

May 14, 2008
 Capitola, California

CAPITOLA CITY COUNCIL

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

Mayor/Chairperson Nicol called the Special Joint Budget Study Session of the Capitola City Council, the Redevelopment Agency and the Finance Advisory Committee of Wednesday, May 14, 2008, to order at 6:05 p.m. in the Capitola City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

PRESENT: Council Members/Directors Sam Storey, Robert "Bob" Begun, Ron Graves, Michael Termini, and Mayor/Chairperson Kirby Nicol
 Finance Advisory Committee Members Jacques Bertrand, Debbie Johnson, Susan Westman, Robert "Bob" Begun, Kirby Nicol, and Chair Tony Gualtieri

ABSENT: Finance Advisory Committee Member Lou Tuosto

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, Police Captains Tom Held and Todd Mayer, Assistant to the City Manager Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

2. ORAL/COUNCIL COMMUNICATIONS – None

3. JOINT BUDGET STUDY SESSION

Continued Budget Study Session on the Proposed 2008-2009 Fiscal Year Budget for the City of Capitola General Fund, the Capitola Redevelopment Agency, and the Five-Year Capital Improvement Program. [330-05/760-25]

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

A) City Manager Comments: Budget Deliberation Process

City Manager/Executive Director Hill welcomed everyone to the special joint budget study session, including members of the Finance Advisory Committee. Mr. Hill summarized the written agenda report and the process to be followed for this meeting.

**B) Proposed Five-Year Capital Improvement Plan. [330-20]
 Presentation: Public Works Director**

Utilizing a PowerPoint Presentation, Public Works Director Steve Jesberg presented the City's Five-Year Capital Improvement Plan for 2008-2009 to 2012-2013. He discussed several changes to the CIP since printing the document as a result of state denial of funds. He responded to questions of council members/directors pertaining to the information provided.

In discussion of the roundabout at Bay Avenue and Capitola Avenue, there were comments that \$25,000 is more than the council anticipated it would cost for preliminary information.

Public Works Director Jesberg discussed Proposition 1B funding and the city's proposed projects utilizing those funds. He informed the Council that the funds must be used by June 30, 2011, and that staff needs to submit a list of proposed projects.

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3. B) JOINT BUDGET STUDY SESSION (Continued)

Council Member/Director Storey commented on one-way streets in the Village. He questioned if there would be a way to include the Village traffic calming measures in the CIP. He also asked about the parking study. Public Works Director Jesberg said that it would not be completed until the end of June. Council Member/Director Storey stated he would like Village traffic improvements considered with Proposition 1B funds.

Council Member/Director Graves said the council agreed to hold off on all traffic recommendations until after the parking study. He does not want to reconsider that at this time. He thinks there are a lot of dream projects on the list. Council Member/Director Graves said that since annexation of the Derby-Trotter area, the city has not done much work in that neighborhood, and he thinks it is important to consider a project there.

Council discussion was followed by this action:

ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Begun, to follow staff's recommendation with regard to the use Proposition 1B monies in the 2008-09 FY for the Cherry Street/San Jose Avenue area and the Derby area.

Under discussion of the motion, Council Member/Director Storey said he wasn't willing to commit the Proposition 1B money until he has seen the parking study. Council Member/Director Termini discussed his understanding that the city needs to submit its projects prior to receipt of the parking study. Public Works Director Jesberg said staff could list more projects than it intends to fund with the money; however, he believes there is a requirement that projects be shown in the budget of the agency. Council Member/Director Storey expressed his interest in also including the list of Village traffic items to make sure we do not preclude the ability to fund those items.

Council Member/Director Graves said the motion should be more encompassing and recommended including 38th Avenue and the Village traffic improvements.

Council Member/Director Termini then amended the motion to include two additional areas, 38th Avenue and traffic calming measures in the Village. Council Member/Director Begun accepted the amendment to the motion. The motion carried unanimously.

**C) Public Hearing to Receive Community Grant Funding Requests [330-30]
Presentation: City Manager**

Council Member/Director Storey announced that he has a conflict of interest since he is CEO of Community Bridges, which is one of the recipients of Capitola community funding, particularly the Meals on Wheels, Lift Line, Live Oak Family Resource Center Program and Child Development Program. He then recused himself and left the Council Chambers.

City Manager/Executive Director Hill summarized the written agenda report and responded to comments from council members/directors.

