

City of Capitola Agenda

Elected Officials

Michael Termini, Mayor
Stephanie Harlan, Vice Mayor
Kirby Nicol, Council Member
Dennis Norton, Council Member
Sam Storey, Council Member
Jacques Bertrand, Treasurer



CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY

REGULAR JOINT MEETING

THURSDAY, JANUARY 12, 2012

CLOSED SESSION – 5:00 PM

CITY MANAGER’S OFFICE

An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council/Redevelopment Agency Directors on closed session items only.

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Govt. Code §54956.9:
Two cases: 1) Noble Gulch Storm Drain Failure in Pacific Cove Mobile Home Park
2) Pacific Cove Mobile Home Park Flooding and Closure

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Govt. Code §54956.9)
Kevin Calvert, D.D. S. and Pamela Calvert vs. City of Capitola, et al. [Superior Court of the State of California for County of Santa Cruz, Case #CV 172804]

CONFERENCE WITH LABOR NEGOTIATOR (Govt. Code §54957.6)
Negotiator: Jamie Goldstein, City Manager
Employee Organizations: Association of Capitola Employees, Capitola Police Captains, Capitola Police Officers Association, Confidential Employees, Mid-Management Group, and Department Head Group

LIABILITY CLAIMS (Govt. Code §54956.95)
Claimant: Allstate Insurance, subrogee of Nazar Turkish Imports
Claimant: Allied Interstate, subrogee of Capitola Associates, LLC
Claimant: Brian Alexander
Agency claimed against: City of Capitola

PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Government Code §54957)
Title: City Manager

**REGULAR JOINT MEETING OF THE
CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY – 6:00 PM**

ROLL CALL AND PLEDGE OF ALLEGIANCE: Council Members/Directors Dennis Norton, Stephanie Harlan, Kirby Nicol, Sam Storey, and Mayor/Chairperson Michael Termini

PRESENTATIONS: Introduction of City Clerk Susan Sneddon

1. REPORT ON CLOSED SESSION

2. PUBLIC HEARING

Public Hearings are intended to provide an opportunity for public discussion of each item listed as a Public Hearing. The following procedure is followed for each Public Hearing listed: 1) Staff Explanation; 2) Public Discussion; 3) Council Comments; 4) Close public portion of the Hearing; 5) City Council discussion; and 6) Decision.

- A. Continued Public Hearing on Project Application #11-114, 426 Capitola Avenue, APN 035-141-33, to consider an application regarding a Coastal Development Permit, Relocation Impact Report (RIR), and Relocation Plan for the closure of Pacific Cove Mobile Home Park. The Capitola Planning Commission, at its meeting held December 1, 2011, determined the project is exempt from CEQA, and approved a Coastal Development for Closure of Park subject to findings and conditions, and determined the Relocation Impact Report is sufficient with conditions and measures to mitigate the adverse impacts on the change of use. Environmental Determination: Categorical Exemption. Property Owner: City of Capitola, Owner/filed 10/27/11.
PRESENTATION: Community Development Department.

3. ORAL COMMUNICATIONS

A. Additions and Deletions to Agenda

B. Public Comments

Oral Communications allows time for members of the Public to address the City Council/Redevelopment Agency on any item not on the Agenda. Presentations will be limited to three minutes per speaker. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the minutes. A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

C. Staff Comments

D. City Council/RDA Director/Treasurer Comments/Committee Reports

City Council Members/Redevelopment Agency Directors/City Treasurer may comment on matters of a general nature or identify issues for staff response or future council/RDA consideration. Council Members/RDA Directors/Committee Representatives may present oral updates from standing committees at this time.

E. Committee Appointments: Nomination by the Mayor of one Council Member to serve on the Capitola Public Safety and Community Service Foundation.

F. Approval of Check Register Reports

1. City: Approval of City Check Register Reports dated December 2, 9, 16 and 23, 2011.
2. RDA: Approval of Redevelopment Agency Check Register Report dated December 2, 16 and 23, 2011.

