation, as well as appearing as a reconciling item in the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Fiscal Year				
2014	2015	2016	2017	2018
11,112	11,416	12,250	12,436	12,416
703	629	671	626	766
637	757	656	560	558
731	671	787	1,475	2,250
2,053	2,078	2,165	1,970	2,007
219	228	324	376	237
128	132	328	114	406
<u>15,583</u>	<u>15,911</u>	<u>17,181</u>	<u>17,557</u>	<u>18,641</u>
2,749	2,443	2,712	3,153	2,824
5,838	5,917	6,134	6,495	6,333
722	823	1,005	976	967
966	978	1,039	1,137	1,154
2,782	2,577	2,744	2,637	2,852
3,328	535	2,074	2,113	1,924
<u>16,385</u>	<u>13,273</u>	<u>15,708</u>	<u>16,511</u>	<u>16,054</u>
12	-	-	-	-
616	699	764	788	829
210	229	163	139	95
<u>838</u>	<u>928</u>	<u>927</u>	<u>927</u>	<u>924</u>
<u>17,223</u>	<u>14,201</u>	<u>16,635</u>	<u>17,438</u>	<u>16,977</u>
(1,640)	1,710	546	119	1,664
-	-	-	-	-
1,861	2,091	2,784	1,815	2,865
(1,861)	(2,091)	(2,784)	(1,815)	(2,865)
1,372	-	-	-	-
<u>1,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
(268)	1,710	546	119	1,664
<u>7,963</u>	<u>7,695</u>	<u>9,405</u>	<u>9,951</u>	<u>10,070</u>
(268)	1,710	546	119	1,664
<u>7,695</u>	<u>9,405</u>	<u>9,951</u>	<u>10,070</u>	<u>11,734</u>
17,223	14,201	16,635	17,438	16,977
3,809	(153)	2,079	2,231	2,063
<u>13,414</u>	<u>14,354</u>	<u>14,556</u>	<u>15,207</u>	<u>14,914</u>
838	928	927	927	924
6.25%	6.47%	6.37%	6.10%	6.19%

Source: City of Capitola Finance Department

CITY OF CAPITOLA, CALIFORNIA
 General Revenues By Source
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 General Revenue By Source

Fiscal Year	Sales Tax Revenue ⁽¹⁾	Property Taxes ⁽²⁾	Transient Occupancy Tax	Franchise Taxes	Business Licenses	Investment Income	Miscellaneous, Intergovernmental and Other Revenues	Total General Revenues
2009	4,859,096	4,147,459	605,365	459,042	277,959	394,135	507,957	11,251,013
2010	4,993,844	4,065,897	591,925	461,937	281,739	237,926	489,162	11,122,430
2011	4,890,518	4,107,291	601,726	477,084	266,948	185,346	573,436	11,102,349
2012	5,200,303	2,993,125	912,851	482,782	281,336	190,390	309,110	10,369,897
2013	6,040,542	1,778,037	1,074,507	478,627	291,642	131,166	398,320	10,192,841
2014	7,179,727	1,849,375	1,263,175	496,759	286,638	107,218	564,801	11,747,693
2015	7,330,443	2,041,248	1,275,716	507,517	284,474	118,770	506,803	12,064,971
2016	7,859,511	2,193,588	1,451,512	524,214	298,020	227,142	650,656	13,204,643
2017	7,959,086	2,288,341	1,457,704	534,513	301,545	264,040	426,525	13,231,754
2018	7,687,959	2,721,299	1,456,899	555,475	308,236	237,383	406,456	13,373,707

NOTES:

⁽¹⁾ A 0.25% District Transactions and Use Tax took effect April 1, 2005 and in 2008 was extended through December 2017. An additional 0.25% Permanent Retail Transactions & Use Tax took effect April 1, 2013, bringing the local tax rate to 0.50%.

⁽²⁾ As of 2006, Property Taxes In Lieu of Vehicle License Fees were included as part of Property Tax distributions by the State of California. Dissolution of California Redevelopment Agencies in February 2012 lowered agency property tax receipts by the size of the previous redevelopment tax increment.

Source: City of Capitola Finance Department

CITY OF CAPITOLA, CALIFORNIA
 Net Taxable Assessed Value History
 Last Ten Fiscal Years
 (amounts expressed in thousands)

City of Capitola					
Fiscal Year	Secured	Unsecured	SBE Nonunitary	Total Assessed Value	% Change
2009	\$ 1,681,379	\$ 73,387	\$ 748	\$ 1,755,514	3.51%
2010	1,689,396	67,883	889	1,758,168	0.15%
2011	1,701,476	70,118	579	1,772,173	0.80%
2012	1,717,637	66,695	579	1,784,911	0.72%
2013	1,726,023	71,136	83	1,797,242	0.69%
2014	1,784,629	75,387	84	1,860,100	3.50%
2015	1,906,637	81,887	84	1,988,608	6.91%
2016	2,026,035	76,862	83	2,102,980	5.75%
2017	2,156,464	77,622	84	2,234,170	6.24%
2018	2,294,174	84,389	84	2,378,647	6.47%

NOTES: California Constitution Article 13A establishes a county assessor "full cash value" property valuation formulated on varying base years and not at current fair market value. As a result, there is not a reasonable basis available for estimating actual value of taxable property for the City of Capitola for comparative purposes.

Source: HdL Companies, Santa Cruz County Assessor 2017-18 Combined Tax Rolls

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Category	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	\$ 1,212,668	\$ 1,209,657	\$ 1,224,372	\$ 1,241,453	\$ 1,233,173	\$ 1,289,844	\$ 1,413,964	\$ 1,515,227	\$ 1,590,959	\$ 1,681,534
Commercial	350,240	363,033	367,656	369,399	387,425	384,916	379,721	392,427	439,224	476,377
Industrial	14,849	15,146	15,520	14,239	13,869	14,079	14,130	14,437	14,612	19,124
Institutional	13,345	14,748	16,950	14,788	15,078	14,662	14,716	15,134	15,966	15,054
Miscellaneous	5	114	5	6	6	6	6	6	6	267
Recreational	9,946	10,145	10,121	10,197	10,401	10,609	8,844	9,705	9,791	9,996
Vacant	30,120	24,165	13,773	13,303	13,370	13,823	14,934	15,263	16,274	15,393
SBE Nonunitary	748	889	579	579	83	84	84	83	84	84
Cross Reference	50,206	52,388	53,079	54,252	52,701	56,690	60,322	63,836	69,632	76,429
Unsecured	73,387	67,883	70,118	66,695	71,136	75,387	81,887	76,862	77,622	84,389
TOTALS	\$ 1,755,514	\$ 1,758,168	\$ 1,772,173	\$ 1,784,911	\$ 1,797,242	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648
Exempt	(748)	(889)	(579)	(579)	(83)	(84)	(84)	(83)	(84)	(84)
Total Direct Property Tax Rate	0.18062	0.18468	0.18456	0.17987	0.18035	0.05510	0.05461	0.05456	0.05452	0.05452

NOTES: Exempt values are not included in Total.

In 1978, the voters of the State of California passed Proposition 13, which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Companies, Santa Cruz County Assessor 2008-09 - 2017-18 Combined Tax Rolls.

CITY OF CAPITOLA, CALIFORNIA
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of taxable value)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Direct Property Tax Rates										
Basic Levy ⁽¹⁾	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Redevelopment Rate ⁽²⁾	1.00000	1.00000	1.00000	1.00000	(2)	n/a	n/a	n/a	n/a	n/a
Total Direct Property Tax Rate ⁽³⁾	0.18062	0.18468	0.18456	0.17987	0.18035	0.05510	0.05461	0.05456	0.05452	0.05452
Overlapping Property Tax Rates ⁽⁴⁾										
Santa Cruz High School	0.02274	0.02798	0.02336	0.02602	0.02615	0.02333	0.02087	0.01961	0.01848	0.04461
Soquel Elementary School	0.02320	0.02364	0.02435	0.02406	0.02435	0.02238	0.02045	0.01846	0.01811	0.04539
Live Oak Elementary School	0.04842	0.04939	0.05246	0.05295	0.05514	0.05383	0.05279	0.04600	0.03574	0.01988
Cabrillo College	0.03324	0.03598	0.03609	0.03896	0.04048	0.04047	0.03694	0.03669	0.03260	0.02425
Total Overlapping Property Tax Rate ⁽³⁾	0.12760	0.13699	0.13626	0.14199	0.14612	0.14001	0.13105	0.12076	0.10493	0.13413
City Share of 1% levy per Proposition 13 ⁽⁵⁾	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471	0.07471
Total Direct Rate ⁽³⁾	0.18062	0.18468	0.18456	0.17987	0.18035	0.05510	0.05461	0.05456	0.05452	0.05452
Total Direct & Overlapping Rate	1.12760	1.13699	1.13626	1.14199	1.14612	1.14001	1.13105	1.12076	1.10493	1.13413

NOTES:

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012-13 and years thereafter.

(3) Because basic and debt rates vary by tax rate area individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

(4) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(5) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ration figures.

SOURCE: HdL Companies, Santa Cruz County Assessors Office

CITY OF CAPITOLA, CALIFORNIA
 Top Ten Property Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2017-18			2008-09		
	2018 Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation	2008 Net Assessed Valuation	Rank	Percent of Total City Net Assessed Valuation
MGP XI Capitola LLC	\$ 93,614,423	1	3.94%			
Santa Cruz Seaside Company	30,943,466	2	1.30%			
Seritage SRC Finance LLC	29,862,440	3	1.26%			
Aspromonte Hotels LLC	23,237,688	4	0.98%			
Target Corporation	15,915,568	5	0.67%			
George Ow Jr. Trustees	14,779,751	6	0.62%	\$ 13,350,016	3	0.76%
Brown Ranch Properties	11,784,348	7	0.50%	10,412,269	6	0.59%
Blai LP	11,111,823	8	0.47%			
Loma Vista Estates Owners Assoc. Inc.	10,158,128	9	0.43%			
Melanie Kett Wirtanen Trustee	8,782,558	10	0.37%			
Macerich Partnership LP				65,878,888	1	3.75%
Baskin Properties LLC				14,834,099	2	0.85%
KLA Capitola LLC				10,950,322	5	0.62%
Values Pacific				9,791,397	7	0.56%
Macys West Inc				8,835,290	8	0.50%
Harry L. and Anna Jenkins				12,157,936	4	0.69%
Douglas Doods				7,532,644	9	0.43%
Sea Ridge LP				7,263,250	10	0.41%
	<u>\$ 250,190,193</u>		<u>10.52%</u>	<u>\$ 161,006,111</u>		<u>9.17%</u>
Memo: Gross Assessed Value	\$ 2,378,647,521		100.00%	\$ 1,755,514,283		100.00%

Source: HdL Companies, Santa Cruz County Assessor 2008-09 & 2017-18 Combined Tax Rolls and the SBE Non Unitary Tax Roll

CITY OF CAPITOLA, CALIFORNIA
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	\$ 2,851,724	\$ 2,851,724	100%	-	\$ 2,851,724	100%
2010	2,783,546	2,783,546	100%	-	2,783,546	100%
2011	2,813,554	2,813,554	100%	-	2,813,554	100%
2012	1,900,533	1,900,533	100%	-	1,900,533	100%
2013	899,974	899,974	100%	-	899,974	100%
2014	927,676	927,676	100%	-	927,676	100%
2015	1,060,919	1,060,919	100%	-	1,060,919	100%
2016	1,104,034	1,104,034	100%	-	1,104,034	100%
2017	1,203,689	1,203,689	100%	-	1,203,689	100%
2018	1,331,609	1,331,609	100%	-	1,331,609	100%

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies, and real and personal property. The figures do not include Property Taxes In Lieu of Vehicle License Fees. In fiscal year 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Reduction in property taxes levied from 2011 through 2017 reflects the 2/1/2012 State of California dissolution of Redevelopment Agencies and the associated elimination of tax increment received by the City of Capitola.

Source: Santa Cruz County Auditor-Controller, City of Capitola Finance Department.

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA, CALIFORNIA
 Top 25 Sales Tax Taxpayers
 Listed alphabetically

TOP 25 SALES TAX TAXPAYERS

As of June 30, 2018

AJ'S FUEL MARKET OF CAPITOLA
 BED BATH & BEYOND
 BEVERAGES & MORE
 CHEVRON SERVICE STATIONS
 CVS/PHARMACY
 GAYLES BAKERY & ROSTICCERIA
 HOUTAN PETROLEUM
 KOHL'S DEPARTMENT STORES
 MACY'S DEPARTMENT STORE
 NOB HILL GENERAL STORES
 ONEILL SURF SHOP
 ORCHARD SUPPLY HARDWARE
 RITE AID DRUG STORES
 ROSS STORES
 SANTA CRUZ MAZDA DEALER
 SEARS ROEBUCK & COMPANY
 SHADOWBROOK
 SIERRA UTILITY SALES
 TARGET
 TOYOTA OF SANTA CRUZ
 TRADER JOE'S
 ULTA BEAUTY
 VERIZON WIRELESS
 WHOLE FOODS MARKET
 ZELDA'S

NOTES:

The list is in alphabetical order and is not indicative of relative nor total sales volume.

Source: MuniServices

CITY OF CAPITOLA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Government/Total Primary Government Activities							
Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Other debt	Tot. Govt./ Primary Gov't. Activities	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2009	\$ 4,670,000	\$ -	\$ 2,892,819	\$ 7,562,819	0.43%	1.83%	757
2010	4,265,000	-	2,848,029	7,113,029	0.40%	1.77%	706
2011	3,830,000	-	2,667,940	6,497,940	0.37%	1.97%	637
2012	3,375,000	-	2,428,249	5,803,249	0.33%	1.76%	581
2013	2,890,000	-	1,882,272	4,772,272	0.27%	1.43%	478
2014	2,375,000	-	3,153,788	5,528,788	0.30%	1.55%	545
2015	1,830,000	-	3,000,243	4,830,243	0.24%	1.32%	483
2016	1,255,000	-	2,811,059	4,066,059	0.19%	1.07%	401
2017	645,000	-	2,632,952	3,277,952	0.15%	0.84%	323
2018	-	-	2,449,251	2,449,251	0.10%	0.58%	232

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

Other debt includes tax anticipation notes, county library long term debt, capital leases, notes payable, and RDA deferred pass throughs. Compensated absences, OPEB liability and net pension liability amounts are no longer included per GASB implementation guidelines.

Source: City of Capitola Financial Statements

CITY OF CAPITOLA, CALIFORNIA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended June 30	Government/Total Primary Government Activities			
	General Obligation Bonds	Debt as a % of Taxable Assessed Property Value	Debt as a % of Total Personal Income	Debt per Capita
2009	4,670,000	0.28%	1.13%	467
2010	4,265,000	0.24%	1.06%	423
2011	3,830,000	0.22%	1.16%	376
2012	3,375,000	0.19%	1.02%	338
2013	2,890,000	0.16%	0.87%	289
2014	2,375,000	0.13%	0.67%	234
2015	1,830,000	0.10%	0.50%	183
2016	1,255,000	0.06%	0.33%	124
2017	645,000	0.03%	0.17%	63
2018	-	0.00%	0.00%	-

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

In July 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB), which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

Source: City of Capitola Financial Statements

CITY OF CAPITOLA, CALIFORNIA
Direct and Overlapping Debt
Fiscal Year ended June 30, 2017

2017-18 Assessed Valuation		\$ 2,378,693,820	
	% Applicable ⁽¹⁾	Total Debt 6/30/2018	City's Share of Debt 6/30/2018
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Cabrillo Joint Community College District	5.474%	\$ 106,580,565	\$ 5,834,220
Santa Cruz City High School District	11.856%	85,598,970	10,148,614
Live Oak School District	6.914%	11,118,000	768,699
Soquel Union School District	39.203%	50,165,000	19,666,185
Santa Cruz Libraries Facilities Community Facilities District	6.078%	21,170,000	1,286,713
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 274,632,535	\$ 37,704,431
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
<u>Overlapping General Fund Debt:</u>			
Santa Cruz County Certificates of Participation	5.514%	\$ 71,964,078	\$ 3,968,099
Santa Cruz County Office of Education Certificates of Participation	5.514%	8,862,102	488,656
Santa Cruz City High School District Certificates of Participation	11.856%	2,784,697	330,154
Live Oak School District Certificates of Participation	6.914%	12,513,973	865,216
Santa Cruz City Schools Certificates of Participation	11.856%	3,460,000	410,218
City of Capitola General Fund Obligations	100.000%	2,504,945	2,504,945
City of Capitola Lease Financing	100.000%	379,730	379,730
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 102,469,525	\$ 8,947,018
TOTAL DIRECT DEBT			\$ 2,884,675
TOTAL OVERLAPPING DEBT			\$ 43,766,774
COMBINED TOTAL DEBT			\$ 46,651,449.0 ⁽²⁾
RATIOS TO 2016-17 ASSESSED VALUATION:			
Total Overlapping Tax and Assessment Debt			1.59%
Total Direct Debt			0.12%
Combined Total Debt			1.96%

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: MuniServices, LLC, City of Capitola Finance Department

CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Valuation	\$ 1,755,514	\$ 1,758,168	\$ 1,772,173	\$ 1,784,911	\$ 1,797,242	\$ 1,860,100	\$ 1,988,608	\$ 2,102,980	\$ 2,234,170	\$ 2,378,648
RDA Base Valuation	234,375	241,401	243,413	238,631	242,272	246,771	256,500	264,195	272,121	280,284
Adj. assessed valuation	1,521,139	1,516,767	1,528,760	1,546,280	1,554,970	1,613,329	1,732,108	1,838,785	1,962,049	2,098,364
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	228,171	227,515	229,314	231,942	233,246	241,999	259,816	275,818	294,307	314,755
Total net applicable debt										
Gen. obligation bonds	4,670	4,265	3,830	3,375	2,890	2,375	1,830	1,255	645	-
Legal debt margin	<u>\$ 223,501</u>	<u>\$ 223,250</u>	<u>\$ 225,484</u>	<u>\$ 228,567</u>	<u>\$ 230,356</u>	<u>\$ 239,624</u>	<u>\$ 257,986</u>	<u>\$ 274,563</u>	<u>\$ 293,662</u>	<u>\$ 314,755</u>
Ratio of Total Net Applicable Debt to Debt Limit	2.09%	1.91%	1.70%	1.48%	1.25%	0.99%	0.71%	0.46%	0.22%	0.00%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.

