



# ADOPTED BUDGET

FISCAL YEAR 2017-18



CITY OF CAPITOLA, CALIFORNIA  
& CAPITOLA SUCCESSOR AGENCY



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# *California Society of Municipal Finance Officers*

*Certificate of Award*

## ***Operating Budget Excellence Award Fiscal Year 2016-2017***

*Presented to the*

***City of Capitola***

For meeting the criteria established to achieve the Operating Budget Excellence Award.

*January 31, 2017*



Handwritten signature of John Adams in black ink.

*John Adams*  
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*Craig Boyer, Chair*  
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*Recognition Committee*

***Dedicated Excellence in Municipal Financial Reporting***

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# MISSION STATEMENT

## MISSION

Our mission, as the employees of the City of Capitola, is to provide high quality service for our residents, visitors, businesses & employees.

## VISION

Our vision is to be recognized as a model organization that provides excellent and responsive public service that values the people it employs and the community we serve and to always perpetuate a strong work ethic that fosters pride in the work that we do. We will maintain the highest trust and confidence of our City Council and our Community.

## VALUES

- We believe in being open, honest and ethical.
- We believe in treating everyone with respect, courtesy and dignity.
- We believe in being responsive to all the people we work with and serve, and to act in a timely and sensitive manner.
- We believe in participatory management and teamwork. We are united in our belief to support, respect and encourage individual talents and contributions.
- We value innovation and creativity and believe in taking reasonable risks.
- We believe in a philosophy of constantly improving the services we provide.
- We believe in working with our residents & businesses to prepare for and resolve community issues.
- We believe in the vital nature of planning as a continuing process, to achieve the matching of expectations and resources.

In performing our mission, attaining our vision and adhering to our values, we will first look to our core values: *Upholding the Public Trust, Practicing Sound Financial Management and Maintaining a Safe & Healthy Environment.*

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TO: City Council

FROM: City Manager

SUBJECT: FY 2017/18 Adopted and FY 2018/19 Planned Budget.

## OVERVIEW

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On behalf of City staff, I am pleased to submit for review and consideration a balanced budget for Fiscal Year (FY) 2017/18. The local economy continues to remain strong with major revenue sources continuing to increase. The FY 2017/18 projections include a 1.6 percent growth in sales tax, four percent property tax growth and two percent transient occupancy tax (TOT) growth. The budget maintains a high level of services for Capitola residents. The budget includes new initiatives along with new revenue sources. Nevertheless, the City must also remain focused on the long-term budget picture, which includes dramatically increasing pension costs. These increasing pension costs will likely result in challenging budgetary decisions in upcoming years.

The new Capitola Branch Library will begin construction in FY 2017/18. The planning for a new branch library started in 1999 when the City entered an agreement with the County of Santa Cruz to begin construction on the new library by 2019. The funding for the new library comes from several sources, including the recently passed countywide Measure S, the former RDA trust fund held by the County, fundraising, and contributions from the General Fund for the remainder. This budget includes a \$999,129 transfer from the General Fund to the Library Fund to lower the unfunded construction costs. During budget hearings, staff will outline options to increase funding for the library through the allocation of projected fund balance.

When the voters of Capitola passed Measure O, the City committed to replenishing reserves, maintaining police staffing levels and completing major street improvements during the five-year overlap with Measure D. The City has been diligent in fulfilling these commitments.

In 2016 voters passed Measure F to extend the temporary quarter of one percent sales tax for an additional ten years. The City is committed to using this funding source to protect the wharf and beach from storms and rising sea levels, maintain police services, and improve sidewalks, parks, and bike safety. The FY 2017/18 budget begins to implement these commitments. Measure F goes into effect midway through the fiscal year.

Current projections indicate growth of \$526,863 in General Fund balance in FY 2016/17 due to higher than budgeted revenues and lower than budgeted expenditures. With the large triple-flip final payment in FY 2015/16, the ending FY 2016/17 General Fund Balance is projected to be \$1,553,488.

During the budget hearing process, staff will outline possible uses for the fund balance, understanding the need to achieve multiple City goals and objectives. Preliminary options for the use of that fund balance include allocating funding to:

- The PERS Trust Fund to help stabilize future rate increases
- The Library project to reduce the unfunded construction cost
- RTC Streets Fund for slurry seal projects
- Establish an employee down payment assistance housing trust fund
- Facility improvements at City Hall

While a portion of the fund balance can be allocated toward City priorities, staff recommends maintaining a reasonable balance in the General Fund to help manage cash flow and more easily respond to minor budget variations in coming years. Staff will provide more details on these options during the budget hearing process.

## **BUDGETARY AND FINANCIAL HIGHLIGHTS**

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The FY 2017/18 General Fund budget was developed with an emphasis on financial stability, capital improvements, and enhancing the levels of programs and services for Capitola residents and visitors. Key budgetary items and changes include:

- Begin construction on the new Capitola Branch Library
- Apply 100 percent of Measure F revenues to Measure F commitments
  - Protect the wharf and beach from storms and rising sea levels
  - Bike/pedestrian safety
  - Maintain police staffing levels
- Create a new fund for the RTC Regional Transportation sales tax revenue
- Continue to place a high priority in operating a highly effective and community-oriented police department
- Fund large scale slurry seal projects to maintain roads (currently budgeted at \$420,000)
- Maintain Contingency and Emergency reserves at target levels with a \$200,000 transfer
- Complete the Zoning Code update
- Fully prefund Other Post-Employment Benefits (OPEB)
- Fund the Community Grant Program at the level committed to in the existing two-year agreements

## MAJOR INITIATIVES

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### Funding Measure F Commitments

In November 2016 voters of Capitola approved extending an existing quarter of one percent sales tax for an additional ten years. The city has committed this sales tax revenue to protecting the beach and wharf from rising sea levels and storms, supporting bike and pedestrian safety projects, and maintaining police staffing levels.

The FY 2017/18 budget includes the allocation of half of a year of Measure F funding. The projects include: preliminary design of the Wharf, emergency wharf repairs to pilings and floating dock, flume reconstruction, jetty reconstruction, Grand Avenue path reconstruction, and replacing the 20-year-old front end loader for beach maintenance.

### New Capitola Branch Library

In 1999 the City of Capitola built a temporary 4,320 square foot library at the corner of Clares Street and Wharf Road. The City's former RDA entered a contract with the County to construct a permanent library and contributed \$2.6 million to a County-held trust fund that would be used to help build the Capitola library. Measure S, which was approved by voters on June 7, 2016, will provide an additional \$8 million. The current project budget is \$13.13 million, which leaves a projected budget gap of \$2.53 million. A fundraising campaign to help close that budget gap is expected to begin this summer. This budget includes a \$999,129 General Fund Transfer to the project.



### Maintain the Reserve Funds

In FY 2014/15 the City Council increased the policy funding levels for the Emergency and Contingency Reserve Funds. The Emergency Reserve target was increased from 5 to 10 percent

and the Contingency Reserve target was increased from 10 to 15 percent. The reserves are currently at these target levels and the FY 2017/18 budget continues to meet the targets.

With increased revenue streams, the City has established other reserves as well. Specifically, the City created a Facilities Reserve and a PERS Contingency Reserve to help meet future funding requirements. During budget hearings, staff will propose an allocation of General Fund Balance towards the PERS Contingency Reserve. These funds allow increased financial stability due to the economically sensitive nature of revenue sources available to the City.

### Controlling Personnel Costs

Being primarily a service-oriented organization, personnel costs make up the largest General Fund expenditure. The personnel budget comprises approximately 60 percent of the General Fund.

In FY 2013/14 all bargaining units agreed to multi-year contracts through June 30, 2018, with cost sharing of pension contributions, cost of living adjustments (COLA) based on the consumer price index, and flex health care spending increases.

The number of positions city-wide increased 1.0 FTE in FY 2016/17, with the additional Public Works Engineer/Project Manager position that was approved with the mid-year budget update.

### Planning for Pension Increases

In early 2017 the CalPERS Board approved a decrease in the discount rate it uses to project future funding needs. The discount rate is the expected rate of return on investments. The decreased discount rate has a major impact to the City's yearly unfunded actuarial liability (UAL) payment.

The City's FY 2017/18 UAL payment is about \$1 million. Current projections show the City's UAL increasing to over \$2 million within five years. These rising pension costs will likely pose significant challenges in coming fiscal years.

## **PRIOR YEAR ACCOMPLISHMENTS**

In FY 2016/17 the City accomplished several significant projects, which placed the City in a stronger fiscal position, provided residents and visitors with increased recreational and public art opportunities, while continuing to strengthen public safety and community development activities. Some of the City's accomplishments in FY 2016/17 include:

- Passed Measure F extending the quarter-cent sales tax through 2027
- Opened the Family Cycling Center and CrossFit Pump Track at McGregor Park
- Joined the Monterey Bay Community Power JPA
- Obtained approval for the re-establishment of the Capitola Beach Lifeguard Chapter
- Implemented an electronic filing system for Conflict of Interest Form 700 filers
- Continued process of scanning and making available public records in electronic format
- Oversaw general election of two council members and treasurer

- Worked with City franchisee to increase participation in waste diversion programs
- Worked with businesses to reduce use of non-reusable bags and plastics
- Worked with businesses to educate and find environmentally friendly food packaging
- Assisted departments in recruiting and retaining employees
- Established a PERS trust fund to help plan for rising retirement costs
- Developed a financing plan for the Library
- Adopted a new Purchasing Policy to improve financial control
- Assisted in developing a Capital Improvement Plan ad-hoc committee
- Implemented credit card acceptance at Police Station and City Hall
- Completed police command staff team building workshop
- Joined the county's Animal Services Agency
- Started design efforts on the new Capitola Branch Library, with construction scheduled for the 2018/19 fiscal year.
- Paved multiple streets throughout the City
- Continued to participate in local and regional storm water pollution prevention activities
- Adopted a new wireless telecommunications ordinance which complies with federal law
- Amended the City's marijuana ordinance to comply with new state legislation
- Initiated an update to the City's American's with Disabilities Act (ADA) transition plan
- Released final draft Zoning Code update for public review and comment
- Assisted lower income households through the City's housing rehabilitation program
- Initiated a Free Energy Efficiency Upgrade Program for seniors, disabled persons, and lower income households
- Opened a new museum exhibit, "The Nature of Capitola"

## **BUDGET PRINCIPLES**

The table on the following page outlines the City's adopted budget principles for FY 2017/18.

The goals and budget items represent a summary of staff's mechanisms to implement the City's budget principles. The table is intended to be an easily accessible document that summarizes key City goals and projects.

## **CONCLUSION**

The development of the annual budget takes a great amount of staff time and effort, and must be completed in a compressed timeline. I sincerely appreciate all the department directors and departmental budget liaisons for their contributions. Special recognition is extended to the Finance Department for their efforts in coordinating the budget process and preparing the annual budget document.

I am also pleased to report that the City of Capitola received the Excellence Award from the California Municipal Finance Officers Association for its FY 2016/17 budget. This award is presented to cities whose budgeted documents meet program criteria as a policy document,

operational guide, financial plan, and a communications device. Staff believes this budget document will continue to conform to the award program requirements.

As the new fiscal year approaches, I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City Treasurer for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner. I know that with continued citizen participation, City Council leadership, and ongoing efforts of dedicated employees, Capitola will continue to be a great place to live, work, and enjoy.



# Fiscal Year 2017/18

## Goals and Objectives

### Administration

- Ensure budgeted funds are available for the library construction
- Negotiate MOUs with all bargaining units
- Review community grant program in the context of regional changes to local agency grant programs
- Initiate public process for mall redevelopment project (dependent on mall owners proceeding with redevelopment plans)
- Continue planning for pension cost increases
- Identify recreation goals
- Demo/training for fiscal transparency tool – Budget adoption process
- Continue website improvements
- Identify options to form an Economic Development Committee
- Identify options for Council team building
- Identify options for Youth Council/Committee – increased youth membership on committees
- Continue public participation efforts

### Police Department

- Seek viable grant opportunities
- Complete Emergency Operations Plan
- Assess the opportunity and need for re-introduction of Neighborhood Watch Program
- Increase participation in Capitola On Watch Program
- Provide presentation on CIT training
- Clearly identify community policing as a goal

### Public Works

- Implement Measure D projects (RTC)
- Complete library design and construction bidding processes
- Continue street paving projects
- Begin design on Measure F projects including the wharf and flume
- Identify options for senior exercise equipment
- Prioritize wharf project
- Identify options to upgrade City administration offices
- Identify options to rebuild Jade Street basketball courts

### Community Development

- Attain local adoption of the Zoning Code Update and submit it to the Coastal Commission
- Seek adoption of a Green Building Program update
- Present updates to Medical Marijuana Ordinance to ensure consistency with Proposition 64
- Complete ADA Transition Plan
- Review inclusionary ordinance

# COMMUNITY PROFILE



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# COMMUNITY PROFILE



The City of Capitola is a small coastal community in Santa Cruz County. Situated on the northern edge of the Monterey Bay, 35 miles north of Monterey, 45 miles south of Silicon Valley, and 75 miles south of San Francisco, Capitola enjoys a rich history and offers residents diverse recreational opportunities. Capitola Village is located along a wide beach with expansive views of Monterey Bay and is home to numerous craft galleries, boutiques and restaurants. The City is host to numerous events, including the Begonia Festival, Capitola Art & Wine Festival, and the annual Wharf to Wharf Race.

Named the Most Walkable Beach Town in the United States by Elle Décor Magazine and voted one of the best beach locations on the California Coast by Sunset Magazine, Capitola offers fishing and boating, along with beachfront restaurants, shops and entertainment. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Capitola's history began with Frederick Hihn who came to California during the Gold Rush. The land that is now Capitola Village was granted in 1865 by the heirs of rancho grantee Martina Castro. A few years later, Hihn leased the parcel near the wharf at Soquel Landing to S.A. Hall. In 1874, his daughter, Lulu Hall Wolbach, suggested that he set up a tent camp along the beach for the summer. It is rumored that it may have been Lulu, a former Soquel teacher, who named the resort "Capitola" after the heroine in a series of popular novels. Camp Capitola welcomed its first guests on July 4, 1874.



The Hall family set up the tents along a dirt path every summer for five years, until increases in rent forced them to give up the lease. A series of other tenants continued the camp and began to make improvements. By the time the Santa Cruz-Watsonville Railroad was broad gauged in 1883, Capitola had become the destination of thousands of summer visitors who wanted to escape the sweltering heat of the state's interior. Hihn took over direction of the resort's progress in 1884, when he created a subdivision map and began to sell lots for summer homes. Visitors stayed at the big hotel or in cabins and tents along the beach.

Following Hihn's death in 1913, his daughter inherited the land and sold it shortly after World War I to Henry Allen Rispin of San Francisco. Rispin's dream was to renovate and modernize Capitola so that it would be appealing to vacationers from the San Francisco Bay Area. He spent a fortune on his schemes for "Capitola-by-the-Sea," until he went bankrupt just before the start of the Great Depression in 1929.

Lulu and S. A. Hall, Frederick Hihn, and Henry Rispin were the early builders and protectors of a small seaside camp that may today be California's oldest continuing resort.

## Commercial Activity

Annual business license reports provide an overview of the business types and non-profits in the City. In FY 2016-17, the Finance Department issued 211 new business licenses, processed 1,086 license renewals and 162 closures or cancellations. This resulted in a net decrease of 16 licensed entities within the City. FY 2016-17 business license revenues show a slight decrease of approximately \$300 compared to FY 2015-16. The chart below shows the number and types of businesses/non-profits in Capitola:

<b>Business Types</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>
Vending Machines	7	7	6	10	9
Contractors / Builders	226	207	235	222	234
Miscellaneous	103	103	119	136	95
Professional/Personal Svcs.	526	536	595	499	509
Quarterly Contractor	53	42	45	28	18
Retail/General Business	420	414	513	418	432
	<b>1,335</b>	<b>1,309</b>	<b>1,513</b>	<b>1,313</b>	<b>1,297</b>

In addition to Capitola's popularity as a day trip and vacation destination, it is also home to one of the primary retail hubs in the County. The Capitola Mall, combined with Brown's Ranch, 41<sup>st</sup> Avenue businesses, and the nearby Auto Center, form this commercial center. Major retailers include Target, Macy's, Sears, Kohl's, Ross, Orchard Supply Hardware and Bed Bath and Beyond. They form a "net regional retail provider" bringing in five to six times the City household retail demand within Capitola.



The City has continued to seek redevelopment opportunities to update and upgrade the City's major retail corridor and mall area. Upgrades to the Capitola Mall are now anticipated with the April 2016 purchase of the Mall by Merlone Geier Partners, a private real estate investment company focused on the acquisition, development, and redevelopment of retail and retail-driven mixed-use properties on the West Coast.

## Principal Employers <sup>(1)</sup>

<b>Employer</b>	<b>Number of Employees</b>	<b>% of Total Employment</b>
Macys	200	3.51%
Subaru, Toyota, Kia of Santa Cruz	190	3.33%
Gayles Bakery & Rosticceria	172	3.02%
Target	149	2.61%
Whole Foods Market	140	2.46%
Culinary Enterprises Inc DBA Shadowbrook Restaurant	130	2.28%
Pacific Coast Manor	130	2.28%
Trader Joe's	104	1.82%
Soquel Union Elementary School District	94	1.65%
Kohls	90	1.58%
<b>Total Employees, top 10 employers</b>	<b>1,399</b>	<b>24.54%</b>
<b>Total Employment</b>	<b>5,700</b>	<b>100.00%</b>

(1) MuniServices LLC, 2016



# SERVING THE COMMUNITY

## Police

Mission Statement - Your Capitola Police Department prides itself in providing the highest level of safety and service to enhance the quality of life of our community through professional, engaged and empowered employees.

The department has 31.50 positions – 22 sworn officers, 2 Community Service Officers, 3 Parking Enforcement Officers, and an administrative support staff of 4.5 total positions. A recent city-wide survey conducted by FM3 found that greater than 92% of Capitola residents indicated that they were satisfied with the services provided by our police department.

Capitola also offers an active Police Explorers Program to educate and involve local youth in police service and community engagement, and a valuable Volunteers in Policing (VIP) program, which provides critical support to the department and the city.



Key services related to supporting Council's Public Service Principle include:

**Capitola PD  
Community  
Responses**

	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>
Calls for service	16,480	20,053	17,598	17,268	19,904
Crimes - Felonies	537	628	674	667	595
Crimes - Misdemeanor	948	1,148	1,192	1,199	1,201
Arrests	836	1,045	1,117	904	983
Citations	1,883	2,720	1,718	1,390	1,350





## Fire

Fire protection services for the City of Capitola are provided through the Central Fire Protection District of Santa Cruz County, with one of their four fire stations in Capitola.

## Parks

Capitola's newest park is McGregor Park which opened in the Spring of 2016 and includes Monte Family Skateboard Park, Ozzie's Memorial Dog Park, and a pump track.

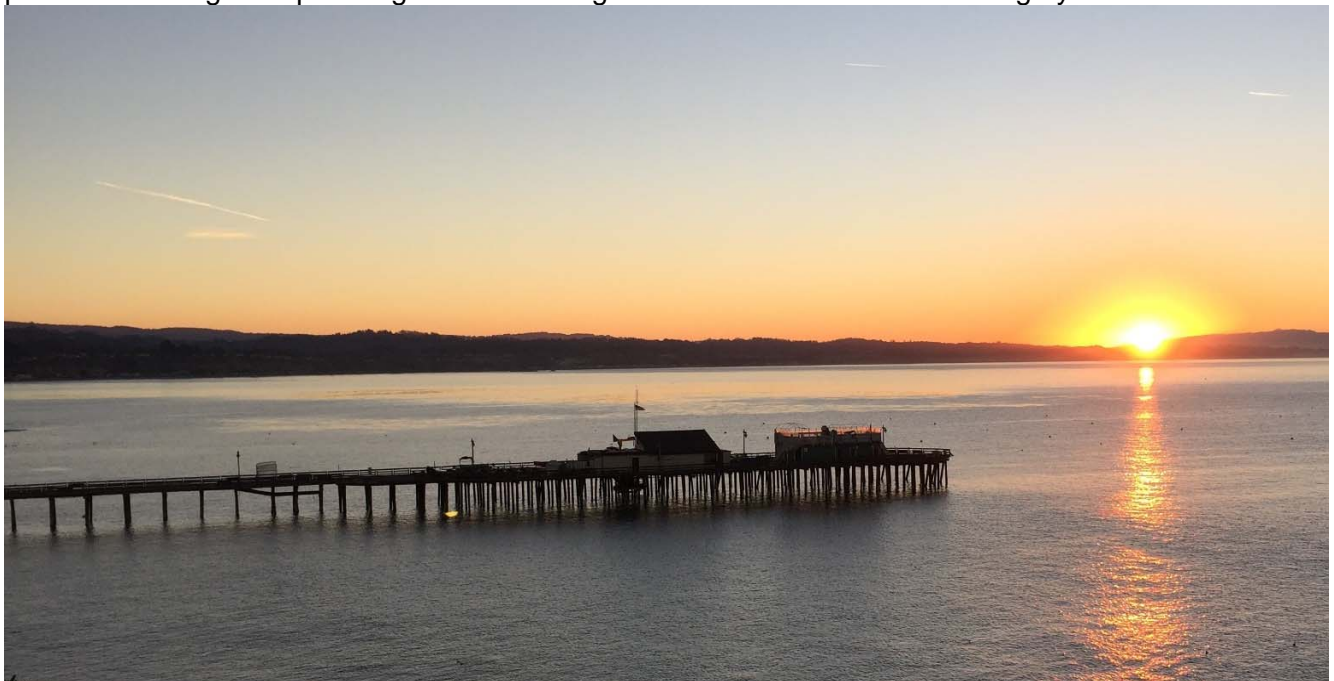
The City maintains over 17.5 acres of park lands and 12 acres of beach, including:

- McGregor Park
- Esplanade Park
- Noble Gulch
- Soquel Creek
- Cortez Park
- Jade Street Park
- Rispin/Peery Park
- Monterey Park
- Capitola Main Beach



## Capitola Wharf

The Capitola Wharf is a well-known asset of the City, maintained by the Public Works Department. Generations of local and repeat visitors have grown up fishing from the wharf. The wharf has a restaurant and boat and bait shop and offers beautiful views of the bay, the City, and the beach. In late 2015, a detailed wharf condition assessment and resiliency study was done to determine options and priorities for long term planning for maintaining the wharf and its structural integrity.



## Capitola Branch Library



Conceptual rendering of proposed new Capitola Branch Library



Existing Capitola Library

In 1999, the City of Capitola dedicated a new temporary 4,320 square foot library composed of three modular structures at the corner of Clares Street and Wharf Road. Work has begun to design the larger, more technologically advanced facility, with anticipated separate children and teen sections and conference rooms. The current project budget is \$13.15 million. The City has a \$2.67 million trust established with Santa Cruz County to help fund a new library building and on June 7, 2016, voters approved Measure S, which will provide an additional \$8 million. The FY 2017-18 budget includes a \$999,129 General Fund transfer to the project leaving a \$1.49 million budget gap. Work is expected to start on the new library in Spring 2018.

### Public Works

The Public Works Department is divided functionally into Streets, Facilities, Parks, and Fleet Maintenance. The Department combines administration, engineering, and maintenance activities into a cohesive unit to develop and maintain a responsive and coordinated team.

Key service indicators and operational functions that support the Public Service Principle include:



<b>City Assets / Activities</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>
Miles of streets maintained	26	26	26	26	26
Hours of street sweeping	n/a	2,100	1,779	2,000	2,535
Street lights maintained	71	71	71	71	71
Traffic signals operated and maintair	8	8	8	8	8
Encroachment permits issued	45	53	55	75	87
Facilities maintained	14	14	16	16	16
Fleet vehicles maintained	55	54	58	58	58
Parking space provided	492	718	718	718	718
Parks managed	8	8	8	9	9



**Building Department**

The Building Department provides plan checks and building inspection services to ensure compliance with the California Building Code, as well as enforcement of the provisions of the State Housing and Building Codes.

As part of the Public Service Budget Principles, the Building Department focusses on providing timely business inspections and efficient building and permit application processing.



**Recreation**

The Recreation Department provides City-staffed activities, including Junior Lifeguards and Camp Capitola, as well as adult and youth sports leagues. They also manage rental of Jade Street Center, the tennis courts, softball field, and soccer field, and Monterey Park.



<b>Enrollment statistics</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>
Recreation Classes	3,399	3,611	3,411	3,305	3,250
Junior Guards	1,073	1,096	1,237	1,263	1,012
Camp Capitola	729	724	858	722	618
Junior Guards - Photo pkg purch	531	525	671	386	160
Jr Guards Regional Competition	73	74	76	74	85
Camp Cap/Jr Guards Transport	125	121	114	110	87
Sports Leagues - teams	69	32	20	20	17
Sports Rentals - # of rental groups	48	30	30	7	25



## Art and Culture

Capitola has a thriving Community Art and Public Art culture. Capitola's art galleries provide an inventory of colorful sea and landscapes to fit a variety of tastes. Fine crafts are also readily available in Capitola, many of which are created by local artists.



The Art & Cultural Commission provides a wide variety of visual and performing art events, including 13 Twilight Concerts at the Beach, 4 Movies at the Beach nights, 6 Sunday Art & Music at the Beach days, plus 2 concerts and a children's art event at the annual Labor Day weekend Begonia Festival, now in its 65<sup>th</sup> and final year. The Commission also oversees artistic aspects of the City's Public Art Program.

## Museum



The Capitola Historical Museum maintains photographs and artifacts related to the history of Capitola and offers changing exhibits on the history and themes of the area. The Museum and its collection is maintained by Curator Frank Perry, with great support from a loyal group of community volunteers and board members. The museum has over 6,000 visitors per year.



# DEMOGRAPHICS AND STATISTICS

Date of Incorporation: 1949  
 Form of Government: Council – Manager  
 Area in Square Miles: Approx. 2 square miles  
 Average Temperature: 59 Degrees



## Education

Capitola is fortunate to have outstanding educational opportunities. In addition to having New Brighton Middle School within its City limits, both Cabrillo Community College and the University of California Santa Cruz are within eight miles of the city. An educational profile is listed below:

- High School Graduates <sup>(1)</sup> 92.5%
- College Graduates – Bachelor’s degree or higher <sup>(1)</sup> 37.0%
- College Graduates – Graduate or professional degree <sup>(1)</sup> 14.6%

## Housing

- Median Household Income <sup>(1)</sup> \$55,649
- Median Value <sup>(1)</sup> \$593,480
- Persons per Household <sup>(1)</sup> 2.1
- Assessed Valuation <sup>(2)</sup> :
  - Net Total Assessed Value: \$2,233,924,977
  - Secured \$2,156,171,832
  - Unsecured \$77,753,537

Calendar Year	Population	Per Capita Personal Income	Median Age	Unemployment Rate
2007	9,922	40,918	37	3.2%
2008	9,992	41,457	38	4.1%
2009	10,078	39,769	41	6.4%
2010	10,198	32,350	38	7.3%
2011	9,981	33,090	43	6.9%
2012	9,988	33,443	41	5.5%
2013	10,136	35,232	41	5.0%
2014	10,004	36,451	42	7.0%
2015	10,150	37,539	43	6.0%
2016	10,162	38,414	43	5.5%

(1) Source: City-Data.com 2015 data – most current available

(2) Source: HdL Companies, Santa Cruz County Assessor 2016/17 Combined Tax Rolls

## Hospitals

Capitola is located within a few miles of three major hospitals:

- Dominican Hospital (3 miles)
- Sutter Maternity and Surgery Center (3 miles)
- Watsonville Community Hospital (12 miles)

## Airports

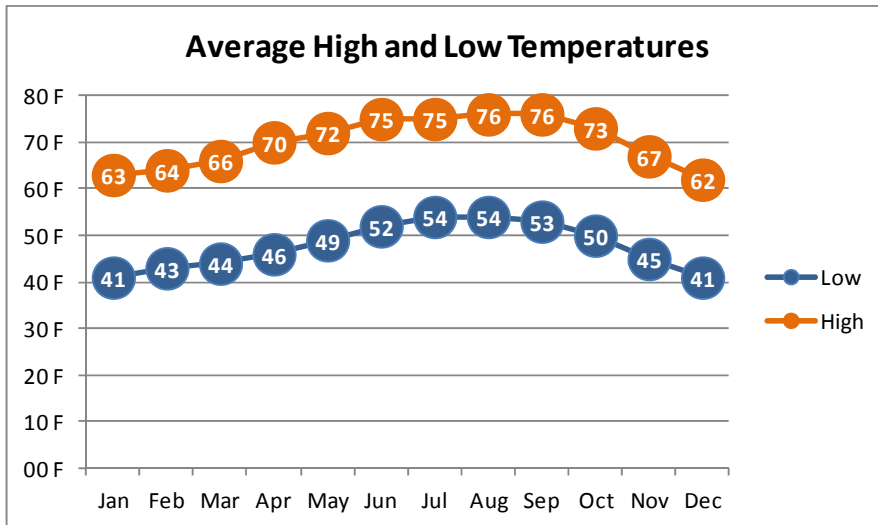
The City is located within 40 miles of three airports:

- Watsonville Municipal Airport (12 miles)
- San Jose International Airport (35 miles)
- Monterey Regional Airport (38 miles)

## Climate

Capitola's weather can be described as nearly perfect, with temperatures ranging from the mid 70's in the summer to the mid 50's in the winter. In addition to sunny days, the proximity to the ocean results in cool ocean breezes and morning fog. Capitola is estimated to have an average annual rainfall of 31.6 inches <sup>(3)</sup>.

www.weatherchannel.com



www.weather.com







# SUMMARY INFORMATION



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## Budget Process Overview

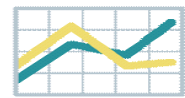
Each year the City of Capitola prepares an Operating Budget, a Successor Agency Budget, and a five-year Capital Improvement Program (CIP) budget. The Operating Budget contains the summary and detail information for revenue and expenditure appropriations for the fiscal year (beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>) for several funds as well as a projection for the second fiscal year. The information from the CIP is incorporated, in summary form, in the City's annual budget. The Successor Agency budget is included in its entirety in the City's annual budget.

Budgeted revenues and expenditures related to deposit accounts are not included as part of the budget process. Transfer of funds from deposit accounts to revenue accounts are made by Finance staff at the time related expenditures are incurred.

Capitola municipal code (3.200.010 E.) defines a balanced budget as one in which "financing uses including expenditures, inter-fund transfers out, reserves and contingencies should equal financing sources including beginning available fund balance, revenues and inter-fund transfers in." A key concept in the developmental process for the General Fund Budget revolves around City fiscal policy that current year expenditures are balanced with current year revenue.

The City's budget process continues throughout the year, with quarterly financial updates published to the Finance Department website and at weekly department head meetings with the City Manager. An outline of the on-going budget process is listed below:

Month	Responsibility	Budget Function
December	Finance	Budget Cycle Begins
January	Finance	Finance prepares mid-year calculations
	City Manager / Departments	Review accomplishments related to prior year Budget Principles
	Finance / Departments	Provides year-end estimates
	Finance	Publishes quarterly reports for October - December
February	Finance / City Manager	Presents mid-year report to Council and FAC
	City Council	Establishes Budget Principles
	Finance	Projects non-departmental revenues and position costs
	Departments	Prepares budget and CIP
March	Finance / Departments	Continue budget projections
	Finance Advisory Committee	FAC discusses elements of the budget
April	City Manager	Reviews departments budget requests
	Finance	Adjusts proposed budget based on City Manager review
	Planning Commission	Reviews CIP
	Finance	Publishes quarterly reports for January - March
May	Finance Advisory Committee	Distributes proposed budget
	Finance / City Manager	Presents proposed budget and CIP to City Council
	Finance Advisory Committee	Provides recommendations to Council
	Community Organizations	Provides funding request information to Council
June	City Council	Deliberates
	City Council	Adopts Budget
July	Finance	Publishes quarterly reports for April - June
October	Finance	Publishes quarterly reports for July - September



## **Financial Policies**

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### **Basis of Accounting**

The City's operating budget consists of governmental funds that include the General Fund, Special Revenue Funds, Internal Service Funds, Debt Service Funds and Capital Project Funds for both the City and the Successor Agency. Governmental fund types and agency fund budgets are developed using the modified accrual basis of accounting. This method is consistent with the presentation of the City's Annual Financial Statements. Under this basis, revenues are estimated for the fiscal year under the condition that they are identifiable and will be collected within sixty (60) days, and sales tax within ninety (90) days, of the close of the fiscal year. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period or shortly thereafter.

### **Level of Budget Control**

Both the City and the Successor Agency appropriate (control) the budget at the Budget Unit level. The Budget Unit level is defined as "department, fund, or other organizational unit whose financial activities are accounted for separately."

Expenditures for the General Fund are considered a Budget Unit at the Department level, with Community Grants controlled at the grantee level. The Successor Agency (including Housing Set-Aside) are considered Budget Units to be at the category level as defined in the budget document.

### **Budget Adjustments**

After the budget is adopted, any supplemental appropriations of fund balance, or budget transfers over \$25,000 within a Budget Unit will require Council approval. Budget adjustments that are less than \$25,000 and within the same Budget Unit may be approved by the City Manager.

All requests for budget adjustments will include an explanation for the change along with a discussion of fiscal impact. This information will also be documented on a Budget Adjustment Form, which will be reviewed by the Finance Department for fiscal impact, correct account coding, and policy consistency prior to receiving City Council or City Manager approval.

### **Financial Committees and Boards**

The following committees and boards assist the City in the budget review and development process:

#### Finance Advisory Committee

The Finance Advisory Committee (FAC) works closely with the Finance Director to make recommendations on financial projections or policies identified by the City Council or City Manager. The Committee consists of four Council-appointed members, the Mayor, a Council Member, and the City Treasurer. The FAC meets several times throughout the year and operates in an advisory capacity with the overall fiscal well-being of the City serving as its guiding principle.

#### Oversight Board to the Successor Agency of the Former Redevelopment Agency

As part of the Redevelopment Agency Dissolution Act, the City of Capitola elected to be the Successor Agency to the former Redevelopment Agency (RDA). As part of the dissolution process, a seven-member oversight board was established to review and approve recognized obligation payments of the Successor Agency, with the fiduciary responsibility to the holders of enforceable obligations and the taxing entities that benefit from property tax distributions.

## General Fund Summary

The General Fund remains strong in Fiscal Year 2017/18. The projected General Fund FY 2016/17 ending fund balance totals \$1,553,488. This amount represents a \$526,863 increase over the prior year. A discussion on possible one-time uses will be discussed during the budget adoption process. The General Fund balance grew in FY 2016/17 due to revenue outpacing budget estimates and expenditures, primarily salary costs, coming in below budget.

The chart below summarizes projected and historical General Fund revenues, expenditures, and fund balances. The table illustrates the effects the improving local economy has had on general fund revenue. Revenue variances primarily include an increase in sales and property tax revenues.

An overview of district taxes (Measure O and F), reserves, and internal service funds are provided within this summary section.

### General Fund Summary

Major Categories	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
<b>Revenues</b>						
Taxes	\$11,154,924	\$12,060,878	\$11,837,099	\$12,194,744	\$12,411,214	\$12,674,754
Licenses and permits	567,554	614,536	601,650	612,930	611,000	611,000
Intergovernmental revenues	470,346	219,504	133,350	136,466	152,850	127,850
Charges for services	1,905,877	1,977,668	2,066,849	2,012,347	2,134,481	1,830,150
Fines and forfeitures	756,553	655,644	675,700	663,700	663,700	663,700
Use of money & property	62,752	84,837	57,100	65,050	70,200	75,200
Other revenues	61,658	71,771	44,900	79,550	63,850	65,650
<b>Revenues Totals</b>	<b>\$14,979,664</b>	<b>\$15,684,837</b>	<b>\$15,416,648</b>	<b>\$15,764,787</b>	<b>\$16,107,295</b>	<b>\$16,048,304</b>
<b>Expenditures</b>						
Personnel	\$7,745,263	\$8,217,828	\$8,807,779	\$8,698,907	\$8,580,424	\$8,757,408
Contract services	2,621,633	2,537,560	2,832,844	2,799,808	2,950,500	2,980,250
Training & Memberships	70,604	101,309	112,830	96,270	118,550	113,550
Supplies	531,848	562,475	568,500	523,325	551,300	555,500
Grants and Subsidies	269,814	277,357	275,000	275,000	275,000	275,000
Capital outlay	(900)	-	-	-	10,000	10,000
Internal service fund charges	850,647	954,500	1,159,000	1,159,000	1,190,050	1,287,696
Other financing uses	2,399,440	3,083,811	1,658,730	1,685,614	3,290,550	1,936,241
<b>Expenditures Totals</b>	<b>\$14,488,349</b>	<b>\$15,734,839</b>	<b>\$15,414,683</b>	<b>\$15,237,924</b>	<b>\$16,966,374</b>	<b>\$15,915,645</b>
<b>Impact on Fund Balance</b>	<b>\$ 491,315</b>	<b>\$ (50,003)</b>	<b>\$ 1,965</b>	<b>\$ 526,863</b>	<b>\$ (859,079)</b>	<b>\$ 132,659</b>
<b>Budgetary Fund Balance</b>	<b>\$ 1,076,628</b>	<b>\$ 1,026,625</b>	<b>\$ 1,028,590</b>	<b>\$ 1,553,488</b>	<b>\$ 694,409</b>	<b>\$ 827,068</b>



## Revenue Summary

	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
<b>General Fund</b>	<b>\$ 14,979,664</b>	<b>\$ 15,684,837</b>	<b>\$ 15,416,648</b>	<b>\$ 15,764,787</b>	<b>\$ 16,107,295</b>	<b>\$ 16,048,304</b>
<b>Designated Reserves</b>						
Contingency Reserve	182,600	89,400	10,000	10,000	133,000	133,000
PERS Contingency Reserve	-	300,000	-	5,000	510,000	10,000
Emergency Reserve	465,100	213,000	15,000	15,000	67,000	67,000
Donations	11,725	-	10,000	10,000	10,000	10,000
Facility Reserve	167,000	150,000	110,000	110,000	110,000	110,000
<b>Total Designated Reserves</b>	<b>\$ 826,425</b>	<b>\$ 752,400</b>	<b>\$ 145,000</b>	<b>\$ 150,000</b>	<b>\$ 830,000</b>	<b>\$ 330,000</b>
<b>Debt Service</b>						
Pension Obligation Bond	\$ 670,572	\$ 669,204	\$ 668,595	\$ 668,595	\$ 187,351	\$ -
Pac Cove Lease Financing	165,811	215,532	165,066	165,066	165,066	165,066
Pacific Cove Park	86,054	89,561	89,192	128,377	89,004	88,812
OPEB Trust	-	53,600	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 922,437</b>	<b>\$ 1,027,897</b>	<b>\$ 922,853</b>	<b>\$ 962,038</b>	<b>\$ 441,421</b>	<b>\$ 253,878</b>
<b>Capital Improvement Fund</b>	<b>\$ 1,089,900</b>	<b>\$ 2,319,555</b>	<b>\$ 1,005,047</b>	<b>\$ 1,114,249</b>	<b>\$ 517,200</b>	<b>\$ 1,150,000</b>
<b>Internal Service Funds</b>						
Stores Fund	\$ 39,496	\$ 35,458	\$ 35,000	\$ 35,000	\$ 37,250	\$ 28,607
Information Technology	133,845	177,128	206,500	238,000	282,300	282,300
Equipment Replacement	68,147	127,554	128,000	140,000	310,000	280,000
Self-Insurance Liability	249,300	444,500	428,000	428,000	428,000	400,700
Workers Compensation	364,100	385,000	415,000	415,000	321,000	320,730
Compensated Absences	110,000	179,000	200,000	200,000	200,000	200,000
<b>Total Internal Service Funds</b>	<b>\$ 964,888</b>	<b>\$ 1,348,641</b>	<b>\$ 1,412,500</b>	<b>\$ 1,456,000</b>	<b>\$ 1,578,550</b>	<b>\$ 1,512,337</b>
<b>Special Revenue Funds</b>						
SLESF-Suppl Law Enforcmnt Svc	\$ 106,573	\$ 100,450	\$ 100,300	\$ 104,300	\$ 100,400	\$ 100,400
SCCACT-SCC Anti-Crime Team	78,403	42,616	-	-	-	-
Gas Tax	300,121	228,569	581,916	238,757	289,421	409,311
RTC Streets	-	-	-	-	485,000	300,000
Library	-	23,300	-	822,700	10,776,429	47,363
Wharf	92,210	80,471	86,850	85,450	133,500	85,700
General Plan Update and Maint	99,814	81,975	85,000	50,400	75,000	75,000
Green Building Education	8,371	15,929	18,000	18,000	18,000	18,000
Public Arts Fee	35,208	24,000	30,000	5,000	15,000	90,000
Parking Reserve	100,000	118,900	100,000	100,000	100,000	100,000
Technology Fee	11,121	12,670	10,500	11,700	11,000	11,000
PEG-Public Education and Gov.	18,123	17,422	17,050	17,350	16,100	16,100
BIA-Capitola Village-Wharf BIA	64,148	70,471	66,000	71,735	73,100	73,100
CDBG Grants	(11,800)	17,338	300,000	287,000	100,000	80,000
CDBG Program Income	-	2,000	-	14,969	-	-
HOME Reuse	27,123	98,968	12,300	12,300	12,300	12,300
HOME Grant	-	-	-	-	-	-
Housing Trust	13,284	23,028	22,000	20,727	25,000	25,000
Cap Hsg Succ- Program Income	43,986	61,457	15,000	85,544	-	-
<b>Total Special Revenue Funds</b>	<b>\$ 986,685</b>	<b>\$ 1,019,565</b>	<b>\$ 1,444,916</b>	<b>\$ 1,945,932</b>	<b>\$ 12,230,250</b>	<b>\$ 1,443,274</b>
<b>Successor Agency</b>	<b>\$ 472,789</b>	<b>\$ 708,956</b>	<b>\$ 424,331</b>	<b>\$ 566,876</b>	<b>\$ 595,000</b>	<b>\$ 264,387</b>
<b>Total Revenues - All Funds</b>	<b>\$ 20,242,788</b>	<b>\$ 22,861,850</b>	<b>\$ 20,771,295</b>	<b>\$ 21,959,882</b>	<b>\$ 32,299,716</b>	<b>\$ 21,002,180</b>

## Expenditure Summary

	FY 14/15	FY 15/16	FY 16/17	FY 16/17	FY 17/18	FY 18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>General Fund</b>	<b>\$14,488,349</b>	<b>\$15,734,839</b>	<b>\$15,414,683</b>	<b>\$ 15,237,924</b>	<b>\$ 16,966,374</b>	<b>\$ 15,915,645</b>
<b>Designated Reserves</b>						
Contingency Reserve	-	-	-	-	-	-
PERS Contingency Reserve	-	-	-	-	-	-
Emergency Reserve	-	-	-	-	-	-
Donations	-	1,605	-	-	-	-
Facilities Reserve	87,130	-	218,000	10,000	125,000	110,000
<b>Total Designated Reserves</b>	<b>\$ 87,130</b>	<b>\$ 1,605</b>	<b>\$ 218,000</b>	<b>\$ 10,000</b>	<b>\$ 125,000</b>	<b>\$ 110,000</b>
<b>Debt Service</b>						
Pension Obligation Bond	\$ 672,860	\$ 669,204	\$ 668,595	\$ 668,595	\$ 668,882	\$ -
Pac Cove Lease Financing	165,066	414,416	165,066	165,066	165,066	165,066
Pac Cove Park	198,674	90,375	89,192	89,192	89,005	88,812
OPEB Trust	-	54,166	-	-	-	-
<b>Total Debt Service Funds</b>	<b>\$ 1,036,600</b>	<b>\$ 1,228,161</b>	<b>\$ 922,853</b>	<b>\$ 922,853</b>	<b>\$ 922,953</b>	<b>\$ 253,878</b>
<b>Capital Improvement Fund</b>	<b>\$ 402,137</b>	<b>\$ 2,051,648</b>	<b>\$ 752,047</b>	<b>\$ 2,000,000</b>	<b>\$ 467,200</b>	<b>\$ 1,100,000</b>
<b>Internal Service Funds</b>						
Stores	\$ 28,422	\$ 32,564	\$ 35,000	\$ 32,175	\$ 37,250	\$ 37,250
Information Technology	154,709	184,656	203,000	263,100	282,300	282,300
Equipment Replacement	62,027	120,423	78,000	96,300	412,200	300,000
Self-Insurance Liability	384,700	343,319	428,000	407,500	428,000	428,000
Workers' Compensation	364,096	489,005	415,000	415,000	321,000	321,000
Compensated Absences	176,742	153,942	200,000	180,000	200,000	200,000
<b>Total Internal Service Funds</b>	<b>\$ 1,170,696</b>	<b>\$ 1,323,910</b>	<b>\$ 1,359,000</b>	<b>\$ 1,394,075</b>	<b>\$ 1,680,750</b>	<b>\$ 1,568,550</b>
<b>Special Revenue Funds</b>						
SLESF-Suppl Law Enforcmnt Svc	\$ 124,624	\$ 104,111	\$ 63,900	\$ 187,700	\$ 101,000	\$ 66,000
SCCACT-SCC Anti-Crime Team	77,823	42,407	-	-	-	-
Gas Tax	237,779	351,904	591,600	196,503	219,400	219,400
RTC Streets	-	-	-	-	485,000	300,000
Library	-	27,487	-	182,000	10,131,429	-
Wharf	71,147	89,903	111,900	101,800	221,900	95,600
General Plan Update and Maint.	95,171	125,211	114,000	101,500	56,000	56,000
Green Building Education	12,306	15,500	29,000	18,000	24,000	22,000
Public Arts Fee	25,146	4,501	39,300	3,560	81,000	131,000
Parking Reserve	117,410	122,415	100,000	100,000	100,000	100,000
Technology Fee	9,409	13,248	16,000	16,000	15,000	15,000
PEG-Public Education and Gov.	11,149	9,283	17,500	17,500	15,000	15,000
BIA-Capitola Village-Wharf BIA	69,985	71,312	66,000	64,780	74,750	74,750
CDBG Grants	-	178,089	329,397	116,784	100,000	80,000
CDBG Program Income	600	25	-	-	-	-
HOME Reuse	3,200	4,160	3,200	3,200	3,200	3,200
Housing Trust	66,618	64,963	25,000	25,000	25,000	25,000
Cap Hsg Succ- Program Income	39,466	40,222	60,000	28,156	60,000	60,000
<b>Total Special Revenue Funds</b>	<b>\$ 961,833</b>	<b>\$ 1,264,741</b>	<b>\$ 1,566,797</b>	<b>\$ 1,162,483</b>	<b>\$ 11,712,679</b>	<b>\$ 1,262,950</b>
<b>Successor Agency</b>	<b>\$ 863,678</b>	<b>\$ 543,090</b>	<b>\$ 569,895</b>	<b>\$ 569,895</b>	<b>\$ 636,958</b>	<b>\$ 264,387</b>
<b>Total Expenditures - All Funds</b>	<b>\$19,010,423</b>	<b>\$22,147,993</b>	<b>\$20,803,275</b>	<b>\$ 21,297,230</b>	<b>\$ 32,511,914</b>	<b>\$ 20,475,410</b>

## Five-year Financial Plan

Identifying future financial milestones is a critical component of long-term fiscal planning. The following list identifies those changes that will impact the City’s budget in future years. The future financial challenges facing the City include increasing pension costs. The future financial model shows the City can expect to remain positive in future years with declining funds available for capital improvement projects. Excluding Measure F from the calculations, the Fiscal Year 2020/21 will have a negative position.