4. CONSENT CALENDAR

All matters listed under "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the public or the City Council/ Redevelopment Agency request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following "Other Business."

A. Approve reading by title of all Ordinances and Resolutions and declare that said titles which appear on the Public Agenda shall be determined to have been read by title and further reading waived.

B. City/RDA: Approve minutes of the Regular Joint Meetings of the City Council/Redevelopment Agency of November 22, 2011, and December 8, 2011.
RECOMMENDED ACTION: Approve Minutes.

C. Deny liability claims and forward to the City's liability insurance carrier:
1. Allstate Insurance, subrogee of Nazar Turkish Imports: \$26,582;
2. Allied Interstate, subrogee of Capitola Associates, LLC: undetermined amount;
3. Brian Alexander: undetermined amount.
RECOMMENDED ACTION: Deny Liability Claims.

D. City/RDA: Receive the Comprehensive Annual Financial Report for the City of Capitola for June 30, 2011.
RECOMMENDED ACTION: Receive Report.

E. City/RDA: Receive Annual Capitola Redevelopment Agency Fiscal Year 2010/2011 Reports.
RECOMMENDED ACTION: Receive Report.

F. Receive City Treasurer's Report for Month ended November 30, 2011 (Unaudited).
RECOMMENDED ACTION: Receive Report.

4. CONSENT CALENDAR CONTINUED

- G. Consideration of a Resolution amending the Fiscal Year 2011/2012 General Fund and Supplemental Law Enforcement Services Fund (SLESF) Budgets by \$100,000 to reflect a Total State Grant of \$100,000.

RECOMMENDED ACTION: Adopt Resolution.

- H. Consideration of an Employment Agreement for the Finance Director, and authorize the City Manager to execute the agreement.

RECOMMENDED ACTION: Approve Agreement.

5. OTHER BUSINESS

- A. Consideration of a Resolution electing the City of Capitola to serve as both the Successor Agency and Successor Housing Agency to the former Redevelopment Agency, and directing staff to file the appropriate notification of these elections in accordance with the Dissolution Act.

RECOMMENDED ACTION: Adopt Resolution.

- B. Consideration of Budget Calendar for Fiscal Year 2012/2013.

RECOMMENDED ACTION: Approve Budget Calendar.

- C. Consideration of the approval of the 5th Amendment with JFS, Inc., DBA Capitola Boat and Bait for the Wharf Lease and Mooring Concession Agreement.

RECOMMENDED ACTION: (1) Approve extension of Wharf Lease to December 31, 2012; and (2) Council direction regarding the request from JFS, Inc., to waive rent except utility bills for the months of January, February, and March 2012.

- D. Designation of two Council Members to sit on the February 3, 2012 interview panel for the recruitment of the Police Chief.

RECOMMENDED ACTION: Designate two Council Members.

AT THIS POINT, ITEMS REMOVED FROM CONSENT CALENDAR WILL BE CONSIDERED

6. COUNCIL/RDA DIRECTOR/STAFF COMMUNICATIONS**7. ADJOURNMENT**

Adjourn to the next Regular Joint Meeting of the City Council/ Redevelopment Agency to be held on Thursday, January 26, 2012, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

NOTE: Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes “final.” Please be advised that in most instances the decision become “final” upon the City Council’s announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

Notice regarding City Council/Redevelopment Agency Meetings: The Capitola City Council and Redevelopment Agency meet jointly on the 2nd and 4th Thursday of each month at 7:00 p.m., in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council/Redevelopment Agency Agenda and the complete agenda packet are available on the Internet at the City's website: www.ci.capitola.ca.us. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola.

Agenda Document Review: The complete agenda packet is available at City Hall and at the Capitola Branch Library, 2005 Wharf Road, Capitola, on the Monday prior to the Thursday meeting. Need more information? Contact the City Clerk's office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk's office at least 24-hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Televised Meetings: City Council/Redevelopment Agency meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be replayed at 12:00 Noon on the Saturday following the meetings on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed "Live" on the City's website at www.ci.capitola.ca.us by clicking on the Home Page link "**View Capitola Meeting Live On-Line.**" Archived meetings can be viewed from the website at anytime.

