

May 16, 2007
Capitola, California

CAPITOLA CITY COUNCIL**MINUTES OF A SPECIAL JOINT BUDGET STUDY
SESSION OF THE CAPITOLA CITY COUNCIL AND
REDEVELOPMENT AGENCY [330-05/760-25]**

Mayor/Chairperson Termini called the Special Joint Budget Study Session of the Capitola City Council and the Redevelopment Agency of Thursday, May 3, 2007, to order at 6:04 p.m. in the Capitola City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

1. ROLL CALL

PRESENT: Council Members/Directors Bob Begun, Kirby Nicol, Ron Graves, Sam Storey, and Mayor/ Chairperson Michael Termini

ABSENT: None

OTHERS: City Treasurer Tony Gualtieri and Redevelopment Agency Treasurer Sean Saldavia

STAFF: City Manager/Executive Director Rich Hill, Finance Director Lauren Lai, Public Works Director Steven Jesberg, Police Captain Todd Mayer, Assistant to the City Manager Lisa Murphy, Housing and Redevelopment Project Manager David Foster, and City Clerk/Secretary Pamela Greeninger

2. ORAL/COUNCIL COMMUNICATIONS – None**3. BUSINESS****A. Continued Budget Study Session on the Proposed 2007-08 FY Budget for the General Fund, Redevelopment Agency, and Five-Year Capital Improvement Program. [330-05/760-25]****1) City Manager Comments**

City Manager/Executive Director Hill briefly discussed the budget process. He said at the last budget study session the staff presented the proposed budget to the City Council/Redevelopment Agency Directors. The proposed budget will have changes directed by the council. He said tonight there would be a presentation by the Finance Advisory Committee and then an opportunity for members of the public to comment on the proposed budget.

2) Finance Advisory Committee Recommendations

City Treasurer Gualtieri commented on the Finance Advisory Committee's discussions regarding the proposed budget. He said there is no apparent deficit in this year's budget, and the reserves are positive. There was concern by committee members that revenues were flattened, and he said the consultants for the Economic Development Study also noted that in their presentation to the council on May 10. City Treasurer Gualtieri said a lot of the expanding costs are due to personnel, including increases in salary and retirement benefits. He also commented on the increased retirement benefit expenditure, the Pension Obligation Bonds to pay off the unfunded PERS liability, as well as \$1M down payment. City Treasurer Gualtieri summarized the written agenda report on the Finance Advisory Committee's recommendations for the proposed FY 2007-08 budget. He said the committee unanimously approved staff's recommendations for sources of funds for the PERS \$1M down payment allocation for the Public Obligation Bonds, approved staff's recommendation for a new financial system, approved adding 1 hour a week for staff to handle the Mobile Home Park Administrative Service Fee in house, and approved an upgrade of the Accountant I position to Accountant II, and recommends a new fee for billable services for the museum coordinator for special research projects.

3. 2) BUSINESS (Continued)

City Treasurer Gualtieri said there was a question under contracts for a citizen satisfaction survey in the amount of \$25,000, as the committee was not sure what the purpose of the survey entailed. He also commented on the Community Group grant requests and said the committee does not favor retroactive awards to the community groups and leaves the decision to the council.

In closing City Treasurer Gualtieri expressed concerns about revenues. He encouraged the city council to take action on the economic development study, commented on the Transient Occupancy Tax which is one of the best ways of capturing revenue, and said consideration should be given to extend the Measure P tax in view of its importance in the budget. He said Finance Director Lai has done a superb job preparing the proposed budget, particularly in providing past figures.

City Treasurer Gualtieri responded to questions of council members/directors pertaining to the Finance Advisory Committee's recommendations. There was discussion regarding the proposed billable rate for museum service, the proposed citizen survey, and Measure P.

3) Public Comments

Mayor/Chairperson Termini opened the public hearing at 6:42 p.m.

Kathy Kelley, Vice President of the Capitola Begonia Festival Committee, thanked the council for its previous and ongoing support of the festival.

Toni Castro, Executive Director of the Capitola-Soquel Chamber of Commerce, thanked the City Council for contracting with the Chamber. She discussed the services provided to the city by the Chamber.

Maggie Ivy, Santa Cruz County Conference and Visitors Council (CVC), thanked the council for its support and discussed their funding request for 2007-08. She commented on the services that would be provided and responded to questions of council members.

