

June 2, 2010
 Capitola, California

CAPITOLA CITY COUNCIL

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

5:15 P.M. - CLOSED SESSION - CITY MANAGER'S OFFICE CAPITOLA REDEVELOPMENT AGENCY & CITY COUNCIL

At 5:15 p.m. in the City Hall Council Chambers, Vice Mayor/Vice Chairperson Norton noted that all City Council Members/Redevelopment Agency Directors were present with the exception of Mayor/Chairperson Storey. (NOTE: Mayor/Chairperson Storey arrived at approximately 5:15 p.m. and was present for the Closed Session in the City Manager's Office.) Vice Mayor/Vice Chairperson Norton made an announcement regarding the items to be discussed in Closed Session, as follows:

PUBLIC EMPLOYMENT (Government Code §54957)

Title: Community Development Director

Vice Mayor/Vice Chairperson Norton commented on an article that appeared in the latest publication of the Mid-County Post pertaining to the litigation between the City and the Soquel Union Elementary School District, stating that there were several inaccuracies in the article. Vice Mayor/Council Member Norton made a motion to add an item to the Closed Session agenda regarding that existing litigation matter.

After discussion, it was the consensus of the City Council to table this item for consideration after the Joint Budget Study Session.

Vice Mayor/Vice Chairperson Norton noted there was no one in the audience to address the item on Closed Session; therefore, the City Council/Redevelopment Agency recessed at 6:10 p.m. to the Closed Session in the City Manager's Office.

6:00 P.M. – OPEN SESSION

Mayor/Chairperson Storey called the Special Joint Budget Study Session of the Capitola City Council and the Redevelopment Agency of Wednesday, June 2, 2010, to order at 6:31 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, Dennis Norton, Kirby Nicol, Robert "Bob" Begun, and Mayor/Chairperson Sam Storey

ABSENT: None

STAFF: City Manager/Executive Director Richard Hill, Community Development Director/ Deputy Executive Director Jamie Goldstein, Chief of Police Michael Card, Public Works Director Steve Jesberg, Assistant to the City Manager Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

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

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2. **REPORT ON CLOSED SESSION [520-25]**

City Manager/Executive Director Hill said the City Council considered the hire of a Community Development Director and gave direction to staff. No reportable action was taken in Closed Session.

3. **ORAL COMMUNICATIONS – None**

4. **BUSINESS**

A. **Continued Budget Study Session on the Proposed 2010/2011 Fiscal Year Budget for the City of Capitola General Fund, the Capitola Redevelopment Agency, and the Five-Year Capital Improvement Program [330-05 CITY/760-25 RDA/330-20 CIP]**

Mayor/Chairperson Storey introduced this item and asked for a report from staff. *(NOTE: Separate reports and actions were taken by the City Council and Redevelopment Agency Directors.)*

1) **Adoption of the City of Capitola 2010/11 Fiscal Year Budget. [330-05]**

City Manager Hill reviewed the prior budget study sessions and reported on recommended changes to the City's proposed budget at those meetings as detailed in the written City Council Agenda Report pertaining to Adoption of the City of Capitola 2010/11 Fiscal Year Budget. He said a draft resolution is provided for consideration and adoption by the City Council. City Manager Hill said now is the time for the city council to make any changes to the proposed budget prior to adoption.

At 6:37 p.m., Mayor Storey asked if there was anyone from the public who wished to address the City Council on the City's proposed budget.

Staff then responded to several questions pertaining to the proposed budget prior to the City Council taking the following action:

ACTION: Council Member Begun moved, seconded by Council Member Norton, to adopt **Resolution No. 3818, Resolution Adopting the 2010/11 Fiscal Year City Budget**, as submitted.

Under discussion of the motion, Mayor Storey questioned the reference in the resolution to the Finance Director being directed to enter the budget into the City's accounting records, and he wonders if that should be changed since the city does not have a Finance Director. City Manager Hill stated that he actually is the acting Finance Director of the City.

Council Member Graves said he wished to compliment staff and all the departments for their contributions to the budget, and he hopes all the revenue projections come true.

Council Member/Director Graves went on to say that he has only one disagreement to the budget that is not going to stop him from voting for the budget, and that is he objects to adding to the City's general fund from the Redevelopment Agency the \$25,000 for police protection. He believes this is a misuse of Redevelopment Agency funds and thinks people in the RDA should be treated to the same police protection as those in the rest of the city.

Council Member Norton expressed some concerns about the budget and said he would rather be more conservative. He feels the city is fortunate to be able to keep all of its employees and not remain in a furlough mode during the next fiscal year.

4. A. 1) BUSINESS (Continued)

Council Member Nicol echoed Council Member Norton's concerns about the economy. He discussed the federal, state, and county budgets which are operating in a deficit. Council Member Nicol is proud that the City is able, with the diligent work of staff and the assistance and cooperation of all the city's employees during the past year with the furlough process, to put the proposed budget on the table for the people of Capitola.

