

**CITY OF CAPITOLA
CITY COUNCIL**February 16, 2012
Capitola, California**6:00 P.M. – OPEN SESSION****MINUTES OF THE FEBRUARY 16, 2012 SPECIAL CITY COUNCIL MEETING****CALL TO ORDER**

At 6:00 p.m. in the City Hall Council Chambers, Mayor Termini noted that all Council Members were present.

ROLL CALL

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

ABSENT: None

STAFF: City Manager Jamie Goldstein, City Attorney John Barisone, Public Works Director Steve Jesberg, and City Clerk Susan Sneddon

ORAL COMMUNICATIONS (None provided)

CITY COUNCIL BUDGET PRINCIPLES**A. Mid-Year 2011/2012 Fiscal Year Budget Financial Report. [330-05]**

Finance Director Hannah provided a brief mid-year budget summary and an overview of the City's anticipated year-end balance. She stated that staff has reviewed each of the line item expenditures and revenues to ensure that the City is on target with the adopted budget, and she recommended that Council authorize a budget adjustment. She stated that some of the City's revenues are projected less than anticipated; property tax revenue is down (-\$43,000 difference) primarily due to the adopted budget maintaining last year's numbers and then receiving updated information from the assessor's office. She stated that fines and forfeitures are down (-\$135,000 difference) primarily due to staffing reductions in the Police Department; other adjustments include charges for service primarily due to meter reductions and ticketing holidays. In review of the major expense categories she stated that Personnel Services were the largest difference (+\$141,917) primarily due to vacant positions and changes in contracting services within the Public Works Department. In review of the departmental expenditure detail she stated that City Council and the City Attorney expenditures had large increases primarily due to the dissolution of the City's Redevelopment Agency and also litigation related to the March 2011 flood. In addition, the Police Department had a reduction in expenditures primarily due to staffing changes. She stated that the City's estimated ending reserve balance is \$516,277 due to the March 2011 flood, resulting in the inability of the City to meet the fifteen-percent reserve funding policy. She stated that recently the City Council approved funding the Capitola/Soquel Chamber of Commerce, Santa Cruz Conference and Visitors Council, a voter survey, and

CITY COUNCIL BUDGET PRINCIPLES (continued)

funding for litigation related to the disaster, leaving a \$1.2 million reserve fund shortfall. She stated that this year's mid-year report indicates a projected balanced budget.

City Manager Goldstein announced that the Transient Occupancy Tax (TOT) payments are on track to meet the budget target; in addition, the sales tax figures will likely miss the adopted budget targets due to the state triple flip payments; the state typically overpays the City in one year and under pays in the next year (as occurred this fiscal year). He stated that the full impact of the state's elimination of the Redevelopment Agency is unclear. The City has authorized debt payments for Pacific Cove relocation; also, the City's General Fund may be impacted by the Mobilehome Rental Assistance Program. He stated that in the past Capitola/Soquel Chamber of Commerce and the Santa Cruz County Visitors Center were funded out of the City's Redevelopment Agency; the City found General Fund dollars to backfill those costs. He noted there are significant unknowns that may affect next year's budget.

Council Member Norton stated concerns regarding the Police Department's amount of overtime; he recommended that the Recreation Department become more independent.

Council Member Harlan suggested hiring temporary personnel to do the City's code enforcement in order to enhance revenues.

Mayor Termini asked for clarification regarding the parking patrol payroll expenditure and asked if the City could increase the court trial fees to balance the City's expenditures.

City Manager Goldstein stated the Police Department's overtime expenditures can be managed through mid-year adjustments; the overtime was primarily due to police officer turnover and the homicide investigation. He stated that staff plans to provide a recommendation to Council on changing the part-time parking enforcement officer to a full-time position in next year's budget. He noted that the City has not seen a measurable increase in payments with the new parking meters, as was anticipated. Staff will review the trial fees charged by the state to determine if they are being categorized differently.

B. Review of prior year's Budget Principles. AND

C. City Council determination of the Budget Principles for the 2012/2013 Fiscal Year. [330-05]

City Manager Goldstein stated that the Council adopted the following budget principles for Fiscal Year 2011/2012: (1) Fiscal policy principles; (2) Public services principles; (3) Public improvement principles; and (4) Public improvement possibilities. He summarized the progress achieved in attaining the various budget principles. He stated that Fiscal Year 2012/2013 funding will likely focus on reestablishing reserve accounts and identifying priorities.

CITY COUNCIL BUDGET PRINCIPLES (continued)

Council Member Nicol suggested setting up a three-year goal to replenish the City's contingency and emergency reserves.

Mayor Termini stated that setting up a five- or seven-year goal to replenish the City's contingency and emergency reserves seems more realistic; he suggested committing a dollar amount annually as a line item in the budget to backfill the City's reserves.