Council Member/Director Graves thanked staff for the extensive handout and expressed concerns about the format. He commented on bolded agencies that have other agencies listed below. He commented on the Live Oak Family Resource Center, funds attached to specific programs, and the percentage of clients served. He believes the percentages are meaningless in this format.

Mayor/Chairperson Nicol opened the public hearing at 7:17 p.m.

3. C) JOINT BUDGET STUDY SESSION (Continued)

The following people spoke in support of their agency's funding request:

Will O'Sullivan, Director of Community Recovery Services for the Santa Cruz Community Counseling Center, spoke on behalf of the Human Care Alliance, which serves 60+ human service agencies that operate to serve the needy population county wide. Thirty of these agencies are requests for services provided to Capitola residents.

Kathleen Johnson, Executive Director of Advocacy, Inc., distributed information to the council regarding Human Care Alliance. A PowerPoint Presentation on Human Care Alliance (HCA) and local government was viewed at this time.

Following the presentation, Ms. Johnson identified the groups that are part of the HCA. Representatives from those organizations stood when their agency was named. On behalf of the Human Care Alliance she asked the council to approve the 3.4% COLA and consider additional requests for funding. She expressed the importance of investing in community services and thanked the council for its support. Ms. Johnson also provided council members with copies of the Seniors Network Services Directory.

Clay Kempf, Executive Director of the Seniors Council, said they are looking for additional funds for Project Scout and explained why.

Laura Marcus, Associate Director at the Dientes Community Dental Care Clinic, discussed their request for additional funds and described their services.

Alberto Rafael, Executive Director of the Cultural Council, requested additional funding. He discussed the various programs presently funded and announced that the Cultural Council is celebrating its 30th Anniversary this year.

Rob Sommer, Director of Development for the Santa Cruz AIDS Project, on behalf of Merle Smith, Executive Director, commented on their agency's additional request to fund a Latino representative at their Watsonville office.

Kathleen Johnson, Executive Director of Advocacy, Inc., discussed their additional request of \$200, which would be directed toward training of staff on abuse prevention and mandatory reporting in skilled nursing facilities and residential care facilities in Capitola.

Cathy Conway, Development Director, Hospice of Santa Cruz County (formerly Hospice Caring Project), discussed their additional funding request to be used for their transitions program.

Seeing no further speakers, Mayor/Chairperson Nicol closed the public hearing at 7:53 p.m.

* Council Member/Director Graves moved to fund a total of \$284,000. Council Member/Director Termini seconded the motion. Finance Director Lai asked if it would be allocated evenly among the existing agencies. Council Member/Director Graves said yes it would. The motion failed with Council Member/Director Begun and Mayor/Chairperson Nicol voting no.

~~Considerable Council Further discussion and a failed motion to fund a total of \$284,000 was followed by this action: * Correction made by Council Member/Director Graves on 6/26/08.~~

ACTION: Council Member/Director Begun moved to allocate at total of \$275,000 to the Community Groups, with direction to staff to review that amount at the mid-year budget review. Council Member/Director Graves seconded the motion. The motion carried on the following vote: AYES: Council Members/Directors Begun, Graves, and Mayor/Chairperson Nicol. NOES: Council Member/Director Termini. ABSENT: None. ABSTAIN: None. DISQUALIFIED: Council Member/Director Storey.

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3. JOINT BUDGET STUDY SESSION (Continued)

The City Council took a short break from 8:20 p.m. until 8:30 p.m.

D) Finance Advisory Committee Recommendations

City Treasurer Gualtieri, Chair of the Finance Advisory Committee, recognized that all but Lou Tuosto from the committee were present. He discussed the committee's review of the proposed FY2008-09 Budget and itemized the committees' recommendations contained on the additional information handout as follows:

He said the Finance Advisory Committee recommends increasing the following four items:

- Citywide Weekend Shuttle – add \$18,000 - although it is unfunded and it is new, the committee recommends funding this service as business most likely would increase
- Slurry Seal – add \$20,000 – committee felt total funding of \$70,000 should stand
- Attorney annual contract – add \$10,000 to the city attorney's contract
- Mobile home litigation services – add \$60,000 – The committee looked at the basic facts; i.e., increase in lawsuits, and recommends allocating a total of \$100,000
- Equipment Replacement Internal Service Fund – add \$33,000. It was noted that this does not need to be done.