Key future milestones:

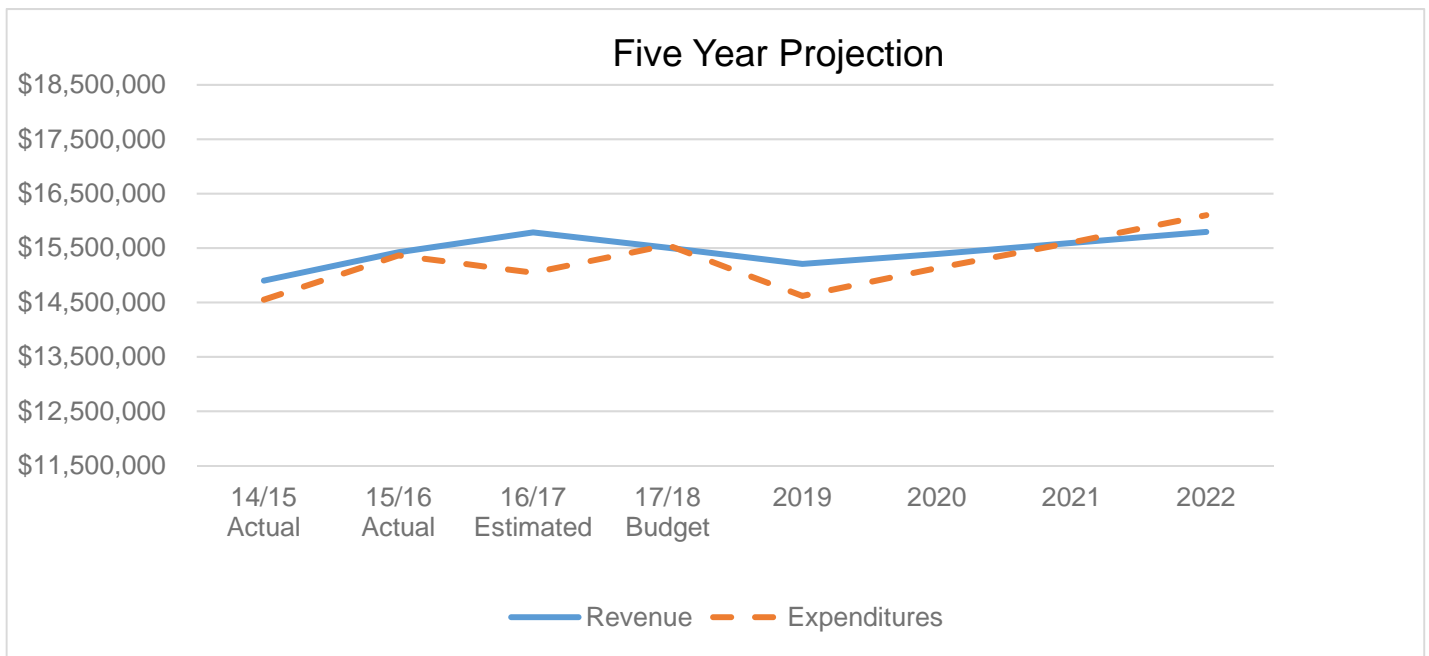
- FY 17/18:
  - Final Pension Obligation Bond payment in August 2017
  - Expiration of Measure D sales tax in December 2017
  - Start of Measure F sales tax in January 2018
- FY 18/19
  - Full year revenue impact from Measure D expiration and Measure F start
- FY 28/29
  - Final Pacific Cove Lease Financing Payment

Financial Model Assumptions:

- Continued moderate revenue growth.
- Measure F revenue not included.
- Personnel and retirement contributions increase based on known factors.
- Projected known PERS payments.
- Future years do not include any General Fund transfers.
- Contracts and supplies increase based on inflationary factor.

Future Challenges:

- Impact of a slowdown in the local, state and federal economy.
- Statewide changes in tax policy.
- Increases in retirement unfunded liability payments based on PERS return rate not currently projected in model.
- Potential impact from Mall revitalization.

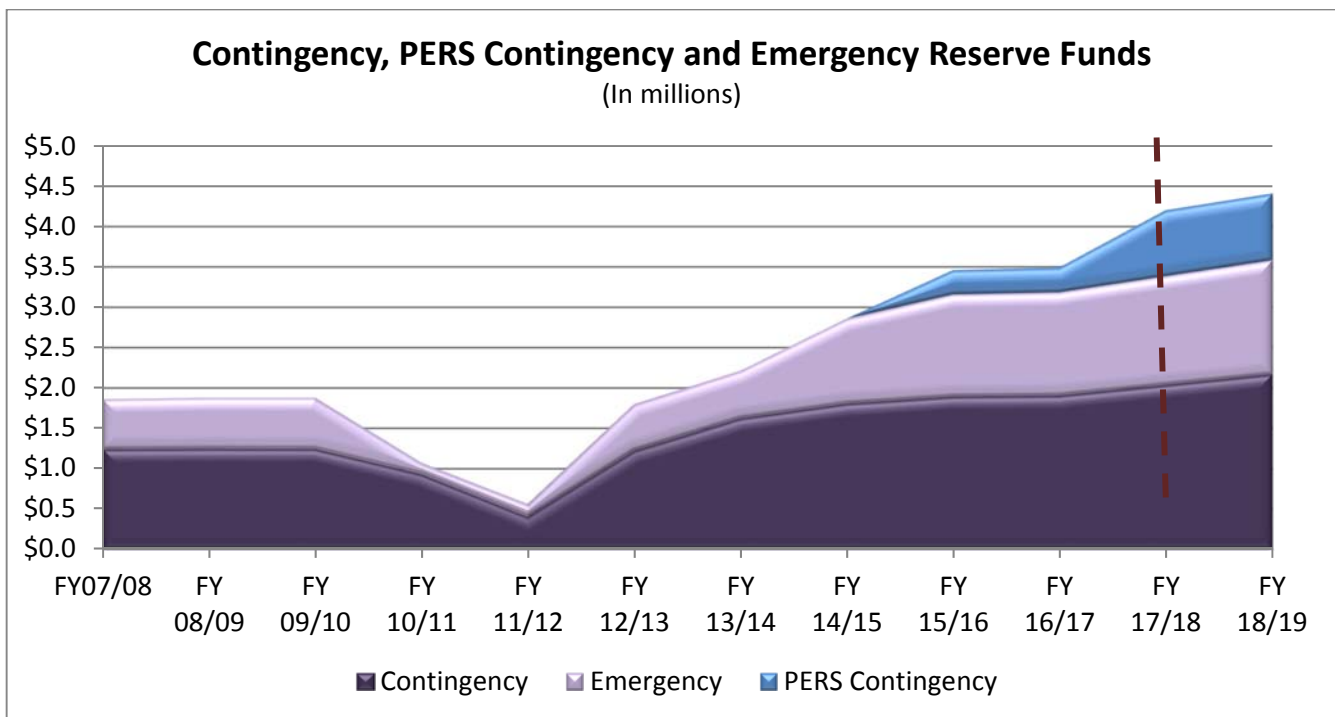


## Emergency, PERS Contingency and Contingency Reserves

In 2000 the City adopted Financial Management policies, establishing a fifteen percent Contingency and a ten percent Emergency Reserve Fund. The Contingency Reserve provides a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The Emergency Reserve protects against significant one-time costs, which might arise from major unpredictable emergency events.

As the 2011 pipe failure demonstrated, a sufficient Emergency Reserve Fund is needed to respond quickly to local disasters, as well as sustain low debt ratios. Due to the City's location in an active geologic region, adjacency to the ocean, and proximity to a major creek and highway, the City chose to also increase the Emergency Reserve funding level to ten percent of operating expenditures.

In FY 15/16 the City implemented a PERS Contingency Reserve Fund to ensure future funding availability for potential CalPERS contribution increases. The initial funding came from a \$300,000 transfer from the General Fund. The City invested the funds with Public Agency Retirement Services (PARS) in a moderately conservative trust fund that allows for a higher rate of return. During FY 17/18 budget deliberations, the City Council agreed to put an additional \$500,000 in the PERS trust fund.



## **OPEB and PERS Trust Funds**

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The City has been proactive in planning for future liabilities. The City has established two trust funds for future retirement costs. The two trust funds are the OPEB (Other Post-Employment Benefits) Trust Fund, which is used for retiree health premiums, and the PERS Trust Fund, which is used for future PERS retirement costs.

### **OPEB Trust Fund:**

FY 2015/16 Balance:	\$143,387
FY 2016/17 Contributions:	52,425
<u>Estimated Interest Earned:</u>	<u>5,000</u>
Estimated Balance 6/30/2017	\$200,812
FY 2017/18 Contributions	60,000
<u>FY 2017/18 Interest Earned</u>	<u>5,000</u>
Estimates Balance 6/30/2018	\$265,812

### **PERS Trust Fund:**

FY 2016/17 Contributions:	\$300,000
<u>Estimated Interest Earned:</u>	<u>5,000</u>
Estimated Balance 6/30/2017	\$305,000
FY 2017/18 Contributions	500,000
<u>FY 2017/18 Interest Earned</u>	<u>10,000</u>
Estimated Balance 6/30/2018	\$815,000

## Capital Projects

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The adopted budget includes several capital improvement projects utilizing various funding sources. The list below summarizes the projects.

### Library Fund

Committed Revenue:

Measure S	\$8.0 Million	
RDA Country Trust Fund	\$2.6 Million	
General Fund transfer	\$999,129	Offsets unfunded construction estimate
<u>Unfunded Construction</u>	<u>\$1.53 Million</u>	
<b>Total</b>	<b>\$13.13 Million</b>	

Construction on the library is expected to begin in Spring 2018.

### Equipment Fund

New Beach Loader	\$225,000*	Replaces 20 yr. old non-compliant loader
F-250 PW Truck	26,000	Replace aging vehicle
Tractor Components	11,200	
Parking Station Faceplates	50,000	Standardize visitor parking interface
<u>Police Communications Tower</u>	<u>100,000**</u>	Must be relocated from temporary library
<b>Total</b>	<b>\$412,200</b>	

\*Measure F Contributes \$100,000

\*\*SLESF Fund contributes \$35,000

### Measure F Funds (CIP)

Wharf Preliminary Design	\$132,200	Begins public process for wharf project design
2017 Wharf Repairs	47,800	Install piles so floating dock can be installed
Flume Reconstruction	100,000	Repairs flume, creek closure & construct beach
Jetty Reconstruction	150,000	Rebuilds aging jetty that protects beach
Grand Avenue Path	20,000	Rebuilds path (geologic report pending)
<u>Contribution for beach loader</u>	<u>100,000</u>	Replaces 20 yr. old non-compliant loader
<b>Total</b>	<b>\$550,000</b>	

### RTC - Measure D Local Funds

Estimated Revenue	\$285,000	
<u>General Fund Transfer</u>	<u>200,000</u>	Transfer for slurry sealing/road projects
<b>Total Revenues</b>	<b>\$485,000</b>	
Bike Lane Green Paint	65,000	Funds two Highway 1 interchanges
<u>Slurry Seal &amp; Road Projects</u>	<u>420,000</u>	Preserves pavement quality where feasible
<b>Total Expenditures</b>	<b>\$485,000</b>	

### Facilities Reserve

City Hall Improvements	\$25,000	Lighting improvements, paint, carpet, etc.
<u>Community Center Parking lot</u>	<u>75,000</u>	Repair parking lot in poor condition
<b>Total</b>	<b>\$100,000</b>	

Available Funds in FY 2017/18 \$ 450,000

### CDBG Grant Application (Due Date Fall 2017)

Clares Street Reconstruction	\$1.3 Million
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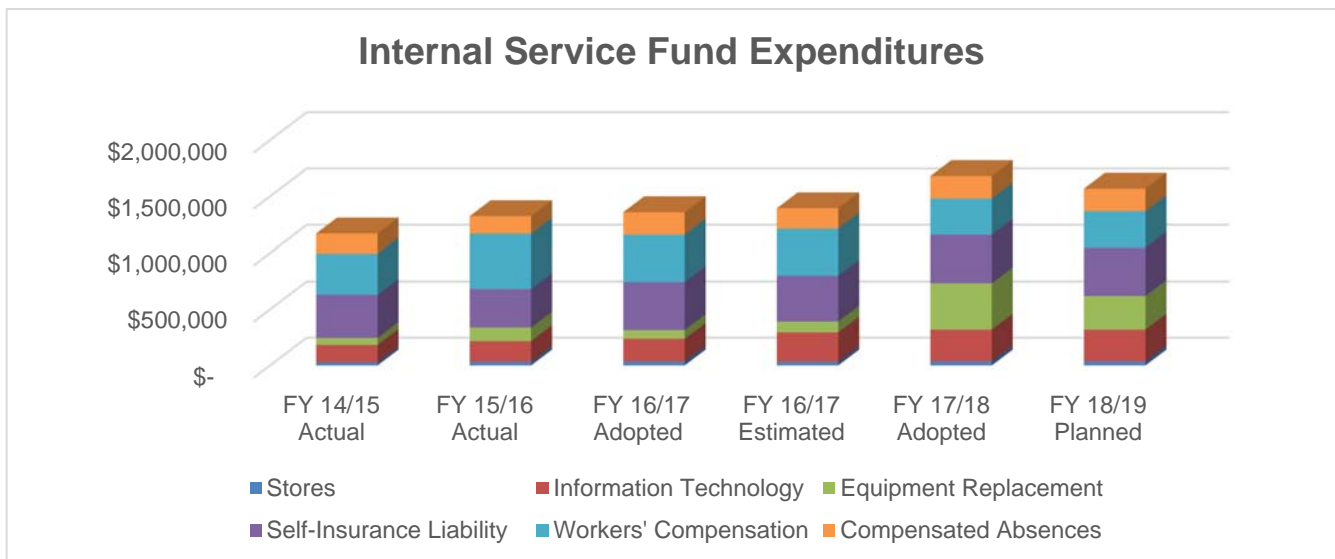
## General Fund Resources

General Fund resources include reserve funds (Emergency, Contingency, PERS Contingency, Facilities) and Internal Service Funds designated for funding equipment purchases, risk management, workers' compensation and compensated absences. The reserve funds have specific purposes and require a vote of the Council to expend.

The following table shows the estimated General Fund available resources:

<b>Estimated Year End Fund Balance</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
General Fund	\$1,553,488	\$ 694,409	\$ 827,068
<b>Designated Reserves</b>			
Emergency	1,277,206	1,344,206	1,411,206
Contingency	1,903,346	2,036,346	2,169,346
PERS Contingency	305,000	815,000	825,000
Facilities Reserve	339,870	324,870	324,870
Donations	21,725	31,725	41,725
<b>Internal Service Funds</b>			
Stores	24,652	24,652	16,009
Information Technology	113,352	113,352	113,352
Equipment Replacement	175,009	72,809	52,809
Self-Insurance Liability	281,875	281,875	254,575
Workers' Compensation	217,852	217,852	217,852
Compensated Absences	36,189	36,189	36,189
<b>Total General Fund Resources</b>	<b>\$6,249,564</b>	<b>\$5,993,285</b>	<b>\$6,290,001</b>

The corresponding chart and graph illustrate internal service fund expenditures and the impact of transfers on the affected funds.



# Fund Balance Summary

FY 2017/18

	Estimated Balance 7/1/2017	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2018
<b>General Fund</b>	<b>\$ 1,553,488</b>	<b>\$ 16,107,295</b>	<b>\$ -</b>	<b>\$ 13,675,824</b>	<b>\$ 3,290,550</b>	<b>\$ 694,409</b>
<b>Designated Reserves</b>						
Contingency Reserve	\$ 1,903,346	\$ -	\$ 133,000	\$ -	\$ -	\$ 2,036,346
PERS Contingency Reserve	305,000	10,000	500,000	-	-	815,000
Emergency Reserve	1,277,206	-	67,000	-	-	1,344,206
Donations	21,725	10,000	-	-	-	31,725
Facility Reserve	339,870	-	110,000	125,000	-	324,870
<b>Total Designated Reserves</b>	<b>\$ 3,847,147</b>	<b>\$ 20,000</b>	<b>\$ 810,000</b>	<b>\$ 125,000</b>	<b>\$ -</b>	<b>\$ 4,552,147</b>
<b>Debt Service</b>						
Pension Obligation Bond	\$ 481,531	\$ -	\$ 187,351	\$ 668,882	\$ -	\$ -
Pac Cove Lease Financing	131,520	-	165,066	165,066	-	131,520
Pac Cove Park	-	-	89,004	89,004	-	-
<b>Total Debt Service</b>	<b>\$ 613,051</b>	<b>\$ -</b>	<b>\$ 441,421</b>	<b>\$ 922,952</b>	<b>\$ -</b>	<b>\$ 131,520</b>
<b>Capital Improvement Fund</b>	<b>\$ 1,006,565</b>	<b>\$ 2,200</b>	<b>\$ 515,000</b>	<b>\$ 467,200</b>	<b>\$ -</b>	<b>\$ 1,056,565</b>
<b>Internal Service Funds</b>						
Stores	\$ 24,652	\$ 37,250	\$ -	\$ 37,250	\$ -	\$ 24,652
Information Technology	113,352	282,300	-	282,300	-	113,352
Equipment Replacement	175,009	125,000	185,000	412,200	-	72,809
Self-Insurance Liability	281,875	428,000	-	428,000	-	281,875
Workers' Compensation	217,852	321,000	-	321,000	-	217,852
Compensated Absences	36,189	-	200,000	200,000	-	36,189
<b>Total Internal Service Funds</b>	<b>\$ 848,929</b>	<b>\$ 1,193,550</b>	<b>\$ 385,000</b>	<b>\$ 1,680,750</b>	<b>\$ -</b>	<b>\$ 746,729</b>
<b>Special Revenue Funds</b>						
SLESF-Suppl Law Enforcmnt Svc	\$ 14,421	\$ 100,400	\$ -	\$ 66,000	\$ 35,000	\$ 13,821
SCCACT-SCC Anti-Crime Team	-	-	-	-	-	-
Gas Tax	2,130	289,421	-	219,400	-	72,151
RTC Streets	-	285,000	200,000	485,000	-	-
Library	640,700	9,777,300	999,129	10,131,429	-	1,285,700
Wharf	68,076	133,500	-	221,900	-	(20,324)
General Plan Update and Maint	9,135	75,000	-	56,000	-	28,135
Green Building Education	118,464	18,000	-	24,000	-	112,464
Public Arts Fee	253,428	15,000	-	81,000	-	187,428
Parking Reserve	737	-	100,000	-	100,000	737
Technology Fee	45,276	11,000	-	15,000	-	41,276
PEG-Public Education and Gov.	58,074	16,100	-	15,000	-	59,174
Capitola Village/Wharf BIA	6,778	73,100	-	74,750	-	5,128
CDBG Grants	40,124	100,000	-	100,000	-	40,124
CDBG Program Income	13,875	-	-	-	-	13,875
HOME Reuse	187,538	12,300	-	3,200	-	196,638
Housing Trust	21,034	25,000	-	-	25,000	21,034
Cap Hsg Succ- Program Income	167,766	-	-	60,000	-	107,766
<b>Total Special Revenue Funds</b>	<b>\$ 1,647,556</b>	<b>\$ 10,931,121</b>	<b>\$ 1,299,129</b>	<b>\$ 11,552,679</b>	<b>\$ 160,000</b>	<b>\$ 2,165,127</b>
<b>Successor Agency</b>	<b>\$ 379,817</b>	<b>\$ 595,000</b>	<b>\$ -</b>	<b>\$ 636,958</b>	<b>\$ -</b>	<b>\$ 337,859</b>
<b>Tot. Fund Balance - All Funds</b>	<b>\$ 9,896,553</b>	<b>\$ 28,849,166</b>	<b>\$ 3,450,550</b>	<b>\$ 29,061,363</b>	<b>\$ 3,450,550</b>	<b>\$ 9,684,356</b>

# Fund Balance Summary

FY 2018/19

	Estimated Balance 7/1/2018	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2019
<b>General Fund</b>	<b>\$ 694,409</b>	<b>\$ 16,048,304</b>	<b>\$ -</b>	<b>\$ 13,979,404</b>	<b>\$ 1,936,241</b>	<b>\$ 827,068</b>
<b>Designated Reserves</b>						
Contingency Reserve	\$ 2,036,346	\$ -	\$ 133,000	\$ -	\$ -	\$ 2,169,346
PERS Contingency Reserve	815,000	10,000	-	-	-	825,000
Emergency Reserve	1,344,206	-	67,000	-	-	1,411,206
Donations	31,725	10,000	-	-	-	41,725
Facility Reserve	324,870	-	110,000	110,000	-	324,870
<b>Total Designated Reserves</b>	<b>\$ 4,552,147</b>	<b>\$ 20,000</b>	<b>\$ 310,000</b>	<b>\$ 110,000</b>	<b>\$ -</b>	<b>\$ 4,772,147</b>
<b>Debt Service</b>						
Pension Obligation Bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pac Cove Lease Financing	131,520	-	165,066	165,066	-	131,520
Pac Cove Park	-	-	88,812	88,812	-	-
<b>Total Debt Service</b>	<b>\$ 131,520</b>	<b>\$ -</b>	<b>\$ 253,878</b>	<b>\$ 253,878</b>	<b>\$ -</b>	<b>\$ 131,520</b>
<b>Capital Improvement Fund</b>	<b>\$ 1,056,565</b>	<b>\$ 50,000</b>	<b>\$ 1,100,000</b>	<b>\$ 1,100,000</b>	<b>\$ -</b>	<b>\$ 1,106,565</b>
<b>Internal Service Funds</b>						
Stores	\$ 24,652	\$ 28,607	\$ -	\$ 37,250	\$ -	\$ 16,009
Information Technology	113,352	282,300	-	282,300	-	113,352
Equipment Replacement	72,809	230,000	50,000	300,000	-	52,809
Self-Insurance Liability	281,875	400,700	-	428,000	-	254,575
Workers' Compensation	217,852	320,730	-	321,000	-	217,582
Compensated Absences	36,189	-	200,000	200,000	-	36,189
<b>Total Internal Service Funds</b>	<b>\$ 746,729</b>	<b>\$ 1,262,337</b>	<b>\$ 250,000</b>	<b>\$ 1,568,550</b>	<b>\$ -</b>	<b>\$ 690,516</b>
<b>Special Revenue Funds</b>						
SLESF-Suppl Law Enforcmnt Svc	\$ 13,821	\$ 100,400	\$ -	\$ 66,000	\$ -	\$ 48,221
SCCACT-SCC Anti-Crime Team	-	-	-	-	-	-
Gas Tax	72,151	409,311	-	219,400	-	262,062
RTC Streets	-	300,000	-	300,000	-	-
*Library	1,285,700	-	47,363	-	-	1,333,063
Wharf	(20,324)	85,700	-	95,600	-	(30,224)
General Plan Update and Maint	28,135	75,000	-	56,000	-	47,135
Green Building Education	112,464	18,000	-	22,000	-	108,464
Public Arts Fee	187,428	90,000	-	131,000	-	146,428
Parking Reserve	737	-	100,000	-	100,000	737
Technology Fee	41,276	11,000	-	15,000	-	37,276
PEG-Public Education and Gov.	59,174	16,100	-	15,000	-	60,274
BIA-Capitola Village-Wharf BIA	5,128	73,100	-	74,750	-	3,478
CDBG Grants	40,124	80,000	-	80,000	-	40,124
CDBG Program Income	13,875	-	-	-	-	13,875
HOME Reuse	196,638	12,300	-	3,200	-	205,738
Housing Trust	21,034	25,000	-	-	25,000	21,034
Cap Hsg Succ- Program Income	107,766	-	-	60,000	-	47,766
<b>Total Special Revenue Funds</b>	<b>\$ 2,165,127</b>	<b>\$ 1,295,911</b>	<b>\$ 147,363</b>	<b>\$ 1,137,950</b>	<b>\$ 125,000</b>	<b>\$ 2,345,451</b>
<b>Successor Agency</b>	<b>\$ 337,859</b>	<b>\$ 264,387</b>	<b>\$ -</b>	<b>\$ 264,387</b>	<b>\$ -</b>	<b>\$ 337,859</b>
<b>Tot. Fund Balance - All Funds</b>	<b>\$ 9,684,356</b>	<b>\$ 18,940,939</b>	<b>\$ 2,061,241</b>	<b>\$ 18,414,169</b>	<b>\$ 2,061,241</b>	<b>\$ 10,211,126</b>

\*The current construction estimate for the Library is \$13.13 million. The current in hand contributions, including the \$999,129 in FY 2017/18, is \$11.6 Million. Funding needed to complete construction requires additional discussion and is not forecasted in this budget. The \$47,363 is the final payment from the Successor Agency Loan Agreement.

# GENERAL FUND REVENUES



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## General Fund Revenues

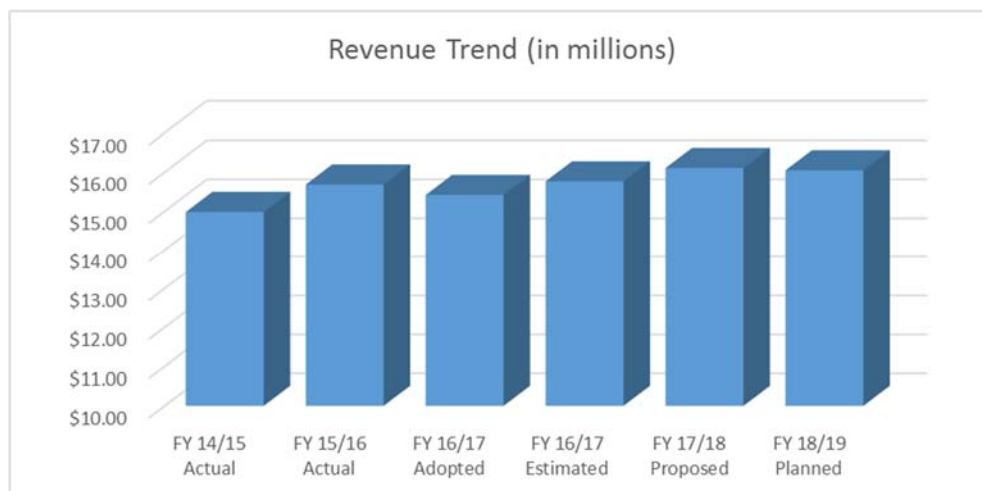
Revenues for the FY 2017/18 General Fund operating budget total \$16.1 million, an increase of approximately \$690,647 or 4.5 percent, with property and sales taxes primarily responsible for the increase. Property tax revenues remain strong as assessed values (basis for property tax levies) continue to increase with changes in ownership, reinstatement of assessed values lowered during the Great Recession, and an additional 2% CPI increase per Prop 13 provisions. Sales tax collections continue to increase with strong taxable sales driven by a few sectors of the local economy. Transient Occupancy Tax (TOT) continues to increase with a stable local and state economy. Sales tax and TOT revenue growth has begun to slow from the high growth rates of the last three fiscal years, but is still increasing.

All revenue categories are projected to increase in FY 2017/18, except for fines and forfeitures. The adoption of a three-hour parking limit, up from two hours, has reduced parking fines. A summary of major revenue changes between the FY 2016/17 Adopted and FY 17/18 Adopted budgets is listed below:

• Property Taxes incl. Motor Vehicle In-Lieu	\$171,403
• Sales Tax	243,848
• Other Taxes – Franchise Fee, TOT, etc.	158,864
• Other Revenue Categories	<u>116,532</u>
	\$690,647

### General Fund Revenues

	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
Taxes	\$ 11,154,924	\$12,060,878	\$11,837,099	\$12,194,744	\$12,411,214	\$12,674,754
Licenses and permits	567,554	614,088	601,650	612,930	611,000	611,000
Intergovernmental revenues	470,346	219,504	133,350	136,466	152,850	127,850
Charges for services	1,905,877	1,977,668	2,066,849	2,012,347	2,134,481	1,830,150
Fines and forfeitures	756,553	655,644	675,700	663,700	663,700	663,700
Use of money & property	62,752	84,837	57,100	65,050	70,200	75,200
Other revenues	61,658	71,771	44,900	79,550	63,850	65,650
<b>General Fund Revenues</b>	<b>\$ 14,979,664</b>	<b>\$15,684,389</b>	<b>\$15,416,648</b>	<b>\$15,764,787</b>	<b>\$16,107,295</b>	<b>\$16,048,304</b>





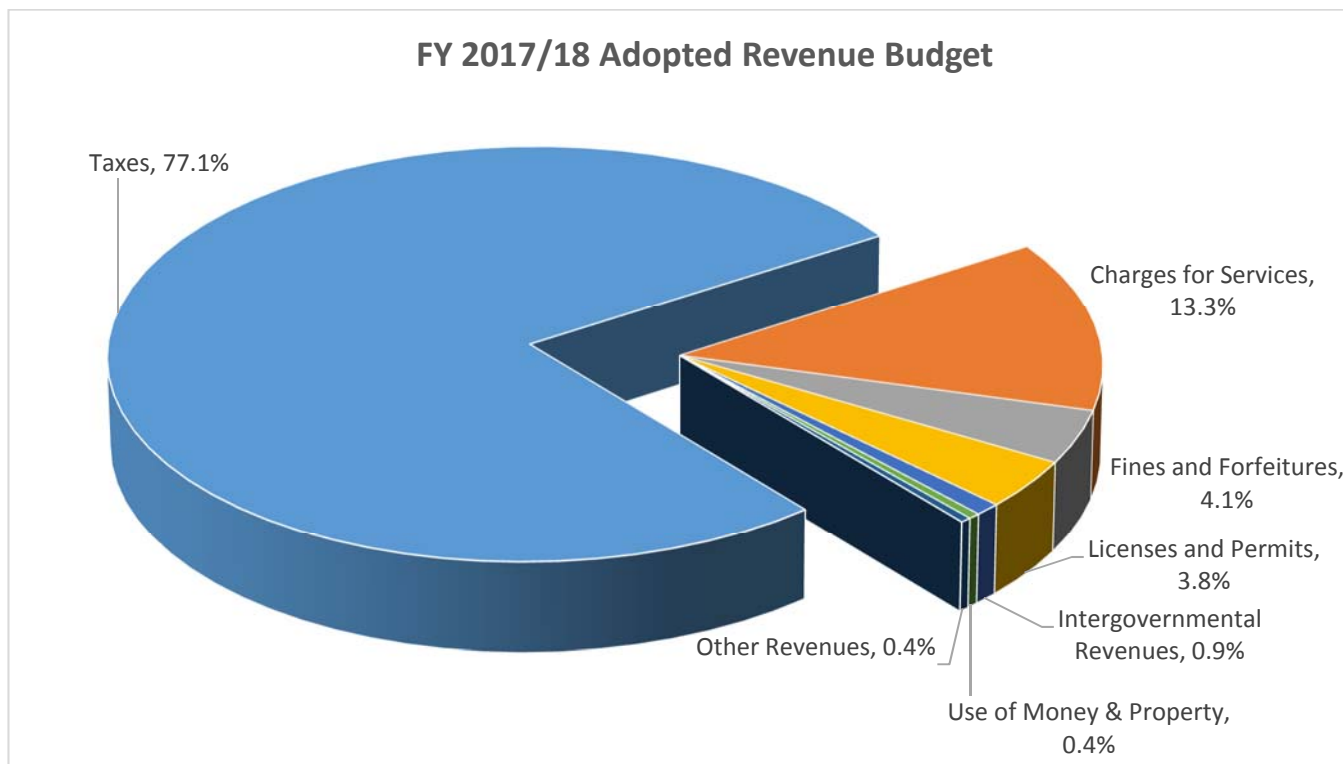
## General Revenue Information

The City does not receive General Fund revenues in equal monthly increments. While the City receives some revenue regularly throughout the fiscal year, some is received quarterly or annually. The variable nature of these revenues results in an uneven cash flow. For example, the City of Capitola's lowest cash balances occur in April and again in mid-December prior to property tax revenue being received. Mid-December in prior years was significantly lower due to the State's Triple-Flip. The State reduced our sales tax by 0.25 percent and reimbursed the City, through property tax, in December. With the Triple-flip completed, we now receive our sales tax revenue consistently throughout the year. The City developed a cash flow model to assist with on-going cash flow variability and to identify reserve requirements. While monitoring the City's cash flow has always been a priority, the need to identify patterns became more critical during the disaster recovery period when reserves were nearly depleted. In FY 2012/13 the City approved increasing the Contingency Reserve balance from 10 percent to 15 percent to assist in covering potential cash flow deficits. The City has maintained these increased reserves and the FY 2017/18 budget does not utilize any reserve funds.

Projections for each source of revenue include a review of historical trends, the local economy, new business development, and pending legislation. Due to significant changes, the City is closely monitoring the following five core revenues, which represent over 80 percent of the General Fund:

• Sales Tax	\$7,940,323
• Transient Occupancy Tax	1,506,318
• Parking Meters	820,482
• Parking Fines	425,700
• Property Taxes / Property Taxes in-lieu-of Vehicle Fees	<u>2,344,070</u>
	<u>\$13,036,893</u>

Additional information related to the five core revenues are detailed within this section. In addition, five-year trends for each revenue source are provided in the Revenue Summary.



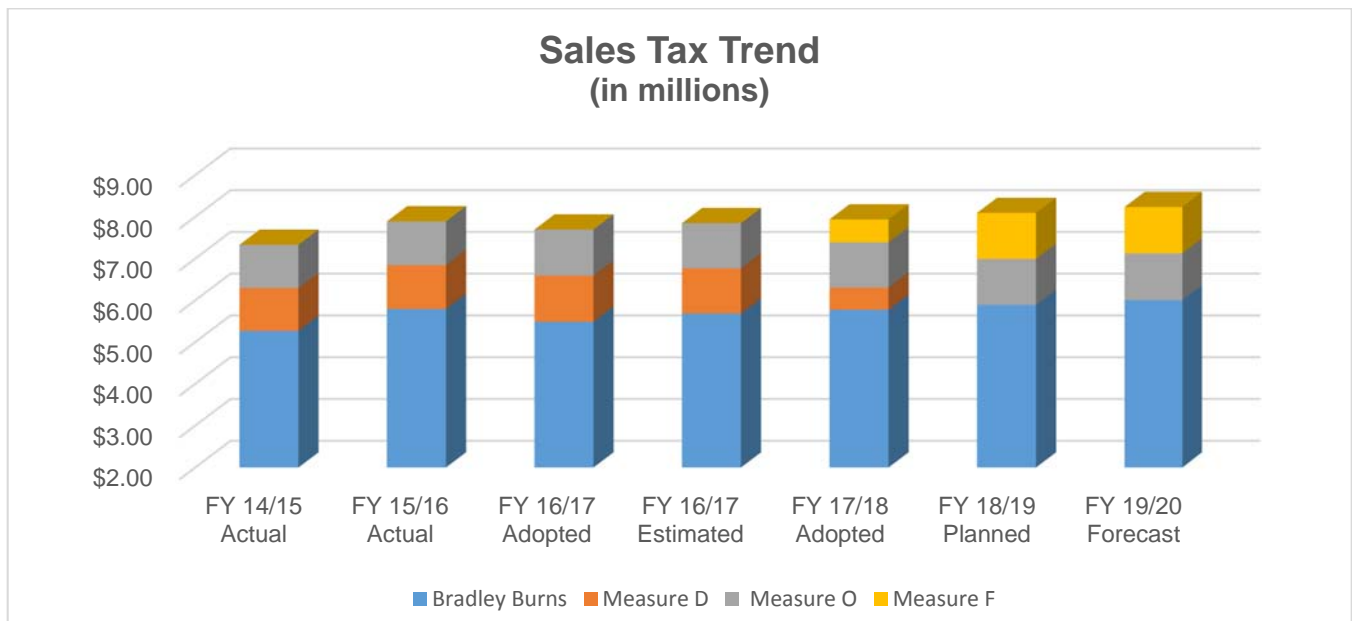
## Sales Tax

The City of Capitola sales tax consists of one percent Bradley Burns, a quarter percent Capitola District Tax (Measure D), and a permanent quarter percent Capitola District Tax (Measure O). In FY 2017/18 annual sales tax revenue is estimated to be \$7.9 million, with just over \$2.1 million in revenues contributed by Measure D (sunsets at the end of 2017), Measure O, and Measure F (begins in January of 2018).

Area	% of Total
41st Ave. Corridor	84.4%
Capitola Village	8.4%
Upper Village	5.9%
Light Industrial Distr.	1.3%
	100.0%

The Finance Department works closely with MuniServices, the City's sales tax consultant, on tax recovery, statistics, and projections. Sales tax projections are based on a combination of "most likely" estimates provided by MuniServices, internal quarter over quarter analyses, and the impact of one-time events. In FY 2017/18, Bradley Burns sales tax revenue is anticipated to increase by approximately 1.60 percent, or \$90,932, over the FY 2016/17 estimates. The City's sales tax collections are heavily dependent on the top five generators.

The following chart highlights signs of increased economic recovery in FY 2012/13, first quarter revenues associated with Measure O, and the addition of a major retail store. In FY 2012/13 Measure O was implemented as "bridge" funding to replenish reserves, fund City street repairs, and enhance community policing projects prior to the sunset of Measure D. The chart below illustrates the effect of the partial year expiration of Measure D in FY 2017/18 along with the partial year collection of Measure F.



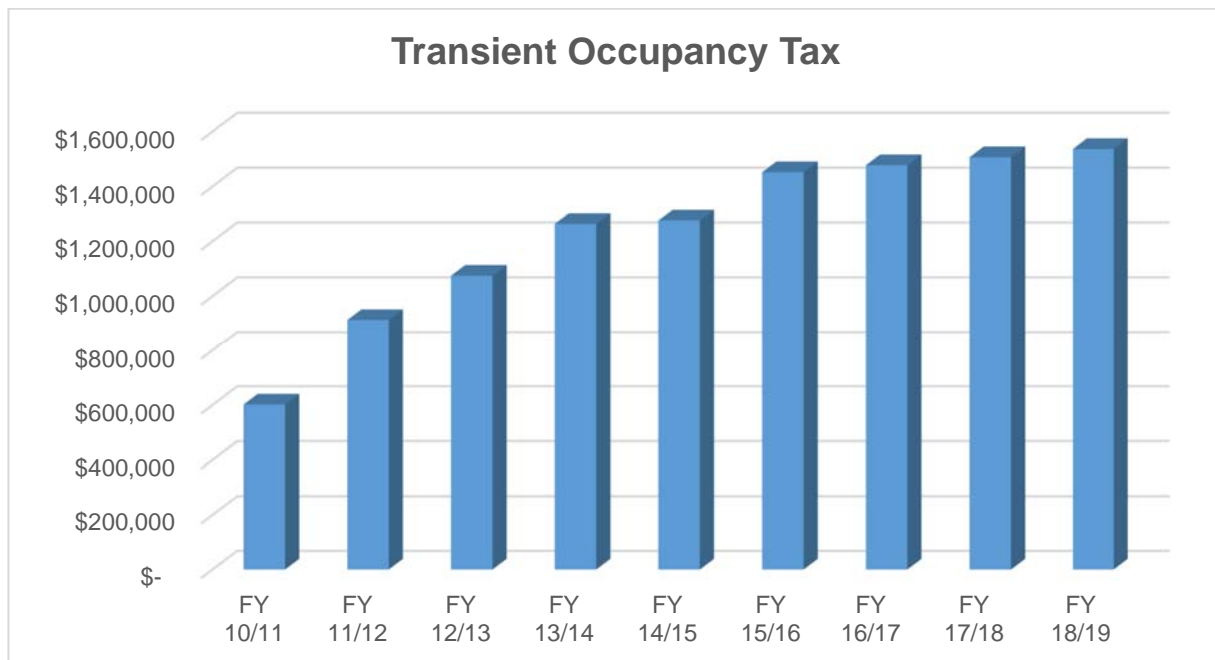
## Transient Occupancy Taxes (TOT)

Hotel tax, also known as the Transient Occupancy Tax (TOT), charges rental accommodation of less than 30 days a 10 percent tax. In FY 2017/18 TOT tax accounts for over nine percent of General Fund operating revenues. The City's TOT revenues come from the following sources:

- Hotels, Motels and Inns
- Other Rentals
  - Bed and Breakfasts
  - Vacation Rentals

The City's TOT collections have been growing over the last seven years. The projected increase for FY 2017/18 is two percent. TOT collections have started to slow after three straight years of double digit percentage increases. The reason for the slowed growth can be attributed to the wet winter in 2016-17 along with a lack of available rooms. For the last several years, hotels have experienced high occupancy rates leaving little room for increased TOT revenues.

The following chart illustrates the continued growth of TOT revenues within the City. Signs of economic recovery, along with the addition of a major hotel, increased revenues in FY 2011/12 by over \$300,000. Growth continued by 17 percent in FY 2012/13, followed by an additional 18 percent increase in FY 13/14. Due to Capitola's seaside location, proximity to regional attractions, and continued signs of economic recovery, the City is continuing efforts to attract another hotel to the area.

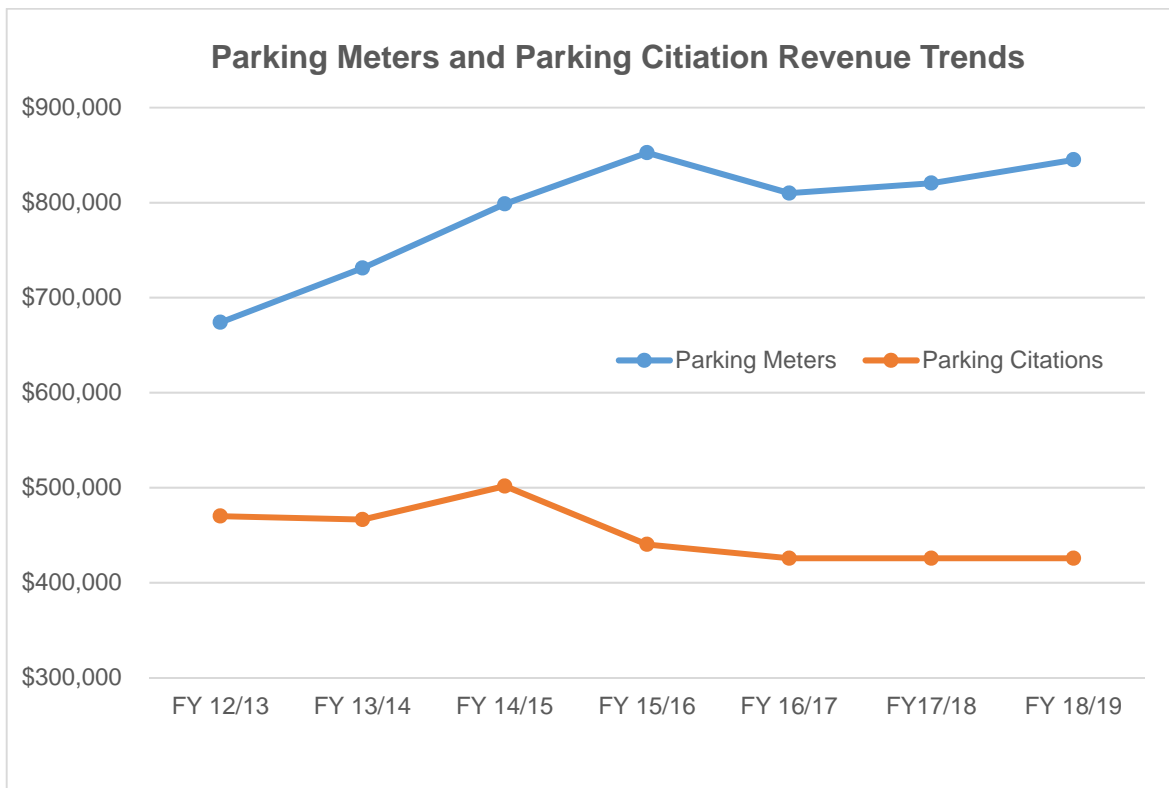


## Parking Meters and Parking Fines

In FY 2017/18 parking meter and parking fine revenues are estimated to contribute over \$1.25 million to the General Fund. Revenue sources include fees collected from the meters and fines resulting from expired meters and improper parking. Factors affecting these revenues include tourism and seasonal trends. At the end of FY 2013/14, a 226-space parking lot opened adjacent to the existing Pacific Cove Parking Lot and City Hall. During the summer, the City offers shuttle bus service from the parking lots to the Village, beach, and Capitola Wharf. Projected revenues for each location are estimated below:

Location	Spaces	Estimated FY 17/18 Revenue	Avg. Meter Rev. per Space
Village	195	\$ 578,250	\$ 2,965
Cliff Drive	65	\$ 85,420	\$ 1,314
Pacific Cove - Upper Lot	232	\$ 110,483	\$ 476
Pacific Cove - Lower Lot	226	\$ 46,329	\$ 205

The following chart illustrates parking meter revenue and parking citation revenue trends within the City. Overall, the revenue trend has increased for the last several years with an estimated decrease in FY 2016/17 due to a wet winter that reduced visitors. In FY 2015/16 the City implemented 3-hour parking in the Village. The change has had a positive impact on meter revenue while decreasing citations.



The FY 2017/18 budget projects parking meter and parking fine revenue will increase one percent compared to the prior year.

## **Property Taxes**

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Property Taxes, an Ad Valorem Tax imposed on real property and tangible personal property, are levied at one percent of the assessed value of the property. The City receives 7.47 percent of each one percent, or 75 cents per \$1,000, of assessed property value.

In FY 2017/18 property tax revenue is estimated to be \$2.3 million, representing a 7.9 percent increase over the prior year adopted budget and four percent above the estimated collection from FY 2016/17. The City's collections are consistent with information from the County Auditor-Controller's Office, which indicated that property valuations in Capitola are rising at a rate above three percent.

In the FY 2017/18 budget, base property tax revenues are projected to increase approximately four percent. The City based the projection on information from the Auditor-Controller's Office, historical trends, and a review of the current housing market. The maximum growth factor of two percent of the assessed property valuation was used to estimate FY 2018/19 property tax revenue.

Property taxes are received based on the following distribution schedule:

- December: 50%
- April: 45%
- June: 5%

### **Property Taxes in-lieu-of Vehicle License Fees**

Property Tax in-lieu-of Vehicle License Fee revenue has increased an average of six percent per year over the last three fiscal years. However, there is a 7.25 percent, or \$71,170, increase projected in FY 2017/18. This increase continues to be consistent with the rising property values outlined by the Auditor-Controller's Office. Due to the relatively flat history associated with these revenues, conservative estimates of two percent have been applied to the upcoming fiscal years.