Source: Santa Cruz County Auditor-Controller, Santa Cruz County Assessor, City of Capitola Finance Department

CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Other Revenue Bonds				Tax Allocation Bonds			
	Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
				n/a				n/a
2009	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a
2010	-	-	-	n/a	-	-	-	n/a
2012	-	-	-	n/a	-	-	-	n/a
2013	-	-	-	n/a	-	-	-	n/a
2014	-	-	-	n/a	-	-	-	n/a
2015	-	-	-	n/a	-	-	-	n/a
2016	-	-	-	n/a	-	-	-	n/a
2017	-	-	-	n/a	-	-	-	n/a
2018	-	-	-	n/a	-	-	-	n/a

NOTES: The City of Capitola has no tax allocation bonds or other revenue bonds.

SOURCE: City of Capitola Finance Department

CITY OF CAPITOLA
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population	Total Personal Income (In Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2008	9,992	\$ 414,240	\$ 41,457	38.0	4.1%
2009	10,078	400,794	39,769	41.3	6.4%
2010	10,198	329,905	32,350	38.3	7.3%
2011	9,981	330,271	33,090	42.9	6.9%
2012	9,988	334,029	33,443	41.1	5.5%
2013	10,136	357,112	35,232	40.9	5.0%
2014	10,004	364,656	36,451	41.5	7.0%
2015	10,150	381,027	37,540	43.3	6.0%
2016	10,162	390,369	38,414	42.8	5.5%
2017	10,563	421,494	39,902	42.6	3.3%

NOTES: Figures have been realigned to correctly reflect the calendar years as presented. Calendar year 2018 is not complete as of June 30, 2018, therefore years 2008-2017 are shown.

Sources: HdL Companies, California State Department of Finance, California Employment Development Department, ESRI, U. S. Census Bureau, American Community Survey

CITY OF CAPITOLA
Principal Employers - Top Ten
Current year and nine years ago

Employer	2017-18			2008-09		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Subaru, Toyota, Kia of Santa Cruz	1	205	3.60%	2	150	12.74%
Target*	2	173	3.04%			
Gayle's Bakery and Rosticceria	3	161	2.82%	3	145	12.32%
Whole Foods Market	4	144	2.53%			
Shadowbrook	5	140	2.46%	9	90	7.65%
Pacific Coast Manor*	6	115	2.02%			
City of Capitola**	7	115	2.02%			
Macy's	8	111	1.95%	4	145	12.32%
Trader Joe's	9	106	1.86%	8	96	8.16%
Kohls	10	103	1.81%			
Bay Federal				1	167	14.19%
Sears				10	75	6.37%
Orchard Supply Hardware				6	100	8.50%
Gottschalks				7	100	8.50%
Longs Drug Stores (2 locations)				5	109	9.26%
Total top 10 Employers		1,373	24.09%		1,177	100.00%
Total City Labor Force		5,700	100.00%		Not available	

*Includes full-time and part-time employees

**Includes full-time and seasonal employees

SOURCE: MuniServices, LLC and FY 2008-09 CAFR

CITY OF CAPITOLA
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
City Manager	7.50	7.50	7.50	7.75	7.65	7.65	7.65	7.65	6.50	6.50
Finance	4.38	4.38	4.38	4.38	4.38	4.50	4.50	4.50	4.50	3.75
City Attorney	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	<u>12.88</u>	<u>12.88</u>	<u>12.88</u>	<u>13.13</u>	<u>13.03</u>	<u>13.15</u>	<u>13.15</u>	<u>13.15</u>	<u>12.00</u>	<u>11.25</u>
Police										
Chief, Captain, Sgts.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Officers	15.00	15.00	15.50	15.00	15.00	15.00	15.00	16.00	16.00	16.00
CSOs	3.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00	2.00
Parking Enforcement	3.00	3.00	2.00	3.00	2.00	3.00	3.00	3.00	3.00	3.00
Administrative	6.5	4.75	4.75	3.75	4.25	4.65	4.65	4.65	4.50	4.50
	<u>33.50</u>	<u>30.75</u>	<u>30.25</u>	<u>29.75</u>	<u>30.25</u>	<u>31.65</u>	<u>30.65</u>	<u>31.65</u>	<u>31.50</u>	<u>31.50</u>
Public Works										
Streets	8.33	7.33	7.33	7.33	7.33	8.00	9.00	9.00	11.00	12.00
Parks	5.00	4.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00	3.00
Fleet Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.25	1.00	1.00
	<u>14.33</u>	<u>12.33</u>	<u>12.33</u>	<u>11.33</u>	<u>12.33</u>	<u>13.00</u>	<u>14.50</u>	<u>14.25</u>	<u>16.00</u>	<u>16.00</u>
Recreation										
Supervisor	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.50	2.50
Other - full year	1.50	1.50	1.50	1.50	2.00	2.00	2.25	2.75	1.25	1.25
	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>2.50</u>	<u>3.00</u>	<u>3.00</u>	<u>4.25</u>	<u>4.75</u>	<u>3.75</u>	<u>3.75</u>
Community Development	4.67	3.67	3.67	1.67	2.00	2.50	3.00	3.50	3.50	3.50
Building	2.00	1.00	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total City Employees	<u>69.88</u>	<u>63.13</u>	<u>63.13</u>	<u>60.38</u>	<u>62.61</u>	<u>65.30</u>	<u>67.55</u>	<u>69.30</u>	<u>68.75</u>	<u>68.00</u>

NOTES: Full time equivalents (FTE); does not include temporary or seasonal employees

SOURCE: City of Capitola Finance Department

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)

CITY OF CAPITOLA
 Operating Indicators by Function
 Last Ten Fiscal Years (except as noted)

INDICATOR	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Police department</u>										
Adult arrests	908	850	731	766	693	856	956	904	939	692
Calls for service (thousands)	20	20	19	20	16	20	18	17	20	19
<u>Public works</u>										
Miles paved	26	26	26	26	26	26	26	26	26	26
<u>New construction</u>										
Commercial units	1	1	-	-	-	-	-	1	2	1
Valuation (millions)	\$ 1	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 5	\$ 2
Residential units ⁽¹⁾	122	8	3	7	9	9	3	3	9	6
Valuation (millions)	\$ 20	\$ 2	\$ 1	\$ 3	\$ 3	\$ 3	\$ 1	\$ 1	\$ 3	\$ 4
<u>Recreation Revenue (thousands)</u>										
Classes	\$ 336	\$ 319	\$ 325	\$ 329	\$ 298	\$ 338	\$ 282	\$ 275	\$ 260	\$ 240
Sports fees	71	59	61	60	53	41	32	19	21	24
Junior Guard	194	214	220	241	240	268	312	328	258	238
Camp Capitola	80	79	102	121	94	103	139	129	100	96
Aquatics	-	-	-	-	-	-	-	-	-	-
Net Class Revenue	\$ 681	\$ 671	\$ 708	\$ 751	\$ 685	\$ 750	\$ 765	\$ 751	\$ 639	\$ 598
Jade St. Rental	4	5	5	6	7	5	7	7	6	8
Net Recreation Rev	\$ 685	\$ 676	\$ 713	\$ 757	\$ 692	\$ 755	\$ 772	\$ 758	\$ 645	\$ 606

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.

Source: City of Capitola Building, Finance, Police, and Public Works Departments

CITY OF CAPITOLA
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Indicator	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	26	26	26	26	26	26	26	26	26	26
Streetlights	71	71	71	71	71	71	71	71	71	71
Traffic signals	8	8	8	8	8	8	8	8	8	8
Parks and recreation										
Parks	7	7	7	7	8	8	8	8	8	8
Community centers	1	1	1	1	1	1	1	1	1	1
General										
Commercial buildings	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Department

Attachment: Capitola FY 2017-18 CAFR Final Draft (Audit report)



VAVRINEK, TRINE, DAY & CO., LLP
 Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
 STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the City Council of the City of Capitola
 Capitola, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 6, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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To the Honorable Members of the City Council
Of the City of Capitola
Capital, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola (City) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 16 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

Management’s estimates used in the determination of the net Other Postemployment Benefit (OPEB) liability and net pension liability, related deferred inflows of resources and deferred outflows of resources, and disclosures.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the City’s defined benefit pension plan, net pension liability and related deferred outflows/inflows of resources in Note 10 to the financial statements. The valuation of the net pension liability and related deferred outflows/inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and the proportionate share of the Plan’s collective net pension liability. As disclosed in Note 10 to the financial statements, a 1% increase or 1% decrease in the discount rate has a significant effect on the City’s net pension liability.

Note 12 to the financial statements also includes disclosures related to the City's employer defined benefit OPEB plan, net OPEB liability, and related deferred outflows/inflows of resources. The valuations of the net OPEB liability and related deferred outflows/inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return, discount rate, and healthcare cost trend rates. As disclosed in Note 12, a 1% increase or decrease in the discount rate and healthcare cost trend rate has significant effect on the City's net OPEB liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules for the general fund and major special revenue funds, schedules of the City's proportionate share of net pension liability and contributions, and the schedule of changes in net OPEB liability and related ratios and contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining non-major fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
December 6, 2018



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: Public Works Department

SUBJECT: 38th Avenue Sidewalk Project Notice of Completion

RECOMMENDED ACTION: Approve the Notice of Completion and Contract Change Order Number 2 for the 38th Avenue sidewalk project by Earthworks Paving Contractors with a final cost of \$144,420 and direct the Public Work Department to record the Notice of Completion.

BACKGROUND: On August 9, 2018, the City Council awarded a contract to Earthworks Paving Contractors in the amount of \$115,564 for construction of the 38th Avenue Sidewalk Project. This project filled in a gap in the sidewalk system along the west side of 38th Avenue south of Capitola Road and replaced of a small section of failed sidewalk along Capitola Avenue.

DISCUSSION: The final cost of the project was \$144,420. The additional costs were due to the need to significantly modify the accessible curb ramp at the corner of 38th Avenue and Capitola Road to ensure it was compliant with current standards, increases in the driveway widths and conforms, and the need to install a drainage system behind and under the sidewalk. The City Manager issued Contract Changer Order No. 1 in the amount of \$24,489, which covered the additional costs for the driveway widths and conforms. Contract Changer Order No. 2 for the remaining work in the amount of \$4,367 is included as part of the recommended approvals.

The Notice of Completion is included as Attachment 1, a Final Cost Summary as Attachment 2. Contract Change Orders No. 1 and No. 2 are included as Attachments 3 and 4 respectively.

FISCAL IMPACT: The total project costs and funding is as follows:

Funding:

RTC Grant Funds (RSTPX)	\$ 96,450
Prior General Fund Allocation	<u>\$141,562</u>
Total	\$238,012

Costs:

Plans and Specifications	\$ 4,625
Construction	<u>\$144,420</u>
Total	\$149,045

The remaining fund balance will be available for future CIP project funding, such as the Park

38th Avenue Sidewalk Project Notice of Completion
December 13, 2018

Avenue Sidewalk project, where it is anticipated additional funds will be necessary.

ATTACHMENTS:

1. 38th Avenue Sidewalk Notice of Completion
2. 38th Avenue Sidewalk Final Cost Summary
3. 38th Ave Sidewalk CCO 1
4. 38th Ave Sidewalk CCO 2

Report Prepared By: Steve Jesberg
Public Works Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/5/2018

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Capitola
Public Works Department
Attn: Steven Jesberg
420 Capitola Avenue
Capitola, California 95010

SPACE ABOVE THIS LINE FOR RECORDER'S USE

THIS INSTRUMENT IS BEING RECORDED FOR THE BENEFIT OF THE CITY OF CAPITOLA
NO RECORDING FEE IS REQUIRED PURSUANT TO GOVERNMENT CODE §27383

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN that the City of Capitola, owner of the property hereinafter described, whose address is 420 Capitola Avenue, Capitola, California, has caused a work of improvements more particularly described as follows:

PROJECT NAME: 38th Avenue Sidewalk Project

PROJECT DESCRIPTION: Sidewalk construction along 38th Avenue and Capitola Road

to be constructed on property more particularly described as follows:

DESCRIPTION: 38th Avenue and Capitola Road

ADDRESS:

APN:

The work of the improvement was completed by:

CONTRACTOR: Earthworks Paving Contractors, Inc.

ADDRESS: 310 A Kennedy Drive, Capitola CA 95010

The work of the improvements was actually completed on the 13th day of November 2018 and accepted by the City Council of said City on the 13th day of December 2018.

Signature of City Official: _____

The undersigned certifies that he is an officer of the City of Capitola, that he has read the foregoing Notice of Completion and knows the content thereof; and that the same is true of his own knowledge, except as to those matters which are therein stated on information or belief, and as to those matters that he believes to be true. I certify under penalty of perjury that the foregoing is true and correct. Executed at the City of Capitola, County of Santa Cruz, State of California.

Steven E. Jesberg
Director of Public Works

Signed: _____

Date: _____

Attachment: 38th Avenue Sidewalk Notice of Completion (38th Avenue Sidewalk Project Notice of Completion)

**City of Capitola
Final Cost Summary**

Project: 38th Avenue Sidewalk Project 2018

Item No.	Item Description	Unit	Bid Quantity	Actual Final Quantity	Diff	Unit Cost	Final Cost	Difference
1	Mobilization	LS	1	1	-	\$ 7,200.00	\$ 7,200.00	\$ -
2	Shrub Removal (Clear & Grub)	SF	410	410	-	\$ 12.00	\$ 4,920.00	\$ -
3	Demolition (remove concrete/AC curb/gutter/sidewalk/pavement)	LS	1	1	-	\$ 24,000.00	\$ 24,000.00	\$ -
4	Concrete Sidewalk	SF	891	1124	233.00	\$ 15.00	\$ 16,860.00	\$ 3,495
5	Concrete Curb & Gutter	LF	357	391	34.00	\$ 55.00	\$ 21,505.00	\$ 1,870
6	Concrete Vertical Curb	LF	68	68	-	\$ 35.00	\$ 2,380.00	\$ -
7	Concrete Approaches & Ramps	SF	567	1224	657.00	\$ 25.00	\$ 30,600.00	\$ 16,425
8	Driveway AC Conforms	TON	7	18.52	11.52	\$ 700.00	\$ 12,964.00	\$ 8,064
9	Adjust valve/monument/cleanout Boxes to Grade	EA	7	7	-	\$ 770.00	\$ 5,390.00	\$ -
10	Traffic Control and Construction Area	LS	1	1	-	\$ 5,700.00	\$ 5,700.00	\$ -
11	Temporary Water Pollution Control and Erosion Control	LS	1	1	-	\$ 2,000.00	\$ 2,000.00	\$ -
12	Roadside Signs	EA	1	1	-	\$ 475.00	\$ 475.00	\$ -
13	Remove/Replace Street AC Conform	LF	357	218	(139.00)	\$ 32.00	\$ 6,976.00	\$ (4,448)
	Extra Work - Under curb drains	LS		1	1.00	\$ 3,450.00	\$ 3,450.00	\$ 3,450
					0		\$ -	\$ -
Total							\$ 144,420.00	\$ 28,856

Summary

Original Bid:	\$	115,564.00
Changes:	\$	28,856.00
Final Cost:	\$	144,420.00

Attachment: 38th Avenue Sidewalk Final Cost Summary (38th Avenue Sidewalk Project Notice of

CITY OF CAPITOLA
DEPARTMENT OF PUBLIC WORKS
CONTRACT CHANGE ORDER

Project: 38th Avenue Sidewalk Project Change Order No. 1

Contractor: Earthworks Paving Date: November 27, 2018

Scope of Work or Change: Increase in quantities due to actual driveway widths being larger than Indicated on the plans, and additional asphalt need to complete driveway conforms.

This Change Order will increase the contract amount by \$ \$24,489
 decrease
 not change

and is based on Agreed lump sum/unit price proposal.
 Contract unit prices.
 Cost plus 15 percent (Force Account)

NOTE: Approval of this Change Order by the Contractor constitutes agreement as to the final compensation for the scope of work listed in accordance with the Standard Specifications.

