



ADOPTED BUDGET

FISCAL YEAR 2016-17



**CITY OF CAPITOLA
& CAPITOLA SUCCESSOR AGENCY**



CITY COUNCIL

Ed Bottorff, Mayor
Stephanie Harlan, Vice Mayor
Jacques Bertrand
Michael Termini
Dennis Norton

Christine McBroom, City Treasurer

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California Society of Municipal Finance Officers

Certificate of Award

Operating Budget Excellence Award Fiscal Year 2015-2016

Presented to the

City of Capitola

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

February 23, 2016



A handwritten signature in black ink, appearing to read "Jesse Takahashi".

***Jesse Takahashi
CSMFO President***

A handwritten signature in black ink, appearing to read "Michael Gomez".

***Michael Gomez, Chair
Professional Standards and
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting

TABLE OF CONTENTS

Mission Statement.....	1
City Manager’s Budget Message.....	3
Community Profile.....	11
Summary Information.....	23
General Fund Revenue.....	37
General Fund Expenditures.....	47
Department Overview.....	63
City Council.....	65
City Attorney.....	67
City Manager.....	68
Finance.....	72
Police.....	74
Public Works.....	80
Community Development.....	86
Recreation.....	88
Capitola Museum.....	90
Capitola Art & Cultural Commission.....	91
Internal Service Funds.....	93
Information Technology Fund.....	96
Self Insurance Liability Fund.....	97
Workers Compensation Fund.....	98
Stores Fund.....	99
Equipment Replacement Fund.....	100
Compensated Absences Fund.....	101
Special Revenue Funds.....	103
Supplemental Law Enforcement Services.....	106
Santa Cruz Anti-Crime Team.....	107
Gas Tax.....	108
Wharf.....	109
General Plan Update and Maintenance.....	110
Green Building Education.....	111
Public Art.....	112
Parking Reserve.....	113
Technology Fee.....	114
Public Education & Government Cable TV Access.....	115
Capitola Village & Wharf BIA.....	116
Community Development Block Grants.....	117
CDBG Program Income.....	118
Library Special Revenue.....	119
HOME Program Reuse.....	120
Housing Trust.....	121
Capitola Housing Successor.....	122

Reserves	123
Emergency Reserves.....	126
Contingency Reserves.....	127
PERS Contingency Reserves	128
Facility Reserves	129
Multi-Year Assets & Obligations	131
City and Joint Powers Authority	134
2007 Pension Obligation Bonds.....	135
OPEB Trust Fund	137
Pacific Cove Lease Financing.....	138
Beach and Village Lot II Lease Financing	140
Capital Improvement Program	143
Successor Agency	153
Supplementary Information / Attachments	157
Organization Chart.....	161
Comparative Information	165
Financial Management Policies	171
Fund Balance Policy.....	179
City Investment Policy	183
GANN / Appropriation Limit	187
Budget Resolution	193
Glossary	201
Acronyms	215

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 2016/17 Adopted and FY 2017/18 Planned Budget.

OVERVIEW

On behalf of City Staff, I am pleased to submit for review and consideration a balanced budget for Fiscal Year (FY) 2016/17. The local economy continues to improve with all major revenue categories showing an increase. The FY 2016/17 Budget continues to provide the residents of Capitola with a high level of service. The budget includes a few additional initiatives with an emphasis on completion of major projects and plans to address future financial challenges that begin with the FY 2017/18 Budget and the expiration of Measure D.

Largely due to the passage of Measure O, over the last five-years the City has been able to improve its financial stability by increasing reserves, fund capital improvement projects, and address deferred maintenance needs. The FY 2016/17 Budget continues to adhere to the commitments made when Measure O passed. Over the last five-years the total funding in the combined reserve accounts increased from a low of \$560,941 in 2012 to \$3,455,551 in 2016. With increased revenue, funds were available to establish a Facilities Reserve, a PERS Contingency Fund, and improve the Internal Service Fund balances.

The recovery from the Great Recession has resulted in a slow and steady increase in the City's sales tax collections, which are expected to surpass the FY 2007/08 sales tax levels for the first time this next year.

The current fiscal year General Fund revenues are projected to increase slightly under one percent due to a decrease in grant funding, which is offset by a decrease in expenditure. Tax collections are projected to increase three percent in the current year and three percent in FY 2017/18. Sales Tax continues to grow with a projected 2.75 percent increase in 2016/17 along with a 3 percent increase in property taxes. Transient Occupancy Tax collections continue to remain strong and improve year over year.

A major component of this year's budget process is to focus on the impacts of the expiration of Measure D. The expiration corresponds to the final payment of the Pension Obligation Bond payments but leaves the General Fund with a net loss of about \$500,000 in revenue. The City Council has decided to place an extension of Measure D on the November ballot, designated Measure F, which would provide funding for the wharf, beach improvements, to include the Jetty

and Flume, police services, bicycle and pedestrian safety and other critical city services. If Measure F passes it will provide important funding to maintain these City facilities and services.

Current projections indicate \$550,322 will be available in FY 2016/17 to fund capital improvements. However, most of that available funding is due to a one-time source. Specifically with the final POB payment, staff is proposing to close out the Pension Obligation Bond Fund and the \$481,531 balance in the fund would be available for other uses. If the City did not have that reserve available, the FY 2017/18 Budget would only show \$80,687 available for capital improvement projects.

BUDGETARY AND FINANCIAL HIGHLIGHTS

The FY 2016/17 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:

- Completing of the multi-use McGregor Park.
- Completion of the Rispin/Peery Park projects.
- Additional funding to open and close City parks to allow for the Police Department to focus on higher priorities.
- An additional Public Works Maintenance Worker for the increased workload with the opening of two new parks.
- Allocating over \$750,000 to capital improvement projects.
- Completion of the Zoning Code update.
- Implementation of a financial transparency website.
- Contributing \$150,000 to the Facility Reserve Fund to set aside funds to maintain existing City facilities while expending funds to maintain the Community Center and City Hall Parking lots.
- Applying 100% of Measure O revenues to Measure O commitments
 - Reserve Replenishment
 - CIP/Street Projects
 - Staffing for street improvements
 - Staffing for Village policing efforts
- Fully prefunding “Other Post Employment Benefits”

MAJOR INITIATIVES

Funding Measure O Commitments

In FY 11/12, the City conducted a voter survey of 350 Capitola residents to gauge city services and needs. This voter survey indicated that 70% of the voters would support a tax measure that provides for the City's financial stability and improves local streets. These priorities were incorporated into a successful ¼ sales tax measure in 2012. A five-year plan was developed to use all Measure O revenues to fund capital improvement projects, restore and build City reserve levels; and enhance policing program efforts.

With the completion of the 5 year Measure D/O overlap, the actual Measure O uses can be compared to the original funding plan. Due to improved economic conditions the General Fund has contributed over \$1.2 million to these priorities. The tables below displays the Measure O commitment versus the actual Measure O expenditures. The main differences between the tables is there was slightly less total tax revenue than originally projected, more funding for PW Staff due to a new Maintenance Worker in FY 2016/17 and significant General Fund transfers to reserves.

Original Measure O Commitment:

Fiscal Year	Measure O Commitment				
	PW Crew	PD Staff	CIP/ St. Maint.	Reserves	Total
12/13	\$9,100	\$5,400	\$94,600	\$136,500	\$245,600
13/14	45,950	18,800	490,900	463,100	1,018,750
14/15	63,300	26,000	515,000	450,000	1,054,300
15/16	100,000	35,000	515,000	450,000	1,100,000
16/17	100,000	35,000	924,000	41,000	1,100,000
Total	\$318,350	\$120,200	\$2,539,500	\$1,540,600	\$4,518,650

FY 2016/17 Actual Measure O Funding:

Fiscal Year	GF to Reserves	Measure O				
		PW Crew	PD Staff	CIP/ St. Maint.	Reserves	Total
12/13	\$350,000	\$9,100	\$5,400	\$94,600	\$136,500	\$245,600
13/14	325,000	45,950	18,800	490,900	463,100	1,018,750
14/15	367,000	63,300	26,000	504,900	447,700	1,041,900
15/16	210,400	105,000	35,000	700,000	242,000	1,082,000
16/17	0	163,000	35,000	752,047	135,000	1,085,047
Total	\$1,252,400	\$386,350	\$120,200	\$2,542,447	\$1,424,300	\$4,473,297

Completion of the Multi-Use Recreational Site – McGregor Park

McGregor Park opened in the summer of 2016. The Council approved the 1.4 acre park consisting of a Skate Park, Pump Track and Dog Park in FY 13/14. Construction of the park was delayed due to soil contamination issues that have since been remediated. The park would not have been successful without the generous donations from the Monte Foundation and private sponsors.



Planning for a New Library

In 1999, the City of Capitola developed 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 make annual contributions to a County Trust Fund. That \$2.6 million obligation has been fulfilled; however additional funds will be needed to complete the library project. The Library JPA was enacted with voter approval on June 7, 2016. Capitola will receive an additional \$8 million towards the construction of a new library. The Adopted Budget includes the creation of a Library Fund with \$372,300 in revenue from the County Trust Fund, the allowable allowance for pre-construction services, and \$30,000 for the City to hire a project manager to oversee the project.

Rispin Park

This project will develop a Park on the Rispin Mansion property, with no improvements to the Mansion itself. The design of the park centers around three primary issues: (1) restoring the historic elements of the ground; (2) providing accessible access to all portions of the park; and (3) safety.



Maintain the Reserve Funds

In FY 2014/15 the City Council increased the reserve policy for the Emergency and Contingency Reserve levels. The Emergency Reserve target was increased from 5 to 10 percent with the Contingency Reserve target increasing from 10 to 15 percent. The reserves are currently at these target levels and the FY 2016/17 Budget continues to meet the targets.

With increased revenue the City has been able to increase other reserves as well. Over the last two budgets the Facilities and PERS Contingency Reserve Funds were established. These funds were established to allow increased financial stability due to the economically sensitive nature of revenue sources available to the City.

Controlling Personnel Costs

Being 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, which a cost sharing of CalPERS contributions, cost of living adjustments (COLA) based on the Consumer Price Index, and Flex Health Care spending increases.

Recent changes in the CalPERS cost pooling formulas have had a significant negative impact on the City. Those changes will result in 3-5 percent per year increases in CalPERS costs. Understanding that existing employees were already contributing more than the CalPERS-designated "employee share," with employees contribution over 12 percent with the normal

CalPERS employee share at 8 percent., the update contracts provide a solution to reduce the impact on the employees for the remaining terms of the contracts.

The number of positions city-wide increased 1.0 FTE in FY 2016/17, with the additional Public Works Maintenance Worker. The budget also proposes a temporary increase to Police Officer staffing to ensure full strength staffing levels for the summer of 2017.

PRIOR YEAR ACCOMPLISHMENTS

In FY 2015/16, the City accomplished several significant projects which placed the City in a stronger fiscal condition, provided residents and visitors with increased recreational and public art opportunities, while continuing to strengthen public safety and community development activities.

- Completed construction of multiple CIP projects including: Phase I and II of the Rispin ADA pathway, Monterey crosswalk, lower Capitola Ave. storm drain, 38th Ave. paving. In addition the Rosedale Ave. paving project and the multi-use park on McGregor Drive are schedule for completion prior to the end of the fiscal year.
- Completed inspirational design work for a new Capitola Branch Library
- Purchased and began using car cameras and body cameras
- Increased the Village Area parking limit from two to three hours
- Added PD ability to accept credit cards
- Participated in process find and hire new library director
- Adopted new Fee Schedule based on comprehensive fee study analysis
- Implemented Parkmobile parking application
- Renewed lifeguard contract with the City of Santa Cruz for three years
- Filled four vacant police officer positions
- Increased the number of surf schools permitted from four to five
- Completed studies on the flume and wharf to identify long term sustainability needs
- Prepared and responded to El Niño
- Completed training on pollution prevention and crew safety
- Continued to reduce water consumption throughout the City in response to the drought
- Completed the Housing Element Update on-time and under budget
- Completed the City's first Climate Action Plan
- Reduced the General Plan Maintenance Fee
- Completed a draft Zoning Code Update and released it for public review and comment
- Created and implemented online registration for the 2016 Junior Lifeguard Program.
- Improve training and certify all Capitola Junior Lifeguard staff as beach lifeguards.
- Increased social media traffic for the recreation sites by over 33%

- Continued work with community groups for the use of the City's recreational facilities
- Added two new public events, Opera at the Beach and Capitola en Plein Air
- Opened a new Museum exhibit, "Photos by Ravnos".
- Changed Museum hours to Thursday – Sunday to better serve the public
- Sponsors obtained to continue funding summer events
- Continued rotating Art Displays program in City of Capitola Buildings.

BUDGET PRINCIPLES

The table on the following page outlines the City's adopted budget principles for FY 2016/17.

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

CONCLUSION

The development of the annual budget takes a large amount of staff time and effort, and has to 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 the FY 2015/16 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, that Capitola will continue to be a great place to live, work, and enjoy.

FISCAL YEAR 2016/17 BUDGET PRINCIPLES

FISCAL POLICY PRINCIPLES

- Maintain a balanced budget that ensures ongoing revenue are sufficient to cover the ongoing expenses of the City.
- Ensure that the budget plans for future cost increases while also planning for the loss of Measure D revenue.
- In accordance with Council policy, maintain the Contingency and Emergency Reserve levels at or above the targets amount.
- Utilize one-time revenue for one-time expenditures.
- Maintain, and improve upon, the transparency of the City financial operations and overall assess to city operations.
- Maintain Measure O commitment to reserves and capital projects.

PUBLIC SERVICE PRINCIPLES

- Continue to analyze organizational effectiveness to ensure the highest service level to the community.
- Continue to meet the high priority the residents place on Public Safety.
- Analyze future service level increases with the long-term financial impact to ensure future financial stability.

PUBLIC IMPROVEMENT PRINCIPLES

- Maintain the City's infrastructure by providing a maximum funding for the pavement management program.

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.

Voted one of the best beach locations on the California Coast by Sunset Magazine, Capitola offers fishing and boating, along with the 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 15/16, the Finance Department issued 218 new business licenses, processed 1,095 license renewals, and processed 231 closures or cancellations. This resulted in a net decrease of 13 licensed entities within the City. FY 15/16 business license revenues show a 4.5% increase over FY 14/15. The historical number and types of businesses/non-profits for Capitola:

Business Types	Business Licenses Issued				
	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Vending Machines	7	7	7	6	10
Contractors / Builders	237	226	207	235	222
Miscellaneous	90	103	103	119	136
Professional/Personal Svcs.	539	526	536	595	499
Quarterly Contractor	53	53	42	45	28
Retail/General Business	414	420	414	513	418
	1,340	1,335	1,309	1,513	1,313

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, 41st Avenue businesses, and the nearby Auto Center, form this commercial center. Major retailers include Target, Macy's, Sears, Kohl's, Ross, Orchard Supply Hardware, Bed Bath and Beyond. They form a "net regional retail provider" bringing in five to six times the City household retail demand within Capitola. Total sales tax revenue for 2015/16 is anticipated to be \$7.7 or more than 60% of General Fund operating revenues.



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 ⁽¹⁾

Employer	Number of Employees	% of Total Employment
Soquel Union Elementary School District	200	3.57%
Subaru, Toyota, Kia of Santa Cruz	182	3.25%
Macys	180	3.21%
Gayles Bakery & Rosticceria	176	3.14%
Target	157	2.80%
Whole Foods Market	140	2.50%
Shadowbrook Restaurant	130	2.32%
Pacific Coast Manor	107	1.91%
Kohl's	95	1.70%
Trader Joe's	93	1.66%
Total Employees, top 10 employers	1460	26.07%
Total Employment	5600	100.00%

(1) MuniServices LLC, 2015

SERVING THE COMMUNITY

Police

The mission of the Capitola Police Department is to provide highly visible and responsive police service to the community, working with other Criminal Justice Agencies to provide enhanced public safety and security. The department has 31.65 positions – 22 sworn officers, 2 community service officers, 3 parking enforcement officers, an administrative support staff of 4.65, and 2 canines. A 2012 survey conducted by FM3 found that greater than 92% of surveyed residents indicated that they were satisfied with police protection services.

Capitola also offers an active Police Explorers Program to educate and involve local youth in police service.



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

Capitola PD

Community Responses	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Calls for service	19,936	16,480	20,053	17,598	17,268
Crimes - Felonies	682	537	628	674	667
Crimes - Misdemeanors	962	948	1,148	1,192	1,199
Arrests	875	836	1,045	1,117	904
Citations	1,862	1,883	2,720	1,718	1,390



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 soon-to-be-completed 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. In October, 2011, a Tot Lot play area was added on the property. Work has begun to design the larger, more technologically advanced facility, with anticipated separate children and teen sections and conference rooms. The City has a \$2.6 million trust established with Santa Cruz County to help fund a new library building. Additional funding will be provided through funds approved for a Santa Cruz Libraries Community Facilities District Bond in June, 2016.

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:



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

Over 91% of the City of Capitola's recreation programs are funded through participant fees. The Recreation Department provides City-staffed activities, including Junior Lifeguards and Camp Capitola, and adult and youth sports leagues. They also manage rental of Jade Street Center, the tennis courts, softball field, and soccer field, and Monterey Park.



Enrollment statistics	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Recreation Classes	4,386	3,399	3,611	3,411	3,305
Junior Guards	1,054	1,073	1,096	1,237	1,263
Camp Capitola	908	729	724	858	722
Junior Guards - Photo pkg purch	502	531	525	671	386
Jr Guards Regional Competition	74	73	74	76	74
Camp Cap/Jr Guards Transport	115	125	121	114	110
Sports Leagues - teams	69	69	32	20	20
Sports Leagues - teams/groups	48	48	30	30	7



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 64th year. The Commission is 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 volunteers and board members from the local community. The museum has over 6,000 visitors per year.

The current museum exhibit entitled "Photos by Ravnos", features images of Capitola at the beginning of the 20th Century. Ole Ravnos was a local photographer whose work showed "the beauty and soul of a community he obviously loved". A previous exhibit "Postmarked Capitola: A History through Postcards" showed history and local flavor through an array of local postcards exchanged throughout the years.

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 the 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 ⁽¹⁾ 92.4%
- College Graduates – Bachelor’s degree or higher ⁽¹⁾ 40.6%
- College Graduates – Graduate or professional degree ⁽¹⁾ 15.1%

Housing

- Median Household Income ⁽¹⁾ \$55,624
- Median Value ⁽¹⁾ \$437,909
- Persons per Household ⁽¹⁾ 2.1
- Assessed Valuation ⁽²⁾ :
 - Net Total Assessed Value: \$2,233,841,369
 - Secured \$2,156,087,832
 - Unsecured \$77,753,537

(1) Source: City-Data.com 2013 data – most current available

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

Calendar Year	Population	Per Capita Personal Income	Median Age	Unemployment Rate
2006	9,901	38,588	37	3.1%
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	10,146	36,532	41	5.0%
2015	10,150	38,494	44	2.9%

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

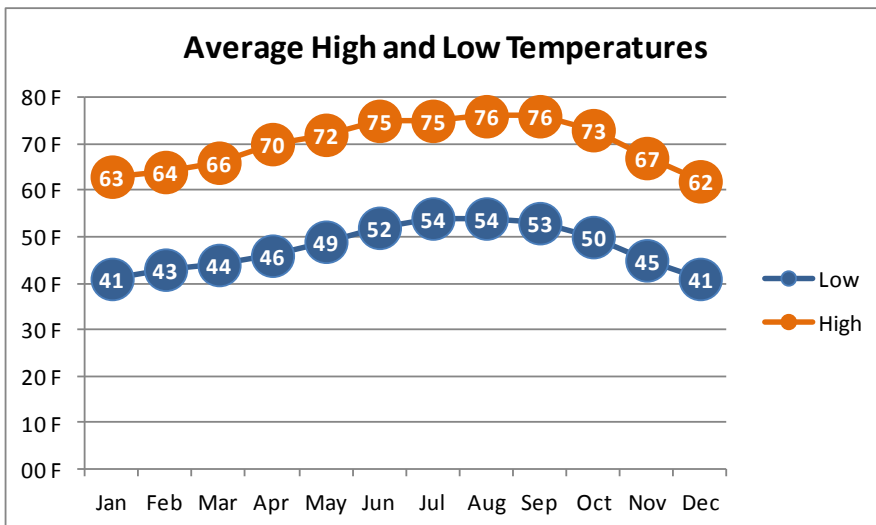
The City is located within 40 miles of three airports:

- 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 ⁽³⁾.

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www.weather.com



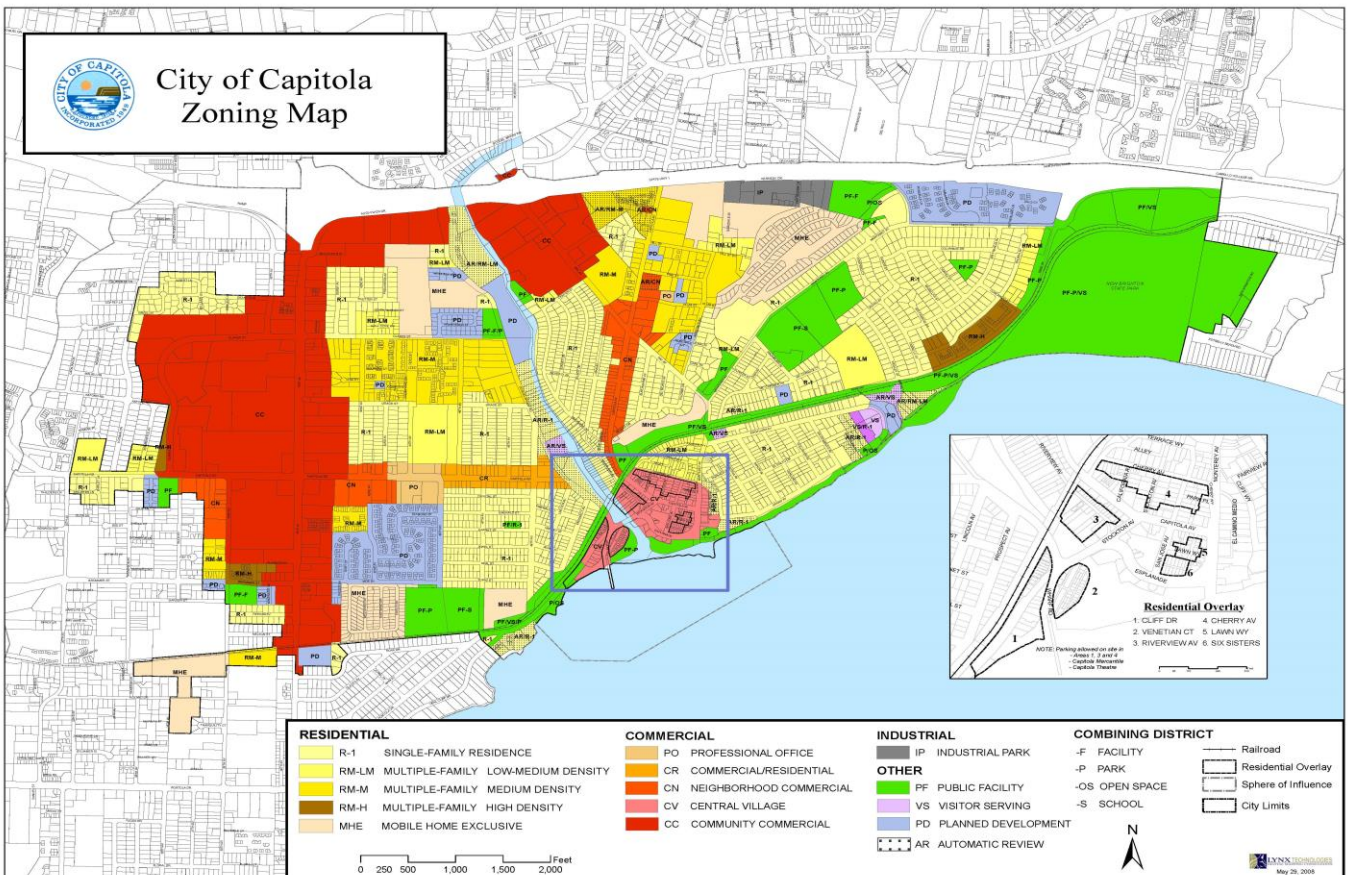
Open Meetings

The City of Capitola is dedicated to provide citizens and visitors with the highest level of public service and offers several many for them to engage in local government activities. Providing open meetings is part of the City's Public Service Principle of providing a transparent and accessible government. In 2016, the City will launch an OpenGov link on the City website which allows review of the City's financial details with simple, straightforward charts and detailed, drill down information. The City Council appoints citizens to serve on boards, commissions, and committees to assist and advise in formulating policy. City Council, Committee, and Board number of meetings annually:

Number of meetings annually	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
City Council	31	39	26	31	30
Architecture & Site Review Committee	11	10	12	11	11
Art & Cultural Commission	11	10	10	10	10
Commission on the Environment	4	3	6	10	6
Finance Advisory Committee	10	7	6	9	6
General Plan Advisory Committee	8	6	5	0	0
Museum Board	8	9	12	13	12
Planning Commission	11	12	12	13	12
Traffic & Parking Commission	5	7	4	5	4
Total Committee and Board Meetings	68	64	67	71	61

Community Zoning

The City of Capitola has approximately twenty different zoning districts or overlays. They range from Residential, Commercial and Public Facilities, to Visitor Serving. Each zoning district has specific zoning codes or guidelines that were developed to enhance and protect each district.



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 1st and ending June 30th) 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.

The Municipal Code (3.200.010 E.) defines a balanced budget as one in which "financing uses including expenditures, interfund 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 processes are listed below:

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

Financial Policies

Basis of Accounting

The City's operating budget consists of governmental funds that include the General Fund, Special Revenue Funds, Internal Service Funds, Debt Services Funds and Capital Project Funds for both the City and the Successor Agency. Governmental fund types and agency funds 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 to pay current liabilities.

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 continues to stabilize with the improving economy. The projected General Fund FY 2015/16 ending fund balance totals \$548,357. The FY 2015/16 Budget included over \$650,000 of General Fund Balance for one time expenditures.

The chart below summarizes the projected and historical General Fund revenues, expenditures, and fund balances. The table illustrates the improving local economy with increased general fund revenue. Revenue variances primarily include an increase in sales and Transient Occupancy Tax revenues. Fiscal Year 13/14 represents the first full year that the City received Measure O revenues. Operating revenues continue to trend positive in FY 15/16 due to improved general economic performance and Measure O revenue. The increase amount in Other Financing Uses in FY 15/16 primarily relates to transfer to reserves and CIP funding.

An overview of Measure O, reserves, and internal service funds are provided within this Summary Section.

