

May 21, 2009
 Capitola, California

CAPITOLA CITY COUNCIL

MINUTES OF SPECIAL JOINT BUDGET STUDY SESSION OF THE CITY COUNCIL/REDEVELOPMENT AGENCY

Mayor/Chairperson Begun called the Special Joint Budget Study Session of the Capitola City Council and the Redevelopment Agency of Thursday, May 21, 2009, to order at 6:14 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 Ron Graves, Sam Storey, Kirby Nicol, Dennis Norton, and Mayor/Chairperson Robert "Bob" Begun

ABSENT: None

STAFF: City Manager/Executive Director Richard Hill, Community Development Director/Deputy Executive Director Jamie Goldstein, Interim Chief of Police Rick Ehle, Public Works Director Steve Jesberg, Assistant to the City Manager Lisa Murphy, and Deputy City Clerk/Secretary Liz Nichols

OTHERS: City Treasurer Jacques Bertrand and Redevelopment Agency Treasurer Debbie Johnson

2. ORAL/COUNCIL COMMUNICATIONS

Council Member/Director Graves asked when staff would be expecting to hear from the State regarding the effects on County and local governments relative to the failed propositions of the May 19, 2009 Election.

City Manager Hill said the effects we can anticipate center around Proposition 1A that was passed by the voters as a Constitutional amendment in 2004. Proposition 1A allows the State to borrow property tax money and put it into the Educational Revenue Augmentation Fund (ERAF). The State would have to declare a fiscal emergency and then the legislature has to adopt with a 2/3 majority to allow the State to borrow the money. The League of California Cities has prepared a response regarding the defeat of the propositions. Staff anticipates \$220,000 to \$250,000 of property tax dollars borrowed and then returned over some period of time. The State may not demand this money and the decision lies in the hands of the State legislature. The State owes the City about \$350,000 in Capital Improvement Funds.

Council Member/Director Nicol spoke regarding the California Constitutional Convention to take the Constitution and go through and clean up the propositions and measures over the last 20 years and try to come up with a simpler document. The Constitution is a good document.

Council Member/Director Storey said he is not sure our Constitution is working very well for us. The convention would be made up of a delegation of the people who would make some necessary changes to the Constitution.

City Manager Hill agreed things need to be changed in the State Constitution. One of them is school legislation. It will be difficult to come to an agreement on the Constitution if the legislature can't balance the budget.

3. JOINT BUDGET STUDY SESSION**Continued Budget Study Session on the Proposed FY 2009-10 Budget for the General Fund and Redevelopment Agency. [330-05/760-25]****A) City Manager Comments: Budget Deliberation Process**

City Manager/Executive Director Hill said the City Council/Redevelopment Agency was presented with the proposed budget for 2009-10 Fiscal Year at the last Joint Budget Study Session held May 13, 2009. The process allows the Council/Agency to review the budget and make changes. Tonight the Council/Agency will have the opportunity to change the budget and the final budget will return in June for City Council/Redevelopment Agency approval. If there are only a few changes to be made, the Council/Agency may wish to cancel the budget study session scheduled for June 3, 2009.

B) Public Hearing to Receive Community Grant Funding Requests

At 6:26 p.m. Mayor/Chairperson Begun opened the public hearing.

Will O'Sullivan from the Human Care Alliance (HCA) gave a presentation. HCA is a collective of 30 agencies that serve the city of Capitola and is a 25 year old organization. The focus is to serve the neediest people of the City such as seniors, the disabled, young people and families. Outcome is an important piece of the puzzle HCA uses to evaluate themselves. HCA contributes to public safety, health and quality of life. The quality of life piece is addressed by nearly all of the agencies who improve the quality of life in Capitola. They make sure that quality of life is an ongoing proposition.

Kathleen Johnson spoke on the aspect the HCA provides regarding health and mental health needs to the City of Capitola. The community helps by volunteering and coming together in times of need. Ms. Johnson asked the City to leave the \$13,750 in the budget for community grants.

Mr. O'Sullivan played a short video on the Human Care Alliance and what they do throughout the year.

Lynn Young of the Cultural Council thanked the City for 30 years of support.

C) Finance Advisory Committee Recommendations

Mayor/Chairperson Begun asked if there were any recommendations from the Finance Advisory Committee.

Linda Hanson, Vice-Chair of the Finance Advisory Committee, gave a recommendation that the budget be accepted with the same community grant amounts as last year.