# Revenue Summary

	FY 14/15	FY15/16	FY 16/17	FY 16/17	FY 17/18	FY 18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b><u>Taxes</u></b>						
Property Taxes	\$ 1,963,272	\$ 2,057,605	\$ 2,172,667	\$ 2,252,947	\$ 2,344,070	\$ 2,413,362
Sales Tax- Bradley Burns	5,269,899	5,794,532	5,485,957	5,683,184	5,774,116	5,889,599
Sales Tax- Measure D	1,028,321	1,049,179	1,106,376	1,083,544	533,544	-
Sales Tax- Measure O	1,032,222	1,047,853	1,104,142	1,082,663	1,082,663	1,104,316
Sales Tax- Measure F	-	-	-	-	550,000	1,105,215
Document Transfer Tax	77,976	135,983	85,000	85,000	85,000	85,000
Franchise Tax	507,517	524,214	526,767	530,244	535,503	540,816
Transient Occupancy Tax	1,275,716	1,451,512	1,356,190	1,477,162	1,506,318	1,536,446
<b>Total</b>	<b>\$ 11,154,923</b>	<b>\$ 12,060,878</b>	<b>\$ 11,837,099</b>	<b>\$ 12,194,744</b>	<b>\$ 12,411,214</b>	<b>\$ 12,674,754</b>
<b><u>Licenses and permits</u></b>						
Business License	\$ 284,474	\$ 298,020	\$ 299,300	\$ 297,700	\$ 300,800	\$ 300,800
Building Permits	215,113	201,642	200,000	200,000	200,000	200,000
Encroachment Permits	16,440	23,253	15,000	31,000	20,000	20,000
Special events permit	1,008	1,428	1,000	1,000	1,000	1,000
Entertainment permit	3,265	3,418	4,000	4,000	4,000	4,000
Parking Permits	41,426	41,026	36,600	37,080	39,400	39,400
Planning Permits	5,607	44,540	45,000	41,550	45,000	45,000
Other Permits	221	761	750	600	800	800
<b>Total</b>	<b>\$ 567,554</b>	<b>\$ 614,088</b>	<b>\$ 601,650</b>	<b>\$ 612,930</b>	<b>\$ 611,000</b>	<b>\$ 611,000</b>
<b><u>Intergovernmental revenues</u></b>						
Federal and State Grants	\$ 314,037	\$ 153,410	\$ 87,750	\$ 90,866	\$ 107,250	\$ 82,250
Gen gov't - OSB admin	150,000	60,000	40,000	40,000	40,000	40,000
Gen gov't BIA - Fin. support svcs.	4,200	4,200	4,200	4,200	4,200	4,200
Gen gov't CVC - Fin. support svcs.	2,109	1,893	1,400	1,400	1,400	1,400
<b>Total</b>	<b>\$ 470,346</b>	<b>\$ 219,504</b>	<b>\$ 133,350</b>	<b>\$ 136,466</b>	<b>\$ 152,850</b>	<b>\$ 127,850</b>
<b><u>Charges for Svcs.</u></b>						
Gen gov't ROPS repmt	\$ -	\$ -	\$ 114,871	\$ 114,871	\$ 354,129	\$ 47,363
Gen gov't Pay stations-Village	551,281	602,525	571,650	572,525	578,250	595,598
Gen gov't Pay stations-Cliff Dr.	87,498	88,745	88,786	83,745	85,420	87,983
Gen gov't Pay station-upper Pac Cove	115,291	113,316	120,819	108,316	110,483	113,797
Gen gov't Pay stations-lower Pac Cove	44,640	47,920	45,423	45,420	46,329	47,719
Gen gov't Green Bldg. Program	-	-	5,000	5,000	5,000	5,000
Public safety Vehicle release fee	18,331	14,379	15,000	10,000	14,000	14,000
Public safety Police reports	5,214	5,279	5,500	670	300	300
Public safety Booking fees	6,987	1,420	5,000	1,500	2,000	2,000
Public safety DUI collections	7,430	3,495	4,800	2,000	2,000	2,000
Public safety Animal Svcs.	-	-	500	-	-	-
Public safety Spec. events - Police Svcs.	11,711	20,660	14,000	16,500	14,000	11,800
Public works BIA - public works Svcs.	3,000	3,000	3,000	3,000	3,000	3,000
Public works Special events - pw Svcs.	3,236	4,642	3,500	3,500	3,500	3,500
Public works Trash/Cleanup Removal	2,000	2,000	-	-	-	-
Public works Stormwater dev. Review	-	805	2,000	5,000	1,070	1,090
Building fees Building plan check fees	111,828	101,447	105,000	75,000	105,000	105,000
Comm dev Planning fee - sr plnr cost	61,920	33,210	30,000	40,000	35,000	35,000
Comm Planning fee - assist plnr cost	16,443	31,500	20,000	35,000	30,000	30,000
Comm dev Planning fee - director cost	11,177	34,479	7,000	17,500	12,000	12,000
Comm dev Planning plan check fee	11,905	6,224	10,000	12,000	12,000	12,000
Comm dev Planning application fee	12,589	7,891	-	5,000	5,000	5,000
Comm dev Planning - Gen Plan	26,950	68,930	60,000	60,000	25,000	15,000
Comm dev Billing to Green Building	12,306	15,500	20,000	20,000	15,000	5,000



	FY 14/15	FY15/16	FY 16/17	FY 16/17	FY 17/18	FY 18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Comm dev Planning - other fees	19,359	19,036	20,000	5,500	5,000	5,000
Recr. fees Class fees	281,714	274,881	285,000	280,000	275,000	275,000
Recr. fees Jr. guard fees	312,164	328,460	332,000	355,300	269,000	269,000
Recr. fees Camp Capitola fees	138,964	129,319	149,500	110,000	105,000	105,000
Recr. fees Sports fees	31,941	18,605	28,500	25,000	22,000	22,000
<b>Total</b>	<b>\$ 1,905,877</b>	<b>\$ 1,977,668</b>	<b>\$ 2,066,849</b>	<b>\$ 2,012,347</b>	<b>\$ 2,134,481</b>	<b>\$ 1,830,150</b>
<b><u>Fines and forfeitures</u></b>						
Redlight camera enforcement	\$ 48,188	\$ 86,620	\$ 90,000	\$ 75,000	\$ 75,000	\$ 75,000
Parking Cititation	501,615	435,856	425,700	425,700	425,700	425,700
General Fines	206,750	133,168	160,000	163,000	163,000	163,000
<b>Total</b>	<b>\$ 756,553</b>	<b>\$ 655,644</b>	<b>\$ 675,700</b>	<b>\$ 663,700</b>	<b>\$ 663,700</b>	<b>\$ 663,700</b>
<b><u>Use of money &amp; property</u></b>						
Investment earnings	\$ 10,633	\$ 33,012	\$ 5,000	\$ 15,000	\$ 20,000	\$ 25,000
Rents Jade Street facility	7,012	6,800	6,900	7,000	7,000	7,000
Rents Esplanade restaurants	4,018	4,128	4,000	4,000	4,000	4,000
Rents Esplanade - surf trailer	1,469	1,488	1,200	1,200	1,200	1,200
Rents Esplanade bandstand	4,620	4,410	5,000	2,850	3,000	3,000
Lease Rev. Vehicles/Equip.	35,000	35,000	35,000	35,000	35,000	35,000
<b>Total</b>	<b>\$ 62,752</b>	<b>\$ 84,837</b>	<b>\$ 57,100</b>	<b>\$ 65,050</b>	<b>\$ 70,200</b>	<b>\$ 75,200</b>
<b><u>Other revenues</u></b>						
Grants, donations, contrib	\$ 2,350	\$ 2,025	\$ 3,200	\$ 10,300	\$ 12,000	\$ 12,000
Arts-Twilight Concert Sponsors	16,200	15,600	15,600	16,800	15,600	16,800
Arts-Movies at the Beach Sponsor	2,000	2,000	2,000	4,000	2,000	2,400
Arts-Art at the Beach Booth Fee	3,510	7,950	3,000	7,800	8,000	8,000
Art & Culture Sponsors	3,825	1,984	2,000	500	1,200	1,400
Museum donations-Box Revenue	1,666	2,098	1,250	1,650	1,500	1,500
Museum Donations-Fundraising	3,691	3,783	5,000	5,250	5,000	5,000
Memorial plaques and benches	5,520	11,527	5,000	11,000	4,000	4,000
Miscellaneous revenues	22,897	24,804	7,850	22,250	14,550	14,550
<b>Total</b>	<b>\$ 61,658</b>	<b>\$ 71,771</b>	<b>\$ 44,900</b>	<b>\$ 79,550</b>	<b>\$ 63,850</b>	<b>\$ 65,650</b>
<b>Grand Totals</b>	<b>\$ 14,979,664</b>	<b>\$15,684,389</b>	<b>\$15,416,648</b>	<b>\$15,764,787</b>	<b>\$16,107,295</b>	<b>\$16,048,304</b>

# GENERAL FUND EXPENDITURES



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## General Fund Expenditures

The FY 2017/18 General Fund expenditure budget increased \$1,551,691 over the FY 2016/17 Adopted Budget. Transfers increased from the prior year by \$1,631,820, with the biggest differences resulting from transfers to the Library Fund, RTC Streets Fund and PERS Contingency Fund. Additional differences between the last two fiscal years include:

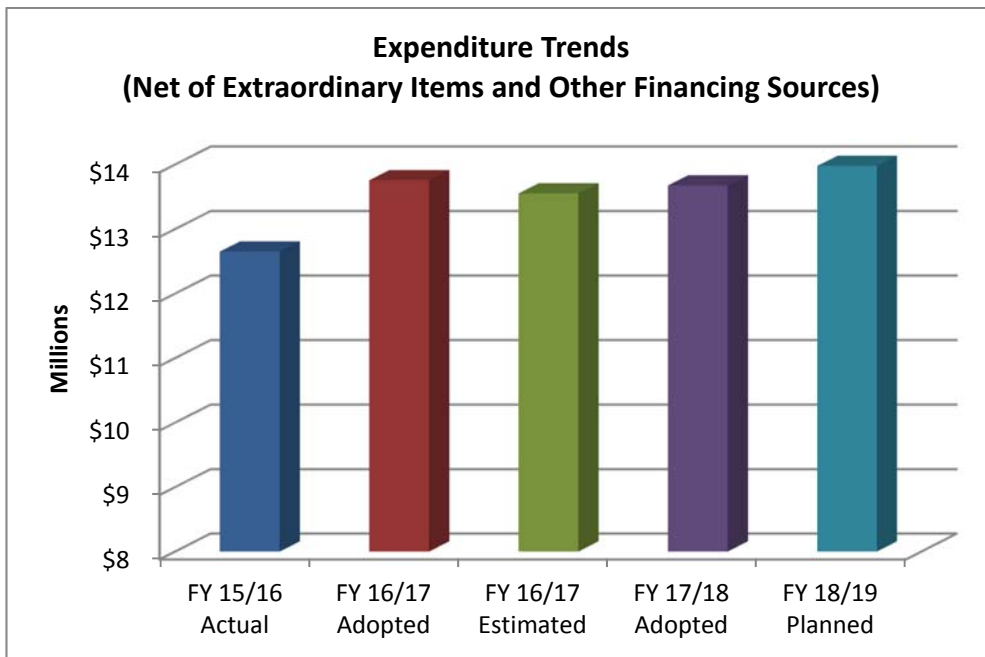
- Total personnel costs (salary and benefits) decreased \$227,355 from the FY 2016/17 Adopted Budget due to a decrease in contributions to the Pension Obligation Bond (POB) fund and lower workers' compensation premiums. The lower POB transfer is due to available fund balance in the POB fund, with the final payment being made in August 2017.
- Salary costs are \$55,806 higher due to COLA adjustments, salary increases and contracted flexible benefit increases. No new positions are proposed in the FY 2017/18 budget.
- Contract services increased by \$117,656, or 4%, over the prior year due to higher animal services costs, financial audit and 911 JPA contracts.

The following chart provides an overview of expenditures for FY 2014/15 to FY 2018/19. A complete description of major changes will follow in the related expenditure detail pages.

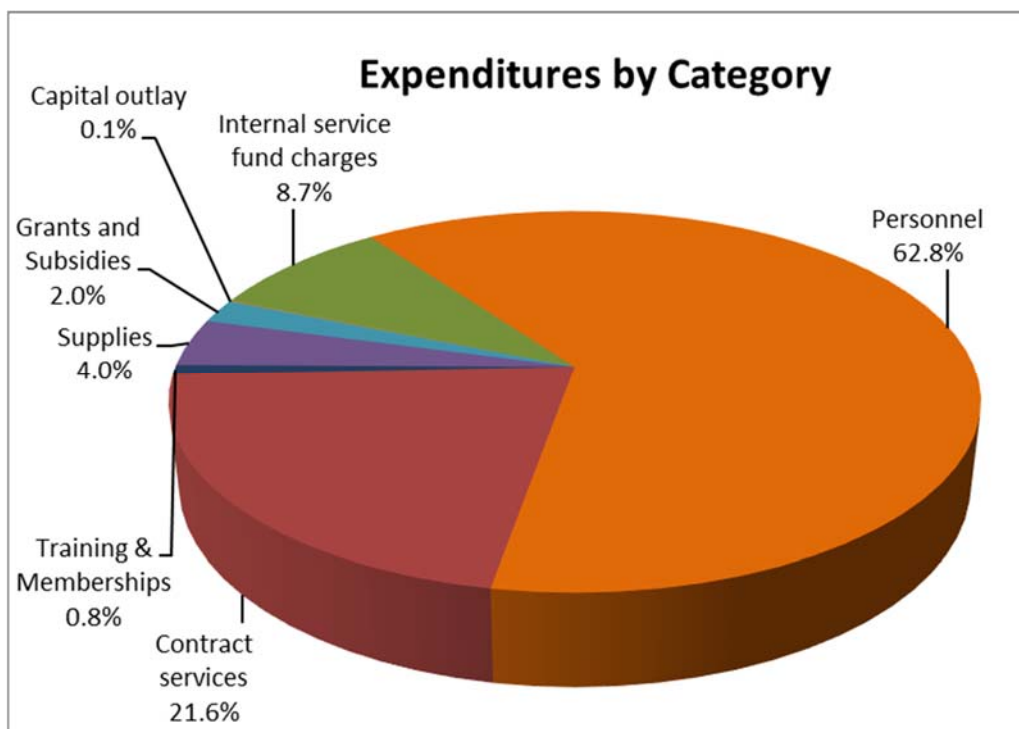
### General Fund Expenditures Summary

Major Categories	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
Personnel	\$7,745,263	8,217,828	\$8,807,779	\$8,698,907	\$8,580,424	\$8,757,408
Contract services	2,621,633	2,537,560	2,832,844	2,799,808	2,950,500	2,980,250
Training & Memberships	70,604	101,309	112,830	96,270	118,550	113,550
Supplies	531,848	562,475	568,500	523,325	551,300	555,500
Grants and Subsidies	269,814	277,357	275,000	275,000	275,000	275,000
Capital outlay	(900)	-	-	-	10,000	10,000
Internal service fund	850,647	954,500	1,159,000	1,159,000	1,190,050	1,287,696
<b>Subtotal</b>	<b>\$12,088,910</b>	<b>\$12,651,028</b>	<b>\$13,755,953</b>	<b>\$13,552,310</b>	<b>\$13,675,824</b>	<b>\$13,979,404</b>
Other financing uses	2,399,440	3,083,811	1,658,730	1,685,614	3,290,550	1,936,241
<b>Expenditure Total</b>	<b>\$14,488,349</b>	<b>\$15,734,839</b>	<b>\$15,414,683</b>	<b>\$15,237,924</b>	<b>\$16,966,374</b>	<b>\$15,915,645</b>

The following chart provides an overview of expenditure trends, excluding transfers. Expenditures are trending upward mainly due to personnel and contract service increases.



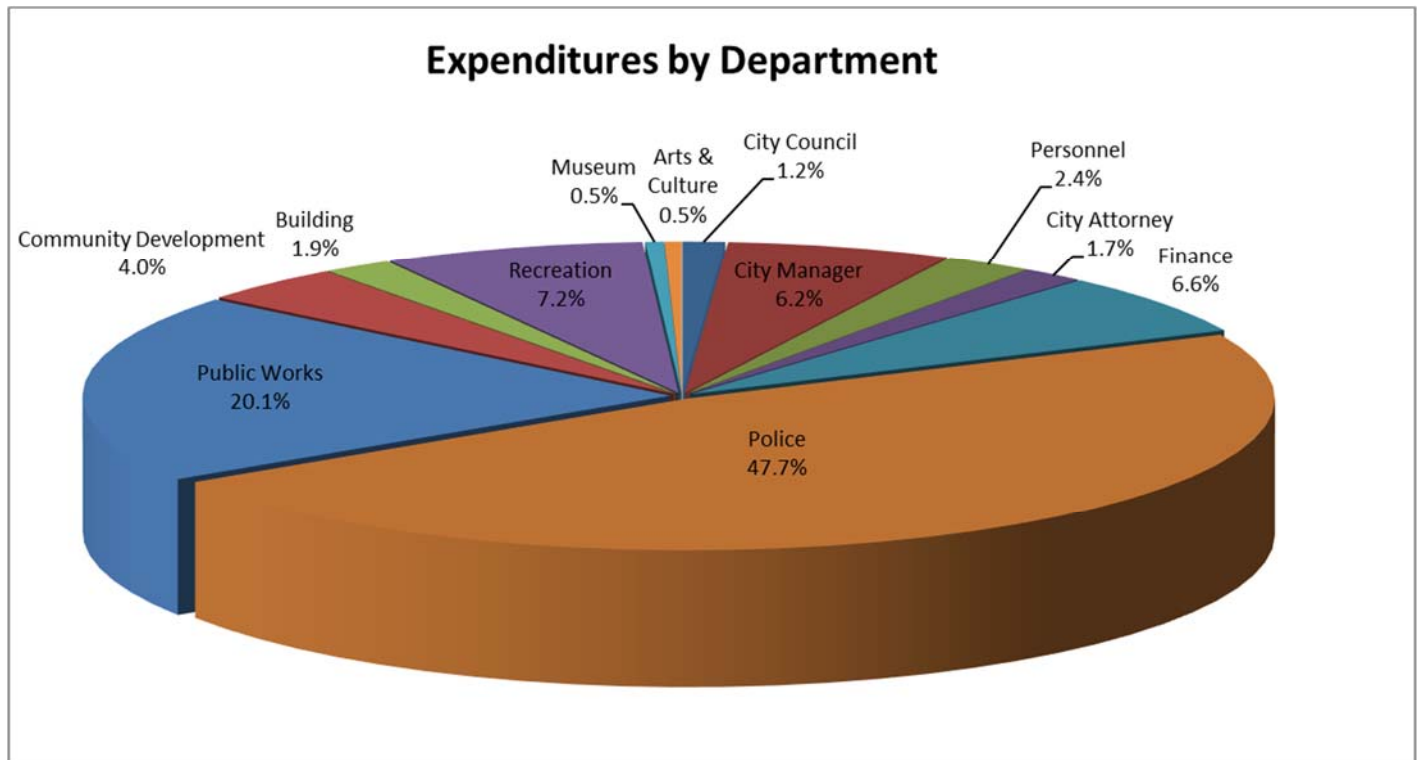
A chart displaying the percentage of expenditures by category is also provided for reference. Since personnel costs decreased \$227,355 over the prior fiscal year, the ratio of personnel services to total expenditures decreased from 64 percent to 62.8 percent. Other notable changes were in contract services, which increased from 20.6 percent to 21.6 percent, and internal service charges, which increased from 8.4 percent to 8.7 percent.





## General Fund Department Expenditures

Department	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
City Council	\$122,590	\$133,116	\$153,554	\$156,474	\$162,596	\$152,819
City Manager	773,708	772,047	892,250	815,532	830,426	859,873
Personnel	209,009	247,830	258,976	329,027	326,960	339,898
City Attorney	197,020	254,643	215,000	230,000	230,000	230,000
Finance	712,173	770,647	836,556	835,290	881,918	900,602
Community Grants	269,814	277,357	275,000	275,000	275,000	275,000
Police - Law Enforcement	5,241,846	5,525,209	5,914,847	5,763,044	5,703,595	5,824,949
Police - Pkg. Enforcement	521,293	523,168	549,524	553,009	563,857	565,793
Police - Lifeguard Svcs.	72,501	52,321	79,338	79,338	80,262	80,262
Police - Animal Services	23,910	24,588	26,307	26,307	38,307	51,307
Public Works - Streets	1,229,806	1,226,582	1,320,479	1,460,139	1,529,661	1,687,193
Public Works-Storm Water	-	78,076	153,831	153,443	157,874	159,692
Public Works - Facilities	270,067	195,382	263,661	266,061	302,985	303,185
Public Works - Fleet	320,330	304,610	330,837	290,851	296,947	300,694
Public Works - Parks	524,646	592,784	602,708	459,199	405,083	319,052
Community Development	431,636	488,664	545,985	531,542	537,327	545,722
Building	268,961	227,843	257,683	252,584	257,330	263,393
Recreation	802,074	843,189	949,999	947,599	964,196	987,931
Museum	54,749	59,397	71,188	65,116	68,894	69,964
Art & Cultural	42,775	53,576	58,230	62,755	62,606	62,075
<b>Subtotal</b>	<b>\$12,088,910</b>	<b>\$12,651,028</b>	<b>\$13,755,953</b>	<b>\$13,552,310</b>	<b>\$13,675,824</b>	<b>\$13,979,404</b>
Transfers & Other	\$2,399,440	\$3,083,811	\$1,658,730	\$1,685,614	\$3,290,550	\$1,936,241
<b>Expenditure Total</b>	<b>\$14,488,349</b>	<b>\$15,734,839</b>	<b>\$15,414,683</b>	<b>\$15,237,924</b>	<b>\$16,966,374</b>	<b>\$15,915,645</b>



# General Fund Expenditures

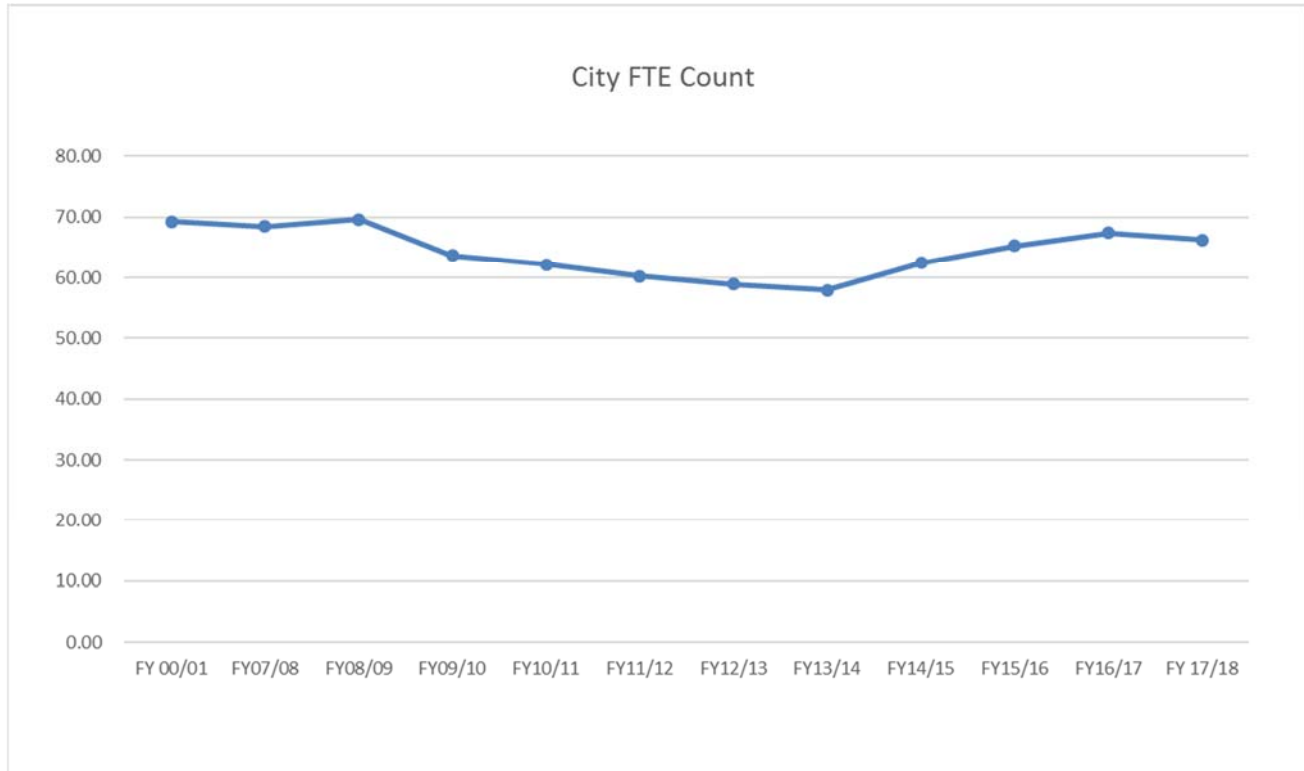
## SALARIES & BENEFITS

All positions listed in the General Fund are fully funded with full benefit costing. Fully benefited positions are budgeted at their current step plus an assumption that they will move to the next step unless they are already at the top step of their classification. Per employment agreements, a 3.1 percent COLA has been applied to all classifications. Specialty pays are budgeted as a separate line item. Hourly employees have been budgeted at mid-range.

No new positions are budgeted for in FY 2017/18.

The table below summarizes the total FTE count by department, and the following page provides a detail summary of the staffing budget changes.

General Fund	FY 00/01	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17	FY 17/18
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted	Adopted
<b>Elected</b>												
City Council	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Elected - Total FT</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>
<b>Fully Benefited by Dept</b>												
City Attorney	1	-	-	-	-	-	-	-	-	-	-	-
Finance	5.25	5.25	5.38	4.38	4.38	3.95	3.38	4.33	3.91	4.50	4.50	4.50
City Manager	5.50	6.75	6.75	6.75	6.75	7.00	7.00	7.00	6.90	6.00	7.00	6.00
Museum	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.50	0.50	0.50
Police	31.30	32.75	32.75	30.25	30.25	29.59	28.59	27.59	30.65	31.50	31.65	31.50
CDD	6.67	5.67	6.67	6.17	4.67	4.12	3.79	3.12	4.50	5.00	5.00	5.00
Public Works	14.33	14.33	14.33	12.33	12.33	11.83	12.33	12.33	13.00	14.00	15.00	15.00
Recreation	4.50	3.00	3.00	3.00	3.00	3.00	3.00	2.75	2.75	3.75	3.75	3.75
<b>Dept - Total FTEs</b>	<b>69.30</b>	<b>68.50</b>	<b>69.63</b>	<b>63.63</b>	<b>62.13</b>	<b>60.24</b>	<b>58.84</b>	<b>57.87</b>	<b>62.46</b>	<b>65.25</b>	<b>67.40</b>	<b>66.25</b>
<b>Change from prior year</b>		2.50	1.13	(6.00)	(1.50)	(1.89)	(1.40)	(0.97)	4.59	2.79	2.15	(1.15)



## General Fund Expenditures

### SALARIES & BENEFITS

City services are primarily staff delivered, therefore staffing is the most significant expenditure. The FY 2017/18 budget staffing costs total \$8,580,424. This represents a 2.6% decrease from the FY 2016/17 Adopted Budget. This is primarily due to a reduction in pension obligation bond (POB) contributions. The POB final payment occurs in FY 2017/18 and the City will utilize fund balance for the final payment, thus reducing required general fund contributions. The salary projection includes a negotiated cost of living adjustment (COLA) of 3.1% for all bargaining units, which is based on the San Francisco-Oakland-San Jose consumer price index.

<b>Staffing by Category</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
Salary	\$4,694,549	\$4,923,026	\$5,241,594	\$5,148,824	\$5,297,400	\$5,359,971
Salary Temp	299,387	263,030	322,812	339,040	335,855	353,795
Overtime	212,690	235,411	251,850	202,065	205,750	204,500
Specialty Pay	237,856	267,676	279,461	273,606	276,886	286,528
Benefits	2,300,781	2,528,686	2,712,062	2,735,372	2,464,533	2,552,614
<b>Total</b>	<b>\$7,745,263</b>	<b>\$8,217,828</b>	<b>\$8,807,779</b>	<b>\$8,698,907</b>	<b>\$8,580,424</b>	<b>\$8,757,408</b>

<b>Staffing by Department</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
City Council	\$34,631	\$37,036	\$36,591	\$36,671	\$34,671	\$34,894
City Manager	618,299	604,185	691,197	632,880	621,475	642,593
Personnel	158,732	190,396	198,649	247,950	262,098	275,244
Finance	466,425	530,007	558,624	557,513	567,386	582,665
Law Enforcement	3,969,032	4,176,467	4,414,461	4,326,803	4,226,705	4,348,799
Pkg. Enforcement	217,405	228,818	242,717	242,102	241,092	248,203
Streets	799,705	831,054	878,589	1,018,349	1,025,647	1,055,819
Storm Water	-	-	63,831	63,443	60,874	62,692
Fleet	121,487	116,923	130,696	125,710	124,693	128,440
Parks	312,669	337,209	345,728	195,119	139,565	53,534
Community	360,594	420,605	432,962	433,519	438,250	451,064
Building	172,617	190,113	204,350	204,701	209,207	215,477
Recreation	467,878	501,798	556,173	562,523	577,004	604,488
Museum	35,329	39,741	38,756	37,169	35,992	37,062
Art & Cultural	10,461	13,475	14,455	14,455	15,765	16,434
<b>Total</b>	<b>\$7,745,263</b>	<b>\$8,217,828</b>	<b>\$8,807,779</b>	<b>\$8,698,907</b>	<b>\$8,580,424</b>	<b>\$8,757,408</b>

## General Fund Expenditures

### Salaries & Benefits - Salary Assumptions

There are five bargaining groups in the City. Management employees are hired by the City Manager pursuant to a City Council approved compensation plan. Hourly employees are not included in any of these groups and are not represented by a union. The following table lists the different groups and the start and end dates of their current agreements.

<u>Group</u>	<u>Current Agreement</u>	<u>Expiration Date</u>
Assoc. of Capitola Employees/Gen. Govt.	7/1/2012, amended 5/14/2015	6/30/2018
Confidential	7/1/2012, amended 5/14/2015	6/30/2018
Mid-Management	7/1/2012, amended 5/14/2015	6/30/2018
Police Captains	7/1/2013, amended 5/14/2015	6/30/2018
Police Officers Association (POA)	7/1/2013, amended 5/14/2015	6/30/2018

### Overtime

The following table provides the detail for the overtime budget. The overtime budget for the Police Department remains stable this year after an increase in recent years due to multiple vacancies.

<u>Overtime</u>	<u>FY 14/15</u> <u>Actual</u>	<u>FY 15/16</u> <u>Actual</u>	<u>FY 16/17</u> <u>Adopted</u>	<u>FY 16/17</u> <u>Estimated</u>	<u>FY 17/18</u> <u>Adopted</u>	<u>FY 18/19</u> <u>Planned</u>
City Manager	\$1,742	\$1,713	\$1,250	\$1,250	\$1,250	\$0
Finance	2,435	0	2,500	500	1,000	1,000
Police*	188,787	209,840	218,500	175,715	179,000	179,000
Public Works	16,446	17,350	25,100	20,100	20,000	20,000
Recreation	3,281	6,506	4,500	4,500	4,500	4,500
<b>Total</b>	<b>\$212,691</b>	<b>\$235,411</b>	<b>\$251,850</b>	<b>\$202,065</b>	<b>\$205,750</b>	<b>\$204,500</b>

#### \*Funding Sources for Police Overtime

General Fund	\$145,345	\$170,944	\$169,000	\$168,000	\$176,000	\$176,000
Grant Funded	43,442	38,896	49,500	7,715	3,000	3,000
<b>Total</b>	<b>\$188,787</b>	<b>\$209,840</b>	<b>\$218,500</b>	<b>\$175,715</b>	<b>\$179,000</b>	<b>\$179,000</b>

### Specialty Pay

The FY 2017/18 budget includes the following specialty pays in the calculation of staffing costs, which are also included in overtime calculations: education, longevity, bilingual, motorcycle, detective pay, senior officer, canine, and shift differential pay.

<u>Specialty Pay</u>	<u>FY 14/15</u> <u>Actual</u>	<u>FY 15/16</u> <u>Actual</u>	<u>FY 16/17</u> <u>Adopted</u>	<u>FY 16/17</u> <u>Estimated</u>	<u>FY 17/18</u> <u>Adopted</u>	<u>FY 18/19</u> <u>Planned</u>
City Manager	\$2,000	\$0	\$0	\$928	\$3,305	\$2,848
Finance	2,046	2,048	2,090	2,090	2,695	2,250
Police	181,612	215,389	232,608	229,174	229,519	236,133
Public Works	44,182	41,871	34,263	30,914	27,309	31,930
Community Dev.	2,458	2,613	2,849	2,849	4,164	3,177
Recreation	5,558	5,755	7,651	7,651	9,894	10,190
<b>Total</b>	<b>\$237,856</b>	<b>\$267,676</b>	<b>\$279,461</b>	<b>\$273,606</b>	<b>\$276,886</b>	<b>\$286,528</b>

## General Fund Expenditures

### Salaries & Benefits – Retirement Assumptions

## **Benefits – Post Retirement Medical Benefit**

The City of Capitola contributes the minimum amount toward retired employees' health insurance premiums in accordance with Government Code Section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA). This expenditure is accounted for in the City Manager's personnel department budget. Below is a table showing the PEMHCA minimum going back to 2012.



## **Benefits – Public Employee Retirement System (PERS)**

The City offers various defined benefit retirement plans to safety and miscellaneous employees. These retirement plans are administered by the California Public Employee Retirement System ("CalPERS" or "PERS"). The safety plan benefit formula is 3% @ 50 and the miscellaneous plan is 2.5% @ 55 for "classic" PERS members. For employees hired after January 1, 2013, who are subject to the Public Employees' Pension Reform Act (PEPRA), the safety benefit formula is 2.7% @ 57 and the miscellaneous plan is 2% @ 62. A CalPERS member becomes eligible for retirement benefits upon reaching the age of 50 with at least 5 years of service credit (total service across all CalPERS employers). The City's retirement costs are defined as a percentage of payroll, along with a fixed dollar amount to address the City's Unfunded Actuarial Liability, which is actuarially determined annually by CalPERS.

PERS Rates. The FY 2016/17 PERS contribution rate for classic safety members is 31.1%, with employees paying 13.9% and the city paying 17.2%. Safety PEPRA employees pay 11.5%, with the city picking up 12.1%. For classic miscellaneous members, the contribution rate is 19.5%, with employees paying 12.3% and the City 7.2%. Miscellaneous PEPRA employees pay 6.25% and the city pays 6.6%.

The FY 2017/18 PERS total rate for classic safety members is 31.3%, with employees paying 15% and the city 16.3%. Safety PEPRA members are responsible for 11.5% and the city pays 12%. For classic miscellaneous members, the total contribution rate is 19.6%, with employees paying 13.4% and the city 6.2%. Miscellaneous PEPRA employees pay 6.25% and the city pays 6.5%.

Pension Obligation Bonds (POB). In July 2007, the City Council authorized the issuance of pension obligation bonds (POB) for approximately \$5 million to refinance the unfunded liability with CalPERS. Additionally, on that date, Council authorized that \$1 million of City available funds be used to pay down the PERS unfunded liability by June 30, 2007. The final payment on the POB occurs in FY 2017/18. Additional bond information can be found in the Multi-Year Assets and Obligations section of the budget.

Public Employees' Pension Reform Act (PEPRA). On September 12, 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA became effective on January 1, 2013, and requires all employees who are not previously members of the PERS reciprocal system to be placed in an alternate retirement plan. The City's PEPRA plan for Safety employees is 2.7% at 57 and 2% at 62 for Miscellaneous employees. This new plan requires that the City and plan members contribute an equivalent share of retirement costs. The rates for public safety and miscellaneous employees are 11.5% and 6.25%, respectively.

## **Retirement Costs Summary**

	<b>FY 13/14</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>
<b>Retirement Costs</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Adopted</b>
Ret. cost - PERS Safety	\$ 587,490	\$ 587,648	\$ 372,738	\$ 382,586	\$ 348,903
Ret. cost - PERS Safety UAL	-	-	318,780	380,820	469,908
Ret. cost - PERS Miscellaneous	447,640	433,084	201,739	232,252	207,893
Ret. cost - PERS Misc UAL	-	-	351,027	416,075	501,393
Ret. cost - Retirement PARS	3,750	3,439	3,928	3,995	3,787
Ret. cost - POB	677,699	670,316	670,922	668,945	668,882
Ret. health OPEB - Retiree health	27,757	28,085	31,940	33,190	29,700
OPEB Trust Fund	42,143	43,915	53,600	52,425	60,000
<b>Total Retirement Costs</b>	<b>\$1,786,479</b>	<b>\$1,766,488</b>	<b>\$2,004,674</b>	<b>\$2,170,288</b>	<b>\$2,290,466</b>
Total Employee Paid Costs	\$ 549,979	\$ 559,282	\$ 586,497	\$ 655,805	\$ 723,172
Total City Paid Costs	\$1,786,479	\$1,766,488	\$2,004,674	\$2,170,288	\$2,290,466
Total Costs Employee and City	\$2,336,458	\$2,325,770	\$2,591,171	\$2,826,093	\$3,013,638
Unfunded Actuarial Liability-Safety	5,933,935	8,042,676	7,144,975	6,682,269	8,473,025
Unfunded Actuarial Liability-Misc	6,348,043	8,036,379	7,118,107	6,730,266	8,208,756
Unfunded OPEB Liability	1,011,800	657,500	618,900	834,061	834,061
Funding Ratio PERS Safety	78.9%	73.7%	77.5%	80.7%	76.50%
Funding Ratio PERS Misc	75.3%	71.0%	75.2%	78.3%	74.70%



## General Fund Expenditures - Contract Services (5 pages)

Account Description	2016/17 Estimated Amount	2017/18 Adopted Budget	2018/19 Forecast Budget
<b>City Council</b>			
Gen/Admin Winter shelter	\$ 28,379	\$ 29,000	\$ 29,000
Gen/Admin SCC-Homeless action ptrnrship	2,800	2,800	2,800
Gen/Admin United Way	1,000	1,000	1,000
Gen/Admin Chamber of Commerce funding	30,000	30,000	30,000
Gen/Admin - Community TV	7,000	7,500	7,500
Gen/Admin Contracts - general	13,000	13,000	8,000
<b>Total</b>	<b>\$ 82,179</b>	<b>\$ 83,300</b>	<b>\$ 78,300</b>
<b>City Manager</b>			
Environmental Svcs SCC-Hazardous waste disp fee	\$ 21,250	\$ 23,000	\$ 23,000
Environmental Svcs JPA-Pollution control	3,560	4,000	4,000
Environmental Svcs Garage sale day	1,300	1,500	1,500
Environmental Svcs Central coast recycling media	5,000	5,000	5,000
Environmental Svcs Recycling services	7,200	7,200	7,200
Environmental Svcs Recycling prog-NB Middle School	1,000	1,000	1,000
Gen/Admin Muni code codification services	2,500	4,000	4,000
Gen/Admin Document imaging	2,500	5,000	5,000
Gen/Admin Document storage	3,500	3,500	3,500
Gen/Admin Council Election	13,882	1,000	10,000
Gen/Admin Contracts - general	3,500	7,000	7,000
Environmental Svcs Mosquito and vector control	107	150	150
Gen/Admin Newsletter	8,000	8,000	8,000
Other contract services Unanticipated events	-	10,000	10,000
<b>Total</b>	<b>\$ 73,299</b>	<b>\$ 80,350</b>	<b>\$ 89,350</b>
<b>Personnel</b>			
Personnel Svcs Background investigations	\$ 5,000	\$ 5,000	\$ 5,000
Personnel Svcs Medical examinations	5,000	5,000	5,000
Other contract services Flex-Health-Dental-Vision Admin	3,500	4,000	4,000
Gen/Admin Contracts - general	-	4,000	4,000
Legal svcs Labor and personnel related	8,500	5,000	5,000
Personnel Svcs Recruitment services	25,000	5,000	5,000
Personnel Svcs Education reimbursement	7,500	7,500	7,500
Other contract services Advertising	4,500	5,000	5,000
<b>Total</b>	<b>\$ 59,000</b>	<b>\$ 40,500</b>	<b>\$ 40,500</b>
<b>City Attorney</b>			
Gen/Admin Contracts - general	\$ 20,000	\$ 20,000	\$ 20,000
Legal svcs Legal services - general	135,000	135,000	135,000
Legal svcs Special services	75,000	75,000	75,000
<b>Total</b>	<b>\$ 230,000</b>	<b>\$ 230,000</b>	<b>\$ 230,000</b>

<b>Account Description</b>	<b>2016/17 Estimated Amount</b>	<b>2017/18 Adopted Budget</b>	<b>2018/19 Forecast Budget</b>
<b>Finance</b>			
Fin Svcs Audit-Annual financial audits	\$ 33,120	\$ 48,750	\$ 55,000
Fin Svcs Audit-OPEB valuation	-	6,600	2,200
Fin Svcs Bank fees (excl cr card fees)	7,500	7,500	7,500
Fin Svcs SCC-Property tax admin fee	12,600	12,600	12,600
Fin Svcs Audit-Sales tax (1%)	21,000	10,000	10,000
Fin Svcs Audit-Sales tax(city 1/4%)	2,500	2,500	2,500
Fin Svcs Sales tax report (STARS)	5,000	5,000	5,000
Fin Svcs State mandated claims svcs	1,775	1,800	1,800
Fin Svcs Credit card merchant fees	500	750	750
Fin Svcs State Admin fee - Bradley-Burns	56,400	58,000	58,000
Fin Svcs State Admin fee - Measure D	26,700	30,000	30,000
Fin Svcs State Architect fee - SB1186	300	300	300
Fin Svcs State Admin fee - Measure O	28,700	30,000	30,000
Gen/Admin Contracts - general	5,000	7,500	7,500
Legal svcs Legal services - general	-	500	500
Fin Svcs Collections services	-	600	600
Fin Svcs Financial consultant	3,000	3,500	3,500
<b>Total</b>	<b>\$ 204,095</b>	<b>\$ 225,900</b>	<b>\$ 227,750</b>

<b>Law Enforcement</b>			
Police Svcs SCC-Booking fees	\$ -	\$ 25,000	\$ 25,000
Police Svcs SCC-Blood alcohol trust fund	2,000	2,000	2,000
Police Svcs SCC-Anti-Crime Team	18,000	18,000	18,000
Police Svcs SCC-Sexual assault response prog	12,400	12,400	12,400
Personnel Svcs Background investigations	500	500	500
Other contract services Uniform cleaning services	7,000	9,000	9,200
Police Svcs Red light enforcement	72,000	72,000	72,000
Police Svcs SCC-Info svcs for SCAN chgs	6,300	6,300	6,300
Fin Svcs Collections-booking fees	700	700	700
Fin Svcs Collections-DUI cost recovery	700	700	700
Prop & equip Comm - local & long distance	4,800	5,500	5,500
Prop & equip Comm - T-1 line	12,000	12,000	12,000
Prop & equip Comm - mobile phone	25,000	30,000	30,000
Police Svcs Hazardous material response - SV	5,700	5,700	5,700
Police Svcs Towing service	1,400	1,400	1,400
Police Svcs SCCECC JPA-SCRMS	28,670	26,700	27,400
Police Svcs SCCECC-911 JPA	452,500	471,100	482,900
Prop & equip Property alarm service	1,000	1,000	1,000
Prop & equip Property repairs & maintenance	2,000	2,000	2,000
Prop & equip Equipment repairs & maintenance	17,500	15,000	15,400
Rental contracts Equipment and vehicles	3,600	3,600	3,700
Other contract services Outside security service	6,000	9,500	9,700
Police Svcs Investigation and hearing svcs	500	500	500
<b>Total</b>	<b>\$ 680,270</b>	<b>\$ 730,600</b>	<b>\$ 744,000</b>

<b>Account Description</b>	<b>2016/17 Estimated Amount</b>	<b>2017/18 Adopted Budget</b>	<b>2018/19 Forecast Budget</b>
Police Svcs State of CA-DMV processing fee	\$ 6,000	\$ 6,000	\$ 6,000
Police Svcs State of CA-Equip Assess	200	200	200
Police Svcs State of CA-Reg assess	58,000	58,000	58,000
Police Svcs State of CA-Immed & Critical nd	20,000	20,000	20,000
Police Svcs State of CA-St Court Facilities	9,500	9,700	9,700
Police Svcs State of CA-Trial Court Trust Fd	17,500	20,000	20,000
Police Svcs SCC-Citation processing	30,000	31,600	31,600
Police Svcs SCC-Criminal Justice Fac surchg	9,700	9,700	9,700
Police Svcs SCC-Courthouse surcharge	9,700	9,700	9,700
Fin Svcs Courier-Cash & Coin	3,000	3,000	3,000
Fin Svcs Credit card merchant fees	55,000	55,000	55,000
Prop & equip Property repairs & maintenance	500	500	500
Prop & equip Equipment repairs & maintenance	500	500	500
Prop & equip Wheelchair purchase and repairs	7,500	15,000	10,000
Prop & equip Pkg Meter Repairs	2,500	2,500	2,500
Prop & equip Pay Station Repair & Maintenance	40,000	40,000	40,000
<b>Total</b>	<b>\$ 269,600</b>	<b>\$ 281,400</b>	<b>\$ 276,400</b>

Police Svcs Lifeguard Services	\$ 74,700	\$ 74,700	\$ 74,700
<b>Total</b>	<b>\$ 74,700</b>	<b>\$ 74,700</b>	<b>\$ 74,700</b>

Police Svcs Animal services	\$ 25,000	\$ 37,000	\$ 50,000
<b>Total</b>	<b>\$ 25,000</b>	<b>\$ 37,000</b>	<b>\$ 50,000</b>

PW & Trans. Transportation-Beach shuttle svc	\$ 26,000	\$ 29,000	\$ 29,000
PW & Trans. Soquel Crk monitoring-fish	37,000	40,000	40,000
PW & Trans. Inspections	30,000	33,000	33,000
PW & Trans. Electrical services	7,500	7,500	7,500
Prop & equip Comm - mobile phone	8,500	10,000	11,000
Gen/Admin Contracts - general	10,000	10,000	10,000
PW & Trans. Lagoon grading	14,000	15,000	15,000
PW & Trans. PW Engineering services	32,000	35,000	35,000
Prop & equip Eucalyptus maintenance -Park Ave	4,000	4,000	4,000
Prop & equip Riparian Restoration	12,000	13,000	14,000
Rental contracts Union Pacific RR yearly	600	1,000	1,000
PW & Trans. Path Maintenance	7,500	7,500	7,500
Temp. Staff & Instr. Temporary staff	56,000	60,000	60,000
Temp. Staff & Instr. Hope Services	13,000	13,000	14,000
Prop & equip Esplanade sidewalk cleaning	16,000	16,500	17,000
Other contract services Unanticipated events	10,000	10,000	10,000
PW & Trans. Soquel Crk monitoring-water qual	30,000	32,000	32,000
PW & Trans. CA NPDES-storm water mgmt prog	55,000	60,000	60,000
PW & Trans. Regional Water Mgmt Foundation	5,000	5,000	5,000
<b>Total</b>	<b>\$ 374,100</b>	<b>\$ 401,500</b>	<b>\$ 405,000</b>

<b>Account Description</b>	<b>2016/17 Estimated Amount</b>	<b>2017/18 Adopted Budget</b>	<b>2018/19 Forecast Budget</b>
PW & Trans. ADA compliance	\$ 25,000	\$ 50,000	\$ 50,000
Prop & equip Comm - local & long distance	1,500	1,500	1,500
Prop & equip Comm - T-1 line	6,000	6,500	6,500
Prop & equip Utility serv - gas & electric	55,000	55,000	55,000
Prop & equip Utility serv - sanitation distr	6,500	7,000	7,200
Prop & equip Utility serv - water	9,000	10,000	10,000
Prop & equip Janitorial services	26,000	26,000	26,000
Prop & equip Property alarm service	2,000	4,000	4,000
Prop & equip Property repairs & maintenance	45,000	45,000	45,000
Prop & equip Equipment repairs & maintenance	10,000	10,000	10,000
Rental contracts Equipment and vehicles	1,500	2,000	2,000
<b>Total</b>	<b>\$ 187,500</b>	<b>\$ 217,000</b>	<b>\$ 217,200</b>

Prop & equip Equipment repairs & maintenance	\$ 10,000	\$ 10,000	\$ 10,000
<b>Total</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>

Prop & equip Utility serv - gas & electric	\$ 6,800	\$ 7,000	\$ 7,000
Prop & equip Utility serv - sanitation distr	11,000	12,000	12,000
Prop & equip Utility serv - water	100,000	100,000	100,000
Prop & equip Janitorial services	23,000	23,000	23,000
Prop & equip Property repairs & maintenance	8,500	8,500	8,500
Prop & equip Equipment repairs & maintenance	8,000	8,000	8,000
PW & Trans. Tree services	25,000	25,000	25,000
<b>Total</b>	<b>\$ 182,300</b>	<b>\$ 183,500</b>	<b>\$ 183,500</b>

Other contract services Legal notices	\$ 3,000	\$ 3,000	\$ 3,000
Gen/Admin Contracts - general	10,000	10,000	10,000
Legal svcs Legal services - general	3,000	3,000	3,000
Plng & Hsg Hsg grant admin consultant	22,000	20,000	20,000
Info Tech Contracts Geographic information systems	6,600	6,600	6,600
<b>Total</b>	<b>\$ 44,600</b>	<b>\$ 42,600</b>	<b>\$ 42,600</b>

Bldg Svcs Engineering & Inspections	\$ 2,000	\$ 2,000	\$ 2,000
Bldg Svcs Bldg plan checks - outsourced	15,000	15,000	15,000
Info Tech Contracts Building permit tracking system	1,500	-	-
Bldg Svcs Building consultant services	3,000	3,000	3,000
<b>Total</b>	<b>\$ 21,500</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

<b>Account Description</b>	<b>2016/17 Estimated Amount</b>	<b>2017/18 Adopted Budget</b>	<b>2018/19 Forecast Budget</b>
Fin Svcs Credit card merchant fees	\$ 16,000	\$ 16,000	\$ 16,000
Prop & equip Comm - local & long distance	3,000	3,000	3,000
Prop & equip Comm - T-1 line	5,500	6,500	6,500
Rental contracts Office equipment	300	500	500
Other contract services Mailing service	10,000	10,000	10,000
Other contract services Copying, printing and binding	30,000	30,000	30,000
Temp. Staff & Instr. Rec contract inst and sports off	135,000	138,000	138,000
Personnel Svcs Background investigations	300	300	300
PW & Trans. Transportation-Rec program	15,000	15,000	15,000
Gen/Admin Contracts - general	3,000	3,000	3,000
Other contract services Advertising	600	250	250
Other contract services Photography	5,100	5,100	5,100
Temp. Staff & Instr. Rec contract inst and sports off	5,000	5,000	5,000
Other contract services Advertising	200	200	200
Temp. Staff & Instr. Recreation youth volunteers	6,000	6,000	6,000
Rental contracts Equipment and vehicles	700	700	700
Other contract services Events liability insurance	1,000	1,000	1,000
Gen/Admin Contracts - general	2,250	2,500	2,500
Prop & equip Property repairs & maintenance	1,000	1,000	1,000
<b>Total</b>	<b>\$ 239,950</b>	<b>\$ 244,050</b>	<b>\$ 244,050</b>
Prop & equip Comm - local & long distance	\$ 205	\$ 250	\$ 250
Rental contracts Land and buildings	4,610	5,000	5,000
Other contract services Museum oral history	-	8,000	8,000
<b>Total</b>	<b>\$ 4,815</b>	<b>\$ 13,250</b>	<b>\$ 13,250</b>
Other, Events & Tourism Sunday Art & Music coordinator	\$ 3,300	\$ 3,500	\$ 3,500
Other, Events & Tourism Twilight concert-Sound Engineer	7,500	9,750	9,750
Other, Events & Tourism Twilight concert - Bands	15,600	15,600	14,400
Other, Events & Tourism Art in public places	8,500	3,500	3,500
Other, Events & Tourism Sunday Art & Music Bands	2,000	2,500	2,500
<b>Total</b>	<b>\$ 36,900</b>	<b>\$ 34,850</b>	<b>\$ 33,650</b>
<b>Grand Total</b>	<b>\$2,799,808</b>	<b>\$2,950,500</b>	<b>\$2,980,250</b>

## Community Based Health and Human Service Providers

Community Based Health and Human Service Providers is funded by the General Fund. Each year a determination is made for funds available and allocation. The FY 2017/18 distributions were determined as part of the FY 2016/17 budget and the providers have a two-year contract.