General Fund Summary

Major Categories	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Revenues						
Taxes	\$10,789,036	\$11,154,924	\$11,319,500	\$11,479,028	\$11,837,099	\$11,453,218
Licenses and permits	591,443	567,554	531,650	580,250	601,650	601,850
Intergovernmental revenues	392,793	470,346	233,593	261,350	133,350	143,350
Charges for services	1,868,334	1,905,877	1,885,900	1,994,971	2,066,849	2,034,007
Fines and forfeitures	730,668	756,552	720,000	679,000	675,700	675,700
Use of money & property	21,697	62,752	59,100	57,100	57,100	57,100
Other revenues	81,384	61,658	67,400	64,910	44,900	43,700
Revenues Totals	\$14,475,355	\$14,979,663	\$14,817,143	\$15,116,609	\$15,416,648	\$15,008,925
Expenditures						
Personnel	\$7,662,396	\$7,745,263	\$8,383,075	\$8,356,787	\$8,807,779	\$8,549,751
Contract services	2,474,662	2,621,633	2,760,000	2,892,385	2,832,844	2,876,865
Training & Memberships	67,239	70,604	93,225	93,555	112,830	110,360
Supplies	529,682	531,848	552,400	548,250	568,500	531,500
Grants and Subsidies	254,270	269,814	277,296	277,316	275,000	275,000
Capital outlay	27,848	(900)	5,000	-	-	-
Internal service fund	892,925	850,647	954,500	954,500	1,159,000	1,156,000
Other financing uses	3,583,868	2,399,440	2,459,626	3,013,401	1,658,730	918,846
Expenditures Totals	\$15,492,890	\$14,488,349	\$15,485,122	\$16,136,194	\$15,414,683	\$14,418,322
Impact on Fund Balance	\$ (1,017,535)	\$ 491,314	\$ (667,979)	\$ (1,019,585)	\$ 1,965	\$ 590,603
Budgetary Fund Balance	\$ 1,076,628	\$ 1,567,942	\$ 899,963	\$ 548,357	\$ 550,322	\$ 1,140,925

Revenue Summary

	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 16/17 Adopted	FY 17/18 Planned
General Fund	\$ 14,475,356	\$14,979,664	\$14,817,143	\$15,416,648	\$15,008,925
Designated Reserves					
Contingency Reserve	398,700	182,600	89,400	10,000	-
PERS Contingency Reserve	-	-	300,000	-	-
Emergency Reserve	214,400	465,100	213,000	15,000	-
Donations	500	11,725	10,000	10,000	10,000
Facility Reserve	-	167,000	150,000	110,000	150,000
Total Designated Reserves	\$ 613,600	\$ 826,425	\$ 762,400	\$ 145,000	\$ 160,000
Debt Service					
Pension Obligation Bond	\$ 240,000	\$ 670,572	\$ 669,204	\$ 668,595	\$ 187,350
Pac Cove Lease Financing	150,226	165,811	165,066	165,066	165,066
Pacific Cove Park	1,460,500	86,054	89,400	89,192	89,004
OPEB Trust	43,415	-	38,600	-	-
Total Debt Service	\$ 1,894,141	\$ 922,437	\$ 962,270	\$ 922,853	\$ 441,420
Capital Improvement Fund	\$ 884,225	\$ 1,089,900	\$ 1,040,000	\$ 1,005,047	\$ -
Internal Service Funds					
Stores Fund	\$ 40,153	\$ 39,496	\$ 35,000	\$ 35,000	\$ 35,000
Information Technology	254,611	133,845	177,128	206,500	206,500
Equipment Replacement	304,259	68,147	110,000	128,000	125,000
Self-Insurance Liability	194,996	249,300	444,500	428,000	475,000
Workers Compensation	415,400	364,100	385,000	415,000	415,000
Compensated Absences	130,000	110,000	130,500	200,000	200,000
Total Internal Service Funds	\$ 1,339,419	\$ 964,888	\$ 1,282,128	\$ 1,412,500	\$ 1,456,500
Special Revenue Funds					
SLESF-Suppl Law Enforcmnt Svc	\$ 102,010	\$ 106,573	\$ 100,200	\$ 100,300	\$ 100,300
SCCACT-SCC Anti-Crime Team	74,235	78,403	85,076	-	-
Gas Tax	322,992	300,121	222,000	581,916	212,400
Library	-	-	-	372,300	-
Wharf	97,854	92,210	86,200	86,850	86,850
General Plan Update and Maint	123,388	99,814	80,160	85,000	85,000
Green Building Education	20,255	8,371	8,000	18,000	18,000
Public Arts Fee	73,969	35,208	30,000	30,000	30,000
Parking Reserve	100,000	100,000	100,000	100,000	100,000
Technology Fee	12,704	11,121	9,500	10,500	10,500
PEG-Public Education and Gov.	18,314	18,123	17,050	17,050	17,050
BIA-Capitola Village-Wharf BIA	54,785	64,148	65,000	66,000	66,000
CDBG Grants	50,596	(11,800)	500,000	300,000	180,000
CDBG Program Income	14,070	-	-	-	-
HOME Reuse	47,656	27,123	12,300	12,300	12,300
HOME Grant	4,770	-	-	-	-
Housing Trust	11,578	13,284	15,000	22,000	22,000
Cap Hsg Succ- Program Income	36,667	43,986	-	15,000	15,000
Total Special Revenue Funds	\$ 1,165,843	\$ 986,685	\$ 1,330,486	\$ 1,817,216	\$ 955,400
Successor Agency	\$ 2,596,438	\$ 472,789	\$ 626,935	\$ 424,331	\$ 341,895
Total Revenues - All Funds	\$ 22,969,022	\$20,242,788	\$20,821,362	\$21,143,595	\$18,364,140

Expenditure Summary

	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
General Fund	\$ 15,492,890	\$ 14,488,349	\$ 15,485,122	\$ 16,136,194	\$ 15,414,683	\$14,418,322
Designated Reserves						
Contingency Reserve	-	-	-	-	-	-
PERS Contingency Reserve	-	-	-	-	-	-
Emergency Reserve	200,000	-	-	-	-	-
Donations	500	-	-	-	-	-
Facilities Reserve	-	87,130	-	-	218,000	-
Total Designated Reserves	\$ 200,500	\$ 87,130	\$ -	\$ -	\$ 218,000	\$ -
Debt Service						
Pension Obligation Bond	\$ 674,713	\$ 672,860	\$ 669,204	\$ 669,204	\$ 668,595	\$ 668,882
Pac Cove Lease Financing	235,421	165,066	165,056	165,066	165,066	165,066
Pac Cove Park	1,386,251	198,674	89,375	89,375	89,192	89,004
OPEB Trust	7	-	-	-	-	-
Total Debt Service Funds	\$ 2,296,392	\$ 1,036,600	\$ 923,635	\$ 923,645	\$ 922,853	\$ 922,952
Capital Improvement Fund	\$ 602,917	\$ 402,137	\$ 1,040,000	\$ 1,212,875	\$ 752,047	\$ 400,429
Internal Service Funds						
Stores	\$ 32,914	\$ 28,422	\$ 35,000	\$ 30,000	\$ 35,000	\$ 35,000
Information Technology	175,223	154,709	257,000	256,750	203,000	203,000
Equipment Replacement	308,340	62,027	120,000	120,423	78,000	75,000
Self-Insurance Liability	221,555	384,700	344,500	341,515	428,000	475,000
Workers Compensation	388,822	364,096	485,000	490,000	415,000	415,000
Compensated Absences	100,400	176,742	105,500	105,500	200,000	200,000
Total Internal Service Funds	\$ 1,227,254	\$ 1,170,696	\$ 1,347,000	\$ 1,344,188	\$ 1,359,000	\$ 1,403,000
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt	\$ 84,244	\$ 124,624	\$ 61,700	\$ 46,945	\$ 63,900	\$ 65,200
SCCACT-SCC Anti-Crime Team	73,883	77,823	85,076	48,270	-	-
Gas Tax	314,110	237,779	277,900	273,000	591,600	222,000
Library	-	-	-	-	30,000	-
Wharf	51,276	71,147	86,150	103,650	111,900	104,400
General Plan Update and Maint.	178,052	95,171	158,000	118,000	114,000	55,000
Green Building Education	278	12,306	36,000	36,000	29,000	4,000
Public Arts Fee	140,453	25,146	39,300	17,000	39,300	39,300
Parking Reserve	153,436	117,410	100,000	122,900	100,000	100,000
Technology Fee	-	9,409	16,000	13,500	16,000	16,000
PEG-Public Education and Gov.	26,353	11,149	22,500	11,300	17,500	17,500
BIA-Capitola Village-Wharf BIA	50,353	69,985	67,200	65,839	66,000	66,000
CDBG Grants	18,594	-	485,000	162,785	329,397	118,500
CDBG Program Income	2,630	600	-	-	-	-
HOME Reuse	11,170	3,200	3,200	3,200	3,200	3,500
Housing Trust	75,050	66,618	65,000	65,000	25,000	-
Cap Hsq Succ- Program Income	32,241	39,466	35,000	35,000	60,000	60,000
Total Special Revenue Funds	\$ 1,212,123	\$ 961,833	\$ 1,538,026	\$ 1,122,389	\$ 1,596,797	\$ 871,400
Successor Agency	\$ 1,227,977	\$ 863,678	\$ 344,024	\$ 593,984	\$ 569,895	\$ 366,895
Total Expenditures - All Funds	\$ 22,260,053	\$ 19,010,423	\$ 20,677,807	\$ 21,333,275	\$ 20,833,275	\$ 18,382,998

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 with the expiration of Measure D are in the forefront in the development of the FY 16/17 Budget. The future financial model shows the City can expect to remain positive in future years with declining funds available for capital improvement projects.

Key future milestones:

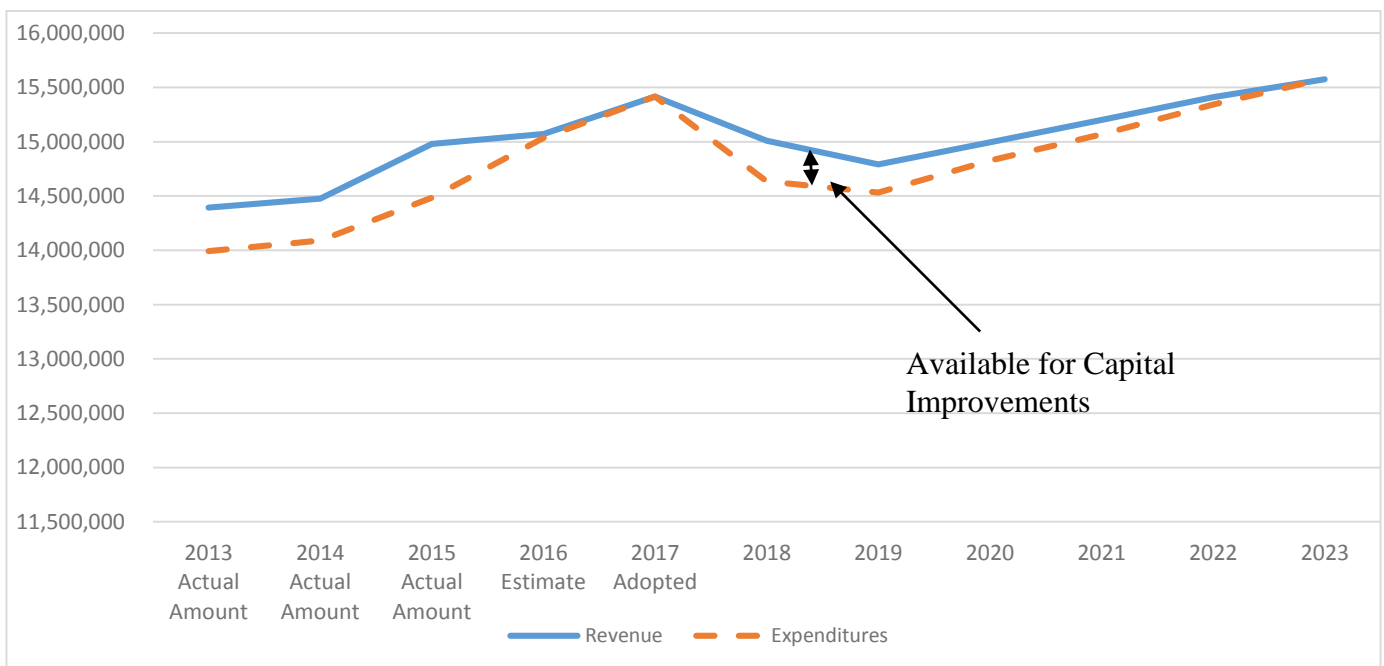
- FY 16/17:
 - Increase in PERS contributions.
- FY 17/18:
 - Final Pension Obligation Bond payment in August 2017.
 - Expiration of Measure D sales tax in December 2017.
- FY 18/19
 - Full year revenue impact from Measure D expiration
- FY 28/29
 - Final Pacific Cove Lease Financing Payment.

Financial Model Assumptions:

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

Future Challenges:

- Funding for Capital Improvement Projects in future years when Measure D expires.
- Impact of a slowdown in the local, state and federal economy.
- Statewide changes in tax policy.
- Potential large increase 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

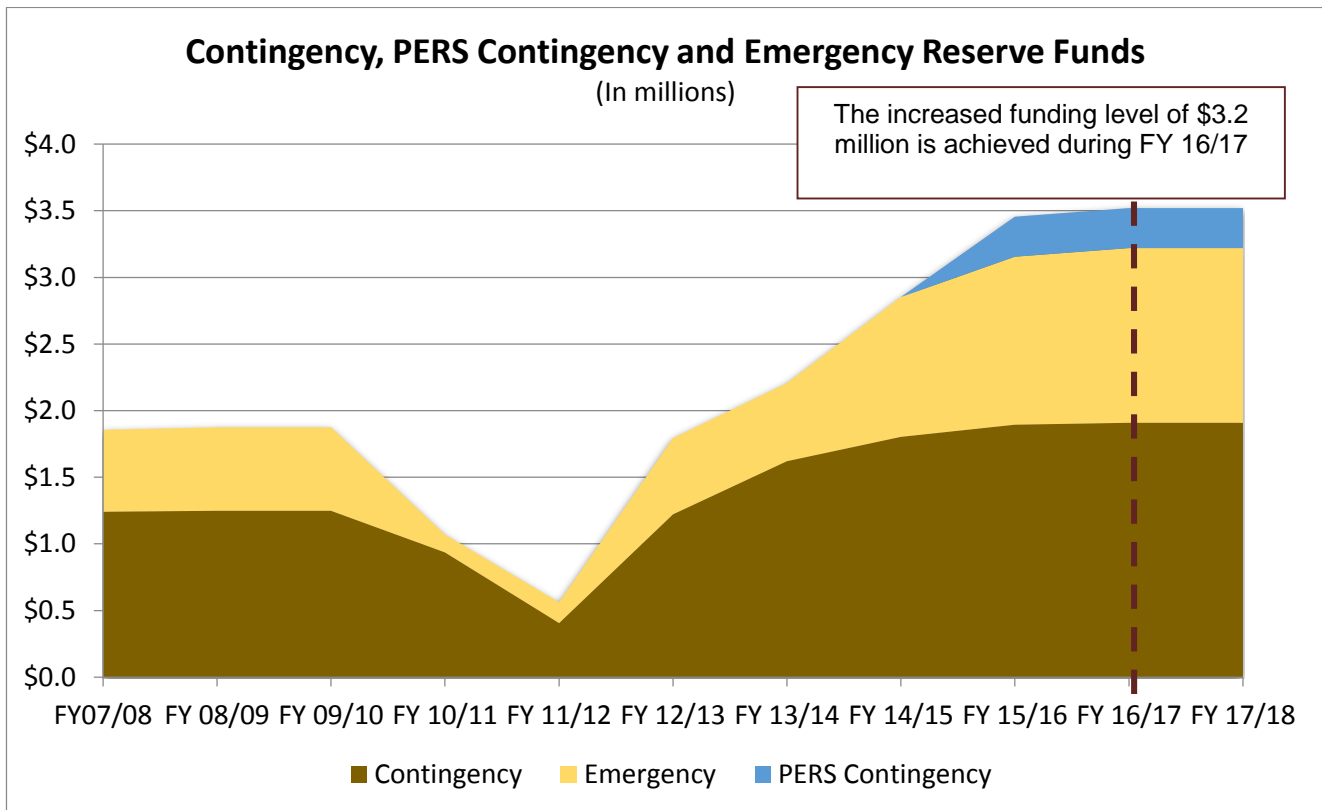
In 2000, the City adopted Financial Management policies, establishing a ten percent Contingency and a five percent Emergency Reserve Fund. The Contingency Reserve provides a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to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

In the City's 2012 Benchmark Report, Capitola ranked last among the seven benchmark cities with the lowest total levels of reserves. Due to the volatile nature of the City's primary revenue sources, and the increased delay in the receipts of several major revenues each year, the City increased its Contingency Reserve funding levels to 15 percent of operating expenditures.

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 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.

With the receipt of Measure O sales tax revenue, it was originally planned that the reserves would be fully funded in FY 16/17. In FY 12/13, an additional \$300,000 was transferred to reserves from the proceeds of an insurance settlement, along with a FY 13/14 contribution of \$325,000 and FY 14/15 contribution of \$647,700. These additional contributions brought the reserves to their original \$3 million fund target in FY 15/16. With the proposed increased budgetary expenses, the FY 16/17 Budget includes \$25,000 in additional contributions to remain at or above the policy target.



Measure O Initiative

Sales Tax for Disaster and Economic Recovery

On November 6, 2012, voters approved Measure O, instituting a 0.25% local sales tax, which was projected to raise approximately \$1 million in additional revenues. Currently, the City has an additional 0.25% sales tax (Measure D) which is scheduled to expire in December of 2017. During the five-year bridge period when both sales tax measures are in place, the City plans to fund initiatives that assist with disaster and economic recovery. The basis for the Measure O initiative along with the proposed funding priorities are presented below:

Re-establish Reserves / Disaster Recovery

Due to disaster recovery efforts from the March 2011 pipe failure, the combined reserve balances were reduced to \$561,000 at the end of FY 11/12. This was \$1.2 million less than the original funding level. In addition, another \$200,000 was needed to repair a retaining wall at the Pacific Cove Mobile Home Park site. A five-year plan using Measure O revenues to restore reserves to increased reserve funding levels is included in the preceding section.

Repave and Repair City Streets / Public Works Positions

Due to the severe economic downturn over the last five years, coupled with State take-aways, the funding to maintain streets has not been sufficient to maintain their condition. Based on the most recent inventory of pavement condition, the City's overall rating decreased by 7% in the last two years. This Pavement Management Index Study also indicated that the amount necessary to maintain the existing condition of City roads is \$640,000.

Measure O funding has been allocated to support the City's Pavement Management Program and significant road projects. In addition, it has provided funds to hire one additional public works crew member in FY 13/14, one additional Maintenance Worker I/II in FY 14/15, and another additional Maintenance Worker I/II in FY 16/17.

Support Community Policing Projects

In 2014, the Police Department saw significant increases in critical areas of service. Violent crime decreased significantly, but call for services, arrests, Part 2 Crimes, and drug violations have increased.

To better respond to the increased demands for services, the Police Department is exploring opportunities to more effectively utilize existing authorized positions and budget while meeting the increased demands placed on the Department. Those opportunities will be presented during the budget hearing.

Five Year Plan

The following five-year Measure O funding plan was provided to promote economic and disaster recovery. Additional transfers from the operating surpluses in the General Fund in FY 12/13 thru FY 15/16 promoted early funding of reserves, which resulted in increased allocations to CIP in FY 15/16 and FY 16/17.

Fiscal Year	GF to Reserves	Measure O					Total
		PW Crew	PD Staff	CIP/ St. Maint.	Reserves		
12/13	\$350,000	\$9,100	\$5,400	\$94,600	\$136,500	\$245,600	
13/14	325,000	45,950	18,800	490,900	463,100	1,018,750	
14/15	367,000	63,300	26,000	504,900	447,700	1,041,900	
15/16	210,400	105,000	35,000	700,000	242,000	1,082,000	
16/17	0	163,000	35,000	752,047	135,000	1,085,047	
Total	\$1,252,400	\$386,350	\$120,200	\$2,542,447	\$1,424,300	\$4,473,297	

Facilities Reserve Fund

The Facilities Reserve Fund was established in FY 14/15 to serve as a resource to fund capital improvements and major repairs on City facilities with the help of Measure O revenue. This fund would provide a resource to address long-term maintenance needs, as well as deferred projects. Examples of projects could include replacing roofs, painting exteriors, replacing mechanical/electrical equipment, and maintenance on adjoining parking spaces.

A preliminary list of identified facilities and select projects are listed below.

Facility	Potential Projects	Draft Estimates
City Hall	Roof	\$60,000 - \$70,000
City Hall	Restrooms, community room	
Corporation Yard	Remodel – Females locker room, restrooms	
Jade Street	Exterior paint, restrooms, pipes, accordion walls, Parking lot.	\$400,000
Library		
Restrooms - Parks		
Rispin Mansion		
Wharf	Restrooms	

The National Research Council Stewardship of Facilities guidelines, recommends contributing 2 - 4% of facility replacement costs. The current annual amount of depreciation on City facilities is \$70,000. The FY 16/17 budget includes a transfer of \$110,000 to the Facility Reserve Fund from the General Fund.



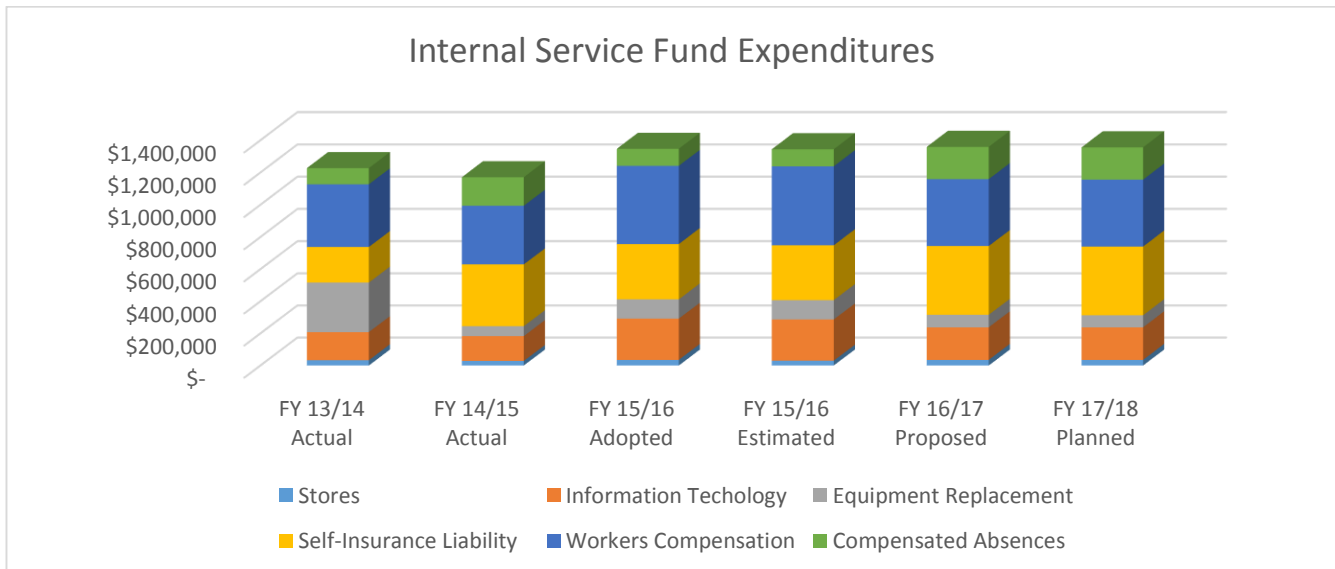
General Fund Resources

The General Fund Resources include the Reserve Funds (Emergency, Contingency, PERS Contingency, Facilities) and Internal Service Funds designated for equipment purchases, PERS management, and pension obligations. The Reserve Funds have specific purposes and require a vote of the Council to expend.

The following table shows the estimated Total General Fund available resources:

Estimated Year End Fund Balance	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
General Fund	\$ 548,357	\$ 550,322	\$ 1,140,925
Designated Reserves			
Emergency	1,262,206	1,277,206	1,277,206
Contingency	1,893,346	1,903,346	1,903,346
PERS Contingency	300,000	300,000	300,000
Facilities Reserve	229,870	121,870	271,870
Donations	11,725	21,725	31,725
Internal Service Funds			
Stores	23,978	23,978	23,978
Information Technology	22,120	25,620	29,120
Equipment Replacement	96,414	146,414	164,914
Self Insurance Liability	162,226	162,226	162,226
Workers Compensation	216,857	216,857	216,857
Compensated Absences	16,131	16,131	16,131
Total General Fund Resources	\$4,783,230	\$4,765,695	\$5,538,298

The corresponding chart and graph illustrate the impact of the transfers on the affected funds. In FY 13/14, the City budgeted additional transfers of \$41,230 to the Equipment Fund and \$114,000 to the Information Technology Fund to assist with replenishment efforts. This additional funding, along with reduced spending in the upcoming budgets are anticipated to gradually bring the Equipment Fund closer to its previous fund balance.



Fund Balance Summary

FY 2016/17

	Estimated Balance 07/01/2016	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 06/30/2017
General Fund	\$ 548,357	\$ 15,416,648	\$ -	\$ 13,755,953	\$ 1,658,730	\$ 550,322
Designated Reserves						
Contingency Reserve	\$ 1,893,346	\$ -	\$ 10,000	\$ -	\$ -	\$ 1,903,346
PERS Contingency Reserve	300,000	-	-	-	-	300,000
Emergency Reserve	1,262,206	-	15,000	-	-	1,277,206
Donations	11,725	10,000	-	-	-	21,725
Facility Reserve	229,870	-	110,000	218,000	-	121,870
Total Designated Reserves	\$ 3,697,147	\$ 10,000	\$ 135,000	\$ 218,000	\$ -	\$ 3,624,147
Debt Service						
Pension Obligation Bond	\$ 481,532	\$ -	\$ 668,595	\$ 668,595	\$ -	\$ 481,532
Pac Cove Lease Financing	330,403	-	165,066	165,066	-	330,403
Pac Cove Park	-	-	89,192	89,192	-	-
OPEB Trust	146,641	-	-	-	-	146,641
Total Debt Service	\$ 958,576	\$ -	\$ 922,853	\$ 922,853	\$ -	\$ 958,576
Capital Improvement Fund	\$ 1,772,604	\$ 253,000	\$ 752,047	\$ 752,047	\$ -	\$ 2,025,604
Internal Service Funds						
Stores	\$ 23,978	\$ -	\$ 35,000	\$ 35,000	\$ -	\$ 23,978
Information Technology	22,120	3,500	203,000	203,000	-	25,620
Equipment Replacement	96,414	-	128,000	78,000	-	146,414
Self-Insurance Liability	162,226	-	428,000	428,000	-	162,226
Workers Compensation	216,857	-	415,000	415,000	-	216,857
Compensated Absences	16,131	-	200,000	200,000	-	16,131
Total Internal Service	\$ 537,726	\$ 3,500	\$ 1,409,000	\$ 1,359,000	\$ -	\$ 591,226
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt	\$ 108,434	\$ 100,300	\$ -	\$ 63,900	\$ -	\$ 144,834
SCCACT-SCC Anti-Crime	-	-	-	-	-	-
Gas Tax	21,081	581,916	-	591,600	-	11,397
Library	-	372,300	-	30,000	-	342,300
Wharf	76,408	86,850	-	111,900	-	51,358
General Plan Update and	65,631	85,000	-	114,000	-	36,631
Green Building Education	97,035	18,000	-	29,000	-	86,035
Public Arts Fee	223,189	30,000	-	39,300	-	213,889
Parking Reserve	23,152	-	100,000	-	100,000	23,152
Technology Fee	43,654	10,500	-	16,000	-	38,154
PEG-Public Education and	44,636	17,050	-	17,500	-	44,186
BIA-Capitola Village-Wharf BIA	-	66,000	-	66,000	-	-
CDBG Grants	(114,789)	300,000	-	329,397	-	(144,186)
CDBG Program Income	(1,069)	-	-	-	-	(1,069)
HOME Reuse	167,969	12,300	-	3,200	-	177,069
Housing Trust	20,907	22,000	-	-	25,000	17,907
Cap Hsg Succ- Program	104,793	15,000	-	60,000	-	59,793
Total Special Revenue	\$ 881,031	\$ 1,717,216	\$ 100,000	\$ 1,471,797	\$ 125,000	\$ 1,101,450
Successor Agency	\$ 331,942	\$ 424,331	\$ -	\$ 569,895	\$ -	\$ 186,378
Tot. Fund Balance - All Fund:	\$ 8,727,383	\$ 17,824,695	\$ 3,318,900	\$ 19,049,545	\$ 1,783,730	\$ 9,037,703

Fund Balance Summary

FY2017/18

	Estimated Balance 07/01/2017	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 06/30/2018
General Fund	\$ 550,322	\$ 15,008,925	\$ -	\$ 13,499,476	\$ 918,846	\$ 1,140,925
Designated Reserves						
Contingency Reserve	\$ 1,903,346	\$ -	\$ -	\$ -	\$ -	\$ 1,903,346
PERS Contingency Reserve	300,000	-	-	-	-	300,000
Emergency Reserve	1,277,206	-	-	-	-	1,277,206
Donations	21,725	10,000	-	-	-	31,725
Facility Reserve	121,870	-	150,000	-	-	271,870
Total Designated Reserves	\$ 3,624,147	\$ 10,000	\$ 150,000	\$ -	\$ -	\$ 3,784,147
Debt Service						
Pension Obligation Bond	\$ 481,532	\$ -	\$ 187,350	\$ 668,882	\$ -	\$ -
Pac Cove Lease Financing	330,403	-	165,066	165,066	-	330,403
Pac Cove Park	-	-	89,004	89,004	-	-
OPEB Trust	146,641	-	-	-	-	146,641
Total Debt Service	\$ 958,576	\$ -	\$ 441,420	\$ 922,952	\$ -	\$ 477,044
Capital Improvement Fund	\$ 2,025,604	\$ -	\$ -	\$ 400,429	\$ -	\$ 1,625,175
Internal Service Funds						
Stores	\$ 23,978	\$ -	\$ 35,000	\$ 35,000	\$ -	\$ 23,978
Information Technology	25,620	3,500	203,000	203,000	-	29,120
Equipment Replacement	146,414	-	125,000	75,000	-	196,414
Self-Insurance Liability	162,226	-	475,000	475,000	-	162,226
Workers Compensation	216,857	-	415,000	415,000	-	216,857
Compensated Absences	16,131	-	200,000	200,000	-	16,131
Total Internal Service	\$ 591,226	\$ 3,500	\$ 1,453,000	\$ 1,403,000	\$ -	\$ 644,726
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt	\$ 144,834	\$ 100,300	\$ -	\$ 65,200	\$ -	\$ 179,934
SCCACT-SCC Anti-Crime	-	-	-	-	-	-
Gas Tax	11,397	212,400	-	222,000	-	1,797
Library	342,300	-	-	-	-	342,300
Wharf	51,358	86,850	-	104,400	-	33,808
General Plan Update and Maint	36,631	85,000	-	55,000	-	66,631
Green Building Education	86,035	18,000	-	4,000	-	100,035
Public Arts Fee	213,889	30,000	-	39,300	-	204,589
Parking Reserve	23,152	-	100,000	-	100,000	23,152
Technology Fee	38,154	10,500	-	16,000	-	32,654
PEG-Public Education and	44,186	17,050	-	17,500	-	43,736
BIA-Capitola Village-Wharf BIA	-	66,000	-	66,000	-	-
CDBG Grants	(144,186)	180,000	-	118,500	-	(82,686)
CDBG Program Income	(1,069)	-	-	-	-	(1,069)
HOME Reuse	177,069	12,300	-	3,500	-	185,869
Housing Trust	17,907	22,000	-	-	-	39,907
Cap Hsg Succ- Program	59,793	15,000	-	60,000	-	14,793
Total Special Revenue	\$ 1,101,450	\$ 855,400	\$ 100,000	\$ 771,400	\$ 100,000	\$ 843,150
Successor Agency	\$ 186,378	\$ 341,895	\$ -	\$ 366,895	\$ -	\$ 161,378
Tot. Fund Balance - All Fund:	\$ 9,037,703	\$ 16,219,720	\$ 2,144,420	\$ 17,364,152	\$ 1,018,846	\$ 8,676,545

GENERAL FUND REVENUES



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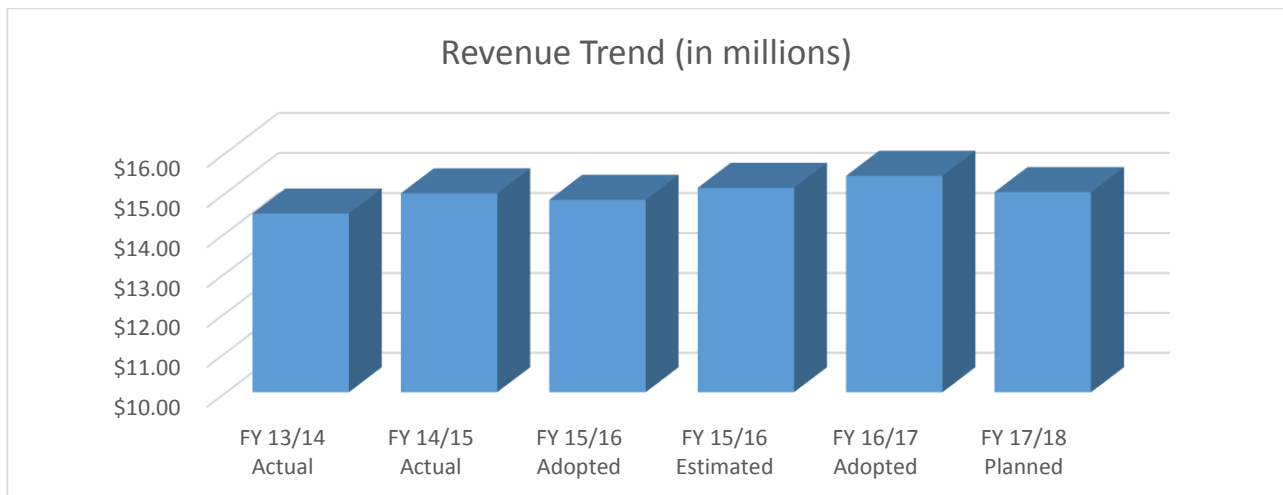
General Fund Revenues

Revenues for the FY 2016/17 General Fund operating budget total \$15.4 million, an increase of approximately \$599,505 or a 4 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 change in ownership due to a hot real estate market, reinstatement of assessed values lowered during Great Recession, and an additional 2% CPI increase per Prop 13 provisions. Sales tax collections continue to increase with strong taxable sales throughout the City. Transient Occupancy Tax continue to increase due to improved statewide economic conditions, extended summer season, and more visitors choosing Capitola as a vacation destination.