Council Member Begun asked about the city's agreements with the unions regarding quarterly meetings. City Manager Hill said staff will continue to have quarterly meetings with various employee groups. Council Member Begun asked if there were any expiration dates for those meetings.

Council Member Begun said there is approximately \$600,000 to \$700,000 in the black at the end of the fiscal year on June 30. He asked if the council should use some of that money to increase the contingencies.

Mayor Storey said the Council had discussed sitting on those fund and review the budget at mid-year review. If the Council determines the revenue projections are in line, the council could, at that time, make a definitive decision to commit those funds.

Mayor Storey offered an amendment to the motion requesting that staff bring back a quarterly update on the city's revenue status. At that point the council could consider where the budget ended up on June 30 and be more watchful, rather than waiting until the mid-year review, perhaps a report at the second meeting in October or the first meeting in November.

Community Development Director Goldstein suggested waiting until the sales tax figures are received from the State Board of Equalization. He said staff should have those figures for an update in October or November as requested.

Council Member Norton suggested that the quarterly update go through the Finance Advisory Committee before coming to the Council.

Council Member Graves asked if it were possible to bring back the balance carry-over once that figure is available. City Manager Hill explained the process for closing the books on the FY2009/10 budget and said the fund balance estimate could be provided in late September or early October.

Mayor Storey then called for a vote on the motion.

The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None. *(NOTE: Council Member Graves objected to adding \$25,000 to the City's General Fund from the Redevelopment Agency for police protection, and Mayor Storey noted that he would be abstaining from voting on Exhibit A-3 of the budget resolution pertaining to Community Grants only.)*

Following action on the City's FY2010/11 Budget, Council Member Begun moved, seconded by all other Council Members, to commend staff for an excellent budget.

City Manager Hill said it was the council who took action last year to institute furloughs and freezing certain positions, which has put the city in such a good position at this time.

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4. A. BUSINESS (Continued)

2) Adoption of the City of Capitola Redevelopment Agency 2010/11 Fiscal Year Budget. [760-25]

Chairperson Storey then introduced the next item.

Executive Director Hill summarized the Capitola Redevelopment Agency Agenda Report and recommended actions to adopt the proposed FY2010/11 Redevelopment Agency Budget resolution and the proposed agency resolution making a determination regarding the planning and administrative expenditures of the low and moderate income housing fund for FY2010/11. Also included in the Redevelopment Agency Budget are funding of the Santa Cruz County Conference and Visitor's Council and the additional request of the Capitola-Soquel Chamber of Commerce. Executive Director Hill said there are no recommended changes to the RDA housing budget.

At 6:37 p.m., Chairperson Storey asked if there was anyone from the public who wished to address the Redevelopment Agency Directors on the Agency's proposed budget. No one spoke.

ACTION: Director Begun moved, seconded by Director Graves, to take the following actions:

1. **Adopted Agency Resolution No. 2010-2, Resolution of the Board of Directors of the City of Capitola Redevelopment Agency Adopting the 2010/11 Fiscal Year Budget, as submitted; and**
2. **Adopted Agency Resolution No. 2010-3, Resolution Making a Determination regarding the Expenditure of Low and Moderate Income Housing Funds Outside of the Project Area and regarding Planning and Administrative Expenditures of the Low and Moderate Income Housing Fund for Fiscal Year 2010/11, as submitted.**

The motion carried on the following vote: AYES: Directors Graves, Norton, Nicol, Begun, and Chairperson Storey. NOES: None. ABSENT: None. ABSTAIN: None. (NOTE: Director Graves objected to removing \$25,000 from the Redevelopment Agency's Budget to the City's General Fund for police protection.)

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Following action on the Joint Budget Study Session, Mayor Storey asked about the matter tabled at the time the City Council made its announcement regarding the Closed Session.

City Manager Hill provided a summary of the discussion, stating that Council Member Norton had read an article in the Mid-County Post that seems to be contrary to the reasoning the council used in filing a lawsuit against the Soquel Union Elementary School District. Council Member Norton wanted to discuss an opportunity to take some of the information discussed in the prior closed session and work with members of the press to provide more accurate information and correct misinformation contained in the article.

ACTION: Council Member Graves moved to add an emergency item on tonight's agenda to discuss the option of having the Mayor of Capitola be able to discuss and provide to the media, the City Council's views at the last executive session with regards to the City of Capitola vs. Soquel Union Elementary School District, with the finding that the matter came up after the agenda was posted, and the matter needs to be discussed before the next regular City Council meeting on June 10, 2010. The motion carried on the following vote: AYES: Council Members Graves, Norton, Nicol, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: None.

3) ***ADDED ITEM* Discussion regarding Mid-County Post Article entitled, "Capitola Hires Lawyer to Fight School District over Environmental Report."**

Mayor Storey invited council members to comment on the article in the Mid-County Post.