It is the intent of the City Council to adjourn by 11:30 p.m.



Item #: 2.A.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: PUBLIC HEARING ON PROJECT APPLICATION #11-114, 426 CAPITOLA AVENUE, APN 035-141-33, TO CONSIDER AN APPLICATION REGARDING A COASTAL DEVELOPMENT PERMIT, RELOCATION IMPACT REPORT (RIR), AND RELOCATION PLAN FOR THE CLOSURE OF PACIFIC COVE MOBILE HOME PARK.

ENVIRONMENTAL DETERMINATION: CATEGORICAL EXEMPTION.

PROPERTY OWNER: CITY OF CAPITOLA, OWNER/FILED 10/27/11.

RECOMMENED ACTION: By motion and roll call vote, that the City Council take the following actions pertaining to Project Application #11-114:

1. Find the project is exempt from CEQA as it does not involve an increase in the intensity of use or new development (CEQA Guidelines 15301 Existing Facilities); and
2. Adopt the proposed resolution approving the Coastal Development Permit and demonstrating consistency with the Mello Act for the closure of Pacific Cove Mobile Home Park, subject to specific findings and conditions; and
3. Adopt the proposed resolution replacing Resolution 1950, and clarifying that only second home owners who owned coaches in the park prior to the City's acquisition of Pacific Cove are entitled to the same benefits as full time residents; and
4. Adopt the proposed resolution with conditions finding that the RIR is sufficient pending the application of measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents; and
5. Direct staff to return to City Council on January 26, 2012 with a draft Financing Plan, a draft six month written notice of termination of tenancy, and a contract for relocation services.

SUMMARY

The City is considering whether to close the Pacific Cove Mobile Home Park ("Park"). Closure of the Park would eliminate 44 mobile home park spaces and remove all 41 mobile home coaches and all related structures, with the exception of the bathroom building which is not proposed for removal. All underground utility lines are to be abandoned in place and overhead utilities removed and disconnected at the property boundary. The existing roadways, pads and landscaping are proposed to remain. No future use is proposed at this time. The City is considering future uses as part of a focused planning effort for the property (Attachment 13). When the City identifies a future use, appropriate environmental review and permits will be completed and submitted.

Prior to the closure of the Park, a Coastal Development Permit and a determination by City Council that the Relocation Impact Report (RIR) is sufficient pursuant to Capitola Municipal Code Section 17.90 and Government Code Section 65863 et seq. is required. In addition, if Council finds replacement housing is feasible, the Mello Act would require a Replacement Housing Plan that identifies how units occupied by low or moderate income residents at Pacific Cove will be replaced.

BACKGROUND:

On October 3, 1984, the Capitola City Council adopted Resolution 1993 (Attachment 11) to authorize acquisition of Pacific Cove Mobile Home Park. Pursuant to the Resolution, the City determined that, “acquiring the property... with the intention of using it for public purposes is in the best interest of the public.” The Resolution goes on to state the purpose of the acquisition was to create a parking lot open to the general public, with the intention it would be used for that purpose in a reasonable period of time.

At the time of the purchase, the mobile home park occupied both the upper and lower terrace of the property. Upon purchasing the property the City implemented plans to develop a public parking lot on the upper terrace by relocating existing residents to the lower terrace. The property has remained in this split configuration to this date. While a portion of the property has been used as a public parking lot since the acquisition, the City Council has not determined a future use for the lower portion of the property, which is currently occupied by the mobile home park.

On March 24, 2011 following a heavy storm event, the 72” storm drain that carries Noble Gulch Creek water from Bay Avenue to Soquel Creek catastrophically failed resulting in a flow of water through Pacific Cove Mobile Home Park, City Hall and the Village. Following the failed storm drain, staff contracted with Ifland Engineering to determine the costs to repair and bring Pacific Cove Mobile Home Park up to current code. Ifland’s report estimates the infrastructure cost to bring the Park up to current code to be \$1.33 million. In addition, the report notes that 11 coaches would need to be moved in order to widen the road to meet current standards. Staff estimates acquisition/relocation of these coaches would add approximately \$300,000.

