

May 1, 2008  
 Capitola, California

**CAPITOLA CITY COUNCIL**

**MINUTES OF A SPECIAL JOINT BUDGET STUDY  
 SESSION OF THE CAPITOLA CITY COUNCIL AND  
 THE CAPITOLA REDEVELOPMENT AGENCY**

Mayor/Chairperson Nicol called the Special Joint Budget Study Session of the Capitola City Council and the Redevelopment Agency of Thursday, May 1, 2008, to order at 6:15 p.m. in the Capitola City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

**1. ROLL CALL**

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

**ABSENT:** Council Member/Director Sam Storey

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

**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, Building Official Daniel Kostelec, Museum Director Carolyn Swift, Assistant to the City Manager Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

**2. ORAL/COUNCIL COMMUNICATIONS**

A. Paul Pelkey addressed the council on several issues. He said this is a bad time for employee raises and commented on the number of people who are retiring. He commented on the need to come together and think globally about our actions. Mr. Pelkey discussed and submitted information about the Medicare Medical Benefit & Prescription Drug Plan options.

B. Mayor/Chairperson Nicol announced that Bike to Work Week would be observed in Santa Cruz County the week of May 10 to May 17, 2008. He said Bike to Work/School Day would be Thursday, May 15, with free breakfast at various locations. He also commented on other bike events during the week.

C. Mayor/Chairperson Nicol commented on the National Day of Prayer event that occurred today at noon at the City Hall flagpole. He said representatives from the Ecumenical religious community, including six different congregations, led prayers for the leadership of our City. The City of Capitola was represented by himself, Chief of Police Ehle and City Manager Hill.

**3. BUSINESS**

**Presentation of the Proposed 2008-2009 Fiscal Year Budget for the City of Capitola General Fund and the Capitola Redevelopment Agency [330-05/760-25]**

Mayor/Chairperson Nicol introduced this item and asked for opening comments from the City Manager/Executive Director.

**1) Opening Comments by City Manager**

City Manager/Executive Director Hill commented on the City/Agency proposed budget. He summarized the Fiscal Status of the City contained on pages 3 through 10 of the proposed budget. He called particular attention to page 9 regarding Ongoing Revenues and Expenditures, discussed impacts from the state budget, declining sales tax revenue, unfunded mandates for communications (narrow banding) and a stormwater management plan, etc. City Manager/Executive Director Hill discussed the positive results from the city's recent voter survey and reported that 70 to 75% of the voters responded that they would be willing to support renewal of the Measure P tax.

## 3. 1) BUSINESS (Continued)

Council Member/Director Graves expressed interest in having the council consider a resolution to the city's federal representatives with regards to the possibility of extending the narrow banding timeframe due to the downturn in our nation's economy. He explained his reasons for requesting this and said he would like the city to be proactive. He believes the city should not only look for funding sources, but should look for relief since this is an unfunded mandate from the federal government. City Manager/Executive Director Hill said staff has not scheduled the narrow banding matter for a meeting and explained why. He said staff would want to work with the other team members who are involved in putting the narrow banding plan together. \*Council Member/Director Graves said he would like the council to be a leader regarding this mandate, and he suggested the a resolution or letters to the city's federal representatives include some idea of going forward with a tax measure on that single item. \* *Correction made by Council Member/Director Graves on 6/26/08.*

**DIRECTION:** Following discussion, and without objection from the city council, Mayor/Chairperson Nicol directed staff to proceed in that direction.

Council Member/Director Graves also asked if staff intended to bring to the council some type of indication relative to the stormwater issue mentioned in the budget so that the council could have some ongoing conversations with Zone 5 representatives relative to charges and fees associated with that agency to lessen the city's impact.

*[NOTE: Hard copies of the PowerPoint Presentations made at the Budget Study Session are on file with the staff Agenda Report.]*

**2) Overview of Proposed Budgets by the Finance Director**

Finance Director Lai thanked the council and the City and RDA Treasurers for their input during the past year, which has assisted staff in preparing the proposed budget. Utilizing a PowerPoint Presentation, Finance Director Lai provided an overview of the 2008-09 FY Proposed Budgets and responded to questions of council members/agency directors.

There was specific discussion pertaining to parking meter rates. Council Member/Director Begun said he would like to see some of the proposed increases take place as soon as possible. Mayor/Chairperson Nicol asked when staff could return with meter rates. Finance Director Lai said she believes June would be a good time for that item to return to council. Council Member/Director Graves commented that these are things that should be done prior to the budget process. Community Development Director Rebagliati said the parking study should be completed by the end of May or the first meeting in June.

**3) Departmental Presentations**

Finance Director Lai made the following presentations utilizing a PowerPoint Presentation:

- o Finance Department
- o Internal Service Funds
- o Other Funds - City Treasurer Gualtieri commented on the Open Space Fund and said this was something the Finance Advisory Committee would be addressing at the budget study session on May 14.