Approved for By: Stephanie Straus Date: 12/4/18

Contractor Title: Owner

Approved for By: [Signature] Date: 12/3/18
City of Capitola Title: City Manager

Special District

Summary of Amounts Payable Under Contract

Net effect of previous Change Orders	\$ 0
This Change Order	\$ 24,489
Net effect of all Change Orders	\$ 24,489
Original contract amount	\$ 115,564
New contract amount	\$ 140,053

Attachment: 38th Ave Sidewalk CCO 1 (38th Avenue Sidewalk Project Notice of Completion)

CITY OF CAPITOLA
DEPARTMENT OF PUBLIC WORKS
CONTRACT CHANGE ORDER

Project: 38th Avenue Sidewalk Project Change Order No. 2

Contractor: Earthworks Paving Date: November 27, 2018

Scope of Work or Change: Changes in quantities from original bid for concrete sidewalk (+233 sf), Concrete curb and gutter (+34 lf), remove and replace AC conform (-139 lf), and the addition of extra work for under curb drains (+\$3,450).

This Change Order will increase the contract amount by \$ \$4,367
 decrease
 not change

and is based on Agreed lump sum/unit price proposal.
 Contract unit prices.
 Cost plus 15 percent (Force Account)

NOTE: Approval of this Change Order by the Contractor constitutes agreement as to the final compensation for the scope of work listed in accordance with the Standard Specifications.

Approved for By: Stephnie Straws Date: 12/14/18

Contractor Title: Owner

Approved for By: _____ Date: _____
City of Capitola Title: City Manager

Special District _____

Summary of Amounts Payable Under Contract

Net effect of previous Change Orders	\$ <u>24,249</u>
This Change Order	\$ <u>4,367</u>
Net effect of all Change Orders	\$ <u>28,856</u>
Original contract amount	\$ <u>115,564</u>
New contract amount	\$ <u>144,420</u>

Attachment: 38th Ave Sidewalk CCO 2 (38th Avenue Sidewalk Project Notice of Completion)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Adopt a Resolution Setting the Interest Rate for Tenants' Security Deposits for 2019 at Zero Percent (0.00%)

RECOMMENDED ACTION: Adopt Resolution.

BACKGROUND: The City Council adopted Ordinance No. 804 on February 12, 1998, adding Chapter 5.48 to the Municipal Code requiring interest on security deposits for residential rental properties. It requires the City Council to review the interest rate and adopt a resolution setting the rate for the next year.

In years past, the City Council's practice was to set its interest rate for tenant security deposits consistent with the amount set by the Board of Supervisors of Santa Cruz County. However with the passbook savings rate near zero in recent years, the City has set the tenant security deposit rate at zero to simplify the process. A history of interest rates since adoption of the implementing Ordinance is Attachment 1.

DISCUSSION: Santa Cruz County surveyed annual simple interest on passbook savings (Attachment 2) and recommended the County Board of Supervisors set the interest rate for tenants' security deposits for 2019 at 0.01%. The Board of Supervisors met on December 4, 2018, and adopted a resolution establishing that interest rate effective January 1, 2019.

Based on the past Council's action, staff has prepared a resolution setting the City's 2019 tenant interest rate at zero percent (0.00%) given the near-zero passbook savings rate.

Notices were mailed and/or emailed to all interested parties on Friday, December 7, 2018, along with the agenda report.

FISCAL IMPACT: None

ATTACHMENTS:

1. Tenant Security Deposit History (PDF)
2. SC County interest survey (PDF)

Report Prepared By: Linda Fridy
City Clerk

Tenants' Security Deposits
December 13, 2018

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/5/2018

Tenants' Security Deposits
December 13, 2018

DRAFT RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
SETTING INTEREST RATE FOR TENANT SECURITY DEPOSITS FOR 2019
AT ZERO PERCENT (0.00 %) IN THE CITY OF CAPITOLA**

WHEREAS, Municipal Code Section 5.48.025 directs the City Council to set the minimum annual interest rate for tenant security deposits; and

WHEREAS, the current rate of interest for residential rental security deposits is zero percent (0.00%); and

WHEREAS, the County of Santa Cruz Board of Supervisors, at its meeting held December 4, 2018, voted to set the rate at one one-hundredth percent (0.01%) as recommended by the Santa Cruz County Investment Officer; and

WHEREAS, although it has been the practice of the Capitola City Council to set its interest rate for tenant security deposits consistent with other jurisdictions within the County of Santa Cruz, the City Council finds the rate of 0.01% to be burdensome to property owners in the City of Capitola; and

WHEREAS, based on the City Council's action to set the interest rate at zero percent (0.00%) in previous years with similar situations;

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the rate of simple interest payable annually on residential rental security deposits by landlords shall be zero percent (0.00%) effective January 1, 2019.

I HEREBY CERTIFY that the above and foregoing Resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 13th day of December, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk



420 Capitola Avenue
 Capitola, California 95010
 Telephone: (831) 475-7300
 Website: CityofCapitola.org

HISTORY INFORMATION REGARDING TENANT'S INTEREST ON SECURITY DEPOSITS FOR RESIDENTIAL RENTAL PROPERTIES

ORDINANCES ADOPTED

Ordinance No. 804, Ordinance adding Chapter 5.48 to the Municipal Code requiring interest on security deposits for residential rental properties, adopted February 12, 1998, effective March 14, 1998.

Ordinance No. 813, Ordinance Amending Section 5.48.040 of the Municipal Code regarding Payment of Tenant's Interest, adopted December 19, 1999, effective January 18, 2000.

RESOLUTIONS ADOPTED

Resolution No. 2948	Two Percent (2.00%)	Effective March 14, 1998
Resolution No. 3007	Two Percent (2.00%)	January 1, 1999
Resolution No. 3067	Two Percent (2.00%)	January 1, 2000
Resolution No. 3107	Two Percent (2.00%)	January 1, 2001
Resolution No. 3180	One Percent (1.00%)	January 1, 2002
Resolution No. 3258	.58 Percent (0.58%)	January 1, 2003
Resolution No. 3322	.32 Percent (0.32%)	January 1, 2004
Resolution No. 3416	.32 Percent (0.32%)	January 1, 2005
Resolution No. 3510	.43 Percent (0.43%)	January 1, 2006
Resolution No. 3594	.34 Percent (0.34%)	January 1, 2007
Resolution No. 3671	.31 Percent (0.31%)	January 1, 2008
Resolution No. 3731	.23 Percent (0.23%)	January 1, 2009
Resolution No. 3791	.10 Percent (0.10%)	January 1, 2010
Resolution No. 3849	Zero Percent (0.00%)	January 1, 2011
Resolution No. 3898	Zero Percent (0.00%)	January 1, 2012
Resolution No. 3945	Zero Percent (0.00%)	January 1, 2013
Resolution No. 3973	Zero Percent (0.00%)	January 1, 2014
Resolution No. 4009	Zero Percent (0.00%)	January 1, 2015
Resolution No. 4040	Zero Percent (0.00%)	January 1, 2016
Resolution No. 4070	Zero Percent (0.00%)	January 1, 2017
Resolution No. 4094	Zero Percent (0.00%)	January 1, 2018

Revised 12/21/2017

Survey of Annual Simple Interest on Passbook Savings
Tenant's Interest on Security Deposits
Subsection B of Section 842.010

<u>Rate Quote Date : 11/6/18</u>	<u>Regular Savings Account</u>
Bank of the West	0.01
JP Morgan Chase	0.01
Bank of America	0.03
Wells Fargo	0.01
Union Bank	0.01
<u>Comerica</u>	<u>0.01</u>
AVERAGE:	0.01

Regular Passbook based on Savings Accounts less than \$5000

djz / 11/06/18

Attachment: SC County interest survey (Tenants' Security Deposits)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Consider a Resolution Approving a New Hourly and Seasonal Pay Schedule

RECOMMENDED ACTION: Adopt a Resolution Repealing Resolution No. 4095 and Approving a New Hourly/Seasonal Pay Schedule.

BACKGROUND: The hourly and seasonal employees are primarily employed by the Recreation Department, but also includes interns, reserve officers, and annuitant officers. Seasonal and hourly employees work part-time on a seasonal basis, not year-round and are not considered regular employees. Although positions may be listed on the schedule, it does not necessarily mean they are funded. These positions are not represented by any labor union and are not subject to any existing memorandum of understanding. For this reason, any wage increases are done by separate City Council action.

DISCUSSION: The hourly and seasonal employees pay schedule was last adjusted in January 2018. The California State minimum wage is scheduled to increase on January 1, 2019, to \$12 per hour. To meet the minimum wage requirement, the schedule for all listed positions except for the Police Reserve and the Police Annuitant Officer will be adjusted by a minimum of 3 percent. This will raise the lowest step to the new minimum wage and will maintain the established classification/compensation system. It also reduces salary compaction between the different positions.

FISCAL IMPACT: The fiscal impact for the wage increase effective January 1, 2019, (six months) will be up to \$10,000 for Fiscal Year 2018/2019, which was included in the adopted budget.

Report Prepared By: Larry Laurent
Assistant to the City Manager

Temporary and Seasonal Pay Rates
December 13, 2018

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/5/2018

Temporary and Seasonal Pay Rates
December 13, 2018

DRAFT RESOLUTION

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
REPEALING RESOLUTION NO. 4095 AND APPROVING
NEW HOURLY/SEASONAL EMPLOYEE PAY SCHEDULES EFFECTIVE JANUARY 1, 2019**

WHEREAS, the City Council periodically reviews the compensation rates for hourly and seasonal employment positions; and

WHEREAS, the positions are hourly and are not represented by any labor union and are not subject to any existing memorandum of understanding; and

WHEREAS, the Seasonal/Hourly Pay Schedule was last amended by Resolution No. 4075 on December 14, 2017, which provided increases to meet minimum wage requirements; and

WHEREAS, the classification of Reserve Police Officer and Annuitant Officer have a set salary for those positions and are automatically adjusted and are not subject to the proposed increase; and

WHEREAS, to meet the requirements of the California State Minimum Wage Law, the salaries for all those positions listed with the exception of Reserve and Annuitant Officers, shall be increased by minimum of 3%.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CAPITOLA HEREBY RESOLVES AS FOLLOWS:

1. Resolution No. 4095 is repealed in its entirety.
2. The Hourly/Seasonal and Reserve Police Officers and Annuitant Officer Employee Pay Schedule, attached hereto as Exhibit "A," is effective January 1, 2019.
3. The City Manager is authorized to hire persons to fill these positions within the limitations set forth on the attached schedule and budget.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 13th day of December, 2018, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

Temporary and Seasonal Pay Rates
December 13, 2018

EXHIBIT A
HOURLY/SEASONAL
SCHEDULE - EFFECTIVE JANUARY 1, 2019

January 1, 2019 (Minimum wage \$12.00/hour)				
POSITION	0	1	2	3
Camp Capitola Assistant Leader	\$12.00	\$12.60	\$13.23	
Camp Capitola Leader	\$13.89	\$14.59	\$15.32	\$16.08
Camp Capitola Jr. Leader Coordinator	\$16.89	\$17.73	\$18.62	\$19.55
Camp Capitola Coordinator	\$20.52	\$21.55	\$22.63	\$23.76
Intern	\$15.25	\$16.01	\$16.81	\$17.65
Jr. Lifeguard Assistant Instructor	\$12.00	\$12.60	\$13.23	
Beach Lifeguard/Jr. Lifeguard Instructor	\$15.21	\$15.98	\$16.77	\$17.61
JG Coordinator/Lead City Lifeguard	\$19.81	\$20.80	\$21.85	\$22.94
Beach Lifeguard Captain	\$30.50	\$32.03	\$33.63	\$35.31
Recreation Facility Assistant	\$13.75	\$14.44	\$15.16	\$15.92
Seasonal Maintenance	\$13.75	\$14.44	\$15.16	\$15.92
Sports Scorekeeper	\$13.75	\$14.44	\$15.16	\$15.92
POSITION				
Retired Annuitant Officer	Salary will be equivalent to the position for which the individual is working in as per the CALPERS regulations.			
	However, retired Capitola Police Officers who apply and are accepted as Annuitant Officers will be paid an hourly wage consistent with Step F of the Police Officer			
Reserve Officer Level I	Automatically adjusts to 20% below the Police Officer Pay Scale			
Reserve Officer Level II	Automatically adjusts to 20% below the Level I Reserve Officer Pay Scale			
Seasonal Recreation Assistant	Salary will be equivalent to the position of Recreation Assistant			
Art and Cultural Assistant	Salary will be equivalent to the position of Administrative Assistant			



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Consider a Resolution Authorizing an Increase in the Residential and Commercial Garbage Collection

RECOMMENDED ACTION: Adopt the proposed Resolution approving the Rate Schedule for Residential and Commercial Garbage Collection and Recycling in Capitola effective January 1, 2019.

BACKGROUND: The City of Capitola has a franchise agreement with GreenWaste Recovery, Inc. (GWR) to collect the City's commercial and residential refuse, recycling, yard waste and food waste. GreenWaste Recovery's Franchise Agreement allows for an annual customer rate increase at the San Francisco - Oakland - San Jose Bay Area Consumer Price Index (CPI).

DISCUSSION: To determine the new customer rates, the agreement allows GWR to increase the rates by 100 percent of the CPI for the period ending October 2018, which was 4.3603%. The average 35-gallon-trash-cart residential customer will have a monthly rate increase of 74 cents and the average 64-gallon-cart residential customer will have a monthly rate increase of \$1.26.

Residential Carts	Current Monthly Rates	New Monthly Rates
10 Gallon	\$12.53	\$13.07
20 Gallon	\$14.89	\$15.54
35 Gallon	\$16.87	\$17.61
64 Gallon	\$28.72	\$29.98
96 Gallon	\$40.71	\$42.48

The City continues to have the lowest residential rates in the County.

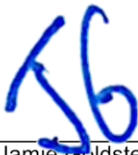
The proposed resolution will supersede Resolution No. 4096, as authorized in the Franchise Agreement dated April 24, 2008, and amended on December 13, 2012.

FISCAL IMPACT: The CPI adjustment results in a cost increase of 74 cents a month to residential customers with 35-gallon containers. There is no direct fiscal impact to the City.

Residential and Commercial Garbage Collection
December 13, 2018

Report Prepared By: Larry Laurent
Assistant to the City Manager

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/4/2018

Residential and Commercial Garbage Collection
December 13, 2018

RESOLUTION NO. ____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
APPROVING A RATE SCHEDULE FOR RESIDENTIAL AND COMMERCIAL
GARBAGE COLLECTION AND RECYCLING IN CAPITOLA EFFECTIVE JANUARY 1, 2019,
SUPERSEDING RESOLUTION NO. 4096**

WHEREAS, the City of Capitola has a franchise agreement with GreenWaste Recovery, Inc., for refuse, recycling, yard and food waste collection; and

WHEREAS, the franchise agreement allows for GreenWaste Recovery to increase the rates annually by 100 percent of the Consumer Price Index for San Francisco-Oakland-San Jose area, which was 4.3603 percent for the period ending October 2018; and

WHEREAS, the City Council adopted Resolution No. 4096 on December 14, 2017, which adopted a rate schedule effective January 1, 2018; and

WHEREAS, applicable rates for both commercial and residential service will increase by 4.3603 percent, as per the Franchise Agreement dated April 24, 2008, effective January 1, 2019; and

WHEREAS, the City Council considered the garbage rate increase at a public meeting where members of the public had the opportunity to address the council on the proposed increase.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Capitola approves the Rate Schedule for Residential and Commercial Refuse, Recycling and Yard Waste in Capitola as shown on the "Schedule of Rates" attached to this Resolution (Exhibit A-1, Residential Rates; Exhibit A-2 Commercial Rates) effective January 1, 2019.

BE IT FURTHER RESOLVED that this Resolution supersedes Resolution No. 4096.

I HEREBY CERTIFY that the above and foregoing Resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 13th day of December 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Residential Rate Structure								
Contract Year Beginning January 1, 2019								
1)	Residential Carts	Frequency	# of Carts	1/1/2018 Rates		1/1/2019 CPI Adj 4.3603%		New Rates To be billed
				Monthly	Quarterly	Monthly	Quarterly	
	10 Gallon	1	1	\$ 12.53	\$ 37.58	\$ 13.07	\$ 39.22	39.22
	20 Gallon	1	1	\$ 14.89	\$ 44.67	\$ 15.54	\$ 46.61	46.61
	20 Gallon	2	1	\$ 29.78	\$ 89.34	\$ 31.08	\$ 93.23	93.23
	35 Gallon	1	1	\$ 16.87	\$ 50.61	\$ 17.61	\$ 52.84	52.84
	35 Gallon	2	1	\$ 33.76	\$ 101.29	\$ 35.24	\$ 105.71	105.71
	35 Gallon	1	2	\$ 33.76	\$ 101.29	\$ 35.24	\$ 105.71	105.71
	35 Gallon	1	3	\$ 51.97	\$ 155.91	\$ 54.24	\$ 162.71	162.71
	35 Gallon	1	4	\$ 69.52	\$ 208.56	\$ 72.55	\$ 217.65	217.65
	35 Gallon	1	5	\$ 86.66	\$ 259.97	\$ 90.44	\$ 271.32	271.32
	35 Gallon	1	6	\$ 103.99	\$ 311.97	\$ 108.53	\$ 325.59	325.59
	35 Gallon	1	7	\$ 121.36	\$ 364.07	\$ 126.65	\$ 379.96	379.96
	35 Gallon	1	8	\$ 135.19	\$ 405.56	\$ 141.09	\$ 423.28	423.28
	64 Gallon	1	1	\$ 28.72	\$ 86.16	\$ 29.98	\$ 89.93	89.93
	64 Gallon	2	1	\$ 57.41	\$ 172.24	\$ 59.92	\$ 179.76	179.76
	64 Gallon	1	2	\$ 57.41	\$ 172.24	\$ 59.92	\$ 179.76	179.76
	64 Gallon	1	3	\$ 86.16	\$ 258.49	\$ 89.93	\$ 269.79	269.79
	64 Gallon	1	4	\$ 114.89	\$ 344.66	\$ 119.91	\$ 359.72	359.72
	64 Gallon	1	5	\$ 143.62	\$ 430.86	\$ 149.88	\$ 449.65	449.65
	64 Gallon	1	6	\$ 172.34	\$ 517.02	\$ 179.86	\$ 539.57	539.57
	64 Gallon	1	7	\$ 201.06	\$ 603.19	\$ 209.83	\$ 629.50	629.50
	64 Gallon	1	8	\$ 229.78	\$ 689.35	\$ 239.81	\$ 719.43	719.43
	96 Gallon	1	1	\$ 40.71	\$ 122.12	\$ 42.48	\$ 127.45	127.45
	96 Gallon	2	1	\$ 81.35	\$ 244.05	\$ 84.90	\$ 254.70	254.70
	96 Gallon	1	2	\$ 81.35	\$ 244.05	\$ 84.90	\$ 254.70	254.70
	96 Gallon	1	3	\$ 122.04	\$ 366.13	\$ 127.37	\$ 382.12	382.12
	96 Gallon	1	4	\$ 158.13	\$ 474.38	\$ 165.03	\$ 495.09	495.09
	96 Gallon	1	5	\$ 203.40	\$ 610.21	\$ 212.28	\$ 636.83	636.83
Items 2 through 6 will not be changed during Franchise Term, i.e., will not receive the COLA adjustment as set forth in section 7.1c								
2)	<u>Special pick-up for service not on a regular schedule</u>							
	\$25.00 plus \$2.50 per bag, \$2.75 per 32 gallon can. For other means of bundling or containing, \$2.75 for each equivalent in volume to a 32 gallon can.							
3)	<u>Special Service for walk-in by driver</u>							
	\$5.00 per can or bag plus the monthly rate. Except as provided in Section 4.1.B(4).							