Maureen O'Malley-Moore, Finance Advisory Committee member, spoke about concerns she has. The election this week means cuts to the City. One of the things she asked for is to address the future issues and State implications.

Council Member/Director Storey asked if Maureen would like the Finance Advisory Committee to bring this information to the June 3, 2009 meeting.

3. C) Finance Advisory Committee Recommendations (Continued)

City Manager Hill said he addressed these issues at the beginning of this meeting. PERS has also been wrestling with this issue. The impacts will reach the City in 2011-2012. If the State takes the \$230,000, the City has reserves.

RDA Treasurer Debbie Johnson thanked the Council for taking quick action on the budget cuts and furloughs.

D) **Public Comments** - None

E) **Council/Director Comment, Discussion and Direction**

At 7:10 p.m. Council Member/Director Storey recused himself due to a conflict of interest and stepped out of the Council Chambers.

Council Member/Director Norton spoke on the furloughs of Capitola employees and said they take one day off a month. He doesn't see where we can take 5% away from the grantees. Council Member/Director Norton said he wanted to move four of the groups to RDA funding: O'Neill Sea Odyssey, the Cultural Council of Santa Cruz County, the Santa Cruz Office of Education, and the Volunteer Center.

Council Member/Director Graves agreed with Council Member/Director Norton's comments that all groups need the money. He said the city should fund Community Groups at last year's level, as this is not the place to cut the budget.

Council Member/Director Nicol appreciates all of the work the grantees do.

Mayor/Chairperson Begun said the City of Capitola is one of the few cities that have not cut grant funding.

ACTION: Council Member/Director Graves moved, seconded by Council Member/Director Nicol, to fund the community groups at the previous year's funding amounts and directed staff to look for \$13,750 throughout the entire budget with a possibility of using some funds from the Redevelopment Agency. The motion carried on the following vote: AYES: Council Members/Directors Graves, Storey, Nicol, Norton, and Mayor/Chairperson Begun. NOES: None. ABSENT: None. ABSTAIN: None. DISQUALIFIED: Council Member/Director Storey.

After action taken on the Community Grant funding requests, Council Member/Director Storey returned to the meeting at 7:35 p.m.

Council Member/Director Graves asked about Prop 1A.

City Manager Hill referred to page 32 of the budget regarding property tax in the sum of \$1.6 million. The triple flip takes sales tax and gives us property tax.

Council Member/Director Nicol said they can pay us back over several years which is not good for the City.

City Manager Hill said we have a balance budget based on Measure P. We have a satisfactory Capital Improvement plan. So far we seem to be on target. If we need to, we can increase revenues or decrease expenditures or a combination of both. We would come back with proposals for the Council.

3. E) Council/Director Comment, Discussion and Direction (Continued)

Council Member/Director Nicol said we have done a great job with CIP projects funded by Measure P such as the Slurry Seal Program, and future projects such as the 38th Ave. Reconstruction Project and the 41st Ave Project. These are highly visible things.

Council Member/Director Storey said there is a probability the State will take their 8% from us. We need to be prepared if the State depletes our reserves. He would be comfortable keeping the June 3, 2009 meeting to discuss this.

Council Member/Director Nicol said the Santa Cruz County Regional Transportation Commission will take action on \$668,000 in CIP projects on June 4, 2009.

Council Member/Redevelopment Agency Director discussion was followed by this action:

ACTION: Council Member/Director Graves moved, seconded by Council Member/Director Nicol, to bring back the budget as proposed to be amended to the Regular Meetings of the City Council/Redevelopment Agency on June 11, 2009. The motion carried on the following vote: AYES: Council Members/Directors Graves, Nicol, Norton, and Mayor/Chairperson Begun. NOES: Council Member/Director Storey. ABSENT: None. ABSTAIN: None.

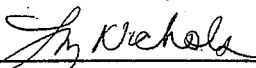
4. **ADJOURNMENT**

The meeting was adjourned at 8:07 p.m. to the next Regular Meetings of the Capitola City Council and the Redevelopment Agency to be held on Thursday, May 28, 2009, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.



Robert A. Begun, Mayor
Redevelopment Agency Chairperson

ATTEST:



Liz Nichols, Deputy City Clerk
Deputy Redevelopment Agency Secretary

MINUTES WERE UNANIMOUSLY APPROVED BY THE CITY COUNCIL/RDA DIRECTORS ON 6/11/09