



AGENDA
FINANCE ADVISORY COMMITTEE
REGULAR MEETING
TUESDAY NOVEMBER 7, 2023
6:00 PM
CITY HALL UPSTAIRS CONFERENCE ROOM
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

CALL TO ORDER AND ROLL CALL

Committee Members: Vice Mayor Kristen Brown, Councilmember Alexander Pedersen, Chairperson Michelle Coffman, Laura Alioto, Michael Lavigne, Anthony Rovai

ORAL COMMUNICATIONS *(No action may be taken)*

The Chair may announce and set time limits at the beginning of each agenda item.

The Committee Members may not discuss Oral Communications to any significant degree but may request issues raised be placed on a future agenda.

OTHER BUSINESS *The Chair may announce and set time limits for speakers at the beginning of each agenda item.*

Topic	Who	Min.
A. Approval of Minutes – Meeting of Aug. 15, 2023	All	5
B. Potential Revenue Ballot Measures	All	20
C. FY 2023-24 1st Qtr. Budget vs. Actuals	Fin Dir	15
D. CalPERS Actuarial Report Update	Fin Dir	10
E. TOT Audit Update	Fin Dir	5
F. Discussion of Items for Next Agenda	All	5

ADJOURNMENT

Notice: The Finance Advisory Committee meets on the Tuesday every other month at 6:00 PM in the Staff Conference Room in City Hall located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The Finance Advisory Committee Agenda is available on the City's website: www.cityofcapitola.org/ on Friday prior to the Tuesday meeting. If you need additional information, please contact the Finance Department at (831) 475-7300.

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.

Appeals: Any person who believes that a final action of this advisory body has been taken in error may appeal that decision to the City Council. Appeals must be in writing and delivered to the City Clerk's Office within ten (10) working days from the time of the boards' decision. The notice of appeal shall set forth appellant's name, phone number, address to which notices may be sent to the appellant, and the grounds upon which the appeal is made.



MINUTES
FINANCE ADVISORY COMMITTEE
REGULAR MEETING
TUESDAY AUGUST 15, 2023
6:00 PM
CITY HALL UPSTAIRS CONFERENCE ROOM
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

CALL TO ORDER AND ROLL CALL

Committee Members Present: Vice Mayor Kristen Brown, Councilmember Alexander Pedersen, Chairperson Michelle Coffman, Laura Alioto, Michael Lavigne, Anthony Rovai

Committee Members Absent: None

ORAL COMMUNICATIONS

None

OTHER BUSINESS

Rescheduled next FAC meeting to Nov. 7, 2023, cancelled Oct. 17th meeting.

Topic
<p>A. Approval of Minutes – Meeting of June 20, 2023 Minutes moved by Chairperson Coffman, seconded by Councilmember Pedersen. Minutes unanimously approved.</p>
<p>B. Comprehensive Fee Study RFP Update Staff provided a summary of the Request for Proposal process to conduct a Comprehensive Fee Study including an overview of the 5 proposals received and staff's recommendation to contract with Willdan Financial Services.</p>
<p>C. Banking Services RFP discussion Staff provided a summary of the City's current banking contract with Wells Fargo as well as the pros & cons of issuing a Request for Proposals (RFP) for banking services. After a brief discussion, the committee recommended issuance of an RFP during FY 2023-24.</p>
<p>D. Investment Policy Amendment Staff provided a presentation on amending the City's Investment Policy to include Placement Service Deposits and Placement Service Certificates of Deposit. Following a brief discussion, Committee member Lavigne made a motion to recommend the amendment to the City's Investment Policy, which was seconded by Chairperson Coffman, the committee unanimously agreed to recommend that the City Council approve amending the Investment Policy.</p>
<p>E. TOT Audit Update Staff updated the committee on Beach House Rentals (BHR) next court date of Aug. 22, 2023, and the BHR City appeal date of Aug. 24, 2023.</p>
<p>F. Discussion of Items for Next Agenda CalPERS Actuarial Report, TOT Audit Update, 1st Quarter Budget vs. Actuals, Investment Report</p>

ADJOURNMENT: Chairperson Coffman adjourned the meeting at 6:42 PM.

Finance Advisory Committee

Agenda Report



Meeting: Nov. 7, 2023

From: Finance Department

Subject: Potential Revenue Ballot Measures

Recommended Action: Discuss polling potential revenue ballot measures for the 2024 election and make a recommendation to the City Council.

Background: The City Council budgeted \$25,000 in Fiscal Year (FY) 2023-24 for conducting a survey regarding potential revenue ballot measures in anticipation of the 2024 election. Staff is targeting early 2024 should the City decide to conduct a survey and are currently collecting proposals for election polling services .

