



AGENDA
FINANCE ADVISORY COMMITTEE
REGULAR MEETING
TUESDAY SEPTEMBER 17, 2024
6:00 PM
CITY HALL COMMUNITY ROOM
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

CALL TO ORDER AND ROLL CALL

Committee Members: Mayor Kristen Brown, Vice Mayor Yvette Brooks, Chairperson Michelle Coffman, Vice Chairperson Anthony Rovai, Laura Alioto, Matt Aurther, Anthoney Guajardo

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 – Meetings of May 14 and May 21, 2024	All	5
B. Quarterly Investment Report	Fin Dir	15
C. Fee Study Update	Fin Dir	15
D. TOT Ordinance Update	Fin Dir	15
E. Banking Services 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 Community 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 accommodation 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
SPECIAL MEETING
TUESDAY MAY 14, 2024
6:00 PM
CITY HALL COMMUNITY ROOM
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

CALL TO ORDER AND ROLL CALL

Committee Members Present: Mayor Kristen Brown, Vice Chairperson Anthony Rovai, Laura Alioto

Committee Members Absent: Vice Mayor Yvette Brooks, Chairperson Michelle Coffman

ORAL COMMUNICATIONS

None

OTHER BUSINESS

None

Topic
A. Approval of Minutes – Meeting of Jan. 16, 2024 Minutes moved by Mayor Brown and seconded by committee Vice Chair Rovai. Minutes unanimously approved.
B. FY 2024-25 Proposed Budget Staff provided an update on the FY 2024-25 Proposed Budget which included an overview of ongoing revenues and expenditures, an update on the general and reserve fund balances, and a 5-year budget forecast. The committee also discussed City Council Goals and the following items: • Creation of the Community Services and Recreation Dept. • Phase 2 of the City Hall Needs assessment - \$67,000 • LAFCO Sphere of Influence study – moving forward with study • Road repairs on Raposa & San Jose between Capitola Ave. & Cherry Ave. - \$50,000 • McGregor Pump Track - \$50,000 • Eviction Defense Collaborative - \$5,000 - \$10,000 In summary, the FAC supported the creation of the Community Services & Recreation Dept., suggested reviewing the City Hall Needs Assessment during the mid-year budget review, supported moving forward with the LAFCO study and road repairs. The FAC requested that staff provide additional information regarding McGregor Pump Track and the Eviction Defense Collaborative at the May 21st regular meeting.
C. Discussion of Items for Next Agenda FY 2024-25 Proposed Budget, City Investment Policy, City Councilmember Compensation

ADJOURNMENT

Vice Chairperson Rovai adjourned the meeting at 7:30 PM.



MINUTES
FINANCE ADVISORY COMMITTEE
REGULAR MEETING
TUESDAY MAY 21, 2024
6:00 PM
CITY HALL COMMUNITY ROOM
420 CAPITOLA AVENUE, CAPITOLA, CA 95010

CALL TO ORDER AND ROLL CALL

Committee Members Present: Vice Mayor Yvette Brooks, Chairperson Michelle Coffman, Vice Chairperson Anthony Rovai, Laura Alioto