<b>AGENCY</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
<b>To be assigned</b>	\$ -	\$ -	\$ -	\$ -	<b>\$275,000</b>
<b>Art</b>					
Cultural Council of Santa Cruz County	\$ 950	\$ 977	\$ 997	\$ 997	
Total	<b>\$ 950</b>	<b>\$ 977</b>	<b>\$ 997</b>	<b>\$ 997</b>	
<b>Environment</b>					
Save Our Shores	\$ 2,044	\$ 2,102	\$ -	\$ -	
O'Neill Sea Odyssey	2,806	2,885	2,943	2,943	
Total	<b>\$ 4,850</b>	<b>\$ 4,987</b>	<b>\$ 2,943</b>	<b>\$ 2,943</b>	
<b>Community groups</b>					
Community Action Board, Inc.	\$ 1,314	\$ 1,351	\$ 1,378	\$ 1,378	
Conflict Resolution Program	3,066	3,152	3,215	3,215	
Native Animal Rescue	1,143	1,176	1,200	1,200	
Volunteer Center of Santa Cruz County	3,066	3,152	3,215	3,215	
Total	<b>\$ 8,589</b>	<b>\$ 8,831</b>	<b>\$ 9,008</b>	<b>\$ 9,008</b>	
<b>Human services</b>					
Big Brothers/Big sisters	\$ 2,752	\$ 2,829	\$ 2,886	\$ 2,886	
Cabrillo College Stroke and Disability Center	6,836	7,027	7,168	7,168	
California Grey Bears, Inc.	14,176	14,573	14,864	14,864	
Campus Kids Connection - After School	16,858	17,331	15,638	15,638	
Central Coast Center for Independent Living	9,628	9,897	10,095	10,095	
Homeless Svcs. Center	2,556	2,627	2,680	2,680	
Court-Appointed Special Advocates	3,022	3,107	3,169	3,169	
Vista Center for the Blind	1,810	1,861	1,898	1,898	
Families in Transition - Santa Cruz Co.	2,404	2,472	2,521	2,521	
Community Bridges	108,074	111,101	113,324	113,324	
Advocacy, Inc.	7,322	7,529	7,680	7,680	
Parents Center, Inc.	7,172	7,373	6,500	6,500	
Santa Cruz AIDS Project	7,236	7,439	7,588	7,588	
Santa Cruz Community Counseling Center	6,966	7,162	7,305	7,305	
Toddler Care Center	1,190	1,224	1,248	1,248	
Second Harvest Food Bank	9,970	10,250	10,455	10,455	
Senior Citizens Legal Services	9,886	10,163	8,836	8,836	
Senior Network Services	2,444	2,513	2,563	2,563	
Srs Council - SCC/San Benito Co.	3,278	3,370	3,437	3,437	
Survivors' Healing Center	234	482	492	492	
Women Care	1,121	2,306	2,352	2,352	
Women's Crisis Support	3,620	3,723	3,797	3,797	
United Way	7,120	8,296	7,446	7,446	
Dientes Community Dental Care	1,336	1,337	1,403	1,403	
Hospice Caring Project	1,534	1,576	1,608	1,608	
Family Service Agency of Santa Cruz	9,858	8,742	8,917	8,917	
Diversity Center	1,022	1,051	1,072	1,072	
Companions for life/Lifeline	5,000	5,140	5,110	5,110	
Bike to work	1,000	-	-	-	
Total	<b>\$255,425</b>	<b>\$262,501</b>	<b>\$262,052</b>	<b>\$ 262,052</b>	<b>-</b>
Total Community Grants	<b>\$269,814</b>	<b>\$277,296</b>	<b>\$275,000</b>	<b>\$ 275,000</b>	<b>\$275,000</b>



## GENERAL FUND EXPENDITURES

### SUPPLIES

The following table provides a history of the supply budgets by department. Additional information is available in the General Fund Department section.

<b>Supplies</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
City Council	\$1,930	\$1,688	\$3,000	\$1,750	\$3,000	\$3,000
City Manager	11,677	9,286	17,150	13,900	17,150	17,150
Finance	3,327	2,575	3,500	3,500	3,500	3,500
Police Department	103,816	109,728	92,000	87,350	91,000	93,200
Public Works	333,391	355,612	351,600	324,000	338,000	343,000
Community Development	1,871	5,122	6,400	5,900	6,400	6,400
Recreation	58,211	60,641	64,850	61,400	70,350	67,350
Museum	11,561	11,042	22,500	18,000	14,000	14,000
Arts & Culture	6,064	6,780	7,500	7,525	7,900	7,900
<b>Total</b>	<b>\$531,848</b>	<b>\$562,475</b>	<b>\$568,500</b>	<b>\$523,325</b>	<b>\$551,300</b>	<b>\$555,500</b>

### TRAINING AND MEMBERSHIPS

The following table provides a history of the training and memberships budgets by department. Refer to the General Fund Department section for additional information.

<b>Training &amp; Memberships</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
City Council	\$15,582	\$17,151	\$19,720	\$23,310	\$27,000	\$22,000
City Manager	14,985	19,280	12,850	12,250	12,750	12,750
Finance	4,104	2,309	11,500	5,050	11,500	11,500
Police	25,609	47,406	45,000	34,750	45,500	45,500
Public Works	3,638	1,580	3,900	2,500	2,000	2,000
Community Development	4,232	9,386	16,000	11,050	11,500	11,500
Recreation	2,454	4,197	3,860	7,360	8,300	8,300
<b>Total</b>	<b>\$70,604</b>	<b>\$101,309</b>	<b>\$112,830</b>	<b>\$96,270</b>	<b>\$118,550</b>	<b>\$113,550</b>

## **INTERNAL SERVICES**

Internal Service Funds finance special activities and services performed by one City department for another on a cost and reimbursement basis. These funds share costs, designate targeted reserves levels, and allocate costs to all departments benefiting from the activities and services. The methodology for cost allocation for each Internal Service Fund is described in the Internal Service Fund section.

The FY 2017/18 adopted budget includes increased transfers to the Equipment Fund & Information Technology Fund and a decreased transfer to the Workers' Compensation fund. The Equipment Fund transfer includes funding for a new beach tractor/loader, police radio tower relocation, and other public work's needs. The Information Technology charge increases due to utilizing fund balance in prior years and workers' compensation decreases due to an improved financial position of the JPA.

<b>Internal Services</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
Stores	\$ 39,100	\$ 35,000	\$ 35,000	\$ 35,000	\$ 37,250	\$ 28,607
Information Technology	130,000	130,000	203,000	203,000	278,800	278,800
Equipment Replacement	68,147	60,000	78,000	78,000	125,000	230,000
Self-Insurance Liability	249,300	344,500	428,000	428,000	428,000	400,700
Workers' Compensation	364,100	385,000	415,000	415,000	321,000	320,730
<b>Total</b>	<b>\$ 850,647</b>	<b>\$954,500</b>	<b>\$ 1,159,000</b>	<b>\$ 1,159,000</b>	<b>\$ 1,190,050</b>	<b>\$ 1,258,837</b>

## **GENERAL FUND TRANSFERS**

General Fund Transfers move funds from the General Fund to a specific fund for a designated purpose. The CIP is detailed in a separate section and the Pension Obligation Bond is detailed in the Multi-Year Assets and Obligations section. Below is a summary of the transfers from the General Fund to other funds/reserves.

<b>General Fund Transfers</b>	<b>FY 14/15 Actual</b>	<b>FY 15/16 Actual</b>	<b>FY 16/17 Adopted</b>	<b>FY 16/17 Estimated</b>	<b>FY 17/18 Adopted</b>	<b>FY 18/19 Planned</b>
Contingency Reserves	\$ 182,600	\$ 89,400	\$ 10,000	\$ 10,000	\$ 133,000	\$ 133,000
Emergency Reserves	465,100	213,000	15,000	15,000	67,000	67,000
Facilities Fund	167,000	150,000	110,000	110,000	110,000	110,000
PERS Contingency Reserve	-	300,000	-	-	500,000	-
CIP Capital Projects	989,900	1,492,435	752,047	752,047	467,200	1,100,000
Information Technology	-	43,660	-	-	-	-
Equipment Replacement	-	50,000	50,000	50,000	150,000	50,000
Compensated Absences	110,000	179,000	200,000	200,000	200,000	200,000
RTC Streets	-	-	-	-	200,000	-
Gas Tax	-	-	-	40,124	-	-
Wharf Fund	-	-	-	-	47,800	-
Parking Reserve	100,000	118,900	100,000	100,000	100,000	100,000
Library Fund	-	-	-	-	999,129	47,363
Pension Obligation Bond	240,000	240,000	240,000	240,000	187,351	-
OPEB Trust Fund	43,915	53,600	52,425	-	-	-
Pacific Cove Lease	15,065	64,416	40,066	40,066	40,066	40,066
Pacific Cove Park	85,860	89,400	89,192	128,377	89,004	88,812
<b>Total</b>	<b>\$2,399,440</b>	<b>\$3,083,811</b>	<b>\$ 1,658,730</b>	<b>\$ 1,685,614</b>	<b>\$3,290,550</b>	<b>\$ 1,936,241</b>

# DEPARTMENTAL BUDGETS



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### **DEPARTMENT PURPOSE**

The City Council is composed of five generally elected Council Members, serving four-year staggered terms. Council members select a Mayor and Vice Mayor annually. In 2002, the voters approved a consecutive term limit of two terms for council members. The City's Municipal elections are held the first Tuesday of November in even-numbered years. The Council meets regularly on the second and fourth Thursday of each month. The City Council establishes local law, sets policy, approves programs, allocates funds, and provides direction to the City Manager and staff to implement its policy. Council also appoints members to local and regional committees, commissions, and boards. Capitola is a General Law City, organized under the general laws of the state. Local laws are established by ordinance, compiled in the Municipal Code, and enforceable by the City. Other directives and policies of the City Council are implemented through Council Resolutions and recorded in Council Minutes.

The current year budget includes \$2,000 per Councilmember for training and educational opportunities.

### **ESTABLISHED PRINCIPLES OF THE CITY**

- **Fiscal Policy** – practice sound financial management
- **Public Service** – uphold the public trust
- **Public Improvement** – maintain a safe and healthy environment

### **FISCAL YEAR ACCOMPLISHMENTS – 2016/17**

- Maintained a balanced budget
- Passed Measure F extending the quarter-cent sales tax through 2027
- Provided services, staff, and equipment to ensure public safety and trust
- Approved projects and programs to maintain and enhance quality of life in Capitola
- Joined the Monterey Bay Community Power

### **FISCAL YEAR GOALS - 2017/18 and 2018/19**

- Maintain a balanced budget and ensure fiscal stability
- Approve new Memoranda of Understanding with all bargaining units
- Fund construction of the Capitola Branch Library
- Provide services, staff, and equipment to ensure public safety and trust
- Develop projects and programs to maintain and enhance the quality of life in Capitola

**CITY COUNCIL**

<b>1000-10-10-000</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenues</b>						
General Fund	\$ 122,590	\$ 133,116	\$ 153,554	\$ 156,474	\$ 162,596	\$ 152,819
<b>Revenue Total</b>	<b>\$ 122,590</b>	<b>\$ 133,116</b>	<b>\$ 153,554</b>	<b>\$ 156,474</b>	<b>\$ 162,596</b>	<b>\$ 152,819</b>
<b>Expenditures</b>						
Personnel	\$ 34,631	\$ 37,036	\$ 36,591	\$ 36,671	\$ 34,671	\$ 34,894
Contract services	62,747	68,506	81,679	82,179	83,300	78,300
Training & Memberships	15,582	17,151	19,720	23,310	27,000	22,000
Supplies	1,930	1,688	3,000	1,750	3,000	3,000
Internal service fund charges	7,700	8,735	12,564	12,564	14,625	14,625
<b>Expenditure Totals</b>	<b>\$ 122,590</b>	<b>\$ 133,116</b>	<b>\$ 153,554</b>	<b>\$ 156,474</b>	<b>\$ 162,596</b>	<b>\$ 152,819</b>
<b>Authorized Positions</b>						
	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
Mayor	1.00	1.00	1.00	1.00	1.00	1.00
Vice Mayor	1.00	1.00	1.00	1.00	1.00	1.00
Council Members	3.00	3.00	3.00	3.00	3.00	3.00
<b>FTE Total</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>

# CITY ATTORNEY

## GENERAL GOVERNMENT

### DEPARTMENT PURPOSE

The City Attorney is a contract position that represents the City as primary Counsel in all legal matters. The City Attorney provides legal analysis and advice on interpretation and application of municipal code, State law, and Federal law, drafting legal documents, and labor-related issues. The City Attorney position is contracted the firm of Atchison, Barisone, Condotti & Kovacevich.

### KEY CHANGES

There are no significant changes for FY17/18.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Advised City on matters associated with pending legal actions
- Advised City on legal matters related to City policies and procedures
- Represented the City in litigation

### FISCAL YEAR GOALS - 2017/18 and 2018/19

#### FISCAL POLICY

- Advise Council on potential and pending litigation
- Assist and advise staff on contracts, labor relations, and other legal assessments
- Resolve existing litigation

### CITY ATTORNEY

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-10-16-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenue</b>						
General Fund	\$197,020	\$254,571	\$215,000	\$ 230,000	\$230,000	\$230,000
<b>Revenue Totals</b>	<b>\$197,020</b>	<b>\$254,571</b>	<b>\$215,000</b>	<b>\$ 230,000</b>	<b>\$230,000</b>	<b>\$230,000</b>
<b>Expenditures</b>						
General Legal Services	\$ 15,870	\$ 42,853	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
City Attorney Contract	133,734	124,159	135,000	135,000	135,000	135,000
City Attorney Special Services	47,416	87,559	60,000	75,000	75,000	75,000
<b>Expenditure Totals</b>	<b>\$197,020</b>	<b>\$254,571</b>	<b>\$215,000</b>	<b>\$ 230,000</b>	<b>\$230,000</b>	<b>\$230,000</b>



# **CITY MANAGER SUMMARY**

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## **GENERAL GOVERNMENT**

### **MISSION STATEMENT**

The City Manager Department is responsible for overall administration of City objectives. The City Manager is the leading position within the City organization and is appointed by Council. The City Manager serves the Council and the community by effectively managing scarce resources and providing excellent customer service.

### **DEPARTMENT PURPOSE**

The City of Capitola is a Council-Manager form of government, under which City Council appoints a City Manager who serves as the City's chief administrative officer and is responsible for implementing Council policies. The City Manager provides administrative direction and leadership to all City departments, and directly oversees Personnel and City Clerk departments, and the City Attorney and Assistant to the City Manager.

### **KEY CHANGES**

There are no significant changes for FY17/18.

### **FISCAL YEAR 2016/17 ACCOMPLISHMENTS**

- Submitted a balanced budget
- Implemented an electronic filing system for Conflict of Interest Form 700 filers
- Continued process to scan and make available public records in electronic format
- Oversaw general election of two council members, treasurer, and sales tax extension measure
- Increased public outreach with monthly City Hall updates published on website and in local newspaper
- Opened the Family Cycling Center and Crossfit Pump Track at McGregor Park.
- Advised and informed the City Council on policy and action matters
- Worked with City franchisee to increase participation in waste diversion programs
- Worked with businesses to reduce use of non-reusable bags and plastics
- Worked with businesses to educate and find environmentally friendly food packaging
- Assisted departments in recruiting and retaining employees
- Successfully recruited several new employees, including the police chief.
- Worked to improve risk management and reduce potential liability
- Worked with Art and Cultural Commission on events and new public art projects
- Worked with Capitola Museum to improve access and communication

### **FISCAL YEAR GOALS - 2017/18 and 2018/19**

#### **FISCAL POLICY**

- Maintain a balanced budget and ensure fiscal stability
- Work with Capitola Mall to improve the mall facility
- Work with library system and local Friends chapter to identify funding for the Capitola Branch Library
- Negotiate new Memoranda of Understanding with all employee bargaining units
- Continue to work to improve Community Grant Program
- Continue to work with bargaining units to improve City health care program
- Continue to work to create a safer work environment and reduce employee injuries
- Maintain City reserves at Fiscal Policy levels
- Review and prioritize City services
- Support economic development
- Seek opportunities to partner with other agencies for greater outcome or savings

**PUBLIC SERVICE**

- Encourage and improve citizen participation and communication
- Ensure programs in place to respond to public and private development projects
- Continue to improve public meeting access
- Improve communication capabilities with public
- Continue efforts to increase transparency, including through the website, public records, and outreach

**PUBLIC IMPROVEMENT**

- Continue recycling efforts and increase participation in waste diversion
- Open Rispin Park to the public
- Continue increased street and facility maintenance through use of Measure O resources
- Update City Zoning Code through civic engagement
- Work with the Art and Cultural commission to find suitable public art projects
- Work to develop projects to protect and enhance valuable City resources

**CITY MANAGER SUMMARY**

<b>City Manager Summary</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenue</b>						
General Fund	\$ 979,453	\$ 1,016,459	\$ 1,147,226	\$ 1,140,559	\$ 1,153,386	\$ 1,195,771
Licenses and permits	3,265	3,418	4,000	4,000	4,000	4,000
<b>Revenue Totals</b>	<b>\$ 982,718</b>	<b>\$ 1,019,877</b>	<b>\$ 1,151,226</b>	<b>\$ 1,144,559</b>	<b>\$ 1,157,386</b>	<b>\$ 1,199,771</b>
<b>Expenditures</b>						
Personnel	\$ 777,031	\$ 794,581	\$ 889,846	\$ 880,830	\$ 883,573	\$ 917,837
Contract services	101,224	110,409	126,100	132,299	120,850	129,850
Training & Memberships	14,986	19,280	12,850	12,250	12,750	12,750
Supplies	11,677	9,287	17,150	13,900	17,150	17,150
Internal service fund charges	77,800	86,320	105,280	105,280	123,063	122,184
<b>Expenditure Totals</b>	<b>\$ 982,718</b>	<b>\$ 1,019,877</b>	<b>\$ 1,151,226</b>	<b>\$ 1,144,559</b>	<b>\$ 1,157,386</b>	<b>\$ 1,199,771</b>

<b>Authorized Positions</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
City Manager	1.00	1.00	1.00	1.00	1.00	1.00
City Clerk	0.90	1.00	1.00	1.00	1.00	1.00
Admin. Svcs. Dir.	1.00	-	-	-	-	-
Assistant to the City Manager	-	1.00	1.00	1.00	1.00	1.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	1.00
Information System Specialist	1.00	-	1.00	-	-	-
Records Coordinator	1.00	1.00	1.00	1.00	1.00	1.00
Receptionist/Dev. Svcs. Tech.	1.00	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>6.90</b>	<b>6.00</b>	<b>7.00</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>

# CITY MANAGER ADMINISTRATION

## GENERAL GOVERNMENT

### MISSION STATEMENT

The mission of the City Manager's Office is to ensure that all City programs and services are provided effectively and efficiently. Core services of the City Manager's Office are administrative direction and leadership for City departments, programs, and services to ensure the community receives a high level of service.

### DEPARTMENT PURPOSE

The purpose of this division is to implement the policies of the City Council and provide leadership and direction to the city departments. In addition, the City Manager's administrative arm oversees the Council agenda process, oversees public records, provides staff support to the Art and Culture Commission and Library Advisory Commission, manages sustainability programs, manages the Community Grant process, and oversees Personnel, City Attorney, Information Systems, and the Historical Museum. The department maintains solid waste and recycling programs, management of franchise agreements, and human resources programs including liability and risk management, employee training, safety programs, and benefits administration.

### CITY MANAGER ADMINISTRATION

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-10-11-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenues</b>						
General Fund	\$ 770,444	\$ 768,629	\$ 888,250	\$ 811,532	\$ 826,426	\$ 855,873
Licenses and permits	3,265	3,418	4,000	4,000	4,000	4,000
<b>Revenue Totals</b>	<b>\$ 773,709</b>	<b>\$ 772,047</b>	<b>\$ 892,250</b>	<b>\$ 815,532</b>	<b>\$ 830,426</b>	<b>\$ 859,873</b>
<b>Expenditures</b>						
Personnel	\$ 618,299	\$ 604,185	\$ 691,197	\$ 632,880	\$ 621,475	\$ 642,593
Contract services	68,378	69,828	91,100	73,299	80,350	89,350
Training & Memberships	14,781	19,095	11,850	12,250	12,750	12,750
Supplies	2,051	1,962	5,150	4,150	5,150	5,150
Internal service fund charges	70,200	76,977	92,953	92,953	110,701	110,030
<b>Expenditure Totals</b>	<b>\$ 773,709</b>	<b>\$ 772,047</b>	<b>\$ 892,250</b>	<b>\$ 815,532</b>	<b>\$ 830,426</b>	<b>\$ 859,873</b>
<b>Authorized Positions</b>						
	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
City Manager	0.65	0.80	0.65	0.80	0.80	0.80
City Clerk	0.90	1.00	1.00	1.00	1.00	1.00
Admin. Svcs. Dir.	0.75	-	-	-	-	-
Assistant to the City Manager	-	0.50	0.80	0.50	0.50	0.50
Executive Assistant	0.50	0.50	0.50	0.50	0.50	0.50
Information System Specialist	1.00	-	1.00	-	-	-
Records Coordinator	1.00	1.00	1.00	1.00	1.00	1.00
Receptionist/Dev. Svcs. Tech.	1.00	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>5.80</b>	<b>4.80</b>	<b>5.95</b>	<b>4.80</b>	<b>4.80</b>	<b>4.80</b>

## CITY MANAGER PERSONNEL

GENERAL GOVERNMENT

### MISSION STATEMENT

To provide excellent internal and external customer service and assist departments in recruiting and retaining exceptional employees.

### DEPARTMENT PURPOSE

Personnel functions are the responsibility of the City Manager. Functions include employee recruitment and selection, benefits coordination, insurance and retirement programs, labor negotiations, compensation plan maintenance, regulatory training, and risk management.

The personnel budget includes payments to the OPEB Trust Fund to reduce the City's unfunded liability. The OPEB contributions for FY 2017/18 is \$60,000.

### CITY MANAGER PERSONNEL

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-10-12-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenues</b>						
General Fund	\$209,009	\$247,830	\$258,976	\$329,027	\$326,960	\$339,898
<b>Revenue Totals</b>	<b>\$209,009</b>	<b>\$247,830</b>	<b>\$258,976</b>	<b>\$329,027</b>	<b>\$326,960</b>	<b>\$339,898</b>
<b>Expenditures</b>						
Personnel	\$158,732	\$190,396	\$198,649	\$247,950	\$262,098	\$275,244
Contract services	32,846	40,581	35,000	59,000	40,500	40,500
Training & Memberships	205	185	1,000	-	-	-
Supplies	9,626	7,325	12,000	9,750	12,000	12,000
Internal service fund charges	7,600	9,343	12,327	12,327	12,362	12,154
<b>Expenditure Totals</b>	<b>\$209,009</b>	<b>\$247,830</b>	<b>\$258,976</b>	<b>\$329,027</b>	<b>\$326,960</b>	<b>\$339,898</b>
<b>Authorized Positions</b>						
	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
City Manager	0.35	0.20	0.35	0.20	0.20	0.20
Admin. Svcs. Dir.	0.25	-	-	-	-	-
Assistant to the City Manager	-	0.50	0.20	0.50	0.50	0.50
Executive Assistant	0.50	0.50	0.50	0.50	0.50	0.50
<b>FTE Total</b>	<b>1.10</b>	<b>1.20</b>	<b>1.05</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>

### MISSION STATEMENT

The Finance Department's mission is to provide transparent, accurate and timely financial information to the public and City Management. The Finance Department also provides additional financial data and analysis to key decision makers. The department provides a high level of customer service.

### DEPARTMENT PURPOSE

The Finance Department oversees all financial transactions of the City to ensure legal and accounting policies are followed. The Department maintains all City funds and oversees the budget development, accounts payable, payroll, accounts receivable, cash receipts, banking, business licenses, and transient occupancy tax. The Department provides quarterly and annual financial reports to City Council and the public.

### KEY CHANGES

Implementing a web-based financial transparency portal in FY16/17.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Established a PERS Trust Fund to plan for rising retirement costs
- Developed a proposed financing plan for the Library
- Adopted a new Purchasing Policy to improve financial control
- Assisted in developing a Capital Improvement Plan ad-hoc committee
- Provided analytical support to operations departments
- Implemented credit card acceptance at Police Station and City Hall
- Received the GFOA Certificate of Achievement for Excellence in Financial Reporting and CSMFO Operating Budget Awards
- Provided support for the Successor Agency wind-down

### FISCAL YEAR GOALS – 2017/18 and 2018/19

#### FISCAL POLICY

- Prepare and maintain a balanced budget
- Finalize library financing plan
- Plan for and meet future PERS increases
- Meet regulatory financial reporting requirements and provide reports on the City website
- Develop long term financial plan for Measure F
- Hire a new Finance Director
- Continue partnerships with departments to maintain financial accountability and transparency
- Continue to improve City financial transparency to the public

**FINANCE**

<b>1000-10-17-000</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenue</b>						
General Fund	\$ 411,283	\$ 456,260	\$ 520,956	\$ 523,390	\$ 566,568	\$ 585,252
Taxes	284,474	298,020	299,300	297,700	300,800	300,800
Intergovernmental	6,309	6,093	5,600	5,600	5,600	5,600
Use of money & property	10,107	10,025	10,200	8,050	8,200	8,200
Other revenue	-	249	500	550	750	750
<b>Revenue Totals</b>	<b>\$ 712,173</b>	<b>\$ 770,647</b>	<b>\$ 836,556</b>	<b>\$ 835,290</b>	<b>\$ 881,918</b>	<b>\$ 900,602</b>

**Expenditures**

Personnel	\$ 466,425	\$ 530,007	\$ 558,624	\$ 557,513	\$ 567,386	\$ 582,665
Contract services	193,617	184,823	197,800	204,095	225,900	227,750
Training & Memberships	4,104	2,309	11,500	5,050	11,500	11,500
Supplies	3,327	2,575	3,500	3,500	3,500	3,500
Internal service fund charges	44,700	50,933	65,132	65,132	73,632	75,187
<b>Expenditure Totals</b>	<b>\$ 712,173</b>	<b>\$ 770,647</b>	<b>\$ 836,556</b>	<b>\$ 835,290</b>	<b>\$ 881,918</b>	<b>\$ 900,602</b>

	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Authorized Positions</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
Finance Director	0.83	1.00	1.00	1.00	1.00	1.00
Senior Accountant	0.58	1.00	1.00	1.00	1.00	1.00
Accountant II	1.00	1.00	1.00	1.00	1.00	1.00
Accts Receivable Clerk	0.75	0.75	0.75	0.75	0.75	0.75
Account Technician	0.75	0.75	0.75	0.75	0.75	0.75
<b>FTE Total</b>	<b>3.91</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>

**Elected Official**

City Treasurer	1.00	1.00	1.00	1.00	1.00	1.00
City Treasurer Annual Pay	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

# **POLICE SUMMARY**

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POLICE

## **MISSION STATEMENT**

Your Capitola Police Department prides itself in providing the highest level of safety and service to enhance the quality of life of our community through professional, engaged and empowered employees.

## **VISION STATEMENT**

The Capitola Police Department will be the premier Law Enforcement Agency in Santa Cruz County, providing the highest level of service exceeding the expectations of residents and visitors. All employees will be professional, committed, and motivated, taking great pride in their department and community.

## **KEY CHANGES**

A new police chief was hired to replace the retiring chief.

## **FISCAL YEAR ACCOMPLISHMENTS – 2016/17**

- Created new entertainment permit renewal review process
- Purchased a marked car, an unmarked car, a canine car, and two CSO trucks
- Completed command staff team building workshop
- Hired a new police officer
- Completed training for four new police officers
- Joined the county's Animal Services Agency
- Completed Capitola Police Department Annual Report
- The only law enforcement agency in the county participating in the annual National Prescription Drug Take-Back Day
- Organized and completed a car seat inspection event

## **FISCAL YEAR GOALS - 2017/18 and 2018/19**

- Complete the Emergency Operations Plan
- Recruit to increase the number of Volunteers in Policing
- Research and begin moving toward replacing Records Management System
- Assess the Neighborhood Watch Program
- Increase participation in "Capitola On Watch" program
- Seek viable grant opportunities
- Complete CAD system upgrade
- Replace the Police Training Program with the Field Training Program
- Fill vacant police officer position



**POLICE SUMMARY**

<b>Police Department Summary</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenue</b>						
General Fund	\$ 4,860,395	\$ 5,290,069	\$ 5,743,616	\$ 5,621,717	\$ 5,565,821	\$ 5,729,311
Licenses and permits	42,930	43,215	38,200	38,680	41,200	41,200
Intergovernmental revenues	151,369	96,477	66,500	69,931	86,000	61,000
Charges for services	49,672	45,233	44,800	30,670	32,300	30,100
Fines and forfeitures	754,833	649,268	675,700	660,700	660,700	660,700
Other revenues	350	1,025	1,200	-	-	-
<b>Revenue Totals</b>	<b>\$ 5,859,549</b>	<b>\$ 6,125,287</b>	<b>\$ 6,570,016</b>	<b>\$ 6,421,698</b>	<b>\$ 6,386,021</b>	<b>\$ 6,522,311</b>

**Expenditures**

Personnel	\$4,186,437	\$4,405,285	\$4,657,178	\$4,568,905	\$4,467,797	\$4,597,002
Contract services	1,033,827	989,044	1,094,715	1,049,570	1,123,700	1,145,100
Training & Memberships	25,609	47,406	45,000	34,750	45,500	45,500
Supplies	103,816	109,729	92,000	87,350	91,000	93,200
Capital outlay	(900)	-	-	-	-	-
Internal service fund charges	510,760	573,823	681,123	681,123	658,024	641,509
<b>Expenditure Totals</b>	<b>\$ 5,859,549</b>	<b>\$ 6,125,287</b>	<b>\$ 6,570,016</b>	<b>\$ 6,421,698</b>	<b>\$ 6,386,021</b>	<b>\$ 6,522,311</b>

<b>Authorized Positions</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00
Police Captain	1.00	1.00	1.00	1.00	1.00	1.00
Police Sergeant	4.00	4.00	4.00	4.00	4.00	4.00
Police Officer	15.00	16.00	16.00	16.00	16.00	16.00
Community Service Officer	3.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement Officer	2.00	3.00	3.00	3.00	3.00	3.00
Records Manager	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Records Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Records Technician	1.75	1.75	1.75	1.75	1.75	1.75
Administrative Assistant	0.90	0.75	0.90	0.75	0.75	0.75
<b>FTE Total</b>	<b>30.65</b>	<b>31.50</b>	<b>31.65</b>	<b>31.50</b>	<b>31.50</b>	<b>31.50</b>

# LAW ENFORCEMENT

POLICE

## LAW ENFORCEMENT

<b>1000-20-20-000</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenue</b>						
General Fund	\$ 4,744,307	\$ 5,130,216	\$ 5,523,647	\$ 5,397,763	\$ 5,318,095	\$ 5,466,649
Licenses and permits	42,930	43,215	38,200	38,680	41,200	41,200
Intergovernmental revenues	151,369	96,477	66,500	69,931	86,000	61,000
Charges for services	49,672	45,233	44,300	30,670	32,300	30,100
Fines and forfeitures	253,218	209,043	241,000	226,000	226,000	226,000
Other revenues	350	1,025	1,200	-	-	-
<b>Revenue Totals</b>	<b>\$ 5,241,846</b>	<b>\$ 5,525,209</b>	<b>\$ 5,914,847</b>	<b>\$ 5,763,044</b>	<b>\$ 5,703,595</b>	<b>\$ 5,824,949</b>
<b>Expenditure Totals</b>						
Personnel	\$ 3,969,032	\$ 4,176,467	\$ 4,414,461	\$ 4,326,803	\$ 4,226,705	\$ 4,348,799
Contract services	666,305	657,516	729,515	680,270	730,600	744,000
Training & Memberships	25,609	47,406	45,000	34,750	45,500	45,500
Supplies	92,040	95,593	77,000	72,350	75,000	76,900
Capital outlay	(900)	-	-	-	-	-
Internal service fund charges	489,760	548,227	648,871	648,871	625,790	609,750
<b>Expenditure Totals</b>	<b>\$ 5,241,846</b>	<b>\$ 5,525,209</b>	<b>\$ 5,914,847</b>	<b>\$ 5,763,044</b>	<b>\$ 5,703,595</b>	<b>\$ 5,824,949</b>

<b>Authorized Positions</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00
Police Captain	1.00	1.00	1.00	1.00	1.00	1.00
Police Sergeant	4.00	4.00	4.00	4.00	4.00	4.00
Police Officer	15.00	16.00	16.00	16.00	16.00	16.00
Community Service Officer	3.00	2.00	2.00	2.00	2.00	2.00
Records Manager	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Records Analyst	1.00	1.00	1.00	1.00	1.00	1.00
Records Technician	1.75	1.75	1.75	1.75	1.75	1.75
Administrative Assistant	0.90	0.75	0.90	0.75	0.75	0.75
<b>FTE Total</b>	<b>28.65</b>	<b>28.50</b>	<b>28.65</b>	<b>28.50</b>	<b>28.50</b>	<b>28.50</b>

# PARKING ENFORCEMENT

POLICE

## MISSION STATEMENT

To provide highly visible and responsive parking enforcement and public assistance to visitors, merchants, and residents of Capitola, who are the most heavily impacted by parking problems and traffic congestion.

## DEPARTMENT PURPOSE

The Parking Enforcement Unit enforces California Vehicle Code regulations and Municipal Parking Ordinances to minimize parking problems, reduce traffic congestion, and maximize access to parking by visitors and residents alike.

### PARKING ENFORCEMENT

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-20-21-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenue</b>						
General Fund	\$ 19,678	\$ 82,944	\$ 114,824	\$ 118,309	\$ 129,157	\$ 131,093
Fines and forfeitures	501,615	440,225	434,700	434,700	434,700	434,700
<b>Revenue Totals</b>	<b>\$ 521,293</b>	<b>\$ 523,169</b>	<b>\$ 549,524</b>	<b>\$ 553,009</b>	<b>\$ 563,857</b>	<b>\$ 565,793</b>
<b>Expenditures</b>						
Personnel	\$ 217,405	\$ 228,818	\$ 242,717	\$ 242,102	\$ 241,092	\$ 248,203
Contract services	275,772	259,036	265,500	269,600	281,400	276,400
Supplies	10,016	13,459	13,500	13,500	14,000	14,300
Internal service fund charges	18,100	21,856	27,807	27,807	27,365	26,890
<b>Expenditure Totals</b>	<b>\$ 521,293</b>	<b>\$ 523,169</b>	<b>\$ 549,524</b>	<b>\$ 553,009</b>	<b>\$ 563,857</b>	<b>\$ 565,793</b>
<b>Authorized Positions</b>						
	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Parking Enforcement Officer	2.00	3.00	3.00	3.00	3.00	3.00
<b>FTE Total</b>	<b>2.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>

# LIFEGUARDS

POLICE

## MISSION STATEMENT

To serve and protect the visitors of Capitola Beach from the natural and manmade hazards inherent in the ocean environment, with the ultimate focus being the prevention of drowning and other serious injuries, while providing a highly visible and responsive lifeguard staff.

## DEPARTMENT PURPOSE

The Lifeguard Program protects swimmers, surfers, and waders in the Capitola Beach area during the summer months and the surrounding weekends. Lifeguards respond to water rescues, major and minor first aid calls, basic law enforcement issues on the beach, and various animal calls, in addition to educating the public on a variety of marine environmental issues. Lifeguard services have been contracted to the City of Santa Cruz Fire Department since May 2012.

## KEY CHANGES

Implement a shared responsibility approach for beach safety with Santa Cruz Fire and City of Capitola Lifeguards.

## FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Obtained approval for the re-establishment of the Capitola Beach Lifeguard Chapter
- Hired a Beach Lifeguard Captain
- Implement shared responsibility for Capitola beach safety

## FISCAL YEAR GOALS - 2017/18 and 2018/19

- Continue to work with other departments and agencies to improve beach safety

## LIFEGUARDS

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-20-22-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenues</b>						
General Fund	\$ 72,501	\$ 52,321	\$ 79,338	\$ 79,338	\$ 80,262	\$ 80,262
<b>Revenue Totals</b>	<b>\$ 72,501</b>	<b>\$ 52,321</b>	<b>\$ 79,338</b>	<b>\$ 79,338</b>	<b>\$ 80,262</b>	<b>\$ 80,262</b>
<b>Expenditures</b>						
Contract services	\$ 68,500	\$ 49,272	\$ 74,700	\$ 74,700	\$ 74,700	\$ 74,700
Supplies	1,601	-	1,000	1,000	1,500	1,500
Internal service fund charges	2,400	3,049	3,638	3,638	4,062	4,062
<b>Expenditure Totals</b>	<b>\$ 72,501</b>	<b>\$ 52,321</b>	<b>\$ 79,338</b>	<b>\$ 79,338</b>	<b>\$ 80,262</b>	<b>\$ 80,262</b>

# ANIMAL SERVICES

POLICE

## MISSION STATEMENT

To balance the health, public safety, and welfare needs of people and animals in the City of Capitola by responsibly and humanely enforcing animal-related laws; providing nourishment and a safe environment for unwanted, stray, abused, and impounded animals; educating the public about responsible companion animal ownership; investigating cases where animal care is questionable; and assisting in finding new homes for homeless animals.

## DEPARTMENT PURPOSE

The Animal Services Unit (ASU) promotes and protects public safety and animal care through sheltering, pet placement programs, education, and animal law enforcement. Our purpose is to provide responsive, efficient, and quality animal control services that preserve and protect the public and promote animal safety.

### ANIMAL SERVICES

<b>1000-20-23-000</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenue</b>						
General Fund	\$ 23,909	\$ 24,588	\$ 25,807	\$ 26,307	\$ 38,307	\$ 51,307
Charges for services	-	-	500	-	-	-
<b>Revenue Totals</b>	<b>\$ 23,909</b>	<b>\$ 24,588</b>	<b>\$ 26,307</b>	<b>\$ 26,307</b>	<b>\$ 38,307</b>	<b>\$ 51,307</b>
<b>Expenditures</b>						
Contract services	\$ 23,250	\$ 23,220	\$ 25,000	\$ 25,000	\$ 37,000	\$ 50,000
Supplies	159	677	500	500	500	500
Internal service fund charges	500	691	807	807	807	807
<b>Expenditure Totals</b>	<b>\$ 23,909</b>	<b>\$ 24,588</b>	<b>\$ 26,307</b>	<b>\$ 26,307</b>	<b>\$ 38,307</b>	<b>\$ 51,307</b>

# **PUBLIC WORKS**

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## **MISSION STATEMENT**

The Public Works Department's mission is to provide a broad base of essential services and infrastructure to the Community's residents and businesses.

## **DEPARTMENT PURPOSE**

The Public Works Department is composed of four divisions: Streets, Parks, Facilities and Fleet Maintenance. Each division has its own budget as detailed in the following pages.

## **KEY CHANGES**

During fiscal 2016/17, The Public Works crew continued its change over in personnel with the retirement of three long time employees with an average service time of 27 years. In the office, a Civil Engineering/Project Manager position was added this year to help with the large number of funded capital improvement projects. The passage of Measure F will provide much needed funding for strengthening Capitola Wharf, #1 Jetty, and the flume.

## **FISCAL YEAR ACCOMPLISHMENTS – 2016/17**

- Design efforts on the new Capitola Branch Library has begun with construction scheduled for the 2018/19 fiscal year.
- Paving completed on multiple streets throughout the city
- Continued to participate in local and regional storm water pollution prevention activities
- Excellent crew response to multiple winter storms
- Obtained confined space certification for pipeline inspections

## **FISCAL YEAR GOALS - 2017/18 and 2018/19**

### **PUBLIC IMPROVEMENT**

- Build a new library
- Partner with other City Departments on ADA compliance for City facilities and programs
- Initiate the design of wharf improvements
- Reconstruct the jetty
- Complete repairs to the flume

**PUBLIC WORKS SUMMARY**

<b>Public Works Summary</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenue</b>						
General Fund	\$ 2,252,463	\$ 2,333,926	\$ 2,642,466	\$ 2,560,543	\$ 2,654,480	\$ 2,731,726
Licenses and permits	16,440	23,254	15,000	31,000	20,000	20,000
Intergovernmental revenues	45,500	-	-	-	-	-
Charges for services	8,236	10,447	8,500	12,750	7,570	7,590
Other revenues	22,210	30,217	5,550	25,400	10,500	10,500
<b>Revenue Totals</b>	<b>\$ 2,344,849</b>	<b>\$ 2,397,844</b>	<b>\$ 2,671,516</b>	<b>\$ 2,629,693</b>	<b>\$ 2,692,550</b>	<b>\$ 2,769,816</b>
<b>Expenditures</b>						
Personnel	\$ 1,233,861	\$ 1,285,187	\$ 1,418,844	\$ 1,402,621	\$ 1,350,779	\$ 1,300,485
Contract services	661,073	632,422	750,500	753,900	812,000	815,700
Training & Memberships	3,638	1,579	3,900	2,500	2,000	2,000
Supplies	333,390	355,613	351,600	324,000	338,000	343,000
Capital outlay	-	-	-	-	10,000	10,000
Internal service fund charges	112,887	122,633	146,672	146,672	179,771	298,631
<b>Expenditure Totals</b>	<b>\$ 2,344,849</b>	<b>\$ 2,397,434</b>	<b>\$ 2,671,516</b>	<b>\$ 2,629,693</b>	<b>\$ 2,692,550</b>	<b>\$ 2,769,816</b>
<b>Authorized Positions</b>						
	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
Public Works Director	1.00	1.00	1.00	1.00	1.00	1.00
Engineer / Project Manager	-	-	-	-	1.00	1.00
Maint. Superintendent	1.00	1.00	1.00	1.00	1.00	1.00
Field Supervisor	-	1.00	1.00	1.00	1.00	1.00
Maintenance Worker I & II	8.00	9.00	9.00	8.00	9.00	9.00
Maintenance Worker III	1.00	-	1.00	-	1.00	1.00
Mechanic	1.00	1.00	1.00	1.00	1.00	1.00
Environmental Projects Manager	-	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>12.00</b>	<b>14.00</b>	<b>15.00</b>	<b>13.00</b>	<b>16.00</b>	<b>16.00</b>

# STREETS

## PUBLIC WORKS

### MISSION STATEMENT

The Public Works Street Department combines administration, engineering and maintenance activities into a cohesive unit to develop and maintain a responsive and coordinated team. The Department goals are to serve the public while developing employee growth and development. New and old technologies are used to best achieve outstanding results.