Also considered was the long term costs associated with repairs to the entire storm drain through the mobile home park. While the storm drain will ultimately require repair/capacity-increase independent of the future of the mobile home park, the cost to repair the pipe will be marginally more expensive if crews must work in a mobile home park. City engineers estimated the work will be 20-30% more expensive if operators must work around existing mobile homes, adding approximately \$250,000 to the ultimate pipe repair costs.

Park Repair to Current Code

Item	Cost
Infrastructure repair	\$1,328,000
Coach acquisitions/relocation to widen roadway	\$ 300,000
Marginal increase to pipe repair cost	\$ 250,000
Total	\$1,878,000

Regardless of any infrastructure investment by the City, the Pacific Cove Mobile Home Park will remain in the flood plain and thus continue to pose a serious potential hazard to life and property that cannot be effectively mitigated through infrastructure improvements.

COASTAL DEVELOPMENT PERMIT:

A Coastal Development Permit (CDP) is required for development projects in the coastal zone. The Capitola Municipal Code, as well as the Coastal Act, define "Development" as a "change in the density or intensity of the use of land" and applies to "construction, reconstruction, *demolition* or alteration in the size of any structure."¹ The Park is located within the coastal zone; therefore, the closure of the Park and removal of the coaches requires a CDP.

RELOCATION IMPACT REPORT:

Capitola Municipal Code (CMC) Chapter 17.90 "Mobile Home Parks" requires the submittal of a Relocation Impact Report (RIR) when a change of use or closure of a mobilehome park is proposed. In addition, Government Code Section 65863.7 and California Mobilehome Residency Law (Civil Code Division 2, Part 2, Chapter 2.5) requires a report on the impact of the closure on displaced tenants, the availability of adequate replacement housing in mobilehome parks, and relocation costs.

The RIR describes the existing state of the Mobilehome Park and provides a detailed relocation plan. CMC Section 17.90.030 has specific requirements for the contents of the RIR. Those requirements and a summary of the Pacific Cove RIR's response to those requirements can be found in Attachment 4.

When considering the RIR, the Capitola Municipal Code allows the City Council to impose reasonable measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents. However, as a public agency, the City must also comply with state relocation law, which strictly defines the amount and type of relocation payments the City may provide. The proposed RIR includes a relocation plan, consistent with state law, to mitigate the impacts to Park residents.

MELLO ACT:

The Mello Act, Government Code Section 65590 *et seq.*, was adopted in 1981 to preserve residential housing units occupied by low or moderate income persons or families in the coastal zone. The Mello Act does not require any particular relocation benefit for individuals affected by a project; instead the Act requires local governments to ensure no-net loss of affordable housing in certain instances.

The Mello Act imposes a duty on local governments to require replacement housing, if such replacement housing is feasible, as a condition of granting a permit to demolish or convert housing units² which are located within the coastal zone and occupied by low or moderate income persons. For cities with less than 50 acres of vacant private residential land in the coastal zone, and three miles inland, the Mello Act first requires the City to find that replacement housing is feasible. The City does not have 50 acres of vacant privately owned land available for housing. The City made a finding during the application to close Surf and Sand Mobile Home Park that replacement was feasible in that case, in large part because had the applicant closed the Surf and Sand, the applicant would have directly controlled nearly four acres of vacant land available for residential development. That is not the case with Pacific Cove, as the site is being considered for closure in large part due to the fact that the site is located in a flood plain and not a suitable location for housing. The City owns no other land zoned to allow residential development.

Based on preliminary interviews with current Park occupants, 10 of the coaches are known to be occupied by 'Very Low' to 'Moderate' income households and, if feasible, would need to be replaced by the City. An additional nine coaches are suspected to be occupied by households of moderate income. The remaining coaches are occupied by households of 'Above Moderate' income, or are not occupied full time, and need not be replaced by the City.