3. 3) BUSINESS (Continued)

- o Special Revenue Fund - Finance Director Lai reviewed the Special Revenues, as follows:
  - o Supplemental Law Enforcement Fund (SLESF)
  - o Santa Cruz County Enforcement Team (SCCNET)
  - o PEG Fund
  - o Gas Tax Fund
  - o Wharf Fund
  - o Developer Fee
- o Multi-Year Assets & Obligations
- o Redevelopment Agency Operating Fund - Finance Director Lai summarized this fund and commented on the nexus for economic development contracts to be financed by the Redevelopment Agency. She said the agency attorney has reviewed this, and it is acceptable.

Redevelopment Agency Treasurer Sean Saldavia asked if it is likely the \$1 Million payment will be paid in FY 2007/08 or whether the FY 2008/09 budget should be adjusted. City Manager/ Executive Director Hill said he believed it would be paid in the FY 2007/08 budget.

• **General Fund Departments**

Assistant to the City Manager Murphy said she would be presenting the proposed budgets for the City Council, City Manager/Personnel, the City Attorney, the Recreation Department, the Art & Cultural Commission, and the Museum. Since representatives from the Museum were in attendance, Assistant to the City Manager Murphy began the presentations with that department. *[NOTE: PowerPoint Presentations were made for each department and copies are on file in the 2008/09 FY Budget Administration File.]*

- o Museum – Following Assistant to the City Manager Murphy's presentation, Museum Director Carolyn Swift commented that in July she would begin her 15<sup>th</sup> year as director of the Capitola Museum. She thanked the council for its continued support of the Museum. Carolyn commented on various projects the board of trustees have worked on during the past year, discussed their fundraising efforts, renovation of the bathhouse, and assistance by numerous volunteers. Mayor/Chairperson Nicol thanked Carolyn for her enthusiasm, scholarship, and dedication to what she does for the city. He also noted that the years were deleted from the top of the columns on page 133 of the proposed budget and need to be included in the final document.
- o City Council - Assistant to the City Manager Murphy commented on the movement of the Capitola-Soquel Chamber of Commerce, Santa Cruz Council Convention & Visitor's Council, and Economic development contracts from the City Council's budget to the Redevelopment Agency.

Council Member/Director Graves commented that on page 95 the positions of mayor and vice mayor are not elected positions. They are elected as council members and then appointed by the council to serve as mayor and vice mayor.

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- City Manager/Personnel – Assistant to the City Manager Murphy summarized this budget and responded to questions.

Council Member/Director Graves referred to page 96, Expenditures, Salary & Benefits, and asked for the reason for keeping the Clerical Intern Classification. City Manager/Executive Director Hill said it was a placeholder.

- City Attorney – Assistant to the City Manager Murphy discussed the difficulty in preparing this budget due to unanticipated litigation. She said the proposed contract is for \$140,000 year and was not received before the preliminary budget was published. She commented on rent control litigation and the city's Mobile Home Park Administrative Fee Program.

Council Member/Director Graves said he finds the proposed City Attorney's budget hard to believe based on current expenditures. City Treasurer Gualtieri agreed with Council Member/Director Graves' comments, saying it appears the budget is underfunded by about \$100,000, and it should be reviewed.

- Recreation Department - She provided an overview of the proposed budget and responded to questions pertaining to reduction of expenditures in this department. Finance Director Lai said there is about \$15,000 of expenditures that need to be reduced.
- Art and Cultural Commission - Assistant to the City Manager Murphy commented on the proposed budget and described the programs administered by the commission, including the Twilight Concerts, Art at the Beach, and Movies at the Beach. She said the event costs are offset by sponsorships. Council Member/Director Begun asked if the sponsorships could be recognized in the newsletter. Mayor/Chairperson Nicol said the information should also be included on the website.
- Building Department - Building Official Kostelec summarized the proposed budget for the Building Department contained on pages 106-107. He said the building department intends to keep revenues at status quo with no changes in staffing or contract services.

Council Member/Director Graves commented on the (\$15,400) figure at the top of page 107, which is shown to be a negative amount. He asked where that amount is being shown as a revenue source in the general fund. Finance Director Lai explained. Council Member/Director Graves expressed his concern. Finance Director Lai suggested including a footnote in the budget to clarify this figure. Mayor/Chairperson Nicol commented that the Building Department wins the prize for cost recovery at 105%.

- Community Development Department - Community Development Director/Deputy Executive Director Rebagliati commented on the various services and programs funded by the Community Development Department. She reviewed the source of funds for their department and then discussed the budget details, including salaries and benefits, contracts services, and materials & supplies. Community Development Director Rebagliati then commented on Special Revenue Funds, including Community Development Block Grant (CDBG) Grants, CDBG Housing Program Loan Fund, HOME Grant Fund, HOME Program Reuse Fund, Affordable Housing Trust Fund (In-lieu Fees), First-time homebuyers, BEGIN Grant (Capitola Villas), and General Plan Update Fund. Following her presentation she responded to questions of council members/directors.