Residential and Commercial Garbage Collection
December 13, 2018

4)	Extra containers picked up at time of regular service shall be billed as in #2 above, but without the \$25.00 charge.							
5)	Bulky Goods Items Pricing							
	Furniture		\$ 15.00	per large item		\$ 10.00		
	Non-CFC Appliance		\$ 25.00	per large item		\$ 15.00		
	Carpet		\$ 0.50	per square foot		\$ 0.50		
6)	Service Re-Start							
			\$ 25.00			\$ 25.00		
7)	Extra containers picked up on non-regularly scheduled day of service= Monthly Rate divided by 4.33							
8)	Miscellaneous Residential Services							
			<u>1/1/2018 Rates</u>		<u>CPI Adj</u> 4.3603%		New Rates	
	<u>Additional Reside</u>	<u>Frequency</u>	<u># of Carts</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Monthly</u>	<u>Quarterly</u>	
	64 Gallon - Recycle Only	1	1	\$ 5.99	\$ 17.96	\$ 6.25	\$ 18.74	
	64 Gallon - Yardwaste Only	1	1	\$ 6.96	\$ 20.89	\$ 7.27	\$ 21.80	
	64 Gallon - 2nd Yardwaste Cart	1	1	\$ 3.23	\$ 9.70	\$ 3.38	\$ 10.13	
	64 Gallon - 2nd Yardwaste Cart	2	1	\$ 6.46	\$ 19.38	\$ 6.74	\$ 20.22	
	Cart Replacement (Lost/Damaged Cart)			\$ 58.49		\$ 61.04		
							To be billed	

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Commercial Rate Structure January 1, 2019				
Commercial Bins			Rate	Increase
# of bins	Bin Size	Frequency	1/1/2018	4.3603%
New Rates				
1	1 cu yd	1	\$ 171.48	\$ 178.96
1	1 cu yd	2	\$ 259.16	\$ 270.48
1	1 cu yd	3	\$ 346.70	\$ 361.84
1	1 cu yd	4	\$ 434.58	\$ 453.55
1	1 cu yd	5	\$ 522.30	\$ 545.09
1	1 cu yd	6	\$ 609.99	\$ 636.62
2	1 cu yd	1	\$ 259.16	\$ 270.48
2	1 cu yd	2	\$ 434.58	\$ 453.55
2	1 cu yd	3	\$ 609.99	\$ 636.62
2	1 cu yd	4	\$ 785.42	\$ 819.71
2	1 cu yd	5	\$ 960.81	\$ 1,002.75
2	1 cu yd	6	\$ 1,136.22	\$ 1,185.81
3	1 cu yd	1	\$ 346.89	\$ 362.02
3	1 cu yd	2	\$ 610.00	\$ 636.63
3	1 cu yd	3	\$ 873.29	\$ 911.41
3	1 cu yd	4	\$ 1,136.25	\$ 1,185.84
3	1 cu yd	5	\$ 1,399.37	\$ 1,460.45
3	1 cu yd	6	\$ 1,662.45	\$ 1,735.01
4	1 cu yd	1	\$ 434.58	\$ 453.55
4	1 cu yd	2	\$ 785.42	\$ 819.71
4	1 cu yd	3	\$ 1,136.59	\$ 1,186.20
4	1 cu yd	4	\$ 1,487.10	\$ 1,552.00
4	1 cu yd	5	\$ 1,837.91	\$ 1,918.13
4	1 cu yd	6	\$ 2,188.68	\$ 2,284.21
1	2 cu yd	1	\$ 259.19	\$ 270.51
1	2 cu yd	2	\$ 434.58	\$ 453.55
1	2 cu yd	3	\$ 609.99	\$ 636.62
1	2 cu yd	4	\$ 785.42	\$ 819.71
1	2 cu yd	5	\$ 960.81	\$ 1,002.75
1	2 cu yd	6	\$ 1,136.22	\$ 1,185.81
2	2 cu yd	1	\$ 434.58	\$ 453.55
2	2 cu yd	2	\$ 785.42	\$ 819.71
2	2 cu yd	3	\$ 1,136.24	\$ 1,185.83
2	2 cu yd	4	\$ 1,487.07	\$ 1,551.98
2	2 cu yd	5	\$ 1,837.92	\$ 1,918.14
2	2 cu yd	6	\$ 2,188.75	\$ 2,284.28

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Commercial Rate Structure January 1, 2019				
				CPI
Commercial Bins			Rate	Increase
# of bins	Bin Size	Frequency	1/1/2018	4.3603%
New Rates				
3	2 cu yd	1	\$ 609.99	\$ 636.62
3	2 cu yd	2	\$ 1,136.24	\$ 1,185.83
3	2 cu yd	3	\$ 1,662.50	\$ 1,735.07
3	2 cu yd	4	\$ 2,188.75	\$ 2,284.28
3	2 cu yd	5	\$ 2,714.98	\$ 2,833.48
3	2 cu yd	6	\$ 3,241.25	\$ 3,382.58
1	3 cu yd	1	\$ 346.87	\$ 362.00
1	3 cu yd	2	\$ 608.25	\$ 634.80
1	3 cu yd	3	\$ 873.12	\$ 911.23
1	3 cu yd	4	\$ 1,136.24	\$ 1,185.83
1	3 cu yd	5	\$ 1,399.39	\$ 1,460.47
1	3 cu yd	6	\$ 1,662.50	\$ 1,735.07
2	3 cu yd	1	\$ 609.99	\$ 636.62
2	3 cu yd	2	\$ 1,136.24	\$ 1,185.83
2	3 cu yd	3	\$ 1,662.50	\$ 1,735.07
2	3 cu yd	4	\$ 2,188.75	\$ 2,284.28
2	3 cu yd	5	\$ 2,714.98	\$ 2,833.48
2	3 cu yd	6	\$ 3,241.24	\$ 3,382.71
3	3 cu yd	1	\$ 873.11	\$ 911.22
3	3 cu yd	2	\$ 1,662.50	\$ 1,735.07
3	3 cu yd	3	\$ 2,451.88	\$ 2,558.89
3	3 cu yd	4	\$ 3,241.24	\$ 3,382.71
3	3 cu yd	5	\$ 4,030.63	\$ 4,206.56
3	3 cu yd	6	\$ 4,819.99	\$ 5,030.37
4	3 cu yd	1	\$ 1,136.24	\$ 1,185.83
4	3 cu yd	2	\$ 2,188.75	\$ 2,284.28
4	3 cu yd	3	\$ 3,241.24	\$ 3,382.71
4	3 cu yd	4	\$ 4,293.73	\$ 4,481.14
4	3 cu yd	5	\$ 5,346.27	\$ 5,579.62
4	3 cu yd	6	\$ 6,398.71	\$ 6,678.00
1	4 cu yd	1	\$ 434.58	\$ 453.55
1	4 cu yd	2	\$ 785.42	\$ 819.71
1	4 cu yd	3	\$ 1,136.24	\$ 1,185.83
1	4 cu yd	4	\$ 1,487.07	\$ 1,551.98
1	4 cu yd	5	\$ 1,837.92	\$ 1,918.14
1	4 cu yd	6	\$ 2,188.75	\$ 2,284.28

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Commercial Rate Structure January 1, 2019				
				CPI
Commercial Bins			Rate	Increase
# of bins	Bin Size	Frequency	1/1/2018	4.3603%
New Rates				
2	4 cu yd	1	\$ 785.42	\$ 819.71
2	4 cu yd	2	\$ 1,487.07	\$ 1,551.98
2	4 cu yd	3	\$ 2,188.75	\$ 2,284.28
2	4 cu yd	4	\$ 2,973.64	\$ 3,103.44
2	4 cu yd	5	\$ 3,592.04	\$ 3,748.83
2	4 cu yd	6	\$ 4,293.73	\$ 4,481.14
3	4 cu yd	1	\$ 1,135.68	\$ 1,185.25
3	4 cu yd	2	\$ 2,188.75	\$ 2,284.28
3	4 cu yd	3	\$ 3,241.24	\$ 3,382.71
3	4 cu yd	4	\$ 4,293.73	\$ 4,481.14
3	4 cu yd	5	\$ 5,346.27	\$ 5,579.62
3	4 cu yd	6	\$ 6,398.71	\$ 6,678.00
4	4 cu yd	1	\$ 1,487.07	\$ 1,551.98
4	4 cu yd	2	\$ 2,890.42	\$ 3,016.58
4	4 cu yd	3	\$ 4,293.74	\$ 4,481.15
4	4 cu yd	4	\$ 5,697.04	\$ 5,945.71
4	4 cu yd	5	\$ 7,100.46	\$ 7,410.38
4	4 cu yd	6	\$ 8,503.70	\$ 8,874.87
5	4 cu yd	1	\$ 1,890.81	\$ 1,973.35
5	4 cu yd	2	\$ 3,592.05	\$ 3,748.84
5	4 cu yd	3	\$ 5,346.26	\$ 5,579.61
5	4 cu yd	4	\$ 7,100.39	\$ 7,410.30
5	4 cu yd	5	\$ 8,854.64	\$ 9,241.12
5	4 cu yd	6	\$ 10,608.70	\$ 11,071.74
1	6 cu yd	1	\$ 609.99	\$ 636.62
1	6 cu yd	2	\$ 1,136.24	\$ 1,185.83
1	6 cu yd	3	\$ 1,662.50	\$ 1,735.07
1	6 cu yd	4	\$ 2,188.75	\$ 2,284.28
1	6 cu yd	5	\$ 2,714.98	\$ 2,833.48
1	6 cu yd	6	\$ 3,241.24	\$ 3,382.71
2	6 cu yd	1	\$ 1,136.24	\$ 1,185.83
2	6 cu yd	2	\$ 2,188.75	\$ 2,284.28
2	6 cu yd	3	\$ 3,241.24	\$ 3,382.71
2	6 cu yd	4	\$ 4,293.70	\$ 4,481.10
2	6 cu yd	5	\$ 5,346.26	\$ 5,579.61
2	6 cu yd	6	\$ 6,398.74	\$ 6,678.04

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Commercial Rate Structure January 1, 2019				
				CPI
Commercial Bins			Rate	Increase
# of bins	Bin Size	Frequency	1/1/2018	4.3603%
New Rates				
1	8 cu yd	1	\$ 785.42	\$ 819.71
1	8 cu yd	2	\$ 1,487.07	\$ 1,551.98
1	8 cu yd	3	\$ 2,188.75	\$ 2,284.28
1	8 cu yd	4	\$ 2,890.40	\$ 3,016.56
1	8 cu yd	5	\$ 3,592.06	\$ 3,748.85
1	8 cu yd	6	\$ 4,293.70	\$ 4,481.10
Miscellaneous Bin Services				
Bin Cleaning			\$ 152.90	\$ 159.57
Lock Installation			\$ 39.29	\$ 41.00
Extra containers picked up on non-regularly scheduled day of service = Monthly Rate divided by 4.33				
Commercial Carts				
1	35G	1	\$ 22.47	\$ 23.45
1	35G	6	\$ 134.82	\$ 140.70
1	64G	1	\$ 45.44	\$ 47.42
1	64G	2	\$ 90.88	\$ 94.84
1	64G	3	\$ 136.32	\$ 142.26
1	96G	1	\$ 67.60	\$ 70.55
1	96G	2	\$ 135.19	\$ 141.08
1	96G	4	\$ 270.41	\$ 282.20
1	96G	6	\$ 405.57	\$ 423.26
Commercial Cans				
1	32G	1	\$ 17.17	\$ 17.92
2	32G	1	\$ 34.37	\$ 35.87
3	32G	1	\$ 51.53	\$ 53.78
Miscellaneous Commercial Cart Services				
1	64G	1	\$ 5.99	\$ 6.25
1	64G	1	\$ 6.93	\$ 7.23
Cart Replacement (Lost Cart)			\$ 58.49	\$ 61.04
Extra containers picked up on non-regularly scheduled day of service = Monthly Rate divided by 4.33				

Residential and Commercial Garbage Collection
December 13, 2018

City of Capitola Commercial Rate Structure January 1, 2019				
				CPI
Commercial Bins			Rate	Increase
# of bins	Bin Size	Frequency	1/1/2018	4.3603%
1	20 Yard		\$ 583.79	\$ 609.27
1	30 Yard		\$ 781.89	\$ 816.02
1	40 Yard		\$ 1,042.21	\$ 1,087.71
1	Box Relocatioin		\$ 89.62	\$ 93.52
1	Compactor		\$ 371.64	\$ 387.86
	per pull plus disposal fees			
Commercial Front Load Compactors				
Front Load Compactors				
1	2 cu yd	1	\$ 344.73	\$ 359.78
1	2 cu yd	2	\$ 578.00	\$ 603.22
1	2 cu yd	3	\$ 811.29	\$ 846.71
2	2 cu yd	1	\$ 578.00	\$ 603.22
2	2 cu yd	2	\$ 1,044.61	\$ 1,090.20
3	2 cu yd	1	\$ 811.29	\$ 846.71
3	2 cu yd	2	\$ 1,511.19	\$ 1,577.15
1	3 cu yd	1	\$ 461.31	\$ 481.45
1	3 cu yd	2	\$ 808.98	\$ 844.29
2	3 cu yd	1	\$ 811.29	\$ 846.71
2	3 cu yd	2	\$ 1,511.19	\$ 1,577.15
3	3 cu yd	1	\$ 1,161.24	\$ 1,211.93
3	3 cu yd	2	\$ 2,211.13	\$ 2,307.64
4	3 cu yd	1	\$ 1,511.19	\$ 1,577.15
4	3 cu yd	2	\$ 2,911.04	\$ 3,038.10
Extra containers picked up on non-regularly scheduled day of service = Monthly Rate divided by 4.33				
Instabin Service				
1	3 cu yd		\$ 123.40	\$ 128.78



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Consider a Resolution Confirming and Approving the Canvass of Returns and Results of the General Municipal Election

RECOMMENDED ACTION: Adopt the Resolution confirming election results and thereby:

1. Adopt a Cannabis Tax ordinance
2. Adopt an ordinance amending the Transient Occupancy Tax rate
3. Adopt an ordinance making the treasurer an appointed position
4. Adopt an ordinance adding Chapter 8.72 "Greenway Capitola Corridor" to Title 8 "Health and Safety."

BACKGROUND/DISCUSSION: The City's General Municipal Election was held on November 6, 2018, consolidated with the statewide general election. The purpose of the election was to elect three City Council Members to four-year terms through December 2022, and for the voters to decide on four local measures: Measure I (cannabis tax), Measure J (Transient Occupancy Tax), Measure K (appointed treasurer), and Measure L (Greenway initiative).

The City Council approves the canvass of returns and election results by adoption of the proposed resolution. The certified local election results from Santa Cruz County Clerk Gail Pellerin are included as an exhibit to the resolution. The top three council member candidates' vote totals are for Yvette Brooks, Sam Storey, and Jacques Bertrand, and they will be sworn in to office during Item 7.C. Additionally, all four measures were approved by voters and their respective ordinances are Attachments 2, 3, 4 and 6. Attachment 5 shows the language within the Capitola Municipal Code that will be deleted to make the treasurer position appointed. Precise vote totals are included in the resolution and its exhibit (Attachment 1).