Council Member Graves said he wanted what happened in the Closed Session to be relayed to the press. His recollection of the meeting was that the Mayor was going to be the contact point with the media relative to the City's CEQA lawsuit with Soquel Union Elementary School District over the potential uses of Jade Street Park.

Council Member Graves believes the Council's position was clear in that the Council felt the negative declaration under CEQA, which the school district filed for the Opal Cliff improvement plan, was deficient in several areas: traffic, parking, recreational loss, and noise. Council Member Graves explained that the Council had expressed their concerns in a letter, but did not receive a response. The Council was hoping the school district could address the full impact of the plan for Jade Street Park, which calls for a preschool and an elementary school, which may come about in 15 years. Council Member Graves went on to say that the win-win situation for the community is that an EIR would identify those items which could be mitigated, or it could possibly say that those items previously stated (traffic, parking, recreational loss and noise) would go unmitigated. At least those impacts would be addressed. He said the City's letter to the school district raising its concerns did not get the parties to a talking point, and perhaps a settlement conference to this type of action would accomplish that. According to Council Member Norton, the newspaper article is contrary to council's direction. Council Member Graves is interested in putting as much information out to the public in open session as possible.

Mayor Storey said Council Member Graves' comments were well stated as to what the Council's discussions have been. Mayor Storey said he has not read the article; however, he understands it implies that the City opposes the preschool, which is not the case. The city does not object to the preschool project, but to the greater construction of an elementary school at Jade Street Park without consideration of the environmental impacts of such a large project.

Council Member Norton reiterated the city has no issue with the preschool; however, the school district is planning to build a school in an area which has a potential impact on the community. The Council's contention is that in order to put a full elementary school on that site, a complete EIR process is needed to resolve all the issues, including traffic circulation, parking, loss of recreation, etc. Council Member Norton said the article in the paper stated that the Council is opposed to a preschool and that the City wanted a full EIR for a preschool. That is not correct. Council Member Norton explained his concerns about not addressing the impacts now, as the city would not have an opportunity to do so in 15 years, when the school district is ready to build the school. He said the City's only recourse at this time is to challenge the CEQA process on the school itself.

Mayor Storey clarified that from the date the school district certified their negative declaration of no environmental impact, the City had only 30 days to do something. By doing nothing, the city would have lost the ability within the next 15 years to have a voice concerning this major project in the City. The council took the position of preserving the community's right to have a voice in this project, and, hopefully, the City can go through a process of mediation or settlement with the school district where the school district will listen to and respond to the city's concerns.

Mayor Storey commented that this matter has been a topic of discussion with the school district for several months; as the school district did not think they were subject to CEQA. The California Coastal Commission agreed with the city's position that the project was subject to CEQA.

Council Member Nicol said he has not read the article, and he is uncomfortable taking action to correct inaccuracies in the newspaper. He noted the lawsuit is public information and that the council directed the Mayor to address questions coming from the media. He believes that is the correct way to handle it.

After Council discussion of this matter, Mayor Storey said he wonders if the council would like him to write a response to the article and said he would be happy to do so. Council Member Graves felt writing a factual statement and submitting it to the paper would be appropriate.

ACTION: Council Member Graves moved that the Mayor be directed, in consultation with Council Member Norton or anyone else on the council, to prepare a factual statement pertaining to this matter, on behalf of the council, for submittal to the press. Council Member Begun seconded the motion.

Council Member Nicol expressed concern about setting a precedence where whenever there is an inaccuracy in any newspaper, the council would want to jump in and correct it.

Council Member Graves said this was brought to the Council's attention by one member of the council who feels there are inaccuracies in the article. He said the proposed recommendation is to make sure the council's point of view is expressed. He feels it is a proper way to proceed.

Council Member Norton said he brought this to the council's attention because he believes the city needs to send out a correct message to the public regarding what the council is doing. It is important to address it now so the correct information can be provided to the community.

The motion carried on the following vote: AYES: Council Members Graves, Norton, Begun, and Mayor Storey. NOES: None. ABSENT: None. ABSTAIN: Council Member Nicol (*because he has not read the article*).

Following action on the added item, Mayor/Chairperson Storey announced that the Special Joint Budget Study Session of the City Council/Redevelopment Agency scheduled for Thursday, June 17, 2010, will no longer be necessary, since the budget has been adopted; therefore, the meeting will be stricken from the calendar.

4. ADJOURNMENT

The Joint Budget Study Session was adjourned at 7:25 p.m. to the next Regular Meetings of the Capitola City Council and the Redevelopment Agency to be held on Thursday, June 10, 2010, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California

ATTEST:


Pamela Greeninger, City Clerk
Redevelopment Agency Secretary


Sam Storey, Mayor
Redevelopment Agency Chairperson