- Public Works Department - Public Works Director Jesberg provided an overview of the Public Works Department's budget for the 2008/09 FY. He discussed noteworthy accomplishments of the department's four divisions (streets, parks, facilities and fleet), discussed the increase in water rates, and said funding needs to be added to the budget for the citywide shuttle. Public Works Director Jesberg responded to questions of council members/directors pertaining to Clares Street traffic calming, use of gas tax funds for street sweeping, and replacement of a street light pole that was knocked down. Council Member/Director Termini said he would be interested in the Art & Cultural Commission having a program for sponsors of new light poles on the Esplanade. Public Works Director Jesberg informed the council that PG&E is scheduled to replace all the light poles in the Village in 2011.
- Police Department - Chief of Police Ehle summarized the Police Department's proposed budget for FY 2008/09. He said there is about a 1.9% increase. Staff has budgeted for the worst-case scenario; however, this could change. Chief of Police Ehle reviewed the revenues and expenditures for the various divisions of the Police Department, commented on the new programmable parking meters, the donation of 2 lifeguard stands by California State Parks, the city's contributions to SCCNET, and future expenditures for a new records management system in 2009, and a narrow banding implementation requirement in 2011. Chief of Police Ehle responded to questions of council members/directors regarding mandated narrow banding and potential grants, staffing increases, etc.

Council Member/Director Graves commented that the figures in the PowerPoint slides were different from those in the budget document, and it was confusing to him.

Council Member/Director Begun commented that parking meters' revenue figures have not changed from the prior year's budget. He would like the council to consider increasing that amount and using the money for slurry seal projects. City Manager/Executive Director Hill said staff previously received direction from the council to come back with a proposal and analysis for increased parking meter rates.

Council Member/Director Termini asked about potential cost impacts for not starting meter enforcement until 10 am. Chief of Police Ehle said he didn't believe it would make a significant difference in revenues. Council Member/Director Termini said later meter enforcement would help bar customers who might leave their car parked in the Village by giving them until 10 a.m. to pick up their car.

#### **4) Public Comments/Discussion**

At 9:28 p.m. Mayor/Chairperson Nicol asked if there were any comments from public regarding the proposed budget.

Paul Pelkey commented on the parking and traffic problems the city has to deal with. He said Hawaii has similar problems in Honolulu. Mr. Pelkey commended the police department on its efforts.

Finance Director Lai thanked City Manager/Executive Director Hill for providing overall direction on the proposed budget, Redevelopment Agency Treasurer Saldavia, and City Treasurer Gualtieri for being an excellent chair on the Finance Advisory Committee.

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Mayor/Chairperson Nicol referred to page 183, Compensated Absences, Captains' Sick Leave Cash Outs to Deferred Comp. He commented on the wording in the last sentence. Finance Director Lai said the word "for" should be removed and that sentence should read, "This cash out in the form of..."

Mayor/Chairperson Nicol then referred to the second line on the top on page 184 under "Notes Payable" where it says, "As April 2008, there are no." That needs to be corrected.

Council Member/Director Graves commented on the budget calendar and expressed concerns about when the council/directors would be able to make recommendations on the proposed budget. Mayor/Chairperson Nicol said it appears May 28 would be the session for council member/director recommendations.

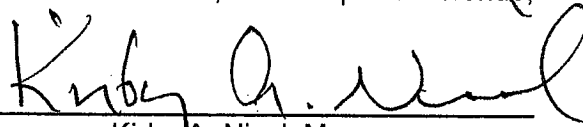
Council Member/Director Termini asked if the Simpkins Swim Center could be utilized for the city's aquatics programs. City Manager/Executive Director Hill said the Simpkins Center is booked and that staff is looking into using the Soquel High School pool facility.

Council Member/Director Termini also commented that he would like the city/agency to seriously consider acceleration of the library fund, particularly if there is extra money in the RDA budget. City Manager/Executive Director Hill said it would be his recommendation to set aside a reserve account in the RDA budget. Finance Director Lai said staff did give thought to this, but when they looked at the RDA budget on page 224, there is a \$1 Million loan due in 2014.

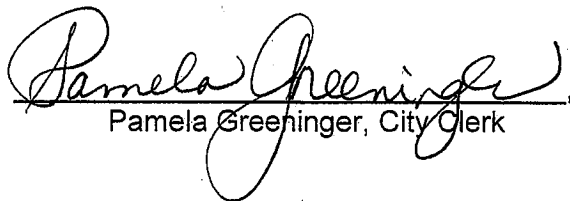
Mayor/Chairperson Nicol commended and thanked staff for all the obvious effort and diligence that has gone into the production of the lengthy proposed budget document.

**4. ADJOURNMENT**

The Joint Budget Study Session was adjourned at 9:38 p.m. to the next Regular Meetings of the Capitola City Council and the Redevelopment Agency to be held on Thursday, May 8, 2008, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

  
Kirby A. Nicol, Mayor

ATTEST:

  
Pamela Greeninger, City Clerk, CMC

APPROVED BY THE CITY COUNCIL/REDEVELOPMENT AGENCY DIRECTORS ON 6/26/08  
AS CORRECTED ON PAGE 11080.