City Treasurer Gualtieri then discussed the following items which the committee recommends decreases in funding:

- Newsletter – reduce to two publications per year – reduction \$6,000
- General Plan Update Fund – return General Fund money to the General Fund. Total General Fund contribution has been \$214,000, whereas the amount to be returned will be dependent upon the availability of the funds and the general plan update project implementation schedule. City Treasurer Gualtieri said that perhaps costs relative to the general plan update could be deferred, since it has not actively begun. Council Member/Director Graves questioned the wording. Committee Member Susan Westman commented on the Finance Advisory Committee's discussion of this recommendation.
- Staff Customer Service Training Contract \$2,500 – consider eliminating training this year.
- RDA annual loan from the city – exclude the SC Convention and Visitors Council and Capitola-Soquel Chamber of Commerce contracts from the 10% interest calculation. City Treasurer Gualtieri said these contracts have been moved to the RDA, and the Finance Advisory Committee is asking that the 10% interest payment to the city for these contracts be deleted and not be part of the cooperative agreement between the City and the Redevelopment Agency. Finance Director Lai said these two contracts total \$41,200.

3. D. JOINT BUDGET STUDY SESSION (Continued)

- CIP Presentation – summarize maintenance versus improvements and the impact to pavement management index (PMI). Priority in the FY08/09 budget should be given to maintenance of roads, as opposed to new projects, in order to have the greatest impact on the Pavement Management Index (PMI). City Treasurer Gualtieri said the Finance Advisory Committee would like to see the highest priority be given to the maintenance of existing roads when considering some of the capital improvement projects.

City Treasurer Gualtieri stated the next two items deal with attempts to increase fees and enhance revenues in order to pick up add-ons that are unfunded.

- Parking Permits Fees -- consider increasing business, residential, temporary parking permit fees. The current total amount is \$27,000, and it has been unchanged since 2003. These fees will affect Capitola residents; however, the committee thought this was a reasonable place to increase fees since they hadn't been increased for 5 years.
- Increase Parking Meter Rates– City Treasurer Gualtieri stated this recommendation would require serious consideration as it involves a significant increase in rates. He said a 25% to 50% rate increase is recommended. The committee also suggested higher rates based upon location, time and seasonality; i.e., meters closest to the beach at the highest rate. There would need to be a public awareness campaign and signage to inform the public of different rates.

Mayor/Chairperson Nicol asked if anyone from the Finance Advisory Committee would like to supplement City Treasurer Gualtieri's comments.

Community Development Director Rebagliati said the Housing Element is in the process of being updated and needs to be completed. With respect to the rest of the General Plan Update, she would recommend waiting until mid-year in order to better know what the timeline and costs might be. She said the general plan has been a priority of the council for some time now.

Finance Advisory Committee Member Susan Westman explained how the recommendation regarding the General Fund Update Fund came up. She discussed the Housing Element requirement and the timing of the other general plan elements. She explained her original request was that the city look at the fund balance and consider putting some of the fund balance in the General Fund this year, and then establish a program for paying the money back over the next few years.

City Treasurer Gualtieri commented that the money in the General Plan fund has been sitting there for several years, and he agreed it would be better to use those funds and keep the reserves. He also said the city needs to maintain the contingency fund at a certain level.

Council Member/Director Begun asked about the budget for the General Plan update. Community Development Director Juliana Rebagliati said the amount in the budget is an estimate. Council Member/Director Begun stated he is against having an item in the budget that does not have a budget.

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3. D. JOINT BUDGET STUDY SESSION (Continued)

Community Development Director Rebagliati responded to a question of Council Member/Director Graves by informing the council that the \$214,000 was the original amount that the council put into the fund to start the fund. The council also established the fee, which has built the fund to what it is now.

Finance Director Lai referred to page 178 of the proposed budget and reviewed the General Plan Maintenance Fee Fund and responded to questions of council members/directors.

Finance Advisory Committee Member Westman discussed her understanding of the general plan update. She said there is no legal requirement regarding updating the other general plan elements. She emphasized the committee's interest in looking at ways to come up with money now.

There was continued discussion regarding the Finance Advisory Committee's recommendations pertaining to the General Plan Update Fund, the city Newsletter, parking meter rates, customer service training, and the equipment replacement internal service fund.

Mayor/Chairperson Nicol thanked the Finance Advisory Committee for their input and recommendations pertaining to the proposed budget.

