

CITY OF CAPITOLA
CITY COUNCIL

May 31, 2012
Capitola, California

**MINUTES OF SPECIAL JOINT MEETING
CAPITOLA CITY COUNCIL/SUCCESSOR AGENCY
TO THE FORMER REDEVELOPMENT AGENCY
JOINT BUDGET STUDY SESSION
6:00 P.M. – OPEN SESSION**

CALL TO ORDER

Mayor Termini called the Special Budget Study Session of the Capitola City Council and the Successor Agency to order at 6:05 p.m. on Wednesday, May 31, 2012, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE:

PRESENT: Council Members Stephanie Harlan, Dennis Norton, Kirby Nicol, Sam Storey, and Mayor Michael Termini

ABSENT: None

OTHERS: City Treasurer Jacques Bertrand

STAFF: City Manager Jamie Goldstein, Public Works Director Steve Jesberg, Finance Director Tori Hannah, Police Chief Rudy Escalante, and City Clerk Susan Sneddon

2. PUBLIC COMMENTS

Barry Boone, Capitola resident, stated his concerns regarding the harmful effects of Smartmeters.

Marilyn Garrett spoke against wireless technology and Smartmeters.

Council Member Nicol stated that, due to a growing number of illegal signs, he would like staff to review the City's Sign Ordinance for compliance issues.

3. GENERAL GOVERNMENT

A. Continued Budget Study Session on the proposed 2012/2013 Fiscal Year Budget for the City of Capitola General Fund, the Capitola Successor Agency, and an overview of the unfunded Capital Improvement Program.

[330-05/780-30]

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3. GENERAL GOVERNMENT (continued)

Christine Buechting, Finance Advisory Committee (FAC) Chair, provided the FAC's recommendations for the City's proposed Fiscal Year 2012/2013 Budget. She stated that the FAC is recommending rebuilding the City's reserves and recommends transferring balances from the Information Technology, Equipment Replacement, and the Stores Funds (Internal Service Funds) to the Emergency Fund in the amount of \$497,900. She presented the FAC's sources to rebuild the City's Emergency Fund and to scale back the unfunded items by twenty-five percent.

Finance Director Hannah stated that the Internal Service Funds (Information Technology, Equipment Replacement, and the Stores Funds) mentioned by Ms. Buechting represent one-hundred percent of the fund balance, and there would be sufficient funds to make planned purchases for Fiscal Year 2012/2013.

City Manager Goldstein introduced various department heads who will report on the following concerns brought up at the May 23, 2012, Special Budget Study Session: (1) review of recreation fees; (2) review of the police budget; (3) review of the proposed capital improvement projects from the development impact fees.

Recreation Supervisor Legare reviewed the recreation budget and presented various options to increase revenues.

Police Chief Escalante provided the following responses to Council's concerns: (1) potential revenue for special events; (2) evaluation of police overtime; (3) reasoning for the City not hiring private security to provide parking enforcement services; (4) police uniform types to distinguish sworn staff and non-sworn officers; and (5) clarification of allocated SPCA funds.

Public Works Director Jesberg reported on Council's request to review the proposed funding for the following capital improvement projects: (1) 38th Avenue Project; (2) Slurry Seal Project; (3) PG&E Utility Underground Project along Bay Avenue; (4) Clares Street Traffic Calming Project; and (5) Pavement Management Program. With regard to development impact fees, he stated that Assembly Bill (AB) 1600 allows cities to charge fees for new development only; typical impact fees can be charged for street improvements and park acquisition and improvements. Under AB 1600, in order to establish a new fee, a fee study must be developed identifying the connection between the impact of new development, the level of the fee, and the burden the new development creates on existing infrastructure; impact fees may not be used for maintenance. He recommended the establishment of development impact fees be deferred until after the adoption of the City's General Plan Update.

Council Member Norton requested that further discussion regarding the City's Fiscal Year 2012/2013 Capital Improvement Program be agendized for a future Council meeting.

3. GENERAL GOVERNMENT (continued)

Finance Director Hannah stated that the Internal Service Funds totaling \$497,900 represents the estimated ending balance and does not include allocated expenditures. Staff is suggesting less contributions from these funds to transfer to the City's Reserves so that the City could retain some of the Internal Service Fund balances.

