

**CITY OF CAPITOLA
CITY COUNCIL/REDEVELOPMENT AGENCY**

February 17, 2011
Capitola, California

MINUTES OF A SPECIAL JOINT MEETING

5:00 P.M - CLOSED SESSION - CITY MANAGER'S OFFICE

At 5:00 p.m. on Thursday, February 17, 2011, in the City Hall Council Chambers, Mayor/Chairperson Norton noted that all Council Members/Redevelopment Agency Directors, with the exception of Council Member/ Director Harlan, were present for the announcement. City Clerk Greeninger announced that Council Member/Director Harlan was attending a Sanitation District meeting and would be a little late. Mayor/Chairperson Norton made an announcement regarding the items to be discussed in Closed Session, as follows:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9a)

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park)
[Superior Court of the State of California for County of Santa Cruz, Case #CV 167716]

Surf and Sand, LLC vs. City of Capitola, et al (Surf & Sand Mobile Home Park)
[U.S. District Court N.D., Case No. C09-05542 RS (Judge Richard Seeborg)]

Los Altos/El Granada Investors vs. City of Capitola, et al (Castle Mobile Estates)
[U.S. District Court N.D., Case No. CV 04-05138 JF (Judge Jeremy Fogel)]

Vieira Enterprises, Inc. vs. City of Capitola (Cabrillo Mobile Estates)

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Government Code §54956.9:
One Case: Vieira Enterprises, Inc. vs. City of Capitola (Cabrillo Mobile Estates)
The City is in receipt of a December 30, 2010, Fair Return rent increase application for Cabrillo Mobilehome Park, which claims that if it is not granted in its entirety, the City will be liable for the unconstitutional taking of Mr. Vieira's property and further claims that the City's past enforcement of its rent control ordinance has already functioned to effect such a taking.

Mayor/Chairperson Norton noted that there was no one in the audience; therefore, the City Council/Redevelopment Agency recessed at 5:01 p.m. to the Closed Session in the City Manager's Office.

7:00 P.M. – OPEN SESSION

Mayor/Chairperson Norton called the Special Joint Budgeting Principles Session of the Capitola City Council/Redevelopment Agency to order at 7:10 p.m. on Thursday, February 17, 2011, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ROLL CALL AND PLEDGE OF ALLEGIANCE

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

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

STAFF: City Manager/Executive Director Jamie Goldstein, City Attorney/General Counsel John G. Barisone, Community Development Director/Deputy Executive Director Derek Johnson, Public Works Director Steve Jesberg, Police Captain Tom Held, Assistant to the City Manager Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

2. ORAL COMMUNICATIONS

A. Report on Closed Session [520-25]

City Manager/Executive Director Goldstein reported that the items discussed in closed session were those listed on the Closed Session agenda. At the briefing this evening, the members received an update from the City Manager, Community Development Director Derek Johnson, City Attorney John Barisone and Deputy City Attorney George Kovacevich pertaining to those items. No reportable action was taken.

B. Gary Richard Arnold expressed concern regarding AMBAG (the Association of Monterey Bay Area Governments). He commented on Fusion Centers and his concern about losing local control. He submitted two DVDs pertaining to Fusion Centers and Shadow Government.

C. Police Captain Tom Held announced that he had the honor of attending an awards ceremony at the Santa Cruz County Sheriff's Department on February 17, 2011, where four members of the Capitola Police Department were recognized for their participation in a homicide investigation. He said the four officers receiving recognition were Cliff Sloma, detective Marquis Booth, Guillermo Vazquez and Sarah Ryan. Mayor Norton suggested Captain Held schedule recognition of the officers at the next City Council meeting.

D. Council Member Harlan said the Sanitation District will be participating in Earth Day activities on Saturday, April 16, 2011, at San Lorenzo Park. They will be encouraging people not to put grease or medication down the drain and will be providing activities for children.