City Treasurer Gualtieri then discussed one other recommendation of the Finance Advisory Committee that does not appear on the budget recommendations list, as it has nothing to do with money. That recommendation has to do with the City Treasurer and Finance Director being able to sit in on closed sessions when employee negotiations are occurring. He has not talked with the City Attorney about this recommendation. The Finance Director is under the City Manager's authority and could be given authorization by the city manager. With regard to the City Treasurer, that would be up to the City Council. City Treasurer Gualtieri commented that based on the duties of the city treasurer, the treasurer would be an ex-officio member and not a voting member. Council Member/Director Graves said he would like to see a written explanation of this request.

City Treasurer Gualtieri explained the reason for this item coming forward is that a major cost to the city is labor expenses. This would allow the City Treasurer and Finance Director to be up to speed on potential labor costs.

Council Member/Director Graves asked if the Mayor was interested in hearing a motion on the Finance Advisory Committee's recommendations tonight. Mayor/Chairperson Nicol said he would be interested in a motion to receive the report and leave it to individual council members/ agency directors to keep these recommendations in mind as they move through the budget process.

ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Storey to receive the report. The motion carried unanimously.

Council Member/Director Graves asked at what meeting on the proposed budget study schedule the council/agency directors will give direction on these individual items. City Manager/Executive Director Hill said direction could be given tonight or at the next session, which is scheduled for May 28. Council Member/Director Graves said he is interested in getting a consensus on these recommendations tonight. City Treasurer Gualtieri agreed that it would be helpful to receive direction on the Finance Advisory Committee's recommendations.

Mayor/Chairperson Nicol said there would be an opportunity after public comments to provide direction to staff on this. (See Page 11102)

3. JOINT BUDGET STUDY SESSION (Continued)

E) General Fund Informational Report for Fiscal Years 2008-09 through 2010-11

Finance Director Lai summarized the written agenda report and responded to questions of council members. Mayor/Chairperson Nicol observed that several of the Finance Advisory Committee recommendations are included in this report. Council Member/Director Termini said he appreciates this information.

Mayor/Chairperson Nicol noted that Measure P revenues of \$937,900 are included in the FY2008-09 recommendation. He also commented on a memo he received regarding COPS funding. Finance Director Lai said that information came after the memo was prepared and it was a one-time report.

Council/Director discussion was followed by this action:

ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Storey, to receive the General Fund Informational Report, as submitted. The motion carried unanimously.

F) Public Comments

Mayor/Chairperson Nicol opened the meeting to the public for comments on the proposed budget at 9:40 p.m.

Kathy Kelly, on behalf of the Capitola Begonia Festival Committee, wished to thank the City Council for its continued support of the Capitola Begonia Festival. This is a Free Family Fun event enjoyed by residents and visitors to Capitola. She said a fundraiser would be held at Stockton Bridge Grille during the summer.

Maggie Ivy, Santa Cruz County Conference and Visitors Council (CVC), expressed the CVC'S appreciation for its continued funding included in the proposed budget. She commented on the various media opportunities for Capitola and Santa Cruz County, cultural tourism opportunities at the Inn at Depot Hill and the Best Western Capitola By-the-Sea. Ms. Ivy commented on a new program for a "Birding & Wildlife Guide & Map" and distributed copies of the guide to the council. She also commented on the TOT tax and occupancy rates. In closing, Ms. Ivy gave away "Go Green" shopping bags with the CVC website on it to the council members.

Toni Castro of the Capitola-Soquel Chamber of Commerce commented that the springs are coming through some of the seats in the council chambers, and she hopes some money can be allocated in the budget to recover the seats or fix them. She thanked the Mayor and City Council for continuing their partnership with the city on visitor information services. She said the Chamber had over 2 million requests for information on lodging, attractions, etc., during 2007. Ms. Castro submitted copies of visitor packets. She went on to say the chamber works closely in partnership with the CVC and Capitola Village and Wharf Business Improvement Area so as not to duplicate efforts. Ms. Castro stated that the Chamber also assists the city and other community groups in such events as the Rod & Custom Car Show, Begonia Festival, etc. She said the Chamber has worked with the Art & Cultural Commission on the Sea Wall Tile Art Project and reported that 536 tiles have been sold so far.

Ms. Castro then responded to questions from council members/directors about chamber membership and rates. Council Member/Director Graves asked about chamber rates and whether they have been increased. She said rates are based on the number of employees for the business.

There being no further comments from the public, the public comment portion of the session was closed at 9:55 p.m.

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3. JOINT BUDGET STUDY SESSION (Continued)

G) Council/Director Comment, Discussion and Direction

1) Mayor/Chairperson Nicol attended a child's birthday party at Jade Street Park and noted there is only one picnic table at the park. He said a program to add more picnic tables at the park would be useful.