Mayor Termini opened the public hearing.

The following representatives from various nonprofits in Santa Cruz County provided support for the City's continued community grant funding:

Will Sullivan, Human Care Alliance

Lisa Burkewitz, Meals on Wheels for Santa Cruz County

Darrell Johnson, Senior Council Board Member Santa Cruz County

Shirley Hill, Grey Bears and Meals on Wheels

Jerry Lopez, Retirement Financial Advisor and Meals on Wheels Boardmember

Norma Sanchez, Community Action Board of Santa Cruz County

Capitola Resident, Santa Cruz Aides Project recipient

Rita Flores, Santa Cruz County Family Service Agency

Kurt Antz, Community Bridges Lift Line

Representative from the Santa Cruz Parents Center

Executive Director Maria Cubillas, Big Brothers Big Sisters of Santa Cruz County

Jan Shirchild, Project Scout

Barbara Joy Templeton, Santa Cruz Mental Health Commissioner

Karen Delanie, Santa Cruz Volunteer Center

Michelle Williams, Cultural Center of Santa Cruz County

Brooke Johnson, Second Harvest Food Bank

Tim Bradley, Grey Bears

Laura Hink, Santa Cruz Women's Shelter

Jane, Senior Council of Santa Cruz and San Benito County

Representative from the Santa Cruz Toddler Care Center

Brenda Moss, Senior Network Services

Clay Kempf, Executive Director of the Seniors Council of Santa Cruz and San Benito Counties

Lynn Master, Capitola resident, various homeless programs

Monica Churchill, Hospice of Santa Cruz County

3. GENERAL GOVERNMENT (continued)

Terry Hancock, Attorney for Senior Citizens' Legal Services

Kathleen Johnson, Advocacy, Inc.

Bud Winslow, Santa Cruz Senior Activities

Sandra Williams, City's representative for Seniors Council of Santa Cruz and San Benito Counties, and the Santa Cruz County representative on the Advisory Council of the Area Agency on Aging

Maggie Ivy, Santa Cruz Conference and Visitor Council CEO, requested continued funding for the Santa Cruz County Visitors Center (CVC).

Dan Aspromonte, Best Western and Marriott Fairfield Inn, provided his support for continued funding to the CVC.

Mayor Termini closed the public hearing.

Council Member Storey stated that he does not fully agree with the FAC's proposal to pull \$100,000 from the Slurry Seal Project. He stated that the ultimate objective is to obtain public support for the proposed sales tax measure slated for the November 2012 ballot. He does not recommend taking funding from the Internal Service Funds for capital improvement projects. He stated that he would like the City to make every effort to fully fund the Capitola/Soquel Chamber of Commerce, the CVC, and the Begonia Festival. He asked if approved by the voters, the sales tax measure would become effective.

City Manager Goldstein stated that if the sales tax measure passes, it would take effect July 1, 2013; the City would receive one-half year's allocation of sales tax (estimated at \$450,000). Early next year staff will come back to Council with the mid-year budget report. He recommended that any remaining funds allocated for community grants be held for potential litigation costs.

Council Member Nicol stated concerns regarding re-establishing \$865,000 in City reserves over a 5-year period, as well as continued funding for the capital improvement projects, community grants, Capitola/Soquel Chamber of Commerce, CVC, and the Begonia Festival. He discussed the former Redevelopment Agency's "claw-back" of funds, the City's fiscal mismanagement over the past 10 years, and the run-away payroll. Revenues have increased 17% with payroll increasing 36%. He suggested transferring a large percentage of the Internal Service Funds (\$497,000) to the Emergency Contingency Reserves, and he felt the City should adopt a policy restricting future payroll increases to a sustainable percentage of the City's revenues and consider cutting back the staff work week to 36-hours.

Council Member Harlan stated that the City has a moral commitment to the citizens and should not undermine funding the community groups.

