

**CAPITOLA CITY COUNCIL/SUCCESSOR AGENCY
JOINT BUDGET STUDY SESSION MINUTES
WEDNESDAY, MAY 17, 2017 - 6 PM**

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Member Ed Bottorff: Present, Council Member Jacques Bertrand: Present, Mayor Stephanie Harlan: Present, Vice Mayor Michael Termini: 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

Mayor Harlan said the County Artist of the Year Shelly Phillips will be presenting a free concert June 2 and offered her invitation to the Monterey Resources District Leadership Awards on June 22 to other Council Members.

Treasurer Wilk reported the Finance Advisory Committee (FAC) met ahead of this meeting to continue its review of the budget. It requested a summary list of funds and opportunities to address big-ticket projects, and asked for review matrix to help in its debate, which it will share with the Council.

Public Works Director Steve Jesberg updated the status of the Park Avenue road repairs following significant storm damage. To qualify for state and federal emergency funds, the repairs cannot be handled with a change order to the existing contract. Instead, Council will receive a notice of completion and new process for approval at the next regular meeting.

6. CONSENT CALENDAR

MOTION:	APPROVE ITEMS AS RECOMMENDED
RESULT:	APPROVED [UNANIMOUS]
MOVER:	Michael Termini, Vice Mayor
SECONDER:	Ed Bottorff, Council Member
AYES:	Bottorff, Bertrand, Harlan, Termini, Petersen
ABSTAIN:	Harlan (Item A)

A. Consider the January 12, 2017, Successor Agency Regular Meeting Minutes
RECOMMENDED ACTION: Approve minutes.

B. Approval of Successor Agency Check Register January 1, 2017 - May 11, 2017
[780-30]
RECOMMENDED ACTION: Approve the Successor Agency Check Register for January 1, 2017, to May 11, 2017.

7. GENERAL GOVERNMENT / PUBLIC HEARINGS

- A. Presentation of the Proposed 2017/2018 Fiscal Year Budget for the City of Capitola General Fund, the Capitola Successor Agency, and an Overview of the Capital Improvement Program [330-05/780-30]
RECOMMENDED ACTION: Receive the proposed budgets, provide staff direction, and continue budget deliberations to the next scheduled budget hearing on May 31.

City Manager Jamie Goldstein and Senior Accountant Mark Sullivan presented the staff report and responded to Council questions. City Manager Goldstein explained it features status quo departmental budgets and new revenue from Measure S for the library and Measure D for streets from the Regional Transportation Commission (RTC). Gas tax income will increase in future years. Future PERS (Public Employees' Retirement System) costs remain a major concern and the city is overly reliant on sales tax, the most volatile of income sources.

The new major project is the library construction, which faces a \$1.75 million funding gap after the \$700,000 proposed from General Fund. Manager Goldstein anticipates starting the new fiscal year with a \$1.6 million fund balance. The pension obligation bond will be paid off this year. Liability insurance is not increasing for the first time in several years and the pool with partner cities is seeing a decrease in workers' compensation costs.

Staff projects modest increases in most revenue sources. For expenditures, there is a slight decrease in personnel but an increase in contracts. Staff is suggesting allocating Council travel and training on a per-member basis.

City Manager Goldstein broke out non-recurring projects. The largest is the library as previously discussed. Other categories are a half year of Measure F funding, estimated at \$550,000, which is targeted for the Wharf and beach/flume. Initial recommendations included \$40,000 for the Grand Avenue pathway, but that may change pending the recent geologist's report.

Several items are proposed for the equipment fund, including relocation of the police communication tower, currently on the library. Assistant to the City Manager Larry Laurent explained that the recommendation to move it to the Community Center at Jade Street Park follows a specialist's study, since the topography of city makes it hard to cover. He noted the emissions are not wifi, but a specific range for police radios. The project would be more expensive if a secure new structure needed to be built rather than placing it on the existing building.

The new RTC funding will support bike lane projects and slurry seal efforts.

The facilities reserve has \$330,000, with another \$110,000 proposed from the General Fund. This could cover improvements to both the inside and exterior of City Hall, repaving the Community Center parking lot, resurfacing the basketball courts at Jade Street, and/or purchasing senior exercise equipment.

Community Development Block Grant (CDBG) competitiveness improved under new calculations, and staff proposes submitting the Clares Street improvements for \$1.2 million. The project meets several criteria, so it should be a highly competitive application, due this fall. Previous partial funding for this project eroded with overages from other projects, but former RDA money remains and if the grant is successful, it may be possible to complete it in 2018.

The budget recommends maintaining a roughly \$500,000 buffer in the General Fund, leaving \$1.1 million to allocate to projects. Options include the PERS trust, additional library support, more slurry seal projects, and/or creating an employee housing down payment program, suggested since most new employees in the last 10 years have not been able to purchase a home in the county. The FAC suggested paying down the Pacific Cove debt since the five-year repayment penalty period is about to end. However, if the City finances some of the library project there may not be much benefit. Council Member Bertrand clarified the potential slurry seal augmentation and that roads now have a regular revenue stream as new RTC measure revenue must be dedicated to roads. Under the terms of the measure, funding cannot go into the Capital Improvement Plan and must be a separate fund. Council Member Bottorff confirmed the City may save for a large project, but cannot complete a big project and repay it with the funding.

During public comment, Zachary Bachmeier spoke in support of upgrading the Jade Street basketball courts. He noted recreational basketball provides safe, social opportunities and builds confidence and teamwork. The current state of the court surface causes safety concerns and he reiterated staff's note that timing improvements with the Community Center parking lot upgrade makes financial and scheduling sense.

Council Member Bertrand suggested a work plan item to Identify recreation goals with community outreach and input. He also suggested the City may be able to partner with the county on a regional economic development committee.

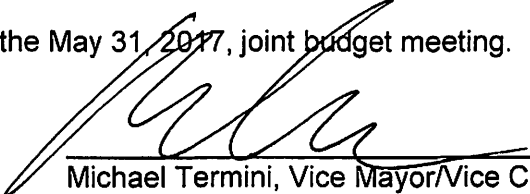
Council Member Bottorff does not favor using General Fund money for streets since there is now an ongoing revenue stream. He is gravely concerned about PERS and would like to put \$500,000 of the year-end fund balance into the trust fund. He also would support \$300,000 for the down payment program and another \$220,000 to the library for a total of \$1 million. He does not support \$110,000 for facility upgrades, but favors the \$25,000 for repairing the basketball courts along with the parking lot.

Council members discussed what form the exterior upgrades to City Hall may take and several expressed support for preserving the liquid amber tree if it can be prevented from doing more damage.

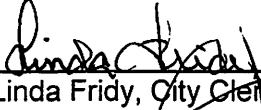
Members also asked about the timing and funding for Park Avenue sidewalks, which Director Jesberg estimated are 80 percent partially funded and undergoing engineering.

8. ADJOURNMENT

The meeting was adjourned at 7:16 p.m. to the May 31, 2017, joint budget meeting.


Michael Termini, Vice Mayor/Vice Chair

ATTEST:


Linda Fridy, City Clerk/Secretary

MINUTES WERE APPROVED ON MAY 31, 2017