ATTACHMENTS:

1. Statement of Vote Nov 2018 Capitola only (PDF)
2. Cannabis Business Tax Ordinance (PDF)
3. Transient Occupancy Tax Ordinance(PDF)
4. Appointed Treasurer Ordinance (PDF)
5. Changes to the Capitola Municipal Code Removing the Elected Treasurer (PDF)
6. Greenway Capitola Corridor Ordinance (PDF)

Report Prepared By: Linda Fridy
City Clerk

Results of the General Municipal Election
December 13, 2018

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/6/2018

RESOLUTION NO. ____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA,
CALIFORNIA, CONFIRMING AND APPROVING THE CANVASS
OF RETURNS AND RESULTS OF THE GENERAL MUNICIPAL ELECTION
HELD IN CAPITOLA ON THE 6TH DAY OF NOVEMBER, 2018**

WHEREAS, the City Council of the City of Capitola, by Resolution No. 4115 duly passed and adopted on the 28th day of June, 2018, called a General Municipal Election to be held in the City of Capitola on November 6, 2018, as required by law for the object and purpose of electing three (3) Members of the Capitola City Council for the full term of four (4) years; and

WHEREAS, the City Council of the City of Capitola, by Resolutions No. 4121, 4122, and 4123 duly passed and adopted on the 26th day of July, 2018, to provide the following: (a) identify the City Council intentions for the proposed measures; and (b) submit to the qualified electors of the City Measures "I," "J," and "K" as hereinafter specified; and (c) direct actions related to written arguments related to the Ballot Measures; and

WHEREAS, the City Council of the City of Capitola, by Resolutions No. 4124 duly passed and adopted on the 9th day of August, 2018, to provide the following: (a) accept the certification of a citizen ballot initiative as qualified; and (b) submit to the qualified electors of the City Measure "L" as hereinafter specified; and

WHEREAS, the General Municipal Election was held on Tuesday, November 6, 2018, in accordance with law, and the votes then were received and canvassed and the returns ascertained, determined and declared in all respects by the Santa Cruz County Clerk as authorized and directed by Resolution No. 4115, and the County Clerk has duly filed with this City Council a "Certification of the Votes Cast," set forth in Exhibit "A," attached hereto and incorporated by this reference, be entered upon the minutes of this Council as a statement of the results of the General Municipal Election.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CAPITOLA, CALIFORNIA, AS FOLLOWS:

1. The number of registered voters in the City of Capitola eligible to vote at the General Municipal Election was 6577 and the whole number of ballots cast was 5,136, for a voter turnout of 78.09 percent.
2. Votes were cast for the candidate for the office of Member of the City Council for full terms of four (4) years as follows:

<u>Name of Candidate</u>	<u>Total Number of Votes</u>
Yvette Brooks	3,060
Sam Storey	2,809
Jacques Bertrand	2,575
Jack Digby	1,684

Results of the General Municipal Election
December 13, 2018

3. Measure I: 3,683 votes were cast in support of the City's ballot measure and 1,178 votes were cast opposing the following City's ballot measure:

To protect the quality of life in the City of Capitola and to fund essential City services such as sidewalks, streets, and emergency response, shall Capitola voters enact an ordinance establishing a tax of no more than 7% on cannabis businesses in the city, generating estimated revenue of up to \$310,000 annually per cannabis business, to remain in effect until changed or ended by voters, with all funds staying local?

4. Measure J: 3,642 votes were cast in support of the City's ballot measure and 1,192 votes were cast opposing the following City's ballot measure:

To help fund youth programs, protect parks, beaches and open space, and support local businesses, shall a special tax measure paid only by hotel and short-term rental guests be approved increasing transient occupancy taxes from 10% to 12% until ended by voters, providing approximately \$310,000 annually, and allocating dedicated portions to youth and early childhood programs, and local business groups for marketing and community improvements, and the balance to fund core City functions?

5. Measure K: 3,000 votes were cast in support of the City's ballot measure and 1,622 votes were cast opposing the following City's ballot measure:

In order to assure that the City of Capitola's finances are overseen by a trained and qualified individual, shall the office of City Treasurer be changed from elective to appointive?

6. Measure L: 2,526 votes were cast in support of the citizen initiative ballot measure and 2,320 votes were cast opposing the following citizen initiative ballot measure:

Shall the Capitola Municipal Code be amended to direct Capitola constituent departments to take all steps necessary to preserve and maintain the Capitola segment of the Santa Cruz Regional Transportation Commission's Rail Corridor and Trestle over Soquel Creek for bicyclists, pedestrians and other human powered transportation, and to prohibit expenditures to route bicyclists, pedestrians and other human powered transportation from the rail corridor to Capitola streets and sidewalks?

7. The vote totals for the General Municipal Election held on November 6, 2018, in the City of Capitola, as certified by the Santa Cruz County Clerk, shall be and hereby are approved and adopted as the formal vote count of the City of Capitola for said offices and said Measure of said election.

8. The following persons were elected to City Council as follows:

CANDIDATES	VOTES	PERCENT
Yvette Brooks	3,060	30.17%
Sam Storey	2,809	27.70%
Jacques Bertrand	2,575	25.39%

9. The City Clerk is hereby authorized to sign and deliver Certificates of Election to Yvette Brooks, Sam Storey, and Jacques Bertrand and to administer to each the Oath of Office

Results of the General Municipal Election
December 13, 2018

prescribed in the Constitution of the State of California.

10. The City Clerk shall enter on the records of the Capitola City Council, a statement of the result of the election showing: (1) the total number of votes cast for City Council, the Measures in the election; (2) the names of the persons voted for; (3) the text of the Measures voted upon; (4) the number of votes given at each precinct to each person, and for and against each Ballot Measure; and (5) the total number of votes given to each person, and for and against the each Ballot Measure.
11. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 13th day of December, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

Statement of Vote



November 6, 2018 General Election



Gail L. Pellerin, Santa Cruz County Clerk
701 Ocean St., Room 310
Santa Cruz, CA 95060
831-454-2060 / 1-866-282-5900
831-454-2445 (FAX)
www.votescount.com

Attachment: Statement of Vote Nov 2018 Capitola only (Results of the General Municipal Election)

Certification of County Clerk of the Results of the Canvass of the November 6, 2018 Statewide General Election

I, Gail L. Pellerin, County Clerk of the County of Santa Cruz, do hereby certify that, in pursuance to the provisions of Elections Code Section 15300, et. seq., I did canvass the results for the votes cast in the Statewide Primary Election held in Santa Cruz County on November 6, 2018, for measures and contests that were submitted to the vote of the voters, and that the Statement of Votes Cast to which this certificate is attached, is full, true and correct.

I hereby set my hand and official seal this 4th day of December, 2018 at the County of Santa Cruz.



Gail L. Pellerin
Santa Cruz County Clerk

NONPARTISAN MEMBER, CITY COUNCIL CAPITOLA: VOTE FOR 3															
100034	Registration	Ballots Cast	Turnout (%)		JACK DIGBY	SAM STOREY	YVETTE BROOKS	JACQUES BERTRAND							
12010 MB	260	0	0.00		0	0	0	0							
12010 - Vote By Mail / Absentee F	260	194	74.62		69	82	102	97							
12021 MB	151	0	0.00		0	0	0	0							
12021 - Vote By Mail / Absentee F	151	102	67.55		39	52	54	43							
12023 CAP COM CEN	444	108	24.32		30	63	69	56							
12023 - Vote By Mail / Absentee F	444	258	58.11		95	126	153	136							
12024 LIVE OAK SHF	1778	387	21.77		129	197	224	174							
12024 - Vote By Mail / Absentee F	1778	949	53.37		288	468	550	457							
22010 CAP CITY HALL	1252	275	21.96		109	164	147	121							
22010 - Vote By Mail / Absentee F	1252	731	58.39		247	432	454	394							
22040 NEW BRIGHTON	995	237	23.82		68	129	152	127							
22040 - Vote By Mail / Absentee F	995	556	55.88		183	333	333	313							
22050 NEW BRIGHTON	1697	408	24.04		128	214	237	192							
22050 - Vote By Mail / Absentee F	1697	931	54.86		299	549	585	465							
Precinct Totals	6577	1415	21.51		464	767	829	670							
Vote By Mail / Absentee Reporting	6577	3721	56.58		1220	2042	2231	1905							
Grand Totals	6577	5136	78.09		1684	2809	3060	2575							
SANTA CRUZ	6577	5136	78.09		1684	2809	3060	2575							
20th Congressional Dist	6577	5136	78.09		1684	2809	3060	2575							
17th Senatorial District	6577	5136	78.09		1684	2809	3060	2575							
29th Assembly District	6577	5136	78.09		1684	2809	3060	2575							
State Board of Equal. District 1	6577	5136	78.09		1684	2809	3060	2575							
State Board of Equal District 2	6577	5136	78.09		1684	2809	3060	2575							
Supervisor District 1	2633	1998	75.88		650	988	1152	963							
Supervisor District 2	3944	3138	79.56		1034	1821	1908	1612							
Santa Cruz	6577	5136	78.09		1684	2809	3060	2575							
City of Capitola	6577	5136	78.09		1684	2809	3060	2575							

Attachment: Statement of Vote Nov 2018 Capitola only (Results of the General Municipal Election)

CITY OF CAPITOLA													
	Registration	Ballots Cast	Turnout (%)	I-CAPITOLA CANNABIS BUSINESS TAX: MAJORITY	No	J-CAPITOLA TRANSIENT OCCUPANCY TAX: 2/3	No	K-CAPITOLA TREASURER ELECTED TO APPOINTED: MAJORITY	No	L-CAPITOLA GREENWAY INITIATIVE MAJORITY	No		
140062													
12010 MB	260	0	0.00	0	0	0	0	0	0	0	0	0	0
12010 - Vote By Mail / Absentee F	260	194	74.62	141	46	152	34	115	63	94	86		
12021 MB	151	0	0.00	0	0	0	0	0	0	0	0	0	0
12021 - Vote By Mail / Absentee F	151	102	67.55	73	26	67	32	52	38	44	50		
12023 CAP COM CEN	444	108	24.32	81	22	79	23	63	34	49	53		
12023 - Vote By Mail / Absentee F	444	258	58.11	205	38	191	55	148	84	121	119		
12024 LIVE OAK SHF	1778	387	21.77	279	81	278	76	226	116	173	186		
12024 - Vote By Mail / Absentee F	1778	949	53.37	671	225	689	199	539	316	453	438		
22010 CAP CITY HALL	1252	275	21.96	193	56	185	61	148	85	143	107		
22010 - Vote By Mail / Absentee F	1252	731	58.39	510	190	497	192	434	232	409	296		
22040 NEW BRIGHTON	995	237	23.82	169	56	160	65	124	90	136	96		
22040 - Vote By Mail / Absentee F	995	556	55.88	389	139	372	160	319	186	308	224		
22050 NEW BRIGHTON	1697	408	24.04	300	85	300	83	235	127	182	198		
22050 - Vote By Mail / Absentee F	1697	931	54.86	672	214	672	212	597	251	414	467		
Precinct Totals	6577	1415	21.51	1022	300	1002	308	796	452	683	640		
Vote By Mail / Absentee Reporting	6577	3721	56.58	2661	878	2640	884	2204	1170	1843	1680		
Grand Totals	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
SANTA CRUZ	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
20th Congressional Dist	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
17th Senatorial District	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
29th Assembly District	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
State Board of Equal. District 1	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
State Board of Equal District 2	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
Supervisor District 1	2633	1998	75.88	1450	438	1456	419	1143	651	934	932		
Supervisor District 2	3944	3138	79.56	2233	740	2186	773	1857	971	1592	1388		
Santa Cruz	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		
City of Capitola	6577	5136	78.09	3683	1178	3642	1192	3000	1622	2526	2320		

Attachment: Statement of Vote Nov 2018 Capitola only (Results of the General Municipal Election)

ORDINANCE NO. _____

**AN ORDINANCE OF THE PEOPLE OF THE CITY OF CAPITOLA
ADDING CHAPTER 5.07 “CANNABIS BUSINESS TAX” TO
TITLE 5 “BUSINESS TAXES, LICENSES AND REGULATIONS”
OF THE CITY OF CAPITOLA MUNICIPAL CODE**

THE PEOPLE OF THE CITY OF CAPITOLA, CALIFORNIA, DO ORDAIN AS FOLLOWS:

Section 1. Chapter 5.7 entitled “Cannabis Business Tax” is hereby added to Title 5 “Business Taxes, Licenses and Regulations” of the City of Capitola Municipal Code to read as follows:
“Chapter 5.07

CANNABIS BUSINESS TAX

5.07.010 Purpose of Chapter.

This chapter shall be known as the “cannabis business tax” and is enacted solely to raise revenue for the general governmental purposes of the city and not for purposes of regulation or of raising revenues for regulatory purposes. All of the proceeds from the tax imposed by this chapter shall be placed in the city’s general fund and used for any lawful municipal purpose in the discretion of the City.

5.07.020 Tax Imposed.

There is established and imposed a cannabis business tax at the rate set forth in this chapter.

5.07.030 Definitions.

The definitions set forth in this section shall govern the application and interpretation of this chapter.

- A. “Business” shall include all activities engaged in or caused to be engaged in within the city, including any commercial or industrial enterprise, trade, profession, occupation, vocation, services, calling, or livelihood, whether or not carried on for gain or profit, but shall not include the services rendered by an employee to his or her employer.
- B. “Employee” means each and every person engaged in the operation or conduct of any business, whether as owner, member of the owner’s family, partner, associate, agent, manager or solicitor, and each and every other person employed or working in such business for a wage, salary, commission or room and board.
- C. “Engaged in business” means the commencing, conducting, operating, managing or carrying on of a cannabis business and the exercise of corporate or franchise powers, whether done as owner, or by means of an officer, agent, manager, employee, or otherwise, whether operating from a fixed location in the city or coming into the city from an outside location to engage in such activities. A person shall be deemed engaged in business within the city if:
 1. Such person or person’s employee maintains a fixed place of business within the city for the benefit or partial benefit of such person;
 2. Such person or person’s employee owns or leases real property within the city for business purposes;
 3. Such person or person’s employee regularly maintains a stock of tangible personal property in the city for sale in the ordinary course of business;
 4. Such person or person’s employee regularly conducts solicitation of business within the city;

5. Such person or person's employee performs work or renders services in the city on a regular and continuous basis involving more than five working days per year;
6. Such person or person's employee utilizes the streets within the city in connection with the operation of motor vehicles for business purposes.

The foregoing specified activities shall not be a limitation on the meaning of "engaged in business."

- D. "Evidence of doing business" means whenever any person shall, by use of signs, circulars, cards or any other advertising media, including the use of Internet or telephone solicitation, represent that such person is engaged in cannabis business in the city then these facts may be used as evidence that such person is engaged in business in the city.
- E. "Gross receipts," except as otherwise specifically provided, means the total amount actually received or receivable from all sales; the total amount or compensation actually received or receivable for the performance of any act or service, of whatever nature it may be, for which a charge is made or credit allowed, whether or not such act or service is done as a part of or in connection with the sale of materials, goods, wares or merchandise; discounts, rents, royalties, fees, commissions, dividends, and gains realized from trading in stocks or bonds, however designated. Included in "gross receipts" shall be all receipts, cash, credits and property of any kind or nature, without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, or losses or other expenses whatsoever, except that the following shall be excluded therefrom:
 1. Cash discounts allowed and taken on sales;
 2. Credit allowed on property accepted as part of the purchase price and which property may later be sold, at which time the sales price shall be included as gross receipts;
 3. Any tax required by law to be included in or added to the purchase price and collected from the consumer or purchaser;
 4. Such part of the sale price of any property returned by purchasers to the seller as refunded by the seller by way of cash or credit allowances or return of refundable deposits previously included in gross receipts;
 5. Receipts from investments where the holder of the investment receives only interest and/or dividends, royalties, annuities and gains from the sale or exchange of stock or securities solely for a person's own account, not derived in the ordinary course of a business;
 6. Receipts derived from the occasional sale of used, obsolete or surplus trade fixtures, machinery or other equipment used by the taxpayer in the regular course of the taxpayer's business;
 7. Cash value of sales, trades or transactions between departments or units of the same business;
 8. Receipts of refundable deposits, except that such deposits when forfeited and taken into income of the business shall not be excluded when in excess of one dollar;
 9. Amounts collected for others where the business is acting as an agent or trustee and to the extent that such amounts are paid to those for whom collected. These agents or trustees must provide the finance department with the names and the addresses of the others and the amounts paid to them. This exclusion shall not apply to any fees, percentages, or other payments retained by the agent or trustees.
 10. Retail sales of t-shirts, sweaters, hats, stickers, key chains, bags, books, posters, rolling papers, cannabis accessories such pipes, pipe screen, vape pen batteries (without cannabis) or other personal tangible property which the Tax Administrator

has excluded in writing by issuing an administrative ruling per Section 5.07.190 shall not be subject to the cannabis business tax under this chapter. However, any retail sales not subject to this Chapter as a result of the administrative ruling shall be subject to the appropriate business tax under Chapter 5.04 or any other Chapter or Title as determined by the Tax Administrator.