Council Member Nicol suggested building the City's reserves by establishing an annual dollar amount; if the City has any windfalls, the first priority should be to get the contingency and emergency reserves built up.

Council Member Harlan suggested that the proposed Rispin property developments, as stated in last year's list of public improvement principles, could be removed; she does not foresee work on the Rispin property in Fiscal Year 2012/2013. She suggested adding a budget principle to continue funding the community groups at the same level and to provide a bonus to the non-profits if the consumer price index increases.

Council Member Nicol suggested developing a pie chart under the guidance of the public policy, showing the City's revenue sources and indicating how the funds are spent for the various priority projects.

Council Member Storey stated that the City's efforts should be to maintain a sustainable local government within the existing framework; financial decisions should not be made based on a formula. Staff should identify any budget issues and Council provide direction.

Council Member Norton stated that maybe the City needs a reality check and the realization that there are limitations to what services can be provided.

Mayor Termini opened this item for public comment.

Nels Westman, Capitola resident, stated that the City needs to work smarter and with fewer employees in light of the economic downturn; over eighty percent of the City's budget goes to personnel, contractors and consultants. He pointed out that the City borrowed \$5 million to pay for the unfunded retirement benefits; the City lacks fiscal restraint and is still paying approximately one-quarter-million dollars annually to repay the loan. He stated that a new City Hall is unnecessary and expensive; developing the current site for hotel/retail use only exacerbates the current parking and congestion problems. He suggested that more focus should be geared toward resources that improve the residents' quality of life, and he stated that the City should place street maintenance as a high priority.

Council Member Norton asked what the status of the City's public library obligation is with Santa Cruz County.

CITY COUNCIL BUDGET PRINCIPLES (continued)

City Manager Goldstein responded that the City has an agreement between the Redevelopment Agency, the City of Capitola, and Santa Cruz County to develop a new public library; the agreement calls for the City to contribute funds so that \$2.6 million will be available to build a library of no less than 7,000 square feet. He stated that the funding is provided in increments each year; in early years the payments were relatively small from the City's Redevelopment Agency, and in later years the payments were accelerated. He stated that the City reached the accelerated portion of the payments; however, with the dissolution of the Redevelopment Agency the agreement will be subject to review by the Successor Oversight Board.

Council Member Nicol stated that the City has an increasing liability dependent upon what happens with the dissolution of the Redevelopment Agency. He suggested the City get out of the financial obligation with the County and move forward on the City's terms.

City Treasurer Bertrand provided his support for continuing the community grants. He stated that he supports some City departments becoming revenue neutral (i.e., the City's Recreation Department). He suggested that the Council look into expanding youth recreational services and cancelling parking fees in the Pacific Cove area to help local businesses. He stated his concerns regarding the City's street sweeper when there are so many cars on the street.

Mayor Termini closed this item for public comment.

Council Member Nicol suggested that in light of the current economic recession the City may want to consider a ten-percent net reduction in spending as is being done by other local cities.

Public Works Director Jesberg provided a PowerPoint presentation showing Council's comments in revising the City's budget principles.

City Manager Goldstein stated that staff will take Council's direction in revising the budget principles in preparation of the Fiscal Year 2012/2013 budget cycle.

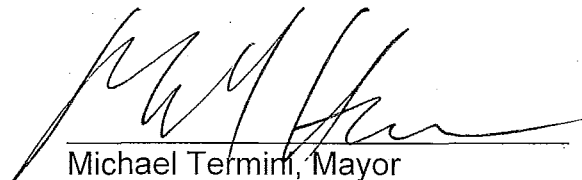
Council Member Norton pointed out that the City is not fully meeting the obligation in providing the community full access to the Rispin property. He stated that the City has not experienced major problems at the Rispin property and suggested installing sensor devices as a crime prevention measure.

Council Member Nicol noted that the public can walk through the Rispin property, and the security fences are there to protect the structure. He stated that opening the entire Rispin property to the public should be a low priority; the City has higher priorities for expenditures.

Council Member Storey requested that the neighbors of the Rispin property be noticed prior to Council discussion regarding the property (**City Manager Goldstein** agreed).

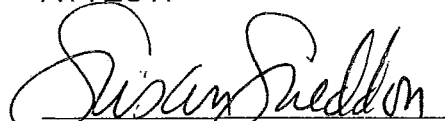
4. ADJOURNMENT

Mayor Termini adjourned at 7:40 p.m. to the next Regular Meeting of the City Council to be held on Thursday, February 23, 2012, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.



Michael Termini, Mayor

ATTEST:



Susan Sneddon, CMC
Susan Sneddon, City Clerk

MINUTES WERE UNANIMOUSLY APPROVED ON MARCH 22, 2012