

May 30, 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 Wednesday, May 30, 2007, to order at 6:00 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
 Emily Wagner, E. Wagner & Associates, Financial Advisor
 Stephen Melikian, Bond Counsel

STAFF: City Manager/Executive Director Rich Hill, Community Development Director/Deputy Executive Director Juliana Rebagliati, Finance Director Lauren Lai, Public Works Director Steven Jesberg, Chief of Police Rick Ehle, Assistant to the City Manager Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

2. ORAL/COUNCIL COMMUNICATIONS – None

3. BUSINESS

A. Public Employee Retirement System (PERS) Unfunded Liability Refinancing. Staff recommendation: Adopt City Council Resolution Authorizing the Sale of Pension Obligation Bonds to Refinance a Portion of the Outstanding Obligations of the City to the California Public Employees' Retirement System, Approving the Final Form of Related Financing Documents and Approving Official Actions. [340-20]

Finance Director Lai summarized the written agenda report and said all terms are consistent with prior council direction.

Mayor Termini said at this meeting the council would determine the terms of the bonds. Council Member Storey asked if the council was locked into the terms.

Financial Advisor Emily Wagner said the council is locked into the terms and that the decision before the council tonight is deal or no deal, along with a determination regarding the term structure.

Council Member Storey commented on the Indenture of Trust document and pointed out that the Trustee was reserving themselves the ability to be an Owner of the Bonds and that was a conflict of interest. He also said that in Section 6.03(b), the Trustee had exempted itself from liability for good faith errors in judgment. Bond Counsel Steve Melikian responded.

Council Member Storey also expressed his concerns regarding the 10-year payment option and the impact it will have on the city's budget. He believes the better course would be the 18-year option without a \$1M payment up front. For that reason Council Member Storey said he would not be voting for this item.

3. A. BUSINESS (Continued)

Financial Advisor Wagner responded to questions from council members by providing clarification regarding level of payments, interest rate, costs for 10-year and 18-year options, and the difference in the amount of savings between the two options. She confirmed that the amount of savings between the 10-year and 18-year options is \$30,000 on a net present-value basis.

After considerable Council discussion the following action was taken:

ACTION: Council Member Nicol moved, seconded by Council Member Begun, to approve recommended action as follows:

- 1) Adopted **City Council Resolution No. 3636, Resolution of the City Council of the City of Capitola Authorizing the Sale of Pension Obligation Bonds to Refinance a Portion of the Outstanding Obligations of the City to the California Public Employees' Retirement System, Approving the Final Form of Related Financing Documents and Approving Official Actions**, as submitted, and specifying that the character of the bonds be "Fixed-rate bonds non-callable over a 10-year period," and
- 2) Directed staff and the finance team to take the necessary actions to complete the sale of the bonds on or before June 30, 2007.

Under discussion, Mayor Termini said there were two proposed wording changes in the Indenture of Trust document, and he asked if those changes were part of the motion. City Manager Hill clarified the changes to be redefinition of Trustee to include "department of a bank" and striking out paragraph (b) regarding liability of the Trustee on page 20.

Council Member Nicol amended his motion to include changes to the Indenture of Trust document as discussed. Council Member Begun amended his second likewise. The motion carried on the following vote: AYES: Council Members Begun, Nicol, Graves, and Mayor Termini. NOES: Council Member Storey. ABSENT: None. ABSTAIN: None.

B. Continued Budget Study Session on the Proposed 2007-08 FY Budget for the General Fund, Redevelopment Agency, and Five-Year Capital Improvement Program (CIP). [330-05/760-25]

1) Finance Director Report

Finance Director Lai summarized the written agenda report including General Fund recommendations, Community Grant funding and additional staff proposed revisions, and she responded to questions of council members/directors.

Mayor Termini said he would like to excuse Council Member Storey for discussion of the community grant portion of the budget at this time. Council Member Storey left the council chambers at 6:35 p.m. since, being the Executive Director of Community Bridges, which receives funding from the City, he has a conflict of interest

Mayor Termini asked if anyone from the public wished to comment on Community Grant funding at this time.

Clay Kempf, Executive Director of the Seniors Council, provided an overview of the Advisory Council of the Area Agency on Aging, which is overseen by the Seniors Council. He commented on the Older Americans' Act. Mr. Kempf provided a handout to the city council entitled, "Where Does the Money Come From?," which identifies funding sources for their services.

3. B. 1) BUSINESS (Continued)

Kathleen Johnson, Executive Director of Advocacy, Inc., commented on the total amount for Community Grants identified in the agenda report and explained that, according to her calculations, the amount should be \$277,825, which is a difference of approximately \$4,200. She also commented on the additional amount for Advocacy, Inc.