While we forecast an increase in revenue this year, the future revenue may not continue to rise in FY 2017/18 and beyond. Increased tax revenues in FY 2016/17 is offset by reductions in intergovernmental revenues related to reductions in federal grant funding. A summary of major revenue changes between the FY 2015/16 Adopted and FY 16/17 Proposed budgets are listed below:

- Property Taxes incl. Motor Vehicle In-Lieu \$200,167
- Sales Tax 206,575
- Other Taxes – Franchise Fee, TOT, etc. 110,857
- Other Revenue Categories 81,906
- \$599,505**

General Fund Revenues						
	FY 13/14	FY 14/15	FY 15/16	FY 15/16	FY 16/17	FY 17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Taxes	\$10,789,036	\$11,154,924	\$11,319,500	\$11,479,028	\$11,837,099	\$11,453,218
Licenses and permits	591,443	567,554	531,650	580,250	601,650	601,850
Intergovernmental revenues	392,793	470,346	233,593	261,350	133,350	143,350
Charges for services	1,868,334	1,905,877	1,885,900	1,994,971	2,066,849	2,034,007
Fines and forfeitures	730,668	756,553	720,000	679,000	675,700	675,700
Use of money & property	21,697	62,752	59,100	57,100	57,100	57,100
Other revenues	81,384	61,658	67,400	64,910	44,900	43,700
General Fund Revenues	\$14,475,356	\$14,979,664	\$14,817,143	\$15,116,609	\$15,416,648	\$15,008,925



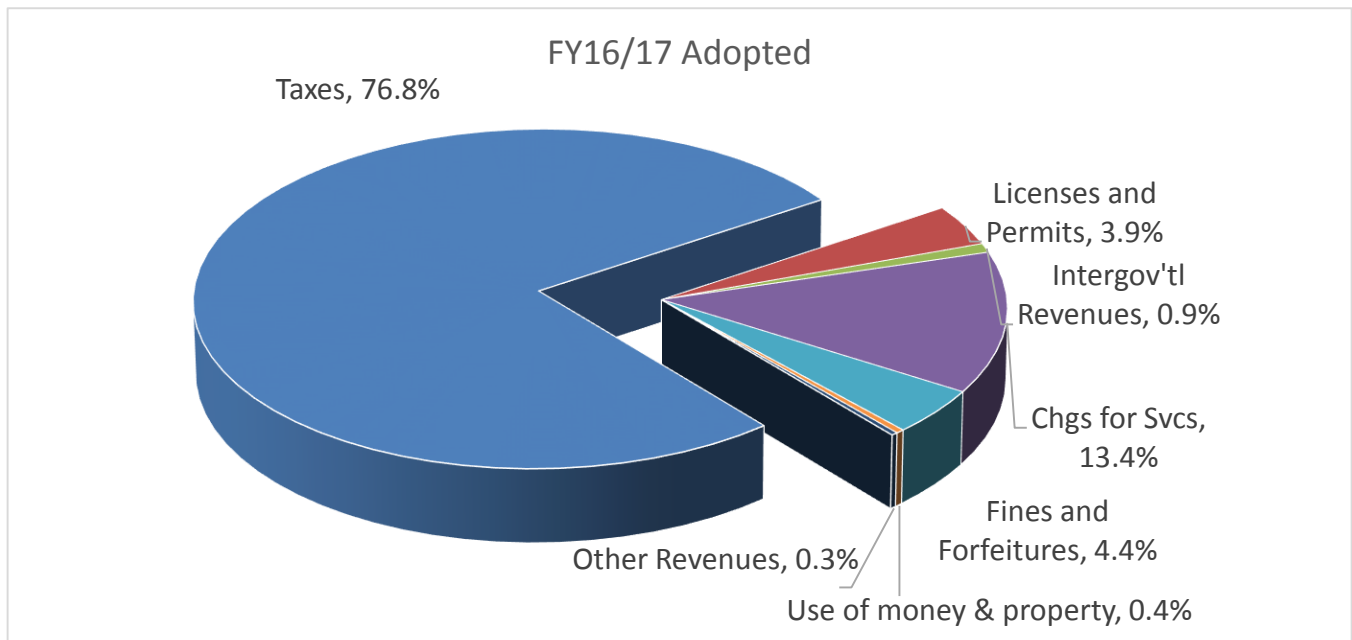
General Revenue Information

The City does not receive General Fund revenues in equal monthly increments. While the City receives some revenue regularly throughout the fiscal year, some 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 balance occurs in mid-December prior to property tax revenue being received. The City developed a cash flow model to assist with on-going cash flow projections 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.

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	\$7,696,475
• Transient Occupancy Tax	1,356,190
• Parking Meters	826,678
• Parking Fines	434,700
• Property Taxes / Property Taxes in Lieu of Vehicle Fees	<u>2,172,667</u>
	\$12,486,710

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.



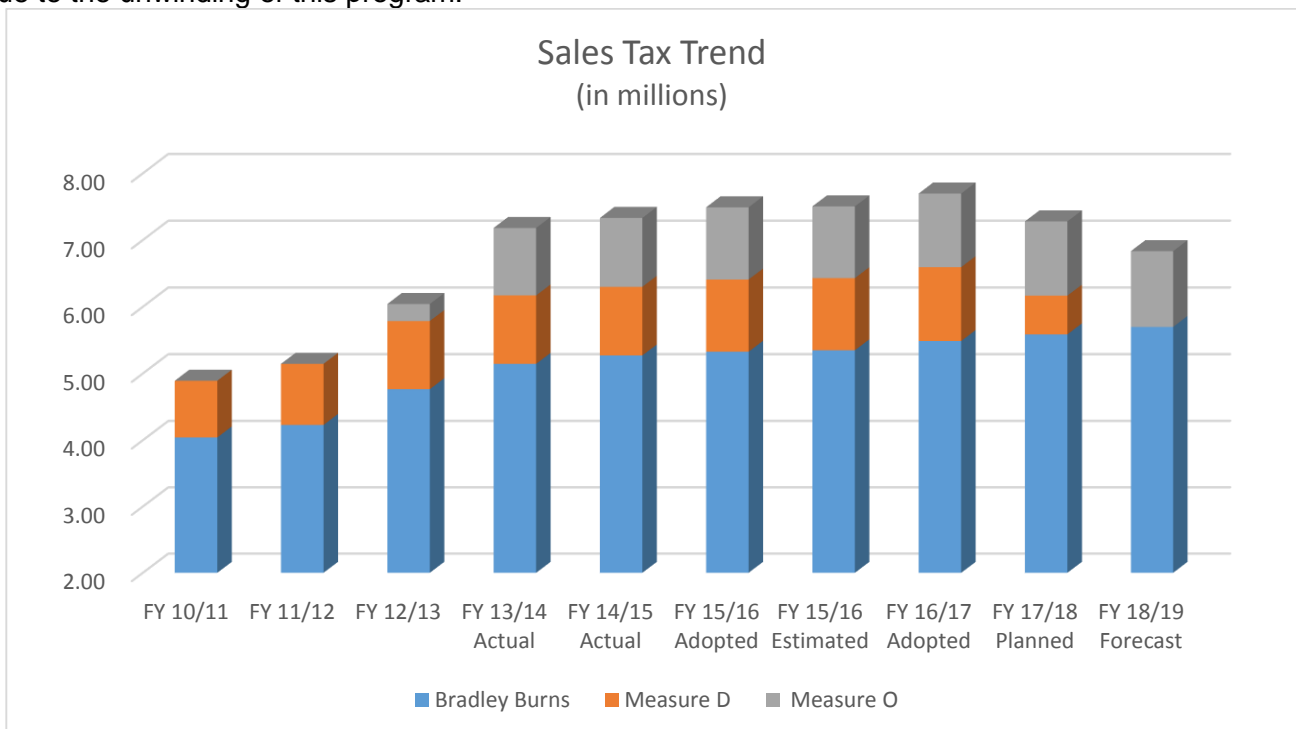
Sales Tax

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 FY2016/17, annual sales tax revenue is estimated to be \$7.6 million, with just over \$2.1 million in revenues contributed by Measure D and Measure O. Measure D currently expires December, 2017.

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 2016/17, sales tax revenue performance is anticipated to increase by approximately 2.75 percent or \$206,575 over the FY 2015/16 estimates. In FY 2017/18, sales tax growth is projected to decrease five percent with the expiration of Measure D occurring half way through the year.

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 City projects Measure D and O collections to be over \$1 million in FY 2016/17. The chart below illustrates the effect of the partial year expiration of Measure D in FY 2018/19. The chart does not contain estimates based on the expiration of the State In-Lieu or Triple Flip method of disbursements that is anticipated to appear in FY 2016/17. Only regular operating revenue receipts have been included in the FY 2016/17 and FY 2017/18 estimated receipts. Due to this transition there could be an estimated one-time payment of \$232,700 due to the unwinding of this program.



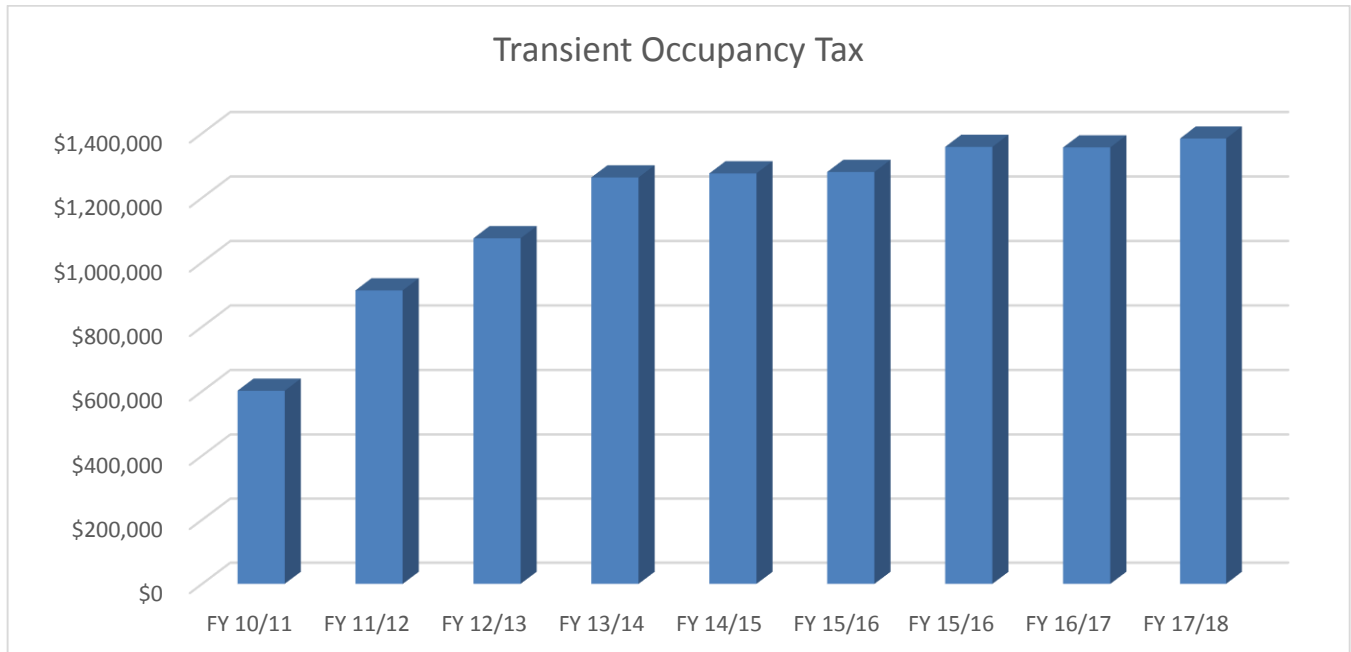
Transient Occupancy Taxes (TOT)

Hotel tax, also known as the Transient Occupancy Tax (TOT), charges rental accommodation of less than 30 days a 10 percent tax. In FY 2016/17, TOT tax accounts for over eight percent of the 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

In FY 2013/14, TOT revenues grew by 17.7 percent or \$189,200. This could be attributed to an extended warm weather season, economic growth, and significant increased receipts from two hotels. The dry winter season, with limited snow in the mountains could have motivated more vacationers to choose a coastal, rather than mountain vacation destination. The FY 2016/17 and FY 2017/18 estimates are based on a more conservative growth factor of two and three percent growth, respectively. The estimates were derived internally by monitoring quarterly revenues, reviewing local tourism trends, and referencing CPI as an indicator of growth. The U.S. Travel Association's Travel Forecast Model for Domestic Person-Trips was also referenced for comparative purposes.

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.

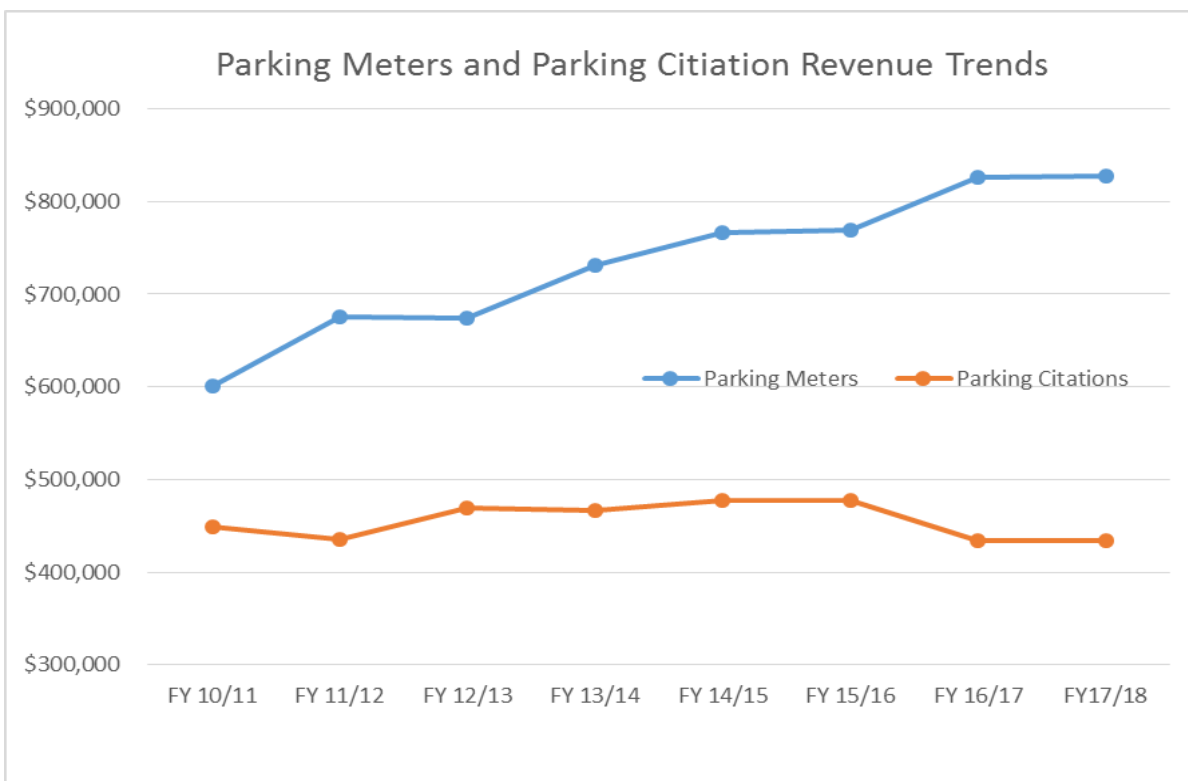


Parking Meters and Parking Fines

In FY 2016/17, parking meter and parking fine revenues are estimated to contribute over \$1.26 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 16/17 Revenue	Avg. Meter Rev. per Space
Village	195	\$ 571,650	\$ 2,932
Cliff Drive	65	\$ 88,786	\$ 1,366
Pacific Cove - Upper Lot	232	\$ 120,819	\$ 521
Pacific Cove - Lower Lot	226	\$ 45,423	\$ 201

The following chart illustrates parking and parking citation trends within the City. Overall, the revenue trend has increased for the last several years. 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.



In the FY 2016/17 budgetary projections, the City conservatively forecast parking meter and parking fine revenue to be unchanged compared to the prior year. The FY 2015/16 Budget mid-year estimate included an additional \$22,000 to replace old meters with new meters that accepted credit cards along with coins.

Property Taxes

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 2016/17, property taxes are estimated at \$2.1 million, representing a 10 percent increase over the prior year adopted budget and seven percent above the actual collection from FY 2015/16. 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 five percent.

In the FY 2016/17 Budget, base property tax revenues projects an increase of approximately three percent with a similar increase projected in FY 2017/18. 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 2017/18 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 remains relatively constant over prior years. However, there is a six percent, or \$54,500, increase projected in FY 2016/17. 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 to three percent have been applied to the upcoming fiscal years.

Revenue Summary

	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
<u>Taxes</u>						
Property Taxes	1,777,633	1,963,272	1,972,500	2,030,690	2,172,667	2,209,354
Sales Tax- Bradley Burns	5,143,852	5,269,899	5,325,900	5,347,966	5,485,957	5,585,474
Sales Tax- Measure D	1,025,513	1,028,321	1,082,000	1,080,722	1,106,376	580,827
Sales Tax- Measure O	1,010,362	1,032,222	1,082,000	1,074,923	1,104,142	1,112,868
Document Transfer Tax	71,742	77,976	50,000	60,000	85,000	50,000
Franchise Tax	496,759	507,517	526,900	526,900	526,767	530,922
Transient Occupancy Tax	1,263,175	1,275,716	1,280,200	1,357,827	1,356,190	1,383,773
Total	10,789,036	11,154,924	11,319,500	11,479,028	11,837,099	11,453,218
<u>Licenses and permits</u>						
Business License	287,225	284,474	283,700	295,800	299,300	299,300
Building Permits	236,528	215,113	191,900	191,900	200,000	200,000
Encroachment Permits	12,702	16,440	10,000	21,000	15,000	15,000
Special events ermit	1,120	1,008	900	900	1,000	1,000
Entertainment permit	5,547	3,265	4,000	4,000	4,000	4,000
Parking Permits	39,543	41,426	32,900	32,900	36,600	36,600
Planning Permits	7,985	5,607	7,000	32,500	45,000	45,000
Other Permits	793	221	1,250	1,250	750	950
Total	591,443	567,554	531,650	580,250	601,650	601,850
<u>Intergovernmental revenues</u>						
Federal and State Grants	138,004	314,037	178,793	195,750	87,750	87,750
Gen gov't - OSB admin	250,000	150,000	50,000	60,000	40,000	50,000
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.	590	2,109	600	1,400	1,400	1,400
Total	392,793	470,346	233,593	261,350	133,350	143,350
<u>Charges for Svcs.</u>						
Gen gov't ROPS repmt	-	-	-	114,871	114,871	114,871
Gen gov't Pay stations-Village	544,209	551,281	521,300	555,000	571,650	573,498
Gen gov't Pay stations-Cliff Dr.	78,129	87,498	86,200	86,200	88,786	88,803
Gen gov't Pay station-upper Pac Cove	108,837	115,291	117,300	117,300	120,819	119,658
Gen gov't Pay stations-lower Pac Cove	-	44,640	44,100	44,100	45,423	45,877
Gen gov't Green Bldg. Program	-	-	1,000	1,000	5,000	1,000
Public safety Vehicle release fee	16,733	18,331	17,500	13,500	15,000	15,000
Public safety Police reports	4,965	5,214	5,000	5,000	5,500	5,500
Public safety Booking fees	5,909	6,987	5,500	2,500	5,000	5,000
Public safety DUI collections	6,374	7,430	5,500	3,500	4,800	4,800
Public safety Animal Svcs.	2,146	-	1,000	1,000	500	500
Public safety Spec. events - Police Svcs.	15,485	11,711	14,000	19,000	14,000	14,000
Public works BIA - public works Svcs.	3,000	3,000	3,000	3,000	3,000	3,000
Public works Special events - pw Svcs.	4,902	3,236	5,000	5,000	3,500	3,500
Public works Trash/Cleanup Removal	2,000	2,000	2,000	2,000	-	-
Public works Stormwater dev. Review	-	-	-	-	2,000	2,000
Building fees Building plan check fees	120,789	111,828	105,000	105,000	105,000	105,000
Comm dev Planning fee - sr plnr cost	78,330	61,920	55,000	35,000	30,000	30,000
Comm Planning fee - assist plnr cost	3,045	16,443	10,000	23,000	20,000	20,000
Comm dev Planning fee - director cost	41,226	11,177	5,000	10,000	7,000	7,000
Comm dev Planning plan check fee	15,000	11,905	10,000	7,500	10,000	10,000
Comm dev Planning application fee	19,858	12,589	15,000	8,000	-	-
Comm dev Planning - Gen Plan	25,000	26,950	40,000	15,000	60,000	40,000
Comm dev Billing to Green Building	-	12,306	30,000	10,000	20,000	10,000

	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Comm dev Planning - other fees	22,812	19,359	18,000	25,000	20,000	20,000
Recr. fees Class fees	337,584	281,714	268,500	283,500	285,000	285,000
Recr. fees Jr. guard fees	268,443	312,164	318,000	317,000	332,000	332,000
Recr. fees Camp Capitola fees	103,010	138,964	149,500	149,500	149,500	149,500
Recr. fees Sports fees	40,549	31,941	33,500	33,500	28,500	28,500
Total	1,868,334	1,905,877	1,885,900	1,994,971	2,066,849	2,034,007
<u>Fines and forfeitures</u>						
Redlight camera enforcement	96,719	48,188	90,000	90,000	90,000	90,000
Parking Cititation	466,433	501,615	477,000	436,000	434,700	434,700
General Fines	167,517	206,750	153,000	153,000	151,000	151,000
Total	730,668	756,553	720,000	679,000	675,700	675,700
<u>Use of money & property</u>						
Investment earnings LAIF	4,938	10,633	6,900	5,000	5,000	5,000
Rents Jade Street facility	5,143	7,012	7,000	6,900	6,900	6,900
Rents Esplanade restaurants	3,919	4,018	4,000	4,000	4,000	4,000
Rents Esplanade - surf trailer	1,263	1,469	1,200	1,200	1,200	1,200
Rents Esplanade bandstand	3,570	4,620	5,000	5,000	5,000	5,000
Lease Rev. Vehicles/Equip.	2,865	35,000	35,000	35,000	35,000	35,000
Total	21,697	62,752	59,100	57,100	57,100	57,100
<u>Other revenues</u>						
Grants, donations, contrib	5,251	2,350	5,400	3,200	3,200	3,200
Arts-Twilight Concert Sponsors	13,200	16,200	16,000	12,000	15,600	14,400
Arts-Movies at the Beach Sponsor	2,000	2,000	2,000	2,000	2,000	2,000
Arts-Art at the Beach Booth Fee	3,600	3,510	3,000	3,000	3,000	3,000
Art & Culture Sponsors	1,600	3,825	2,000	6,000	2,000	2,000
Museum donations-Box Revenue	1,558	1,666	1,000	1,400	1,250	1,250
Museum Donations-Fundraising	3,307	3,691	5,000	5,200	5,000	5,000
Memorial plaques and benches	15,105	5,520	7,500	9,560	5,000	5,000
Miscellaneous revenues	35,763	22,897	25,500	22,550	7,850	7,850
Total	81,384	61,658	67,400	64,910	44,900	43,700
Revenue Total	14,475,356	14,979,664	14,817,143	15,116,609	15,416,648	15,008,925

GENERAL FUND EXPENDITURES



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General Fund Expenditures

In FY 2016/17 General Fund operating expenditures Budget decreases \$96,554 from the FY 2015/16 Adopted Budget; while transfers decreased from the prior year by \$800,896, since the City utilized General Fund Balance for additional transfers. Key differences between the two fiscal years include:

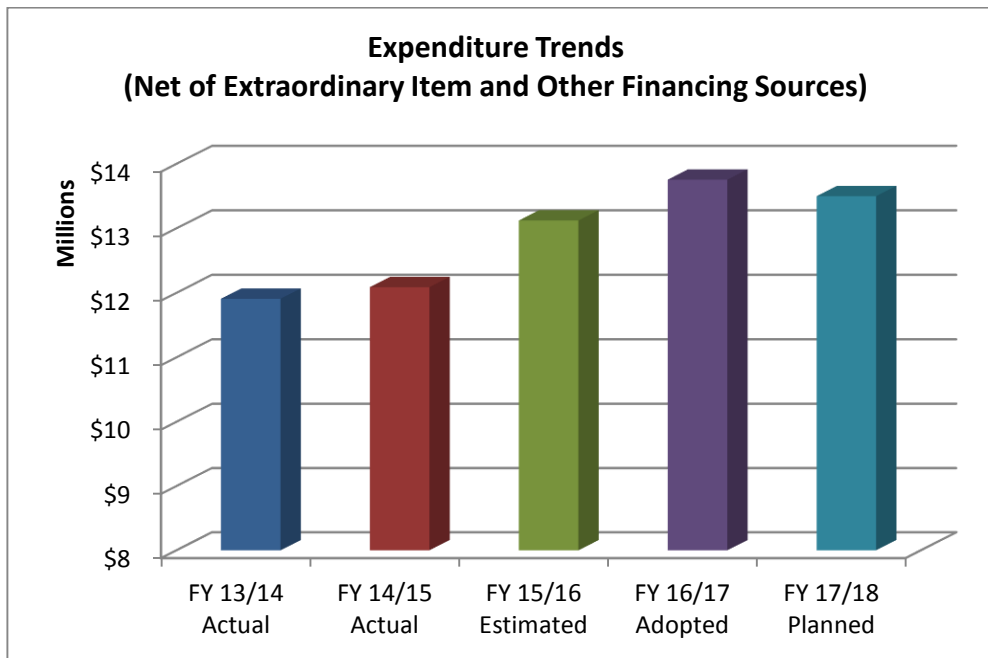
- Total personnel costs (salary and benefits) increased \$424,704 over FY 2015/16 Adopted Budget.
- Salary costs are \$216,472 higher due to COLA adjustments and step increases per MOUs, contracted flexible benefit increases, plus a new Public Works Maintenance Worker and a temporary overfill of a Police Officers.
- Increase of \$163,819 in personnel benefit costs mainly due to higher CalPers contributions of \$135,558 and 2.5 percent increase in flex credits based on current contracts.
- Other personnel cost categories such as temporary staffing, overtime and specialty pay increased \$44,413 in FY 2016/17 Budget.
- Increase of \$204,500 in internal fund service charges are mainly due to higher self-insurance and workers insurance costs.

The following chart provides an overview of expenditures for the period from FY 2013/14 to FY 2017/18 Planned. A complete description of major changes will follow in the related expenditure detail pages.

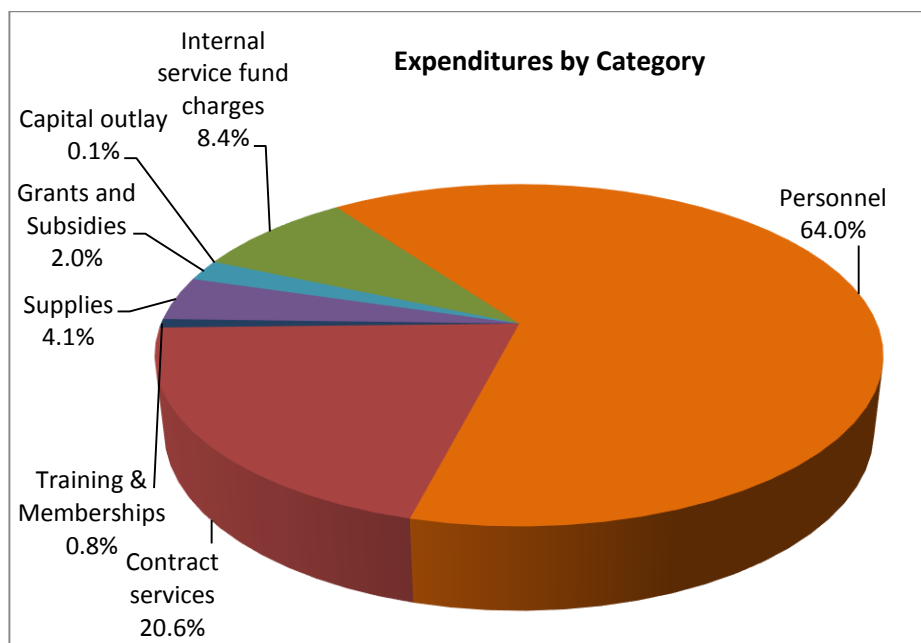
General Fund Expenditures Summary

Major Categories	FY 13/14	FY 14/15	FY 15/16	FY 15/16	FY 16/17	FY 17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Personnel	\$7,662,396	\$7,745,263	\$8,383,075	\$8,356,787	\$8,807,779	\$8,549,751
Contract services	2,474,662	2,621,633	2,760,000	2,892,385	2,832,844	2,876,865
Training & Memberships	67,239	70,604	93,225	93,555	112,830	110,360
Supplies	529,682	531,848	552,400	548,250	568,500	531,500
Grants and Subsidies	254,270	269,814	277,296	277,316	275,000	275,000
Capital outlay	27,849	(900)	5,000	-	-	-
Internal service fund	892,925	850,647	954,500	954,500	1,159,000	1,156,000
Subtotal	\$11,909,022	\$12,088,910	\$13,025,496	\$13,122,793	\$13,755,953	\$13,499,476
Other financing uses	3,583,868	2,399,440	2,459,626	3,013,401	1,658,730	918,846
Expenditure Total	\$15,492,890	\$14,488,349	\$15,485,122	\$16,136,194	\$15,414,683	\$14,418,322

The following chart provides an overview of expenditure trends, excluding transfers. The chart demonstrates that operating costs are escalating year-to-year mainly due to personnel costs.