¹ CMC §17.46.030 I 4 and 6; Pub. Res. Code §30106.

² For purposes of the Mello Act, conversion and demolition requirements apply to mobilehomes as defined in the Health and Safety Code. Govt. Code §§ 65590(g)(1) and (g)(2), Health and Safety Code section 18008.

The City has already provided all of the replacement housing to mitigate the impact of the project at Castle Mobile Home Estates. Castle, which is located within Capitola's coastal zone, was a market-rate mobile home park until the nonprofit Millennium Housing acquired the site last summer using \$2 million in City Redevelopment funds. Those funds were used to ensure that at least 86 units at that park will be retained as affordable housing and only occupied by low-moderate income residents. In addition, those Redevelopment Agency funds included a condition designating those affordable housing units as replacement housing for Pacific Cove under the Mello Act. These income restricted units at Castle provide replacement housing under the Mello Act should the City elect to close Pacific Cove.

DISCUSSION:

With the closure of the mobilehome park, the applicant is proposing to eliminate 44 mobile home park spaces and remove all 41 mobile home coaches. Of these 41 spaces, almost half of the residents self-identified as owner-occupied full time residents, eight are part-time owners, and the remaining are occupied by residents who sublet the mobile home from the mobile home owner. Coaches on three of the 41 spaces are owned by the City, and the City directly rents the mobile home and space to the tenants. A summary of the space occupancy classification and the number of coaches within each class that will likely qualify for assistance is shown in Table 1 of the RIR and is included as Attachment 12.

In addition to the other code-required information, the Pacific Cove RIR outlines proposed relocation assistance for mobile home owners and tenants which are detailed in Table 9 on Page 60 of the RIR, and summarized in Table 2.

There are four basic payments that are proposed in the RIR, and required under state law. The following is a short description of those four payments. A more complete description of the payments can be found in the attached RIR.

1. Fair Market Value (FMV) which is based on an appraisal of the coach-only, excluding the land.
2. Purchase Price Differential (PPD) and Last Resort Housing Payments are the difference between the value of the coach and the amount paid for a comparable replacement home.
3. Rental Assistance Payments (RAP) are payments based on the difference between the current rent residents pay and the replacement housing rent, which they will receive for 42 months. RAP payments are made both to coach owners, based on their space rent, and coach renters, based on their rent payments.
4. Moving Expenses – are estimated in the RIR based on a quote from two moving companies. The amount can change depending upon actual costs.

Relocation Benefits Eligibility will be broken into categories as outlined in Table 2. In 2000 the City began issuing a "Notice of Non-Entitlement to Relocation Benefits" (Attachment 10) to new occupants, which notified them that the park would be closed in the future and they would not be eligible to receive relocation benefits, therefore those residents are ineligible to receive certain relocation payments.

Table 2

Relocation Benefits and Amounts		Pre-2000 Occupant			Post-2000 Occupant		
Benefit Type	Amount	Full-time Owner	Part-time Owner	Tenant	Full-time Owner	Part-time Owner	Tenant
Actual and reasonable cost of moving home to replacement site.	Fixed Payment or Actual & Reasonable Expenses	Yes	Yes	Not Applicable	No	No	No
Fair Market Value of Mobile Home Only	Based on Appraised Value	Yes	Yes	Not Applicable	Yes	Yes	Not Applicable
Purchase Price Differential (PPD) -	Up to \$22,500 Unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	Not Applicable
Rental Assistance Payment - (RAP) – Space Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	No
Rental Assistance Payment - (RAP) - Dwelling Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes	No	Yes	No	No	No
Last Resort Housing Payments	Amount Required Over PPD or RAP for Displacee to Replace Housing	Yes	No	Yes	No	No	No