Council Member Norton stated that the City needs to start rebuilding reserves and agrees with the FAC's recommendations. He suggested Council agendaize further discussions regarding capital improvement funding. He stated that long-term funding for community groups should be based on how well the City does financially in the future.

3. GENERAL GOVERNMENT (continued)

Mayor Termini stated that he supports stabilizing the annual funding for the community grants and setting priorities focused more on non-profits that address "life-needs." He stated that the current payroll expenses are reasonable; the number of City staff has decreased compared to 8 years ago. He supports continued funding to the Capitola/Soquel Chamber of Commerce, the CVC, and the Begonia Festival.

City Manager Goldstein stated that the Internal Service Funds have varied year-to-year; a goal is to estimate the average long-term needs for these funds. He recommended that it would be prudent to leave some funds in the account because there may be a need to purchase additional equipment in Fiscal Year 2012/2013. He stated that the City needs additional dollars to help restore the fiscal health of the City.

Council Member Storey announced that he would recuse himself from voting on the Fiscal Year 2012/2013 funding for the Human Care Alliance because he is the Community Bridges CEO (non-profit organization), and voting on this item would be a conflict of interest.

Motion by **Council Member Harlan**, seconded by **Mayor Termini**, to allocate \$250,000 for the Fiscal Year 2012/2013 community grants and for the Council to form a subcommittee comprised of Mayor Termini and Council Member Harlan to assist in providing recommendations to Council regarding community grant funding. **Council Member Harlan** withdrew her motion after further Council deliberation.

Council Member Storey returned to the dias.

Mayor Termini stated that the Council will consider the proposed 2012/2013 Fiscal Year Budget items with the exception of the community group funding due to Council Member Storey's conflict of interest.

Council discussion ensued regarding funding the Capitola/Soquel Chamber of Commerce, the CVC, the Begonia Festival, capital improvement projects, and the City's reserves.

ACTION: Motion by Council Member Norton, seconded by Council Member Storey, to allocate \$22,500 to the Capitola/Soquel Chamber of Commerce, \$17,250 to the Santa Cruz County Conference and Visitor's Council (CVC), \$5,000 for the Begonia Festival, \$22,500 for capital improvement projects, and \$50,000 for reserves; and for Council to reconsider the balance for the Capitola/Soquel Chamber of Commerce and the Santa Cruz County Conference and Visitor's Council at the mid-year Fiscal Year 2012/2013 budget report if the sales tax measure passes. The motion carried with the following vote: AYES: Council Members Norton, Storey, and Mayor Termini. NOES: Council Members Harlan and Nicol. ABSENT: None. ABSTAIN: None.

Council Member Storey left the dias due to the previously stated conflict of interest.

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3. GENERAL GOVERNMENT (continued)

ACTION: Motion by Council Member Norton, seconded by Council Member Harlan, to fund the community grants at \$250,000, and for the Council to form a subcommittee comprised of Mayor Termini and Council Member Harlan to assist in providing recommendations to Council regarding community grant funding. The motion carried with the following vote: **AYES:** Council Members Harlan, Norton, and Mayor Termini. **NOES:** Council Member Nicol. **ABSENT:** None. **ABSTAIN:** Council Member Storey.

There was Council consensus to cancel the June 7, 2012, and June 21, 2012, Special Council Budget Hearings and direct staff to place the proposed Fiscal Year 2012/2013 Budget on the June 14, 2012, regular City Council meeting agenda (Consent Calendar).

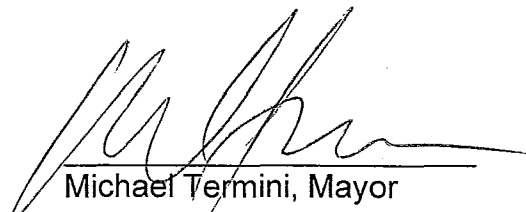
Council Member Storey returned to the dias.

4. ADJOURNMENT

Mayor Termini adjourned at 9:35 p.m. to the next Regular Meeting of the City Council to be held on Thursday, June 14, 2012, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ATTEST:


Susan Sneddon, City Clerk


Michael Termini, Mayor

MINUTES WERE UNANIMOUSLY APPROVED ON AUGUST 9, 2012