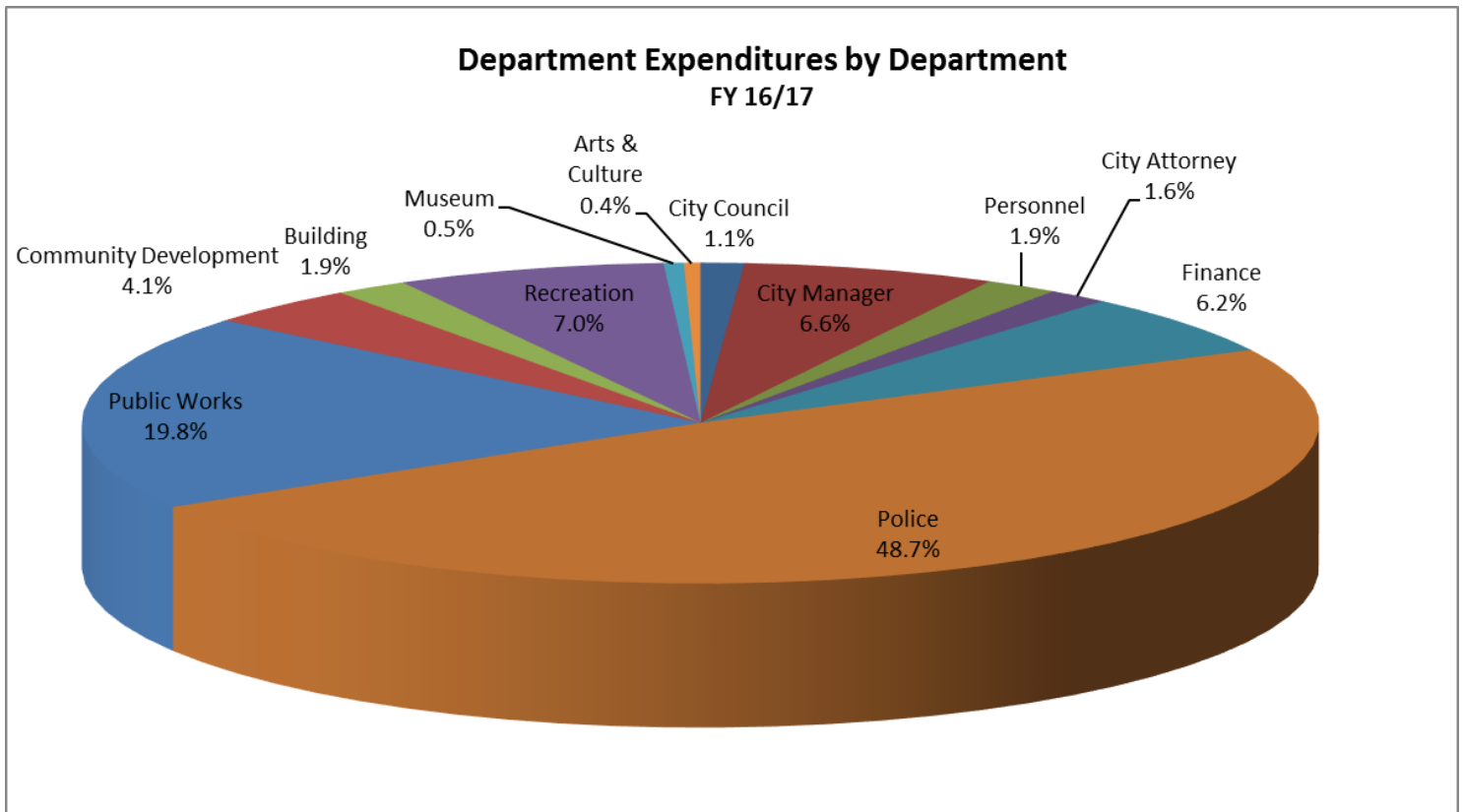


A chart displaying the percentage of expenditures by category is also provided for reference. As the personnel costs have increased by \$424,704 over the prior fiscal year, the ratio of personnel services to other expenditures decreased from 64.4 percent to 64.0 percent. Other notable changes were in contract services which decreased from 21.2 percent to 20.6 percent, and internal service charges increased from 7.3 percent to 8.4 percent.



General Fund Department Expenditures

Department	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
City Council	\$111,715	\$122,590	\$131,565	\$128,513	\$153,554	\$151,762
City Manager	817,364	773,708	798,827	780,147	892,250	872,793
Personnel	188,612	209,009	248,589	256,267	258,976	255,550
City Attorney	186,944	197,020	187,000	260,000	215,000	215,000
Finance	750,971	712,173	800,431	771,521	836,556	825,531
Community Grants	254,270	269,814	277,296	277,316	275,000	275,000
Police - Law Enforcement	5,242,265	5,241,846	5,670,242	5,696,897	5,914,847	5,775,826
Police - Pkg. Enforcement	488,489	521,293	565,618	570,618	549,524	542,766
Police - Lifeguard Svcs.	70,565	72,501	73,449	73,449	79,338	79,338
Police - Animal Services	22,473	23,910	23,691	23,691	26,307	27,607
Public Works - Streets	1,178,986	1,229,806	1,361,176	1,284,676	1,320,479	1,306,698
Public Works-Storm	-	-	-	83,500	153,831	157,230
Public Works - Facilities	201,219	270,067	247,298	246,298	263,661	240,161
Public Works - Fleet	346,294	320,330	335,489	309,840	330,837	325,610
Public Works - Parks	520,500	524,646	538,088	530,420	602,708	611,598
Community Development	375,322	431,636	508,923	523,103	545,985	533,556
Building	241,678	268,961	246,066	237,043	257,683	246,091
Recreation	809,423	802,074	891,385	950,033	949,999	934,112
Museum	54,211	54,749	66,728	66,443	71,188	66,833
Art & Cultural	47,719	42,775	53,635	53,018	58,230	56,414
Subtotal	\$11,909,022	\$12,088,910	\$13,025,496	\$13,122,793	\$13,755,953	\$13,499,476
Transfers & Other	\$3,583,868	\$2,399,440	\$2,459,626	\$3,013,401	\$1,658,730	\$918,846
Expenditure Total	\$15,492,890	\$14,488,349	\$15,485,122	\$16,136,194	\$15,414,683	\$14,418,322



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 the MOUs, a 2.6 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. Changes include the following:

FY 2016/17: Add a new Public Works Maintenance Worker I/II. The Police Department will also temporarily overfill a Police Officer position in FY 2016/17 to ensure full staffing on June 1, 2017 before the busy summer season. For FY 2016/17, total citywide FTE count is at 67.40, a 1.75 FTE increase compared to FY 2015/16 Adopted Budget. The Arch and Site Committee stipend was increased from \$25 per meeting to \$50 per meeting.

The table below summarizes the budget positions & hours, 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	Adopted	Adopted	Planned
Elected												
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
Elected - Total FTE's	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Fully Benefited by Dept												
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	7.00	7.00	7.00
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	31.65	31.65	31.65
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	3.00	3.75	3.75
Dept - Total FTEs	69.30	68.50	69.63	63.63	62.13	60.24	58.84	57.87	62.46	65.65	67.40	67.40
Change from prior year		2.50	1.13	(6.00)	(1.50)	(1.89)	(1.40)	(0.97)	4.59	3.19	1.75	-

General Fund Expenditures

SALARIES & BENEFITS

City services are primarily staff delivered, therefore staffing is the most significant expenditure. For the FY 2015/16 Budget staffing costs total \$8,807,779. This represents a five percent or \$424,704 increase from the FY 2015/16 Adopted Budget. This is primarily due to negotiated cost of living adjustments (COLA) for all bargaining units, which are based on the CPI index. The increase for both fiscal years has been estimated to be 2.8 percent to 3 percent, with an additional 2.5 percent increase in flex benefits. The salaries also reflect the addition of 1.75 FTEs, and police department adjustments, as described above. In addition, there was an increase of \$218,269 in personnel benefit costs most of which was related to CalPERS retirement contributions.

Staffing by Category	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Salary	\$4,675,787	\$4,694,549	\$5,025,122	\$5,015,499	\$5,241,594	\$5,355,527
Salary Temp	310,540	299,387	325,046	288,572	322,812	324,321
Overtime	194,040	212,690	243,500	246,050	251,850	210,525
Specialty Pay	235,848	237,856	241,164	277,292	279,461	296,999
Benefits	2,246,181	2,300,781	2,548,243	2,529,374	2,712,062	2,362,379
Total	\$7,662,396	\$7,745,263	\$8,383,075	\$8,356,787	\$8,807,779	\$8,549,751

Staffing by Department	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
City Council	\$34,882	\$34,631	\$36,030	\$36,953	\$36,591	\$34,948
City Manager	662,651	618,299	619,300	619,750	691,197	680,740
Personnel	139,011	158,732	191,746	191,724	198,649	195,223
Finance	494,685	466,425	534,098	528,553	558,624	541,499
Law Enforcement	3,965,974	3,969,032	4,280,215	4,306,870	4,414,461	4,258,140
Pkg. Enforcement	188,260	217,405	232,762	232,762	242,717	234,459
Streets	739,280	799,705	888,451	888,451	878,589	848,908
Storm Water	-	-	-	-	63,831	60,230
Fleet	117,399	121,487	129,800	104,151	130,696	125,469
Parks	300,248	312,669	295,117	277,424	345,728	347,118
Community Development	303,122	360,594	409,400	409,580	432,962	420,533
Building	205,963	172,617	196,294	186,221	204,350	197,258
Recreation	459,472	467,878	519,433	523,936	556,173	553,286
Museum	36,904	35,329	36,322	36,322	38,756	37,401
Art & Cultural	14,546	10,461	14,107	14,090	14,455	14,539
Total	\$7,662,396	\$7,745,263	\$8,383,075	\$8,356,787	\$8,807,779	\$8,549,751

General Fund Expenditures

Salaries & Benefits - Salary Assumptions

There are five bargaining groups in the City. The Management employees are hired by the City Manager pursuant to a City Council approved compensation plan. The 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	06/30/2018
Confidential	7/1/2012, amended 5/14/2015	06/30/2018
Mid-Management	7/1/2012, amended 5/14/2015	06/30/2018
Police Captains	7/1/2013, amended 5/14/2015	06/30/2018
Police Officers Association (POA)	7/1/2013, amended 5/14/2015	06/30/2018

Overtime

The following table provides the detail for the overtime budget. The overtime budget for the Police Department stabilizes this year after an increase in recent years due to multiple vacancies. The City has been able to control overtime expenditures due to a few vacancies citywide.

<u>Overtime</u>	<u>FY 13/14</u> <u>Actual</u>	<u>FY 14/15</u> <u>Actual</u>	<u>FY 15/16</u> <u>Adopted</u>	<u>FY 15/16</u> <u>Estimated</u>	<u>FY 16/17</u> <u>Adopted</u>	<u>FY 17/18</u> <u>Planned</u>
City Manager	\$615	\$1,742	\$0	\$1,250	\$1,250	\$1,250
Finance	5,808	2,435	7,500	2,000	2,500	2,500
Police*	175,320	188,787	214,000	214,000	218,500	177,100
Public Works	9,036	16,446	20,000	24,600	25,100	25,100
Recreation	3,261	3,281	2,000	4,200	4,500	4,575
Total	\$194,040	\$212,691	\$243,500	\$246,050	\$251,850	\$210,525
<i>*Funding Sources for Police Overtime</i>						
General Fund	\$128,068	\$145,345	\$164,000	\$164,000	\$168,000	\$168,000
Grant Funded	47,252	43,442	50,000	50,000	50,500	9,100
	\$175,320	\$188,787	\$214,000	\$214,000	\$218,500	\$177,100

Specialty Pay

The FY 2016/17 and FY 2017/18 budget includes the following specialty pays in the calculation of staffing costs that are also added to the calculation of the overtime rate. Specialty pays include education, longevity, bilingual as well as a variety of others mainly in the police department. The increase in FY 2016/17 is due to two main factors, the first being more employees receiving longevity pay and funding the specialty pay at full cost.

<u>Specialty Pay</u>	<u>FY 13/14</u> <u>Actual</u>	<u>FY 14/15</u> <u>Actual</u>	<u>FY 15/16</u> <u>Adopted</u>	<u>FY 15/16</u> <u>Estimated</u>	<u>FY 16/17</u> <u>Adopted</u>	<u>FY 17/18</u> <u>Planned</u>
City Manager	\$2,036	\$2,000	-	-	-	-
Finance	2,018	2,046	2,038	2,038	2,090	2,142
Police	172,925	181,612	195,036	228,614	232,608	238,517
Public Works	50,523	44,182	38,417	38,417	34,263	45,578
Community Dev.	4,502	2,458	-	2,550	2,849	2,920
Recreation	3,538	5,558	5,673	5,673	7,651	7,842
Museum	305	-	-	-	-	-
Total	\$235,847	\$237,856	\$241,164	\$277,292	\$279,461	\$296,999

General Fund Expenditures

Salaries & Benefits – Retirement Assumptions

Benefits –Post Retirement Medical Benefit

The City of Capitola’s contribution toward employee and annuitant health benefit enrollment is at the minimum amount provided under Government Code Section 22826 of the Public Employees Medical and Hospital Care Act. This is contract expenditure within the City Manager’s Personnel Department budget. The table of minimum monthly contribution per retired employee is as follows:

- January 1, 2012 \$112
- January 1, 2013 \$115
- January 1, 2014 \$119
- January 1, 2015 \$122
- January 1, 2016 \$125

Benefits – Public Employee Retirement System (PERS)

The City offers defined benefit retirement plans to safety and non-sworn employees, except hourly/seasonal employees. These retirement plans are administered by California Public Employee Retirement Systems (“CalPERS” or “PERS”). The Safety plan is 3% @ 50 and the Miscellaneous plan is 2.5% @ 55. Both plans include an employee sharing program on the total amount the City contributes to employee’s retirement costs. 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 2015/16 PERS rate for Classic Tier I and Tier II Safety is 43.51% with employees paying 12.874% and 16.874%, respectively. For the Miscellaneous Group, the rate for Classic Tier I and Tier II is 33.159% and employees pay 11.292% and 15.292%, respectively. FY 2016/17 proposed PERS rate reflects employees contributing an additional 1% towards their PERS contributions. The FY 2016/17 PERS rate for Classic Tier I and Tier II Safety is 44.978% with employees paying 13.874%. For the Miscellaneous Group, the rate for Classic Tier I and Tier II is 31.807% and employees pay 12.292%.

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. 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. This law became effective on January 1, 2013, and will require all employees who were 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

Retirement Costs	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Ret. cost - PERS Safety	\$ 587,490	\$ 587,648	\$ 372,738	\$ 372,738	\$ 382,586	\$ 391,214
Ret. cost - PERS Safety UAL	-	-	318,781	318,780	380,820	404,714
Ret. cost - PERS Miscellaneous	447,640	433,084	202,701	201,739	232,252	236,163
Ret. cost - PERS Misc UAL	-	-	372,627	351,027	416,075	438,077
Ret. cost - Retirement PARS	3,750	3,439	3,940	3,928	3,995	4,018
Ret. cost - POB	677,699	670,316	671,632	670,922	668,945	668,882
Ret. health OPEB - Retiree health	27,757	28,085	31,940	31,940	33,190	34,002
OPEB Trust Fund	42,143	43,915	38,600	53,600	52,425	52,425
Total Retirement Costs	\$1,786,479	\$1,766,488	\$2,012,959	\$2,004,674	\$2,170,288	\$2,229,495
Total Employee Paid Costs	\$ 549,979	\$ 559,282	\$ 586,497	\$ 586,497	\$ 655,805	\$ 682,037
Total City Paid Costs	\$1,236,500	\$1,207,206	\$1,426,462	\$1,418,177	\$1,514,483	\$1,547,458
Unfunded Actuarial Liability-Safety	5,933,935	8,042,676	7,144,975	7,144,975	6,682,269	7,484,141
Unfunded Actuarial Liability-Misc	6,348,043	8,036,379	7,118,107	7,118,107	6,730,266	7,537,898
Unfunded OPEB Liability	1,011,800	657,500	618,900	618,900	834,061	834,061
Funding Ratio PERS Safety	78.9%	73.7%	77.5%	77.5%	80.7%	n/a
Funding Ratio PERS Misc	75.3%	71.0%	75.2%	75.2%	78.3%	n/a

General Fund Expenditures- Contracts Services (4 pages)

Department	Contract Description	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
City Council	Gen/Admin Winter Shelter	\$21,000	\$28,379	\$30,000
City Council	Gen/Admin SCC Homeless Shelter Ptnrshp	\$2,300	\$2,300	\$2,300
City Council	Gen/Admin Begonia Fesitival	5,000	5,000	5,000
City Council	Gen/Admin United Way	1,000	1,000	1,000
City Council	Gen/Admin Chamber of Commerce	30,000	30,000	30,000
City Council	Gen/Admin - Community TV	5,000	7,000	7,000
City Council	Gen/Admin Contracts - General, Legal Notices	3,000	8,000	5,500
	Total	\$67,300	\$81,679	\$80,800
City Manager	Gen/Admin Muni code - Codification Svcs.	\$3,500	\$4,000	\$4,000
City Manager	Gen/Admin Rcrd Mgmt-Doc. Imaging	1,000	5,000	5,000
City Manager	Gen/Admin Records Mgmt-Storage	3,500	3,500	3,500
City Manager	Gen/Admin Newsletter	7,500	8,000	8,000
City Manager	Gen/Admin Council Election	500	10,000	1,000
City Manager	Gen/Admin Contracts - General	2,000	7,000	7,000
City Manager	Environ. Svcs - Cntrl Cst Recycling Media	5,000	5,000	5,000
City Manager	Environ. Svcs Garage Sale Day	1,300	1,300	1,300
City Manager	Environ. Svcs SCC-Hzrds Waste Disp Fee	25,000	25,000	25,000
City Manager	Environ. Svcs Recycling Svcs.	7,200	7,200	7,200
City Manager	Environ. Svcs Recycling-NB Middle Schl	4,200	2,000	2,000
City Manager	Environ. Svcs JPA-Pollution Control	3,200	3,000	3,000
City Manager	Mosquito and Vector Control	100	100	100
City Manager	Contract Svcs. Unanticipated Events	6,000	10,000	10,000
	Total	\$70,000	\$91,100	\$82,100
Personnel	Legal svcs Labor/Personnel	5,000	6,000	6,000
Personnel	Personnel Svcs Recruitment Svcs.	3,000	3,000	3,000
Personnel	Personnel Svcs Bkgrnd Invest.	11,000	5,000	5,000
Personnel	Personnel Svcs Medical Exams	7,000	5,000	5,000
Personnel	Personnel Svcs Ed. Reimbrsmnt	4,700	5,000	5,000
Personnel	Contract Svcs. Flex-Hlth-Dntl-Vsn Admin	8,000	8,000	8,000
Personnel	Contract Svcs. Advertising	3,000	3,000	3,000
	Total	41,700	35,000	35,000
City Attorney	Gen/Admin Contracts - General	\$25,000	\$20,000	\$20,000
City Attorney	Legal Svcs Legal Svcs. - General	135,000	135,000	135,000
City Attorney	Legal Svcs Special Svcs.	100,000	60,000	60,000
	Total	\$260,000	\$215,000	\$215,000
Finance	Gen/Admin Contracts - General	\$0	\$5,500	\$5,500
Finance	Legal Svcs Dissolution Legal Fees	2,660	2,000	2,000
Finance	Fin Svcs Collection Svcs.	600	600	600
Finance	Fin Svcs Financial Consultant	-	2,500	2,500
Finance	Fin Svcs OPEB Valuation	3,600	-	3,600
Finance	Fin Svcs Audit-Annual Financial Audits	35,000	37,500	40,000
Finance	Fin Svcs Audit-Sales Tax	4,250	9,500	9,500
Finance	Fin Svcs Sales Tax Report (STAR)	5,000	5,000	5,000
Finance	Fin Svcs State Mandated Claims Svcs	2,600	2,500	2,500
Finance	Fin Svcs Bank Fees	6,250	8,000	8,000
Finance	Fin Svcs SCC-Property Tax Admin Fee	12,600	12,600	12,600
Finance	Fin Svcs St Admin fee	112,175	112,100	112,100
	Total	\$184,735	\$197,800	\$203,900

Department	Contract Description	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Law Enforcement	Gen/Admin Contracts - General	\$2,100	\$ -	\$ -
Law Enforcement	Grant funded Allied Agencies	20,000	-	-
Law Enforcement	Police Svcs Investigation and Hearing Svcs	600	600	600
Law Enforcement	Police Svcs Hazardous Material Resp-SV	5,700	5,700	5,700
Law Enforcement	Police Svcs Towing Service	1,400	1,400	1,400
Law Enforcement	Police Svcs SCCECC JPA-SCRMS	29,300	29,300	30,000
Law Enforcement	Police Svcs SCCECC-911 JPA	434,000	452,500	463,800
Law Enforcement	Police Svcs Red Light Enforcement	85,000	85,000	85,000
Law Enforcement	Police Svcs SCC-Booking Fees	20,000	25,000	25,000
Law Enforcement	Police Svcs SCC-Blood Alcohol Trust	3,000	2,000	2,000
Law Enforcement	Police Svcs SCC-Anti-Crime Team	18,000	18,000	18,000
Law Enforcement	Police Svcs SCC-Sexual Assault Resp	6,400	6,800	7,100
Law Enforcement	Police Svcs SCC-Info Svcs SCAN Chgs	7,400	7,400	7,400
Law Enforcement	Police Svcs SCC-Interview Cntr	-	5,615	5,615
Law Enforcement	Fin Svcs Collections-Booking Fees	2,000	1,500	1,500
Law Enforcement	Contract Svcs. Outside Security Service	6,500	18,000	18,000
Law Enforcement	Fin Svcs Collections-DUI Cost Recovery	2,000	2,000	2,000
Law Enforcement	Personnel Svcs Background Invest.	500	500	500
Law Enforcement	Prop & Equip Comm - Local & Long Dist.	4,500	4,800	4,900
Law Enforcement	Prop & Equip Comm - T-1 Line	12,000	12,000	12,300
Law Enforcement	Prop & Equip Comm - Mobile Phone	25,000	25,000	25,600
Law Enforcement	Prop & Equip Property alarm Service	2,000	1,000	1,100
Law Enforcement	Prop & Equip Property Repair and Maint.	3,500	3,500	3,600
Law Enforcement	Prop & Equip Equipment Repair and Maint.	12,000	11,300	11,600
Law Enforcement	Rental contracts Equipment and vehicles	3,600	3,600	3,700
Law Enforcement	Contract Svcs. Uniform clng Svcs.	7,600	7,000	7,200
	Total	\$714,100	\$ 729,515	\$ 743,615
Pkg. Enforcement	Police Svcs St of CA-DMV proc fee	\$7,800	\$6,000	\$6,000
Pkg. Enforcement	Police Svcs St of CA-Equip Assess	200	200	200
Pkg. Enforcement	Police Svcs St of CA-Reg assess	67,200	58,000	58,000
Pkg. Enforcement	Police Svcs St of CA-Immed & Critical nd	25,000	20,000	20,000
Pkg. Enforcement	Police Svcs St of CA-St Court Facilities	13,000	10,000	10,000
Pkg. Enforcement	Police Svcs St of CA-Trial Court Trust Fd	22,900	20,000	20,000
Pkg. Enforcement	Police Svcs SCC-Citation processing	35,900	30,000	30,000
Pkg. Enforcement	Police Svcs SCC-Criminal Jstc Fac surchg	12,000	9,700	9,700
Pkg. Enforcement	Police Svcs SCC-Courthouse surcharge	12,000	9,700	9,700
Pkg. Enforcement	Fin Svcs Courier-Cash & Coin	7,000	5,000	5,000
Pkg. Enforcement	Fin Svcs Credit card merchant fees	55,000	50,000	50,000
Pkg. Enforcement	Prop & Equip Property Repair and Maint.	900	900	900
Pkg. Enforcement	Prop & Equip Equipment Repair and Maint.	1,500	1,500	1,500
Pkg. Enforcement	Prop & Equip Wheelchair purch./repairs	8,000	10,000	10,200
Pkg. Enforcement	Prop & Equip Pkg Meter Repairs	1,000	1,500	1,600
Pkg. Enforcement	Prop & Equip Pay Station Repair & Maint.	33,100	33,000	33,800
	Total	\$302,500	\$265,500	\$266,600
Lifeguard Svcs.	Police Svcs Lifeguard Svcs.	\$69,400	\$74,700	\$74,700
	Total	\$69,400	\$74,700	\$74,700
Animal Svcs.	Police Svcs Animal Svcs.	\$22,000	\$25,000	\$26,300
	Total	\$22,000	\$25,000	\$26,300

Department	Contract Description	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Streets	PW & Trans. Transp-Beach shuttle svc	25,000	26,000	27,500
Streets	PW & Trans. Lagoon grading	14,000	14,000	15,000
Streets	PW & Trans. Sql Crk monitoring-fish	36,500	37,000	38,000
Streets	PW & Trans. Sql Crk monitor-water qual	28,500	30,000	32,000
Streets	PW & Trans. Inspections	30,000	30,000	30,000
Streets	PW & Trans. Electrical Svcs.	7,500	7,500	7,500
Streets	PW & Trans. PW Engineering Svcs.	30,000	32,000	32,000
Streets	PW & Trans. PW Path Maint.	7,500	7,500	7,500
Streets	PW & Trans. CA NPDES-storm water	50,000	55,000	60,000
Streets	PW & Trans. Integrated Regional Water	5,000	5,000	5,000
Streets	Temp. Staff & Instr. Temporary staff	42,000	56,000	58,000
Streets	Temp. Staff & Instr. Hope Svcs.	13,500	13,600	14,000
Streets	Prop & Equip Comm - mobile phone	7,000	8,000	8,000
Streets	Prop & Equip Eucalyptus - Park Ave	4,000	4,000	4,000
Streets	Prop & Equip Riparian Restoration	11,000	12,000	12,000
Streets	Rental contracts Union Pacific RR yearly	500	600	600
Streets	General Contracts	10,000	12,000	12,000
Streets	Contract Svcs. Unanticipated events	10,000	10,000	10,000
Streets	Esplande Sidewalk Cleaning	24,000	16,000	16,000
	Total	\$356,000	\$376,200	\$389,100
Facilities	PW & Trans. ADA compliance	25,000	25,000	30,000
Facilities	Prop & Equip Comm - local & long dist.	250	1,500	1,500
Facilities	Prop & Equip Comm - T-1 line	6,000	6,000	6,000
Facilities	Prop & Equip Utility serv - gas and elec.	55,000	55,000	55,000
Facilities	Prop & Equip Utility serv - sanitation distr	5,200	6,500	7,000
Facilities	Prop & Equip Utility serv - water	8,400	9,000	9,000
Facilities	Prop & Equip Janitorial Svcs.	23,200	26,000	28,000
Facilities	Prop & Equip Property alarm Service	1,100	2,000	2,000
Facilities	Prop & Equip Property Repair and Maint.	45,000	45,000	50,000
Facilities	Prop & Equip Equip. Repair and Maint.	10,000	10,000	10,000
Facilities	Rental contracts Equipment and vehicles	1,500	1,500	1,500
	Total	\$180,650	\$187,500	\$200,000
Fleet	Prop & Equip Equipment Repair and Maint.	\$10,000	\$10,000	\$10,000
	Total	\$10,000	\$10,000	\$10,000
Parks	PW & Trans. Tree Svcs.	\$25,025	\$18,000	\$20,000
Parks	Prop & Equip Comm - mobile phone	1,500	1,500	1,500
Parks	Prop & Equip Utility serv - gas and elec.	6,800	6,800	6,800
Parks	Prop & Equip Utility serv - sanitation distr	10,500	11,000	11,500
Parks	Prop & Equip Utility serv - water	97,800	100,000	105,000
Parks	Prop & Equip Janitorial Svcs.	23,000	23,000	23,000
Parks	Prop & Equip Property Repair and Maint.	8,500	8,500	8,500
Parks	Prop & Equip Equip. Repair and Maint.	8,000	8,000	8,000
	Total	\$181,125	\$176,800	\$184,300

Community Based Health and Human Services 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 2015/16 budget included \$277,296 in funding. The FY16/17 distributions will be determined as part of the annual budget hearings.

AGENCY	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
	Actual	Actual	Adopted	Adopted	Planned
To be assigned	\$ -	\$ -	\$ -	\$ 275,000	\$275,000
Art					
Cultural Council of Santa Cruz County	\$ 930	\$ 950	\$ 977		
Total	\$ 930	\$ 950	\$ 977		
Environment					
Save Our Shores	\$ 2,000	\$ 2,044	\$ 2,102		
O'Neill Sea Odyssey	2,746	2,806	2,885		
Total	\$ 4,746	\$ 4,850	\$ 4,987		
Community groups					
Community Action Board, Inc.	\$ 1,286	\$ 1,314	\$ 1,351		
Conflict Resolution Program	3,000	3,066	3,152		
Native Animal Rescue	1,118	1,143	1,176		
Volunteer Center of Santa Cruz County	3,000	3,066	3,152		
Total	\$ 8,404	\$ 8,589	\$ 8,831		
Human services					
Big Brothers/Big sisters	2,692	2,752	2,829		
Cabrillo College Stroke and Disability Center	6,688	6,836	7,027		
California Grey Bears, Inc.	13,871	14,176	14,573		
Campus Kids Connection - After School	16,495	16,858	17,331		
Central Coast Center for Independent Living	4,627	9,628	9,897		
Homeless Svcs. Center	2,500	2,556	2,627		
Court-Appointed Special Advocates	2,957	3,022	3,107		
Vista Center for the Blind	1,771	1,810	1,861		
Families in Transition - Santa Cruz Co.	2,352	2,404	2,472		
Community Bridges	105,748	108,074	111,101		
Advocacy, Inc.	7,165	7,322	7,529		
Parents Center, Inc.	7,018	7,172	7,373		
Santa Cruz AIDS Project	3,540	7,236	7,439		
Santa Cruz Community Counseling Center	10,356	6,966	7,162		
Toddler Care Center	1,164	1,190	1,224		
Second Harvest Food Bank	9,755	9,970	10,250		
Senior Citizens Legal Services	9,673	9,886	10,163		
Senior Network Services	2,391	2,444	2,513		
Srs Council - SCC/San Benito Co.	3,207	3,278	3,370		
Survivors' Healing Center	229	234	482		
Women Care	1,098	1,121	2,306		
Women's Crisis Support	3,543	3,620	3,723		
United Way	7,897	7,120	8,296		
Dientes Community Dental Care	1,308	1,336	1,337		
Hospice Caring Project	1,500	1,534	1,576		
Family Service Agency of Santa Cruz	9,645	9,858	8,742		
Diversity Center	1,000	1,022	1,051		
Companions for life/Lifeline	-	5,000	5,140		
Bike to work	-	1,000	-		
Total	240,190	255,425	262,501	-	-
Total Community Grants	\$254,270	\$269,814	\$277,296	\$ 275,000	\$275,000

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.