- F. "Gross receipts" subject to the business tax shall be that portion of gross receipts relating to business conducted within the city.
- G. "Cannabis" means all parts of the plant *Cannabis sativa* Linneaus, *Cannabis indica*, or *Cannabis ruderalis*, as defined under the California Medical Marijuana Regulation and Safety Act at Health and Safety Code Section 19300.5(f), as may be amended.
- H. "Cannabis business" or "marijuana business" means any business activity related to or concerning cannabis which entails the production, distribution, delivery, dispensing, exchanging, bartering or sale of either medical or nonmedical cannabis, including but not limited to cultivating, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, wholesale, and/or retail sales of cannabis and any ancillary products in the city, whether or not carried on for gain or profit.
- I. "Cannabis business tax", "business tax" or "cannabis tax" means the tax due for engaging in cannabis business in the city.
- J. "Person" means, without limitation, any natural individual, organization, firm, trust, common law trust, estate, partnership of any kind, association, syndicate, club, joint stock company, joint venture, limited liability company, corporation (including foreign, domestic, and nonprofit), cooperative, receiver, trustee, guardian, or other representative appointed by order of any court.
- K. "Operator" shall mean any person conducting, operating, or maintaining in whole or in part as principal, agent, officer, employee or independent contractor any cannabis business or medical marijuana business as defined in this chapter, taxable under this chapter.
- L. "Sale" means and includes any sale, exchange, or barter.
- M. "Tax administrator" or "administrator" means the finance director or such other administrator designated by the city manager to administer this chapter.

5.07.040 Other licenses, permits, taxes, fees, or charges.

Nothing contained in this chapter shall be deemed to repeal, amend, be in lieu of, replace or in any way affect any requirements for any license or permit required by, under or by virtue of any provision of any other title or chapter of this code or any other ordinance or resolution of the city, nor be deemed to repeal, amend, be in lieu of, replace or in any way affect any tax, fee or other charge imposed, assessed or required by, under or by virtue of any other title or chapter of this code or any other ordinance or resolution of the city.

5.07.050 Payment of tax does not authorize unlawful business.

- A. The payment of a business tax required by this chapter, and its acceptance by the city, shall not entitle any person to carry on any cannabis business unless the person has complied with all of the requirements of this code and all other applicable laws, nor to carry on any cannabis business in any building or on any premises in the event that such building or premises are situated in a zone or locality in which the conduct of such cannabis business is in violation of any law.
- B. No tax paid under the provisions of this chapter shall be construed as authorizing the conduct or continuance of any illegal or unlawful business, or any business in violation of any ordinance of the city.

5.07.060 Payment – location.

The tax imposed under this chapter shall be paid to the administrator in lawful money of the United States at the offices of the finance director in Capitola, California. “Lawful money” shall mean any coin, currency or negotiable instrument, exchangeable for said coin or currency, which the United States Congress has declared to be a national legal tender.

5.07.070 Amount of business tax owed.

- A. Every person engaged in cannabis business in the city shall pay a business tax at a rate of up to seven percent of gross receipts.
- B. Notwithstanding the maximum tax rate of seven percent of gross receipts imposed under subsection (A), the city council may, in its discretion, at any time by ordinance, implement a lower tax rate for all cannabis businesses or establish differing tax rates for different categories of cannabis businesses, as defined in such ordinance, subject to the maximum rate of seven percent of gross receipts. The city council may, by ordinance, also increase any such tax rate from time to time, not to exceed the maximum tax rate of seven percent of gross receipts established under subsection (A).
- C. Subject to modification by ordinance adopted by the City Council pursuant to subsection (B), the initial cannabis business tax rate is set at seven percent of gross receipts. Commencing on the operative date of this chapter, every person engaged in cannabis business in the city shall pay a cannabis business tax at the rate of seven percent of gross receipts.

5.07.080 Payment – time limits.

The business tax imposed by this chapter shall be due and payable as follows:

- A. Each person owing a tax under this chapter shall, on or before the tenth day of each calendar month, prepare a tax statement to the administrator of the total gross receipts and the amount of tax owed for the preceding calendar month. At the time the tax statement is filed, the full amount of the tax owed for the preceding calendar month shall be remitted to the administrator. If the 10th falls on a weekend or Holiday observed by the City, the due date will be the next business day.
- B. All tax statements shall be completed on forms provided by the administrator.
- C. Tax statements and payments for all outstanding taxes owed the city are immediately due to the administrator upon cessation of business for any reason.

5.07.090 Payments and communications made by mail – proof of timely submittal.

Whenever any payment, statement, report, request or other communication is due, it must be received by the Tax Administrator on or before the final due date. A postmark will not be accepted as timely remittance. If the due date falls on Saturday, Sunday or a holiday, the due date shall be the next regular business day on which the City Hall building at 420 Capitola Avenue, Capitola is open to the public.

5.07.100 Payment – when taxes deemed delinquent.

Unless otherwise specifically provided under other provisions of this chapter, the taxes required to be paid pursuant to this chapter shall be deemed delinquent if not paid on or before the due date specified in Section 5.07.080.

5.07.110 Notice not required by city.

The administrator is not required to send a delinquency or other notice or bill to any person subject to the provisions of this chapter and failure to send such notice or bill shall not affect the validity of any tax or penalty due under the provisions of this chapter.

5.07.120 Payment – penalty for delinquency.

- A. Any person who fails or refuses to pay any business tax required to be paid pursuant to this chapter on or before the due date shall pay penalties and interest as follows:
1. A penalty equal to ten percent of the amount of the tax in addition to the amount of the tax, plus interest on the unpaid tax calculated from the due date of the tax; and
 2. An additional penalty equal to ten percent of the amount of the tax if the tax remains unpaid for a period exceeding one calendar month beyond the due date, plus interest on the unpaid tax and on the unpaid penalties.
 3. In addition to the penalties imposed, any person who fails to remit any tax imposed by this chapter shall pay interest at the rate of one percent per month or fraction thereof on the amount of tax, exclusive of penalties, from the last day of the month following the monthly period for which the amount or any portion thereof should have been paid until the date of payment.
 4. Only payments for the full amount due shall be accepted unless an alternate payment agreement is reached with the administrator.
- B. Whenever a check is submitted in payment of a business tax and the check is subsequently returned unpaid by the bank upon which the check is drawn, and the check is not redeemed prior to the due date, the taxpayer will be liable for the tax amount due plus the return check fee; penalties and interest as provided for in this section; and any amount allowed under state law.
- C. The business tax due shall be that amount due and payable from the first date on which the person was engaged in cannabis business in the city, together with applicable penalties and interest calculated in accordance with subsection (A).

5.07.130 Waiver of penalties

The administrator may waive the first and second penalties imposed upon any person if:

- A. The person provides evidence satisfactory to the administrator that failure to pay timely was due to circumstances beyond the control of the person and occurred notwithstanding the exercise of ordinary care and the absence of willful neglect, and the person paid the delinquent business tax and accrued interest owed the city prior to applying to the administrator for a waiver.
- B. The waiver provisions specified in this subsection shall not apply to interest accrued on the delinquent tax.
- C. A request for relief from the first and second penalties must be filed within thirty days of the date the remittance was due to the city, but no later than ten days of the city's notice, if sent, to the operator of the amount past due.

5.07.140 Refunds – credits.

- A. No refund shall be made of any tax collected pursuant to this chapter, except as provided in Section 5.07.150.

- B. No refund of any tax collected pursuant to this chapter shall be made because of the discontinuation, dissolution or other termination of a business.
- C. Any person entitled to a refund of taxes paid pursuant to this chapter may elect in writing to have such refund applied as a credit against such person's business taxes for the next calendar month.

5.07.150 Refunds and procedures.

- A. Whenever the amount of any business tax, penalty or interest has been overpaid, paid more than once, or has been erroneously or illegally collected or received by the city under this chapter, it may be refunded to the claimant who paid the tax.
- B. The administrator or the administrator's authorized agent shall have the right to examine and audit all the books and business records of the claimant in order to determine the eligibility of the claimant to the claimed refund. No claim for refund shall be allowed if the claimant refuses to allow such examination of claimant's books and business records after request by the administrator to do so.
- C. In the event that the business tax was erroneously paid and the error is attributable to the city, the entire amount of the tax erroneously paid shall be refunded to the claimant. If the error is attributable to the claimant, the city shall retain an amount from the refund reasonably calculated to cover expenses in verifying the error.
- D. A written claim for refund pursuant to this section shall be filed with the administrator within one year of the date the tax was originally due and payable.

5.07.160 Exemptions – application – issuance conditions.

Any person desiring to claim exemption from the payment of the tax set forth in this chapter shall make application upon forms prescribed by the administrator and shall furnish such information and make such affidavits as may be required by the administrator.

5.07.170 Exemptions – general.

Except as may be otherwise specifically provided in this chapter, the terms hereof shall not be deemed or construed to apply to any person when imposition of the tax upon that person would violate the Constitution of the United States or that of the state of California or preemptive federal or state law.

5.07.180 Enforcement – Duties of tax administrator and police chief.

It shall be the duty of the administrator to enforce each and all of the provisions of this chapter, and the police chief shall render such assistance in the enforcement of this chapter as may from time to time be required by the administrator.

5.07.190 Rules and regulations.

For purposes of apportionment as may be required by law and for purposes of administration and enforcement of this chapter generally, the administrator, with the concurrence of the city attorney, may from time to time promulgate administrative rules and regulations.

5.07.200 Apportionment.

- A. None of the tax provided for by this chapter shall be applied so as to occasion an undue burden upon interstate commerce or be violative of the equal protection and due process clauses of the Constitutions of the United States or the state of California.

- B. If any case where a business tax is believed by a taxpayer to place an undue burden upon interstate commerce or be violative of such constitutional clauses, the taxpayer may apply to the administrator for an adjustment of the tax. It shall be the taxpayer's obligation to request in writing for an adjustment within one year after the date of payment of the tax. If the taxpayer does not request in writing within one year from the date of payment, then taxpayer shall be conclusively deemed to have waived any adjustment for that year and all prior years.
- C. The taxpayer shall, by sworn statement and supporting testimony, show the method of business and the gross volume of business and such other information as the administrator may deem necessary in order to determine the extent, if any, of such undue burden or violation. The administrator shall then conduct an investigation, and shall fix as the tax for the taxpayer an amount that is reasonable and nondiscriminatory, or if the tax has already been paid, shall order a refund of the amount over and above the tax so fixed. In fixing the tax to be charged, the administrator shall have the power to base the tax upon a percentage of gross receipts or any other measure which will assure that the tax assessed shall be uniform with that assessed on businesses of like nature, so long as the amount assessed does not exceed the tax as prescribed by this chapter.
- D. Should the administrator determine that the gross receipt measure of tax to be the proper basis, the administrator may require the taxpayer to submit a sworn statement of the gross receipts and pay the amount of tax as determined by the administrator.

5.07.210 Audit and Examination of Records and Equipment.

- A. The administrator shall have the power to audit and examine all books and records of persons engaged in cannabis business including both state and federal income tax returns, California sales tax returns, or other evidence documenting the gross receipts of persons engaged in cannabis business, and, where necessary, all equipment of any person engaged in cannabis business in the city for the purpose of ascertaining the amount of business tax, if any, required to be paid by the provisions hereof, and for the purpose of verifying any statements or any item thereof when filed by any person pursuant to the provisions of this chapter. If such person, after written demand by the administrator, refuses to make available for audit, examination or verification such books, records or equipment as the administrator requests, the administrator may, after full consideration of all information within his or her knowledge concerning the cannabis business and activities of the person so refusing, make an assessment in the manner provided in Sections 5.07.250 through 5.07.270 of any taxes estimated to be due.
- B. It shall be the duty of every person liable for the collection and payment to the city of any tax imposed by this chapter to keep and preserve, for a period of at least four years, all records as may be necessary to determine the amount of such tax as he or she may have been liable for the collection of and payment to the city, which records the administrator shall have the right to inspect at all reasonable times.

5.07.220 Tax deemed debt to city.

The amount of any tax, penalties and interest imposed by the provisions of this chapter shall be deemed a debt to the city and any person carrying on any cannabis business without first having paid such tax shall be liable in an action in the name of the city in any court of competent jurisdiction for the amount of the tax, and penalties and interest imposed on such business and for attorneys' fees in the enforcement of this chapter.

5.07.230 Lien – recordation.

If any amount required to be paid to the city under the ordinance codified in this chapter is not paid when due, the administrator, upon expiration of the second delinquency period referenced in Section 5.07.120(A)(2), may, within four years after the amount is due, record in the office(s) of the county recorder(s) of any county in the state of California a certificate specifying the amount of tax, penalties and interest due, the name and address of the operator liable for the same and the fact that the administrator has complied with all provisions of this chapter in the determination of the amount required to be paid. From the time of the recording, the amount required to be paid together with penalties and interest shall constitute a lien upon any and all real property in any county owned by the operator or thereafter acquired by the operator. The lien shall have the force, effect and priority of a judgment lien and shall continue for ten years from the time of filing of the certificate unless sooner released or otherwise discharged.

5.07.240 Warrant for collection of tax.

At any time within four years after any operator is delinquent in the payment of any amount herein required to be paid off after the last recording of a certificate of lien under Section 5.07.230, the administrator may issue a warrant for the enforcement of any liens and for the collection of any amount required to be paid to the city under this chapter. The warrant shall be directed to any sheriff, marshal or constable and shall have the same effect as a writ of execution. The warrant shall be levied and sale made pursuant to it in the same manner and with the same effect as a levy of and a sale pursuant to a writ of execution. The administrator may pay or advance to the sheriff, marshal or constable the same fees, commissions and expenses for his or her services as are provided by law for similar services pursuant to a writ of execution.

5.07.250 Seizure and sale.

At any time within four years after any operator is delinquent in the payment of any amount, the administrator may forthwith collect the amount in the following manner: The administrator shall seize any property, real or personal, of the operator and sell the property, or a sufficient part of it, at public auction to pay the amount due together with any penalties and interest imposed for the delinquency and any costs incurred on account of the seizure and sale. Any seizure made to collect taxes due shall be only of property of the operator not exempt from execution under the provisions of the California Code of Civil Procedure.

5.07.260 Successor's and assignee's responsibility.

If any operator, while liable for any amount under this chapter, sells, assigns or otherwise transfers the business, whether voluntarily or involuntarily, the operator's subsequent successor, assign or other transferee, or other person or entity obtaining ownership or control of the business, shall satisfy any tax liability owed to the city associated with the business. Failure to do so for the benefit of the city will result in being personally liable to the city for the full amount of the tax liability, which includes interest and penalties.

The successor operator, assign, purchaser, transferee, or other person or entity seeking to obtain ownership or control of the business shall notify the administrator of the date of transfer at least thirty days prior to the transfer date; or if the agreement to sell, transfer, or otherwise dispose of the business was made less than thirty days prior to the date of transfer, notice shall be provided immediately.

The successor operator, assign, purchaser, transferee, or other person or entity who obtains ownership or control of the business shall be deemed to have complied with the requirement of this section to satisfy the unpaid tax liability if that person or entity has requested and received a “tax clearance certificate” from the administrator showing that it has been paid and stating that no amount is due through the date of transfer. The issuance of such a tax clearance certificate shall be in accordance with the procedures set forth in California Revenue and Taxation Code Section 7283.5 as applicable to transient occupancy taxes.

The administrator, within ninety days of receiving a written request from a successor operator, assign, purchaser, transferee, or other person or entity who obtains or attempts to obtain ownership or control of the business, may issue a “tax clearance certificate” stating either the amount of tax liability due and owing for the property, or stating that there is no tax liability due and owing for the property. The administrator may also request financial records from the current or former owner or operator to conduct an audit of the tax that may be due and owing. After completing the audit within ninety days after the date that the records were made available, the administrator may issue a tax clearance certificate within thirty days of completing the audit, stating the amount of the tax liability owed, if any. If the city determines that the records provided for an audit are insufficient, the administrator may rely on the facts and information available to estimate any tax liability associated with the property. The administrator may issue a tax clearance certificate stating the amount of the tax liability, if any, based on such facts and information available. A written application for a hearing on the amount assessed on the tax clearance certificate must be made within ten days after the serving or mailing of the certificate. The hearing provision of Section 5.07.300 shall apply. If an application for a hearing is not made within the time prescribed, the tax clearance certificate shall serve as conclusive evidence of the tax liability associated with the property as of the date specified on the certificate.

5.07.270 Deficiency determinations.

If the administrator is not satisfied that any statement filed as required under the provisions of this chapter is correct, or that the amount of tax is correctly computed, he or she may compute and determine the amount to be paid and make a deficiency determination upon the basis of the facts contained in the statement or upon the basis of any information in his or her possession or that may come into his or her possession within three years of the date the tax was originally due and payable. One or more deficiency determinations of the amount of tax due for a period or periods may be made. When a person discontinues engaging in a business, a deficiency determination may be made at any time within three years thereafter as to any liability arising from engaging in such business whether or not a deficiency determination is issued prior to the date the tax would otherwise be due. Whenever a deficiency determination is made, a notice shall be given to the person concerned in the same manner as notices of assessment are given under Sections 5.07.280 through 5.07.300.

5.07.280 Tax assessment – authorized when – nonpayment – fraud.

- A. Under any of the following circumstances, the administrator may make and give notice of an assessment of the amount of tax owed by a person under this chapter at any time:
1. If the person has not filed any statement required under the provisions of this chapter;
 2. If the person has not paid any tax due under the provisions of this chapter;
 3. If the person has not, after demand by the administrator, filed a corrected statement, or furnished to the administrator adequate substantiation of the information contained

in a statement already filed, or paid any additional amount of tax due under the provisions of this chapter;

4. If the administrator determines that the nonpayment of any business tax due under this chapter is due to fraud, a penalty of forty percent of the amount of the tax shall be added thereto in addition to penalties and interest otherwise stated in this chapter.
- B. The notice of assessment shall separately set forth the amount of any tax known by the administrator to be due or estimated by the administrator, after consideration of all information within the administrator's knowledge concerning the business and activities of the person assessed, to be due under each applicable section of this chapter, and shall include the amount of any penalties or interest accrued on each amount to the date of the notice of assessment.

