

**CAPITOLA CITY COUNCIL/SUCCESSOR AGENCY
JOINT BUDGET STUDY SESSION MINUTES
WEDNESDAY, MAY 16, 2018 – 6 PM**

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Member Stephanie Harlan: Present, Council Member Ed Bottorff: Present, Mayor Michael Termini: Present, Vice Mayor Jacques Bertrand: Present, Council Member Kristen Petersen: Present.
Treasurer Peter Wilk was present.

2. ADDITIONAL MATERIALS - None

3. ADDITIONS AND DELETIONS TO THE AGENDA- None

4. PUBLIC COMMENT - None

5. CITY COUNCIL / SUCCESSOR AGENCY / CITY TREASURER / STAFF COMMENTS

Treasurer Wilk noted the new external auditors are onsite this week. This audit focuses on assuring the legal use of the City's money and looks for fraud, one of many checks and balances the City has.

Council Member Bertrand, the City's Regional Transportation Commission representative, said he recently rode on the Marin Smart Train.

6. CONSENT CALENDAR

- A. Consider Approval of the January 11, 2018, Successor Agency Meeting Minutes
RECOMMENDED ACTION: Approve minutes.

MOTION:	ADOPT AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Ed Bottorff, Council Member
SECONDER:	Kristen Petersen, Council Member
AYES:	Harlan, Bottorff, Termini, Bertrand, Petersen

7. GENERAL GOVERNMENT / PUBLIC HEARINGS

- A. Presentation of the Proposed 2018/2019 Fiscal Year Budget for the City of Capitola General Fund and the Capitola Successor Agency [330-05/780-30]
RECOMMENDED ACTION: Receive the proposed budgets, provide staff direction, and continue budget deliberations to the next scheduled joint budget hearing on May 30.

City Manager Jamie Goldstein gave an overview of the status quo budget, noting it calls for no new net positions or revenue sources. Finance Director Jim Malberg provided details, saying current projections show this year ending with a \$1.034 million fund balance. Budget assumptions for FY 2018/2019 include slower growth. He noted that current year parking income was down due to staffing and projected numbers represent a return to "normal."

Sales tax remains the City's largest revenue source, and the top five tax generators

represent 35 percent of the category's total income.

CalPERS UAL (Public Employee Retirement System Unfunded Actuarial Liability) costs are projected to increase significantly by FY 2024/2025. It represents half of the increase in personnel costs for FY 2018/2019.

Director Malberg added that the gap in the funding for the library construction has shrunk to an estimated \$36,000, pending bids.

Public Works Director Steve Jesberg provided an overview of capital projects: library construction, Measure F (wharf, jetty, flume), and Measure D road funds combined with a grant from the Regional Transportation Commission. Work also continues on several projects funded in prior years. There are only three purchases recommended in the equipment fund: a police vehicle, a concrete breaker, and a ditch witch to help manage storm drains. He warned that he expects to need another street sweeper in FY 2019/2020. In response to council questions, staff said contracting efforts with Green Waste for street sweeping have not been successful. Staff is also investigating different size sweepers.

Council members requested details on the home programs fund and housing trust funds at the next meeting. They would also like a sense of whether any new hotels may be planned, the potential impact of a cannabis tax, and the mall redevelopment timeline. City Manager Goldstein said in a recent discussion with Merlone Geier, representatives indicated it is still debating various options for moving forward with mall redevelopment.

Council Member Harlan asked about community grants and the possibility of using Watsonville's forms for simplicity. Assistant to the City Manager Larry Laurent noted that each city's two-year cycles don't match, but forms can be similar and shorter.

Council Member Harlan also confirmed that animal services costs are ramping up as part of rejoining the Joint Powers Authority.

City Manager Goldstein offered options for the fund balance with a strong recommendation to leave it intact to offset future shortfalls or contribute to the PERS Trust Fund. He noted that the PERS fund does earn some interest and it could offset pension cost increases. Treasurer Wilk confirmed the Finance Advisory Committee agreed with the approach of splitting the fund between these two options.

City Manager Goldstein said that for the 2018-19 fiscal year, staff's major projects will be:

- Develop options for Council consideration to address rising CalPERS costs
- Complete the cannabis regulatory framework
- Implement new a Neighborhood Watch Program
- Work toward Coastal Commission certification of zoning code update
- Continue working with Capitola Mall ownership group to redevelop the mall

The major capital projects are expected to be:

- Begin construction on Capitola Library with anticipated completion in FY 2019/20
- Measure F: Construct jetty and flume projects, and complete schematic design

- for wharf
- Monterey and Park Avenue Pedestrian Pathway
 - Rispin Park
 - Street maintenance projects
 - Brommer Street – construction in fall 2019
 - Park Avenue Storm Repairs - unfunded
 - Slurry seal
 - Sidewalk Projects
 - Park Avenue Sidewalks
 - 38th Avenue Sidewalk

Staff noted the Monterey and Park Avenue Path may be compromised due to costs if soils testing shows remediation is needed.

In public comment, Jack Digby suggested converting the Rispin mansion to a private residence and reducing pension benefits.


CONTINUED: Next Joint Budget Hearing 5/30/2018 at 6 PM

8. ADJOURNMENT

The meeting adjourned at 7:20 p.m.

MINUTES APPROVED MAY 30, 2018

ATTEST:



Linda Fridy, City Clerk/Secretary



Michael Termini, Mayor/Chair