Daniel Asparmonte, owner of Best Western – Capitola by the Sea located on 41st Avenue, said they are active in both the Capitola Chamber of Commerce and CVC and they participate in co-op ads which are less costly than advertising individually. He said they have plans to expand the number of hotel rooms at their property, which will generate additional Transient Occupancy Tax (TOT) revenues for Capitola.

Ted Burke, Shadowbrook Restaurant, said he vigorously supports the CVC's request for additional funding for the following reasons: 1) advertising works; 2) CVC is a great organization with competent, steady leadership, including a great Board and sound financial management, and track record; and 3) Capitola needs off-season overnight visitors. He said businesses would benefit from the CVC's advertising with increased sales, which would also benefit the city. Mr. Burke also commented on the importance of the hotel tax revenue.

Will O'Sullivan, speaking on behalf of the Human Care Alliance consisting of 30+ agencies that the city funds, requested continued support in order for the agencies to provide essential services to members of the community. He also said the Alliance would ask that the council please consider giving the 2% restoration of the COLA not received last fiscal year, which would amount to approximately \$5000.

3. 3) BUSINESS (Continued)

An unidentified young woman who volunteers as an intern at the Santa Cruz County Child Abuse Prevention Council spoke to the council about the service they provide and urged the council to fund this important service.

Beth Love, Executive Director of the Santa Cruz County Child Abuse Prevention Council, commented on the seriousness of child sexual abuse in the county and urged the council's support.

Kathleen Johnson, summed up the Community Program section of the city's budget and encouraged the council to consider the agency's requests plus the 2% COLA, as well as the new request from the Santa Cruz County Child Abuse Prevention Council, and additional special requests.

Mayor/Chairperson Termini closed the public hearing at 7:33 p.m.

4) Council Comment, Discussion and Direction

There was considerable City Council/Redevelopment Agency Director discussion on the proposed City, the Capital Improvement Program (CIP), and the Redevelopment Agency budgets, including:

- Funding request of the Santa Cruz County Convention & Visitor's Council (CVC) for a total amount of \$21,200. There was a consensus to support the full request. There was also a suggestion to determine a baseline TOT and then monitor the TOT revenue figures once the new efforts were implemented;
- Document entitled "City Staffing Costs" submitted by Council Member Nicol, which identified staffing costs from fiscal years 2003/04 to 2007/08;
- Commitment to buy down the city's debt obligation by \$200,000 in expense reductions each year to address Measure P funds in the event a similar measure doesn't pass again. If the council intends to honor its commitment, the \$662,000 deficit in the proposed budget needs to be reduced to a flat \$600,000;
- Capital Improvement Projects and recommended projects of the Neighborhood Traffic Advisory Committee (Council Member/Director Storey commented that the Capitola Avenue and Hill Street traffic calming projects recommended by the committee were not in the CIP, and he would like to see a better effort by staff to incorporate committee projects in the CIP);
- Proposed citizen survey in the amount of \$25,000;
- Public Obligation Bonds to refinance a portion of the city's outstanding PERS obligations;
- Recommendations of the Finance Advisory Committee, including a new financial system; etc.

Council Member/Director Storey recused himself and left the council chambers at 8:54 p.m. when Community Group Funding was discussed and deliberated. (*Note: He did not return to the meeting.*)

3. 4) BUSINESS (Continued)

There was considerable discussion about the community grant programs, additional funding requested by Advocacy, Inc., a new funding request from the Child Abuse Prevention Council, and funding for the Seniors Council. Mayor/Chairperson Termini expressed the need to look at the list of community grant requests after the budget is adopted. He suggested a committee be formed to look at each line item on the list, especially Community Bridges which receives a major share of the funding, and to look at possible overlap in services.

Following considerable City Council/Redevelopment Agency Director discussion on the proposed budget, staff was given direction to include total funding of \$21,200 to the Santa Cruz County Convention & Visitor's Council (CVC); to fund the community grant requests at a maximum amount of \$275,000 to include the new request from the Santa Cruz County Child Abuse Prevention Council of \$6,100 and directed staff to provide a recommendation for allocation among the agencies; and directed staff to recommend alternatives to reduce the on-going revenues vs. expenditures deficit to \$600,000.

5. **ADJOURNMENT**

The meeting was adjourned at 9:11 p.m. to the next Regular Meetings of the City Council and the Capitola Redevelopment Agency to be held on Thursday, May 24, 2007, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Michael Termini, Mayor

ATTEST:

Pamela Greeninger, City Clerk

UNANIMOUSLY APPROVED BY THE CITY COUNCIL/AGENCY DIRECTORS ON JUNE 28, 2007