Supplies	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
City Council	\$1,581	\$1,930	\$3,000	\$2,200	\$3,000	\$3,000
City Manager	14,033	11,677	17,650	15,150	17,150	17,150
Finance	2,066	3,327	2,800	2,800	3,500	3,500
Police Department	81,176	103,816	99,300	98,400	92,000	94,300
Public Works	353,148	333,391	330,400	330,400	351,600	315,600
Community Development	2,464	1,871	6,700	6,750	6,400	6,400
Recreation	60,539	58,211	64,350	64,350	64,850	64,850
Museum	8,910	11,561	21,500	21,500	22,500	19,500
Arts & Culture	5,766	6,064	6,700	6,700	7,500	7,200
Total	\$529,683	\$531,848	\$552,400	\$548,250	\$568,500	\$531,500

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.

Training & Memberships	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
City Council	\$15,027	\$15,582	\$19,000	\$13,325	\$19,720	\$20,450
City Manager	11,181	14,985	12,100	11,770	12,850	12,850
Finance	2,642	4,104	6,500	4,500	11,500	11,500
Police	26,006	25,609	36,500	44,800	45,000	46,300
Public Works	2,494	3,638	3,900	3,900	3,900	3,900
Community Development	7,903	4,232	11,500	11,500	16,000	11,500
Recreation	1,986	2,454	3,600	3,760	3,860	3,860
Museum	-	-	125	-	-	-
Total	\$67,239	\$70,604	\$93,225	\$93,555	\$112,830	\$110,360

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.

In FY 13/14 and FY 14/15, the costs of the liability fund increased due to a change in the method used to calculate insurance rates. The change resulted in a reduction in the cost of workers' compensation insurance. Additional liability fund increases are anticipated in FY 2016/17 and FY 2017/18 to assist with offsetting excess insurance costs absorbed by the pipe failure. It is anticipated this amount will be included in premiums over a five-year period.

Internal Services	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Stores	\$ 40,000	\$ 39,100	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Information Technology	137,000	130,000	130,000	130,000	203,000	203,000
Equipment Replacement	105,529	68,147	60,000	60,000	78,000	75,000
Self Insurance Liability	194,996	249,300	344,500	344,500	428,000	475,000
Workers Compensation	415,400	364,100	385,000	385,000	415,000	415,000
Total	\$ 892,925	\$850,647	\$ 954,500	\$954,500	\$1,159,000	\$ 1,203,000

GENERAL FUND TRANSFERS

General Fund Transfers move funds from the General Fund to a specific fund for a designated purpose. Each of the funds listed in the table below are detailed in the section titled "Other Funds" for the Contingency Reserve, PERS Contingency Fund, Emergency Reserve and the Compensated Absences Fund. 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.

General Fund Transfers	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Adopted	FY 15/16 Estimated	FY 16/17 Adopted	FY 17/18 Planned
Contingency Reserves	\$ 398,700	\$ 182,600	\$ 89,400	\$ 89,400	\$ 10,000	\$ 10,000
Emergency Reserves	214,400	465,100	213,000	213,000	15,000	15,000
Facilities Fund	-	167,000	150,000	150,000	110,000	150,000
PERS Contingency	-	-	300,000	300,000	-	-
CIP Capital Projects	640,900	989,900	1,000,000	1,154,875	752,047	-
Information Technology	114,000	-	43,660	43,660	-	-
Equipment Acquisition	198,730	-	50,000	50,000	50,000	50,000
Compensated Absences	130,000	110,000	130,500	130,500	200,000	200,000
Parking Reserve	100,000	100,000	100,000	118,900	100,000	100,000
Pension Obligation Bond	240,000	240,000	240,000	240,000	240,000	187,351
OPEB Trust Fund	42,143	43,915	38,600	53,600	52,425	52,425
Pacific Cove Lease	14,682	15,065	15,066	30,066	40,066	65,066
Pacific Cove Park	88,000	85,860	89,400	127,400	89,192	89,004
Total	\$ 2,181,555	\$2,399,440	\$2,459,626	\$2,701,401	\$1,658,730	\$918,846

DEPARTMENTAL BUDGETS



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CITY COUNCIL

GENERAL GOVERNMENT

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 twice monthly on the second and fourth Thursday. 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.

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 - 2015/16

- Maintained a balanced budget
- Provided services, staff, and equipment to ensure public safety and trust
- Approved projects and programs to maintain and enhance quality of life in Capitola

FISCAL YEAR GOALS - 2016/17 and 2017/18

- Maintain a balanced budget and ensure fiscal stability
- 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

1000-10-10-000	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenues						
General Fund	\$ 111,715	\$ 122,590	\$ 131,565	\$ 128,513	\$ 153,554	\$ 151,762
Revenue Total	\$ 111,715	\$ 122,590	\$ 131,565	\$ 128,513	\$ 153,554	\$ 151,762
Expenditures						
Personnel	\$ 34,882	\$ 34,631	\$ 36,030	36,953	36,591	34,948
Contract services	52,280	62,747	64,800	67,300	81,679	80,800
Training & Memberships	15,027	15,582	19,000	13,325	19,720	20,450
Supplies	1,581	1,930	3,000	2,200	3,000	3,000
Internal service fund charges	7,945	7,700	8,735	8,735	12,564	12,564
Expenditure Totals	\$ 111,715	\$ 122,590	\$ 131,565	\$128,513	\$ 153,554	\$ 151,762
Authorized Positions						
	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
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
FTE Total	5.00	5.00	5.00	5.00	5.00	5.00

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 is a contract position with the firm of Atchison, Barisone, Condotti & Kovacevich.

KEY CHANGES

There are no significant changes for FY16/17.

FISCAL YEAR ACCOMPLISHMENTS - 2015/16

- Advised on matters associated with pending legal actions.
- Advised City on legal matters related to City policies and procedures.

FISCAL YEAR GOALS - 2016/17 and 2017/18

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

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
1000-10-16-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$ 186,944	\$ 197,020	\$ 187,000	\$ 260,000	\$ 215,000	\$ 215,000
Revenue Totals	\$ 186,944	\$ 197,020	\$ 187,000	\$ 260,000	\$ 215,000	\$ 215,000
Expenditures						
Contract services	\$ 186,944	\$ 197,020	\$ 187,000	\$ 260,000	\$ 215,000	\$ 215,000
Expenditure Totals	\$ 186,944	\$ 197,020	\$ 187,000	\$ 260,000	\$ 215,000	\$ 215,000

CITY MANAGER SUMMARY

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 administrative structure and is appointed by Council. The City Manager serves the Council and the Community by bringing together resources to meet City excellent customer service, and prioritizing scarce resources.

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, City Clerk, City Attorney, and Information Systems.

KEY CHANGES

There are no significant changes for FY16/17.

FISCAL YEAR 2015/16 ACCOMPLISHMENTS

- Submitted a balanced budget
- Added PD ability to accept credit cards
- Successfully coordinated and administered the activities of the City
- Advised and informed the City Council on policy and action matters
- Community Grant Ad-Hoc Committee gave recommendations to City Council
- Worked with City franchisee to increase participation in waste diversion programs
- Participated in the process to find and hire a new library director
- Worked with businesses to reduce use of non-reusable bags
- Assisted departments in recruiting and retaining employees
- Worked to improve risk management and reduce potential liability
- Worked with Art and Cultural Commission on new and existing events
- Worked with Capitola Museum to improve access and communication

FISCAL YEAR GOALS - 2016/17 and 2017/18

FISCAL POLICY

- Maintain a balanced budget and ensure fiscal stability
- Work with Capitola Mall to improve the mall facility
- 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
- Replace phone system to improve communication capabilities with public

PUBLIC IMPROVEMENT

- Open McGregor Park skateboard facility, dog park, and bike pump track

- 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
- Provide active support for the Capitola Library
- Assist Capitola Museum in celebrating its 50th birthday
- Work with the Art and Cultural commission to find suitable public art projects

CITY MANAGER SUMMARY

City Manager Summary	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$ 1,000,429	\$ 979,452	\$ 1,043,416	\$ 1,032,414	\$ 1,147,226	\$ 1,124,343
Licenses and permits	5,547	3,265	4,000	4,000	4,000	4,000
Revenue Totals	\$ 1,005,976	\$ 982,717	\$ 1,047,416	\$ 1,036,414	\$ 1,151,226	\$ 1,128,343
Expenditures						
Personnel	\$ 801,662	\$ 777,031	\$ 811,046	\$ 811,474	\$ 889,846	\$ 875,963
Contract services	101,637	101,224	120,300	111,700	126,100	117,100
Training & Memberships	11,180	14,985	12,100	11,770	12,850	12,850
Supplies	14,032	11,677	17,650	15,150	17,150	17,150
Internal service fund charges	77,465	77,800	86,320	86,320	105,280	105,280
Expenditure Totals	\$ 1,005,976	\$ 982,717	\$ 1,047,416	\$ 1,036,414	\$ 1,151,226	\$ 1,128,343

Authorized Positions	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
City Manager	1.00	1.00	1.00	1.00	1.00	1.00
City Clerk	1.00	0.90	1.00	1.00	1.00	1.00
Admin. Svcs. Dir.	1.00	1.00	1.00	-	-	-
Assistant to the City Manager	-	-	-	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	1.00	-	1.00	1.00
Records Coordinator	1.00	1.00	1.00	1.00	1.00	1.00
Receptionist/Dev. Svcs.	1.00	1.00	1.00	1.00	1.00	1.00
FTE Total	7.00	6.90	7.00	6.00	7.00	7.00

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, provides staff support to the Art and Culture Commission, manages sustainability programs, manages the Community Grant process, and oversees Human Resources, City Attorney, and Information Systems. The department maintains solid waste & recycling programs, management of franchise agreements and human resources programs including liability & risk management, employee training, safety programs, and benefit administration.

CITY MANAGER ADMINISTRATION

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
1000-10-11-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenues						
General Fund	\$ 811,817	\$ 770,443	\$ 794,827	\$ 776,147	\$ 888,250	\$ 868,793
Licenses and permits	5,547	3,265	4,000	4,000	4,000	4,000
Revenue Totals	\$ 817,364	\$ 773,708	\$ 798,827	\$ 780,147	\$ 892,250	\$ 872,793
Expenditures						
Personnel	\$ 662,651	\$ 618,299	\$ 619,300	\$ 619,750	\$ 691,197	\$ 680,740
Contract services	68,562	68,378	86,300	70,000	91,100	82,100
Training & Memberships	10,272	14,780	11,100	10,770	11,850	11,850
Supplies	5,719	2,051	5,150	2,650	5,150	5,150
Internal service fund charges	70,160	70,200	76,977	76,977	92,953	92,953
Expenditure Totals	\$ 817,364	\$ 773,708	\$ 798,827	\$ 780,147	\$ 892,250	\$ 872,793
Authorized Positions						
	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
City Manager	0.65	0.65	0.65	0.65	0.65	0.65
City Clerk	1.00	0.90	1.00	1.00	1.00	1.00
Admin. Svcs. Dir.	0.75	0.75	0.75	-	-	-
Assistant to the City Manager	-	-	-	0.80	0.80	0.80
Executive Assistant	0.50	0.50	0.50	0.50	0.50	0.50
Information System Specialist	1.00	1.00	1.00	-	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
FTE Total	5.90	5.80	5.90	4.95	5.95	5.95

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.

CITY MANAGER PERSONNEL

1000-10-12-000	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenues						
General Fund	\$188,612	\$209,009	\$248,589	\$256,267	\$258,976	\$255,550
Revenue Totals	\$188,612	\$209,009	\$248,589	\$256,267	\$258,976	\$255,550
Expenditures						
Personnel	\$139,011	\$158,732	\$191,746	\$191,724	\$198,649	\$195,223
Contract services	33,075	32,846	34,000	41,700	35,000	35,000
Training & Memberships	908	205	1,000	1,000	1,000	1,000
Supplies	8,313	9,626	12,500	12,500	12,000	12,000
Internal service fund charges	7,305	7,600	9,343	9,343	12,327	12,327
Expenditure Totals	\$188,612	\$209,009	\$248,589	\$256,267	\$258,976	\$255,550

Authorized Positions	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
City Manager	0.35	0.35	0.35	0.35	0.35	0.35
Admin. Svcs. Dir.	0.25	0.25	0.25	-	-	-
Assistant to the City Manager	-	-	-	0.20	0.20	0.20
Executive Assistant	0.50	0.50	0.50	0.50	0.50	0.50
FTE Total	1.10	1.10	1.10	1.05	1.05	1.05

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 - 2015/16

- Adopted new Fee Schedule based on comprehensive fee study analysis
- Provided analytical support to operations departments
- Received the GFOA Certificate of Achievement for Excellence in Financial Reporting and CSMFO Operating Budget Awards
- Provided support for the Successor Agency wind-down
- Implemented credit card acceptance at Police Station

FISCAL YEAR GOALS - 2016/17 and 2017/18

FISCAL POLICY

- Prepare and maintain a balanced budget
- Meet regulatory financial reporting requirements and provide reports on the City website
- Develop long term financial plan for the expiration of Measure D
- Continue partnerships with departments to improve financial accountability and transparency
- Improve City financial transparency to the public

FINANCE

1000-10-17-000	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$ 450,205	\$ 411,283	\$ 501,731	\$ 459,921	\$ 520,956	\$ 509,931
Taxes	287,225	284,474	283,700	295,800	299,300	299,300
Charges for services	4,790	6,309	4,800	5,600	5,600	5,600
Use of money & property	8,751	10,107	10,200	10,200	10,200	10,200
Other revenue	-	-	-	-	500	500
Revenue Totals	\$ 750,971	\$ 712,173	\$ 800,431	\$ 771,521	\$ 836,556	\$ 825,531

Expenditures						
Personnel	\$ 494,685	\$ 466,425	\$ 534,098	\$ 528,553	\$ 558,624	\$ 541,499
Contract services	206,924	193,617	206,100	184,735	197,800	203,900
Training & Memberships	2,641	4,104	6,500	4,500	11,500	11,500
Supplies	2,066	3,327	2,800	2,800	3,500	3,500
Internal service fund charges	44,655	44,700	50,933	50,933	65,132	65,132
Expenditure Totals	\$ 750,971	\$ 712,173	\$ 800,431	\$ 771,521	\$ 836,556	\$ 825,531

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Authorized Positions	Actual	Actual	Adopted	Estimated	Adopted	Planned
Finance Director	1.00	0.83	1.00	1.00	1.00	1.00
Senior Accountant	0.83	0.58	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
FTE Total	4.33	3.91	4.50	4.50	4.50	4.50

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

POLICE

MISSION STATEMENT

To provide highly visible and responsive police service to our community. Staff takes great pride in the professionalism, creativity and dedication of our staff. We welcome the opportunity and challenge of working with the community, city departments, public service providers, and other criminal justice agencies to provide enhanced public safety and security in a diverse and dynamic community.

DEPARTMENT PURPOSE

The Department carries out the implementation of the mission of prevention and deterrence of crime by the utilization of patrol in response to calls for service, Problem-oriented policing (POP) projects and directed patrol, detectives performing comprehensive investigations and liaison with other local law enforcement agencies, parking enforcement, juvenile diversion programs, and city wide traffic enforcement.

KEY CHANGES

There are no significant changes for FY16/17.

FISCAL YEAR ACCOMPLISHMENTS - 2015/16

- Began accepting credit cards
- Replaced old meters on Capitola Avenue
- Implemented Parkmobile parking application
- Renewed lifeguard contract with the City of Santa Cruz for three years
- Purchased and began using car cameras and body cameras
- Purchased an electric GEM car, a marked vehicle, and an unmarked vehicle
- Filled four vacant police officer positions
- Awarded State ABC Grant for fiscal year 2015/16
- Completed Grand Jury and POST Audits
- Increased the number of surf schools permitted from four to five
- Increased the Village Area parking limit from two to three hours

FISCAL YEAR GOALS - 2016/17 and 2017/18

PUBLIC SERVICE

- Complete new officer training
- Recruit to increase the number of Volunteers in Policing
- Research and replace records management system
- Extend Animal Services contract with Santa Cruz County
- Continue crisis intervention training

POLICE SUMMARY

Police Department Summary	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$ 4,886,032	\$ 4,860,394	\$ 5,364,707	\$ 5,460,555	\$ 5,743,616	\$ 5,598,937
Licenses and permits	41,031	42,930	34,900	34,900	38,200	38,400
Intergovernmental revenues	117,648	151,369	162,393	144,500	66,500	66,500
Charges for services	51,612	49,672	48,500	44,500	44,800	44,800
Fines and forfeitures	722,218	754,833	720,000	679,000	675,700	675,700
Other revenues	5,251	351	2,500	1,200	1,200	1,200
Revenue Totals	\$ 5,823,792	\$ 5,859,549	\$ 6,333,000	\$ 6,364,655	\$ 6,570,016	\$ 6,425,537

Expenditures

Personnel	\$4,154,234	\$4,186,437	\$4,512,977	\$4,539,632	\$4,657,178	\$4,492,599
Contract services	993,092	1,033,827	1,105,400	1,108,000	1,094,715	1,111,215
Training & Memberships	26,006	25,609	36,500	44,800	45,000	46,300
Supplies	81,176	103,816	99,300	98,400	92,000	94,300
Capital outlay	27,849	(900)	5,000	-	-	-
Internal service fund charges	541,435	510,760	573,823	573,823	681,123	681,123
Expenditure Totals	\$ 5,823,792	\$ 5,859,549	\$ 6,333,000	\$ 6,364,655	\$ 6,570,016	\$ 6,425,537

Authorized Positions	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
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*	14.50	15.00	15.00	16.00	16.00	16.00
Community Service Officer	1.50	3.00	3.00	2.00	2.00	2.00
Parking Enforcement Officer	2.00	2.00	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	0.84	1.00	1.00	1.00	1.00	1.00
Records Clerk	1.00	1.75	1.75	1.75	1.75	1.75
Administrative Assistant	0.75	0.90	0.90	0.90	0.90	0.90
FTE Total	27.59	30.65	31.65	31.65	31.65	31.65

* Temporary overfill of one police officer position to ensure new hire ready on June 1, 2017.

LAW ENFORCEMENT

POLICE

MISSION STATEMENT

To provide highly visible and responsive police service to our community. Staff takes great pride in the professionalism, creativity and dedication of our staff. We welcome the opportunity and challenge of working with the community, city departments, and other criminal justice agencies to provide enhanced public safety and security in a diverse and dynamic community.

DEPARTMENT PURPOSE

The Department carries out implementation of the mission of prevention and deterrence of crime by the utilization of patrol in response to calls for service, POP projects and directed patrol, detectives performing comprehensive investigations and liaisons with other local law enforcement agencies, parking enforcement, juvenile diversion programs, and city wide traffic enforcement.

LAW ENFORCEMENT

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
1000-20-20-000	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$ 4,773,084	\$ 4,744,306	\$ 5,179,949	\$ 5,229,797	\$ 5,523,647	\$ 5,384,426
Licenses and permits	41,031	42,930	34,900	34,900	38,200	38,400
Intergovernmental revenues	117,648	151,369	162,393	144,500	66,500	66,500
Charges for services	49,466	49,672	47,500	43,500	44,300	44,300
Fines and forfeitures	255,785	253,218	243,000	243,000	241,000	241,000
Other revenues	5,251	351	2,500	1,200	1,200	1,200
Revenue Totals	\$ 5,242,265	\$ 5,241,846	\$ 5,670,242	\$ 5,696,897	\$ 5,914,847	\$ 5,775,826
Expenditure						
Personnel	\$ 3,965,974	\$ 3,969,032	\$ 4,280,215	\$ 4,306,870	\$ 4,414,461	\$ 4,258,140
Contract services	633,933	666,305	716,500	714,100	729,515	743,615
Training & Memberships	26,006	25,609	36,500	44,800	45,000	46,300
Supplies	68,998	92,040	83,800	82,900	77,000	78,900
Capital outlay	27,849	(900)	5,000	-	-	-
Internal service fund charges	519,505	489,760	548,227	548,227	648,871	648,871
Expenditure Totals	\$ 5,242,265	\$ 5,241,846	\$ 5,670,242	\$ 5,696,897	\$ 5,914,847	\$ 5,775,826
Authorized Positions						
	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
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*	14.50	15.00	15.00	16.00	16.00	16.00
Community Service Officer	1.50	3.00	3.00	2.00	2.00	2.00
Records Manager	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Records Analyst	0.84	1.00	1.00	1.00	1.00	1.00
Records Clerk	1.00	1.75	1.75	1.75	1.75	1.75
Administrative Assistant	0.75	0.90	0.90	0.90	0.90	0.90
FTE Total	25.59	28.65	28.65	28.65	28.65	28.65

* Temporary overfill of one police officer position to ensure new hire ready on June 1, 2017.

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

1000-20-21-000	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$ 22,056	\$ 19,678	\$ 88,618	\$ 134,618	\$ 114,824	\$ 108,066
Fines and forfeitures	466,433	501,615	477,000	436,000	434,700	434,700
Revenue Totals	\$ 488,489	\$ 521,293	\$ 565,618	\$ 570,618	\$ 549,524	\$ 542,766
Expenditures						
Personnel	\$ 188,260	\$ 217,405	\$ 232,762	\$ 232,762	\$ 242,717	\$ 234,459
Contract services	269,418	275,772	297,500	302,500	265,500	266,600
Supplies	11,336	10,016	13,500	13,500	13,500	13,900
Internal service fund charges	19,475	18,100	21,856	21,856	27,807	27,807
Expenditure Totals	\$ 488,489	\$ 521,293	\$ 565,618	\$ 570,618	\$ 549,524	\$ 542,766
Authorized Positions						
	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Parking Enforcement Officer	2.00	2.00	3.00	3.00	3.00	3.00
FTE Total	2.00	2.00	3.00	3.00	3.00	3.00

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.

LIFEGUARDS

1000-20-22-000	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenues						
General Fund	\$ 70,565	\$ 72,501	\$ 73,449	\$ 73,449	\$ 79,338	\$ 79,338
Revenue Totals	\$ 70,565	\$ 72,501	\$ 73,449	\$ 73,449	\$ 79,338	\$ 79,338
Expenditures						
Contract services	68,500	68,500	69,400	69,400	74,700	74,700
Supplies	-	1,601	1,000	1,000	1,000	1,000
Internal service fund charges	2,065	2,400	3,049	3,049	3,638	3,638
Expenditure Totals	\$ 70,565	\$ 72,501	\$ 73,449	\$ 73,449	\$ 79,338	\$ 79,338

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

1000-20-23-000	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$ 20,327	\$ 23,909	\$ 22,691	\$ 22,691	\$ 25,807	\$ 27,107
Charges for services	2,146	-	1,000	1,000	500	500
Revenue Totals	\$ 22,473	\$ 23,909	\$ 23,691	\$ 23,691	\$ 26,307	\$ 27,607
Expenditures						
Contract services	\$ 21,241	\$ 23,250	\$ 22,000	\$ 22,000	\$ 25,000	\$ 26,300
Supplies	842	159	1,000	1,000	500	500
Internal service fund charges	390	500	691	691	807	807
Expenditure Totals	\$ 22,473	\$ 23,909	\$ 23,691	\$ 23,691	\$ 26,307	\$ 27,607

PUBLIC WORKS SUMMARY

PUBLIC WORKS

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 2015/16, Public Works reorganized to fill and re-title the Maintenance Supervisor position to Field Supervisor and plan for the reclassification of the Maintenance Superintendent position to Project Manager when it is next vacated. This plan will allow for improved planning and scheduling of the crew while maintaining appropriate supervision in the field and office. The Project Manager will become part of the administrative arm of the department, assisting with project delivery.

FISCAL YEAR ACCOMPLISHMENTS - 2015/16

- Multiple Capital Improvement Projects completed
- Completed studies on the flume and wharf to identify long term sustainability needs
- Continued to participate in local and regional storm water pollution prevention activities
- Prepared and responded to El Niño
- Completed infrastructure repairs and maintenance
- Completed training on pollution prevention and crew safety
- Purchased new equipment to improve maintenance and emergency response
- Continued to reduce water consumption throughout the City in response to the drought

FISCAL YEAR GOALS - 2016/17 and 2017/18

PUBLIC IMPROVEMENT

- Continue to complete Capital Improvement Projects
- Partner with other City Departments on ADA compliance for City facilities and programs
- Injury free year
- Review long term equipment needs
- Initiate underground project on Bay Avenue and seek grants for roundabout
- Resolve drainage issues with Soquel Creek Zone 5

PUBLIC WORKS SUMMARY

Public Works Summary	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$ 2,185,884	\$ 2,252,463	\$ 2,434,551	\$ 2,397,224	\$ 2,642,466	\$ 2,612,247
Licenses and permits	12,702	16,440	10,000	21,000	15,000	15,000
Intergovernmental revenues	250	45,500	-	-	-	-
Charges for services	9,902	8,236	10,000	10,000	8,500	8,500
Other revenues	38,261	22,210	27,500	26,510	5,550	5,550
Revenue Totals	\$ 2,246,999	\$ 2,344,849	\$ 2,482,051	\$ 2,454,734	\$ 2,671,516	\$ 2,641,297
Expenditures						
Personnel	\$ 1,156,927	\$ 1,233,861	\$ 1,313,368	\$ 1,270,026	\$ 1,418,844	\$ 1,381,725
Contract services	612,240	661,073	711,750	727,775	750,500	783,400
Training & Memberships	2,494	3,638	3,900	3,900	3,900	3,900
Supplies	353,148	333,390	330,400	330,400	351,600	315,600
Internal service fund charges	122,190	112,887	122,633	122,633	146,672	156,672
Expenditure Totals	\$ 2,246,999	\$ 2,344,849	\$ 2,482,051	\$ 2,454,734	\$ 2,671,516	\$ 2,641,297
Authorized Positions						
	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Public Works Director	1.00	1.00	1.00	1.00	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
Maintenance Worker I & II	8.00	8.00	8.00	8.00	9.00	9.00
Maintenance Worker III	1.00	1.00	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
Development Services Tech	0.33	-	-	-	-	-
FTE Total	12.33	13.00	14.00	14.00	15.00	15.00

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

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
1000-30-30-000/301	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenues						
General Fund	\$ 1,141,027	\$ 1,153,580	\$ 1,333,676	\$ 1,313,616	\$ 1,445,810	\$ 1,435,428
Licenses and permits	12,702	16,440	10,000	21,000	15,000	15,000
Intergovernmental revenues	250	45,500	-	-	-	-
Charges for services	9,902	8,236	10,000	10,000	8,500	8,500
Other revenues	15,105	6,050	7,500	23,560	5,000	5,000
Revenue Totals	\$ 1,178,986	\$ 1,229,806	\$ 1,361,176	\$ 1,368,176	\$ 1,474,310	\$ 1,463,928
Expenditures						
Personnel	\$ 739,280	\$ 799,705	\$ 888,451	\$ 888,451	\$ 942,420	\$ 909,138
Contract services	302,828	306,448	349,000	356,000	376,200	389,100
Supplies	59,387	55,084	49,500	49,500	59,000	59,000
Internal service fund charges	77,491	68,569	74,225	74,225	96,690	106,690
Expenditure Totals	\$ 1,178,986	\$ 1,229,806	\$ 1,361,176	\$ 1,368,176	\$ 1,474,310	\$ 1,463,928
Authorized Positions						
	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Public Works Director	1.00	1.00	1.00	1.00	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
Maintenance Worker I & II	4.00	4.00	4.00	4.00	4.00	4.00
Maintenance Worker III	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
Development Services Technician	0.33	-	-	-	-	-
FTE Total	7.33	8.00	9.00	9.00	9.00	9.00

FACILITIES

PUBLIC WORKS

MISSION STATEMENT

The Public Works Facilities Department strives to improve and maintain the existing 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

1000-30-31-xxx	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenues						
General Fund	\$201,219	\$270,067	\$247,298	\$246,298	\$263,661	\$240,161
Revenue Totals	\$201,219	\$270,067	\$247,298	\$246,298	\$263,661	\$240,161
Expenditures						
Contract services Totals	\$144,675	\$205,890	\$181,650	\$180,650	\$187,500	\$200,000
Supplies	52,139	58,377	57,900	57,900	66,600	30,600
Internal service fund charges	4,405	5,800	7,748	7,748	9,561	9,561
Expenditure Totals	\$201,219	\$270,067	\$247,298	\$246,298	\$263,661	\$240,161

FLEET

PUBLIC WORKS

MISSION STATEMENT

The Public Works Fleet Department will maintain 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

1000-30-32-000	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenues						
General Fund	\$323,138	\$304,170	\$315,489	\$306,890	\$330,287	\$325,060
Other revenues	23,156	16,160	20,000	2,950	550	550
Revenue Totals	\$346,294	\$320,330	\$335,489	\$309,840	\$330,837	\$325,610
Expenditures						
Personnel	\$117,399	\$121,487	\$129,800	\$104,151	\$130,696	\$125,469
Contract services	5,338	6,056	10,000	10,000	10,000	10,000
Supplies	216,083	184,578	185,000	185,000	177,000	177,000
Internal service fund charges	7,474	8,209	10,689	10,689	13,141	13,141
Expenditure Totals	\$346,294	\$320,330	\$335,489	\$309,840	\$330,837	\$325,610
Authorized Positions						
Mechanic/Sr. Mechanic	1.00	1.00	1.00	1.00	1.00	1.00
FTE Total	1.00	1.00	1.00	1.00	1.00	1.00
Temporary Mechanic Hours	960	960	960	960	500	500

PARKS

PUBLIC WORKS

MISSION STATEMENT

The Public Works Parks Department is committed to developing and maintaining the 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 throughout the City in a safe manner while conserving water and other resources.

KEY CHANGES

Maintenance of new park facilities at McGregor and Rispin. The department proposal includes an additional Maintenance Worker I/II in FY 16/17 to accommodate the increased workload.

PARKS

1000-30-33-xxx	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenues						
General Fund	\$520,500	\$524,646	\$538,088	\$530,420	\$602,708	\$611,598
Revenue Totals	\$520,500	\$524,646	\$538,088	\$530,420	\$602,708	\$611,598
Expenditures						
Personnel	\$300,248	\$312,669	\$295,117	\$277,424	\$345,728	\$347,118
Contract services	159,399	142,679	171,100	181,125	176,800	184,300
Training & Memberships	2,494	3,638	3,900	3,900	3,900	3,900
Supplies	25,539	35,351	38,000	38,000	49,000	49,000
Internal service fund charges	32,820	30,309	29,971	29,971	27,280	27,280
Expenditure Totals	\$520,500	\$524,646	\$538,088	\$530,420	\$602,708	\$611,598
Authorized Positions						
Maintenance Worker I & II	4.00	4.00	4.00	4.00	5.00	5.00
FTE Total	4.00	4.00	4.00	4.00	5.00	5.00

COMMUNITY DEVELOPMENT

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 is dedicated to providing 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 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 FY16/17.