2) Mayor/Chairperson Nicol asked for comments from council members/directors.

3) Council Member/Director Termini commented on the Finance Advisory Committee's recommendation list and discussed his proposed modifications to those recommendations. Council Member/Director Graves said he would like to try to reach a consensus on the list.

ACTION: Council Member/Director Graves offered the following motion approving city council/director recommendations to the Finance Advisory Committee's list as follows:

<u>Item</u>	<u>Council/Director Recommendation</u>
Citywide Weekend Shuttle	Increasing the budget by \$18,000 (Realizing that if it is successful, next year it will cost \$25,000)
Slurry Seal	Add \$20,000
Attorney Annual Contract	Add \$10,000
Mobile Home litigation services	Add \$60,000
Equipment Replacement Internal Service Fund	Not necessary at this time – add nothing
Newsletter	Leave amount at \$12,000
General Plan Update Fund	Leave as is (<i>This item was removed from motion.</i>)
Staff Customer Service Training	\$1,000
RDA Annual Loan from the City	Concur with committee's recommendation to exclude the CVC and Chamber contracts from the 10% interest calculation.
CIP Presentation	Not applicable
Parking Permit Fees	Suggested having staff look at increasing fees that would represent a modest increase based on the number of years since the last increase. (<i>This item was removed from motion.</i>)
Increase Parking Meter Rates	Plug in a dollar amount somewhere between a 25% and 50% rate increase and get an estimate in the budget.

Under discussion of the motion, Council Member/Director Termini asked about the General Plan Fund. Council Member/Director Graves amended his motion to remove the General Plan Update Fund from the motion. With that removal, Council Member/Director Termini seconded the motion.

Council Member/Director Storey received clarification from Council Member/Director Graves about the parking permit fees recommendation for a modest increase. Council Member/Director Storey said he cannot support raising parking permit fees for the residents. Council Member/Director Graves commented on the benefits derived by residents who participate in the permit parking program. After further discussion, Council Member/Director Graves amended his motion to remove Parking Permit Fees. Council Member/Director Termini agreed and seconded the amendment.

The motion carried unanimously.

3. JOINT BUDGET STUDY SESSION (Continued)

4) Council Member/Director Storey commented on funding for Cortez Park being short. Public Works Director Steve Jesberg said it was short by about \$27,000. Council Member/Director Storey then asked if the expense for the Beulah house was not going to be incurred, if the council could transfer the Beulah funding to the Cortez Park Play Equipment Project.

ACTION: Council Member/Director Storey moved, seconded by Council Member/Director Graves to transfer Beulah House funding to the Cortez Park Project. The motion carried unanimously.

5) Council Member/Director Graves sees the city needing to economize. He commented on staff members serving on many city committees. He discussed his concerns and said he believes committees should staff themselves.

6) Council Member/Director Begun expressed appreciation to Finance Director Lai, said he does not see a need for staffing reductions, and he would be interested in more information on the programmable parking meters.

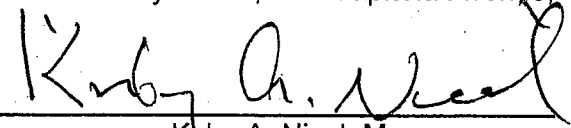
7) Mayor/Chairperson Nicol commented on his concerns about the budget and said he ran for office on a platform of fiscal responsibility. He discussed Measure P funding, the need to extend the sales tax in order to balance the budget, concerns about structural deficit, and his interest in freezing staffing levels and looking carefully at replacing vacated positions.

8) Finance Director Lai commented on expectations for the next budget study session to be held on Wednesday, May 28, at 6 p.m.

4. **ADJOURNMENT**

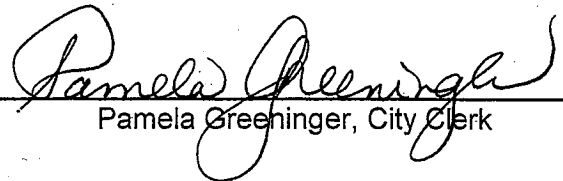
The Special Joint Budget Study Session was adjourned at 10:25 p.m. to the next Regular Meetings of the Capitola City Council and the Redevelopment Agency to be held on Thursday, May 22, 2008, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

The Finance Advisory Committee adjourned to its next Regular Meeting to be held on Tuesday, June 17, 2008, at 6:00 p.m. in the City Hall Community Room, 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 11097.