5.07.290 Tax assessment – notice requirements.

The notice of assessment shall be served upon the person either by handing it to him or her personally, or by a deposit of the notice in the United States mail, postage prepaid thereon, addressed to the person at the address of the location of the business or to such other address as he or she shall register with the administrator for the purpose of receiving notices provided under this chapter; or, should the person have no address registered with the administrator for such purpose, then to such person's last known address. For the purposes of this section, a service by mail is complete at the time of deposit in the United States mail.

5.07.300 Tax assessment – hearing – application and determination.

Within ten days after the date of service the person may apply in writing to the administrator for a hearing on the assessment. If application for a hearing before the city is not made within the time herein prescribed, the tax assessed by the administrator shall become final and conclusive. Within thirty days of the receipt of any such application for hearing, the administrator shall cause the matter to be set for hearing before him or her not later than thirty-five days after the receipt of the application, unless a later date is agreed to by the administrator and the person requesting the hearing. Notice of such hearing shall be given by the administrator to the person requesting such hearing not later than five days prior to such hearing. At such hearing said applicant may appear and offer evidence why the assessment as made by the administrator should not be confirmed and fixed as the tax due. After such hearing the administrator shall determine and reassess the proper tax to be charged and shall give written notice to the person in the manner prescribed in Section 5.07.290 for giving notice of assessment. The amount determined to be due shall be payable after fifteen days.

5.07.310 Conviction for chapter violation – taxes not waived.

The conviction and punishment of any person for failure to pay the required tax shall not excuse or exempt such person from any civil action for the tax debt unpaid at the time of such conviction. No civil action shall prevent a criminal prosecution for any violation of the provisions of this chapter or of any state law requiring the payment of all taxes.

5.07.320 Violation deemed misdemeanor - penalty.

Any person violating any of the provisions of this chapter, or any regulation or rule passed in accordance herewith, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punishable by a fine of not more than five hundred dollars or by imprisonment for a period of not more than six months, or by both such fine and imprisonment.

5.07.330 Severability.

Should any provision of this chapter, or its application to any person or circumstance, be determined by a court of competent jurisdiction to be unlawful, unenforceable or otherwise void, that determination shall have no effect on any other provision of this chapter or the application of this chapter to any other person or circumstance and, to that end, the provisions hereof are severable.

5.07.340 Effect of state and federal reference/authorization.

- A. Unless specifically provided otherwise, any reference to a state or federal statute in this chapter shall mean such statute as it may be amended from time to time; provided, that such reference to a statute herein shall not include any amendment thereto, or to any change of interpretation thereto by a state or federal agency or court of law with the duty to interpret such law, to the extent that such amendment or change of interpretation would, under California law, require voter approval of such amendment or interpretation, or to the extent that such change would result in a tax decrease. To the extent voter approval would otherwise be required or a tax decrease would result, the prior version of the statute, or interpretation thereof, shall remain applicable; for any application or situation that would not require voter approval or result in a decrease of a tax, provisions of the amended statute, or new interpretation thereof, shall be applicable to the maximum possible extent.
- B. To the extent that the city's authorization to collect or impose any tax imposed under this chapter is expanded as a result of changes in state or federal law, no amendment or modification of this chapter shall be required to conform the tax to those changes, and the tax shall be imposed and collected to the full extent of the authorization up to the full amount of the tax imposed under this chapter.

5.07.350 Remedies cumulative.

All remedies and penalties prescribed by this chapter or which are available under any other provision of law or equity, including but not limited to the California False Claims Act (Government Code Section 12650 et seq.) and the California Unfair Practices Act (Business and Professions Code Section 17070 et seq.), are cumulative. The use of one or more remedies by the city shall not bar the use of any other remedy for the purpose of enforcing the provisions of this chapter.

5.07.360 Amendment or repeal.

This chapter of the Capitola Municipal Code may be repealed or amended by the city council without a vote of the people. However, as required by Chapter XIII C of the California Constitution, voter approval is required for any amendment provision that would increase the rate of any tax levied pursuant to this chapter. The people of the city of Capitola affirm that the following actions shall not constitute an increase of the rate of a tax:

- A. The restoration of the rate of the tax to a rate that is no higher than the maximum ten percent tax rate set by this chapter, if the city council has previously acted to reduce the rate of the tax;
- B. The city council's adoption of an ordinance, as authorized by Section 5.07.070(A), to raise the tax rate provided the tax rate is not raised to a rate higher than ten percent.
- C. An action that interprets or clarifies the methodology of the tax, or any definition applicable to the tax, so long as interpretation or clarification (even if contrary to some prior interpretation or clarification) is not inconsistent with the language of this chapter;

- D. The establishment of a class of persons that is exempt or excepted from the tax or the discontinuation of any such exemption or exception (other than the discontinuation of an exemption or exception specifically set forth in this chapter); or
- E. The collection of the tax imposed by this chapter, even if the city had, for some period of time, failed to collect the tax.”

Section 2. Severability. If any section, subsection, clause or phrase of this Ordinance is for any reason declared invalid, such declaration shall not affect the validity of the remaining portion or sections of the Ordinance. The people of the City of Capitola hereby declare that they would have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid.

Section 3. Effective Date. This ordinance shall be in full force and effect upon certification of its passage after approval by the voters, provided, however, that the tax approved hereby shall be imposed and fully in effect on and after January 1, 2019.

This Ordinance shall be considered adopted on December 13, 2018, the date that the City Council adopted Resolution No. ____ certifying the November 6, 2018, General Municipal Election.

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

ORDINANCE NO. ____

**AN ORDINANCE OF THE PEOPLE OF THE CITY OF CAPITOLA
AMENDING SECTION 3.32.030 OF THE CAPITOLA MUNICIPAL CODE PERTAINING TO
THE CITY OF CAPITOLA VISITOR SERVICES FEE (TRANSIENT OCCUPANCY TAX)**

THE PEOPLE OF THE CITY OF CAPITOLA, CALIFORNIA, DO ORDAIN AS FOLLOWS:

WHEREAS, it is the purpose of this Ordinance to amend the City of Capitola Municipal Code Section 3.32.030 entitled Fee/Tax Imposed, to increase the Visitor Services Fee (Transient Occupancy Tax) from 10% to 12%; and

WHEREAS, this Ordinance shall be known as the City of Capitola Visitor Services Fee (Transient Occupancy Tax) Increase. The City of Capitola hereinafter shall be called "City." This Ordinance shall be applicable in the incorporated territory of the City.

WHEREAS, this Ordinance is adopted to achieve the following, among other purposes, and directs the provisions hereof be interpreted in order to accomplish those purposes:

NOW, THEREFORE BE IT HEREBY ORDAINED as follows:

SECTION 1. Section 3.32.030 "Fee/Tax Imposed" of Chapter 3.32 "Visitor Services Fee and Fund" of the City of Capitola Municipal Code is hereby amended to read as follows:

"3.32.030 Fee/tax imposed.

- A. For the privilege of occupancy in any hotel, each transient is subject to and shall pay a general tax in an amount of twelve percent of the rent charged by the operator. The tax constitutes a debt owed by the transient to the city which is extinguished only by payment by the operator to the city. The transient shall pay the tax to the operator of the hotel at the time the rent is paid. If the rent is paid in installments, a proportionate share of the tax shall be paid with each installment. The unpaid tax shall be due upon the transient's ceasing to occupy space in the hotel. If for any reason the tax is not paid to the operator of the hotel, the fee administrator may require that such tax shall be paid directly to the fee administrator. The general tax revenues of 11.25 percent shall be placed in the city's general fund, 0.40 percent shall be allocated exclusively to local business groups for marketing and community improvements, and 0.35 percent shall be allocated exclusively to youth and early childhood programs."

SECTION 2. It is the purpose of this Ordinance to amend the City of Capitola Municipal Code Section 3.32.030 of the Chapter entitled Fee/Tax Imposed, to increase the Visitor Services Fee (Transient Occupancy Tax) from 10% to 12%.

SECTION 3. This Ordinance shall be considered as adopted on December 13, 2018, with the certification by the City Council of a two-thirds majority vote in favor by voters in the November 6, 2018, General Municipal Election, and shall go into effect on January 1, 2019.

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

ORDINANCE NO. ____

**AN ORDINANCE OF THE PEOPLE OF THE CITY OF CAPITOLA
AMENDING ORDINANCE 830, ORDINANCE 844 AND ORDINANCE 808 TO REMOVE
REFERENCE TO AN ELECTED TREASURER IN THE
CITY OF CAPITOLA MUNICIPAL CODE**

THE PEOPLE OF THE CITY OF CAPITOLA, CALIFORNIA, DO ORDAIN AS FOLLOWS:

Section 1. Sections 2.04.010 and 2.04.015 of the City of Capitola Municipal Code are hereby amended to read as follows.

“2.04.010. Categories. The governmental forces of the city shall be organized into the following categories.

- A. Elective. The elective offices of the City of Capitola are the city council members.
- B. The city treasurer and such city boards and commissions as are established by city council ordinance or resolution. Such boards and commissions shall have the powers and duties expressly set forth in the enabling ordinance or resolution and shall also advise the city council on matters related to the explicit function of the board or commission.
- C. City Manager and City Departments. Capitola shall be administered as a city manager form of government. It shall have such administrative departments as are set forth in this chapter and as are hereafter created by ordinance or resolution. Unless a power or duty is explicitly vested in an identified city employee, all city employees are expected to function in accordance with the instruction of their department heads, and department heads are expected to function in accordance with the instructions they receive from the city manager.

Section 2.04.015. Term limits for elected officials. City council members shall serve a maximum of two elected terms consecutively. Upon completion of a second consecutive elected term, the term-limited city council member shall be eligible to seek re-election to the City Council for a term commencing no earlier than two years after the second consecutive term has been completed. Nothing herein shall be construed to limit the City Council’s discretion to appoint an individual to fill a City Council seat which has been vacated due to resignation, death, disqualification or other cause.”

Section 2. Subsection R. “Treasurer” of Section 3.20.005 is hereby amended to read as follows:

“R. “Treasurer” means the Capitola City Treasurer.”

Section 3. This Ordinance shall be considered adopted on December 13, 2018, the date that the City Council adopted Resolution No. ____ certifying the November 6, 2018, General Municipal Election results.

APPROVED:

Michael Termini, Mayor

Attest:

Linda Fridy, City Clerk

Attachment: Appointed Treasurer Ordinance (Results of the General Municipal Election)

Changes to the Capitola Municipal Code Removing the Elected Treasurer

2.04.010 Categories.

The governmental forces of the city shall be organized into the following categories.

A. Elective. The elective offices of the city are: the city council members ~~and city treasurer.~~

B. Such city boards and commissions as are established by city council ordinance or resolution. Such boards and commissions shall have the powers and duties expressly set forth in the enabling ordinance or resolution and shall also advise the city council on matters related to the explicit function of the board or commission.

C. City Manager and City Departments. Capitola shall be administered as a city manager form of government. It shall have such administrative departments as are set forth in this chapter and as are hereafter created by ordinance or resolution. Unless a power or duty is explicitly vested in an identified city employee, all city employees are expected to function in accordance with the instruction of their department heads, and department heads are expected to function in accordance with the instructions they receive from the city manager. (Ord. 830 § 1, 2001; Ord. 375 § 1, 1974)

2.04.015 Term limits for elected officials.

City council members and ~~city treasurers~~ shall serve a maximum of two elected terms consecutively. Upon completion of a second consecutive elected term, the term-limited city council member ~~or city treasurer~~ shall be eligible to seek re-election to the city council or ~~city treasurer's office~~ for a term commencing no earlier than two years after the second consecutive term has been completed. Nothing herein shall be construed to limit the city council's discretion to appoint an individual to fill a city council seat ~~or city treasurer's office~~ which has been vacated due to resignation, death, disqualification or other cause. (Ord. 844 § 1, 2002)

3.20.005 General provisions/definitions.

Except as otherwise indicated, the meaning of accounting terms used in this chapter shall be as defined in the Glossary of Accounting Terms in Accounting Standards and Procedures for Counties prescribed by the California State Controller ("State Controller Standards"). As used in this chapter:

R. "Treasurer" means the ~~elected~~ Capitola city treasurer. (Ord. 808, 1998)

ORDINANCE NO. _____

**AN ORDINANCE OF THE PEOPLE OF THE CITY OF CAPITOLA
 ADDING CHAPTER 8.72 "GREENWAY CAPITOLA CORRIDOR" TO
 TITLE 8 "HEALTH AND SAFETY"
 OF THE CITY OF CAPITOLA MUNICIPAL CODE**

THE PEOPLE OF THE CITY OF CAPITOLA, CALIFORNIA, DO ORDAIN AS FOLLOWS:

Section 1. Chapter 8.72 entitled "Greenway Capitola Corridor" is hereby added to Title 8 "Health and Safety" of the City of Capitola Municipal Code to read as follows:

8.72.010 Purpose.

It is the purpose of this chapter to improve safety and reduce traffic by keeping the Monterey Bay Sanctuary Scenic Trail (Trail) in the Santa Cruz Branch Line Rail Corridor (Corridor) within the City of Capitola while protecting the Capitola Trestle (Trestle).

8.72.020 Definitions.

For the purposes of this chapter, the following words and phrases shall have the meanings set forth in this section:

- A. "Active Transportation" means any form of human-powered transportation including walking, cycling, using a wheelchair or other mobility device, in-line skating or skateboarding. Such forms of transportation may include an electric assistance such as e-bikes, e-skateboards, or motorized wheelchairs.
- B. "Greenway" means the space within the Corridor to be used for recreation and active transportation via a continuous pathway.

8.72.030 Findings.

- A. New Public Asset. In 2012 the Santa Cruz County Regional Transportation Commission (SCCRTC) acquired the Corridor from Union Pacific. The Corridor includes the historic Trestle. For the first time, the Corridor and Trestle have the potential to be accessible for bike and pedestrian use. The SCCRTC is planning bike and pedestrian use along the majority of the Corridor.
- B. Trestle Detour. The SCCRTC has proposed making the Trestle off-limits to pedestrians, bikes, electric bikes, and skateboarders, detouring pedestrian and bike traffic from the Corridor onto bike lanes and sidewalks in the local Capitola street network and across the Stockton Avenue Bridge.
- C. Accessibility. A detour from the Trestle through Capitola Village would require an approximately 200 ft grade change on both ends of the trail. Keeping the Trail on the Trestle provides a flat path across Capitola, which increases accessibility for people of all ages and abilities.
- D. Skateboarding for Transportation. A detour would enter Capitola's "no skateboarding zone," inhibiting skateboarding for transportation to New Brighton Middle School and the McGregor Pump Track & Skateboard Park. In contrast, a trail that crosses the Trestle would provide safe access to both locations.

- E. **Traffic and Safety.** Capitola Village streets are often congested preventing residents and visitors from getting from one side of Capitola to the other quickly and safely. Increasing passthrough bicycle and pedestrian traffic would exacerbate the existing problem.
- F. **Safe Routes to School.** It is the stated goal of Santa Cruz County, California, Transportation Sales Tax Measure D (November 2016) to "provide safe routes to schools." Walking and biking via the Trestle will provide safe access to New Brighton Middle School. A detour that navigates a significant grade change on narrow, busy streets will not.
- G. **Stated Preference.** 82% of residents who provided input regarding the Corridor in Vision Capitola 2016 supported using the Corridor for active transportation and recreation rather than a train.
- H. **Efficient Route.** Keeping the Trail in the Corridor as it crosses the Trestle will provide a direct pathway from one side of Capitola to the other.
- I. **Tourism.** The ability to actively use the Trestle will support the local economy by attracting tourists with a safe new way to experience breathtaking views.
- J. **Healthy Community and Sustainable Transportation.** Bicycling and walking are by far the healthiest, most sustainable forms of transportation. Building a safer Trail will encourage more people to choose these options.

8.72.040 Implementation.

- A. The City of Capitola, through its constituent departments, shall take all steps necessary to preserve and utilize the Corridor and Trestle for active transportation and recreation.
- B. No City of Capitola department, agency or employee shall expend any funds or resources related to the construction, reconstruction, operation, maintenance, financing, marketing, or signage for a detour of the Trail onto Capitola streets or sidewalks.

8.72.050 Changes.

This chapter shall not be amended or repealed except by vote of the people.

8.72.060 Effect of adoption.

Adoption of this chapter by the people shall not be construed as amending or rescinding any provisions of the general plan, local coastal program or zoning ordinances, but rather shall be construed and harmonized in a manner to strengthen and define such provisions.

8.72.070 Severability.

If any section, sentence, clause, phrase, or part of this chapter is held to be invalid, the remainder of the chapter shall be given full effect consistent with the intent and purpose of the chapter.

Section 2. Effective Date. This Ordinance shall be considered adopted on December 13, 2018, the date that the City Council adopted Resolution No. ____ certifying the November 6, 2018, General Municipal Election results.

Michael Termini, Mayor

ATTEST:

Linda Fridy, City Clerk

Attachment: Greenway Capitola Corridor Ordinance (Results of the General Municipal Election)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Recognition of Outgoing Council Members

RECOMMENDED ACTION: Thank retiring Council Member Stephanie Harlan and Mayor Michael Termini.