Committee Members Absent: Mayor Kristen Brown

ORAL COMMUNICATIONS

None

OTHER BUSINESS

None

Topic
A. FY 2024-25 Proposed Budget Follow-Up Staff provided updates to the proposed budget related to the completion of negotiations with a few of the labor bargaining groups as well as the requested information for McGregor Pump Track and the Eviction Defense Collaborative. The FAC made a recommendation to City Council to allocate an additional \$30,000 to McGregor Pump Track while staff continues to seek additional matching donations and to designate \$5,000 for the Eviction Defense Collaborative pending further follow-up by staff.
B. Discussion on annual update, if any, to City Investment Policy Staff provided an overview of the City investment policy. After a brief discussion, the committee recommended adopting the FY 2024-25 City Investment Policy without any changes. However, the FAC requested a review of the policy during the fiscal year to consider annuities.
C. City Council Compensation Staff provided an overview of Senate Bill (SB) 329 related to City Council compensation with an effective date of Jan. 1, 2024, as well as a history of City Council compensation in Capitola. SB329 increased the maximum compensation for cities with a population up to and including 35,000 to \$950 per month with the intent of allowing individuals across different income levels to serve & support their families. Following the discussion, the FAC unanimously recommended to the City Council to increase City Council compensation to \$950 per month as allowed by State law. Vice Mayor Brooks abstained from voting.
D. Discussion of Items for Next Agenda quarterly investment report, potential fee schedule, banking rfp and TOT ordinance updates.

ADJOURNMENT: Chairperson Coffman adjourned the meeting at 7:03 PM.

Finance Advisory Committee

Agenda Report



Meeting: September 17, 2024

From: Finance Department

Subject: FY 2023-24 4th Quarter Investment Report

Recommended Action: Receive report from staff.

Background: California Government Code §53630 et seq. contains State requirements for the deposit of City funds. Government Code §53635 requires that all money belonging to, or in the custody of, a local agency be deposited in certain allowable instruments. The current Investment Policy was approved by the City Council on August 9, 2001, by adoption of Resolution No. 3149, affirming the City's Investment Policy. This resolution was then incorporated into the City's Administrative Policies. California Government Code requires a city to annually review its investment policy.

Discussion: The California Debt and Investment Advisory Committee annually updates the Local Agency Investment Guidelines which lists the allowable investment options for local public agencies. The City's current investment policy is considered conservative, permitting the City to invest in seven of the twenty-five investment instruments allowable by the California Government Code. Understanding the order of importance, the investment policy shall:

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

The City's FY 2023-24 Investment Policy was confirmed by the City Council on August 24, 2023. City investment funds shall only be invested in the following permitted investments:

1. State of California Local Agency Investment Fund
2. U.S. Treasury Obligations
3. U.S. Agency Obligations
4. Negotiable Certificates of Deposit
5. Placement Service Deposits
6. Placement Service Certificates of Deposit
7. Guaranteed Investment Contracts (GIC) of AAA quality, for a term not to exceed fifteen (15) months*

As of June 30, 2024, the City had approximately \$11.1 million of cash and investments as follows:

Wells Fargo - \$2.4 million

Santa Cruz County Bank - \$1.0 million

LAIF - \$3.7 million

Investments - \$4.0 million

Additionally, the City had the following amounts in Retirement Trust accounts:

CalPERS Section 115 Pension Trust - \$1.5 million

Other Post Employment Benefit (OPEB) Trust - \$781,700

During FY 2023-24 the City General Fund earned approximately \$304,000 in interest earnings.

Fiscal Impact: None

Report Prepared By: Report Prepared By: Jim Malberg, Finance Director

Finance Advisory Committee

Agenda Report



Meeting: September 17, 2024

From: Finance Department

Subject: Fee Study Update

Recommended Action: Receive report providing an update on the ongoing User Fee Study and to outline the progress made, key findings, and next steps.

Background: The User Fee Study was initiated to ensure that the fees charged for services provided by the City are fair, equitable, and aligned with the cost-of-service delivery. The study aims to analyze existing fees, identify potential adjustments, and recommend new fee structures where appropriate.

Discussion:

Progress to Date

Since the initiation of the study, several key activities have been completed:

1. **Data Collection and Review:** We have collected comprehensive data on current fees, service levels, and associated costs across all relevant departments. This includes direct and indirect costs related to personnel, materials, overhead, and capital expenditures.
2. **Benchmarking Analysis:** We conducted a benchmarking analysis against similar agencies and organizations to compare our fee structures and identify discrepancies or opportunities for adjustment.
3. **Stakeholder Engagement:** A series of meetings were held with key staff members to gather input and feedback on current fee structures and potential changes.
4. **Preliminary Cost Analysis:** A preliminary cost analysis has been completed to assess the current cost recovery levels for each service. This analysis indicates that certain services are being under- or over-recovered, necessitating potential fee adjustments.