Discussion: Staff has identified the following potential ballot measures for consideration in 2024:

- Extension of Measure F – Measure F is a ¼ cent district sales tax approved by voters in 2004 to protect essential city services and facilities, such as police and emergency safety programs, protect the wharf and beach from storms and rising sea levels, and maintain and improve parks, sidewalks, and bike lanes. Measure F, originally set to expire June 30, 2010, was extended through Dec. 31, 2017 in 2008 and extended through Dec. 31, 2027 in 2016 with an 81% approval rate.

Measure F generates approximately \$1 million annually and has been utilized for the Wharf, Jetty, Flume, and Grand Ave. path projects as well as the purchase of a loader for beach maintenance. Additionally, Measure F was utilized to fund public safety operations during the COVID-19 pandemic.

- General Obligation Bond – A municipal bond issued by the City and backed by the credit and taxing authority of the City. General Obligation Bonds are usually used to fund government projects that will serve the public community. These are issued for a set repayment term, usually 30 years, and a set amount of tax added to property tax (for example \$25 per every \$100,000 of assessed property value).
- Utility Users Tax (UUT) – This is a tax on the consumption of utility services such as electricity, gas, water, sewer, telephone, sanitation, and cable television. The rate of tax and use of revenues is determined by the City; however, most cities with UUT's adopted taxes prior to 1986 by City Council resolution, they now require voter approval. These can be adopted for a limited duration and provide low-income exemptions, but they are still statistically one of the more difficult taxes to obtain voter approval.
- Other:
 - Vacant Home Tax – a tax on homes that are determined to be vacant for a certain amount of time during the year, usually greater than 6 months. This did not poll well for the 2022 election and the City of Santa Cruz measure was not approved by voters.

Fiscal Impact: None. If the City Council considers placing a measure on the ballot, the fiscal impact will be determined at that time.

Report Prepared By: Report Prepared By: Jim Malberg

Finance Advisory Committee Agenda Report

Meeting: Nov. 7, 2023

From: Finance Department

Subject: Fiscal Year 2023-24 First Quarter Budget vs. Actuals



Recommended Action: Receive report from staff.

Background: Each year the City Council adopts an annual budget for the July 1st through June 30th fiscal year. September 30th marks the end of the 1st quarter of the fiscal year.

Discussion: The Fiscal Year (FY) 2023-24 general fund budget is performing as expected when comparing to the prior year. Revenues are up over the prior year approximately \$151,000 (6.75%) primarily due to continued strong TOT performance. Expenditures are up as anticipated over the prior year by approximately \$602,000 primarily due to increased personnel costs and a \$250,000 deposit in the CalPERS Reserve Account.

Fiscal Impact: None

Report Prepared By: Report Prepared By: Jim Malberg

Finance Advisory Committee

Agenda Report



Meeting: Nov. 7, 2023

From: Finance Department

Subject: CalPERS Actuarial Report Update

Recommended Action: Receive report from staff.

Background: The City provides employees with retirement benefits through the California Public Employees Retirement System (CalPERS). The retirement benefit is a defined benefit and contributions are made by the City as well as employees. There are four basic plans that Capitola City employees fall under, and the benefit and contribution amounts for each employee are determined by the specific plan.

Discussion: City of Capitola employees fall under two categories within CalPERS, public safety (sworn police department staff) and miscellaneous. Within those categories there are two retirement plans, Classic and PEPPRA, determined by the date the employee entered CalPERS.

Each year, CalPERS actuaries complete their actuarial reports and determine if the present value of plan assets is sufficient to meet the future demands of benefit payments. If it is determined that the plan does not have sufficient assets to meet future demands, then the Unfunded Actuarial Liability (UAL) is calculated as well as the annual payment the City is required to make.

The CalPERS Classic Plans, which were considered fully funded in 2000, have seen increasing UAL payments each year since with the exception of 2022 when the City's annual UAL payment remained basically unchanged. The City's UAL payment for FY 2024-25 is \$2,552,124 which is an increase of \$412,993 (19.3%) from the prior year. The City's UAL for FY 2024-25 is \$32.5 million, an increase of \$11.4 million (54.3%) from the prior year. The primary factor driving the increase is that CalPERS has estimated a return on investments of 6.8% in both of the last two years when in fact they had negative returns of 6% last year and only 5.8% returns this year.

The dramatic increase to the UAL in the Classic Plan following the Housing Market "bubble" and subsequent recession lead to the Public Employees' Pension Reform Act (PEPPRA) in 2012. PEPPRA changed the defined benefit amount increasing the retirement age and lowering the retirement compensation percentage for employees entering CalPERS Jan. 1, 2013, and after. The plan had maintained close to a 100% funding level since inception, however, now is at approximately 90% funding.

Fiscal Impact: The FY 2024-25 CalPERS UAL payment will increase \$412,993.

Report Prepared By: Report Prepared By: Jim Malberg