FISCAL YEAR ACCOMPLISHMENTS – 2015/16

- Completed the Housing Element Update on-time and under budget
- Completed the City's first Climate Action Plan
- Updated Planning and Building fees to include more flat fees to improve cost certainty for customers and reduce staff time spent on administration
- Reduced the General Plan Maintenance Fee
- Completed inspirational design work for a new Capitola Branch Library
- Completed a draft Zoning Code Update and released it for public review and comment
- 177 planning permits issued, July, 2015 through April, 2016
- Issued 351 building permits / total valuation of over \$12 million, July, 2015 through April, 2016
- Responded to 176 code enforcement complaints, July, 2015 through April, 2016

FISCAL YEAR GOALS - 2016/17 and 2017/18

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

- Initiate formal design process for new library (based on parcel tax measure approval)
- Work with new mall owners to investigate opportunities for positive redevelopment
- Update the City's ADA Transition Plan
- Complete 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

Community Development	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$ 37,553	\$ 193,957	\$ 266,939	\$ 296,096	\$ 281,518	\$ 291,497
Licenses and permits	244,938	220,445	199,050	224,550	245,150	245,150
Charges for services	326,059	284,476	289,000	239,500	277,000	243,000
Fines and forfeitures	8,450	1,720	-	-	-	-
Revenue Totals	\$ 617,000	\$ 700,599	\$ 754,989	\$ 760,146	\$ 803,668	\$ 779,647

Expenditures						
Personnel	\$ 509,085	\$ 533,211	\$ 605,694	\$ 595,801	\$ 637,312	\$ 617,791
Contract services	49,798	112,084	78,100	93,100	81,100	81,100
Training & Memberships	7,903	4,233	11,500	11,500	16,000	11,500
Supplies	2,464	1,870	6,700	6,750	6,400	6,400
Internal service charges	47,750	49,200	52,995	52,995	62,856	62,856
Expenditure Totals	\$ 617,000	\$ 700,598	\$ 754,989	\$ 760,146	\$ 803,668	\$ 779,647

Authorized Positions	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Community Dev. Director	0.45	1.00	1.00	1.00	1.00	1.00
Senior Planner	0.67	1.00	1.00	1.00	1.00	1.00
Associate Planner	-	0.50	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	0.50	1.00	1.00
FTE Total	3.12	4.50	5.00	4.50	5.00	5.00

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
Total	7.00	7.00	7.00	7.00	7.00	7.00

Officials Annual Pay						
Planning Commissioners	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Arch & Site Committee	1,200	1,200	1,200	1,200	2,200	2,200
Total	\$ 8,700	\$ 8,700	\$ 8,700	\$ 8,700	\$ 9,700	\$ 9,700

RECREATION

CULTURE & LEISURE

MISSION

The Capitola Recreation Department's mission is to enhance recreation, healthy lifestyles, and quality of life for Capitola and the surrounding neighbors 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 2,500 annually. These programs bring parents and children to the City, which generate additional City revenues associated with shopping, eating, and parking and building positive associations with 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 will continue to use the City of Santa Cruz Fire Department Marine Safety Division to train and certify Junior Lifeguard staff as beach lifeguards.

FISCAL YEAR ACCOMPLISHMENTS - 2015/16

- Created and implemented online registration for the 2016 Junior Lifeguard Program
- Worked with the City of Santa Cruz Fire Department Marine Safety Division to improve training and certify all Capitola Junior Lifeguard staff as beach lifeguards
- Through the Junior Lifeguard Captains Corps and the Camp Capitola Junior Leader program, provided opportunities for over 60 teens to train for future summer employment as Junior Lifeguard Instructors and Camp Leaders
- Updated and expanded training for recreation summer employees
- Produced six Capitola Recreation brochures and refined the mailing area
- Increased social media traffic for the recreation sites by over 33%
- Continued work with community groups for the use of the City's recreational facilities

FISCAL YEAR GOALS - 2016/17 and 2017/18

- Enhance participation and revenue by evaluating community interests and new programs
- Continue promotional marketing, advertising, Facebook and other social media posting; evaluate regularly for effectiveness and continue to explore other ideas
- Evaluate use of the department website versus ActiveNet for class details and brochures
- Work with ActiveNet to explore options for enhancement of the recreation registration site to provide a more attractive, promotional site and a more user-friendly interface
- Begin online registration for 2017 Camp Capitola
- Continue to update and expand training for recreation summer employees
- Maximize rental opportunities for sports groups and continue outreach

RECREATION

Recreation Summary 1000-50-50-xxx	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$ 54,695	\$ 30,280	\$ 114,885	\$ 159,633	\$ 148,099	\$ 132,212
Recreation Classes	\$ 337,584	\$ 281,714	\$ 268,500	\$ 283,500	\$ 285,000	\$ 285,000
Capitola Junior Guards	268,443	312,164	318,000	317,000	332,000	332,000
Camp Capitola	103,010	138,964	149,500	149,500	149,500	149,500
Sports Teams	40,549	31,941	33,500	33,500	28,500	28,500
Total Charges for Svcs.	\$ 749,586	\$ 764,783	\$ 769,500	\$ 783,500	\$ 795,000	\$ 795,000
Use of money & property	5,142	7,012	7,000	6,900	6,900	6,900
Revenue Totals	\$ 809,423	\$ 802,075	\$ 891,385	\$ 950,033	\$ 949,999	\$ 934,112

Expenditures

Personnel	\$459,472	\$467,878	\$519,433	\$ 523,936	\$ 556,173	\$ 553,286
Contract services	241,987	231,831	251,850	305,835	248,750	248,750
Training & Memberships	1,986	2,454	3,600	3,760	3,860	3,860
Supplies	60,538	58,212	64,350	64,350	64,850	64,850
Internal service fund charges	45,440	41,700	52,152	52,152	76,366	63,366
Expenditure Totals	\$ 809,423	\$ 802,075	\$ 891,385	\$ 950,033	\$ 949,999	\$ 934,112

Authorized Positions	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Recreation Supervisor	1.00	1.00	1.00	1.00	1.00	1.00
Recreation Coordinator	1.25	1.25	1.50	1.50	1.50	1.50
Recreation Assistant	0.50	0.50	0.50	0.75	0.75	0.75
Recreation Facilities Custodian	-	-	-	0.50	0.50	0.50
FTE Total	2.75	2.75	3.00	3.75	3.75	3.75

Hourly Allocation

Jr. Lifeguard Instructor	7,000	7,000	7,000	7,000	8,500	8,500
Jr. Lifeguard Coordinator	450	450	450	700	700	700
CC Leader	2,900	2,500	2,500	2,500	2,500	2,500
Camp Capitola Coordinator	850	480	480	480	400	400
CC Jr. Leader Coordinator	400	400	400	400	400	400
Recreation Admin Temps	3,300	3,300	3,300	2,420	1,500	1,500
Sports Scorekeepers	2,100	2,100	2,100	2,100	1,500	1,500
Recreation Facilities Assistant	1,100	1,100	200	-	-	-
Hours Total	18,100	17,330	16,430	15,600	15,500	15,500

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 - 2015/16

- Opened a new exhibit, "Photos by Ravnos"
- 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
- Replaced display lighting to improve exhibits and reduce energy usage

FISCAL YEAR GOALS - 2016/17 and 2017/18

- Hold multiple events to celebrate the Museum's 50th birthday.
- Improve community outreach to increase number of Museum volunteers
- Install new exhibit

MUSEUM

Capitola Museum 1000-50-51-000	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Revenue						
General Fund	\$49,347	\$49,393	\$60,728	\$ 59,843	\$ 64,938	\$ 60,583
Other revenues	4,865	5,356	6,000	6,600	6,250	6,250
Revenue Totals	\$54,212	\$54,749	\$66,728	\$ 66,443	\$ 71,188	\$ 66,833
Expenditures						
Personnel	\$36,904	\$35,329	\$36,322	\$ 36,322	\$ 38,756	\$ 37,401
Contract services	4,332	4,460	4,800	4,640	4,800	4,800
Training & Memberships	-	-	125	-	-	-
Supplies	8,911	11,560	21,500	21,500	22,500	19,500
Internal service fund charges	4,065	3,400	3,981	3,981	5,132	5,132
Expenditure Totals	\$54,212	\$54,749	\$66,728	\$ 66,443	\$ 71,188	\$ 66,833
Authorized Positions						
Museum Curator	0.75	0.75	0.75	0.50	0.50	0.50
FTE Total	0.75	0.75	0.75	0.50	0.50	0.50

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 reorganized 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 - 2015/16

- Added two new public events, Opera at the Beach and Capitola en Plein Air
- Obtained sponsors obtained to continue funding summer events
- Continued rotating Art Displays program in City of Capitola buildings.

FISCAL YEAR GOALS - 2016/17 and 2017/18

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
- Added 13th Twilight Concert in 2016

ART & CULTURE

Art & Cultural Commission 1000-50-52-000	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Revenue						
General Fund	\$27,319	\$17,240	\$30,635	\$ 30,018	\$ 35,630	\$ 35,014
Other revenues	20,400	25,535	23,000	23,000	22,600	21,400
Revenue Totals	\$47,719	\$42,775	\$53,635	\$ 53,018	\$ 58,230	\$ 56,414
Expenditures						
Personnel	\$14,546	\$10,461	\$14,107	\$ 14,090	\$ 14,455	\$ 14,539
Contract services	25,427	23,750	29,900	29,300	32,400	30,800
Supplies	5,766	6,064	6,700	6,700	7,500	7,200
Internal service fund charges	1,980	2,500	2,928	2,928	3,875	3,875
Expenditure Totals	\$47,719	\$42,775	\$53,635	\$ 53,018	\$ 58,230	\$ 56,414
<u>Hourly Employee Allocation</u>						
Hours	480	480	480	480	480	480

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INTERNAL SERVICE FUNDS



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INTERNAL SERVICE FUNDS

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.

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 department to pay for Workers' Compensation coverage through the MBASIA.

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

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.

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.

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 entered into a contract to provide IT services with a transfer of \$70,000 from the General Fund in FY 15/16. The City plans to bring these services in-house in FY16/17.

SOURCES AND USES

Fund - 2211	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 87,457	\$ 166,845	\$ 145,980	\$ 145,980	\$ 22,120	\$ 25,620
Revenue						
Other Revenues	\$ 3,611	\$ 3,845	\$ 3,468	\$ 2,890	\$ 3,500	\$ 3,500
Internal Service Charges	137,000	130,000	103,660	130,000	203,000	203,000
Other Financing Sources	114,000	-	70,000	-	-	-
Revenue Totals	<u>\$ 254,611</u>	<u>\$ 133,845</u>	<u>\$ 177,128</u>	<u>\$ 132,890</u>	<u>\$ 206,500</u>	<u>\$ 206,500</u>
Expenditures						
Contract Services	\$ 66,776	\$ 46,722	\$ 164,000	\$ 164,000	\$ 96,000	\$ 96,000
Training & Memberships	160	160	1,000	750	1,000	1,000
Supplies	54,478	49,337	52,000	52,000	56,000	56,000
Capital Outlay	53,809	58,491	40,000	40,000	50,000	50,000
Expenditure Totals	<u>\$ 175,223</u>	<u>\$ 154,710</u>	<u>\$ 257,000</u>	<u>\$ 256,750</u>	<u>\$ 203,000</u>	<u>\$ 203,000</u>
Fund Balance at 06/30	\$ 166,845	\$ 145,980	\$ 66,108	\$ 22,120	\$ 25,620	\$ 29,120

SELF-INSURANCE LIABILITY PROGRAM FUND

The Self-Insurance Liability Program 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	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 231,850	\$ 205,291	\$ 159,241	\$ 159,241	\$ 162,226	\$ 162,226
Revenue						
Internal Service Charges	\$ 194,996	\$ 249,300	\$ 344,500	\$ 344,500	\$ 428,000	\$ 475,000
Other Financing Sources	-	89,350	100,000	-	-	-
Revenue Totals	\$ 194,996	\$ 338,650	\$ 444,500	\$ 344,500	\$ 428,000	\$ 475,000
Expenditures						
Contract Services	\$ 221,950	\$ 383,585	\$ 343,500	\$ 341,515	\$ 427,000	\$ 474,000
Supplies	(395)	1,115	1,000	-	1,000	1,000
Expenditure Totals	\$ 221,555	\$ 384,700	\$ 344,500	\$ 341,515	\$ 428,000	\$ 475,000
Fund Balance at 06/30	\$ 205,291	\$ 159,241	\$ 259,241	\$ 162,226	\$ 162,226	\$ 162,226

WORKERS' COMPENSATION FUND

The Workers' Compensation Fund satisfies the requirements of the Capitola Municipal Code, 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: (1) the number of employees in each of the two major categories (Safety & Miscellaneous); (2) the experience rate (cost incurred) of each participating agency and (3) debt service allocation. The greater a City experience rate (the number of workers' compensation claims) the more the annual premium assessment to that City exceeds its FTE participation level. Containment of workers' compensation claims results in a lower premium.

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	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 295,275	\$ 321,853	\$ 321,857	\$ 321,857	\$ 216,857	\$ 216,857
Revenue						
Internal Service Charges	\$ 415,400	\$ 364,100	\$ 385,000	\$ 385,000	\$ 415,000	\$ 415,000
Revenue Totals	\$ 415,400	\$ 364,100	\$ 385,000	\$ 385,000	\$ 415,000	\$ 415,000
Expenditures						
Contract Services	\$ 388,822	\$ 364,096	\$ 385,000	\$ 390,000	\$ 415,000	\$ 415,000
Other Financing Uses	-	-	100,000	100,000	-	-
Expenditure Totals	\$ 388,822	\$ 364,096	\$ 485,000	\$ 490,000	\$ 415,000	\$ 415,000
Fund Balance at 06/30	\$ 321,853	\$ 321,857	\$ 221,857	\$ 216,857	\$ 216,857	\$ 216,857

STORES FUND

The Stores Fund accounts for general supplies and postage. The Executive Assistant to the City Manager orders and maintains supplies for the City. This also includes the rental of the postage machine and the repair and maintenance of shared office equipment.

SOURCES AND USES						
Fund - 2210	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 620	\$ 7,859	\$ 18,933	\$ 18,933	\$ 23,978	\$ 23,978
Revenue						
Other Revenues	\$ 153	\$ 396	\$ -	\$ -	\$ -	\$ -
Internal Service Charges	40,000	39,100	35,000	35,045	35,000	35,000
Revenue Totals	\$40,153	\$39,496	\$35,000	\$ 35,045	\$ 35,000	\$35,000
Expenditures						
Contract Services	\$10,381	\$10,050	\$10,000	\$ 5,000	\$ 10,000	\$10,000
Supplies	22,533	18,372	25,000	25,000	25,000	25,000
Expenditure Totals	\$32,914	\$28,422	\$35,000	\$ 30,000	\$ 35,000	\$35,000
Fund Balance at 06/30	\$ 7,859	\$18,933	\$18,933	\$ 23,978	\$ 23,978	\$23,978

EQUIPMENT REPLACEMENT FUND

The Equipment Replacement Fund is designed to provide funding for 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 costs of existing vehicles. This fund receives revenues from trade in and sale of surplus equipment. Revenues accumulation does not apply to a particular vehicle. 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. The City Manager approves all budgeted vehicles. In FY 13/14, an additional \$52,000 was transferred from the General Fund to assist in restoring the Equipment Fund's balance, while \$146,730 was transferred from the General Fund to purchase a street sweeper. Typically, new street sweepers are financed with Gas Tax Revenues, however, in an effort 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 16/17 CAPITAL OUTLAY

Police vehicle	\$40,000
Public Works truck	\$25,000
Tractor	<u>\$13,000</u>
Total	\$78,000

FY 17/18 CAPITAL OUTLAY

Police vehicle	\$40,000
Public Works truck	<u>\$35,000</u>
Total	\$75,000

The current Public Works loader will need to be replaced in the near future due to emissions standards. Cost is estimated to be \$200,000.

SOURCES AND USES

	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Fund - 2212	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 122,138	\$ 118,057	\$ 124,178	\$ 124,178	\$ 96,414	\$146,414
Revenue						
Internal Service Charges	\$105,529	\$68,148	\$60,000	\$42,659	\$78,000	\$43,500
Other Financing Sources	198,730	-	50,000	50,000	50,000	50,000
Revenue Totals	<u>\$304,259</u>	<u>\$ 68,148</u>	<u>\$110,000</u>	<u>\$ 92,659</u>	<u>\$128,000</u>	<u>\$ 93,500</u>
Expenditures						
Capital Outlay	\$308,340	\$ 62,027	\$120,000	\$120,423	\$ 78,000	\$ 75,000
Expenditure Totals	<u>\$308,340</u>	<u>\$ 62,027</u>	<u>\$120,000</u>	<u>\$120,423</u>	<u>\$ 78,000</u>	<u>\$ 75,000</u>
Fund Balance at 06/30	\$118,057	\$124,178	\$114,178	\$ 96,414	\$146,414	\$164,914

COMPENSATED ABSENCES LIABILITY FUND

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: The standard memorandum of understanding requires employees with vacation accrual greater than 360 hours in April of any year paid the hours greater than 360 at their current pay rate.

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 out up to 80 hours of vacation.

Police Captain Cashable Sick Leave: Refer to contract.

Final Pay: Upon resignation, employees are eligible for various cash outs, dependent upon the applicable memorandum of understanding with the City of Capitola.

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

Fund - 2216	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balanc	\$ 28,274	\$ 57,874	\$ (8,869)	\$ (8,869)	\$ 16,131	\$ 16,131
Revenue						
Other financing sources	\$ 130,000	\$ 110,000	\$ 130,500	\$ 130,500	\$ 200,000	\$ 200,000
Revenue Totals	<u>\$ 130,000</u>	<u>\$ 110,000</u>	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Expenditures						
Personnel	\$ 100,400	\$ 176,743	\$ 105,500	\$ 105,500	\$ 200,000	\$ 200,000
Expenditure Totals	<u>\$ 100,400</u>	<u>\$ 176,743</u>	<u>\$ 105,500</u>	<u>\$ 105,500</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Fund Balance at 06/30	\$ 57,874	\$ (8,869)	\$ 16,131	\$ 16,131	\$ 16,131	\$ 16,131

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, 2015, is \$752,924.

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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.

Santa Cruz County Anti-Crime Team (Police): Funds related to the joint task force of county law enforcement agencies to address violent crime and sale of narcotics that support criminal street gang activity in and around Santa Cruz County.

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): This fund accumulates money received as General Plan Maintenance Fee to cover the cost of future updates to the City's General Plan and implementing ordinances and plans.

Green Building (Community Development): Green Building funds are allowed to be used solely 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.

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. Loan payoffs and interest earning in this fund are restricted to CDBG approved uses.

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): At the dissolution of the Capitola Redevelopment Agency, 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 \$100,000 each year from the State of California Citizens Option for Public Safety (COPS) program. Funds from the COPS program must be used for front-line law enforcement services and may not be used to supplant existing funding. These funds were used last year to fund Police supplies and equipment.

SOURCES AND USES

Fund - 1300 SLESF	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 101,764	\$ 119,531	\$ 101,481	\$ 101,481	\$ 108,434	\$ 144,834
Revenue						
Intergovernmental revenues	\$ 101,770	\$ 106,230	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Use of money & property	241	344	200	200	300	300
Revenue Totals	\$ 102,011	\$ 106,574	\$ 100,200	\$ 100,200	\$ 100,300	\$ 100,300
Expenditures						
Contract services	\$ 1,484	\$ 1,310	\$ 1,700	\$ 2,172	\$ 2,700	\$ 2,800
Supplies	38,037	35,143	30,000	44,890	46,200	47,400
Capital outlay	44,723	88,171	30,000	46,185	15,000	15,000
Expenditure Totals	\$ 84,244	\$ 124,624	\$ 61,700	\$ 93,247	\$ 63,900	\$ 65,200
Fund Balance at 06/30	\$ 119,531	\$ 101,481	\$ 139,981	\$ 108,434	\$ 144,834	\$ 179,934

SANTA CRUZ COUNTY ANTI-CRIME TEAM

POLICE

The Santa Cruz County Anti-Crime Team (SCCACT) is a joint task force which includes 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. SCCACT provides investigative and undercover assistance in drug sales investigations to local police agencies and the Sheriff's Department, which require special equipment, training and/or expertise. The DA's Office provides assistance in filing, collecting and distributing asset forfeiture collections from the courts. SCCACT is based in Santa Cruz County and receives additional funding and resources from State and Federal drug enforcement agencies during large-scale investigations.

The City of Capitola contributes \$18,000 to SCCACT for operations costs from the General Fund, which is budgeted in the Police Department, Contract Services. The County Anti-Crime Team also applies for and receives additional funding from Byrne Grant opportunities and HIDTA funding sources to supplement equipment and training needs. The Anti-Crime Team has expanded its investigative scope to include major crime activity and criminal street gang violence. In previous years, the City provided an Administrative Assistant. Staffing costs were reimbursed by SCCACT from their Adjudicated Asset Forfeiture Account.

SOURCES AND USES						
Fund - 1301	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
SCC Anti-Crime Team	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ (1,141)	\$ (789)	\$ (209)	\$ (209)	\$ -	\$ -
Revenue						
Other revenues	\$ 74,235	\$ 78,403	\$ 85,076	\$ 47,947	\$ -	\$ -
Revenue Totals	\$ 74,235	\$ 78,403	\$ 85,076	\$ 47,947	\$ -	\$ -
Expenditures						
Personnel	\$ 73,883	\$ 77,823	\$ 85,076	\$ 47,738	\$ -	\$ -
Expenditure Totals	\$ 73,883	\$ 77,823	\$ 85,076	\$ 47,738	\$ -	\$ -
Fund Balance at 06/30	\$ (789)	\$ (209)	\$ (209)	\$ -	\$ -	\$ -

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.

SOURCES AND USES

Fund - 1310	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Gas Tax	Actual	Actual	Adopted	Estimate	Adopted	Planned
Beginning Fund Balance	\$ 11,986	\$ 20,869	\$ 83,211	\$ 83,211	\$ 21,081	\$ 11,397
Revenue						
Intergovernmental revenues	\$322,955	\$260,910	\$222,000	\$ 216,795	\$ 581,716	\$212,200
Use of money & property	37	209	-	200	200	200
Other revenues	-	-	-	6,775	-	-
Other financing sources	-	39,002	-	-	-	-
Revenue Totals	\$322,992	\$300,121	\$222,000	\$ 223,770	\$ 581,916	\$212,400
Expenditures						
Contract services	\$308,772	\$232,442	\$265,000	\$ 273,000	\$ 591,600	\$222,000
Supplies	-	-	7,500	7,500	-	-
Capital outlay	-	-	-	-	-	-
Debt service	5,337	5,337	5,400	5,400	-	-
Expenditure Totals	\$314,109	\$237,779	\$277,900	\$ 285,900	\$ 591,600	\$222,000
Fund Balance at 06/30	\$ 20,869	\$ 83,211	\$ 27,311	\$ 21,081	\$ 11,397	\$ 1,797

WHARF

PUBLIC WORKS

The Wharf Fund accounts for rental income generated from wharf operations and expended on operating costs 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.

SOURCES AND USES

Fund - 1311 Wharf	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$26,216	\$72,794	\$93,858	\$ 93,858	\$ 76,408	\$ 51,358
Revenue						
Use of money & property	\$97,854	\$92,210	\$86,200	\$ 86,200	\$ 86,850	\$ 86,850
Revenue Totals	\$97,854	\$92,210	\$86,200	\$ 86,200	\$ 86,850	\$ 86,850
Expenditures						
Contract services	\$47,170	\$65,276	\$81,400	\$ 98,900	\$105,900	\$ 98,900
Supplies	4,106	5,870	4,750	4,750	6,000	5,500
Expenditure Totals	\$51,276	\$71,146	\$86,150	\$103,650	\$111,900	\$ 104,400
Fund Balance at 06/30	\$72,794	\$93,858	\$93,908	\$ 76,408	\$ 51,358	\$ 33,808

GENERAL PLAN UPDATE & MAINTENANCE

COMMUNITY DEVELOPMENT

In 2002, the State Legislature passed AB 2936 to enable 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.

Valuation is 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. These valuations are close to market rates.

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

SOURCES AND USES

Fund - 1311 Wharf	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$26,216	\$72,794	\$93,858	\$ 93,858	\$ 76,408	\$ 51,358
Revenue						
Use of money & property	\$97,854	\$92,210	\$86,200	\$ 86,200	\$ 86,850	\$ 86,850
Revenue Totals	\$97,854	\$92,210	\$86,200	\$ 86,200	\$ 86,850	\$ 86,850
Expenditures						
Contract services	\$47,170	\$65,276	\$81,400	\$ 98,900	\$105,900	\$ 98,900
Supplies	4,106	5,870	4,750	4,750	6,000	5,500
Expenditure Totals	\$51,276	\$71,146	\$86,150	\$103,650	\$111,900	\$ 104,400
Fund Balance at 06/30	\$72,794	\$93,858	\$93,908	\$ 76,408	\$ 51,358	\$ 33,808

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

Fund - 1314	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Green Building	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$101,994	\$121,971	\$118,035	\$118,035	\$ 97,035	\$ 86,035
Revenue						
Charges for services	\$ 20,255	\$ 8,370	\$ 8,000	\$ 15,000	\$ 18,000	\$ 18,000
Revenue Totals	\$ 20,255	\$ 8,370	\$ 8,000	\$ 15,000	\$ 18,000	\$ 18,000
Expenditures						
Contract services	\$ -	\$ 12,306	\$ 33,000	\$ 33,000	\$ 25,000	\$ 1,000
Training & Memberships	278	-	2,000	2,000	2,000	2,000
Supplies	-	-	1,000	1,000	2,000	1,000
Expenditure Totals	\$ 278	\$ 12,306	\$ 36,000	\$ 36,000	\$ 29,000	\$ 4,000
Fund Balance at 06/30	\$121,971	\$118,035	\$ 90,035	\$ 97,035	\$ 86,035	\$100,035

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 of Capitola 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 & 41st Ave median
- Bay Avenue tile mural
- Esplanade kiosk
- 41st Avenue street median
- Extension of Wharf Road mural

SOURCES AND USES

Fund - 1315	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Public Art	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund						
Balance	\$288,913	\$222,428	\$232,489	\$232,489	\$223,189	\$213,889
Revenue						
Charges for services	\$ 73,968	\$ 35,207	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Revenue Totals	\$ 73,968	\$ 35,207	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Expenditures						
Personnel	\$ -	\$ 3,078	\$ 3,300	\$ 3,300	\$ 3,300	\$ 3,300
Contract services	140,453	22,068	36,000	36,000	36,000	36,000
Expenditure Totals	\$140,453	\$ 25,146	\$ 39,300	\$ 39,300	\$ 39,300	\$ 39,300
Fund Balance at 06/30	\$222,428	\$232,489	\$223,189	\$223,189	\$213,889	\$204,589

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

Fund - 1316	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Parking Reserve	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 75,098	\$ 21,662	\$ 4,252	\$ 4,252	\$ 23,152	\$ 23,152
Revenue						
Other financing sources	\$100,000	\$100,000	\$100,000	\$118,900	\$100,000	\$100,000
Revenue Totals	\$100,000	\$100,000	\$100,000	\$118,900	\$100,000	\$100,000
Expenditures						
Capital outlay	\$ 68,636	\$ 17,410	\$ -	\$ -	\$ -	\$ -
Other financing uses	84,800	100,000	100,000	100,000	100,000	100,000
Expenditure Totals	\$153,436	\$117,410	\$100,000	\$100,000	\$100,000	\$100,000
Fund Balance at 06/30	\$ 21,662	\$ 4,252	\$ 4,252	\$ 23,152	\$ 23,152	\$ 23,152

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 the Building, Planning, and Public Works Permitting software. 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

Fund - 1317 Technology Fee	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$35,737	\$48,441	\$50,154	\$ 50,154	\$ 43,654	\$38,154
Revenue						
Charges for services	\$12,704	\$11,121	\$ 9,500	\$ 9,500	\$ 10,500	\$10,500
Revenue Totals	\$12,704	\$11,121	\$ 9,500	\$ 9,500	\$ 10,500	\$10,500
Expenditures						
Contract services	\$ -	\$ 5,000	\$10,000	\$ 10,000	\$ 10,000	\$10,000
Supplies	-	4,408	6,000	6,000	6,000	6,000
Expenditure Totals	\$ -	\$ 9,408	\$16,000	\$ 16,000	\$ 16,000	\$16,000
Fund Balance at 06/30	\$48,441	\$50,154	\$43,654	\$ 43,654	\$ 38,154	\$32,654

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 from all cable service providers is 64 cents per subscriber and is due to the City concurrent with the 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

Fund - 1320	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Public Education & Gov't.	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$51,151	\$43,112	\$50,086	\$ 50,086	\$ 44,636	\$44,186
Revenue						
Licenses and permits	\$18,195	\$18,003	\$17,000	\$ 17,000	\$ 17,000	\$17,000
Use of money & property	119	120	50	50	50	50
Revenue Totals	\$18,314	\$18,123	\$17,050	\$ 17,050	\$ 17,050	\$17,050
Expenditures						
Contract services	\$26,353	\$ 5,673	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500
Capital Outlay	-	5,476	15,000	15,000	10,000	10,000
Expenditure Totals	\$26,353	\$11,149	\$22,500	\$ 22,500	\$ 17,500	\$17,500
Fund Balance at 06/30	\$43,112	\$50,086	\$44,636	\$ 44,636	\$ 44,186	\$43,736

CAPITOLA VILLAGE/WHARF BUSINESS IMPROVEMENT AREA (BIA)

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 (BIA). It was established to generate revenue for the sole purpose of promoting business in Capitola Village and on the Wharf. The governing State law requires certain annual actions and public hearing to continue this assessment district. The program is run with the assistances of a BIA Board of Directors. The BIA Directors will provide their budget proposal to Council in a separate document and public hearing for the 2015/16.