Key Findings

The following key findings have emerged from the study thus far:

- **Service Cost Recovery:** The majority of fees are within an acceptable range of cost recovery; however, there are several services where fees do not adequately cover the costs of service delivery.
- **Comparison with Peer Agencies:** Some of our fees are significantly lower than those charged by peer agencies, suggesting potential for adjustment.
- **User Impact:** Potential fee adjustments will have varying impacts on users. Services heavily utilized by vulnerable populations and early childhood and youth programs have been flagged for special consideration to avoid undue burden.

Next Steps

The next steps in the User Fee Study include:

1. **Developing Fee Adjustment Scenarios:** We will develop and model scenarios for fee adjustments based on cost recovery goals, user impact, and benchmarking data.
2. **Public Hearing:** Conduct a public hearing with City Council to gather feedback from the community and service users on proposed fee changes.
3. **Finalize Recommendations:** Based on the data, feedback, and analysis, a final set of recommendations will be developed for presentation to the City Council.
4. **Implementation Plan:** Once approved, we will develop an implementation plan for the new fee structure, including timelines, communication strategies, and any required policy changes.

Conclusion

The User Fee Study is progressing as planned, with significant steps already completed towards ensuring a fair and equitable fee structure. We will continue to engage with stakeholders and the public to ensure the final recommendations reflect both the cost-of-service delivery and the needs of the community.

Fiscal Impact: None

Report Prepared By: Report Prepared By: Jim Malberg, Finance Director

Finance Advisory Committee

Agenda Report



Meeting: September 17, 2024

From: Finance Department

Subject: Transient Occupancy Tax Ordinance Update

Recommended Action: Receive report and make recommendation to the City Council.

Background: The City of Capitola imposes a Visitor Services Fee, commonly known as the Transient Occupancy Tax (TOT), on guests for the privilege of occupying hotels and other short-term rentals within city limits. The current Chapter 3.32 of the Municipal Code governs the collection, remittance, and administration of this tax, including the responsibilities of operators, property managers, and hosting platforms such as online rental services.

Recent developments in the short-term rental market and advances in technology necessitate amendments to Chapter 3.32 to ensure clarity and efficiency in the administration of the Visitor Services Fee. The proposed changes reflect best practices and aim to enhance compliance and enforcement while providing clear guidelines for stakeholders involved in the collection and remittance of the tax.

Discussion: The proposed amendments to Chapter 3.32 of the Municipal Code introduce several key changes:

1. Expanded Definitions:

- o Clarifies the roles of "Operator," "Property Manager," and "Hosting Platform" and their responsibilities in tax collection and remittance.
- o Defines "Owner" as a distinct entity responsible for the property.
- o Updates the definition of "Hotel" to include any property listed on a Hosting Platform.

2. Reporting and Remittance (Section 3.32.070):

- o Modifies reporting deadlines and clarifies remittance requirements for Operators, Property Managers, and Hosting Platforms. Monthly reports are required from Property Managers and Hosting Platforms, while yearly reports are due on August 1st.

3. New Section on Property Manager and Hosting Platform Records (Section 3.32.115):

- o Introduces specific reporting requirements for Property Managers and Hosting Platforms to ensure accurate tax collection and remittance.

Fiscal Impact: The proposed amendments aim to improve the accuracy and timeliness of Visitor Services Fee collections, which may lead to an increase in revenue through better compliance. Additionally, the clarified roles and responsibilities of Operators, Property Managers, and Hosting Platforms are expected to reduce administrative costs associated with enforcement and auditing.

Attachments:

1. Attachment 1: Draft Ordinance Amending Chapter 3.32 of the Municipal Code

Report Prepared By: Report Prepared By: Jim Malberg, Finance Director

Finance Advisory Committee

Agenda Report



Meeting: September 17, 2024

From: Finance Department

Subject: Banking Services Update

Recommended Action: Receive report.