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:

A handwritten signature in blue ink, appearing to be "JG", is written over a horizontal line.

Jamie Goldstein, City Manager

12/6/2018



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Oath of Office Ceremony for Newly Elected and Re-elected Council Members
and Seating of Newly Elected Officials

RECOMMENDED ACTION: Administer the oath of office and receive comments from new Council Members.

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:

A handwritten signature in blue ink, appearing to be "JG", is written over a horizontal line.

Jamie Goldstein, City Manager

12/6/2018



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: City Council Reorganization for the Selection of Mayor and Vice Mayor

RECOMMENDED ACTION: City Council members nominate and elect a new mayor and mayor pro tempore (vice mayor).

BACKGROUND/DISCUSSION: The state Government Code calls for the City Council to select a mayor and mayor pro tempore (vice mayor) following the general municipal election, and defines those roles: "The mayor shall preside at the meetings of the council. If he or she is absent or unable to act, the mayor pro tempore shall serve until the mayor returns or is able to act. The mayor pro tempore has all of the powers and duties of the mayor" (Government Code Section 36802).

The newly seated City Council should select a new mayor and vice mayor by motion. The newly selected Mayor will then determine the seating arrangement and preside over the remainder of the meeting.

FISCAL IMPACT: None

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:

Jamie Goldstein, City Manager

12/5/2018



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department
SUBJECT: Review Initial Council Appointments

RECOMMENDED ACTION: Appoint representatives to boards with early January meetings:

1. Capitola Planning Commission
2. Santa Cruz County Sanitation District Board
3. Association of Monterey Bay Area Governments

BACKGROUND: Most of the City of Capitola's advisory bodies have terms that expire in December 2018 and will require the City Council or individual members to make appointments for the next term. In addition, Council Members sit on several City and multi-jurisdiction boards and a number of those appointments are open. Although most appointments will be reviewed at the January 10, 2019, City Council meeting, some require December action to provide representation at meetings in the first half of January.

DISCUSSION: Staff recommends appointments to the Capitola Planning Commission, Santa Cruz County Sanitation District, and Monterey Bay Area Governments (AMBAG) be made at this time.

Planning Commission: Each City Council member appoints a member to this land use advisory body, which has also been granted responsibility for issuing most development permits. Recruitment opened in late October for both sitting members to reapply and new applications. The following asked to be considered for appointment (new applications Attachments 1-5)

- Ed Newman (Council Member Bertrand's previous appointee)
- Troy TJ Welch (Council Member Bottorff's previous appointee)
- Courtney Christiansen
- John Flaniken
- Kelly Mozumder
- Mick Routh
- Peter Wilk

Sanitation District: This board requires a council member representative to attend twice-monthly meetings, the first of which for 2019 is January 17. Stephanie Harlan was previously the representative and Jacques Bertrand served as alternate.

AMBAG: This multi-jurisdiction agency meets the second Wednesday of each month at 7 p.m. at various locations. Kristen Petersen has been serving as representative and Ed Bottorff as

Annual Appointments
December 13, 2018

alternate. They may choose to continue their appointment or invite other council members to serve.

FISCAL IMPACT: None.

ATTACHMENTS:

1. Christiansen PC application
2. Flaniken PC application
3. Mozumder PC application
4. Routh PC application
5. Wilk PC application

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/6/2018

CITY OF CAPITOLA
CITY CLERK

NOV 21 2018



CITY of CAPITOLA BOARDS AND COMMISSIONS APPLICATION

Application for:

- Art & Cultural Commission
[Artist; Arts Professional; At Large Member]
Please underline category above.
- Architecture & Site Committee
[Architect; Landscape Architect; Historian]
Please underline category above.
- Finance Advisory Committee
[Business Representative; At Large Member]
Please underline category above.
- Traffic & Parking Commission
[Central Village Resident; Village Business Owner; City Council Appointee]
Please underline category above.
- Historical Museum Board
- Planning Commission
- Library Advisory Committee
- Other Committee _____

Name: CHRISTIANSEN COURTNEY
Last First

Residential Neighborhood: PLEASURE POINT / PENDING CAPITOLA RESIDENT (DEPOT HILL)

Occupation: PROJECT MANAGER / FUSE ARCHITECTS

Describe your qualifications and interest in serving on this Board/Commission/Committee:

please see appendix: 'A' - Attached

(Use additional paper, if necessary)

Please Note: Appointment to this position may require you to file a conflict of interest disclosure statement with the City Clerk. This information is a public record and these statements are available to the public on request.

Signature of Applicant

11/21/2018

Date

Signature of Applicant

Mail or Deliver Application to:
Capitola City Hall
Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

All information contained in this page of the application is public data and will be made available for public review and copying for anyone requesting it, and may be posted on the website of the City of Capitola. All information in this page will be provided to the Capitola City Council in a public forum and will be reviewed in public. It will therefore be part of the public record.

Attachment: Christiansen PC application (Annual Appointments)

Attachment 'A' – Boards and Commissions Applications – Courtney ChristiansenDescribe your Qualifications and interest in serving on this Board / Commission / Committee:

Capitola and Pleasure Point have my home for 36 years and I am proud to say that after growing up in the area and following my education, I am privileged to be able to invest my career back into the community that fostered a passion for art, design, and Architecture. I have been employed as a Project Manager at Fuse Architects in Capitola Village for over seven (7) years and I am currently taking the ARE exams to procure a California State Architecture license. I have been involved with the Capitola Planning process as well as the building department on numerous occasions and I am very familiar with Capitola City Municipal code, as well building code. I would be an invaluable addition to the City of Capitola Planning Commission as I bring an enthusiastic, impassioned and knowledgeable approach to all projects I am involved with.



RECEIVED

NOV 27 2018

CITY OF CAPITOLA

CITY of CAPITOLA BOARDS AND COMMISSIONS APPLICATION

Application for:

- Art & Cultural Commission
[Artist; Arts Professional; At Large Member]
Please underline category above.
- Architecture & Site Committee
[Architect; Landscape Architect; Historian]
Please underline category above.
- Finance Advisory Committee
[Business Representative; At Large Member]
Please underline category above.
- Traffic & Parking Commission
[Central Village Resident; Village Business Owner; City Council Appointee]
Please underline category above.
- Historical Museum Board
- Planning Commission
- Library Advisory Committee
- Other Committee _____

Name: Flaniken, John
Last First

Residential Neighborhood: wharf & clares

Occupation: Real Estate Broker

Describe your qualifications and interest in serving on this Board/Commission/Committee: see attached

(Use additional paper, if necessary)

Please Note: Appointment to this position may require you to file a conflict of interest disclosure statement with the City Clerk. This information is a public record and these statements are available to the public on request.

November 27th 2018
Date

[Signature]
Signature of Applicant

Mail or Deliver Application to:
Capitola City Hall
Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

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Attachment: Flaniken PC application (Annual Appointments)

City of Capitola

Boards and Commissions Application-

Describe your qualifications and interest in serving on this Board/Commission/Committee:

Current:

2018-2019 Board of Directors- Rotary Club of Santa Cruz Sunrise

2018-2019 Board of Directors- SC County Association of Realtors

Vice-Chair Local Government Relations- SC County Association of Realtors

Finance Committee- SC County Association of Realtors

Broker/Owner Trade-In Real Estate

Broker Associate David Lyng Real Estate

Licensed Broker since 2010 & Realtor since 2004

Capitola-Soquel Chamber of Commerce

Chemistry Degree, University of California Santa Cruz

As a 10+ year resident and homeowner with young children, I support thoughtful long-term planning & zoning decisions insuring Capitola continue to balance economic interests with safety & small-town charm.



CITY of CAPITOLA BOARDS AND COMMISSIONS APPLICATION

Application for:

- Art & Cultural Commission
[Artist; Arts Professional; At Large Member]
Please underline category above.
- Architecture & Site Committee
[Architect; Landscape Architect; Historian]
Please underline category above.
- Finance Advisory Committee
[Business Representative; At Large Member]
Please underline category above.
- Traffic & Parking Commission
[Central Village Resident; Village Business Owner; City Council Appointee]
Please underline category above.
- Historical Museum Board
- Planning Commission
- Library Advisory Committee
- Other Committee _____

Name: MOZUMDER KELLY
Last First

Residential Neighborhood: CAPITOLA

Occupation: REAL ESTATE ASSET MANAGER

Describe your qualifications and interest in serving on this Board/Commission/Committee: _____

PLEASE SEE ATTACHED SYNOPSIS.

(Use additional paper, if necessary)

Please Note: Appointment to this position may require you to file a conflict of interest disclosure statement with the City Clerk. This information is a public record and these statements are available to the public on request.

10/30/18
Date

[Signature]
Signature of Applicant

Mail or Deliver Application to:
Capitola City Hall
Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

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Attachment: Mozumder PC application (Annual Appointments)

Application for Appointment – CAPITOLA PLANNING COMMISSION

KELLY MOZUMDER

I have over a decade of experience working in the development & construction industry. I gained my start in San Diego working for a Northern California based developer on a large scale high rise condominium project, the ICON Building, in the heart of the Gaslamp District. After completion of the new 327 unit building, I went on to serve on the HOA Board as the chair of the Architectural Committee for several years. In 2008 I then proceeded to work as a Construction Project Manager for a Long Beach based general contractor and then in 2013 transitioned to the Bay Area working for their Northern California division. I specialized in construction management, estimating & budgeting of varying projects including residential, commercial, and government owned structures.

Currently I am working as a Real Estate Asset Manager for deRegt Investment Holdings & deRegt Development, Inc. which are both diversified partnerships specializing in land entitlement and real estate investment capitalization. I aid in the process of negotiating multiple loans and partnership restructuring to achieve maximum returns for lenders and investors. I am in constant review of plans, City permitting, and design details for potential developments. As a company, we focus on strategic real estate investment holdings, single-family home development and in-fill, medium-to-high density mixed-use multifamily developments. I am also the acting property manager for the various completed developments owned by our partnership.

As a resident of Capitola coupled with my knowledge of construction and development, I feel I am a capable candidate to serve as a member of the Planning Commission. It is imperative that members work towards preserving the fabric of our community as well as weighing the pros and cons of implementing change. I look forward to collaborating with a team that has the best interests of our City in mind. Thank you in advance for your consideration.



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CITY OF CAPITOLA

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DEC - 4 2018
CITY OF CAPITOLA

7.E.4

CITY of CAPITOLA BOARDS AND COMMISSIONS APPLICATION

Application for:

- Art & Cultural Commission
[Artist; Arts Professional; At Large Member]
Please underline category above.
- Architecture & Site Committee
[Architect; Landscape Architect; Historian]
Please underline category above.
- Finance Advisory Committee
[Business Representative; At Large Member]
Please underline category above.
- Traffic & Parking Commission
[Village Resident; Village Business Owner; At Large Member]
Please underline category above.
- Historical Museum Board
- Planning Commission
- Library Advisory Committee
- Other Committee _____

Name: ROUTH MICK
Last First

Residential Neighborhood: JEWEL BOX

Occupation: RETIRED

Describe your qualifications and interest in serving on this Board/Commission/Committee: _____

24 YEARS CITY COUNCIL MEMBER - CAPITOLA 1972-1996

2 TERMS MAYOR 1978-80 1986-88

4 YEARS PLANNING COMMISSIONER 2008-2012

8 YEARS SCHOOL BOARD MEMBER K-5.

(Use additional paper, if necessary)

Please Note: Appointment to this position may require you to file a conflict of interest disclosure statement with the City Clerk. This information is a public record and these statements are available to the public on request.

12/4/18
Date

[Signature]
Signature of Applicant

Mail or Deliver Application to:
Capitola City Hall
Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

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Attachment: Routh PC application (Annual Appointments)



CITY of CAPITOLA BOARDS AND COMMISSIONS APPLICATION

Application for:

- Art & Cultural Commission
[Artist; Arts Professional; At Large Member]
Please underline category above.
- Architecture & Site Committee
[Architect; Landscape Architect; Historian]
Please underline category above.
- Finance Advisory Committee
[Business Representative; At Large Member]
Please underline category above.
- Traffic & Parking Commission
 [Central Village Resident; Village Business Owner; City Council Appointee]
Please underline category above.
- Historical Museum Board
- Planning Commission
- Library Advisory Committee
- Other Committee _____

Name: Wilk Peter
Last First

Residential Neighborhood: village

Occupation: Retired engineer

Describe your qualifications and interest in serving on this Board/Commission/Committee: Citizens committee for zoning code revision. Commission on the environment. City Treasurer, 2016-2018.
My goal is to make the commission predictable. Get on same page as staff. Be guided by zoning code and general plan. Mollify neighbors where practical. Daughter is on Santa Clara planning staff (county) - use as sounding board.
 (Use additional paper, if necessary)

Please Note: Appointment to this position may require you to file a conflict of interest disclosure statement with the City Clerk. This information is a public record and these statements are available to the public on request.

Nov 8, 2018
Date

[Signature]
Signature of Applicant

Mail or Deliver Application to:
Capitola City Hall
Attn: City Clerk
420 Capitola Avenue, Capitola, CA 95010

All information contained in this page of the application is public data and will be made available for public review and copying for anyone requesting it, and may be posted on the website of the City of Capitola. All information in this page will be provided to the Capitola City Council in a public forum and will be reviewed in public. It will therefore be part of the public record.

Attachment: Wilk PC application (Annual Appointments)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF DECEMBER 13, 2018

FROM: City Manager Department

SUBJECT: Consider the 2019 Meeting Schedule for the City Council/Successor Agency

RECOMMENDED ACTION: Determine the summer meeting dates and consider if the Council wishes to change the 7:00 p.m. City Council open session meeting start time, then adopt a resolution setting the 2019 meeting schedule.

BACKGROUND: At the end of each calendar year staff prepares the regular meeting schedules for the following year. The City Council has traditionally held only one meeting in December and more recently approved schedules with one meeting in both July and August. The open public sessions have usually started at 7 p.m. Capitola Municipal Code limits the start time for regular meetings to "in no event earlier than 6 p.m."

DISCUSSION: Attached is the proposed regular meeting schedule for the City Council/Successor Agency for 2019. Regular meetings of the City Council generally are held on the second and fourth Thursday of the month as required by the Municipal Code, and the 2019 schedule is similar to previous years'.

In 2018 to accommodate election deadlines, the Council met on the fourth Thursday in July and second Thursday in August. Without the pressure of these deadlines, staff is asking for Council input on which date it prefers for August 2019.

Staff is also asking the Council to consider an earlier start time of either 6:00 or 6:30 p.m. for the open sessions. This change was discussed in December 2017 and while the 7 p.m. start was retained, Council kept the option open for future members. A 6:30 p.m. start time matches that of both the Soquel Union Elementary School District and Santa Cruz City School District boards and the City of Watsonville. The City of Scotts Valley begins at 6 p.m., and the City of Santa Cruz holds both midday and evening meetings.

One advantage of starting earlier is that for members of the public who are interested in a specific item on the agenda, their item will come up earlier in the evening. A potential disadvantage of starting earlier is that Council Members who work traditional office hours will have less time between work and the beginning of the closed session meeting, which generally starts between 30-60 minutes prior to the open session.

The Successor Agency meetings are held on an as-needed basis, generally immediately following a regular City Council meeting.

Upon approval, the meeting schedule will be posted on the City's website and at City Hall. It will

Meeting Schedules for 2019
December 13, 2018

also be distributed to newspapers and interested parties.

FISCAL IMPACT: None

ATTACHMENTS:

1. 2019 Meeting Schedule Council-Successor

Report Prepared By: Linda Fridy
City Clerk

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

12/5/2018

**2019 CITY OF CAPITOLA
City Council and Successor Agency Meeting Dates
and Deadline for Submittal of Agenda Items**

SUBMITTAL DATE¹	MEETING DATE²
DECEMBER 31	JANUARY 10
JANUARY 14	JANUARY 24
FEBRUARY 4	FEBRUARY 14
FEBRUARY 19	FEBRUARY 28
FEBRUARY 25	MARCH 14
MARCH 11	MARCH 28
APRIL 1	APRIL 11
APRIL 15	APRIL 25
APRIL 29	MAY 9
MAY 13	MAY 23
JUNE 3	JUNE 13
JUNE 17	JUNE 27
JULY 15	JULY 25
JULY 29 or AUGUST 12	AUGUST 8 or 22
SEPTEMBER 3	SEPTEMBER 12
SEPTEMBER 16	SEPTEMBER 26
SEPTEMBER 30	OCTOBER 10
OCTOBER 15	OCTOBER 24
NOVEMBER 4	NOVEMBER 14
NOVEMBER 18	TUESDAY, NOVEMBER 26▲▲
DECEMBER 2	DECEMBER 12

Staff reports to be included on a particular agenda must be submitted to the City Manager's Office NO LATER than 5 p.m. on the submittal date so that it may be reviewed. Items received after that date may be scheduled for the next available agenda.

NOTE: ▲▲ Due to Thanksgiving Holiday, the meeting will be held on Tuesday.

This schedule was approved at the _____ 2018, City Council Meeting.

¹ Submittal dates are typically on Mondays; if a City holiday falls on a Monday the submittal date is on a Tuesday.

² Regular Meetings of the City Council/Successor Agency are held on the second and fourth Thursdays of each month. The Regular City Council meetings begin at **7 p.m.** (or in no event earlier than 6 p.m.) in the Capitola City Hall Council Chambers, 420 Capitola Avenue, Capitola, CA.