SOURCES AND USES

Fund - 1321	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Business Impr. Distr.	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 2,244	\$ 6,675	\$ 839	\$ 839	\$ -	\$ -
Revenue						
Charges for services	\$54,720	\$64,075	\$65,000	\$ 65,000	\$ 66,000	\$66,000
Use of money & property	64	73	-	-	-	-
Revenue Totals	\$54,784	\$64,148	\$65,000	\$ 65,000	\$ 66,000	\$66,000
Expenditures						
Contract services	\$49,148	\$57,680	\$54,200	\$ 52,249	\$ 53,000	\$53,000
Supplies	1,205	12,304	13,000	13,590	13,000	13,000
Expenditure Totals	\$50,353	\$69,984	\$67,200	\$ 65,839	\$ 66,000	\$66,000
Fund Balance at 06/30	\$ 6,675	\$ 839	\$(1,361)	\$ -	\$ -	\$ -

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 41st 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

Fund - 1350 CDBG Grants	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$10,457	\$ 42,459	\$ 30,659	\$ 30,659	\$ (114,789)	\$ (144,186)
Revenue						
Intergovernmental	\$50,596	\$(11,800)	\$500,000	\$ 17,337	\$ 300,000	\$ 180,000
Revenue Totals	\$50,596	\$(11,800)	\$500,000	\$ 17,337	\$ 300,000	\$ 180,000
Expenditures						
Contract services	\$18,594	\$ -	\$ 19,883	\$ 20,600	\$ 14,280	\$ -
Grants and subsidies	-	-	465,117	142,185	315,117	118,500
Expenditure Totals	\$18,594	\$ -	\$485,000	\$ 162,785	\$ 329,397	\$ 118,500
Fund Balance at 06/30	\$42,459	\$ 30,659	\$ 45,659	\$ (114,789)	\$ (144,186)	\$ (82,686)

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

Fund - 1351	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
CDBG Program Income	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$(13,910)	\$ (2,469)	\$(3,069)	\$ (3,069)	\$ (1,069)	\$(1,069)
Revenue						
Use of money & property	\$ 14,070	\$ -	\$ -	\$ 2,000	\$ -	\$ -
Revenue Totals	\$ 14,070	\$ -	\$ -	\$ 2,000	\$ -	\$ -
Expenditures						
Contract services	\$ 2,629	\$ 600	\$ -	\$ -	\$ -	\$ -
Expenditure Totals	\$ 2,629	\$ 600	\$ -	\$ -	\$ -	\$ -
Fund Balance at 06/30	\$ (2,469)	\$ (3,069)	\$(3,069)	\$ (1,069)	\$ (1,069)	\$(1,069)

LIBRARY SPECIAL REVENUE FUND

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 the County of Santa Cruz 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 \$8.0 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 plans to begin 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.

SOURCES AND USES

Fund - 1360 Library	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,300
Revenue						
Intergovernmental	\$ -	\$ -	\$ -	\$ 22,300	\$ 372,300	\$ -
Revenue Totals	\$ -	\$ -	\$ -	\$ 22,300	\$ 372,300	\$ -
Expenditures						
Contract services	\$ -	\$ -	\$ -	\$ 22,300	\$ 30,000	\$ -
Expenditure Totals	\$ -	\$ -	\$ -	\$ 22,300	\$ 30,000	\$ -
Fund Balance at 06/30	\$ -	\$ -	\$ -	\$ -	\$ 342,300	\$ 342,300

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 \$12,200 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 into 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

Fund - 1370	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
HOME Reuse	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$23,221	\$59,707	\$83,630	\$ 83,630	\$167,969	\$177,069
Revenue						
Use of money & property	\$47,656	\$27,123	\$12,300	\$ 87,539	\$ 12,300	\$ 12,300
Revenue Totals	\$47,656	\$27,123	\$12,300	\$ 87,539	\$ 12,300	\$ 12,300
Expenditures						
Contract services	\$ 6,400	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200
Other financing uses	4,770	-	-	-	-	-
Expenditure Totals	\$11,170	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200
Fund Balance at 06/30	\$59,707	\$83,630	\$92,730	\$167,969	\$177,069	\$186,169

HOUSING TRUST

COMMUNITY DEVELOPMENT

As part of the City's ongoing efforts to provide affordable housing, in November 2004 the City Council adopted an Inclusionary Housing Ordinance. 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 -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

Fund - 1372 Housing Trust	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$184,049	\$120,576	\$67,242	\$ 67,242	\$ 20,907	\$17,907
Revenue						
Charges for services	\$ 11,577	\$ 13,284	\$15,000	\$ 18,625	\$ 22,000	\$22,000
Revenue Totals	\$ 11,577	\$ 13,284	\$15,000	\$ 18,625	\$ 22,000	\$22,000
Expenditures						
Contract services	\$ 25,050	\$ 16,618	\$15,000	\$ 14,960	\$ -	\$ -
Other Financing Uses	50,000	50,000	50,000	50,000	25,000	-
Expenditure Totals	\$ 75,050	\$ 66,618	\$65,000	\$ 64,960	\$ 25,000	\$ -
Fund Balance at 06/30	\$120,576	\$ 67,242	\$17,242	\$ 20,907	\$ 17,907	\$39,907

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 it 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

Fund - 5552	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Capitola Housing	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$80,197	\$84,623	\$89,143	\$ 89,143	\$104,793	\$ 59,793
Revenue						
Use of money & property	\$36,167	\$43,986	\$ -	\$ 51,600	\$ 15,000	\$ 15,000
Other revenues	500	-	-	4,050	-	-
Revenue Totals	\$36,667	\$43,986	\$ -	\$ 55,650	\$ 15,000	\$ 15,000
Expenditures						
Contract Services	\$10,072	\$10,000	\$ 5,000	\$ 5,000	\$ 30,000	\$ 30,000
Supplies	-	25	-	-	-	-
Grants and Subsidies	22,169	29,441	30,000	35,000	30,000	30,000
Expenditure Totals	\$32,241	\$39,466	\$35,000	\$ 40,000	\$ 60,000	\$ 60,000
Fund Balance at 06/30	\$84,623	\$89,143	\$54,143	\$104,793	\$ 59,793	\$ 14,793

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, 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, 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.

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 the 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 the Financial Management Policies to increase the funding level of Emergency Reserves from five to ten percent of the General Fund budgeted expenditures, or approximately \$1,260,000 by 2016.

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 the 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 CIP. 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, have been budgeted for transfer to the fund to prepare for any unforeseeable emergencies and to meet the new Emergency Reserve targeted levels. As the chart shows below, the reserve balance is projected to meet its target level in FY 2015/16. The FY 2016/17 Budget of \$15,000 will ensure that the reserve will continue to meet or exceed its target level based on new expenditure levels.

SOURCES AND USES						
Fund - 1020	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 570,106	\$ 584,106	\$ 1,049,206	\$ 1,049,206	\$ 1,262,206	\$ 1,277,206
Revenue						
Other Financing Sources	\$ 214,000	\$ 465,100	\$ 213,000	\$ 213,000	\$ 15,000	\$ -
Revenue Totals	\$ 214,000	\$ 465,100	\$ 213,000	\$ 213,000	\$ 15,000	\$ -
Expenditures						
Other Financing Uses	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditure Totals	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance at 06/30	\$ 584,106	\$ 1,049,206	\$ 1,262,206	\$ 1,262,206	\$ 1,277,206	\$ 1,277,206
Target Balance	\$974,943	\$1,119,866	\$1,237,190	\$1,245,544	\$1,275,049	\$1,334,271
Over / (Short) of Target	\$ (390,837)	\$ (70,660)	\$ 25,016	\$ 16,662	\$ 2,157	\$ (57,065)

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 the General Fund budgeted expenditures, or approximately \$1,890,000 by 2016.

Due to the expenses associated with the March 2011 pipe failure, a loan was made from the Contingency Reserves to the Emergency Reserves. 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 operating balance to assist in replenishing and building the reserves.

In FY 2014/15 and FY 2015/16, a total of \$182,600 and \$89,400 has been budgeted to be provided to the fund to meet the new Contingency Reserve targeted levels. As the chart below shows, City is projected to meet its target reserve level in FY 2015/16. The FY 16/17 Budget of \$10,000 will ensure that the reserve will continue to meet or exceed its target level based on new expenditure levels.

SOURCES AND USES

Fund - 1010	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 1,222,646	\$ 1,621,346	\$1,803,946	\$1,803,946	\$1,893,346	\$1,903,346
Revenue						
Other Financing Sources	\$ 398,700	\$182,600	\$89,400	\$89,400	\$10,000	\$ -
Revenue Totals	\$398,700	\$182,600	\$89,400	\$89,400	\$10,000	\$ -
Expenditures						
Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditure Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance at 06/30	\$ 1,621,346	\$1,803,946	\$1,893,346	\$1,893,346	\$1,903,346	\$1,903,346
Target Balance	\$1,462,414	\$1,679,799	\$1,855,785	\$1,868,316	\$1,904,008	\$2,001,407
Over/(Short) of Target	\$ 158,932	\$ 124,147	\$ 37,561	\$ 25,030	\$ (662)	\$ (98,061)

PERS CONTINGENCY RESERVES

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 increases in PERS contributions.

The PERS Contingency Fund 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

SOURCES AND USES

Fund - 1015	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$300,000	\$300,000
Revenue						
Other Financing Sources	\$ -	\$ -	\$300,000	\$300,000	\$ -	\$ -
Revenue Totals	\$ -	\$ -	\$300,000	\$300,000	\$ -	\$ -
Expenditures						
Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditure Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance at 06/30	\$ -	\$ -	\$300,000	\$300,000	\$300,000	\$300,000

FACILITIES RESERVES

The Facilities Reserve Fund was established in FY 2014/15 to serve as a resource to fund capital improvements and major repairs on 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. While the City is in the process of adopting a formal Facilities Reserve policy, the initial goal is to target two percent or a \$350,000 annual contribution to the Facilities Reserve Fund.

As facility projects are approved, funds will be transferred to the CIP Fund for project implementation. The annual contribution, along with designation of projects will be determined each budget year. As part of the FY 2014/15 budget process, a \$167,000 transfer was approved to establish the account. In addition, \$80,000 was transferred to the CIP fund for the City Hall Community Room Project, which includes remodeling the community room, providing entry way improvements, and planting drought tolerant landscaping. FY 2016/17 Budget transfers \$110,000 to the Facilities Reserve.

SOURCES AND USES

Fund - 1025	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ -	\$ -	\$ 79,870	\$ 79,870	\$ 229,870	\$ 129,870
Revenue						
Other Financing Sources	\$ -	\$ 167,000	\$ 150,000	\$ 150,000	\$ 110,000	\$ 150,000
Revenue Totals	\$ -	\$ 167,000	\$ 150,000	\$ 150,000	\$ 110,000	\$ 150,000
Expenditures						
Construction Services	\$ -	\$ -	\$ -	\$ -	\$ 210,000	\$ -
Other Financing Uses	-	87,130	-	-	-	-
Expenditure Totals	\$ -	\$ 87,130	\$ -	\$ -	\$ 210,000	\$ -
Fund Balance at 06/30	\$ -	\$ 79,870	\$ 229,870	\$ 229,870	\$ 129,870	\$ 279,870

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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, two of which are as 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 employee retirement system (PERS) unfunded liability.

OPEB Trust Fund: The City of Capitola has an actuarially accrued liability of \$834,061 for Other Post Employment Benefits (OPEB).

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, two of which are as 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, 2016	Form of payment	Original Obligation	Other Terms
Current employee compensated absences (a)	\$ 752,924	Accrual	Ongoing	On-going. No interest due. (Refer to Compensated Absence Fund)
Other Post Employment Benefits (OPEB) - Capitola Retiree Healthcare Plan (CRHP)	\$ 834,061	Financial Statement Footnote	Ongoing	The City contributes the annual required contribution (ARC) yearly, consisting of the PEMHCA minimum and Trust contribution.
Pension Obligation Bond	\$ 1,255,000	PERS payments	10 years	CalPERS 18 year, 7.75% liability, refinanced as a POB. Balance at June 30, 2015 reflects 7.5 years payments of the 10 year bond term.
Pacific Cove Lease Financing	\$ 1,562,129	Financing Lease	20 years	20 year term, 3.25% fixed rate through 10 years, then resets to 10 Yr. T-Bill + 1.5%.
Beach & Village Parking Lot II Lease Financing	\$ 1,261,176	Tax Exempt Lease	20 years	20 year term, fixed 2.26% interest. The \$1,372,500 iBank loan, begins FY 13/14.
Net Pension Liability	\$ 12,221,177	Actuarial	N/A	Pension Liability to CalPERS
Total City Multi-Year Obligation	\$ 17,886,467			

(a) Compensated absences are through 6/30/2015.

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.

2007 PENSION OBLIGATION BOND

DEBT SERVICE

The City of Capitola contracts with California Public Employee Retirement Systems (“PERS”) for two retirement plans: Safety Plan for sworn police personnel and Miscellaneous Plan for all other employees. Additional tiers have been added to each plan in recent years. 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 fluctuation in employer contribution rates. The City of Capitola became part of two separate risk pools, one each for Safety and Miscellaneous employees. Existing agency Unfunded Actuarial Accrued Liabilities were placed in 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. In May, 2014, the CalPERS Board of Directors approved structural changes to risk pooling.

SOURCES AND USES

Fund - 1410	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 480,834	\$ 483,820	\$ 481,532	\$ 481,532	\$ 481,532	\$ 481,531
Revenue						
Other Financing Sources	\$ 678,199	\$ 670,572	\$ 669,204	\$ 669,204	\$ 668,595	\$ 187,351
Revenue Totals	\$ 678,199	\$ 670,572	\$ 669,204	\$ 669,204	\$ 668,595	\$ 187,351
Expenditures						
Contract Services	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 4,500
Debt Service	673,713	671,360	667,704	667,704	667,095	664,382
Expenditure Totals	\$ 675,213	\$ 672,860	\$ 669,204	\$ 669,204	\$ 668,595	\$ 668,882
Fund Balance at 06/30	\$ 483,820	\$ 481,532	\$ 481,532	\$ 481,532	\$ 481,532	\$ -
Memo: YE POB balance	\$ 2,375,000	\$ 1,830,000	\$ 1,255,000	\$ 1,255,000	\$ 645,000	\$ -

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
TOTAL	\$5,040,000	\$1,828,663	\$6,868,663	\$6,868,663

OPEB TRUST FUND

DEBT SERVICE

The City's defined benefit postemployment healthcare plan provides a contribution to medical benefit costs for eligible retired City employees and spouses. The City has historically contributed the Minimum Employer Contribution required under the Public Employees' Medical and Hospital Care Act (PEMHCA) on a pay-as-you go basis. The monthly contribution for each eligible retired employee is \$119 for calendar year 2014 and \$122 for calendar year 2015.

In accordance with GASB 45, the City has accrued an OPEB liability based on an actuarial determined amount. As of June 30, 2015, the actuarially accrued liability is anticipated to be \$834,061.

In FY 2013/14, the City budgeted \$30,000 to begin prefunding the actuarially accrued liability through (California Public Employees Retirement Benefit Trust Fund (CERBT). The City Council approved the prefunding on March 27, 2014 for an initial \$42,000. Prefunding will allow the City to substantially reduce its unfunded actuarially accrued liability and increase its return on investment. The actuarially calculated discount rate for prefunding is 7.5% versus the 4.5% of the prior pay-as-you-go method. In determining to use CERBT, the City considered the option that best minimizes risk, produces the best investment return and provides the most effective trust administrative fees. The following table references the estimated value of the OPEB Trust fund.

OPEB Trust Fund Balance:

Market Value of Assets 6/30/2015:	\$86,550
2015/16 Contribution:	<u>\$53,600</u>
Projected Balance 6/30/2016:	\$146,641
2016/17 Contribution:	<u>\$52,425</u>
Projected Balance 6/30/2017:	\$210,064

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 allowed the City to refinance the existing debt at a 3.25% tax-exempt interest rate with a Treasury Bill reset + 1.5% in year 10. 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	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$414,853	\$329,658	\$330,403	\$ 330,403	\$330,403	\$330,403
Revenue						
Use of money & property	\$ 744	\$ 746	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	149,482	165,065	165,066	165,066	165,066	165,066
Revenue Totals	\$150,226	\$165,811	\$165,066	\$ 165,066	\$165,066	\$165,066
Expenditures						
Contract Services	\$ 87,605	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	147,816	165,066	165,056	165,066	165,066	165,066
Expenditure Totals	\$235,421	\$165,066	\$165,056	\$ 165,066	\$165,066	\$165,066
Fund Balance at 06/30	\$329,658	\$330,403	\$330,413	\$ 330,403	\$330,403	\$330,403

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	-	-	-	-
TOTAL	\$2,390,000	\$897,681	\$3,287,681	\$ 3,287,681

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 \$44,000 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	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ -	\$ 74,249	\$(38,371)	\$(38,371)	\$ -	\$ -
Revenue						
Interfund Transfers	\$ 88,000	\$ 86,054	\$ 89,400	\$127,746	\$ 89,192	\$89,004
Other Financing Sources	1,372,500	-	-	-	-	-
Revenue Totals	\$1,460,500	\$ 86,054	\$ 89,400	\$127,746	\$ 89,192	\$89,004
Expenditures						
Construction Svcs. & Supplies	\$1,374,584	\$112,825	\$ -	\$ -	\$ -	\$ -
Debt Service	11,667	85,849	89,375	89,375	89,192	89,004
Expenditure Totals	\$1,386,251	\$198,674	\$ 89,375	\$ 89,375	\$ 89,192	\$89,004
Fund Balance at 06/30	\$ 74,249	\$(38,371)	\$(38,346)	\$ -	\$ -	\$ -

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

Payment Dates	Principal	Interest	Total	Fiscal Year
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
Total	\$ 1,372,500	\$ 375,736	\$ 1,748,236	\$ 1,748,236

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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 and Police Station complex, the Corporation Yard, the Jade Street Park Community Center, Upper and Lower Pacific Cove Park Parking Lots, the Capitola Municipal Wharf, and Library building. Parks include 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.

SOURCES AND USES

Fund - 1200	FY13/14	FY14/15	FY15/16	FY15/16	FY16/17	FY17/18
Capital Improvement Program	Actual	Actual	Adopted	Estimated	Adopted	Planned
Beginning Fund Balance	\$ 655,339	\$ 936,646	\$ 1,624,409	\$ 1,624,409	\$ 1,772,604	\$ 2,025,604
Revenue						
Other revenues	\$ 43,325	\$ 20,000	\$ 40,000	\$ 206,195	\$ 253,000	\$ -
Other financing sources	840,900	1,069,900	1,000,000	1,154,875	752,047	-
Revenue Totals	\$ 884,225	\$ 1,089,900	\$ 1,040,000	\$ 1,361,070	\$ 1,005,047	\$ -
Expenditures						
Contract services	\$ 602,918	\$ 402,137	\$ 1,040,000	\$ 1,212,875	\$ 752,047	\$ 400,429
Expenditure Totals	\$ 602,918	\$ 402,137	\$ 1,040,000	\$ 1,212,875	\$ 752,047	\$ 400,429

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CAPITAL IMPROVEMENT PROJECTS

2016-17		2016-17 Proposed Funding										
		All figures x1,000			General Fund	Grants & Other	Gas Tax	TDA	Measure O	Wharf	Adopted 2015-16 Appropriations	Total Appropriations
Project	Project Number	Description	Final Project Costs									
Completed Projects												
Village Drainage Assessment - CapAve	CS0034	Rebuild storm drain on Capitola Ave	\$ 120,823									
Rispin/Peery ADA Pathway Improv - Phase I	CP0009	ADA improvements	\$ 216,334									
Stockton Ave Pedestrian Improvements	CS0017	Sidewalk and Road Improvements	\$ 283,167									
38th Ave - Street overlay	CS0038/39	Roadway Reconstruction	\$ 350,555									
Rosedale Ave, Carl Lane, Alma Lane & Rosedale Cir	CS0022	Roadway Reconstruction	\$ 267,412									
SEUSD Traffic mitigation	CS0041	SRTS project	\$ 40,000									
On-Going Projects												
	Project Number	Location	Prior Budget Appropriations									
Clares & Wharf Traffic Calming	CT0007, 08	41st Ave to Wharf Rd	\$ 203,072								\$ -	\$ 203,072
Park Avenue Sidewalk	CS0019, 27, 28	Monterey Ave to Cabrillo Ave	\$ 370,631								\$ -	\$ 370,631
Hill Street Pedestrian Improvements	CS0020	Between Capitola Ave & Rosedale	\$ 70,000								\$ -	\$ 70,000
Park Avenue Paving & Bike Lane	CS0030, 31	Cabrillo to McGregor	\$ 400,000	200,000							\$ 200,000	\$ 600,000
Monterey Avenue Paving	CS0021	Washburn to Park Ave	\$ 380,000								\$ -	\$ 380,000
Bay Avenue Streetscape	CS0023	Oak to Monterey	\$ 34,000								\$ -	\$ 34,000
42nd & Diamond neighborhood	CS0032	See PMP	\$ 198,000								\$ -	\$ 198,000
Monterey & Park Railroad Station Park & Pathway	CP0007, 08	Beach & Village Lot 1	\$ 300								\$ -	\$ 300
Village Sidewalk Cooperative Projects	CS0040	TBD	\$ 54,525								\$ -	\$ 54,525
ADA Improvements	CF0004	TBD	\$ 75,000								\$ -	\$ 75,000
Roundabout Design at Capitola Ave and Bay Ave	CS0028, 29	Capitola Ave & Bay Ave	\$ 200,000								\$ -	\$ 200,000
Utility Undergrounding	CS0003	Bay Avenue Utility Undergrounding	\$ 2,400								\$ -	\$ 2,400
Rispin Park	CP0016	Development of Rispin Park	\$ 102,000	312,000							\$ 312,000	\$ 414,000
Tennis Court Reconstruction	CP0013	Resurfacing Tennis Courts	\$ 125,000								\$ -	\$ 125,000
Enhanced Bike Lanes at Highway 1 crossing	CS0033	Highway 1 crossings	\$ 60,000								\$ -	\$ 60,000
Stockton Avenue Bridge Parkway Design	CP0010	Stockton Ave & Bridge	\$ 20,000								\$ -	\$ 20,000
Sanctuary Trail Markers	CS0037	Cliff Drive	\$ 10,000								\$ -	\$ 10,000
											\$ -	\$ -
New Projects												
											\$ -	\$ -
Stockton Avenue Bridge Assessment	CS0035	Conduct Hazard Analysis						50,000			\$ 50,000	\$ 50,000
Fanmar Road Paving & Drainage - Design only		Monterey Ave to Capitola Ave						50,000			\$ 50,000	\$ 50,000
Street Pavement Project Bank		TBD						326,000			\$ 326,000	\$ 326,000
Esplanade Park Retianing Wall		Upper Esplanade Park						100,000			\$ 100,000	\$ 100,000
Slurry Seal		TBD						150,000			\$ 150,000	\$ 150,000
Hooper's Beach Stairway Repairs		Hooper's Beach						100,000			\$ 100,000	\$ 100,000
											\$ -	\$ -
Totals			\$ 1,987,928	\$ 512,000	\$ -	\$ -	\$ -	\$ 776,000	\$ -	\$ 1,288,000	\$ 3,592,928	

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SUCCESSOR AGENCY



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SUCCESSOR AGENCY

CAPITOLA OVERSIGHT BOARD

The California State Legislature passed ABX1 26 officially dissolved redevelopment agencies as of February 1, 2012. The City of Capitola elected to become the Successor Agency of the former Redevelopment Agency and oversee the winding down of its obligations. On January 31, 2012 the Capitola Redevelopment Agency's \$2.1 million cash balance was transferred to the Successor Agency.

By law, a seven member Oversight Board reviews and approves any Successor Agency actions. The full obligations of the Successor Agency were initially 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 must also be reviewed, approved, and audited by each these agencies.

Payments of approved obligations of the Successor Agency were authorized through Recognized Obligation Payment Schedules (ROPS) for successive six month periods through fiscal year 2015/16. For fiscal year 2016/17 and beyond, annual approval of two six-month periods are submitted for authorization. Funding of the obligations comes from property tax proceeds allocated to a Redevelopment Property Tax Trust Fund (RPTTF). The DOF, SCO, and County Auditor-Controller audit each ROPS submission, prior period adjustment report, and RPTTF cash flow and balance.

Effective July 1, 2018, there will be a single County Oversight Board for all Successor Agencies within the County of Santa Cruz. Capitola's Successor Agency Oversight Board activities and responsibilities will be assumed by that Oversight Board.

FISCAL YEAR ACCOMPLISHMENTS - 2015/16

- Received approval for reinstated \$618,028 City co-op loan
- Received approval for ROPS 15-16B and full year ROPS 16-17
- Completed SB341 Housing Successor Status

FISCAL YEAR GOALS - 2016/17 and 2017/18

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	FY13/14 Actual	FY14/15 Actual	FY15/16 Adopted	FY15/16 Estimated	FY16/17 Adopted	FY17/18 Planned
Beginning Fund Balance	\$ 589,399	\$ 607,860	\$ 216,970	\$ 216,970	\$ 331,942	\$ 186,378
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money & property	-	-	-	-	-	-
Intergovernmental	1,193,431	472,789	626,935	708,956	424,331	341,895
Other revenues	694	-	-	-	-	-
Extraordinary items	52,313	-	-	-	-	-
Revenue Totals	\$ 1,246,438	\$ 472,789	\$ 626,935	\$ 708,956	\$ 424,331	\$ 341,895
Expenditures						
Contract Services	250,000	150,000	142,000	60,089	40,000	50,000
Supplies	-	-	-	-	-	-
Grants and subsidies	193,382	172,596	202,024	202,024	202,024	202,024
Debt service	731,220	432,494	-	114,871	114,871	114,871
Other financing uses	53,375	108,589	-	217,000	213,000	-
Expenditure Totals	\$ 1,227,977	\$ 863,679	\$ 344,024	\$ 593,984	\$ 569,895	\$ 366,895
Fund Balance at 06/30	\$ 607,860	\$ 216,970	\$ 499,881	\$ 331,942	\$ 186,378	\$ 161,378

SUPPLEMENTARY INFORMATION



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SUPPLEMENTARY INFORMATION INDEX

ATTACHMENT A - ORGANIZATION CHART

ATTACHMENT B - COMPARATIVE INFORMATION

ATTACHMENT C - FINANCIAL POLICIES

ATTACHMENT D - FUND BALANCE POLICY

ATTACHMENT E - CITY INVESTMENT POLICY

ATTACHMENT F - GANN / APPROPRIATION LIMIT

ATTACHMENT G - BUDGET RESOLUTION

ATTACHMENT H - GLOSSARY

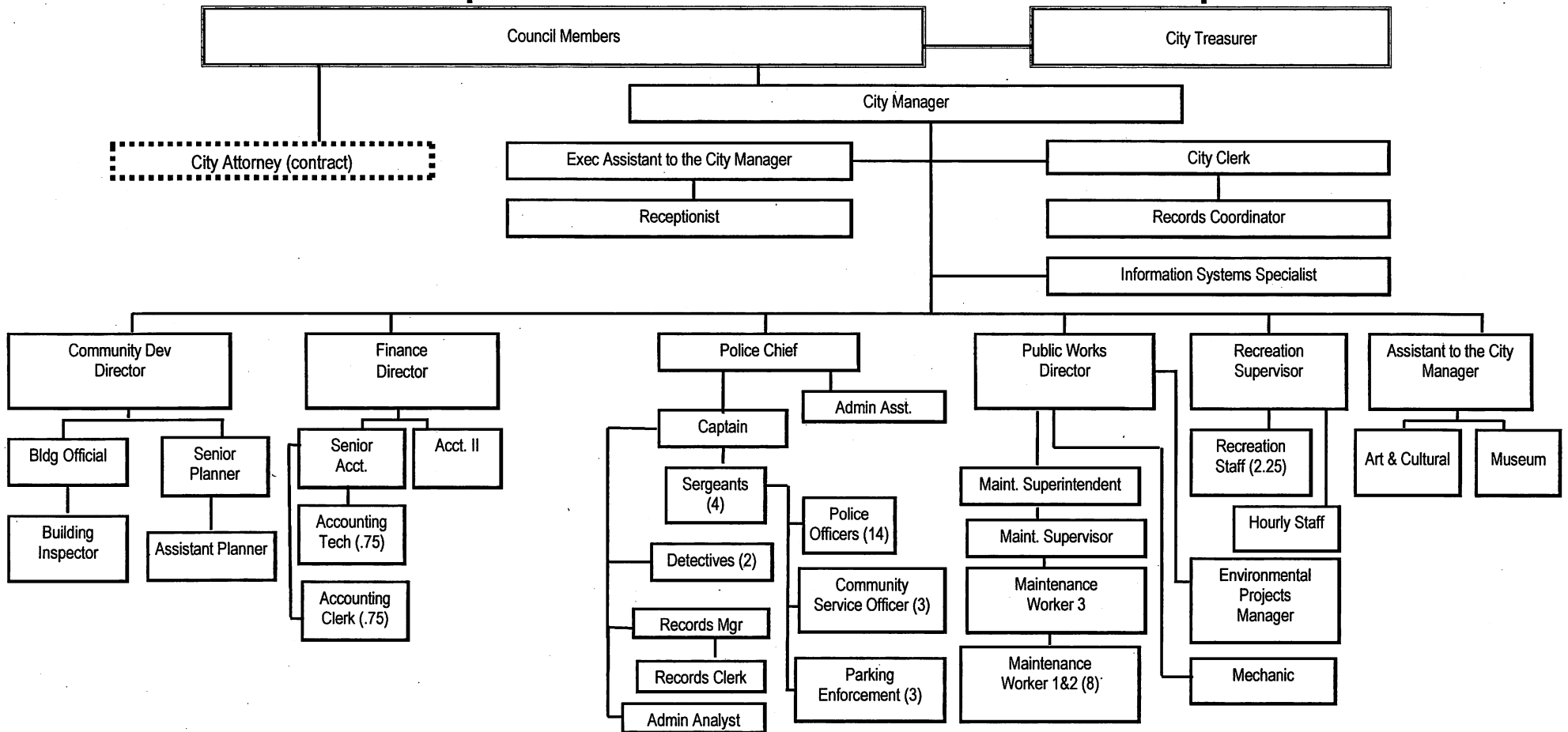
ATTACHMENT I - ACRONYMS

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ATTACHMENT A
ORGANIZATION CHART

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Citizens of the City of Capitola



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ATTACHMENT B

COMPARATIVE INFORMATION

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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.