Background: On Aug. 5, 2023, the Finance Advisory Committee discussed the City's banking services and recommended that the Finance Director issue a Request for Proposals (RFP) during fiscal year (FY) 2023-24. The RFP was issued Mar. 22, 2024, with proposals due by Apr. 26, 2024. The City received and reviewed three proposals from the following banks:

- BMO Commercial Bank
- Santa Cruz County Bank
- Wells Fargo (current provider)

Discussion: The City has obtained banking services from Wells Fargo for approximately 10 years. The Government Finance Officers Association (GFOA) recommends that local governments conduct periodic reviews of professional services, such as banking services, every five to ten years. Issuance of an RFP allows the City to compare competitive rates, allow local banks an opportunity to propose services, and take advantage of technological enhancements and evolution in the market.

All three proposals were reviewed by each member of the Finance Department and staff came to a consensus that all three banks were highly qualified and proceeded to interview each bank. The interviews consisted of a presentation, which included an overview of key proposal points, and the opportunity to respond to questions. The interviews with BMO and Santa Cruz County Bank also included a demonstration of their online banking systems. The City is currently using Wells Fargo's online banking platform and therefore a demonstration was not requested. All interview panel members were asked to evaluate the following criteria:

- Protection of funds, collateralization, bank ratings, profitability;
- Ability to provide required services, technologies, and controls;
- Relevant experience managing similar account relationships with public institutions and similar clients. This includes the experience, resources, qualifications of the team, and references;
- Proposed fees and compensation;
- Ability and value of providing any new product or service; suggestions or other new ideas and enhancements;
- Community and local reinvestment;
- Quality of the proposal.

Following the interviews and demonstrations staff proceeded to review references for both BMO and Santa Cruz County Bank. References were not contacted for Wells Fargo since the City is an existing customer. Based on the proposals, interviews and demonstrations, as well as

conversations with references, staff recommended and the City Council approved a five-year contract with Santa Cruz County Bank, with an option to extend an additional five years.

Santa Cruz County Bank offers the best value for the City in terms of its capabilities, operational effectiveness, ability to safely collateralize City funds, technological innovation, outstanding Community Reinvestment Act rating, and excellent customer service rating. The Government Banking Unit consists of managers, senior leaders, and executive leaders providing the City with direct and immediate access to decision makers, all of whom have extensive government banking experience.

Currently, Santa Cruz County Bank manages banking services for fourteen Government Agencies, including the Santa Cruz County Housing Authority and Soquel Creek Water District, with a total of \$29.5 million in combined balances. One important differentiator for Santa Cruz County Bank is that they reinvest deposits back by lending to the businesses that serve the local community. They currently have offices in Capitola, Santa Cruz, Scotts Valley, Aptos, Watsonville, Monterey, Salinas, and Cupertino.

The entire Government Banking Team lives in Santa Cruz County, and all give back to local communities by serving non-profits, community service groups, or by participating in events that Santa Cruz County Bank supports. During 2023, Santa Cruz County Bank employees participated in 180 community events generating \$290,000 in contributions and 91 volunteers donated 2,743 hours.

Fiscal Impact: In FY 2023-24 the City incurred approximately \$17,500 in account maintenance fees that were offset with earnings credits for balances on deposit. Additionally, the City incurred approximately \$62,000 in parking related merchant credit card fees. Parking-related fees have doubled over the last 10 years as more individuals utilize electronic payment methods but have leveled off over the last several years. Parking-related fees are offset by parking revenue. Based on the proposed services staff expects the account maintenance and parking-related fees to remain relatively constant while increasing online and paperless service options.

There are no fees associated with this transition. If approved, staff anticipates the transition to take approximately 60 days.

Report Prepared By: Report Prepared By: Jim Malberg, Finance Director