### DEPARTMENT PURPOSE

The Street Department provides for maintenance and improvement of the City's streets. It also provides maintenance of Soquel Creek, Capitola Lagoon, City owned buildings and the municipal wharf. Project design and construction, pavement program management, and transportation and related grant oversight is also performed by this department. Public Works staffs the Capitola Traffic and Parking Commission and the Commission on the Environment.

### STREETS & STORMWATER

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
1000-30-30-000/301	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Revenues</b>						
General Fund	\$ 1,153,580	\$ 1,245,612	\$ 1,445,810	\$ 1,545,932	\$ 1,650,965	\$ 1,810,295
Licenses and permits	16,440	23,254	15,000	31,000	20,000	20,000
Intergovernmental revenues	45,500	-	-	-	-	-
Charges for services	8,236	10,447	8,500	12,750	7,570	7,590
Other revenues	6,050	25,345	5,000	23,900	9,000	9,000
<b>Revenue Totals</b>	<b>\$ 1,229,806</b>	<b>\$ 1,304,658</b>	<b>\$ 1,474,310</b>	<b>\$ 1,613,582</b>	<b>\$ 1,687,535</b>	<b>\$ 1,846,885</b>
<b>Expenditures</b>						
Personnel	\$ 799,705	\$ 831,055	\$ 942,420	\$ 1,081,792	\$ 1,086,521	\$ 1,118,511
Contract services	306,448	341,195	376,200	374,100	401,500	405,000
Training & Memberships	-	261	-	-	-	-
Supplies	55,084	57,922	59,000	61,000	59,000	64,000
Capital Outlay	-	-	-	-	10,000	10,000
Internal service fund charges	68,569	74,225	96,690	96,690	130,514	249,374
<b>Expenditure Totals</b>	<b>\$ 1,229,806</b>	<b>\$ 1,304,658</b>	<b>\$ 1,474,310</b>	<b>\$ 1,613,582</b>	<b>\$ 1,687,535</b>	<b>\$ 1,846,885</b>
<b>Authorized Positions</b>						
	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Public Works Director	1.00	1.00	1.00	1.00	1.00	1.00
Engineer / Project Manager	-	-	-	-	1.00	1.00
Maint. Superintendent	1.00	1.00	1.00	1.00	1.00	1.00
Field Supervisor	-	1.00	1.00	1.00	1.00	1.00
Maintenance Worker I & II	4.00	5.00	4.00	6.00	6.00	6.00
Maintenance Worker III	1.00	-	1.00	-	-	-
Environmental Projects Manager	1.00	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>8.00</b>	<b>9.00</b>	<b>9.00</b>	<b>10.00</b>	<b>11.00</b>	<b>11.00</b>



## FACILITIES

PUBLIC WORKS

### MISSION STATEMENT

The Public Works Facilities Department strives to improve and maintain City owned buildings and other facilities in such a way as to maximize the benefit to both the public and City staff.

### DEPARTMENT PURPOSE

Maintenance and operation of all City owned buildings, including City Hall, Jade Street Community Center, Corporation Yard, and the Municipal Wharf.

### FACILITIES

<b>1000-30-31-xxx</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenues</b>						
General Fund	\$270,067	\$195,382	\$263,661	\$ 266,061	\$302,985	\$303,185
Other revenues	-	410	-	-	-	-
<b>Revenue Totals</b>	<b>\$270,067</b>	<b>\$195,792</b>	<b>\$263,661</b>	<b>\$ 266,061</b>	<b>\$302,985</b>	<b>\$303,185</b>
<b>Expenditures</b>						
Contract services Totals	\$205,890	\$114,794	\$187,500	\$ 187,500	\$217,000	\$217,200
Supplies	58,377	72,840	66,600	69,000	76,000	76,000
Internal service fund charges	5,800	7,748	9,561	9,561	9,985	9,985
<b>Expenditure Totals</b>	<b>\$270,067</b>	<b>\$195,382</b>	<b>\$263,661</b>	<b>\$ 266,061</b>	<b>\$302,985</b>	<b>\$303,185</b>

# FLEET

PUBLIC WORKS

## MISSION STATEMENT

The Public Works Fleet Department maintains all mobile equipment for the City in the safest operating condition possible while striving to minimize repair times and costs.

## DEPARTMENT PURPOSE

This Department services all City vehicles, equipment, purchases fuel, and maintains a parts inventory.

## FLEET

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
<b>1000-30-32-000</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenues</b>						
General Fund	\$304,170	\$300,148	\$330,287	\$289,351	\$295,447	\$299,194
Other revenues	16,160	4,462	550	1,500	1,500	1,500
<b>Revenue Totals</b>	<b>\$320,330</b>	<b>\$304,610</b>	<b>\$330,837</b>	<b>\$290,851</b>	<b>\$296,947</b>	<b>\$300,694</b>
<b>Expenditures</b>						
Personnel	\$121,487	\$116,923	\$130,696	\$125,710	\$124,693	\$128,440
Contract services	6,056	785	10,000	10,000	10,000	10,000
Supplies	184,578	176,213	177,000	142,000	149,500	149,500
Internal service fund charges	8,209	10,689	13,141	13,141	12,754	12,754
<b>Expenditure Totals</b>	<b>\$320,330</b>	<b>\$304,610</b>	<b>\$330,837</b>	<b>\$290,851</b>	<b>\$296,947</b>	<b>\$300,694</b>
<b>Authorized Positions</b>						
Mechanic/Sr. Mechanic	1.00	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
Temporary Mechanic Hours	960	400	500	350	350	350

# PARKS

## PUBLIC WORKS

### MISSION STATEMENT

The Public Works Parks Department is committed to developing and maintaining City parks and other landscaped areas in such a manner as to allow all members of our community to enjoy these jewels. Using professional staff and technologies to maintain top rated playing surfaces, beautiful landscaping and safe facilities are top priorities for this department.

### DEPARTMENT PURPOSE

To maintain City parks and landscaped areas in a safe manner while conserving water and other resources.

### PARKS

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
<b>1000-30-33-xxx</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenues</b>						
General Fund	\$524,646	\$592,784	\$602,708	\$ 459,199	\$405,083	\$319,052
<b>Revenue Totals</b>	<b>\$524,646</b>	<b>\$592,784</b>	<b>\$602,708</b>	<b>\$ 459,199</b>	<b>\$405,083</b>	<b>\$319,052</b>
<b>Expenditures</b>						
Personnel	\$312,669	\$337,209	\$345,728	\$ 195,119	\$139,565	\$ 53,534
Contract services	142,679	175,648	176,800	182,300	183,500	183,500
Training & Memberships	3,638	1,318	3,900	2,500	2,000	2,000
Supplies	35,351	48,638	49,000	52,000	53,500	53,500
Internal service fund charges	30,309	29,971	27,280	27,280	26,518	26,518
<b>Expenditure Totals</b>	<b>\$524,646</b>	<b>\$592,784</b>	<b>\$602,708</b>	<b>\$ 459,199</b>	<b>\$405,083</b>	<b>\$319,052</b>
<b>Authorized Positions</b>						
Maintenance Worker I & II	4.00	4.00	5.00	2.00	3.00	3.00
<b>FTE Total</b>	<b>4.00</b>	<b>4.00</b>	<b>5.00</b>	<b>2.00</b>	<b>3.00</b>	<b>3.00</b>

# COMMUNITY DEVELOPMENT

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## COMMUNITY DEVELOPMENT

### MISSION STATEMENT

The Community Development Department (CDD) promotes safe and orderly development, which provides economic vitality while preserving Capitola's unique cultural and historic character. The Department provides responsive, high-quality services and programs which enhance the quality of life for the City's residents, businesses, and visitors.

### DEPARTMENT PURPOSE

The CDD administers the City's land use policies and standards adopted by the City Council including the General Plan, Local Coastal Program, zoning ordinance, and other regulations. The Department's key functions include review of land development applications, application of the California Environmental Quality Act, maintenance of the General Plan, Housing Element, Local Coastal Program, building plan check and inspection services, building and zoning code compliance, ordinance and policy development, and implementation of affordable housing and Community Development Block Grant (CDBG) programs. The Department provides staff support to the City Council, Planning Commission, and the Architectural and Site Review Committee.

### KEY CHANGES

There are no significant changes for FY17/18.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Adopted a new wireless telecommunications ordinance which complies with federal law
- Amended the City's marijuana ordinance to comply with new state legislation
- Initiated an update to the City's American's with Disabilities Act (ADA) Transition Plan
- Released final draft Zoning Code update for public review and comment
- Developed guidance documents to assist customers with permit processing
- Assisted four lower income households through the City's Housing Rehabilitation Program
- Initiated a Free Energy Efficiency Upgrade Program for seniors, disabled persons, and lower income households
- Completed a citywide code enforcement sweep of unpermitted vacation rentals
- Issued 147 planning permits from July 2016 through April 2017
- Issued 351 building permits, with a total valuation of over \$10 million, from July 2016 through April 2017
- Responded to 98 code enforcement complaints from July 2016 through April 2017

### FISCAL YEAR GOALS - 2017/18 and 2018/19

#### FISCAL POLICY

- Continue to process discretionary permit applications in a timely and cost effective manner
- Continue to perform timely building inspection services and efficiently process building permit applications
- Seek grant opportunities to advance affordable housing goals and public infrastructure projects

#### PUBLIC SERVICE

- Work with new mall owners to investigate opportunities for positive redevelopment
- Update the City's ADA Transition Plan
- Complete local adoption of the Zoning Code Update
- Submit the Zoning Code Update to the Coastal Commission for LCP certification
- Update the Green Building Ordinance
- Continue to implement customer service improvements (applicant guidance documents, website improvements, etc.)

**COMMUNITY DEVELOPMENT**

	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Community Development</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Revenue</b>						
General Fund	\$ 193,956	\$ 145,733	\$ 281,518	\$ 264,576	\$ 297,657	\$ 332,115
Licenses and permits	220,445	246,181	245,150	241,550	245,000	245,000
Charges for services	284,476	318,217	277,000	275,000	249,000	229,000
Fines and forfeitures	1,720	6,376	-	3,000	3,000	3,000
<b>Revenue Totals</b>	<b>\$ 700,597</b>	<b>\$ 716,507</b>	<b>\$ 803,668</b>	<b>\$ 784,126</b>	<b>\$ 794,657</b>	<b>\$ 809,115</b>

**Expenditures**

Personnel	\$ 533,211	\$ 610,718	\$ 637,312	\$ 638,220	\$ 647,457	\$ 666,541
Contract services	112,084	38,286	81,100	66,100	62,600	62,600
Training & Memberships	4,232	9,386	16,000	11,050	11,500	11,500
Supplies	1,870	5,122	6,400	5,900	6,400	6,400
Internal service charges	49,200	52,995	62,856	62,856	66,700	62,074
<b>Expenditure Totals</b>	<b>\$ 700,597</b>	<b>\$ 716,507</b>	<b>\$ 803,668</b>	<b>\$ 784,126</b>	<b>\$ 794,657</b>	<b>\$ 809,115</b>

	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Authorized Positions</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
Community Dev. Director	1.00	1.00	1.00	1.00	1.00	1.00
Senior Planner	1.00	1.00	1.00	1.00	1.00	1.00
Associate Planner	0.50	1.00	1.00	1.00	1.00	1.00
Building Official	1.00	1.00	1.00	1.00	1.00	1.00
Building Inspector	1.00	1.00	1.00	1.00	1.00	1.00
<b>FTE Total</b>	<b>4.50</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>

**Officials Positions**

Planning Commissioners	5.00	5.00	5.00	5.00	5.00	5.00
Arch & Site Committee	2.00	2.00	2.00	2.00	2.00	2.00
<b>Total</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>

**Officials Annual Pay**

Planning Commissioners	\$ 7,500	\$ 9,250	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Arch & Site Committee	1,200	1,600	1,200	1,200	1,200	1,200
<b>Total</b>	<b>\$ 8,700</b>	<b>\$ 10,850</b>	<b>\$ 8,700</b>	<b>\$ 8,700</b>	<b>\$ 8,700</b>	<b>\$ 8,700</b>

## RECREATION

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## CULTURE & LEISURE

### MISSION

The Capitola Recreation Department's mission is to enhance recreation, healthy lifestyles, and quality of life for Capitola and the surrounding areas through affordable and fun activities and opportunities. The department has a commitment to excellence and continually strives to improve its programs, procedures, and services to best meet the needs and interests of the community.

### DEPARTMENT PURPOSE

The Recreation Department manages recreation and leisure services offered to residents of Capitola and the broader community. These services include City-staffed programs such as Junior Lifeguards, Camp Capitola, and Adult Sports Leagues, as well as over 500 classes offered by contract instructors. The department also manages the Capitola Community Center, Jade Street Park, and Monterey Park.

Camp Capitola and Junior Guards have enrollment of over 2,000 children annually. These programs bring parents and children to the City. The Recreation Department receives an additional 4,500 class enrollments throughout the year. The department also represents the City through programs offered, class instructors selected, seasonal youth hired and trained, and condition of facilities. The Recreation Program provides training for approximately 65 young people through the Junior Lifeguard Captains Corps and another 20-30 through the Camp Capitola Junior Leader Program.

### KEY CHANGES

The City hired a Beach Lifeguard Captain and two Lifeguard Lieutenants to oversee the 2017 Junior Lifeguard program and to meet the CSLSA requirements, and Junior Guard instructor salaries were raised to those of lifeguards. Camp Capitola staff salaries were also increased.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Accomplished the reinstatement of the Capitola Beach Lifeguard Chapter by the California Surf Lifesaving Association (CSLSA) pending the submission of bylaws
- Created and implemented resident priority for online registration for the 2017 Junior Lifeguard Program
- Worked extensively with ActiveNet to revise and improve the online registration process for Junior Lifeguard program scholarship recipients
- Worked with the City of Santa Cruz Fire Department Marine Safety Division and the Capitola staff to provide training and to certify all Capitola Junior Lifeguard staff as beach lifeguards
- Provided opportunities for over 60 teens to train for future summer employment as Junior Lifeguard Instructors and Camp Leaders through the Junior Lifeguard Captains Corps and the Camp Capitola Junior Leader program
- Provided employment for approximately 40 summer seasonal employees
- Updated and expanded training for all recreation summer employees
- Offered new classes every session, and worked to develop new programming for pre-school and school-age children
- Maintained steady enrollment in classes
- At the direction of the City Council, reduced the overall number of Junior Guard participants to make the program more manageable
- Produced six Capitola Recreation brochures; updated website and Facebook regularly
- Increased social media traffic for the recreation sites by over 40%
- Continued work with community groups for the use of the City's recreational facilities

## FISCAL YEAR GOALS - 2017/18 and 2018/19

- Enhance participation and revenue by continuing to evaluate community interests and offering new programs
- Increase participation in Camp Capitola through revising and updating the Camp description, and implementing a new marketing plan
- Evaluate community interest in classes or events at the McGregor Park site
- Continue promotional marketing, advertising, Facebook and other social media posting; evaluate regularly for effectiveness and continue to explore other options
- Continue to look for improved training opportunities for recreation staff
- Evaluate policies and procedures to make sure they align with best practices

### RECREATION

Recreation Summary 1000-50-50-xxx	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Revenue</b>						
General Fund	\$ 32,275	\$ 85,124	\$ 148,099	\$ 170,299	\$ 286,196	\$ 309,931
Recreation Classes	\$ 281,714	\$ 274,881	\$ 285,000	\$ 280,000	\$ 275,000	\$ 275,000
Capitola Junior Guards	312,164	328,460	332,000	355,300	269,000	269,000
Camp Capitola	138,964	129,319	149,500	110,000	105,000	105,000
Sports Teams	31,941	18,605	28,500	25,000	22,000	22,000
<b>Total Charges for Svcs.</b>	<b>\$ 764,783</b>	<b>\$ 751,265</b>	<b>\$ 795,000</b>	<b>\$ 770,300</b>	<b>\$ 671,000</b>	<b>\$ 671,000</b>
Use of money & property	\$ 7,012	\$ 6,799	\$ 6,900	\$ 7,000	\$ 7,000	\$ 7,000
<b>Revenue Totals</b>	<b>\$ 804,070</b>	<b>\$ 843,188</b>	<b>\$ 949,999</b>	<b>\$ 947,599</b>	<b>\$ 964,196</b>	<b>\$ 987,931</b>

### Expenditures

Personnel	\$468,471	\$501,798	\$556,173	\$ 562,523	\$ 577,004	\$ 604,488
Contract services	233,233	224,400	248,750	239,950	244,050	244,050
Training & Memberships	2,454	4,197	3,860	7,360	8,300	8,300
Supplies	58,212	60,641	64,850	61,400	70,350	67,350
Internal service fund charges	41,700	52,152	76,366	76,366	64,492	63,743
<b>Expenditure Totals</b>	<b>\$ 804,070</b>	<b>\$ 843,188</b>	<b>\$ 949,999</b>	<b>\$ 947,599</b>	<b>\$ 964,196</b>	<b>\$ 987,931</b>

Authorized Positions	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
Recreation Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Recreation Coordinator	1.25	1.50	1.50	1.50	1.50	1.50
Recreation Assistant	0.50	0.75	0.75	0.75	0.75	0.75
Rec. Facilities Custodian	-	0.50	0.50	0.50	0.50	0.50
<b>FTE Total</b>	<b>2.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>

### Hourly Allocation

Beach Lifeguard Captain	-	-	-	-	720	720
Jr. Lifeguard Instructor	7,000	8,350	8,500	8,200	8,200	8,200
Jr. Lifeguard Coordinator	450	800	700	700	800	800
Camp Capitola Leader	2,500	2,450	2,500	2,500	2,500	2,500
Camp Capitola Coordinator	480	-	400	400	400	400
CC Jr. Leader Coordinator	400	700	400	400	400	400
Recreation Admin Temps	3,300	1,285	1,500	2,400	2,400	2,400
Sports Scorekeepers	2,100	865	1,500	900	900	900
Recreation Facilities Assistant	1,100	-	-	-	-	-
<b>Hours Total</b>	<b>17,330</b>	<b>14,450</b>	<b>15,500</b>	<b>15,500</b>	<b>16,320</b>	<b>16,320</b>

# MUSEUM

## CULTURE & LEISURE

### MISSION

The Capitola Historical Museum preserves and promotes the history of Capitola through photos, displays, and stories.

### DEPARTMENT PURPOSE

To promote, through the establishment and maintenance of a museum and allied projects, a program that will bring a better understanding and appreciation by the Capitola community of its history, architecture, culture, technology, and its creative and natural environments.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Opened a new exhibit, “The Nature of Capitola”
- Received more than 500 donated volunteer hours, and welcomed over 6,000 guests to the museum, publicized volunteer program
- Provided walking tours and lectures for local organizations and the public
- Changed museum hours to Thursday – Sunday to better serve the public
- Implemented an electronic scheduling system to help volunteers
- Worked to improve the documentation of the Museum collections
- Installed alarm for security and volunteer safety

### FISCAL YEAR GOALS - 2017/18 and 2018/19

- Continue to improve community outreach to increase number of Museum volunteers
- Install fireproof storage
- Digitize media for long term preservation of historical resources
- Install new exhibit

## MUSEUM

Capitola Museum 1000-50-51-000	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Revenue</b>						
General Fund	\$ 49,392	\$ 53,517	\$ 64,938	\$ 58,216	\$ 62,394	\$ 63,464
Other revenues	5,357	5,881	6,250	6,900	6,500	6,500
<b>Revenue Totals</b>	<b>\$ 54,749</b>	<b>\$ 59,398</b>	<b>\$ 71,188</b>	<b>\$ 65,116</b>	<b>\$ 68,894</b>	<b>\$ 69,964</b>
<b>Expenditures</b>						
Personnel	\$35,329	\$39,741	\$38,756	\$ 37,169	\$ 35,992	\$ 37,062
Contract services	4,460	4,634	4,800	4,815	13,250	13,250
Training & Memberships	-	-	-	-	-	-
Supplies	11,560	11,042	22,500	18,000	14,000	14,000
Internal service fund charges	3,400	3,981	5,132	5,132	5,652	5,652
<b>Expenditure Totals</b>	<b>\$ 54,749</b>	<b>\$ 59,398</b>	<b>\$ 71,188</b>	<b>\$ 65,116</b>	<b>\$ 68,894</b>	<b>\$ 69,964</b>
<b>Authorized Positions</b>						
Museum Curator	0.75	0.50	0.50	0.50	0.50	0.50
<b>FTE Total</b>	<b>0.75</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>



# ART & CULTURE

## CULTURE & LEISURE

### MISSION

The mission of the Art & Cultural Commission is to foster, assist and plan events for the City of Capitola and its residents to enhance the community's cultural fabric, support local artists, create an interesting environment for art and cultural growth, and allow residents and visitors to experience local flavor.

### DEPARTMENT PURPOSE

The first Arts Commission was created in 1984. The commission was re-organized by Ordinance #851 effective May 10, 2003, under the new title of Art & Cultural Commission. With the adopted Arts & Cultural Master Plan, the Commission develops and reviews Public Art projects and creates opportunities for a variety of art and cultural experiences for City Council approval. The Commission continues to off-set nearly 50% of its budget by obtaining sponsors for the events.

### FISCAL YEAR ACCOMPLISHMENTS – 2016/17

- Obtained sponsors to continue funding summer events
- Continued rotating Art Displays program in City of Capitola buildings
- Recommended public art projects for the City
- Added 13th Twilight Concert in 2016

### FISCAL YEAR GOALS - 2017/18 and 2018/19

#### PUBLIC IMPROVEMENT

- Continue to offer free, family events and entertainment in Capitola
- Display art work by community members at City facilities
- Investigate new opportunities for public art in Capitola
- Offer 13 Twilight concerts in 2017

## ART & CULTURE

<b>Art &amp; Cultural Commission 1000-50-52-000</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Revenue</b>						
General Fund	\$ 17,240	\$ 26,042	\$ 35,630	\$ 25,355	\$ 25,806	\$ 23,475
Other revenues	25,535	27,534	22,600	37,400	36,800	38,600
<b>Revenue Totals</b>	<b>\$ 42,775</b>	<b>\$ 53,576</b>	<b>\$ 58,230</b>	<b>\$ 62,755</b>	<b>\$ 62,606</b>	<b>\$ 62,075</b>
<b>Expenditures</b>						
Personnel	\$10,461	\$13,475	\$14,455	\$ 14,455	\$ 15,765	\$ 16,434
Contract services	23,750	30,393	32,400	36,900	34,850	33,650
Supplies	6,064	6,780	7,500	7,525	7,900	7,900
Internal service fund charges	2,500	2,928	3,875	3,875	4,091	4,091
<b>Expenditure Totals</b>	<b>\$ 42,775</b>	<b>\$ 53,576</b>	<b>\$ 58,230</b>	<b>\$ 62,755</b>	<b>\$ 62,606</b>	<b>\$ 62,075</b>
<u>Hourly Employee Allocation</u>						
Hours	480	503	480	550	480	480

# INTERNAL SERVICE FUNDS



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## INTERNAL SERVICE FUNDS

**Stores (City Manager):** The Stores Fund accounts for general supplies, postage, and rental of office equipment.

**Information Technology (City Manager):** The Information Technology Fund provides funding for replacement and upgrade of the existing computer network. The number of personal computers, laptops, printers, and servers each department uses forms the basis for department allocations.

**Equipment Replacement (Public Works):** The Equipment Replacement Fund provides funding for the replacement of city vehicles, including passenger cars, parks maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation expense of existing vehicles. This fund also receives the revenue received from the sale, or trade-in, of surplus vehicles.

**Self-Insurance Liability (City Manager):** The Self-Insurance Liability Fund collects funding from departments to pay for self-insured liability and property protection insurance premiums provided through the Monterey Bay Area Self Insurance Authority (MBASIA) joint powers authority.

**Workers' Compensation (City Manager):** The Workers' Compensation Fund collects funding from departments to pay for Workers' Compensation coverage through the MBASIA.

**Compensated Absences (Finance):** The Compensated Absences Fund accumulates money to pay future employee benefit costs, such as vacation and sick leave payouts, at termination or retirement. The City Council sets the policy to ensure the City can fulfill future obligations.

## STORES FUND

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The Stores Fund accounts for general supplies and postage. This also includes the rental of the postage machine and the repair and maintenance of shared office equipment.

<b>SOURCES AND USES</b>						
<b>Fund - 2210</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ 7,859	\$ 18,933	\$ 21,827	\$ 21,827	\$ 24,652	\$ 24,652
<b>Revenue</b>						
Other Revenues	\$ 396	\$ 458	\$ -	\$ -	\$ -	\$ -
Internal Service Charges	39,100	35,000	35,000	35,000	37,250	28,607
<b>Revenue Totals</b>	<b>\$39,496</b>	<b>\$35,458</b>	<b>\$35,000</b>	<b>\$ 35,000</b>	<b>\$ 37,250</b>	<b>\$28,607</b>
<b>Expenditures</b>						
Contract Services	\$10,050	\$ 6,244	\$10,000	\$ 5,675	\$ 10,250	\$10,250
Supplies	18,372	26,320	25,000	26,500	27,000	27,000
<b>Expenditure Totals</b>	<b>\$28,422</b>	<b>\$32,564</b>	<b>\$35,000</b>	<b>\$ 32,175</b>	<b>\$ 37,250</b>	<b>\$37,250</b>
<b>Fund Balance at 06/30</b>	<b>\$18,933</b>	<b>\$21,827</b>	<b>\$21,827</b>	<b>\$ 24,652</b>	<b>\$ 24,652</b>	<b>\$16,009</b>

## INFORMATION TECHNOLOGY FUND

The Information Technology Fund collects and designates funds for the future replacement of citywide hardware and software. Annual on-going information technology costs are allocated based on the distribution of resources. The City provides IT services through a contract. The FY 2016/17 budget reflected the City's desire to bring those services back in-house, which was ultimately decided against. The FY 2017/18 budget continues IT services with an outside vendor along with migrating the City's financial system from an in-house environment to a hosted environment.

### SOURCES AND USES

<b>Fund - 2211</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ 166,845	\$ 145,980	\$ 138,452	\$ 138,452	\$ 113,352	\$ 113,352
<b>Revenue</b>						
Other Revenues	\$ 3,845	\$ 3,468	\$ 3,500	\$ 35,000	\$ 3,500	\$ 3,500
Internal Service Charges	130,000	130,000	203,000	203,000	278,800	278,800
Other Financing Sources	-	43,660	-	-	-	-
<b>Revenue Totals</b>	<b>\$133,845</b>	<b>\$177,128</b>	<b>\$206,500</b>	<b>\$238,000</b>	<b>\$282,300</b>	<b>\$282,300</b>
<b>Expenditures</b>						
Contract Services	\$ 46,722	\$ 133,097	\$ 96,000	\$ 156,100	\$ 161,300	\$ 161,300
Training & Memberships	160	160	1,000	1,000	1,000	1,000
Supplies	49,337	51,399	56,000	56,000	60,000	60,000
Capital Outlay	58,491	-	50,000	50,000	60,000	60,000
<b>Expenditure Totals</b>	<b>\$154,710</b>	<b>\$184,656</b>	<b>\$203,000</b>	<b>\$263,100</b>	<b>\$282,300</b>	<b>\$282,300</b>
<b>Fund Balance at 06/30</b>	<b>\$145,980</b>	<b>\$138,452</b>	<b>\$141,952</b>	<b>\$113,352</b>	<b>\$113,352</b>	<b>\$113,352</b>

## EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund is designed to provide funding for replacement of City vehicles, including passenger cars, maintenance vehicles, police vehicles and other specialty vehicles. Departments contribute to this replacement fund based on the depreciation costs of existing vehicles. This fund receives revenue from trade-ins and surplus equipment sales. The General Fund charges for services based on the prior year fleet depreciation costs adjusted by the CPI index.

During the annual budget process, the Public Works and the Police Department review the current vehicle inventory listing and make recommendations for vehicle acquisitions and replacements, considering on-going maintenance costs. In FY 13/14, \$198,730 was transferred from the General Fund to assist in restoring the Equipment Fund's balance and to purchase a street sweeper. Typically, new street sweepers are financed with gas tax revenues. However, to achieve interest savings and maintain the City's debt ratio, the General Fund purchased the equipment. The operating lease with the Gas Tax Fund covers the cost of the street sweeper.

### FY 17/18 CAPITAL OUTLAY

Beach Loader/Tractor	\$225,000
- \$100,000 provided from Measure F Funds	
Public Works truck	\$26,000
New Parking Station Interface	\$50,000
Police Communication Tower	\$100,000
- \$35,000 provided by SLESF Funds	
Tractor Components	<u>\$11,200</u>
Total	\$412,200

### FY 18/19 CAPITAL OUTLAY

Sweeper	\$200,000
Chipper	\$40,000
Police Vehicles	\$23,000
Concrete Breaker	\$12,000
Ditch Witch Vector System	<u>\$25,000</u>
Total	\$300,000

### SOURCES AND USES

	FY14/15	FY15/16	FY16/17	FY16/17	FY17/18	FY18/19
Fund - 2212	Actual	Actual	Adopted	Estimated	Adopted	Planned
<b>Beginning Fund Balance</b>	\$ 118,058	\$ 124,178	\$ 131,309	\$ 131,309	\$ 175,009	\$ 72,809
<b>Revenue</b>						
<b>Other revenues</b>	\$ -	\$ 17,554	\$ -	\$ -	\$ -	\$ -
Internal Service Charges	68,147	60,000	78,000	78,000	125,000	230,000
Other Financing Sources	-	50,000	50,000	62,000	185,000	50,000
<b>Revenue Totals</b>	<u>68,147</u>	<u>127,554</u>	<u>128,000</u>	<u>140,000</u>	<u>310,000</u>	<u>280,000</u>
<b>Expenditures</b>						
Capital Outlay	\$ 62,027	\$ 120,423	\$ 78,000	\$ 96,300	\$ 412,200	\$ 300,000
<b>Expenditure Totals</b>	<u>\$ 62,027</u>	<u>\$ 120,423</u>	<u>\$ 78,000</u>	<u>\$ 96,300</u>	<u>\$ 412,200</u>	<u>\$ 300,000</u>
<b>Fund Balance at 06/30</b>	<b>\$ 124,178</b>	<b>\$ 131,309</b>	<b>\$ 181,309</b>	<b>\$ 175,009</b>	<b>\$ 72,809</b>	<b>\$ 52,809</b>

## SELF-INSURANCE LIABILITY FUND

The Self-Insurance Liability Fund accumulates funds for deductible expenditures and excess incidents above the City's liability coverage. The fund pays for the following expenses:

- Excess Insurance Premiums - The City belongs to the Monterey Bay Area Self Insurance Authority (MBASIA) joint powers authority. MBASIA covers all liability expenses, fire, property protection, and general liability claims up to \$10,000 per occurrence.
- Property Insurance – The City receives property insurance through the Public Entity Property Insurance Program and is insured by Lexington. The City's premium is \$20,000.
- Vehicle and Equipment Insurance Coverage - Coverage for vehicles and equipment with a purchase value of \$25,000 or more. The annual premium is \$4,000 with a \$2,000 deductible.
- Unemployment Insurance - The California Employment Development Department (EDD) defines the City as a "State Unemployment Insurance Reimbursement Client". The City does not pay unemployment insurance premiums to the State. When an employee files for and receives unemployment benefits from the State, the City is responsible for that benefit.

Charges for services are allocated to each General Fund department based on their percent of the total operating budget from the prior fiscal year less the budget for unanticipated events.

### SOURCES AND USES

Fund - 2213	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund Balance</b>	\$ 205,291	\$ 159,241	\$ 261,375	\$ 261,375	\$ 281,875	\$ 281,875
<b>Revenue</b>						
Internal Service Charges	\$249,300	\$344,500	\$428,000	\$428,000	\$428,000	\$400,700
Other Financing Sources	89,350	100,953	-	-	-	-
<b>Revenue Totals</b>	<b>\$338,650</b>	<b>\$445,453</b>	<b>\$428,000</b>	<b>\$428,000</b>	<b>\$428,000</b>	<b>\$400,700</b>
<b>Expenditures</b>						
Contract Services	\$383,585	\$343,319	\$427,000	\$407,000	\$427,000	\$427,000
Supplies	1,115	-	1,000	500	1,000	1,000
<b>Expenditure Totals</b>	<b>\$384,700</b>	<b>\$343,319</b>	<b>\$428,000</b>	<b>\$407,500</b>	<b>\$428,000</b>	<b>\$428,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 159,241</b>	<b>\$ 261,375</b>	<b>\$ 261,375</b>	<b>\$ 281,875</b>	<b>\$ 281,875</b>	<b>\$ 254,575</b>



## WORKERS' COMPENSATION FUND

The Workers' Compensation Fund satisfies the requirements of Capitola municipal code section 3.24.030, which states, "The City Manager and City Treasurer shall establish a reserve fund for purposes of paying future workers' compensation claims and shall, hereafter, make such annual deposits into that fund as the city is advised are actually necessary to provide a suitable reserve". This program also covers City volunteers.

The City belongs to a Joint Powers Authority (JPA), Monterey Bay Area Self Insurance Authority, composed of several local agencies: Del Rey Oaks, Gonzales, Greenfield, Hollister, King City, Marina, Sand City, Scotts Valley and Soledad. The City retains exposure to temporary disability payments as long as the injured worker remains an employee of the City. MBASIA purchases excess coverage beyond \$500,000 per occurrence up to statutory requirements.

The annual premium that is assessed to each of the participating cities in the JPA is based on three primary factors: the number of employees in each of the two major categories (Safety & Miscellaneous), the experience rate (cost incurred) of each participating agency, and debt service allocation.

When an employee files a claim, the City pays the employee's salary portion directly from the general fund based upon the standard workers' compensation formula, for the "temporary" claim. The formulas for employees receiving workers' compensation are as follows:

1. Public Safety: Compensation is 100% of salary, non-taxable
2. Miscellaneous: Compensation is 2/3 of salary with a cap of \$840 per week, non-taxable.

For non-safety staff, City policy allows that accruals (i.e. sick, vacation, etc.) may be used to supplement workers' compensation payments. If the person becomes "permanently disabled" then the JPA picks up the salary portion. The JPA pays all other costs including legal and medical. While on workers' compensation status, the safety and non-safety staff continue to accrue sick and vacation leave balances.

### Distribution to General Fund Departments:

The allocation methodology for workers' compensation charges to the General Fund Departments corresponds closely to the cost allocation method used by the JPA. The City divides employees into three classifications: Sworn, Non-Sworn and Volunteers, with cost per FTE calculated. A fund balance accommodates future premium fluctuations, deductibles and excess liability.

### SOURCES AND USES

Fund - 2214	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund Balance</b>	\$ 321,853	\$ 321,857	\$ 217,852	\$ 217,852	\$ 217,852	\$ 217,852
<b>Revenue</b>						
Internal Service Charges	\$ 364,100	\$ 385,000	\$ 415,000	\$ 415,000	\$ 321,000	\$ 320,730
<b>Revenue Totals</b>	<u>\$ 364,100</u>	<u>\$ 385,000</u>	<u>\$ 415,000</u>	<u>\$ 415,000</u>	<u>\$ 321,000</u>	<u>\$ 320,730</u>
<b>Expenditures</b>						
Contract Services	\$ 364,096	\$ 389,005	\$ 415,000	\$ 415,000	\$ 321,000	\$ 321,000
Other Financing Uses	-	100,000	-	-	-	-
<b>Expenditure Totals</b>	<u>\$ 364,096</u>	<u>\$ 489,005</u>	<u>\$ 415,000</u>	<u>\$ 415,000</u>	<u>\$ 321,000</u>	<u>\$ 321,000</u>
<b>Fund Balance at 06/30</b>	<b>\$ 321,857</b>	<b>\$ 217,852</b>	<b>\$ 217,852</b>	<b>\$ 217,852</b>	<b>\$ 217,852</b>	<b>\$ 217,582</b>

## **COMPENSATED ABSENCES LIABILITY FUND**

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The Compensated Absences Liability Fund accumulates reserves to pay for employee cash-outs, such as accumulated sick leave and vacation, due to employees upon termination or retirement. The following is an itemized description of the various liabilities of this fund.

Vacation > 360 hours: An employee who has accumulated more than 360 hours (504 hours for POA) as of the last pay period in April of any year shall be paid in cash at a rate equal to 100% of his/her current hourly rate for hours exceeding 360 (504 for POA). The hourly rate includes specialty pays.

Vacation - Voluntary Cash Out: In accordance with various memoranda of understanding between the employee bargaining groups and the City of Capitola, employees may elect voluntary cash outs up to 80 hours of vacation.

Police Captain Cashable Sick Leave: Refer to contract.

Final Pay: Upon resignation, employees are eligible for vacation cash outs.

Severance Pay: The City provides the following severance payout packages:

City Manager	12 months
Police Chief	4 months
Public Works Director	4 months
Community Development Director	4 months
Finance Director	4 months

### **SOURCES AND USES**

<b>Fund - 2216</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ 57,874	\$ (8,869)	\$ 16,189	\$ 16,189	\$ 36,189	\$ 36,189
<b>Revenue</b>						
Other financing sources	\$ 110,000	\$ 179,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
<b>Revenue Totals</b>	<b>\$ 110,000</b>	<b>\$ 179,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
<b>Expenditures</b>						
Personnel	\$ 176,743	\$ 153,942	\$ 200,000	\$ 180,000	\$ 200,000	\$ 200,000
<b>Expenditure Totals</b>	<b>\$ 176,743</b>	<b>\$ 153,942</b>	<b>\$ 200,000</b>	<b>\$ 180,000</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ (8,869)</b>	<b>\$ 16,189</b>	<b>\$ 16,189</b>	<b>\$ 36,189</b>	<b>\$ 36,189</b>	<b>\$ 36,189</b>

The City's estimated non-current Compensated Absence Liability based on Governmental Accounting Standards Board Statement No. 16 for the fiscal year ended June 30, 2016, is \$823,234.

# SPECIAL REVENUE FUNDS



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## SPECIAL REVENUE FUNDS

**Supplemental Law Enforcement Services (Police):** Funds provided by a State of California COPS grant to provide funding for Community Oriented Policing & Problem Solving (COPPS) programs.

**RTC Streets (Public Works):** Santa Cruz County voters passed a 0.5 percent user sales tax to fund local roads. The RTC Streets fund will be utilized to increase the City's street program.

**Gas Tax (Public Works):** Funds received from gasoline tax revenue from the state and used for new construction, maintenance and the reconstruction of City streets.

**Wharf (Public Works):** Accounts for rental income generated from wharf operations and expended on operations and major repairs and improvements.

**General Plan Update and Maintenance (Community Development):** Funds received as General Plan Maintenance Fee to support future updates to the City's General Plan, implementing ordinances and plans.

**Green Building (Community Development):** Green Building funds are solely for program management, training, publications, public educational purposes, incentive programs, materials and supplies to promote sustainable development, water conservation, storm water pollution prevention, and climate action planning.

**Public Art (City Manager):** This fund accumulates money received as public art fees to acquire works of art to be displayed in or about public places within the city.

**Parking Reserve (Public Works):** In 2009 the Council authorized a special reserve fund from the Village parking meters for parking-related projects.

**Technology Fee (Community Development):** 5% of building permit fee funds permit processing technology.

**Public Education & Government Cable TV Access (City Manager):** This special revenue fund accounts for PEG cable television fees. The expenditures are restricted to PEG access-related activities.

**Capitola Village & Wharf Business Improvement Area (Finance):** Established to generate revenue for the exclusive purpose of promoting business in the Capitola Village and Wharf Business Improvement Area.

**Community Development Block Grants (Community Development):** This fund accounts for active CDBG reimbursement grants that are awarded to the City on a project-by-project basis.

**Community Development Block Grant Program Income (Community Development):** This fund accounts for income from housing loans that are funded with Community Development Block Grant funds. Loans and interest repaid to the fund are restricted to CDBG approved uses.

**Library (City Manager):** The Capitola Branch Library has been planned for many years. The City will begin construction of a new Capitola Branch Library in 2018.

**HOME Program Reuse (Community Development):** This fund accounts for housing loans due to the City from the recipients of previous HOME Program grants. Receipts in the Home Program Reuse Fund are restricted to affordable housing activities in accordance with the federal HOME program re-use guidelines.

**Housing Trust (Community Development):** City Council adopted an Inclusionary Housing Ordinance in November 2004, which created an Affordable Housing Trust Fund. It is funded from in-lieu fees, which can be used for new affordable housing and rehabilitation of existing affordable housing.

**Capitola Housing Successor (Community Development):** When the Capitola Redevelopment Agency dissolved, the City elected to become the Housing Successor to the former Low and Moderate Income Housing Fund of the RDA.

## SUPPLEMENTAL LAW ENFORCEMENT SERVICES

POLICE

The City of Capitola receives money each year from the State of California Citizens Option for Public Safety (COPS) program. The COPS program requires the funds to be for front-line law enforcement services and not supplant existing funding. These funds were used last year to fund police vehicles and equipment.

The City purchased new police vehicles in FY 2016/17. In addition to front line equipment the Police Department anticipates a \$35,000 transfer to the Equipment Fund to pay for a portion of the Police Communications Radio Tower relocation.

### SOURCES AND USES

<b>Fund - 1300 SLESF</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$119,531</b>	<b>\$101,481</b>	<b>\$ 97,821</b>	<b>\$ 97,821</b>	<b>\$ 14,421</b>	<b>\$ 13,821</b>
<b>Revenue</b>						
Intergovernmental revenues	\$106,230	\$100,000	\$100,000	\$ 100,000	\$100,000	\$100,000
Use of money & property	344	450	300	300	400	400
Other revenues	-	-	-	4,000	-	-
<b>Revenue Totals</b>	<b>\$106,574</b>	<b>\$100,450</b>	<b>\$100,300</b>	<b>\$ 104,300</b>	<b>\$100,400</b>	<b>\$100,400</b>
<b>Expenditures</b>						
Contract services	\$ 1,310	\$ 2,401	\$ 2,700	\$ 2,700	\$ 3,000	\$ 3,000
Supplies	35,143	53,128	46,200	20,000	45,000	45,000
Capital outlay	88,171	48,581	15,000	165,000	18,000	18,000
Other financing uses	-	-	-	-	35,000	-
<b>Expenditure Totals</b>	<b>\$124,624</b>	<b>\$104,110</b>	<b>\$ 63,900</b>	<b>\$ 187,700</b>	<b>\$101,000</b>	<b>\$ 66,000</b>
<b>Fund Balance at 06/30</b>	<b>\$101,481</b>	<b>\$ 97,821</b>	<b>\$134,221</b>	<b>\$ 14,421</b>	<b>\$ 13,821</b>	<b>\$ 48,221</b>

## SANTA CRUZ COUNTY ANTI-CRIME TEAM

POLICE

The Santa Cruz County Anti-Crime Team (SCCACT) was a joint task force that included participation by all county law enforcement agencies (either staffing or funding) to address violent crime and the sale of narcotics that support criminal street gang activity in and around Santa Cruz County. The District Attorney's Office disbanded the team in 2016.

### SOURCES AND USES

<b>Fund - 1301 SCC Anti-Crime Team</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ (789)</b>	<b>\$ (209)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue</b>						
Other revenues	\$78,403	\$42,616	\$ -	\$ -	\$ -	\$ -
Revenue Totals	<b>\$78,403</b>	<b>\$42,616</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures</b>						
Personnel	\$77,823	\$42,407	\$ -	\$ -	\$ -	\$ -
Expenditure Totals	<b>\$77,823</b>	<b>\$42,407</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance at 06/30</b>	<b>\$ (209)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Fund closed 6/30/2016.**

## RTC STREETS

## PUBLIC WORKS

This fund accounts for receipts and expenditures of money received from the Santa Cruz County Regional Transportation Commission. The FY 2017/18 budget includes a \$200,000 transfer from the General Fund to improve the street maintenance program funded by the RTC.

A description of proposed projects is listed in the summary section of this budget.

### SOURCES AND USES

<b>Fund - 1309 RTC Streets</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>				\$ -	\$ -	\$ -
<b>Revenue</b>						
Intergovernmental revenues				\$ -	\$285,000	\$300,000
Other financing sources				-	200,000	-
<b>Revenue Totals</b>				<b>\$ -</b>	<b>\$485,000</b>	<b>\$300,000</b>
<b>Expenditures</b>						
Contract services				\$ -	\$485,000	\$300,000
Capital outlay				-	-	-
<b>Expenditure Totals</b>				<b>\$ -</b>	<b>\$485,000</b>	<b>\$300,000</b>
<b>Fund Balance at 06/30</b>				<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

1309 RTC Streets Fund was established during FY 2016-17.



## GAS TAX

## PUBLIC WORKS

This fund accounts for receipt and expenditure of gasoline tax revenue as provided by state law. The Gas Tax Fund is primarily used to cover the expenses related to maintenance and operation of the City's traffic signals and streetlights. Other Gas Tax Fund programs includes street maintenance patching and striping project, street sweeper lease payments, and engineering.

The Gas Tax funds must be spent within 5 years of receipt. Future Gas Tax funds cannot be pledged for current projects with future repayment, therefor the funds can only be spent once they have been received.

### SOURCES AND USES

<b>Fund - 1310</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Gas Tax</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 20,869</b>	<b>\$ 83,211</b>	<b>\$ (40,124)</b>	<b>\$ (40,124)</b>	<b>\$ 2,130</b>	<b>\$ 72,151</b>
<b>Revenue</b>						
Intergovernmental revenues	\$260,910	\$221,561	\$581,716	\$ 198,583	\$289,421	\$409,311
Use of money & property	209	233	200	50	-	-
Other revenues	39,002	6,775	-	-	-	-
Other financing sources	-	-	-	40,124	-	-
<b>Revenue Totals</b>	<b>\$300,121</b>	<b>\$228,569</b>	<b>\$581,916</b>	<b>\$ 238,757</b>	<b>\$289,421</b>	<b>\$409,311</b>
<b>Expenditures</b>						
Contract services	\$232,441	\$346,566	\$591,600	\$ 192,500	\$214,000	\$214,000
Debt service	5,338	5,338	-	4,003	5,400	5,400
<b>Expenditure Totals</b>	<b>\$237,779</b>	<b>\$351,904</b>	<b>\$591,600</b>	<b>\$ 196,503</b>	<b>\$219,400</b>	<b>\$219,400</b>
<b>Fund Balance at 06/30</b>	<b>\$ 83,211</b>	<b>\$ (40,124)</b>	<b>\$ (49,808)</b>	<b>\$ 2,130</b>	<b>\$ 72,151</b>	<b>\$262,062</b>

## WHARF

## PUBLIC WORKS

The Wharf Fund accounts for rental income generated from wharf operations and operating expenditures, as well as major repairs and improvements. The Wharf Fund accumulates these revenues in order to help meet the majority of its expenditure demands. Major repairs that tend to occur in a 3-5 year cycle require occasional general fund support in order to keep this key public facility open.

With the passage of Measure F in November 2016, the City will begin to design and construct an improved wharf. The FY 17/18 adopted budget includes \$47,800 from Measure F funds and \$78,500 from estimated fund balance to make emergency repairs to wharf pilings and the floating dock.