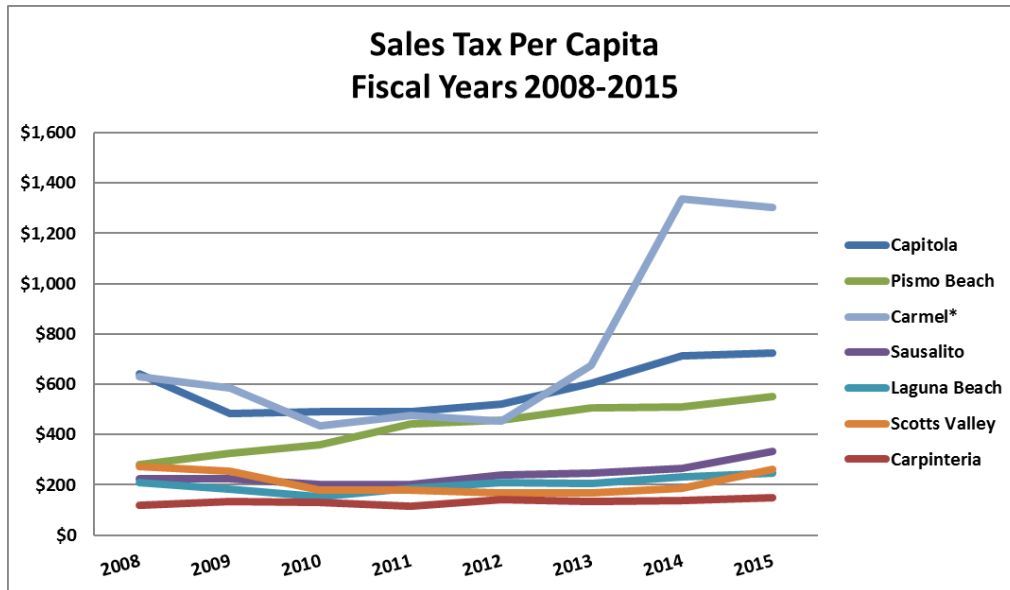
The comparable cities were chosen not only by comparable population size, but also by important service, economic, geographic and demographic characteristics. The following factors were considered in selecting benchmark cities:

- 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

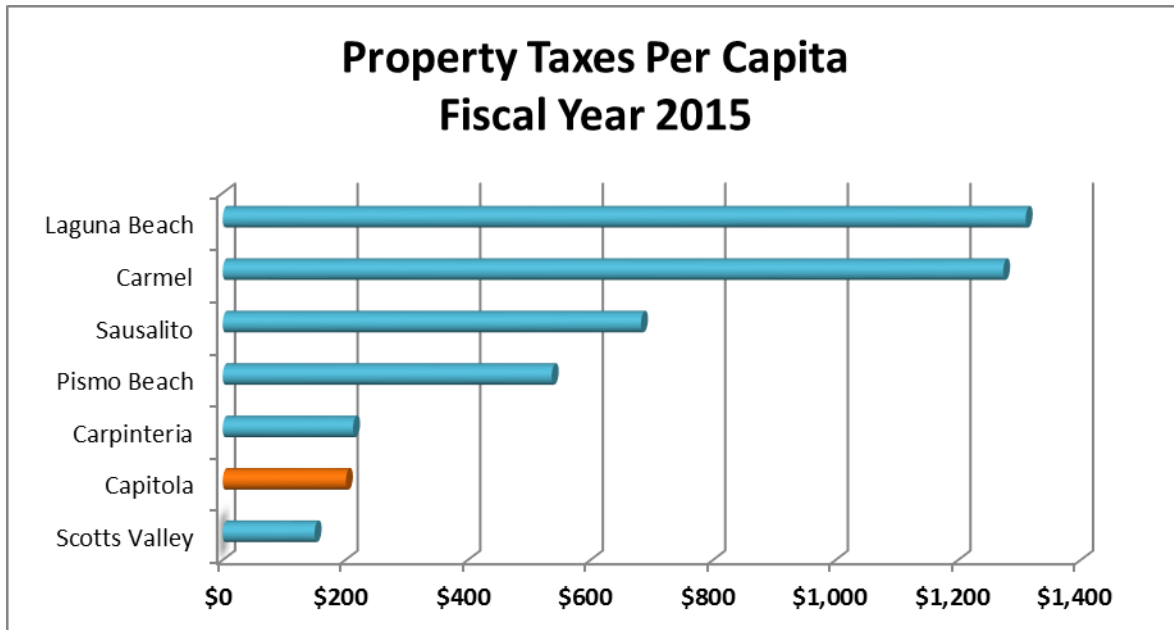
The City of Capitola’s sales tax is the largest single revenue stream. In FY 2013/14, sales tax accounted for over 50 percent of General Fund operating revenues. The analysis shows all sales taxes, including locally administered sales tax measures approved by the electorate. Capitola improved upon the 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

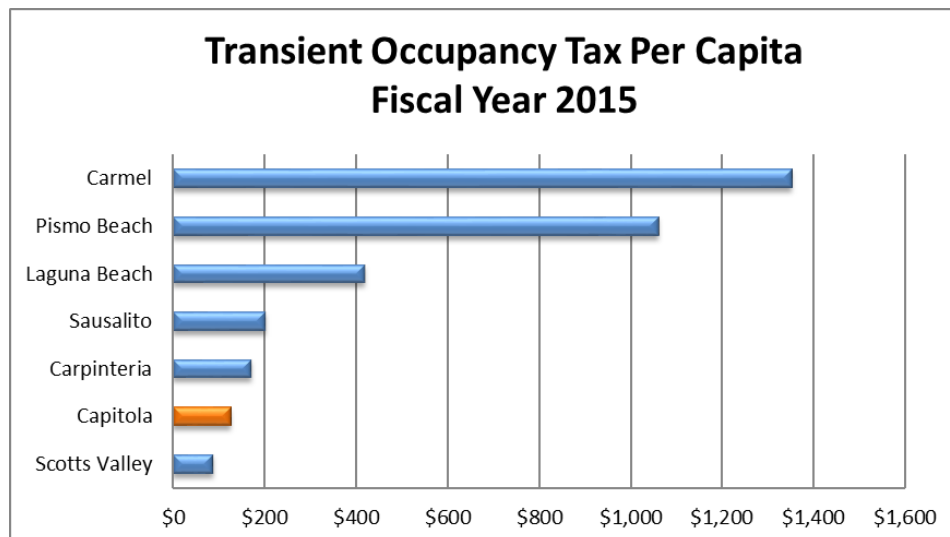
Property Taxes

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.



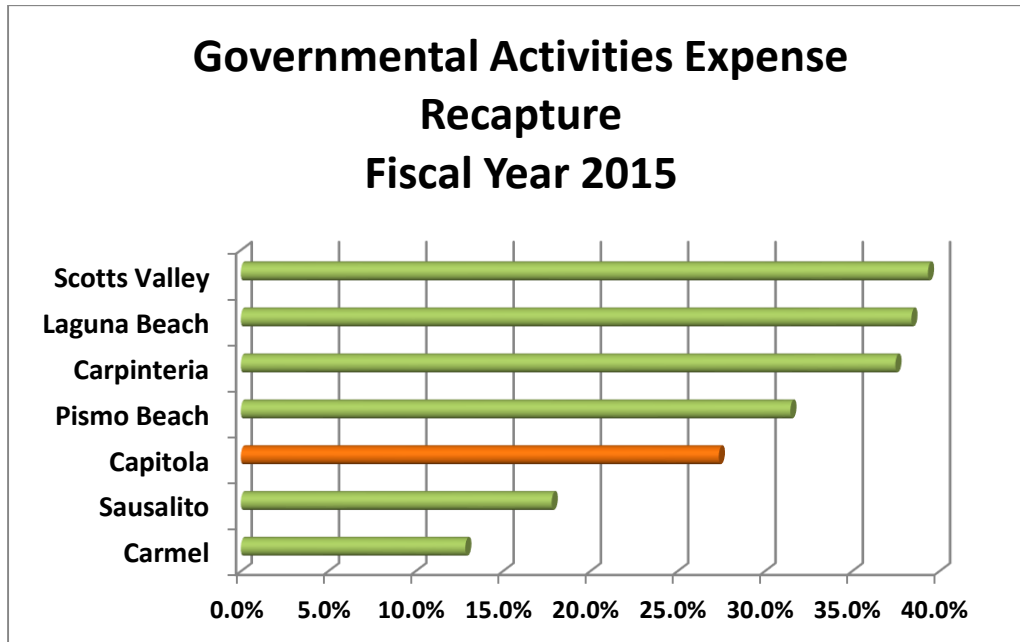
Transient Occupancy Taxes

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.



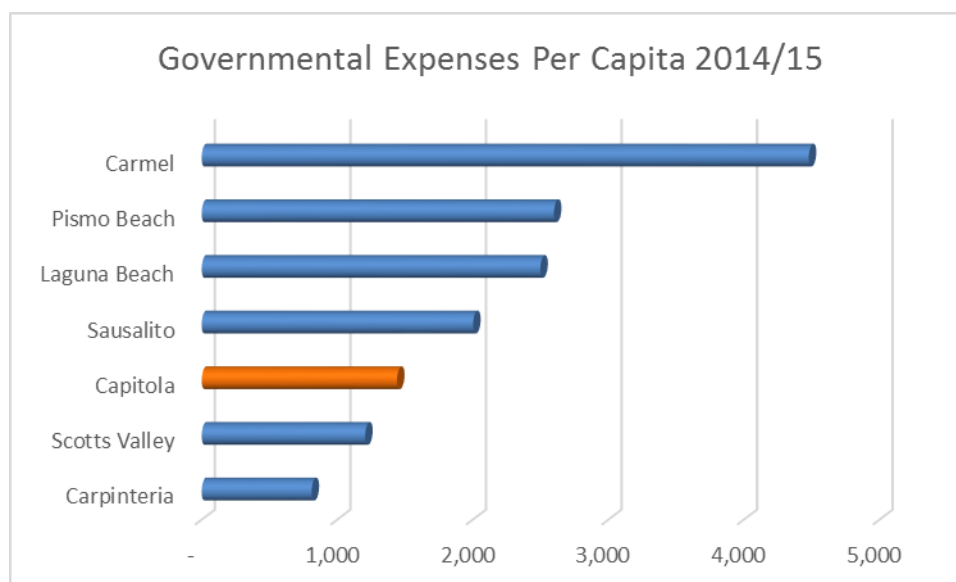
Citywide Activity Costs

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

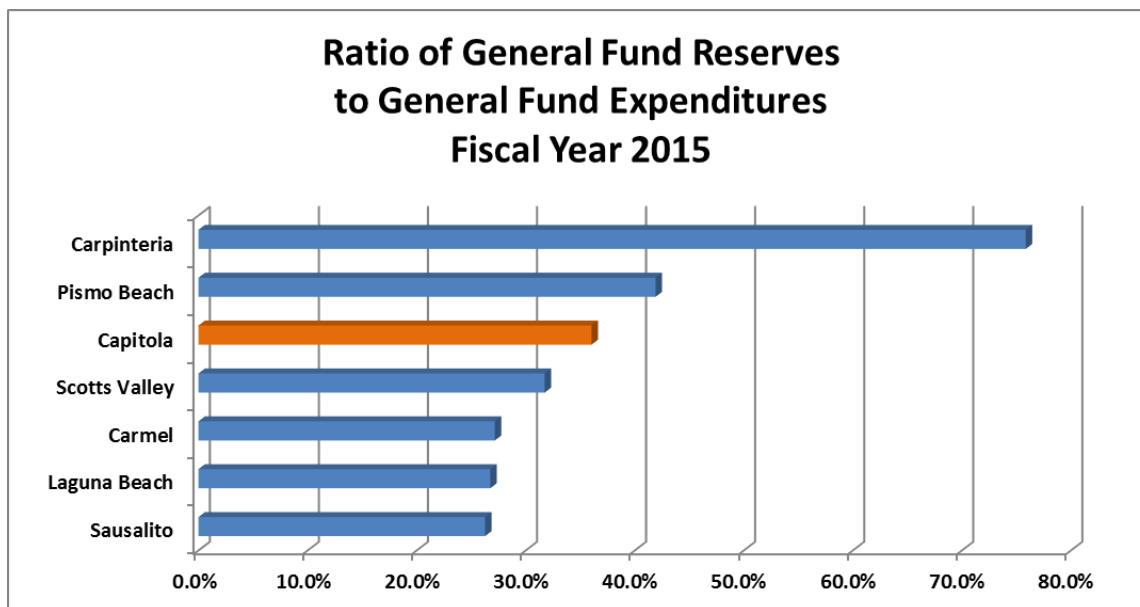
The following graph shows the operating costs per capita of each city's General Fund. For consistency, the costs of fire and sewer have been removed from each municipality. Capital outlay and debt service have also been removed to reflect only operating costs. Capitola is the fourth lowest position in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



ATTACHMENT C

FINANCIAL MANAGEMENT POLICIES

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ADMINISTRATIVE POLICY

Number: III-3
Issued: June 8, 2000
Revised: March 14, 2013
June 13, 2013

Jurisdiction: City Council

FINANCIAL MANAGEMENT POLICIES

POLICY

The following financial policies (herein, the "Policies") were developed in an effort to assist the City of Capitola with the management of its operating and capital budgeting processes and to standardize and rationalize the issuance of debt by the City. Regular, updated policies are an important tool to 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 therefore guidelines for general use, and allow for exceptions in extraordinary conditions. The Policies will have served 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 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 & reliable 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 use of a general obligation pledge usually eliminates the need for a bond reserve and due to its high credit quality and the ability to levy a tax to repay it, produces borrowing terms and costs unavailable through other methods. Moreover, since 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. Accordingly, the general obligation bond is more properly described as a "unlimited tax" bond.

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 and prudent finance practice require the submission of such a proposed debt to the electorate. Article XIII of the California Constitution requires that general obligation bonds be submitted to the voters for approval and that the issuance of such bonds be approved by a two-thirds vote.

Ad valorem property taxes affect various classes of taxpayers differently. Since the enactment of Proposition 13 in 1978, the increases in assessed value of real property have been limited for established property owners. This has the effect of disproportionately burdening newer property owners, who may have less wealth or taxpaying capacity than older, more established property owners. Moreover, business property owners, whose property turns over less frequently than residential property often benefit as a result of this phenomenon.

Cities in California may issue general obligation bonds only for the purpose of acquiring, improving or constructing real property. Accordingly, it shall be the City's policy to issue general obligation bonds only for such purposes and then only when the acquisition, improvement, or construction of the proposed real property will provide benefits to the community, in significant amounts, to both users and non-users of the facility.

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 may use revenue debt or financing leases for those projects which are not sufficiently popular to obtain a two-thirds vote for the issuance of general obligation bonds or which must be financed at a time, or in a manner which do not permit the use of general obligation bonds. 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 APPROPRIATION.

For each fiscal year, the final adopted General Fund budget shall contain a funded Contingency Appropriation equal to fifteen percent (15%) of General Fund Expenditures. The City shall implement a strategy to reach the required funding level in no more than five fiscal years. 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 ten percent (10%) of General Fund budgeted expenditures.

7. 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.

8. 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.

9. 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.

10. DEVELOPMENT FEES

The City's development process costs and related administrative expenses should be offset by development fees to the greatest extent possible. Fees will be reviewed and updated on an on-going 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. Generally, it shall be the City's

policy to submit the proposed debt issuance to the City Council in a study session wherever possible prior to submittal to the full City Council as an action item at a regular or special meeting.

3. INTERFUND LOANS

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. The City Manager is authorized to make temporary cash loans between and among the General Fund, internal service funds, and the Contingency Fund. All short-term loans and the changes in cash position will be presented to the City Council on a monthly basis. The Finance Director has the authority to initiate year-end accounting entries that create temporary interfund loans for the financial statement presentation purposes.

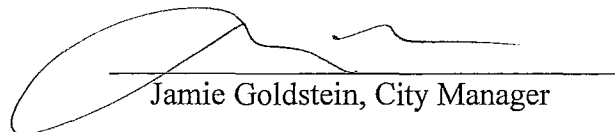
All short-term loans from other funds must be authorized by the City Council. This includes the Emergency Reserve Fund which has been designated as "Assigned" pursuant to Governmental Accounting Standards Board (GASB) Statement 54.

All interfund loans shall be repaid by the borrowing fund to the lending fund as soon as, in the opinion of the City Manager; it is fiscally prudent to do so. In addition, interest on interfund 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

ATTACHMENT D

FUND BALANCE POLICY

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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 9th day of June, 2011, and authorized by:



Jamie Goldstein
City Manager

JG/ljs

ATTACHMENT E

CITY INVESTMENT POLICY

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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.


Christine McBroom, City Treasurer

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ATTACHMENT F

GANN/APPROPRIATION LIMITS

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GANN / APPROPRIATION LIMIT

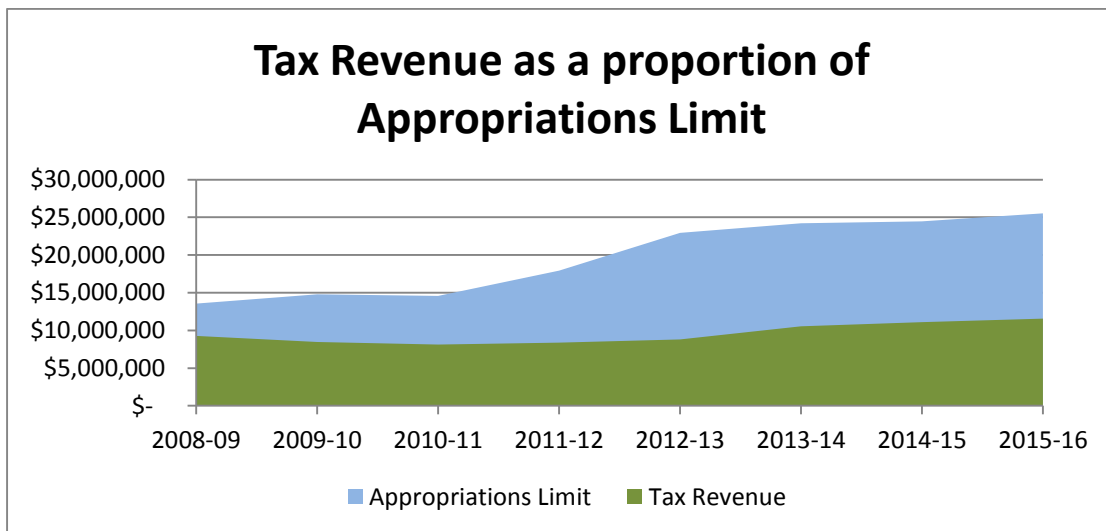
On November 6, 1979, California voters approved Proposition 4, commonly known as the Gann Initiative, establishing Article XIII B of the State Constitution. This proposition places annual limits on the appropriation of tax proceeds that can be made, based on the 1978-79 base year and adjusted each year 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 for January 1, 2015, 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 2016/17 calculation is:

Annual % change in County		Change in			FY 2015-16	FY 2016-17
Population minus Exclusions	x	California per capita Income	=	Appropriation Factor	x	Appropriation Limit
=					=	Appropriation Limit
1.0062	x	1.0537	=	1.0602	x	\$25,528,692 = \$27,065,519

The 2016/17 Proposed Budget tax revenues are:

Source of Tax Revenue	2016-17 Proposed Budget
Sales Tax and Triple Flip (1%)	\$ 5,485,957
District Taxes (Measures D and O)	2,210,518
Property Tax and In-Lieu	2,172,667
Transient Occupancy Tax	1,356,190
Franchise Taxes	526,767
Business License Tax	299,300
Interest Income from tax revenue	1,000
Total Tax Revenue	\$ 12,052,399

The 2016/17 percentage of appropriations limit used is:

Fiscal Year ended:	2014-15	2015-16	2016-17
Appropriations Limit	\$ 24,471,912	\$ 25,528,692	\$ 27,065,519
Tax revenue	\$ 11,099,418	\$ 11,554,580	\$ 12,052,399
Remaining to limit	\$ 13,372,494	\$ 13,974,112	\$ 15,013,120
% of limit used	45.36%	45.26%	44.53%
Limit vs. prior year	\$ 251,888	\$ 1,056,780	\$ 1,536,827
Incr./(Decr.) vs. pr. yr.	1.0%	4.3%	6.0%

The appropriations limit increased \$1,536,827 to \$27.1 million or 6.0% from 2015/16 to 2016/17.

RESOLUTION NO. 4050

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
SETTING THE 2016-17 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 2016-2017 Fiscal Year Appropriation Limit shall be \$ 27,066,360 calculated as follows:

Population change within the city:	1.0062
Change in California per capita Income	1.0537

2015-2016 Appropriation Limit:	\$ 25,528,692
Adjustment Factor (1.0062 x 1.0537)	x 1.0602
2016-2017 Appropriation Limit:	<u>\$ 27,065,519</u>

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 9th day of June, 2016, by the following vote:

AYES: Council Members Bertrand, Harlan, Norton, Termini, Bottorff,
and Mayor Bottorff

NOES: None

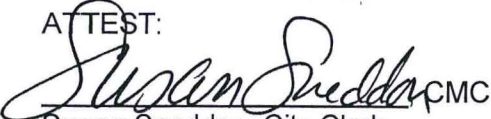
ABSENT: None

ABSTAIN: None



Ed Bottorff, Mayor

ATTEST:


Susan Sneddon, City Clerk

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ATTACHMENT G

BUDGET ADOPTION RESOLUTION

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RESOLUTION NO. 4024

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
ADOPTING THE 2015/2016 FISCAL YEAR CITY BUDGET
AND CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET**

WHEREAS, it is necessary to adopt the 2015/2016 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, 2015 through June 30, 2016; and

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2015/2016 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 11th day of June, 2015, by the following vote:

AYES: Council Members Bertrand, Harlan, Termini, Bottorff, and Mayor Norton

NOES: None

ABSENT: None

ABSTAIN: None



Dennis Norton, Mayor

ATTEST:

 CMC
Susan Sneddon, City Clerk

EXHIBIT A

CHANGES TO PROPOSED BUDGET

FY15/16 Budget Amendments		
FY 15/16 Revenues /Resources	Acct #	Amount Incr./((Decr.)
City/School District Trust Fund	1200-00-00-000-3700.300	\$ 40,000.00
PD ABC (Alcoholic Beverage Control) Grant	1000-20-20-000-3310.100	12,893.00
Transfer in from General Fund (PERS Contingency Fund)	1011-00-00-000-3910.100	300,000.00
Transfer in from General Fund (Facilities)	1025-00-00-000-3910.100	50,000.00
Transfer in from General Fund (CIP)	1200-00-00-000-3910.100	300,000.00
Transfer in from General Fund (IT Fund)	2211-00-00-000-3910.100	(51,340.00)
Total Revenue Changes - All Funds		\$ 651,553.00
FY 15/16 Expenditures/Transfers	Acct #	Amount
GF: Add Police Officer Position	1000-20-20-000-41xx.xxx	130,000
GF: Remove Community Services Officer Positions	1000-20-20-000-41xx.xxx	(85,000)
GF: Companion for Life/Lifeline	1000-10-18-000-4600.432	5,140
GF: Dientes Community Dental Care	1000-10-18-000-4600.425	1,200
CIP: School District Trust Fund Expenditure	1200-00-00-000-4390.400	40,000
Gas Tax: Speed Signs	1310-00-00-000-4355.393	8,000
GF: Alcoholic Beverage Control Grant	1000-20-20-000-41xx.xxx	12,893
GF: Transfer out to IT Fund	1000-99-99-000-4910.111	(51,340)
FY 14/15 Fund Balance		
PERS Contingency Fund Transfer	1000-99-99-000-4910.111	300,000
Capital Improvement Fund Transfer	1000-99-99-000-4910.200	300,000
Capital Improvement Fund	1200-00-00-000-4390.400	300,000
Facilities Fund Transfer	1025-99-99-000-4910.104	50,000
Esplanade one year Enhanced Cleaning Pilot Program	1000-30-30-000-4375.520	15,000
GF: Arts & Cultural Commission: Plein-air Event	1000-50-52-000-4370.203	3,500
Total Expenditure/Transfer Changes - All Funds		\$ 1,029,393
FY16/17 Planned		
FY16/17 Expenditure	Acct #	Amount
Total Expenditure Changes - All Funds		\$ -

EXHIBIT B

GENERAL FUND OVERVIEW

Major Categories	FY 14/15 Adopted	FY 14/15 Estimated	FY 15/16 Proposed	FY 16/17 Planned
Revenues				
Taxes	\$11,098,500	\$11,380,100	\$11,603,200	\$11,909,100
Licenses and permits	254,450	251,150	247,950	249,450
Intergovernmental revenues	168,700	236,400	178,793	166,100
Charges for services	1,921,400	1,990,900	1,940,700	1,973,000
Fines and forfeitures	718,800	748,700	720,000	720,000
Use of money & property	51,800	53,900	59,100	59,500
Other revenues	70,400	67,325	67,400	66,500
Revenues Totals	\$ 14,284,050	\$ 14,728,475	\$ 14,817,143	\$ 15,143,650
Expenditures				
Personnel	\$7,985,744	\$7,803,557	\$8,453,075	\$8,713,191
Contract services	2,725,130	2,908,871	2,751,000	2,777,950
Training & Memberships	83,545	82,600	93,225	92,025
Supplies	550,000	555,728	561,400	565,950
Grants and Subsidies	269,763	269,763	277,296	275,000
Capital outlay	10,000	5,000	5,000	5,000
Internal service fund charges	850,647	850,647	954,500	999,500
Other financing uses	2,270,025	2,395,025	2,389,626	1,682,566
Expenditures Totals	\$ 14,744,854	\$ 14,871,191	\$ 15,485,122	\$15,111,182
Impact on Fund Balance ⁽¹⁾	\$ (460,804)	\$ (142,716)	\$ (667,979)	\$ 32,468
Budgetary Fund Balance	\$ 616,412	\$ 934,500	\$ 266,521	\$ 298,989

(1) Impact on Fund Balance negative due to the allocation of the FY 14/15 ending fund balance

EXHIBIT C

SUMMARY BY FUND

	Estimated Balance 07/01/2015	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 06/30/2016
General Fund	\$ 934,500	\$ 14,817,143	\$ -	\$ 13,095,496	\$ 2,389,626	\$ 266,521
Designated Reserves						
Contingency Reserve	\$ 1,803,946	\$ -	\$ 89,400	\$ -	\$ -	\$ 1,893,346
PERS Contingency Reserve	-	-	300,000	-	-	300,000
Emergency Reserve	1,049,206	-	213,000	-	-	1,262,206
Donations	-	10,000	-	-	-	10,000
Facility Reserve	87,000	-	150,000	-	-	237,000
Total Designated Reserves	\$ 2,940,152	\$ 10,000	\$ 752,400	\$ -	\$ -	\$ 3,702,552
Debt Service						
Pension Obligation Bond	\$ 485,567	\$ -	\$ 669,204	\$ 669,204	\$ -	\$ 485,567
Pac Cove Lease Financing	330,106	-	165,066	165,066	-	330,106
Pac Cove Park	30,254	-	89,400	89,375	-	30,279
OPEB Trust	43,408	-	38,600	-	-	82,008
Total Debt Service	\$ 889,335	\$ -	\$ 962,270	\$ 923,645	\$ -	\$ 927,960
Capital Improvement Fund	\$ 1,565,404	\$ 40,000	\$ 1,000,000	\$ 1,040,000	\$ -	\$ 1,565,404
Internal Service Funds						
Stores	\$ 8,209	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ 8,209
Information Technology	93,013	82,128	25,000	187,000	-	64,481
Equipment Replacement	126,204	60,000	50,000	120,000	-	116,204
Self-Insurance Liability	103,341	344,500	100,000	344,500	-	203,341
Workers Compensation	321,853	385,000	-	385,000	100,000	221,853
Compensated Absences	72,874	130,500	-	105,500	-	97,874
Total Internal Service Funds	\$ 725,494	\$ 1,037,128	\$ 175,000	\$ 1,177,000	\$ 100,000	\$ 711,962

EXHIBIT C

SUMMARY BY FUND

	Estimated Balance 07/01/2015	Revenues	Transfers In	Expenditures	Transfers Out	Estimated Balance 06/30/2016
Special Revenue Funds						
SLESF-Suppl Law Enforcmnt Svc	\$ 157,931	\$ 100,200	\$ -	\$ 61,700	\$ -	\$ 196,431
SCCACT-SCC Anti-Crime Team	-	85,076	-	85,076	-	-
Gas Tax	121,322	222,000	-	277,900	-	73,422
Wharf	93,764	86,200	-	86,150	-	93,814
General Plan Update and Maint	82,670	80,160	-	158,000	-	4,830
Green Building Education	115,471	8,000	-	36,000	-	87,471
Public Arts Fee	233,128	30,000	-	39,300	-	223,828
Parking Reserve	6,662	100,000	-	100,000	-	6,662
Technology Fee	47,541	9,500	-	16,000	-	41,041
PEG-Public Education and Gov.	43,187	17,050	-	22,500	-	37,737
BIA-Capitola Village-Wharf BIA	4,525	65,000	-	67,200	-	2,325
CDBG Grants	25,459	500,000	-	485,000	-	40,459
CDBG Program Income	(2,470)	-	-	-	-	(2,470)
HOME Reuse	68,807	12,300	-	3,200	-	77,907
Housing Trust	67,576	15,000	-	65,000	-	17,576
Former RDA Low/Mod	490,454	-	-	-	-	490,454
Cap Hsg Succ- Program Income	41,382	-	-	35,000	-	6,382
Total Special Revenue Funds	\$ 1,597,409	\$ 1,330,486	\$ -	\$ 1,538,026	\$ -	\$ 1,397,869
Successor Agency	\$ 207,543	\$ 626,935	\$ -	\$ 402,024	\$ -	\$ 432,454
Total Fund Balance - All Funds	\$ 8,859,837	\$ 17,861,692	\$ 2,889,670	\$ 18,176,191	\$ 2,489,626	\$ 9,004,722

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ATTACHMENT H

GLOSSARY

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Glossary of Budget Terms

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 1st and ends June 30th.

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 Equivalent (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 section (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. The various funds are grouped in fund types and categories as follows:

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 – accounts 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 (MBIAF) Monterey Bay Area Insurance Fund.

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, fire, 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.

Interfund 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 – 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; typically, a fiscal year.

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 reappraise 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.

Worker's Compensation Fund – A fund used to account for the cost to provide worker's 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 2013 was: \$87,000.

State of California Income Limits for Santa Cruz County 2013
Number of Persons In household

	One	Two	Three	Four
Extremely Low-Income (< 30% of area median income)	\$20,150	\$23,000	\$25,900	\$28,750
Very Low-Income (30% to 50% of area median income)	\$33,550	\$38,350	\$43,150	\$47,900
Low-Income (50% to 80% of area median income)	\$53,700	\$61,350	\$69,000	\$76,650
Median Income	\$56,900	\$69,000	\$78,300	\$87,000
Moderate-Income (80% to 120% of area median income)	\$68,300	\$78,300	\$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 41st 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 mobilehome 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 required that the housing sites identified in the Housing Element are actually developed as affordable housing. It does, however, required 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 they will not be in a position to build equity in their home. Upon resale the unit must be sold to another income eligible buyer and the sale price is limited to be affordable to the new lower-income buyer.

ATTACHMENT I

ACRONYMS

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ACRONYMS

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

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

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

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