E. Council Member Storey updated the council on the Library JPA meeting held on Monday, February 14. The board was considering various models, one which would have included closing some of the library branches. The board unanimously decided to defer any decision on any of the 4 proposed models. They appointed a subcommittee to work on an alternative way to provide sustainability of the library, to help it move into the 21st century, and to save the current branch libraries. The subcommittee consists of the Chair of Library JPA Board, Barbara Gorson, Supervisor Ellen Pirie, City of Santa Cruz council member David Terrazas, and himself. He announced that there would be a meeting of the subcommittee in the Community Room at Capitola City Hall on Monday, February 21, at 2 pm.

Mayor Norton thanked Council Member Storey for his participation on the Library JPA. Council Member Storey said he is honored to be selected to work on the subcommittee. He hopes they can come up with a compromise.

Council Member Harlan said it is difficult to reopen a library after it is closed, and she hopes the libraries will remain open.

F. Council Member Nicol reported the Santa Cruz County Regional Transportation Commission is moving forward on the rail line acquisition. He said the property could close by the end of April or May.

G. City Manager Goldstein thanked the council for their understanding and support while he has been out of the office after having hip replacement surgery. He also wished to acknowledge and thank Public Works Director Steve Jesberg, Community Development Director Derek Johnson, Chief of Police Mike Card, and Assistant to the City Manager Lisa Murphy, who stepped up during that period to cover for him.

3. BUSINESS

A. Introduction by City Manager/RDA Executive Director [330-05]

City Manager Goldstein provided a brief introduction to the meeting utilizing a PowerPoint Presentation. He explained the former annual goal-setting process and his interest in combining and integrating the goal-setting process with the budget process.

B. Review by City Manager of Prior Year's Goals and Status [120-10]

City Manager Goldstein then reviewed the goals that were approved for 2010 and the status of each as detailed in the written Agenda Report. The goals included Pacific Cove Mobile Home Park's long-term use, filling the Gottschalk's space at Capitola Mall and fostering economic development throughout the city, a McGregor Drive property use study made, Jade Street Park concerns resolved in a manner that will best preserve the City's interest in the property, a location for new Capitola Branch Library determined, and the use of Rispin property resolved.

Following the city manager's presentation, Council Member Nicol commented that there was another goal – resolution regarding mobile home park litigation. Mayor Norton said that is the top priority for the council this year.

Council Member Harlan discussed building a convenience store at the McGregor Drive property, which would service campers at New Brighton State Beach.

C. Mid-Year 2010/2011 Fiscal Year Budget Financial Report. [330-05 FY2010/11] Staff recommendation: adopt resolution accepting report and amending FY 2010/11 City Budgets. [330-10]

City Manager Goldstein complimented Assistant to the City Manager Murphy for working on this mid-year report and for presenting it to the Finance Advisory Committee. He provided a summary of the revenues and expenditures thus far this year.

City Manager Goldstein discussed the options for resolving the shortfall and said staff's recommendation would be a PERS fund balance transfer of \$215,000. The other option involves reductions in budgeted areas, including slurry seals, the Esplanade retaining wall, contingency and emergency reserves, and the equipment replacement fund.

Mayor Norton asked if the Finance Advisory Committee had a recommendation pertaining to the mid-year report and the option to take. They did not.

Assistant to the City Manager Murphy responded to questions of council members/directors pertaining to the options to resolve the shortfall.

ACTION: Council Member Nicol moved, seconded by Council Member Termini, to adopt **Resolution No. 3854, Resolution Accepting the fiscal Year 2010-2011 Mid-Year Budget Report and Amending the 2010-2011 City Budgets Accordingly**, as submitted.

Under discussion of the motion, Robert Begun, Chair of the Finance Advisory Committee, informed the council that the reason the Finance Advisory Committee did not make a recommendation on the mid-year report was that the members did not receive the report until the time of the meeting. He also expressed concern about the rate of expenditure and cash flow.

City Manager Goldstein responded and explained staff's recommendation.

3. C. BUSINESS (Continued)

Mayor Norton asked about the Esplanade retaining wall for \$65,000. He asked if it would be the Sanitation District's responsibility. Public Works Director Jesberg said he would check into that.