### SOURCES AND USES

<b>Fund - 1311 Wharf</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 72,794</b>	<b>\$ 93,858</b>	<b>\$ 84,426</b>	<b>\$ 84,426</b>	<b>\$ 68,076</b>	<b>\$ (20,324)</b>
<b>Revenue</b>						
Use of money & property	\$ 92,210	\$ 80,471	\$ 86,850	\$ 85,450	\$ 85,700	\$ 85,700
Other financing sources	-	-	-	-	47,800	-
<b>Revenue Totals</b>	<b>\$ 92,210</b>	<b>\$ 80,471</b>	<b>\$ 86,850</b>	<b>\$ 85,450</b>	<b>\$133,500</b>	<b>\$ 85,700</b>
<b>Expenditures</b>						
Contract services	\$ 65,276	\$ 80,080	\$105,900	\$ 90,800	\$ 86,100	\$ 86,100
Supplies	5,870	9,823	6,000	11,000	9,500	9,500
Capital Outlay	-	-	-	-	126,300	-
<b>Expenditure Totals</b>	<b>\$ 71,146</b>	<b>\$ 89,903</b>	<b>\$111,900</b>	<b>\$101,800</b>	<b>\$221,900</b>	<b>\$ 95,600</b>
<b>Fund Balance at 06/30</b>	<b>\$ 93,858</b>	<b>\$ 84,426</b>	<b>\$ 59,376</b>	<b>\$ 68,076</b>	<b>\$ (20,324)</b>	<b>\$ (30,224)</b>

## GENERAL PLAN UPDATE & MAINTENANCE

### COMMUNITY DEVELOPMENT

In 2002 the State Legislature passed AB 2936, which enables cities to collect fees “reasonably necessary to prepare and revise the plans and policies that a local agency is required to adopt before it can make any necessary findings and determinations”. The General Plan Maintenance Fee is currently 0.5% of the total building valuation with a cap of \$100,000 to cover the cost of a future comprehensive update of the City’s General Plan.

Building valuations are calculated on a cost per square foot basis. The City of Capitola uses \$200/square foot valuation for the average house and \$300/square foot for houses with increased values.

The City adopted a General Plan Update in June 2014 and a Climate Action Plan and General Plan Housing Element in 2015. Staff is currently working on a comprehensive update to the Zoning Code. The adopted budget provides adequate resources to fund consultant contracts and staff time to continue these efforts.

#### SOURCES AND USES

<b>Fund - 1313 General Plan</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 98,828</b>	<b>\$103,471</b>	<b>\$ 60,235</b>	<b>\$ 60,235</b>	<b>\$ 9,135</b>	<b>\$ 28,135</b>
<b>Revenue</b>						
Intergovernmental revenues	\$ 15,682	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	83,789	81,529	85,000	50,000	75,000	75,000
Use of money & property	343	446	-	400	-	-
<b>Revenue Totals</b>	<b>\$ 99,814</b>	<b>\$ 81,975</b>	<b>\$ 85,000</b>	<b>\$ 50,400</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>
<b>Expenditures</b>						
Contract services	\$ 94,744	\$123,348	\$111,000	\$101,000	\$ 56,000	\$ 56,000
Supplies	427	1,863	3,000	500	-	-
<b>Expenditure Totals</b>	<b>\$ 95,171</b>	<b>\$125,211</b>	<b>\$114,000</b>	<b>\$101,500</b>	<b>\$ 56,000</b>	<b>\$ 56,000</b>
<b>Fund Balance at 06/30</b>	<b>\$103,471</b>	<b>\$ 60,235</b>	<b>\$ 31,235</b>	<b>\$ 9,135</b>	<b>\$ 28,135</b>	<b>\$ 47,135</b>

## GREEN BUILDING

## COMMUNITY DEVELOPMENT

The Green Building Ordinance (Chapter 17.10 to the Capitola Municipal Code) was adopted in May 2008 and later amended in November 2014. The Green Building Ordinance establishes the Green Building Fund, which provides funding for the administration and implementation of the Green Building program and related sustainability initiatives. The intent of the Green Building fund is to provide resources for programs and initiatives which promote environmental sustainability, resource conservation, greenhouse gas emission reductions, and solid waste reduction.

Application and Use of Funds (per City municipal code): The Capitola Green Building Regulation applies to non-residential additions and/or exterior remodels totaling 1,000 or more square feet and residential additions and/or remodels totaling 350 square feet or more. Building permits which are required to comply with the Green Building Regulations shall be assessed a fee of 0.0025 times the overall valuation of the project. Revenues collected shall be maintained by the Finance Department as a revolving Green Building Fund and shall be used only for program management, training, publications, public educational purposes, incentive programs, materials and supplies necessary to promote sustainable development, water conservation, storm water pollution prevention, and climate action planning activities.

### SOURCES AND USES

<b>Fund - 1314 Green Building</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$121,971</b>	<b>\$118,036</b>	<b>\$118,464</b>	<b>\$118,464</b>	<b>\$118,464</b>	<b>\$112,464</b>
<b>Revenue</b>						
Charges for services	\$ 8,371	\$ 15,928	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
<b>Revenue Totals</b>	<b>\$ 8,371</b>	<b>\$ 15,928</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>
<b>Expenditures</b>						
Contract services	\$ 12,306	\$ 15,500	\$ 25,000	\$ 15,000	\$ 20,000	\$ 20,000
Training & Memberships	-	-	2,000	1,000	2,000	2,000
Supplies	-	-	2,000	2,000	2,000	-
<b>Expenditure Totals</b>	<b>\$ 12,306</b>	<b>\$ 15,500</b>	<b>\$ 29,000</b>	<b>\$ 18,000</b>	<b>\$ 24,000</b>	<b>\$ 22,000</b>
<b>Fund Balance at 06/30</b>	<b>\$118,036</b>	<b>\$118,464</b>	<b>\$107,464</b>	<b>\$118,464</b>	<b>\$112,464</b>	<b>\$108,464</b>

## PUBLIC ART

CITY MANAGER

The City established a Public Arts fee in 2004. The purpose is to ensure that 2% of the cost of eligible municipal capital improvement, renovation, or restoration projects funded in whole or in part by the City or any private, non-residential development project, with a total building permit valuation of \$250,000 or more, is set aside for the acquisition of works of art to be displayed in or about public places within the City. For a private development, there is an in lieu option to contribute 1% of the total budget to the Public Art Program. As part of the program expenses, up to 20% of the art allocations may be expended on program administration, project management and community outreach activities. There will be 125 hours of the Administrative Assistant for the Art & Cultural Commission time allocated to administering projects.

### Completed Art Projects

- Historical directional signs
- Sea kelp medallion on Esplanade Park
- Sea wall tiles
- Graphic traffic box art
- Wharf Road mural & 41<sup>st</sup> Ave median
- Bay Avenue tile mural
- Esplanade kiosk
- 41<sup>st</sup> Avenue street median
- Extension of Wharf Road mural

### SOURCES AND USES

<b>Fund - 1315</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Public Art</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$222,428</b>	<b>\$232,489</b>	<b>\$251,988</b>	<b>\$251,988</b>	<b>\$253,428</b>	<b>\$187,428</b>
<b>Revenue</b>						
Charges for services	\$ 35,207	\$ 24,000	\$ 30,000	\$ 5,000	\$ 15,000	\$ 90,000
<b>Revenue Totals</b>	<b>\$ 35,207</b>	<b>\$ 24,000</b>	<b>\$ 30,000</b>	<b>\$ 5,000</b>	<b>\$ 15,000</b>	<b>\$ 90,000</b>
<b>Expenditures</b>						
Personnel	\$ 3,078	\$ -	\$ 3,300	\$ -	\$ -	\$ -
Contract services	22,068	4,483	36,000	3,500	81,000	131,000
Supplies	-	18	-	60	-	-
<b>Expenditure Totals</b>	<b>\$ 25,146</b>	<b>\$ 4,501</b>	<b>\$ 39,300</b>	<b>\$ 3,560</b>	<b>\$ 81,000</b>	<b>\$131,000</b>
<b>Fund Balance at 06/30</b>	<b>\$232,489</b>	<b>\$251,988</b>	<b>\$242,688</b>	<b>\$253,428</b>	<b>\$187,428</b>	<b>\$146,428</b>

## PARKING RESERVE

PUBLIC WORKS

In 2009, as part of a parking meter rate increase, the City Council established the Parking Reserve Fund. Revenues deposited into this fund represent 16% of parking meter revenues from the Village area (Parking Meter Zone A1). The fund was established to fund parking improvement projects throughout the Village.

### SOURCES AND USES

<b>Fund - 1316 Parking Reserve</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 21,662</b>	<b>\$ 4,252</b>	<b>\$ 737</b>	<b>\$ 737</b>	<b>\$ 737</b>	<b>\$ 737</b>
<b>Revenue</b>						
Other financing sources	\$100,000	\$118,900	\$100,000	\$100,000	\$100,000	\$100,000
<b>Revenue Totals</b>	<b>\$100,000</b>	<b>\$118,900</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Expenditures</b>						
Capital outlay	\$ 17,410	\$ 22,415	\$ -	\$ -	\$ -	\$ -
Other financing uses	100,000	100,000	100,000	100,000	100,000	100,000
<b>Expenditure Totals</b>	<b>\$117,410</b>	<b>\$122,415</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 4,252</b>	<b>\$ 737</b>	<b>\$ 737</b>	<b>\$ 737</b>	<b>\$ 737</b>	<b>\$ 737</b>

## TECHNOLOGY FEE

## COMMUNITY DEVELOPMENT

On November 12, 2009, the City of Capitola adopted a resolution establishing the Technology Fee. The fee is 5% of the Community Development and Public Works permit fees. The City has updated building, planning, and public works permitting software using these funds. The system better coordinates plan review activities among departments and will allow the public to inquire and search records and monitor progress of applications through the internet. The City will continue to make changes to the system in order to provide better service to the public and to improve internal processes. The zoning update process and its implementation will also benefit from the system's data resources and enhanced reporting capabilities.

### SOURCES AND USES

<b>Fund - 1317 Technology Fee</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 48,441</b>	<b>\$ 50,154</b>	<b>\$ 49,576</b>	<b>\$ 49,576</b>	<b>\$ 45,276</b>	<b>\$ 41,276</b>
<b>Revenue</b>						
Charges for services	\$ 11,121	\$ 12,670	\$ 10,500	\$ 11,700	\$ 11,000	\$ 11,000
<b>Revenue Totals</b>	<b>\$ 11,121</b>	<b>\$ 12,670</b>	<b>\$ 10,500</b>	<b>\$ 11,700</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>
<b>Expenditures</b>						
Contract services	\$ 5,000	\$ 9,373	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Supplies	4,408	3,875	6,000	6,000	5,000	5,000
<b>Expenditure Totals</b>	<b>\$ 9,408</b>	<b>\$ 13,248</b>	<b>\$ 16,000</b>	<b>\$ 16,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 50,154</b>	<b>\$ 49,576</b>	<b>\$ 44,076</b>	<b>\$ 45,276</b>	<b>\$ 41,276</b>	<b>\$ 37,276</b>

## **PUBLIC EDUCATION/GOVERNMENT CABLE TV ACCESS (PEG)**

CITY MANAGER

This Special Revenue Fund accounts for Public, Education & Government (PEG) cable television fees. The PEG access fee is charged to all cable service providers and is 64 cents per subscriber. The fee is due to the City concurrent with franchise fee payments. The City is required to segregate PEG access fees and related purchases.

The funds received through PEG fees are retained by the City and utilized for capital equipment purchases in support of PEG access only. PEG channels are set aside for the following purposes:

- Public - available for use by the public
- Education - available for use by educational institutions for educational programming
- Government – available for programming by local governments

### **SOURCES AND USES**

<b>Fund - 1320</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Public Education &amp; Gov't.</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 43,112</b>	<b>\$ 50,086</b>	<b>\$ 58,224</b>	<b>\$ 58,224</b>	<b>\$ 58,074</b>	<b>\$ 59,174</b>
<b>Revenue</b>						
Licenses and permits	\$ 18,003	\$ 17,221	\$ 17,000	\$ 17,000	\$ 16,000	\$ 16,000
Use of money & property	120	201	50	350	100	100
<b>Revenue Totals</b>	<b>\$ 18,123</b>	<b>\$ 17,422</b>	<b>\$ 17,050</b>	<b>\$ 17,350</b>	<b>\$ 16,100</b>	<b>\$ 16,100</b>
<b>Expenditures</b>						
Contract services	\$ 5,673	\$ -	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Supplies	-	9,284	-	-	-	-
Capital Outlay	5,476	-	10,000	10,000	7,500	7,500
<b>Expenditure Totals</b>	<b>\$ 11,149</b>	<b>\$ 9,284</b>	<b>\$ 17,500</b>	<b>\$ 17,500</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 50,086</b>	<b>\$ 58,224</b>	<b>\$ 57,774</b>	<b>\$ 58,074</b>	<b>\$ 59,174</b>	<b>\$ 60,274</b>



## **CAPITOLA VILLAGE/WHARF BUSINESS IMPROVEMENT AREA (CVWBIA)**

FINANCE

In June 2005, the City of Capitola adopted Ordinance No. 889, which added Chapter 5.10 to the Capitola Municipal Code, establishing the Capitola Village and Wharf Business Improvement Area (CVWBIA). It was established to generate revenue for the sole purpose of promoting business in Capitola Village and on the Wharf. State law requires certain annual actions and public hearings to continue this assessment district. The program is run with the assistance of a CVWBIA Board of Directors. Each year the CVWBIA budget is provided by the Board and approved by City Council.

### **SOURCES AND USES**

<b>Fund - 1321 CVWBIA</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 6,675</b>	<b>\$ 839</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>\$ 6,778</b>	<b>\$ 5,128</b>
<b>Revenue</b>						
Charges for services	\$ 64,075	\$ 70,374	\$ 66,000	\$ 71,560	\$ 73,000	\$ 73,000
Use of money & property	73	97	-	-	100	100
<b>Revenue Totals</b>	<b>\$ 64,148</b>	<b>\$ 70,471</b>	<b>\$ 66,000</b>	<b>\$ 71,560</b>	<b>\$ 73,100</b>	<b>\$ 73,100</b>
<b>Expenditures</b>						
Contract services	\$ 57,679	\$ 57,312	\$ 53,000	\$ 47,400	\$ 60,950	\$ 60,950
Supplies	12,305	14,000	13,000	17,380	13,800	13,800
<b>Expenditure Totals</b>	<b>\$ 69,984</b>	<b>\$ 71,312</b>	<b>\$ 66,000</b>	<b>\$ 64,780</b>	<b>\$ 74,750</b>	<b>\$ 74,750</b>
<b>Fund Balance at 06/30</b>	<b>\$ 839</b>	<b>\$ (2)</b>	<b>\$ (2)</b>	<b>\$ 6,778</b>	<b>\$ 5,128</b>	<b>\$ 3,478</b>

## **COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)**

### COMMUNITY DEVELOPMENT

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The program is funded through the Federal Department of Housing and Urban Development (HUD) and Capitola participates in the competitive Small Cities Grant Program administered by the California Department of Housing and Community Development.

In recent years, the City has been awarded with CDBG grants to fund the Green Economy/Environmental Economic Analysis and 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan and a 2008 Disaster Recovery Initiative (DRI) grant for \$250,000 to develop the City's Local Hazard Mitigation Plan (LHMP) and Safety Element of the General Plan Update. In 2014, the City was awarded with a \$500,000 CDBG grant to reinstate the City's Housing Rehabilitation and Mortgage Assistance Programs.

#### **SOURCES AND USES**

<b>Fund - 1350 CDBG Grants</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	\$ 42,459	\$ 30,659	\$(130,092)	\$(130,092)	\$ 40,124	\$ 40,124
<b>Revenue</b>						
Intergovernmental revenues	\$ (11,800)	\$ 17,338	\$ 300,000	\$ 287,000	\$ 100,000	\$ 80,000
<b>Revenue Totals</b>	<b>\$ (11,800)</b>	<b>\$ 17,338</b>	<b>\$ 300,000</b>	<b>\$ 287,000</b>	<b>\$ 100,000</b>	<b>\$ 80,000</b>
<b>Expenditures</b>						
Contract services	\$ -	\$ 20,373	\$ 14,280	\$ 8,000	\$ 20,000	\$ -
Grants and subsidies	-	157,716	315,117	108,784	80,000	80,000
<b>Expenditure Totals</b>	<b>\$ -</b>	<b>\$ 178,089</b>	<b>\$ 329,397</b>	<b>\$ 116,784</b>	<b>\$ 100,000</b>	<b>\$ 80,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 30,659</b>	<b>\$(130,092)</b>	<b>\$(159,489)</b>	<b>\$ 40,124</b>	<b>\$ 40,124</b>	<b>\$ 40,124</b>

# **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME**

## **COMMUNITY DEVELOPMENT**

This special revenue fund accounts for issuance and repayment of CDBG-funded housing loans made by the City to income-qualifying households. These funds are referred to as CDBG Program Income. CDBG Program Income must be used for CDBG-approved purposes. The three primary sources of CDBG Program Income are the payoff of Loma Vista Mobile Home Park resident loans, CDBG-funded First Time Homebuyer Program loans, and CDBG-funded Rehabilitation Program loans.

If the total amount of Program Income received in any fiscal year is less than \$25,000, the funds received are not subject to Federal CDBG regulations. If the amount exceeds \$25,000, all program income received during that fiscal year is restricted to CDBG-approved Federal spending guidelines. Fiscal Year 07/08 was the last time the City qualified under this requirement. The applicable funds have since been distributed and the restricted fund closed.

In FY14/15, the City was awarded a new \$500,000 CDBG grant. Fund balance will return to a positive balance as loans are repaid to the fund.

### **SOURCES AND USES**

<b>Fund - 1351</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>CDBG Program Income</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ (2,469)</b>	<b>\$ (3,069)</b>	<b>\$ (1,094)</b>	<b>\$ (1,094)</b>	<b>\$ 13,875</b>	<b>\$ 13,875</b>
<b>Revenue</b>						
Use of money & property	\$ -	\$ 2,000	\$ -	\$ 14,969	\$ -	\$ -
<b>Revenue Totals</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 14,969</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures</b>						
Contract services	\$ 600	\$ 25	\$ -	\$ -	\$ -	\$ -
<b>Expenditure Totals</b>	<b>\$ 600</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance at 06/30</b>	<b>\$ (3,069)</b>	<b>\$ (1,094)</b>	<b>\$ (1,094)</b>	<b>\$ 13,875</b>	<b>\$ 13,875</b>	<b>\$ 13,875</b>

# LIBRARY

CITY MANAGER

This special revenue fund accounts for revenue and expenses related to the design and construction of the new Capitola Branch Library. The former Redevelopment Agency contributed \$2.6 million to Santa Cruz County to be held in a trust fund for the future construction of a new branch library.

The voters of Santa Cruz County authorized the Santa Cruz Libraries Facilities Financing Authority to issue general obligation bonds in an aggregate principal amount not exceeding \$67 million. The City of Capitola will receive \$8 million from the bonds to be used towards the construction of the new branch library, bringing the City's total available funds to \$10.6 million.

The City started utilizing the County trust fund money in FY 2016/17 to hire a project manager to oversee the development of plans and ultimately the construction of the Library. Under the trust fund agreement, the City can utilize 15 percent of the funds for pre-construction activities.

The FY 2017/18 budget includes funds to start the construction of the library. The final construction cost is estimated at \$13.13 million with a funding plan being developed in FY 2017/18. The FY 2017/18 budget includes a General Fund transfer of \$999,129 to begin narrowing the current funding gap. Debt financing may be needed to close the funding gap.

## SOURCES AND USES

<b>Fund - 1360 Library</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ 640,700	\$ 1,285,700
<b>Revenue</b>						
Intergovernmental	\$ -	\$ 23,300	\$ -	\$ 822,700	\$ 9,777,300	\$ -
Other financing sources	-	-	-	-	999,129	47,363
<b>Revenue Totals</b>	<b>\$ -</b>	<b>\$ 23,300</b>	<b>\$ -</b>	<b>\$ 822,700</b>	<b>\$ 10,776,429</b>	<b>\$ 47,363</b>
<b>Expenditures</b>						
Contract services	\$ -	\$ 27,487	\$ -	\$ 182,000	\$ 10,131,429	\$ -
Other financing uses	-	-	-	-	-	-
<b>Expenditure Totals</b>	<b>\$ -</b>	<b>\$ 27,487</b>	<b>\$ -</b>	<b>\$ 182,000</b>	<b>\$ 10,131,429</b>	<b>\$ -</b>
<b>Fund Balance at 06/30</b>	<b>\$ -</b>	<b>\$ (4,187)</b>	<b>\$ -</b>	<b>\$ 640,700</b>	<b>\$ 1,285,700</b>	<b>\$ 1,333,063</b>

## HOME PROGRAM REUSE

## COMMUNITY DEVELOPMENT

This special revenue fund accounts for revenue from the repayment of Federal Home Investments Partnership Program (HOME) loans. Expenditures in this fund must be used for affordable housing activities in accordance with the Federal HOME Program reuse guidelines.

Annual revenue of \$12,300 represents principal and interest payments on the 30 year \$238,000 Wharf Road Manor Mobile Home Owners Association Acquisition and Rehabilitation Project loan. The funds were loaned in October 2004 with payments deferred until January 2008 after completion of on-site rehabilitation work, including hazardous material abatement and demolition of a building on site, and installation of two new mobile homes.

In January 2009, the City of Capitola entered a Standard Agreement with the California Department of Housing and Community Development for a HOME grant in the amount of \$2,000,000 for rehabilitation expenses related to the 109-unit Bay Avenue Senior Apartments Project. Construction of the project was completed in May 2011. The grant was provided to First Community Housing, the Bay Avenue Senior Apartments project developer, as a residual receipts loan at 3% interest. In May 2011, the HOME program increased the grant award by \$1.2 million dollars to cover additional costs related to required rent level revisions, which are lower than estimated in the original pro-forma. The grant funds have been received and dispersed.

### SOURCES AND USES

<b>Fund - 1370</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>HOME Reuse</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 59,707</b>	<b>\$ 83,630</b>	<b>\$178,438</b>	<b>\$178,438</b>	<b>\$187,538</b>	<b>\$196,638</b>
<b>Revenue</b>						
Use of money & property	\$ 27,123	\$ 98,968	\$ 12,300	\$ 12,300	\$ 12,300	\$ 12,300
<b>Revenue Totals</b>	<b>\$ 27,123</b>	<b>\$ 98,968</b>	<b>\$ 12,300</b>	<b>\$ 12,300</b>	<b>\$ 12,300</b>	<b>\$ 12,300</b>
<b>Expenditures</b>						
Contract services	\$ 3,200	\$ 4,160	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200
Other financing uses	-	-	-	-	-	-
<b>Expenditure Totals</b>	<b>\$ 3,200</b>	<b>\$ 4,160</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>
<b>Fund Balance at 06/30</b>	<b>\$ 83,630</b>	<b>\$178,438</b>	<b>\$187,538</b>	<b>\$187,538</b>	<b>\$196,638</b>	<b>\$205,738</b>

## HOUSING TRUST

### COMMUNITY DEVELOPMENT

In November 2004, the City Council adopted an inclusionary housing ordinance as part of the City's ongoing efforts to provide affordable housing. This ordinance created the Affordable Housing Trust Fund to use as a flexible local source of funding for the creation of new affordable housing, rehabilitation of existing affordable housing, funding of local programs to assist lower and moderate income buyers purchase affordable housing, or as leverage of local funds for larger State and Federal grants. This housing activity is funded through in-lieu fees collected from development projects and do not impact the General Fund.

The Affordable Inclusionary Housing Ordinance refers to a City Municipal Code Section that requires that fifteen percent (15%) of the units in a new for-sale residential construction project be made available to low or moderate-income buyers. Condominium conversion projects are also covered under this ordinance. As outlined in the ordinance, project developers provide the affordable set aside units or, under certain conditions, can pay an in-lieu fee.

The City's Housing Trust Fund allows for up to \$75,000 per year to be spent on affordable housing program administration. This includes working with developers on fee collection, administration of the Housing Trust Fund, and implementation of the Inclusionary Ordinance.

#### SOURCES AND USES

<b>Fund - 1372 Housing Trust</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	<b>\$120,576</b>	<b>\$ 67,242</b>	<b>\$ 25,307</b>	<b>\$ 25,307</b>	<b>\$ 21,034</b>	<b>\$ 21,034</b>
<b>Revenue</b>						
Charges for services	\$ 13,284	\$ 23,028	\$ 22,000	\$ 20,727	\$ 25,000	\$ 25,000
<b>Revenue Totals</b>	<b>\$ 13,284</b>	<b>\$ 23,028</b>	<b>\$ 22,000</b>	<b>\$ 20,727</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>
<b>Expenditures</b>						
Contract services	\$ 16,618	\$ 14,963	\$ -	\$ -	\$ -	\$ -
Other Financing Uses	50,000	50,000	25,000	25,000	25,000	25,000
<b>Expenditure Totals</b>	<b>\$ 66,618</b>	<b>\$ 64,963</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 67,242</b>	<b>\$ 25,307</b>	<b>\$ 22,307</b>	<b>\$ 21,034</b>	<b>\$ 21,034</b>	<b>\$ 21,034</b>

# CAPITOLA HOUSING SUCCESSOR

## COMMUNITY DEVELOPMENT

In 2011 the California State Legislature passed ABX1 26 to dissolve redevelopment agencies. The legislation was contested and upheld by the California Supreme Court. It requires a number of actions to be taken by the city in the winding down of the RDA. Among other things, it allows cities to elect to retain the former RDA Low and Moderate Income Housing Fund. The Capitola City Council elected to retain the former RDA Housing with the following new city special revenue fund, the Capitola Housing Successor.

A further requirement of the legislation is establishment of a program income fund to segregate loan payoffs received by the Housing Successor after the dissolution of the Redevelopment Agency. These funds were initially restricted in their use, repayment, and reuse and the Housing Successor continues this restriction. As payments are received on loans associated with the original RDA Low and Moderate Income Housing Fund or the Capitola Housing Successor, they will be applied to the Capitola Housing Successor.

Newly implemented SB341 requires annual reporting on the Housing Successor Assets to be included with the Annual Financial Statements and the Housing and Community Development (HCD) Annual Progress Report on the Housing Element of the General Plan.

### SOURCES AND USES

<b>Fund - 5552</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Capitola Housing</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 84,623</b>	<b>\$ 89,143</b>	<b>\$110,378</b>	<b>\$110,378</b>	<b>\$167,766</b>	<b>\$107,766</b>
<b>Revenue</b>						
Use of money & property	\$ 43,986	\$ 57,457	\$ 15,000	\$ 84,763	\$ -	\$ -
Other revenues	-	4,000	-	781	-	-
<b>Revenue Totals</b>	<b>\$ 43,986</b>	<b>\$ 61,457</b>	<b>\$ 15,000</b>	<b>\$ 85,544</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenditures</b>						
Contract Services	\$ 10,000	\$ 5,072	\$ 30,000	\$ 15,300	\$ 30,000	\$ 30,000
Supplies	25	150	-	-	-	-
Grants and Subsidies	29,441	35,000	30,000	12,856	30,000	30,000
<b>Expenditure Totals</b>	<b>\$ 39,466</b>	<b>\$ 40,222</b>	<b>\$ 60,000</b>	<b>\$ 28,156</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 89,143</b>	<b>\$110,378</b>	<b>\$ 65,378</b>	<b>\$167,766</b>	<b>\$107,766</b>	<b>\$ 47,766</b>

# RESERVES





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## RESERVES

**Emergency Reserves** (Finance Department): The City Council established the Emergency Reserve Fund to accumulate funds to meet future unanticipated needs. The City of Capitola Administrative Policy III-3, Financial Management Policy, was amended on February 28, 2013, to increase the required level of emergency reserves from five to ten percent of operating expenditures.

**Contingency Reserve** (Finance Department): The City Council established the Contingency Reserve Fund to accumulate a prudent level of financial resources to protect the City against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements. The City of Capitola Administrative Policy III-3, Financial Management Policy, was amended on February 28, 2013, to increase the level of contingency reserves from 10 to 15 percent of operating expenditures.

**PERS Contingency Reserve** (Finance Department): The City Council established the PERS Contingency Reserve Fund in FY 2015/16. The Council discussed possible uses of a General Fund positive ending balance and wanted to set aside funds for future PERS increases. The initial \$300,000 funds the projected two-year increases in City contributions and an additional \$500,000 was transferred in FY 17/18.

**Facilities Reserve** (Finance Department): The City Council established the Facilities Reserve Fund to serve as a resource to fund capital improvements and major repairs on City facilities. Based on the National Research Council Stewardship of Federal Facility guidelines, the City's goal is to provide annual contributions equal to two percent of facility replacement values. This annual contribution will be determined each budget year.

## EMERGENCY RESERVES

The City of Capitola adopted an Emergency Reserve Policy as part of the City's Financial Management Policies. This reserve protects against significant one-time costs that arise from major unpredictable emergency events. In FY 2012/13, the City amended its Financial Management Policies to increase the funding level of the Emergency Reserve fund from five to ten percent of General Fund budgeted expenditures.

The Emergency Reserve fund was nearly depleted in March of 2011 due to an underground storm drain failure that flooded Capitola Village and the surrounding area. The City was required to recognize a \$1.4 million extraordinary loss on its FY 2010/11 and FY 2011/12 financial statements. An additional \$200,000 was needed to fund a related retaining wall project. In FY 2012/13, a settlement was reached with the City's insurance carrier to pay \$1.35 million in damages to the City.

The March 2011 pipe failure repairs were paid from the City's Emergency Reserve Fund. As funding in the Emergency Reserve Fund fell short of the flood-related costs, additional funding to respond to the flood event was provided through interfund loans from the Contingency Reserve Fund and Capital Improvement Fund. In FY 2011/12, the Emergency Reserve Fund balance was \$410,000 lower than the targeted balance. In FY 2012/13, funds were transferred from the Internal Service Funds, Measure O revenue receipts, and the General Fund operating balance to assist in replenishing the reserves.

In FY 2014/15 and FY 2015/16, \$465,100 and \$213,000, respectively, were budgeted for transfer to the fund to prepare for any unforeseeable emergencies and to meet the new Emergency Reserve targeted levels. As the chart below shows, the reserve balance exceeded its target level in FY 2015/16. The FY 2017/18 budget of \$67,000 will ensure that the reserve will continue to meet or exceed its target level based on new expenditure levels.

<b>SOURCES AND USES</b>						
<b>Fund - 1020</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ 584,106	\$ 1,049,206	\$ 1,262,206	\$ 1,262,206	\$ 1,277,206	\$ 1,344,206
<b>Revenue</b>						
Other Financing Sources	\$ 465,100	\$ 213,000	\$ 15,000	\$ 15,000	\$ 67,000	\$ 67,000
<b>Revenue Totals</b>	<b>\$ 465,100</b>	<b>\$ 213,000</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	<b>\$ 67,000</b>	<b>\$ 67,000</b>
<b>Expenditures</b>						
Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditure Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance at 06/30</b>	<b>\$ 1,049,206</b>	<b>\$ 1,262,206</b>	<b>\$ 1,277,206</b>	<b>\$ 1,277,206</b>	<b>\$ 1,344,206</b>	<b>\$ 1,411,206</b>
Gen. Fund Exp. - Excl. Tfms & Isf	\$11,238,263	\$11,695,546	\$12,596,953	\$12,393,310	\$12,480,774	\$12,691,708
Target Balance (10%)	\$ 1,123,826	\$ 1,169,555	\$ 1,259,695	\$ 1,239,331	\$ 1,248,077	\$ 1,269,171
Over / (Short) of Target	\$ (74,620)	\$ 92,651	\$ 17,511	\$ 37,875	\$ 96,129	\$ 142,035

## CONTINGENCY RESERVES

The City of Capitola adopted a Contingency Reserve Policy as part of the City's Financial Management Policies. This reserve was established to provide a prudent level of financial resources to protect against temporary revenue shortfalls, unanticipated operating costs, and/or to meet short-term cash flow requirements. In FY 2012/13, the City amended the Financial Management Policies to increase the Contingency Reserve target from 10 to 15 percent of General Fund budgeted expenditures.

Due to the expenses associated with the March 2011 pipe failure, a loan was made from the Contingency Reserves Fund to the Emergency Reserves Fund. As a result, Contingency Reserves were \$727,000 below their Financial Management Policy funding goal in FY 2011/12. In FY 2012/13, funds were transferred from the Internal Service Funds, Measure O revenue receipts, and the General Fund to assist in replenishing and building the reserves.

In FY 2014/15 and FY 2015/16, a total of \$182,600 and \$89,400 were transferred to the fund to meet the new Contingency Reserve targeted levels. The FY 2017/18 budget of \$133,000 will ensure that the reserve fund will continue to meet or exceed its target level based on new expenditure levels.

### SOURCES AND USES

<b>Fund - 1010</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ 1,621,346	\$ 1,803,946	\$1,893,346	\$1,893,346	\$1,903,346	\$2,036,346
<b>Revenue</b>						
Other Financing Sources	\$ 182,600	\$ 89,400	\$ 10,000	\$ 10,000	\$ 133,000	\$ 133,000
<b>Revenue Totals</b>	<b>\$ 182,600</b>	<b>\$ 89,400</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 133,000</b>	<b>\$ 133,000</b>
<b>Expenditures</b>						
Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditure Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance at 06/30</b>	<b>\$ 1,803,946</b>	<b>\$1,893,346</b>	<b>\$1,903,346</b>	<b>\$1,903,346</b>	<b>\$2,036,346</b>	<b>\$2,169,346</b>
Gen. Fund Exp. - Excl. Tfrs & Isf	\$11,238,263	\$11,695,546	\$12,596,953	\$12,393,310	\$12,480,774	\$12,691,708
Target Balance (15%)	\$ 1,685,739	\$ 1,754,332	\$ 1,889,543	\$ 1,858,997	\$ 1,872,116	\$ 1,903,756
Over / (Short) of Target	\$ 118,207	\$ 139,014	\$ 13,803	\$ 44,350	\$ 164,230	\$ 265,590

## **PERS CONTINGENCY RESERVES**

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The City of Capitola established a PERS Contingency Reserve as part of the FY 2015/16 Budget process. The fund was setup to help stabilize the City's finances and help manage future pension increases.

The PERS Contingency Fund was initially funded with a \$300,000 transfer from the General Fund. The \$300,000 allows for two years of PERS projected increases and time to evaluate options to address the larger unfunded liability and yearly obligations.

In December 2016, \$300,000 was invested in a moderately conservative trust fund with Public Agency Retirement Services (PARS). The FY 17/18 budget transfers an additional \$500,000 into the PERS trust fund to offset rising pension costs.

### **SOURCES AND USES**

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<b>Fund - 1015</b>	<b>FY14/15 Actual</b>	<b>FY15/16 Actual</b>	<b>FY16/17 Adopted</b>	<b>FY16/17 Estimated</b>	<b>FY17/18 Adopted</b>	<b>FY18/19 Planned</b>
<b>Beginning Fund Balance</b>	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 305,000	\$ 815,000
<b>Revenue</b>						
Use of money & property				\$ 5,000	\$ 10,000	\$ 10,000
Other Financing Sources	-	\$ 300,000		-	500,000	-
<b>Revenue Totals</b>	\$ -	\$ 300,000	\$ -	\$ 5,000	\$ 510,000	\$ 10,000
<b>Expenditures</b>						
Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditure Totals</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance at 06/30</b>	\$ -	\$ 300,000	\$ 300,000	\$ 305,000	\$ 815,000	\$ 825,000

## **FACILITIES RESERVES**

The Facilities Reserve Fund was established in FY 2014/15 to serve as a resource to fund capital improvements and major repairs to City facilities. The National Research Council Stewardship of Federal Facilities recommends setting aside two to four percent of building replacement costs to preserve or extend the life of facilities. The estimated replacement value of the City's facilities is \$17.5 million.

The Facilities Reserve is used to fund future facility needs of the City. The FY 2017/18 budget includes funds for City Hall improvements (\$50,000) and Community Center parking lot repairs (\$75,000).

### **SOURCES AND USES**

<b>Fund - 1025</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	\$ -	\$ 79,870	\$ 229,870	\$ 229,870	\$ 339,870	\$ 324,870
<b>Revenue</b>						
Other Financing Sources	\$ 167,000	\$ 150,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000
<b>Revenue Totals</b>	<b>\$ 167,000</b>	<b>\$ 150,000</b>	<b>\$ 110,000</b>	<b>\$ 110,000</b>	<b>\$ 110,000</b>	<b>\$ 110,000</b>
<b>Expenditures</b>						
Contract Services	\$ 7,130	\$ -	\$ 218,000	\$ -	\$ 125,000	\$ 110,000
Other Financing Uses	80,000	-	-	-	-	-
<b>Expenditure Totals</b>	<b>\$ 87,130</b>	<b>\$ -</b>	<b>\$ 218,000</b>	<b>\$ -</b>	<b>\$ 125,000</b>	<b>\$ 110,000</b>
<b>Fund Balance at 06/30</b>	<b>\$ 79,870</b>	<b>\$ 229,870</b>	<b>\$ 121,870</b>	<b>\$ 339,870</b>	<b>\$ 324,870</b>	<b>\$ 324,870</b>

# MULTI-YEAR ASSETS & OBLIGATIONS



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## MULTI-YEAR ASSETS & OBLIGATIONS

**City & Joint Powers Authority (JPA) Multi-Year Obligations:** The City of Capitola has eight multi-year obligations, three of which are part of a Joint Powers Authority. The obligations are paid from various funding sources.

**2007 Pension Obligation Bonds:** The City of Capitola issued Taxable Pension Obligation Bonds of \$5,040,000, dated July 13, 2007, to finance the Public Employees' Retirement System (PERS) unfunded liability. The final debt payment will be made in August 2017.

**Pacific Cove Lease Financing:** In March 2011, a pipe failure flooded the City-owned Pacific Cove Mobile Home Park. The City of Capitola entered into a \$2,390,000 lease/sublease agreement to finance the relocation of mobile home residents and close the park.

**Beach and Village Parking Lot II:** The City of Capitola initiated a \$1,372,500 California Infrastructure and Economic Development Bank (I-Bank) loan to fund the development of a parking lot and related improvements at the site of the former Pacific Cove Mobile Home Park.

# CITY/JOINT POWERS AUTHORITY MULTI-YEAR ASSETS & OBLIGATIONS

## GENERAL GOVERNMENT

The City of Capitola has eight multi-year obligations, three of which are part of a Joint Powers Authority. The obligations are paid from various funding sources. All obligations are shown in the budgets of the applicable funds and all payments are current.

City Multi-Year Obligations	Principal balance June 30, 2017	Form of payment	Original Obligation	Other Terms
Current employee compensated absences (a)	\$ 823,234	Accrual	Ongoing	On-going. No interest due. (Refer to Compensated Absence Fund)
Net Pension Liability	\$ 16,683,778	Actuarial	N/A	Pension Liability to CalPERS.
Pension Obligation Bonds	\$ 645,000	PERS payments	10 years	\$5.04 million bonds - CalPERS 18 year, 7.75% liability, refinanced as a 10 year POB in 2007. Balance at June 30, 2017 reflects 9 years of principal payments.
Pacific Cove Lease Financing	\$ 1,415,100	Financing Lease	20 years	\$2,390,000 loan - 20 year term beginning 9/2012, 3.25% fixed rate through 10 years, then resets to 10 Yr. T-Bill + 1.5%.
Beach & Village Parking Lot II Lease Financing	\$ 1,203,621	Tax Exempt Lease	20 years	\$1,372,500 I-Bank loan - 20 year term beginning FY 2013/14, 2.26% interest.
<b>Total City Multi-Year Obligation</b>	<b>\$ 20,770,733</b>			

(a) Compensated absences and Net Pension Liability are as of June 30, 2016.

JPA Bond Obligations	Original Principal	Form of payment	Original Obligation	Other Terms
Monterey Bay Area Self-Insurance Authority (MBASIA) JPA Bond	\$ 5,150,000	JPA membership and paid via premiums	30 years	On Oct. 1, 2004, MBASIA issued \$5.15 million in debt. The debt service is included in the MBASIA budget and used to determine each member agency's premium.
Santa Cruz Consolidated Emergency Communications Center (SCCECC) JPA Bond	\$ 3,965,000	JPA membership and paid via premiums	22 years	In 2002, SCCECC issued \$5.76 million in lease revenue refunding bonds, which were refinanced in April 2012, at \$3,965,000. Payments are made to Santa Cruz Regional 911 from the Police Department's contracts services budget. The Use Agreement between Capitola and SCCECC is effective through 2024.
Monterey Bay Clean Energy	\$ 150,000	JPA letter of credit	n/a	City portion to fund initial start up cost, strictly credit pledge.

## 2007 PENSION OBLIGATION BOND

### DEBT SERVICE

The City of Capitola contracts with the California Public Employees' Retirement System (PERS) for four defined benefit retirement plans: classic safety, classic miscellaneous, PEPRAs safety and PEPRAs miscellaneous. The Public Employees' Pension Reform Act (PEPRA) went into effect on January 1, 2013, and applies to all non-classic employees hired after 2012 not subject to reciprocity. Contribution rates for each plan are composed of the normal cost (annual cost of service accrual for the upcoming fiscal year for active employees, also viewed as the long-term contribution rate) plus the additional unfunded accrued liability (the difference between the value of plan assets and the accrued plan liability).

In 2003, risk pooling was implemented as part of the PERS actuarial valuation process, in part to protect small employers against large fluctuations in employer contribution rates. The City of Capitola became part of two separate risk pools, one each for Safety and Miscellaneous employees. The existing unfunded actuarial accrued liabilities were segregated into side funds as the responsibility of each individual agency. The side fund was established with an 18-year life at the then-current PERS interest rate of 7.75%, with annual payments expressed as a percentage of payroll. As of June 30, 2007, the City of Capitola's UAAL was \$5,912,220, split evenly between the Safety and Miscellaneous Plans. In July 2007, the PERS UAAL obligation through June 30, 2007, was paid with a \$1 million pay down and issuance of \$5,040,000 in taxable pension obligation bonds (POB). The POB is a 10 year, 3.01% obligation, with the last payment due August 1, 2017.

#### SOURCES AND USES

Fund - 1410	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund</b>						
<b>Balance</b>	\$ 483,820	\$ 481,531	\$ 481,531	\$ 481,531	\$ 481,531	\$ -
<b>Revenue</b>						
Other Financing Sources	\$ 670,572	\$ 669,204	\$ 668,595	\$ 668,595	\$ 187,351	\$ -
<b>Revenue Totals</b>	\$ 670,572	\$ 669,204	\$ 668,595	\$ 668,595	\$ 187,351	\$ -
<b>Expenditures</b>						
Contract Services	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500	\$ -
Debt Service	671,361	667,704	667,095	667,095	664,382	-
<b>Expenditure Totals</b>	\$ 672,861	\$ 669,204	\$ 668,595	\$ 668,595	\$ 668,882	\$ -
<b>Fund Balance at 06/30</b>	\$ 481,531	\$ 481,531	\$ 481,531	\$ 481,531	\$ -	\$ -

**2007 Taxable Pension Obligation Bond**

## Debt Service schedule

Payment Dates	Principal	Interest	Total	Fiscal Year
2/1/2008		\$ 166,597	\$ 166,597	\$ 166,597
8/1/2008	\$ 370,000	\$ 151,452	\$ 521,452	
2/1/2009		\$ 140,334	\$ 140,334	\$ 661,786
8/1/2009	\$ 405,000	\$ 140,334	\$ 545,334	
2/1/2010		\$ 128,163	\$ 128,163	\$ 673,497
8/1/2010	\$ 435,000	\$ 128,163	\$ 563,163	
2/1/2011		\$ 115,092	\$ 115,092	\$ 678,255
8/1/2011	\$ 455,000	\$ 115,092	\$ 570,092	
2/1/2012		\$ 101,419	\$ 101,419	\$ 671,510
8/1/2012	\$ 485,000	\$ 101,419	\$ 586,419	
2/1/2013		\$ 86,845	\$ 86,845	\$ 673,263
8/1/2013	\$ 515,000	\$ 86,845	\$ 601,845	
2/1/2014		\$ 71,369	\$ 71,369	\$ 673,213
8/1/2014	\$ 545,000	\$ 71,369	\$ 616,369	
2/1/2015		\$ 54,992	\$ 54,992	\$ 671,360
8/1/2015	\$ 575,000	\$ 54,992	\$ 629,992	
2/1/2016		\$ 37,713	\$ 37,713	\$ 667,704
8/1/2016	\$ 610,000	\$ 37,713	\$ 647,713	
2/1/2017		\$ 19,382	\$ 19,382	\$ 667,095
8/1/2017	\$ 645,000	\$ 19,382	\$ 664,382	\$ 664,382
<b>TOTAL</b>	<b>\$5,040,000</b>	<b>\$1,828,663</b>	<b>\$6,868,663</b>	<b>\$6,868,663</b>

# PACIFIC COVE LEASE FINANCING

## DEBT SERVICE

The City of Capitola owns 426 Capitola Avenue, which formerly housed the 41 mobile home Pacific Cove Mobile Home Park. On March 24, 2011, a 72" storm drain that carries Noble Gulch Creek water from Bay Avenue to Soquel Creek catastrophically failed following a heavy rain storm. This resulted in flooding of the Pacific Cove Mobile Home Park, City Hall and village residences and businesses. The initial estimate to bring the park up to code was \$1.33 million. Due to the high cost and potential for future liability, Capitola City Council approved a Relocation Impact Report (RIR) for the closure of Pacific Cove Mobile Home Park in January 2012. The RIR provided a cost estimate for relocating residents and professional relocation consultants to help displaced residents find suitable replacement housing. The City executed a \$2.39 million lease/sublease agreement using the existing City Hall site and adjacent upper parking lot as the pledged property. The City verified income status as part of the relocation process and determined that a percentage of Housing Trust Fund monies could be used to repay the debt service at a proportion no greater than the number of low income mobile home occupants that were relocated. The funding sources for debt service payments will be determined annually. Any General Fund monies for the share of allowable costs from other funding sources may be reimbursed in subsequent years as funds become available.

At the time the loan was issued, there was some uncertainty as to whether the property would be developed for public or private use. This resulted in the City entering into a 20-year taxable lease/sublease agreement at an interest rate of 5.14%. In FY 12/13, the City determined that the site would be converted to a public parking lot, now named Beach & Village Parking Lot II (BVPL II). This public use allows the City to refinance the existing debt at a 3.25% tax-exempt interest rate with a 10-year Treasury Bill reset + 1.5% in year ten. As a result of the refinancing, annual loan payments were reduced by approximately \$28,000, with an estimated nine-year interest savings of approximately \$350,000. In FY 12/13 the City reached a \$1.35 million insurance settlement related to the pipe failure. This resulted in a principal reduction of \$476,200, with a prepayment penalty of \$23,800.