After staff review and confirmation, Mayor Termini clarified that the total maximum funding level amount is \$277,825.

Council Member Nicol commented on the figure in the staff report for the Child Abuse Council original request being \$6,010; however, the request summary states \$6,170. Finance Director Lai said the amount on the original staff report presented to the council on April 26 was \$6,170. She assumes the \$6,010 is a typographical error and that the \$6,170 on the summary sheet is correct.

Council Member Graves said he didn't think the council had come up with a firm figure for community grants at the last meeting. He also commented on the increase for Advocacy, Inc. City Manager Hill said direction was given to include it because it relates to the elder care abuse coordinated effort with the Capitola Police Department.

Community Group Funding Action: Council Member Begun moved to hold the maximum funding level for Community Grants for FY 2007/08 to \$275,000 and to deduct the difference between \$277,825 and \$275,000 proportionately from the groups.

Under discussion of the motion, Council Member Nicol asked for clarification on Advocacy, Inc. Mayor Termini said he thought the council was looking at the numbers as proposed and then taking the difference (approximately \$3,000) and spreading that amount evenly among the groups. Council Member Begun concurred. Council Member Nicol then seconded the motion.

The motion carried on the following vote: AYES: Council Members Begun, Nicol, Graves, and Mayor Termini. NOES: None. ABSENT: None. ABSTAIN: None. DISQUALIFIED: Council Member Storey.

At 6:50 p.m., Council Member/Director Storey returned to the meeting.

2) Public Works Director Update on CIP

Public Works Director Steve Jesberg provided an overview of the 2007-08 Project Budget Allocation Changes recommended by staff pertaining to the Capital Improvement Program. He also handed out a letter from the County of Santa Cruz Director of Public Works regarding the Zone 5 Storm Drain Replacement Project (Noble Gulch to Bay Avenue) in Capitola.

Public Works Director Jesberg responded to comments of Council Members on the \$20,000 allocated for Esplanade Traffic & Parking Improvements (Project S48), whether the proposed funding for the pavement management program is adequate, and the County's storm drain replacement project. Staff was asked to obtain and provide copies of the Zone 5 budget to the council members.

3) Public Comments

At 7:01 p.m., Mayor Termini asked if anyone wished to address the City Council/Redevelopment Agency directors at this time.

3. B. 3) BUSINESS (Continued)

Karen Simons and Sally French of HOPE Services discussed their organization's assistance to the public works department to clean the beach and Esplanade areas during the busy summer season. She emphasized the importance of their service and urged the council to fund the contract for these services.

City Treasurer Gualtieri commented on the city's revenues and expenditures and said it would be his recommendation that the council deduct the entire amount at this time. It was the consensus of the council not to eliminate funding HOPE Services. Council Member Begun said he would like to delete the HOPE Services from the list and to look at the CIP at mid-year.

Council discussion was followed by this action:

ACTION: Council Member Begun moved to approve staff's proposed changes contained on Attachment 1 of the agenda report, with the exception of Item 5, HOPE Services in the amount of \$12,900, to direct staff to bring the CIP back to the Council at mid-year for review, and to put any left-over funds in Contingency Reserves. Council Member Nicol seconded the motion. Finance Director Lai received clarification regarding the motion. The motion carried on the following vote: AYES: Council Members Begun, Nicol, Graves, Storey and Mayor Termini. NOES: None. ABSENT: None. ABSTAIN: None.

Council members commended staff on the proposed budget and the process involved in reviewing the proposed budget. Council Member Graves suggested putting the proposed budget in a 3-ring binder so that pages could be replaced. There was discussion about this suggestion, and Finance Director Lai provided an explanation regarding staff's reason for binding the documents. She said staff could create a pdf document of the final budget for distribution.

4) Council Comment, Discussion and Direction

Mayor Termini announced that this Special Joint Meeting would be broadcast on Community Television, Charter Cable Channel 71 and Comcast Cable Channel 25, on Saturday, June 2, at 12 p.m.

Council Member Graves asked if the council could adjourn tonight's meeting in memory of Tom Mason, a former mayor and council member of Capitola, who passed away recently.

4. ADJOURNMENT

The Special Joint Meeting was adjourned at 7:22 p.m. in memory of Tom Mason, former Mayor and Council Member of Capitola, to the next Regular Meetings of the City Council and Capitola Redevelopment Agency to be held on Thursday, June 14, 2007, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Michael Termini, Mayor

ATTEST: _____, CMC
Pamela Greeninger, City Clerk

APPROVED BY THE CITY COUNCIL/REDEVELOPMENT AGENCY DIRECTORS ON 6/28/07 AS SUBMITTED