Mayor Norton also commented that the Recreation Department is operating \$20,000 below budget.

Council Member Termini stated that Capitola has the best Recreation program in the world. He said the Recreation supervisor, Elise, and her staff do an excellent job.

The motion to adopt the resolution carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

D. City Manager presentation on Budgeting Principles. [330-05 FY2011/12] Staff recommendation: adopt Budgeting Principles for the 2011/12 Fiscal Year.

Utilizing a PowerPoint Presentation City Manager Goldstein summarized the written agenda report. He explained the importance of early input from the City Council in the budgeting process, as a great deal of staff time is put into preparing the budget. He said that even with the economy as it is, Capitola is in a good position with Whole Foods opening, Target committed to Capitola Mall, and the Fairfield Marriott Inn being built and set to open this year.

City Manager Goldstein identified three broad categories for budget principles, including: 1) Fiscal policy principles, 2) Public services principles, and 3) Public Improvement principles for the consideration of the council.

Council Member Nicol commented that the city does not have much control on revenue, but it does have control over expenditures. He suggested starting with revenue projections and then going from there to determine expenditures.

There was considerable discussion of the budgeting principles prior to the following action being taken:

ACTION: Council Member Termini moved, seconded by Council Member Harlan, to approve the amended Budget Principles and Programs presented by the staff.

Under discussion of the motion, Council Member Storey expressed concerns and said he would want to hear from department heads relative to their priorities. He is not sure how staff can evaluate whether these principles are completed.

There was additional discussion regarding investigating options to develop a skate park or a dog park and interest in including ADA access or pedestrian safety projects throughout the city.

Council Member Termini said, based on discussion of the motion, an amendment to the motion is necessary to separate Public Improvement Principles from Public Improvement Possibilities.

Council Member Harlan suggested adding the word "pedestrian" to "Improve pedestrian/ADA access in the City.

Council Member Nicol suggested adding, "Support the Capitola Library."

Mayor Norton suggested combining the skate park and dog park to say, "Explore options to develop a skate park and dog park."

3. D. BUSINESS (Continued)

Council Member Harlan accepted the amendment to the motion regarding the adoption of the following Budget Principles:

Overall Purpose: Develop projects and programs to maintain and enhance the quality of life in Capitola

Fiscal Policy Principles

- ⊙ Maintain a balanced budget without depleting reserves or selling assets solely for the purpose of balancing the budget
- ⊙ Support economic development programs along 41st Avenue, in the Village, and in other commercial areas
- ⊙ Maintain responsible levels of fees for service throughout the city organization

Public Services Principles

- ⊙ Maintain a transparent, efficient government by ensuring programs are in place that insure public access to city officials and staff, financial reports, project data, and other information
- ⊙ Recognize the high priority the community puts on public safety by funding a fully-budgeted and staffed Police Department
- ⊙ Recognize and continue to support Capitola's rich art and cultural programs

Public Improvement Principles

- ⊙ Continue to maintain the City infrastructure by providing maximum funding for the pavement management system throughout the city
- ⊙ Ensure programs are in place to judiciously respond to development projects on the Rispin, McGregor and other public and private properties
- ⊙ Maintain and improve Capitola's natural recreation resources and support sustainable programs that keep Capitola government and the community green


Public Improvement Possibilities

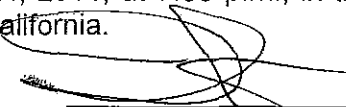
- Support the Capitola Library
- Explore options to develop a skate park and dog park
- Improve pedestrian/ADA access in the City

The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

4. ADJOURNMENT

The City Council/Redevelopment Agency adjourned at 8:45 p.m. to its next Regular Meeting to be held on Thursday, February 24, 2011, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ATTEST:  MMC
Pamela Greeninger, City Clerk
Redevelopment Agency Secretary


Dennis R. Norton, Mayor
Redevelopment Agency Chairperson

MINUTES WERE UNANIMOUSLY APPROVED ON MARCH 10, 2011