### SOURCES AND USES

Fund - 1420	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund Balance</b>	<b>\$ 329,658</b>	<b>\$ 330,403</b>	<b>\$ 131,520</b>	<b>\$ 131,520</b>	<b>\$ 131,520</b>	<b>\$ 131,520</b>
<b>Revenue</b>						
Use of money & property	\$ 746	\$ 1,116	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	165,065	214,416	165,066	165,066	165,066	165,066
<b>Revenue Totals</b>	<b>\$ 165,811</b>	<b>\$ 215,532</b>	<b>\$ 165,066</b>	<b>\$ 165,066</b>	<b>\$ 165,066</b>	<b>\$ 165,066</b>
<b>Expenditures</b>						
Contract Services	\$ -	\$ 49,350	\$ -	\$ -	\$ -	\$ -
Debt Service	165,066	165,065	165,056	165,066	165,066	165,066
Other financing uses	-	200,000	-	-	-	-
<b>Expenditure Totals</b>	<b>\$ 165,066</b>	<b>\$ 414,415</b>	<b>\$ 165,056</b>	<b>\$ 165,066</b>	<b>\$ 165,066</b>	<b>\$ 165,066</b>
<b>Fund Balance at 06/30</b>	<b>\$ 330,403</b>	<b>\$ 131,520</b>	<b>\$ 131,530</b>	<b>\$ 131,520</b>	<b>\$ 131,520</b>	<b>\$ 131,520</b>

### Pacific Cove Financing Lease Debt Service

Payment Date	Principal	Interest /Prepmt penalty	Total	Fiscal Year
9/1/2012	\$ 30,815	\$ 53,893	\$ 84,708	
3/1/2013	35,871	60,632	96,503	
6/28/2013	476,200	23,810	500,010	\$ 681,221
9/1/2013	42,440	22,843	65,283	
3/1/2014	53,207	29,326	82,533	147,816
9/1/2014	46,196	36,337	82,533	
3/1/2015	46,947	35,586	82,533	165,066
9/1/2015	47,710	34,823	82,533	
3/1/2016	48,485	34,048	82,533	165,066
9/1/2016	49,273	33,260	82,533	
3/1/2017	50,074	32,459	82,533	165,066
9/1/2017	50,887	31,645	82,533	
3/1/2018	51,714	30,819	82,533	165,066
9/1/2018	52,555	29,978	82,533	
3/1/2019	53,409	29,124	82,533	165,066
9/1/2019	54,277	28,256	82,533	
3/1/2020	55,159	27,374	82,533	165,066
9/1/2020	56,055	26,478	82,533	
3/1/2021	56,966	25,567	82,533	165,066
9/1/2021	57,891	24,641	82,533	
3/1/2022	58,832	23,701	82,533	165,066
9/1/2022	59,788	22,745	82,533	
3/1/2023	60,760	21,773	82,533	165,066
9/1/2023	61,747	20,786	82,533	
3/1/2024	62,751	19,782	82,533	165,066
9/1/2024	63,770	18,763	82,533	
3/1/2025	64,807	17,726	82,533	165,066
9/1/2025	65,860	16,673	82,533	
3/1/2026	66,930	15,603	82,533	165,066
9/1/2026	68,017	14,515	82,533	
3/1/2027	69,123	13,410	82,533	165,066
9/1/2027	70,246	12,287	82,533	
3/1/2028	71,387	11,145	82,533	165,066
9/1/2028	72,548	9,985	82,533	
3/1/2029	57,304	7,887	65,191	147,724
9/1/2029	-	-	-	
3/1/2030	-	-	-	-
9/1/2030	-	-	-	
3/1/2031	-	-	-	-
9/1/2031	-	-	-	
3/1/2032	-	-	-	-
<b>TOTAL</b>	<b>\$2,390,000</b>	<b>\$897,681</b>	<b>\$3,287,681</b>	<b>\$ 3,287,681</b>

## BEACH & VILLAGE PARKING II – LEASE FINANCING

### DEBT SERVICE

In April 2013, the City of Capitola received \$1,372,000 in funding from the California Infrastructure and Economic Development Bank (I-Bank) for development of a parking lot on the former Pacific Cove Mobile Home Park site. The funding was used to create the 226 space Beach & Village Parking Lot II. The project included grading, pay station installation, shuttle bus stops, landscaping, pedestrian walkways, and pay stations for the upper parking lot. The I-Bank loan is 2.26% tax exempt reimbursement financing.

This project improved parking capacity for Capitola Village, Capitola Beach, and Capitola Wharf, and is especially helpful during peak seasons. The additional parking spaces are also anticipated to facilitate the development of a hotel. The parking lot contributes about \$45,000 in annual revenue to the General Fund and the I-Bank annual debt service of \$165,000 is paid with funds transferred from the General Fund.

### SOURCES AND USES

Fund - 1421	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund Balance</b>	\$ 74,249	\$ (38,371)	\$ (39,185)	\$ (39,185)	\$ -	\$ -
<b>Revenue</b>						
Interfund Transfers	\$ 86,054	\$ 89,561	\$ 89,192	\$ 128,377	\$ 89,004	\$ 88,812
Other Financing Sources	-	-	-	-	-	-
<b>Revenue Totals</b>	<b>\$ 86,054</b>	<b>\$ 89,561</b>	<b>\$ 89,192</b>	<b>\$ 128,377</b>	<b>\$ 89,004</b>	<b>\$ 88,812</b>
<b>Expenditures</b>						
Construction Svcs. & Supplies	\$ 112,825	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Debt Service	85,849	89,375	89,192	89,192	89,004	88,812
<b>Expenditure Totals</b>	<b>\$ 198,674</b>	<b>\$ 90,375</b>	<b>\$ 89,192</b>	<b>\$ 89,192</b>	<b>\$ 89,004</b>	<b>\$ 88,812</b>
<b>Fund Balance at 06/30</b>	<b>\$ (38,371)</b>	<b>\$ (39,185)</b>	<b>\$ (39,185)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Beach & Village Parking Lot II Lease Financing  
Debt Service**

<b>Payment Dates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Fiscal Year</b>
8/1/2014	\$ 55,040	15,922	70,962	
2/1/2015		14,887	14,887	\$ 85,849
8/1/2015	56,284	18,840	75,124	
2/1/2016		14,251	14,251	89,375
8/1/2016	57,556	18,035	75,591	
2/1/2017		13,601	13,601	89,192
8/1/2017	58,857	17,212	76,069	
2/1/2018		12,936	12,936	89,004
8/1/2018	60,187	16,370	76,557	
2/1/2019		12,256	12,256	88,812
8/1/2019	61,547	15,509	77,056	
2/1/2020		11,560	11,560	88,616
8/1/2020	62,938	14,629	77,567	
2/1/2021		10,849	10,849	88,416
8/1/2021	64,360	13,729	78,089	
2/1/2022		10,122	10,122	88,211
8/1/2022	65,815	12,809	78,624	
2/1/2023		9,378	9,378	88,002
8/1/2023	67,302	11,868	79,170	
2/1/2024		8,618	8,618	87,788
8/1/2024	68,823	10,905	79,728	
2/1/2025		7,840	7,840	87,568
8/1/2025	70,379	9,921	80,300	
2/1/2026		7,045	7,045	87,344
8/1/2026	71,969	8,915	80,884	
2/1/2027		6,231	6,231	87,116
8/1/2027	73,596	7,886	81,482	
2/1/2028		5,400	5,400	86,881
8/1/2028	75,259	6,833	82,092	
2/1/2029		4,549	4,549	86,641
8/1/2029	76,960	5,757	82,717	
2/1/2030		3,680	3,680	86,396
8/1/2030	78,699	4,657	83,356	
2/1/2031		2,790	2,790	86,146
8/1/2031	80,478	3,531	84,009	
2/1/2032		1,881	1,881	85,890
8/1/2032	82,297	2,380	84,677	
2/1/2033		951	951	85,627
8/1/2033	84,156	1,204	85,360	85,360
<b>Total</b>	<b>\$ 1,372,500</b>	<b>\$ 375,736</b>	<b>\$ 1,748,236</b>	<b>\$ 1,748,236</b>



# CAPITAL IMPROVEMENT PROGRAM



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# CAPITAL IMPROVEMENT PROGRAM

## PUBLIC WORKS

The City of Capitola's Capital Improvement Program oversees planning, design, and construction of the City's improvement projects. The CIP program is broken into facilities, parks, streets, creek enhancement, and neighborhood traffic projects. The projects are prioritized through the collaborative effort of City staff, City Council and the community. Keeping up City infrastructure requires long range planning and prioritizing to plan for necessary improvements, funding needs, and funding availability.

The City's facilities include City Hall, Police Station, Corporation Yard, Jade Street Park Community Center, Upper and Lower Pacific Cove Park Parking Lots, Capitola Municipal Wharf, and the Library. Parks include McGregor Park complex (dog, skate, pump track), Monterey Park, Rispin/Peery Park, Cortez Park, Esplanade Park, Nobel Gulch Park, Soquel Creek Park, Library Tot-lot, Hihn Park, and multiple City medians, streetscapes, and public art displays.

The Street system includes 9.3 miles of arterial roads, 3.4 miles of collector roads, and 13.5 miles of local roads. The City utilizes a Pavement Management Program to track pavement conditions and plan maintenance efforts on 112 individual roads.

The FY 17/18 budget includes Measure F funding for a variety of projects including: Wharf preliminary design (\$132k), flume reconstruction (\$100k), jetty reconstruction (\$150k) and Grand Ave. path reconstruction (\$20k). During budget deliberations council appropriated an additional \$25,000 for Jade St. basketball court resurfacing and \$40,000 for senior exercise equipment.

### SOURCES AND USES

<b>Fund - 1200</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>
<b>Capital Improvement Program</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>	<b>Estimated</b>	<b>Adopted</b>	<b>Planned</b>
<b>Beginning Fund Balance</b>	<b>\$ 936,646</b>	<b>\$ 1,624,409</b>	<b>\$ 1,892,316</b>	<b>\$ 1,892,316</b>	<b>\$ 1,006,565</b>	<b>\$ 1,056,565</b>
<b>Revenue</b>						
Intergovernmental revenue	\$ -	\$ 383,925	\$ -	\$ 115,842	\$ -	\$ -
Other revenues	20,000	243,195	253,000	246,360	50,000	50,000
Other financing sources	1,069,900	1,692,435	752,047	752,047	467,200	1,100,000
<b>Revenue Totals</b>	<b>\$ 1,089,900</b>	<b>\$ 2,319,555</b>	<b>\$ 1,005,047</b>	<b>\$ 1,114,249</b>	<b>\$ 517,200</b>	<b>\$ 1,150,000</b>
<b>Expenditures</b>						
Contract services	\$ 402,137	\$ 2,051,648	\$ 752,047	\$ 2,000,000	\$ 467,200	\$ 1,100,000
<b>Expenditure Totals</b>	<b>\$ 402,137</b>	<b>\$ 2,051,648</b>	<b>\$ 752,047</b>	<b>\$ 2,000,000</b>	<b>\$ 467,200</b>	<b>\$ 1,100,000</b>
<b>Fund Balance at 6/30</b>	<b>\$ 1,624,409</b>	<b>\$ 1,892,316</b>	<b>\$ 2,145,316</b>	<b>\$ 1,006,565</b>	<b>\$ 1,056,565</b>	<b>\$ 1,106,565</b>

# SUCCESSOR AGENCY



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# SUCCESSOR AGENCY

## CAPITOLA OVERSIGHT BOARD

California Redevelopment Agencies were dissolved February 1, 2012. The City of Capitola elected to become the Successor Agency of the former Capitola Redevelopment Agency and oversee the winding down of its obligations. The full obligations of the Successor Agency were approved by the California State Department of Finance (DOF), the State Controller's Office (SCO), and the Santa Cruz County Auditor-Controller's Office. Subsequent actions of the Successor Agency in paying these obligations are reviewed, approved, and audited by each these agencies, as well as by a representative seven-member Oversight Board. Payments are authorized through Recognized Obligation Payment Schedules (ROPS) and paid for with allocations of property tax proceeds. The DOF, SCO, and County Auditor-Controller audit each ROPS submission, prior period reconciliation, and Redevelopment Property Tax Trust Fund (RPTTF) cash flow and balance.

### FISCAL YEAR ACCOMPLISHMENTS - 2016/17

- Received approval for reimbursement of 57% of reinstated \$618,028 City co-op loan
- Received approval for ROPS 16-17 and 17-18
- Completed annual SB341 Housing Successor Status

### FISCAL YEAR GOALS - 2017/18 and 2018/19

#### FISCAL POLICY

- Receive Department of Finance approval for future ROPS submissions
- Wind down Successor Agency obligations in an expedient manner

### SOURCES AND USES

Fund - 5501 Successor Agency	FY14/15 Actual	FY15/16 Actual	FY16/17 Adopted	FY16/17 Estimated	FY17/18 Adopted	FY18/19 Planned
<b>Beginning Fund Balance</b>	\$ 607,859	\$ 216,970	\$ 382,836	\$ 382,836	\$ 379,817	\$ 337,859
<b>Revenue</b>						
Intergovernmental	\$ 472,789	\$ 708,956	\$ 424,331	\$ 566,876	\$ 595,000	\$ 264,387
<b>Revenue Totals</b>	<b>\$ 472,789</b>	<b>\$ 708,956</b>	<b>\$ 424,331</b>	<b>\$ 566,876</b>	<b>\$ 595,000</b>	<b>\$ 264,387</b>
<b>Expenditures</b>						
Contract Services	\$ 150,000	\$ 60,000	\$ 40,000	\$ 40,000	\$ 30,000	\$ 15,000
Grants and subsidies	172,596	202,024	202,024	202,024	202,024	202,024
Debt service	432,494	11,866	114,871	114,871	354,129	47,363
Other financing uses	108,588	269,200	213,000	213,000	50,805	-
<b>Expenditure Totals</b>	<b>\$ 863,678</b>	<b>\$ 543,090</b>	<b>\$ 569,895</b>	<b>\$ 569,895</b>	<b>\$ 636,958</b>	<b>\$ 264,387</b>
<b>Fund Balance at 06/30</b>	<b>\$ 216,970</b>	<b>\$ 382,836</b>	<b>\$ 237,272</b>	<b>\$ 379,817</b>	<b>\$ 337,859</b>	<b>\$ 337,859</b>

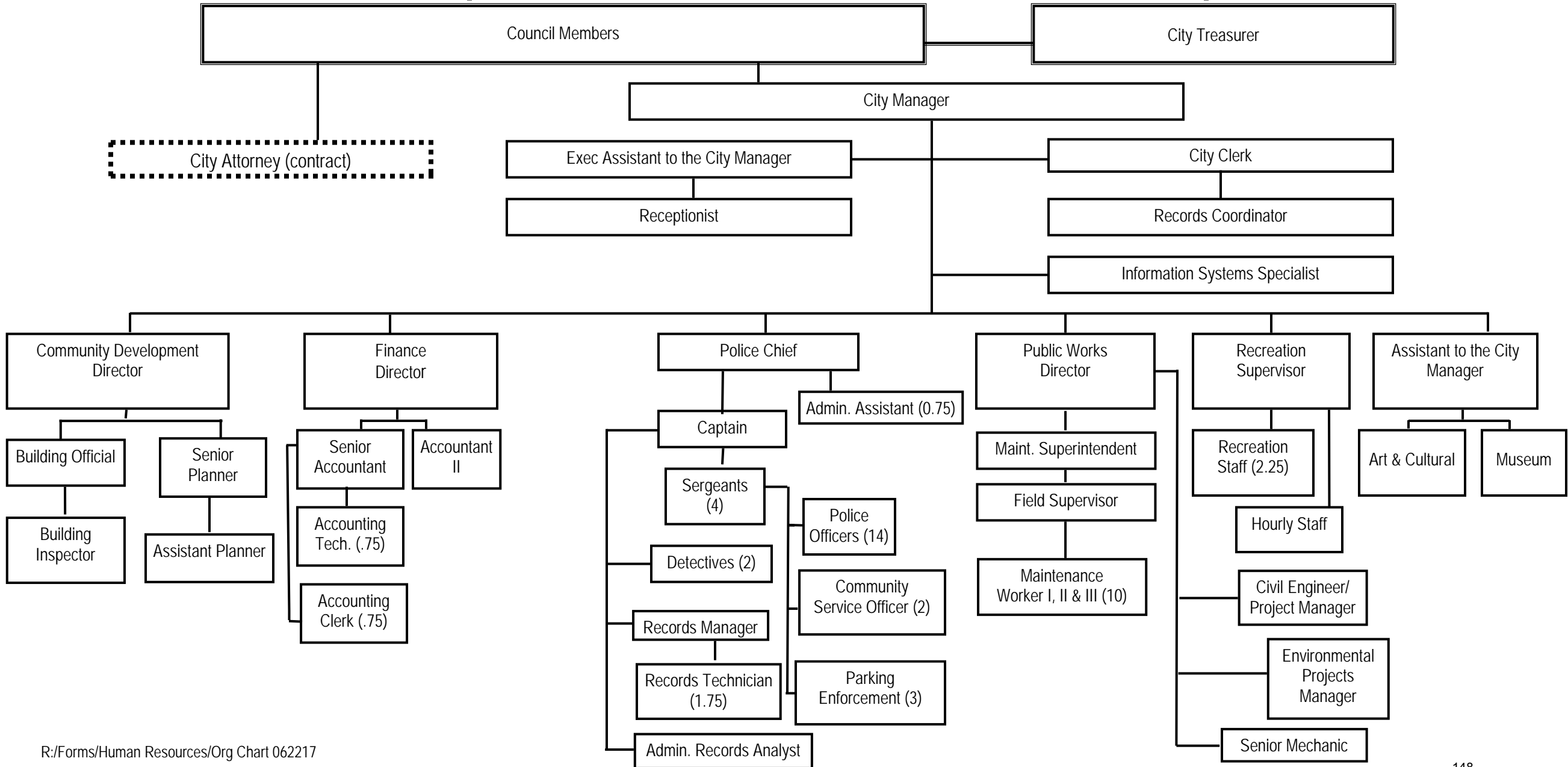
# SUPPLEMENTARY INFORMATION



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Citizens of the City of Capitola



# COMPARATIVE DATA

On February 23, 2012, the City Council approved funding for a Benchmark Study. This benchmark analysis was designed to assess the fiscal performance of the City of Capitola. The results were used to demonstrate how Capitola compares with other cities, while also providing reasonable assurance that the City was managing its fiscal affairs effectively. The completed study, presented to Council on September 27, 2012, suggested the City had done an excellent job in managing its fiscal affairs in light of the recession, combined with the challenges associated with the March 2011 pipe failure.

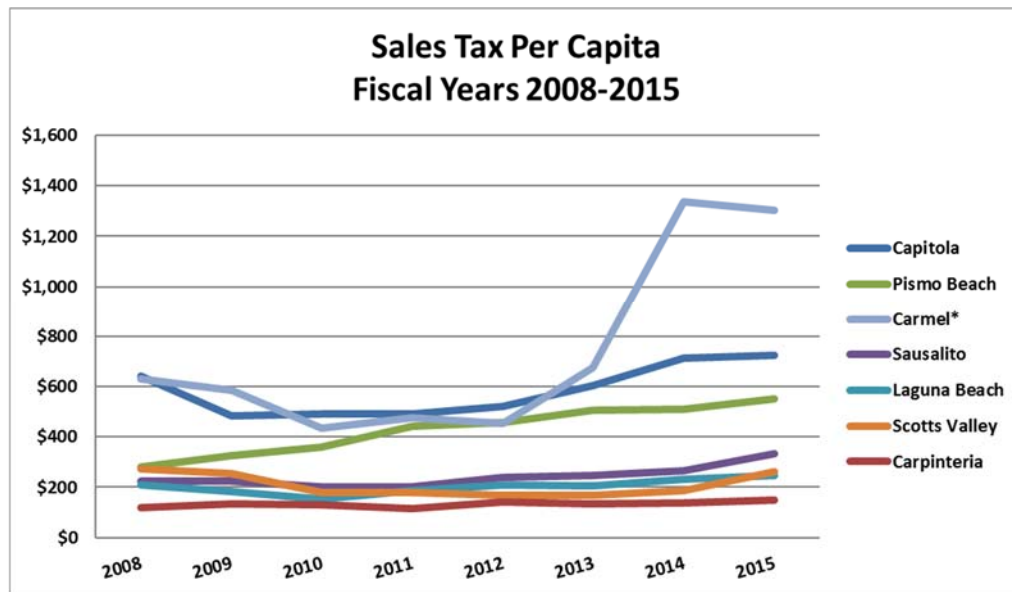
The comparable cities were chosen not only by comparable population size, but also by important service, economic, geographic and demographic characteristics. The following factors were considered in selecting benchmark cities:

- Population between 3,500 and 25,000
- Located in a coastal county
- Strong “sense of place/quality of life” community
- Economy based heavily on tourism
- Similar scope of services
- Management/governance reputation

The benchmarks in the original report were based on the comparable cities’ FY 2010/11 Comprehensive Annual Financial Reports (CAFR). The following charts reference updated information from the FY 0214/15 CAFR’s.

## Sales Tax Per Capita

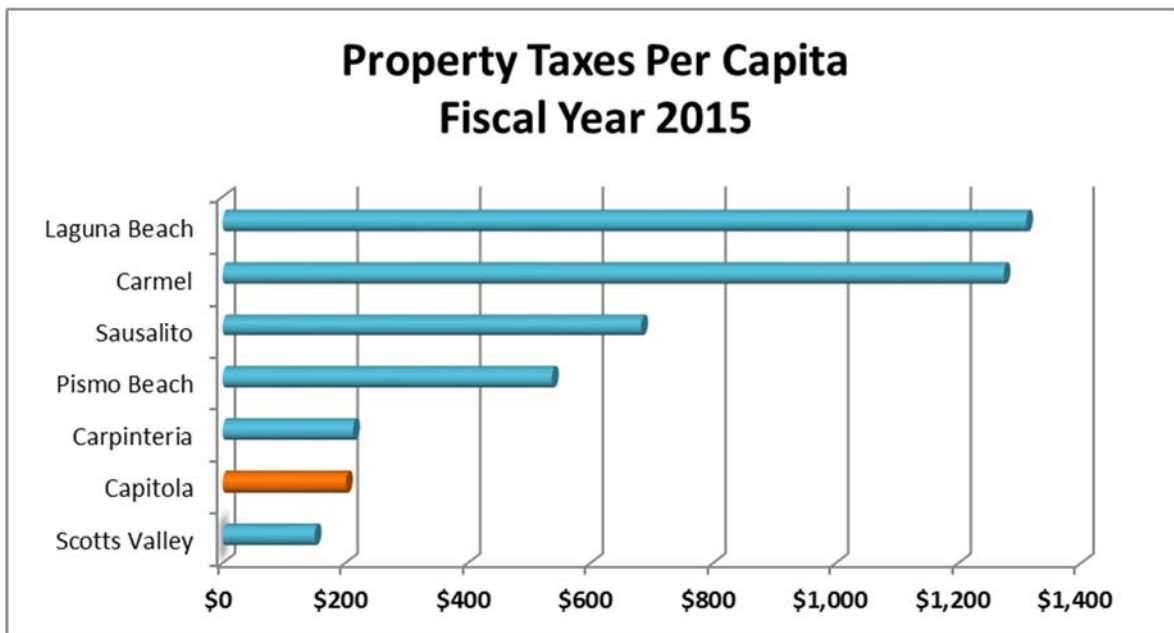
The City of Capitola’s sales tax is the largest single revenue stream. In FY 2013/14, sales tax accounted for over 50 percent of General Fund operating revenues. The analysis shows all sales taxes, including locally administered sales tax measures approved by the electorate. Capitola improved upon the 2011 benchmark study from \$490 to \$722 per capita in FY 2014/15, with the large increase attributes to the addition of Measure O, a new 1/4% district sales tax in FY 2012/13.



\*Estimated population of 3,720 for 2008 and 2009

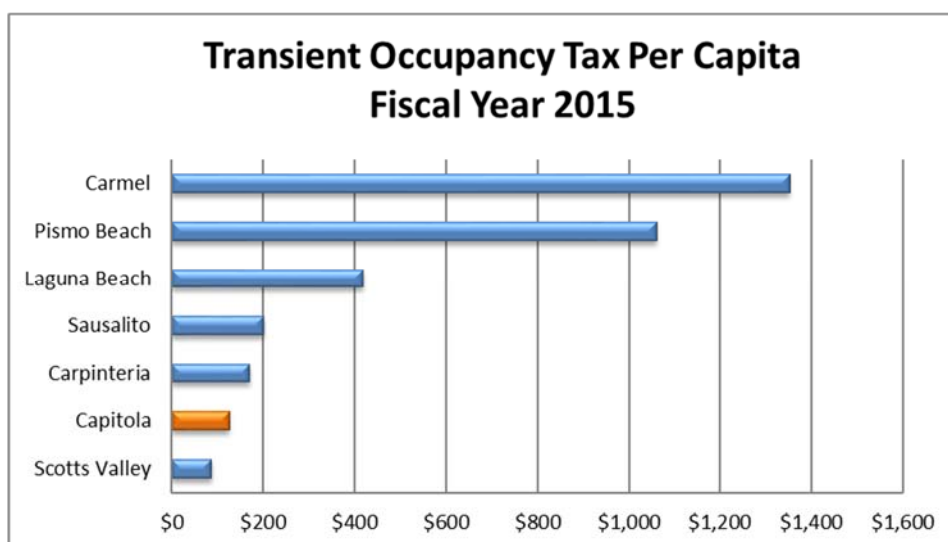
## Property Taxes

Property taxes, based on assessed valuations, indicate the vitality of the local housing market. Carmel, Laguna Beach, and Sausalito continue to show a very strong market for assessed valuations and the resultant property tax collection. Capitola remains second lowest in FY 2014/15.



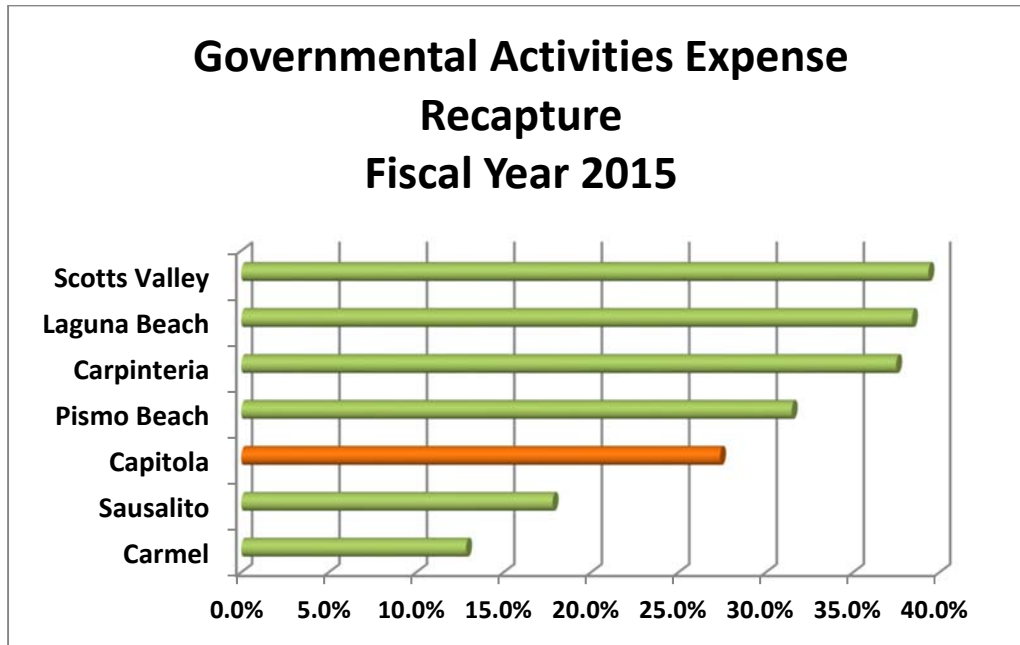
## Transient Occupancy Taxes

One of the primary factors considered in the selection of benchmark cities was their reliance on tourism. This analysis shows each city's ability to obtain revenues from transient occupancy taxes. Each benchmark city charged a 10% tax on transient occupancy in FY 2012/13, with the exception of Sausalito and Carpinteria, which charged 12%. In FY 2014/15, transient occupancy tax increased for all benchmark cities. The City of Capitola's transient occupancy tax increased from \$108 to \$126 per capita.



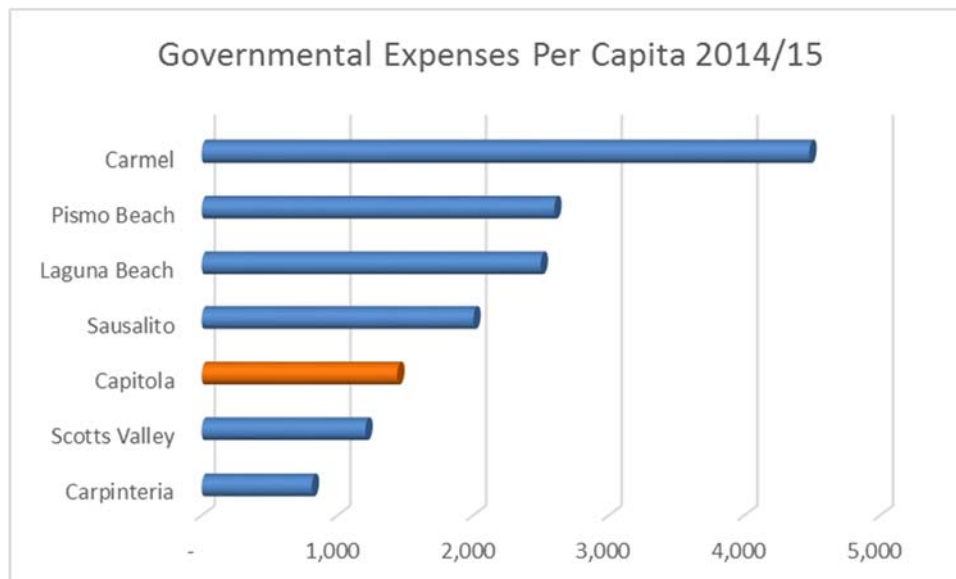
## Citywide Activity Costs

One of the ways to evaluate the citywide costs of providing government services is to review the Statement of Activities section of the CAFR. This graph shows comparable data for each city and excludes fire department and sewer expenses for consistency purposes. Capitola's ratio from FY 2014/15 shows a revenue recapture of 27.4 percent of governmental activities.



## General Fund Operating Costs per Capita

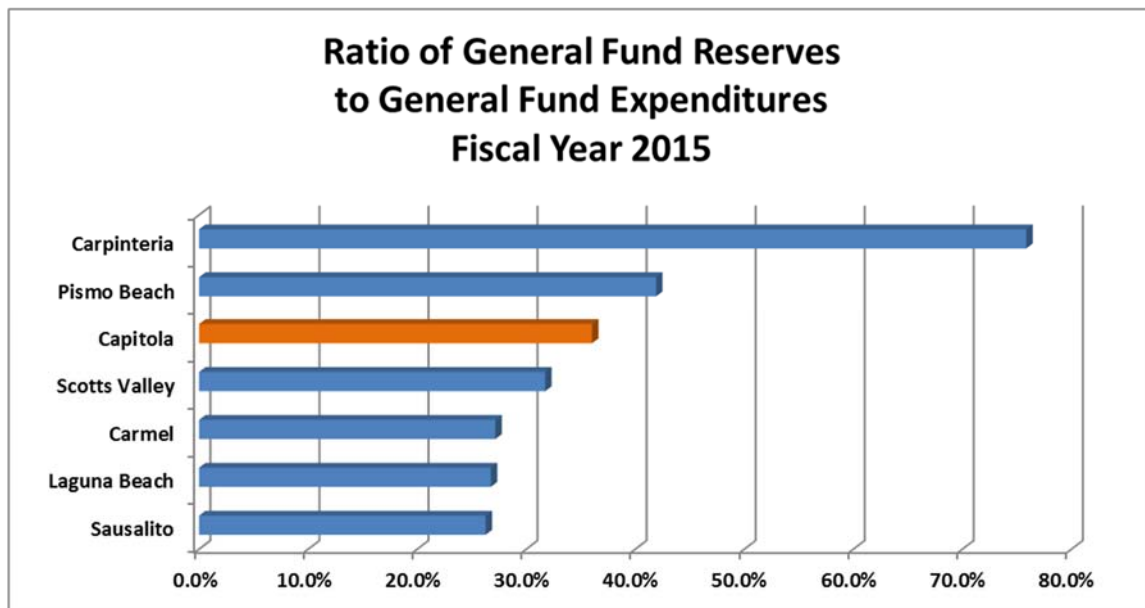
The following graph shows the operating costs per capita of each city's General Fund. For consistency, the costs of fire and sewer have been removed from each municipality. Capital outlay and debt service have also been removed to reflect only operating costs. Capitola is the fourth lowest position in this category.



## Ratio of General Fund Reserves to General Fund Operating Expenditures

This ratio can be used as a risk management tool to assess how well a municipality can cover unplanned purchases or manage fiscal challenges. The City of Capitola's reserve ratio in this chart will differ from the method used to calculate the City's reserve policy requirements. The City's Financial Management Policies require the targeted reserve levels to be calculated on the ratio of reserves to the budgeted General Fund operating expenditures; while the City's CAFR combines the General Fund balances with reserves, internal service funds, and the General Plan. This chart references the CAFR calculation of spendable fund balances for benchmark comparability purposes,

Capitola's ratio saw a healthy increase from 30% in FY 2012/13 to 36% in FY 2014/15. The City's rank remained unchanged in relation to the benchmark cities. The City's ratio is anticipated to continue to rise due to a change in policy, which increased Emergency Reserve requirements from 5% to 10% of operating expenditures and the Contingency Reserve requirements from 10% to 15% of operating expenditures. The City's reserve will also increase with the implementation of the PERS Contingency Fund. An overview of this plan is included in the Summary Section of this document.





## ADMINISTRATIVE POLICY

Number: III-3  
Issued: June 8, 2000  
Revised: March 14, 2013  
June 13, 2013  
October 27, 2016  
Jurisdiction: City Council

### FINANCIAL MANAGEMENT POLICIES

#### POLICY

The following financial policies (herein, the "Policies") assist the City with the management of its operating and capital budgeting processes and to standardize and rationalize the issuance of debt by the City. Updated policies insure the prudent use of the City's resources to meet its commitments, to provide needed services to the citizens of Capitola, and to maintain sound financial management practices. These Policies are guidelines for general use, and allow for exceptions in extraordinary conditions. The Policies serve their intended purpose if they stimulate an open debate about the City's operating and capital budget processes, existing and/ or proposed debt position, and they lead to informed decision-making by the City Council. In order to use the Policies properly, they should be applied in the context of the community's overall objectives and goals.

The Policies are divided into three sections: Capital Budgeting and Reserves, Operating Budgeting and Reserves, and Other Policies.

#### A. CAPITAL BUDGETING AND RESERVES; ISSUANCE OF DEBT

##### 1. CAPITAL PLANNING -IN GENERAL:

To enhance creditworthiness and prudent financial management, the City of Capitola is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning, and implementation over a two-year period. Evidence of this commitment to systematic capital planning will be demonstrated through adoption of an annual review of the City's five-year capital improvement budget.

##### 2. USE OF LONG-TERM FINANCING METHODS:

Major capital improvements or acquisitions valued over \$250,000 may be made using long-term financing, methods, rather than out of operating revenue. The prioritization of capital projects eligible for debt financing is accomplished through a "needs assessments" undertaken in the formulation and development of the City's five-year capital improvement budget.

##### 3. FISCAL ANALYSIS:

The City will require each capital appropriation request to include a fiscal analysis that identifies the amount of funds requested, the source of funds requested and the impact of the request on existing revenues and operations.

##### 4. ASSET LIFE:

The City will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years. City debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

5. CAPITAL FINANCING -IN GENERAL:

The City will rely first on internally generated funds and/or grants and contributions from other government sources to finance its capital improvement needs. Capital improvements will be financed through user fees, service charges, assessments, special taxes or developer exactions so long as the benefits the City will derive from such improvements can be attributed to the users of the improvements. Moreover, the City will specifically consider the costs associated with any borrowing in order to determine that the above funding sources are adequate to service the proposed debt. Accordingly, the Policies assume that development fees will be set at a level that is sufficient at all times to insure that new development pays its fair share of the cost of constructing new facilities in the community.

Debt will be issued for a capital improvement project only in the case of emergency or when it is an appropriate means to achieve an equitable allocation of costs between current and future beneficiaries as determined by the City Council. Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction. Debt will only be undertaken when the City believes that project revenues or specific resources will be available and sufficient to service the debt over its life. Debt financing will not be considered appropriate for any recurring purpose such as operating or maintenance costs.

The City will evaluate the use of debt in-Lieu of "pay-as-you-go" financing based on the following criteria:

*Factors Favoring "Pay-as-you-Go" Financing:*

1. current fund balances or project revenues are Reliable adequate to fund the project;
2. existing or proposed debt levels would have a deleterious effect on the City's credit rating;
3. credit market conditions are unstable or present extraordinary difficulty in marketing the proposed debt.

*Factors Favoring Use of Debt:*

1. revenues are deemed to be stable & enough to support the proposed debt at investment grade ratings;
2. the nature of the financed project will support investment grade ratings;
3. credit market conditions present favorable interest rates and demand for financing such as the City's
4. the project being financed is mandated by the state or federal government and resources are insufficient or unavailable;
5. the project being financed is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable;
6. the estimated useful life of the asset to be financed is greater than 5 years.

6. GENERAL OBLIGATION DEBT:

General obligation bonds provide the lowest borrowing costs for major public assets. The source of repayment of a general obligation bond is from proceeds of specific taxes, the City's operating funds and its operating position are not impacted by the issuance of general obligation bonds. Though the use of the term "general obligation bond" implies that the City's "full faith and credit" would be pledged to the repayment of the bond, the bond is actually repaid from an ad valorem tax on real property.

Because of the absence of a limitation on the rate and amount of the tax that might be levied to pay a general obligation bond, state law requires the proposed debt to be approved by the electorate, by a two-thirds vote.

Cities in California may issue general obligation bonds only for the purpose of acquiring, improving or constructing real property.

7. USE OF OTHER DEBT, INCLUDING REVENUE BONDS, CERTIFICATES OF PARTICIPATION OR FINANCING LEASES:

Before issuing revenue debt or financing leases, the City will determine that the proposed facility is both necessary and desirable, and that no other financing method is practical to finance it. The City shall only use revenue debt or financing leases: if the project to be financed will generate positive net revenues after debt service; or, if the project will significantly reduce City operating costs; or, if an equal or greater amount of non-City matching funds will be lost if City's revenue or financing lease funds are not applied in a timely manner; or, in the case of a financing lease, if the project to be financed is less than \$250,000; or, if the project to be financed provides essential City services or would so advance core City policy objectives that its value overrides the value of obtaining voter approval.

B. OPERATING BUDGETING AND RESERVES

1. TWO YEAR OPERATING BUDGET:

The City will maintain a long-range fiscal perspective through the use of a two-year operating budget and a five-year capital improvement budget.

2. BALANCED OPERATING BUDGET:

The City will maintain a balanced operating budget for all governmental funds with on-going revenues equal to or greater than on-going expenditures and debt service. This policy requires that in any given fiscal year we do not budget proposed expenditures in excess of the revenue we expect to receive in the same time frame.

3. "ONE-TIME" REVENUE:

The City will use "one-time" revenues, including fund balance carry-forwards, to fund nonrecurring expenditures. "One time" revenues cannot be relied on in future budget periods and should be used to stabilize existing revenues, retire early debt or for capital purchases.



4. NORMAL REVENUE INFLATION WILL GO TO PAY NORMAL INFLATION EXPENSES:

The City will assume that normal revenue inflation will go to pay normal inflation expenses. Any new or expanded programs will be required to identify funding sources. If normal revenue inflation does not keep up with expense inflation, expenses will be decreased or a new revenue source will be found. If revenues grow at a rate faster than expense inflation, expanded service levels may be considered.

5. CONTINGENCY RESERVE APPROPRIATION:

For each fiscal year, the final adopted General Fund budget shall contain a funded Contingency Appropriation equal to 15% of normal General Fund Expenditures. The Contingency Appropriation "will provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements."

6. EMERGENCY RESERVES:

To protect against significant one-time costs, which might arise from major unpredictable emergency events, in addition to the Contingency Appropriation, the City shall maintain a funded emergency reserve equal to 10% of normal General Fund budgeted expenditures.

7. PERS CONTINGENCY FUND:

The City will maintain a PERS Contingency Fund to stabilize future pension contribution increases. The City will invest the funds in an irrevocable trust fund. The target funding level for this fund is one full year of PERS Contributions with additional money allocated to the fund when the City has available surplus funds.

8. REVENUE DIVERSIFICATION:

The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation and to protect it from short-term fluctuations in any revenue source.

9. REVENUE PROJECTIONS:

The City will prepare multi-year projections of revenues and other resources in order to understand the level of funding available for services and capital acquisition. The revenue projections will assist the City in understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to tax rates or fees. The revenue projection will be for a period of at least two years into the future to evaluate how revenues may change over time, to isolate non-reoccurring revenues and to understand the impact of revenue growth. The major assumptions used in the revenue projection will be documented and identified and different scenarios may be developed to enable City Council to choose a preferred scenario.

10. EXPENDITURE PROJECTIONS:

The City will prepare multi-year projections of expenditures for each fund and for existing and proposed new programs. The expenditure projections will assist the City in determining whether projected expenditure levels can be sustained, whether new programs are affordable, and whether a program's current and future costs are

acceptable compared to program benefits and projected revenue availability. The expenditure projections will be for a period of at least two years into the future to evaluate how expenditures may change over time. All expenditure projections should identify service level assumptions and key issues that may affect actual expenditures.

11. COMMUNITY DEVELOPMENT FEES:

The City's development process costs and related administrative expenses should be offset by fees to the greatest extent possible. Fees will be reviewed and updated on a yearly basis to ensure that they keep pace with changes in the actual costs of service delivery as well as changes in the methods or levels of service delivery.

C. OTHER POLICIES

1. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

The City will comply with all the requirements of Generally Accepted Accounting Principles. The City will always conduct its financial affairs and maintain its records in accordance with GAAP as established by the Government Accounting Standards Board, so as to maintain accuracy and public confidence in its financial reporting systems.

2. COUNCIL ACTION TO BE A SCHEDULED BUSINESS ITEM, NOT CONSENT CALENDAR:

For all debt sales, the City will require that the action taken by the City Council to incur the debt will be taken as a scheduled business item, and at a regular or special City Council meeting, consistent with state law.

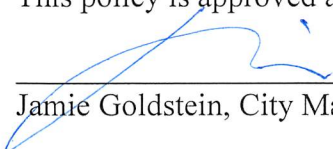
3. INTERNAL BORROWINGS:

Provided sufficient resources are available, liquidity will not be impaired, and a defined source of repayment is available, the City will favor internal over external borrowings to achieve short-term liquidity. In accordance with the City Council Resolution #2683, the Finance Director will initiate and the City Manager will approve inter-fund borrowings, except for year-end accounting entries that create temporary inter-fund loans for the financial statement presentation purposes, and the City Manager will report such borrowings to the Council at its next regular meeting. Interest on inter-fund loans will be recorded only when necessitated by state or federal program requirements, or other contractual or legal obligations.

4. EMPLOYEE COMPENSATION:

The City will continue to pay competitive market level compensation to our employees to ensure that the City has the ability to attract and retain well-qualified personnel while ensuring that the City's compensation practices are competitive and consistent with those of comparable employers.

This policy is approved and authorized by:

  
\_\_\_\_\_  
Jamie Goldstein, City Manager



## ADMINISTRATIVE POLICY

Number: III-10  
Issued: 6/9/11  
Jurisdiction: City Council

### FUND BALANCE POLICY

#### I. PURPOSE

To comply with Governmental Accounting Standards Board (GASB) issued statement 54 which requires the City Council to make certain decisions regarding the use of resources and classifications of ending fund balance in order for the annual financial reports to be in compliance with Generally Accepted Accounting Principles (GAAP).

#### II. SUMMARY

With GASB 54, a hierarchy of fund balance classifications has been created. These classifications are based primarily on the extent to which governments are bound by the constraints placed on resources reported in those funds. This approach is intended to provide users more consistent and understandable information about a fund's net resources. Previously, the city reported fund balances that were reserved, designated, or unreserved. With the implementation of GASB 54, there are five new categories required for ending fund balances. This statement applies to governmental funds only.

#### III. DEFINITIONS

The five new categories of ending fund balance are:

##### **Nonspendable Fund Balance**

- Amounts that cannot be spent due to form; for example, inventories and prepaid amounts. Also, long-term loan and notes receivables, and property held for resale would be reported here unless the proceeds are restricted, committed or assigned.
- Amounts that must be maintained intact legally or contractually (principal of a permanent fund)

##### **Restricted Fund Balance**

- Amounts constrained for a specific purpose by external parties, constitutional provision of enabling legislation

##### **Committed Fund Balance**

- Amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources
- Action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period

##### **Assigned Fund Balance**

- For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed

- For the general fund, amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Amount reported as assigned should not result in a deficit in unassigned fund balance

**Unassigned Fund**

- For the general fund, amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.
- For all governmental funds other than the general fund, amount expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit). In determining a residual deficit, no amount should be reported as assigned.

**IV. POLICY**

The City of Capitola will use GASB's definitions of fund balance for the annual financial reports (audits) and for all other financial reporting.

The City of Capitola policy establishes the order of use of unrestricted resources when any of these amounts are available for expenditure as committed amounts should be used first, followed by the assigned amounts, and then the unassigned amounts.

In addition, GASB 54 allows the City Council authority to "assign" ending fund balances or bestow this authority to a city officer or designee. To provide the city with the most flexibility in financial reporting, staff is recommending that the Finance Director be given authority to assign resources and ending fund balances if applicable.

This policy was approved by the City Council of the City of Capitola at its meeting held on the 9<sup>th</sup> day of June, 2011, and authorized by:

  
\_\_\_\_\_  
Jamie Goldstein  
City Manager

JG/lis



## ADMINISTRATIVE POLICY

Number: III-1

Issued: May 9, 1996

Revised: August 9, 2001

Jurisdiction: City Council

### INVESTMENT POLICY

The policy for the investment of public funds shall at all times conform, by law, to Section 53601, et seq., of the California Government Code. In order of importance, the investment policy shall:

1. Provide for the safety of the funds
2. Assure the liquidity of the funds
3. Acquire earnings of the funds

This investment policy, or any modification thereof, shall be formulated by the City Treasurer and approved by the City Council and copies made available upon request.

The Treasurer's investment portfolio contains pooled investments of funds by both the City and of benefit assessment districts within the City. The earnings from pooled investments are shared proportionately with each investor.

City investment funds shall only be invested in the following permitted investments:

1. State of California Local Agency Investment Fund
2. U.S. Treasury T-Bills
3. Negotiable Certificates of Deposit
4. Guaranteed Investment Contracts (GIC) of AAA quality, for a term not to exceed fifteen (15) months\*

The following limitations shall apply to permitted investments:

T-Bills: Total dollar investment not to exceed 60% of total portfolio at time of investment.

Certificates of Deposit:

- A. Total dollar investment not to exceed 20% of total portfolio at time of investment.
- B. Maturity date of securities shall not be more than 365 days from date of purchase.
- C. Issuer must be one of top 20 national or state chartered banks, one of top 20 state or federal savings associations, or one of top 10 state licensed foreign banks as compiled by American Banker from Merrill Lynch.
- D. CD's may be purchased only from the issuer, a federal or state chartered bank, a federal or state association, or a brokerage firm designated as a primary dealer by the Federal Reserve Bank.
- E. The deposit shall not exceed the total of the paid-up capital and the surplus of any depository bank, nor shall the deposit exceed the net worth of any depository association.

City funds placed in a qualified Other Post Employment Benefit (OPEB) Trust Fund for retiree healthcare can be invested in accordance with Government Codes 53620-53622.

  
Peter Wilk, City Treasurer



# GANN APPROPRIATION LIMIT

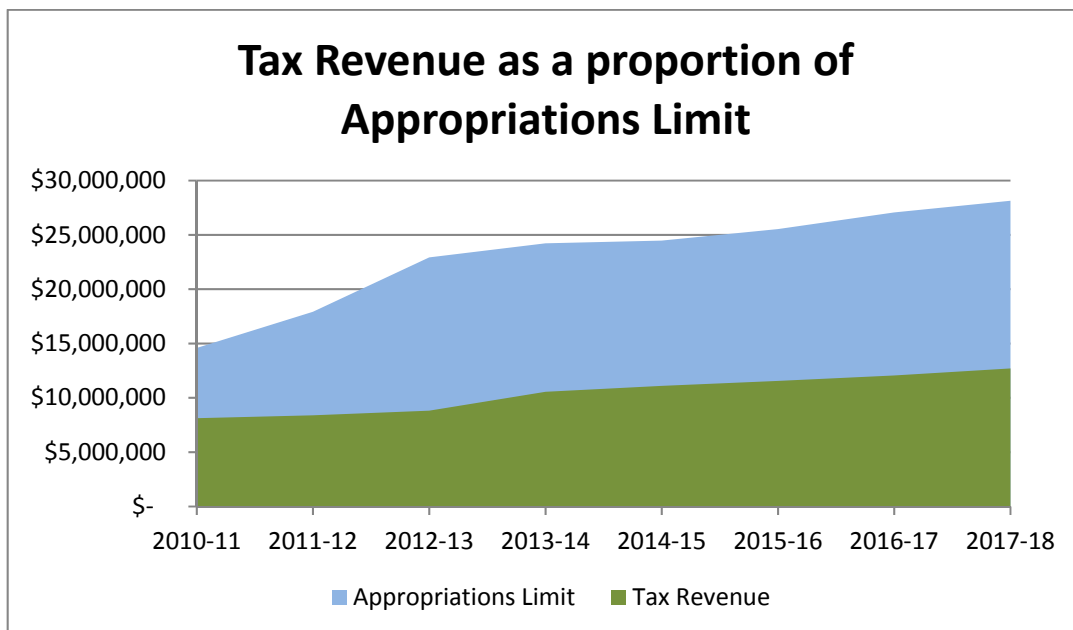
On November 6, 1979, California voters approved Proposition 4, commonly known as the Gann Initiative, establishing Article XIII B of the State Constitution. This proposition places annual limits on the appropriation of tax proceeds that can be made, based on the 1978-79 base year and adjusted each year for population growth and cost-of-living factors. It precludes state and local government from retaining “excess” revenues above the appropriation limit and requires the State to reimburse local government for the cost of certain mandates. Two subsequent initiatives, Proposition 98 in 1988 and Proposition 111 in 1990, modify the appropriation limit requirements. Proposition 98 amends the methodology for allocation of excess revenues. Proposition 111 changes the population growth and cost-of-living factors to be used in calculating the limit, adds additional exempted items, and further adjusts allocation of excess revenues.

The appropriations limit on the amount of revenue that can be spent applies only to tax proceeds. Charges for services, fees, grants, loans, donations, and other non-tax based proceeds are excluded. Exemptions are also made for voter approved debt, debt that existed prior to January 1, 1979, and for the cost of compliance with court or Federal government mandates.

The State Constitution requires that prior to June 30 of each year, Council ratify calculation factors and set the City’s appropriations limit for the following fiscal year.

The appropriations limit for a given fiscal year is established in the months preceding the beginning of that fiscal year. California Revenue and Taxation Code, Section 2227, mandates that the Department of Finance transmit an estimate of the percentage change in population, “Annual Percent Change in Population Minus Exclusions”, to local governments. Each local jurisdiction uses this percentage change in population factor, in conjunction with the County-issued “Local Nonresidential Property Value Increment By Fund” or “Change in California Per Capita Income”, to calculate the Appropriation Factor used in determining the Limit.

Historic Limit versus Tax Revenue



The 2017-18 calculation is:

Annual % change in County Population minus Exclusions	Change in California per capita Income	Appropriation Factor	FY 2016-17 Appropriation Limit	FY 2017-18 Appropriation Limit
1.0026	1.0369	1.0396	\$ 27,065,519	\$ 28,137,314

The 2017-18 estimated budget tax revenues are:

Source of Tax Revenue	2017-18 Proposed Budget
Sales Tax and Triple Flip (1%)	\$ 5,774,116
District Taxes (Measures D/O/F)	2,166,207
Property Tax and In-Lieu	2,429,070
Transient Occupancy Tax	1,506,318
Franchise Taxes	535,503
Business License Tax	300,800
Interest Income from tax revenue	1,240
<b>Total Tax Revenue</b>	<b>\$ 12,713,254</b>

The 2017-18 percentage of appropriations limit used is:

Fiscal Year ended:	2015-16	2016-17	2017-18
Appropriations Limit	\$ 25,528,692	\$ 27,065,519	\$ 28,137,314
Tax revenue	\$ 11,554,580	\$ 12,052,399	\$ 12,713,254
Remaining to limit	\$ 13,974,112	\$ 15,013,120	\$ 15,424,060
% of limit used	45.26%	44.53%	45.18%
Limit vs. prior year	\$ 1,056,780	\$ 1,536,827	\$ 1,071,795
Incr./ (Decr.) vs. pr. yr.	4.3%	6.0%	4.0%

The appropriations limit increased \$1,071,795 to \$28.1 million, or 4% from 2016-17 to 2017-18.

## RESOLUTION NO. 4079

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
SETTING THE 2017-18 FISCAL YEAR APPROPRIATION LIMIT PURSUANT  
TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION**

**WHEREAS**, before June 30 of each year, the City Council must select the factors to calculate the appropriation limit for the ensuing fiscal year and set the appropriation limit accordingly.

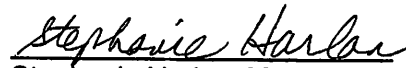
**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the City Council of the City of Capitola that the 2017-18 Fiscal Year Appropriation Limit shall be \$ 28,137,314 calculated as follows:

Population change within the city:	1.0026
Change in California per capita income	1.0369

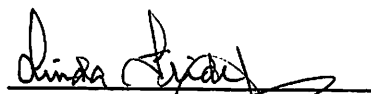
2016-17 Appropriation Limit:	\$ 27,065,519
Adjustment Factor (1.00xx x 1.0xxx)	x 1.0396
2017-18 Appropriation Limit:	<u>\$ 28,137,314</u>

**I HEREBY CERTIFY** that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 8th day of June, 2017, by the following vote:

**AYES:** Council Members Bertrand, Bottorff, Termini, and Petersen and Mayor Harlan  
**NOES:** None  
**ABSENT:** None  
**ABSTAIN:** None

  
Stephanie Harlan, Mayor

ATTEST:

  
Linda Fridy, City Clerk



## RESOLUTION NO. 4081

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
ADOPTING THE 2017/2018 FISCAL YEAR CITY BUDGET  
AND CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET**

**WHEREAS**, it is necessary to adopt the 2017/2018 Fiscal Year Budget for all City funds and Capital Improvement Program; and

**WHEREAS**, the City Council has conducted budget study sessions, has heard and considered public comments, and has modified the proposed budget accordingly, and wishes to adopt such budget for the Fiscal Year July 1, 2017, through June 30, 2018; and

**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the City Council of the City of Capitola that the 2017/2018 Fiscal Year Budget is hereby adopted as amended, including Exhibit A (Changes to Proposed Budget), Exhibit B (General Fund Overview), and Exhibit C (Summary by Fund) to this Resolution; and

**BE IT FURTHER RESOLVED** that the Finance Director is directed to enter the budget into the City's accounting records in accordance with appropriate accounting practices, and the City Manager, with the Finance Director's assistance, shall assure compliance therewith.

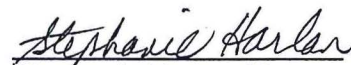
**I HEREBY CERTIFY** that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 8<sup>th</sup> day of June, 2017, by the following vote:

**AYES:** Council Members Bertrand, Petersen, and Termini, and Mayor Harlan

**NOES:** Council Member Bottorff

**ABSENT:** None

**ABSTAIN:** None

  
Stephanie Harlan, Mayor

ATTEST:


  
Linda Fridy, City Clerk

Exhibit A  
Changes to Proposed Budget

FY 2016/17 General Fund transfers	Amount
Transfer to Gas Tax Fund	\$ 40,124

FY 2017/18 General Fund	Amount
Community Center Basketball Courts	\$ 25,000
Senior Exercise Equipment	\$ 40,000
PERS Trust Fund	\$ 500,000
Library Fund	\$ 220,000
RTC Streets Fund	\$ 100,000
Employee Housing Assistance Fund	\$ 300,000
<b>Additional General Fund appropriations</b>	<b>\$ 1,185,000</b>

FY 2017/18 Measure F Funds (CIP, Wharf, Equip.)	Amount
Wharf Preliminary Design	\$ 132,200
2017 Wharf Repairs	\$ 47,800
Flume Reconstruction	\$ 100,000
Jetty Reconstruction	\$ 150,000
Grand Ave. Path	\$ 20,000
Contribution for beach loader	\$ 100,000
<b>Total Measure F Funds</b>	<b>\$ 550,000</b>

FY 2017/18 Wharf Fund	Amount
2017 Wharf Repairs (paid with fund balance)	\$ 78,500

FY 2017/18 Facilities Reserve Fund	Amount
City Hall Frontage Improvements	\$ 110,000
City Hall Office Improvements	\$ 50,000
Community Center Parking Lot	\$ 75,000
<b>Total Facilities Reserve Fund expenditures</b>	<b>\$ 125,000</b>

FY 2017/18 Adopted Budget adjustments	Increase/(Decrease)
City Council travel/training expenses	\$5,000
General Fund personnel expenses	(\$30,000)
Equipment Replacement Fund revenues	(\$35,000)
CVWBIA Fund revenues	\$1,540
CVWBIA Fund expenses	\$7,150

## Exhibit B

## General Fund Summary

Major Categories	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Adopted	FY 16/17 Estimated	FY 17/18 Adopted	FY 18/19 Planned
<b>Revenues</b>						
Taxes	\$11,154,924	\$12,060,878	\$11,837,099	\$12,194,744	\$12,411,214	\$12,674,754
Licenses and permits	567,554	614,536	601,650	612,930	611,000	611,000
Intergovernmental revenues	470,346	219,504	133,350	136,466	152,850	127,850
Charges for services	1,905,877	1,977,668	2,066,849	2,012,347	2,134,481	1,830,150
Fines and forfeitures	756,553	655,644	675,700	663,700	663,700	663,700
Use of money & property	62,752	84,837	57,100	65,050	70,200	75,200
Other revenues	61,658	71,771	44,900	79,550	63,850	65,650
<b>Revenues Totals</b>	<b>\$14,979,664</b>	<b>\$15,684,837</b>	<b>\$15,416,648</b>	<b>\$15,764,787</b>	<b>\$16,107,295</b>	<b>\$16,048,304</b>
<b>Expenditures</b>						
Personnel	\$7,745,263	\$8,217,828	\$8,807,779	\$8,698,907	\$8,580,424	\$8,757,408
Contract services	2,621,633	2,537,560	2,832,844	2,799,808	2,950,500	2,980,250
Training & Memberships	70,604	101,309	112,830	96,270	118,550	113,550
Supplies	531,848	562,475	568,500	523,325	551,300	555,500
Grants and Subsidies	269,814	277,357	275,000	275,000	275,000	275,000
Capital outlay	(900)	-	-	-	10,000	10,000
Internal service fund charges	850,647	954,500	1,159,000	1,159,000	1,190,050	1,287,696
Other financing uses	2,399,440	3,083,811	1,658,730	1,685,614	3,290,550	1,936,241
<b>Expenditures Totals</b>	<b>\$14,488,349</b>	<b>\$15,734,839</b>	<b>\$15,414,683</b>	<b>\$15,237,924</b>	<b>\$16,966,374</b>	<b>\$15,915,645</b>
<b>Impact on Fund Balance</b>	<b>\$ 491,315</b>	<b>\$ (50,003)</b>	<b>\$ 1,965</b>	<b>\$ 526,863</b>	<b>\$ (859,079)</b>	<b>\$ 132,659</b>
<b>Budgetary Fund Balance</b>	<b>\$ 1,076,628</b>	<b>\$ 1,026,625</b>	<b>\$ 1,028,590</b>	<b>\$ 1,553,488</b>	<b>\$ 694,409</b>	<b>\$ 827,068</b>



## Exhibit C

## Fund Balance Summary

	Estimated Balance 7/1/2017	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 6/30/2018
<b>General Fund</b>	\$ 1,553,488	\$ 16,107,295	\$ -	\$ 13,675,824	\$ 3,290,550	\$ 694,409
<b>Designated Reserves</b>						
Contingency Reserve	\$ 1,903,346	\$ -	\$ 133,000	\$ -	\$ -	\$ 2,036,346
PERS Contingency Reserve	305,000	10,000	500,000	-	-	815,000
Emergency Reserve	1,277,206	-	67,000	-	-	1,344,206
Donations	21,725	10,000	-	-	-	31,725
Facility Reserve	339,870	-	110,000	125,000	-	324,870
<b>Total Designated Reserves</b>	<b>\$ 3,847,147</b>	<b>\$ 20,000</b>	<b>\$ 810,000</b>	<b>\$ 125,000</b>	<b>\$ -</b>	<b>\$ 4,552,147</b>
<b>Debt Service</b>						
Pension Obligation Bond	\$ 481,531	\$ -	\$ 187,351	\$ 668,882	\$ -	\$ -
Pac Cove Lease Financing	131,520	-	165,066	165,066	-	131,520
Pac Cove Park	-	-	89,004	89,004	-	-
<b>Total Debt Service</b>	<b>\$ 613,051</b>	<b>\$ -</b>	<b>\$ 441,421</b>	<b>\$ 922,952</b>	<b>\$ -</b>	<b>\$ 131,520</b>
<b>Capital Improvement Fund</b>	<b>\$ 1,006,565</b>	<b>\$ 2,200</b>	<b>\$ 515,000</b>	<b>\$ 467,200</b>	<b>\$ -</b>	<b>\$ 1,056,565</b>
<b>Internal Service Funds</b>						
Stores	\$ 24,652	\$ 37,250	\$ -	\$ 37,250	\$ -	\$ 24,652
Information Technology	113,352	282,300	-	282,300	-	113,352
Equipment Replacement	175,009	125,000	185,000	412,200	-	72,809
Self-Insurance Liability	281,875	428,000	-	428,000	-	281,875
Workers' Compensation	217,852	321,000	-	321,000	-	217,852
Compensated Absences	36,189	-	200,000	200,000	-	36,189
<b>Total Internal Service Funds</b>	<b>\$ 848,929</b>	<b>\$ 1,193,550</b>	<b>\$ 385,000</b>	<b>\$ 1,680,750</b>	<b>\$ -</b>	<b>\$ 746,729</b>
<b>Special Revenue Funds</b>						
SLESF-Suppl Law Enforcmnt Svc	\$ 14,421	\$ 100,400	\$ -	\$ 66,000	\$ 35,000	\$ 13,821
SCCACT-SCC Anti-Crime Team	-	-	-	-	-	-
Gas Tax	2,130	289,421	-	219,400	-	72,151
RTC Streets	-	285,000	200,000	485,000	-	-
Library	640,700	9,777,300	999,129	10,131,429	-	1,285,700
Wharf	68,076	133,500	-	221,900	-	(20,324)
General Plan Update and Maint	9,135	75,000	-	56,000	-	28,135
Green Building Education	118,464	18,000	-	24,000	-	112,464
Public Arts Fee	253,428	15,000	-	81,000	-	187,428
Parking Reserve	737	-	100,000	-	100,000	737
Technology Fee	45,276	11,000	-	15,000	-	41,276
PEG-Public Education and Gov.	58,074	16,100	-	15,000	-	59,174
Capitola Village/Wharf BIA	6,778	73,100	-	74,750	-	5,128
CDBG Grants	40,124	100,000	-	100,000	-	40,124
CDBG Program Income	13,875	-	-	-	-	13,875
HOME Reuse	187,538	12,300	-	3,200	-	196,638
Housing Trust	21,034	25,000	-	-	25,000	21,034
Cap Hsg Succ- Program Income	167,766	-	-	60,000	-	107,766
<b>Total Special Revenue Funds</b>	<b>\$ 1,647,556</b>	<b>\$ 10,931,121</b>	<b>\$ 1,299,129</b>	<b>\$ 11,552,679</b>	<b>\$ 160,000</b>	<b>\$ 2,165,127</b>
<b>Successor Agency</b>	<b>\$ 379,817</b>	<b>\$ 595,000</b>	<b>\$ -</b>	<b>\$ 636,958</b>	<b>\$ -</b>	<b>\$ 337,859</b>
<b>Tot. Fund Balance - All Funds</b>	<b>\$ 9,896,553</b>	<b>\$ 28,849,166</b>	<b>\$ 3,450,550</b>	<b>\$ 29,061,363</b>	<b>\$ 3,450,550</b>	<b>\$ 9,684,356</b>

# Glossary of Budget Terms

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**Accounting System** – The set of records and procedures, which are used to record, classify, and report information on the financial status and operations of the City.

**Accrual Basis Accounting** – Under this accounting method, transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements.

**Ad Valorem** – Property taxes levied on value of property. Includes the general obligation bond rates added to the 1% rate allowed by Prop. 13. These rates are applied to the secured, unsecured, supplemental, and other miscellaneous tax rolls.

**Adoption** – Formal action by the City Council which sets the spending limits for the fiscal year. The City's budget is adopted by Council resolution.

**Annual Budget** – Budget applicable to a single fiscal year.

**Appropriation** – An authorization made by the City Council, which permits officials to incur obligations against and to make expenditures of government resources. Appropriations are typically granted for a one-year period.

**Assessed Valuation** – A value established for real property for use as a basis in levying property taxes. For all agencies in the State of California, assessed value is established by the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of real taxable property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change of ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

**Audit** – Prepared by an independent Certified Public Accountant (CPA), the primary objective of an audit is to determine if the City's Financial Statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principles. In conjunction with their performance of an audit, it is customary for an independent auditor to issue a Management Letter stating the adequacy of the City's internal controls as well as recommending improvements to the City's financial management practices.

**Bond** – A bond is a written promise to pay a specified sum of money (called the face value or principle amount) at a specified date or dates in the future (called the maturity date) together with periodic interest at a specified rate. Bonds are typically used to finance capital facilities.

**Budget** - As the City's financial operating plan for the fiscal year, the budget displays the estimated expenditures (costs) for providing services and the estimated sources of revenue (income) to pay for them. Once the City Council adopts the budget, the total becomes the maximum spending limit. Capitola's budget encompasses fiscal year (July 1, through June 30).

**Budget Amendment** – The Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption. The City Manager has the authority to approve administrative adjustments to the budget as outlined in the Financial and Administrative Policies set by Council.

**Budget Calendar** – The schedule of key dates used for the preparation and adoption of the budget.

**Budget Document** – The official financial spending and resource plan submitted by the City Manager and adopted by the City Council explaining the approved budget to the public and City Council.

**Budget Overview** – This section provides an overview of the changes adopted in the budget. Significant impacts of budgetary changes are shown.

**Budget Policies** – General and specific guidelines adopted by the Council that govern the financial plan's preparation and administration.

**Building Permit** – Fee required for new construction or for any alteration or addition to a residence or commercial building. The fee is based on square footage and valuation. Electrical or plumbing/mechanical work will require a similar permit.

**Business License Tax** – Imposed on those conducting business within the limits.

**Capital or Community Improvements** – Capital or community improvements are major construction, acquisition or maintenance/repair projects. Typical examples of major construction would include new street improvements, park development and public buildings. Acquisition includes land for parks and open space. Major maintenance/repairs may include street resurfacing or modifications to public buildings.

**Capital Improvement Plan (CIP)** - plan or schedule of expenditures for major construction of roads, sidewalks, facilities and/or park improvements and for the purchase of equipment. The City of Capitola CIP follows a five-year schedule. Although the City adopts the CIP budget in a process, which is separate from the adoption of the budget, the budget incorporates the first year of the five-year CIP.

**Capital Projects Fund** – In governmental accounting, a fund that accounts for financial resources to be used for the acquisition or construction of capital facilities. The total cost of a capital project is accumulated in a single expenditures account, which accumulates until the project is completed, at which time the fund ceases to exist.

**Capital Outlay** – Expenditures which result in the acquisition of or additions to fixed assets. Examples include land, buildings, machinery, equipment and construction projects.

**Capital Assets** – Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets.

**Cash Basis Accounting** – Basis of accounting under which transactions are recognized only when cash is received or disbursed.

**CDBG (Community Development Block Grant Program)** – A flexible program that provides federal funding, administered as pass through grants to the City. The funds are used to benefit low- and moderate- income persons within the City.

**Code** – A book that contains the City Council approved ordinances currently in effect. The code defines City policy with respect to areas such as planning, etc.

**COLA** – Cost of living allowance.

**Comprehensive Annual Financial Report (CAFR)** – The official financial statement for the City. It meets the accounting requirements of the Governmental Accounting Standards Board and includes

an audit opinion, basic financial statements and supporting schedules necessary to demonstrate compliance.

**Constant Dollars** – A measure of the cost of goods or services with the effects of inflation removed.

**Contingency** – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Contingent Liabilities** – Items which may become liabilities of the City but are undetermined at a given date, such as pending lawsuits, unsettled disputed claims, unfilled purchase orders and uncompleted contracts.

**Contract Services** – Services provided to the City from the private sector or other public agencies.

**Contributed Capital** – Resources, which are externally restricted for the acquisition or construction of capital assets. This category includes, but is not limited to, capital grants, residual equity transfers in and contributions from developers.

**Cost Allocation** – A fair and equitable methodology for identifying and distributing direct and indirect cost, from a service provider to the service consumer. In the City's case, the General Fund is the service provider and the external funds are the service consumers.

**Court Fines** - Portion of the fines collected upon conviction of a misdemeanor or infraction committed within boundaries.

**Debt Instrument** – Methods of borrowing funds, including General Obligation (G.O.) bonds, revenue bonds, lease/purchase agreements, lease-revenue bonds, tax allocation bonds, Certificates of Participation (COPs), and assessment district bonds(LIDSs). (See Bonds.)

**Debt Service** – Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or Certificates of Participation (COPs).

**Debt Service Fund** – A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Deficit** – The excess of liabilities over assets.

**Department** – A major organizational unit of the City, which has been assigned overall management responsibility for an operation or a group of related operations within a functional area. In Capitola, Department Heads are the chief administrators within a department.

**Developer Fees and Permits** – Fees that are charge for specific planning services.

**Documentary Transfer Tax** – Imposed on the transfer of real property, exclusive of any lien or encumbrance. The City receives 50% of revenue collected by the County.

**Due Diligence Review** – A qualified third party audit, defined by statute and required by the California Department of Finance, to determine the unobligated balances of former redevelopment agencies available for transfer to taxing entities. Review is composed of two separate reviews and reports – Low and Moderate Income Housing asset and non-Low and Moderate Income Housing assets.

**Encumbrances** – Commitments against an approved budget for unperformed (executory) contracts for goods or services. They cease to be encumbrances when the obligations are paid or otherwise terminated.

**Enterprise Funds** – Established to account for the financing of self-supporting activities of governmental units, which render services on a user charge basis to the general public.

**Equipment Replacement Fund** – Equipment Replacement Fund is used to account for the replacement of existing fixed assets as equipment, machinery or building improvements become unserviceable or obsolete.

**Expenditure** – The outflow of funds paid or to be paid for an asset obtained or goods and services obtained. Note: An encumbrance is not expenditure; an encumbrance reserves funds to be expended. (See encumbrances.)

**FEMA** – Federal Emergency Management Agency.

**FHWA** – Federal Highway Administration – A governmental agency responsible for administration of Federal grant programs for streets and highways.

**Fiscal Year** – The 12-month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. The City of Capitola's fiscal year begins July 1<sup>st</sup> and ends June 30<sup>th</sup>.

**Five-Year Financial Forecast** – Estimates of future revenues and expenditures to help predict the future financial condition of the community.

**Fixed Assets** – Non-consumable assets of long-term nature such as land, buildings, machinery, furniture, and the other equipment. The City has defined such assets as those with an expected life in excess of one year and value in excess of \$5,000.

**FLSA (Fair Labor Standards Act)** – The Fair Labor Standards Act sets minimum wage, overtime pay, equal pay and Child Labor Standards for private and public sector employees. Enforcement of the FLSA is assigned to the Department of Labor, Wage and Hour Division.

**Franchise Fees** – Imposed on utility companies for the privilege of doing business in the City. Fees are usually based upon a percentage of gross revenue derived from business conducted in the City.

**Full-Time Equivalents (FTE)** – The amount of time that is equivalent to the annual hours paid for a regular, full-time employee. Full-time employees are paid for 2,080 hours in each year, which equate to 1.0 FTE. Correspondingly, a part-time employee who works 1,040 hours, is equivalent to a 0.5 FTE.

**Fund-** An independent fiscal and accounting entity with a self-balancing set of accounts in which cities record financial transactions relating to revenues, expenditures, assets and liabilities. Each fund has a budget with exception of the General Fund (which accounts for general purpose actions and has unrestricted revenue sources). Each remaining fund typically has a unique funding source and purpose. Establishing funds enables an organization to account for the use of restricted revenue sources, along with expenditures related to specific activities or objectives.

**Fund Accounting** – System used by non-profit organizations, particularly governments. Since there is no profit motive, accountability is measured instead of profitability. The main purpose is stewardship of financial resources received and expended in compliance with legal requirements.



**Fund Balance** – Also known as financial position, fund balance is the excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses.

**Fund Descriptions** - The basic accounting and reporting entity for the City is a fund. A fund is “an independent fiscal and accounting entity used to record all financial transactions related to the specific purpose for which the fund was created.” Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds used in government are classified into three broad categories: governmental, proprietary and fiduciary. Governmental funds include activities usually associated with a typical state or local government’s operations (public safety, general government activities, etc). Proprietary funds are used in governments to account for activities often found in the private sector (utilities, stadiums and golf courses are prime examples). Trust and Agency funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or agent.

**GAAP (Generally Accepted Accounting Principles)** – Uniform minimum standards for financial accounting and reporting. They govern the form and content of the basic financial statements.

**General Fixed Assets and General Long Term Debt Account Groups** – Account for fixed assets and long-term debt not used in proprietary fund operations or accounted for in trust funds.

**Gas Tax Fund** – The Gas Fund Tax is used to account for revenues and expenditures apportioned under the Streets and Highways Code of the State of California. Expenditures may be made for any street related purpose in the City’s system of streets.

**General Fund** – In governmental accounting, the fund used to account for all assets and liabilities of a non-profit entity, except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of the City.

**General Liability Self-Insurance Fund** – The General Liability Self-Insurance Fund is used to provide the City with liability insurance. Coverage is provided through the City’s participation in a joint powers agreement through (MBASIA) Monterey Bay Area Self-Insurance Authority.

**General Obligation Bonds** – Bonds for which a state or local government pledges its full faith and credit for repayment. Debt Service is paid from property tax revenue levied (in the case of voter-approved bonds) or other general revenue.

**Goal** – A statement of broad direction, purpose, or intent.

**Governmental Funds** - Includes activities usually associated with a governmental entity’s operations (police, community development, and general governmental functions).

**Grant** – External contributions, and/or gifts of cash, or other assets typically from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is a Community Development Block grant funded by the Federal Government.

**Home Owners’ Property Tax Relief (HOPTR)** – Is the tax on the \$7,000 reduction in assessed value, which is allowed on owner occupied residential property. The State pays the tax on this exemption.

**Housing Successor** – The State of California eliminated Redevelopment Agencies as of February 1, 2012, and established Housing Successors to manage and continue low and moderate income housing projects underway or contractually committed, make payments on its enforceable obligations, and manage its programs, assets, and properties. The Housing Successor is governed by the local agency.

**Housing Set-Aside Fund** – Fund is used to account for the 20% set aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing.

**Improvements** – Buildings, structures or attachments to land such as sidewalks, trees, drives, tunnels, drains and sewers.

**Interest Income** – The interest earned from the prudent investment of idle funds. The types of investments that can be made are limited by the Government Code to protect the safety of taxpayer's money.

**Intergovernmental Revenue** – Revenue received from other governmental agencies and municipalities, such as grants from the State or Federal government.

**Internal Services Fund** – The Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments on a cost reimbursement basis.

**Inter-fund Transfers** - When money is moved between various funds. This is also referred to as transfers-in and transfers-out. In aggregate, transfers in and out offset each other for the fiscal year.

**Lease-Purchase Agreements** – Contractual agreements which are termed “leases”, but which in substance amount to purchase contracts.

**Levy** - To impose taxes, special assessments or service charges for the support of governmental activities. The total amount of taxes, special assessments or service charges imposed by Santa Cruz County levying property taxes.

**Licenses and Permits** – Revenues earned by the issuance of licenses or permits levied in accordance with the benefits conferred by the license or permit.

**Line-item Budget** – A budget that lists detailed expenditure categories (salaries & benefits, office supplies, travel, dues, rents, etc.) separately, along with the amount budgeted for each specified category. The Summary Budget reflects the program rather than line item budgets. The Detail Budget reflects the line-item detail.

**Modified Accrual Basis** – Under this accounting method, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for prepayments, accumulated employee leave and long-term debt. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

**Motor Vehicle in Lieu** – Portion of the vehicle registration fee paid annually to the State.

**NPDES** – National Pollution Discharge Elimination System.

**OES** - Office of Emergency Services.

**Object** – An expenditure classification which refers to the type of item purchased or the service obtained.

**Objective** - A statement of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program or service level.

**Ordinance** – A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An Ordinance has a higher legal standing than a Resolution and is typically codified in a City's municipal code.

**Operating Budget** – The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled. Law requires the use of annual operating budgets.

**Other Revenues** – Revenues from sources, other than those specifically identified, that are too immaterial in amount to justify the creation of new revenue account line items.

**Oversight Board** – The Oversight Board was created by the State of California and its composition and directive defined in state legislation. When Redevelopment Agencies were eliminated as of February 1, 2012, Successor Agencies were established to manage redevelopment projects underway or contractually committed, make payments on its enforceable obligations, and dispose of its assets and properties. The Oversight Board supervises the Successor Agency and is comprised of representatives of the local agencies that serve the redevelopment project area.

**Performance Measure** – Sets forth a performance objective and a goal for achieving the objective.

**Personnel Benefits** – Benefits paid by the City in conjunction with employment.

**Personnel** – Employees.

**Proposition 218** – A statewide initiative passed by the voters of California on November 5, 1996. The initiative provided voters with the right to vote on new taxes.

**Program** – As subdivisions of departments, programs are budgetary or organizational units of government with limited sets of work responsibilities within their respective departments. Programs also serve to increase budgetary accountability. Capitola's budget is compiled on a program basis.

**Property Tax** – Imposed on real property (land and permanently attached improvements). The tax is based upon the assessed value of such property. The tax rate may not exceed 1% of assessed value.

**Property Tax Secured** – Real property both land and improvements.

**Property Tax (Supplemental)** – An assessment which reflects the difference between the prior assessed value and the new assessment due to a change in ownership or completion of new construction. The value is prorated based on the number of months remaining in the fiscal year ending June 30. This is in addition to the regular tax bill.

**Property Tax Unsecured** – Business or personal property such as boats, aircraft & servers.

**Public Employees' Retirement System (PERS)** – City employees' retirement fund, paid for by both the City and employee contributions and managed by the State of California.

**RDA** – Redevelopment Agency.

**Redevelopment Agency Fund** – This fund is used to account for the proceeds of notes, advances and other forms of indebtedness, and the expenditures of these funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the City of Capitola Redevelopment Agency.

**Redevelopment Property Tax Trust Fund (RPTTF)** – Property tax allocated by the County Auditor-Controller to Successor Agencies based on formulas and procedures applicable to each jurisdiction and as identified and approved as an enforceable obligation of the dissolved redevelopment agency.

**Reserve** – An account used to indicate that a portion of fund equity is legally restricted for a specific purpose.

**Resolution** – A special order of the City Council, which has a lower legal standing than an ordinance.

**Resources** – Total amounts available for appropriation including estimated revenues, inter-fund transfers, and beginning fund balances.

**Retained Vehicle** – A vehicle in the City's fleet that is still in operation, but is held past the scheduled date of replacement. The retained vehicles do not have monies set aside for replacement.

**Revenue** – Sources of income, which the City receives during a fiscal year. Examples of revenue include taxes, intergovernmental grants, charges for services, resources forward from the prior year, operating transfers for other funds, and other financing sources such as the proceeds derived from the sales of fixed assets.

**Revenue Estimate** – A formal estimate of how much revenue will be earned from a specific revenue source for some future period.

**Recognized Obligations Payment Schedule (ROPS)** – Successor Agencies are responsible for drafting a ROPS document for each six-month period, delineating the enforceable obligations of the City's former Redevelopment Agency and the source of the funds for the payment. The ROPS is subject to the approval of the Successor Agency's Oversight Board.

**Sales Tax** – The State Board of Equalization returns 1% of the Bradley Burns sales tax to local governments. The government may choose to enact a separate District sales tax to increase revenues. Sales taxes are received on a monthly direct deposit basis.

**Special Revenue Fund** – In governmental accounting, a fund used to account for the proceeds of a special revenue source (other than special assessments, expandable trusts, or for major capital projects) that are legally restricted to expenditure for specified purpose.

**Service Charge** – Charges for specific services rendered.

**Services and Supplies** – Expenditures for services and supplies, which are directly related to a department's primary service activities.

**Subventions** – Revenues collected by the State, which are allocated to local governments on a formula basis.

**Successor Agency** – The State of California eliminated Redevelopment Agencies as of February 1, 2012, and established Successor Agencies to manage redevelopment projects underway or contractually committed, make payments on its enforceable obligations, and dispose of its assets and properties. The Successor Agency is governed by the same council as the local agency and supervised by a local oversight board defined by legislation.

**Supplemental Appropriation** – An appropriation approved by the Council after the initial budget is adopted.

**Supplemental Property Tax Assessment** - State law requires the Assessor's Office to re-appraise property immediately upon change in ownership or completion of new construction. The Assessor's Office must issue a supplemental assessment which reflects the difference between the prior assessed value and the new assessment. The value is prorated based on the number of months remaining in the fiscal year, ending June 30. This is in addition to the regular tax bill.

**Supplies** – An expenditure classification for articles and commodities purchased for consumption or resale.

**Taxes** – Compulsory charges levied by the City, County and State for the purpose of financing services performed for the common benefit.

**Teeter** – The Alternate Methods of Property Tax Apportionment as authorized in Revenue & Taxation Code Sections 4701-4717. These taxes and assessments are paid on the basis of the full tax levy (receivable) regardless of delinquencies. If a property is ultimately sold for non-payment of taxes, any shortfall is deducted from the tax Losses Reserve Fund.

**Traffic Fines** – A portion of the fines collected upon conviction or bail forfeiture of vehicle code violations committed within the jurisdiction's boundaries.

**Transient Occupancy Tax** – Imposed on hotels, motels, inns or other lodging facilities.

**Transfers In/Out** – Money transferred from one fund to another.

**Unsecured Taxes** - Unsecured taxes are assessed for ownership of assets including, but not limited to boats, planes, business property, mobile homes, structural improvements on leased land and other leasehold interests. The tax is assessed if you were in business or possessed the asset on January 1 of the tax year.

**Workers' Compensation Fund** – A fund used to account for the cost to provide workers' compensation insurance coverage to all employees in compliance with State of California requirements.

## GLOSSARY OF AFFORDABLE HOUSING TERMS

### Affordable Housing

Affordable housing is an extremely broad and non-technical term that basically includes rental and ownership housing that is affordable to a range of household incomes up to the moderate-income level. A rule of thumb says that to be “affordable” the combined total of all housing related costs (rent, mortgage, upkeep, utilities & taxes) should not exceed 30% of the household’s income. Most affordable housing funding sources utilize eligibility requirements that identify each income group by household size. The basic State income limits for Santa Cruz County for 2013 are listed below:

The Santa Cruz County Area Median Income for a family of four in 2016 was: \$87,000.

### State of California Income Limits for Santa Cruz County 2016 Number of Persons In household

	One	Two	Three	Four
<b>Extremely Low-Income</b> (30% of area median income)	\$21,200	\$24,200	\$27,250	\$30,250
<b>Very Low-Income</b> (50% of area median income)	\$35,300	\$40,350	\$45,400	\$50,400
<b>Low-Income</b> (80% of area median income)	\$56,500	\$64,550	\$72,600	\$80,650
<b>Median Income</b>	\$60,900	\$69,600	\$78,300	\$87,000
<b>Moderate-Income</b> (120% of area median income)	\$73,100	\$83,500	\$93,950	\$104,400

Affordable housing units can include both rental and ownership units. Some affordable housing units are determined “affordable” only at the time of purchase while other programs will also require long-term affordability for future buyers through the use of resale restrictions. Affordable rental units developed with local, state or federal assistance will usually have an affordability term of fifty-five years or longer.

### BEGIN Program

Building Equity and Growth in Neighborhoods Program (BEGIN) is a grant program of the California State Department of Housing and Community Development (HCD). The program provides grants of up to \$30,000 per unit to local jurisdictions to make deferred-payment second mortgage loans to low or moderate-income first time new home buyers in BEGIN projects that have affordability enhanced by local regulatory incentives or barrier reductions. For example, the Capitola Beach Villas project on 41<sup>st</sup> Avenue would qualify for funding under this project for its affordable housing units due to the bonus density and parking variances provided to the project.

### CDBG Program

The Community Development Block Grant (CDBG) Program is provided by the Federal Department of Housing and Urban Development (HUD). Larger jurisdictions are called participating jurisdictions and receive CDBG funding directly from HUD. Smaller communities apply for CDBG funding through a program administered by the California State Department of Housing and Community Development (HCD). The purpose of the program is to fund housing activities, public works, community facilities, and public service projects serving lower-income people and to provide funds for planning and evaluation studies related to any CDBG-eligible activity. The funds are provided as

a grant to the local jurisdiction. There is one annual Notice of Funding Availability for General Allocation, Economic Development, and Planning and Technical Assistance. The City has received a number of CDBG grants over the last fifteen years.

### **CalHFA**

For over 30 years, California Housing Finance Agency (CalHFA) has supported the needs of renters and first-time homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for individuals within specified income ranges. Established in 1975, CalHFA was chartered as the State's affordable housing bank to make below market-rate loans through the sale of tax-exempt bonds. A completely self-supporting State agency, bonds are repaid by revenues generated through mortgage loans, not taxpayer dollars.

### **First Time Homebuyer Loan Program**

The City of Capitola has established a First-Time Homebuyer Program to help low and moderate income households purchase homes in the City of Capitola. The program is funded through the City of Capitola and the Capitola Housing Successor (former Capitola Redevelopment Agency Low and Moderate Income Fund) and is administered by the Housing Authority of the County of Santa Cruz and the City Housing program. The program provides assistance in the form of a deferred payment loan or "silent second" to help meet the gap between purchase price and the principal first mortgage. The program provides loans of up to \$60,000 or 15% of the sales price of the home. To be eligible to participate in the program the borrower must be a first-time homebuyer, must be low or moderate-income, must have a household member that is employed in Capitola and must occupy the home as their principal residence. Interest on the loan is 3% simple interest. Payments are deferred until sale or transfer of the home. This loan program can be used for the purchase of single-family homes, condominiums and mobile homes. Because of the high housing costs in Capitola, this loan program has almost exclusively been used for the purchase of mobile homes and for single-family homes that have reduced sales prices provided through the City's Inclusionary Housing Program.

### **HOME Program**

The HOME Investment Partnerships Program (HOME) is funded through the Federal Department of Housing and Urban Development (HUD). Smaller communities apply for HOME funding through a program administered by the California State Department of Housing and Community Development (HCD). The purpose of the program is to assist cities, counties and non-profit community development organizations to create and retain affordable housing. The funds are provided to cities in the form of grants that can then be loaned to affordable housing development projects or to individual homeowners in the community. A three million dollar HOME grant was awarded to the Bay Avenue Senior Apartments project. As HOME funded loans are repaid to the local community those funds are held in a HOME Reuse Fund that can then be used on future affordable housing related activities.

### **Home Rehabilitation Loan/grant Program**

This program is funded by the City of Capitola and is administered by the Housing Authority. The program is geared to help meet the basic safe and healthy living environment needs of low and moderate-income mobile home homeowners. Low interest, deferred payment loans of up to \$20,000 are available. Emergency Repair Grants of up to \$7,500 are also available for mobile home homeowners who are very low-income and in need of urgent repairs.

### **Housing Element**

The housing element is one of the seven mandated elements of the local general plan. Housing element law, enacted in 1969, mandates that local governments adequately plan to meet the existing and projected housing needs of all economic segments of the community. The law acknowledges that, in order for the private market to adequately address housing needs and demand, local governments must adopt land use plans and regulatory systems which provide opportunities for, and do not unduly constrain, housing development. As a result, housing policy in the State rests largely

upon the effective implementation of local general plans and, in particular, local housing elements. Local Housing Elements must be updated periodically and unlike the other elements in the General Plan, must be certified by the State Department of Housing and Community Development (HCD). Capitola's current 2007-2014 Housing Element must be updated and submitted to the state in 2014. Local municipalities that are not in compliance with State housing element law are prohibited from participation in HOME, CDBG and other State housing loan and grant programs.

### **Inclusionary Housing Ordinance**

The City of Capitola has an Affordable (Inclusionary) Housing Ordinance. The Ordinance requires developers of residential projects to contribute toward the provision of affordable housing in the City. Projects that entail seven or more for-sale housing units, residential parcels or converted condominiums are required to provide fifteen percent of the units for sale to low or moderate-income households. Housing development projects that are smaller than seven units in size, including major single-family home rehabilitation projects, are required to pay affordable housing in-lieu fees to the City's Affordable Housing Trust Fund. The City's Inclusionary Housing Ordinance utilizes an affordability formula to calculate the original sale price of the inclusionary units. Resale restrictions are then recorded against the property so that all future sales are also restricted as to the income level of the buyer and the affordable sale price of the unit.

### **MPROP**

Mobile home Park Resident Ownership Program (MPROP) is a loan program provided by the State Department of Housing and Community Development (HCD). The purpose of the program is the preservation of affordable mobile home parks by conversion to ownership or control by resident organizations, nonprofit housing sponsors, or local public agencies. MPROP loans were key to the resident purchases of both the Wharf Road Manor and the Turner Lane Mobile Home Parks in Capitola.

### **Regional Housing Needs Assessment (RHNA)**

By State law local Housing Elements must include the identification of development opportunity sites to meet the local municipality's fair share of the Regional Housing Need. The Association of Monterey Bay Area Governments (AMBAG) prepares a Regional Housing Needs Assessment (RHNA) to identify the housing needs for each jurisdiction within the AMBAG region. State law does not require that the housing sites identified in the Housing Element are actually developed as affordable housing. It does, however, require that the identified sites are available for that purpose and that appropriate replacement sites are identified if any of the current sites are rezoned or developed for other purposes.

### **Resale Restricted Housing Units**

Affordable housing units provided through the City's Inclusionary Housing Ordinance and some other units funded with City or State loan or grant programs include resale restrictions that ensure affordability not just for the current owner but also for all future buyers. These resale restricted units allow the opportunity for lower-income households to become homeowners while also helping build the community's permanent affordable housing stock. The owners of these units will be able to enjoy the benefits of homeownership and take advantage of lower than market mortgage payments but will not be able to build equity in their home. The unit must be resold to another income eligible buyer and the sale price is limited to be affordable to the new lower-income buyer.



## Acronyms

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<b>AB</b>	Assembly Bill
<b>AB X1</b>	First Extraordinary Session, California Assembly Bill
<b>ADA</b>	American with Disabilities Act
<b>ASU</b>	Animal Services Unit
<b>BEGIN</b>	Building Equity and Growth in Neighborhoods Program
<b>BIA</b>	Capitola Village & Wharf Business Improvement Area
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CalPERS</b>	California Public Employees' Retirement System
<b>CDBG</b>	Community Development Block Grant
<b>CEQA</b>	California Environmental Quality Act
<b>CFPD</b>	Central Fire Protection District
<b>CHS</b>	Capitola Housing Successor
<b>CIP</b>	Capital Improvement Program
<b>COLA</b>	Cost of living allowance
<b>CPI</b>	Consumer Price Index
<b>CSMFO</b>	California Society of Municipal Finance Officers
<b>CSO</b>	Community Service Officer
<b>CVC</b>	Santa Cruz County Conference & Visitors Council
<b>CVWBIA</b>	Capitola Village & Wharf Business Improvement Area
<b>DA</b>	District Attorney
<b>DDR</b>	Due Diligence Review
<b>DEA</b>	Drug Enforcement Agency
<b>DOF</b>	State of California Department of Finance
<b>FEMA</b>	Federal Emergency Management Agency
<b>FHWA</b>	Federal Highway Administration
<b>FLSA</b>	Fair Labor Standards Act

<b>FTE</b>	Full-Time Equivalents
<b>FY</b>	Fiscal Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GASB</b>	Governmental Accounting Standards Board
<b>GFOA</b>	Government Finance Officers Association
<b>GIS</b>	Geographic Information System
<b>GPAC</b>	General Plan Advisory Committee
<b>HCD</b>	State of California Housing and Community Development Department
<b>HOPTR</b>	Home Owners' Property Tax Relief
<b>HOME</b>	Housing Investment Partnerships Program
<b>HS</b>	Housing Successor
<b>HUD</b>	U.S. Department of Housing and Urban Development
<b>ISF</b>	Internal Services Fund
<b>IT</b>	Information Technology
<b>JPA</b>	Joint Powers Authority
<b>LAFCO</b>	Local Agency Formation Commission
<b>LAIF</b>	Local Agency Investment Fund
<b>LMIHF</b>	Low and Moderate Income Housing Fund
<b>MBASIA</b>	Monterey Bay Area Self-Insurance Authority
<b>MOU</b>	Memorandum of Understanding
<b>MVLI</b>	Motor Vehicle in Lieu
<b>NPDES</b>	National Pollution Discharge Elimination System
<b>OES</b>	Office of Emergency Services
<b>OPEB</b>	Other Post-Employment Benefits
<b>OSB</b>	Oversight Board of the City of Capitola, as Successor Agency to the former Capitola Redevelopment Agency
<b>PEG</b>	Public Education & Government Cable Access TV

<b>PEPRA</b>	Public Employees' Pension Reform Act
<b>PERS</b>	Public Employees' Retirement System
<b>POA</b>	Police Officers' Association
<b>POB</b>	Pension Obligation Bond
<b>POST</b>	Police Officer Standardized Training
<b>RDA</b>	Redevelopment Agency
<b>ROPS</b>	Recognized Obligation Payment Schedule
<b>RPTTF</b>	Redevelopment Property Tax Trust Fund
<b>SA</b>	City of Capitola, as Successor Agency to the former Capitola Redevelopment Agency
<b>SCAN</b>	Open query, Santa Cruz County Information Services Department
<b>SCC</b>	Santa Cruz County
<b>SCCACT</b>	Santa Cruz County Anti-Crime Team
<b>SCCECC</b>	Santa Cruz Consolidated Emergency Communications Center
<b>SCO</b>	California State Controller's Office
<b>SCRMS</b>	Santa Cruz Regional 9-1-1
<b>TOT</b>	Transient Occupancy Tax
<b>UAAL</b>	Unfunded Actuarial Accrued Liability