Example of Benefit Calculation

HOME	FAIR MARKET VALUE OF THE COACH	PURCHASE PRICE DIFFERENTIAL (Last Resort Payment)– FULL TIME RESIDENT	FULL TIME RENTER - RAP	SPACE RENT RAP	MOVING EXPENSE	EST. TOTAL
EXAMPLE A - Full Time, Pre-2000 Home Owner ³	\$5,000	\$102,000	N/A	\$4,200	\$1,425	\$112,625
EXAMPLE B - Full Time, Post 2000 Home Owner	\$5,000	N/A	N/A	N/A	\$1,425	\$6,425
EXAMPLE C - Non Primary Resident	\$5,000	N/A	N/A	N/A	\$1,425	\$6,425
EXAMPLE D - Full Time, Pre-2000 Renter ⁴	N/A	N/A	\$36,750	N/A	\$1,425	\$38,175
EXAMPLE E - Full Time, Post-2000 Renter ⁹	N/A	N/A	N/A	N/A	\$1,425	\$1,425

The City Council is being asked to make a determination if the proposed measures to mitigate the adverse impacts of the conversion upon the mobile home park residents are sufficient. The mitigation imposed by the City cannot exceed the reasonable costs of relocation.

While the CMC does not make a distinction between the relocation benefits for low income residents and residences earning more than 80% of the Area Median Income, pursuant to state law, the RIR outlines how lower income full-time long term residents will be eligible for “last resort” housing payments. As outlined previously, these payments are triggered by statute if affordable “comparable replacement housing” cannot be found for the displaced tenant households. Based on the resident survey, it appears there will be a need to provide last resort housing payments.

³ Example: Replacement Coach Cost \$107,000, rent increase of \$100 per month

⁴ Example: \$875 rent increase per month

The mitigation measures proposed by the applicant will provide full-time long term residents compensation to off-set the costs of moving to a new home. The mitigation measures are not required or proposed to fully mitigate the relocation and replacement costs for part time residents. The funding the City would provide to help relocate park residents can be used by park residents to find new housing at a location of their choice. There is no requirement the residents select new housing at any particular location.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

CEQA Guidelines Section 15301: Existing Facilities, exemption consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

The key consideration is whether the project involves negligible or no expansion of an existing use. The proposed closure of the existing Pacific Cove mobile home park involves minor alterations of an existing private mobile home park use and includes activities such as the capping of utilities, fencing and other activities to secure the site. As proposed, the closure does not involve any expansion of use, grading or demolition of facilities. Coaches will be removed from the site prior, and recycled or reused at alternate locations to the extent feasible.

PLANNING COMMISSION:

The Planning Commission considered the application on December 1, 2011. Comments from the Commission included the following:

- The Commission wanted validation the 19 low income units in Castle Mobile Home Park meet the intent of the Mello Act since the majority of those units are currently occupied.

Staff response: The Mello Act requires the preservation of housing units affordable to low and moderate income households. As explained above, due to insufficient vacant acreage in the City, replacement housing for purposes of the Mello Act is not feasible and hence compliance with the provision of the Mello Act is not required in connection with this application. Nonetheless, the units the City has preserved at Castle are consistent with the Mello Act replacement housing requirements. These units are not intended to serve as a primary relocation option for Pacific Cove residents. The Relocation Plan outlines a payment schedule for Pacific Cove residents, who may use those funds to relocate to Castle, or to any other location that meets their needs.

- There was concern that the City is not following a resolution adopted in 1984 which stated that the residents in the lower part of the park would be able to stay in Pacific Cove for their life time.

Staff response: A revised resolution clarifying the status of part time residents and their relocation benefits can be found in Attachment 2.

- It was expressed by the Commission that the City is going above and beyond in providing relocation benefits to the Pacific Cove residents, but wanted to make certain that relocation benefits for residents were designed to be fair and were able to accommodate individual situations.

The Commission voted individually on each of the three recommendations:

- The Commission voted unanimously (3-0) that the project is exempt from CEQA as it does not involve an increase in the intensity of use or new development, and to adopt the proposed resolution approving the Coastal Development Permit for the closure of Pacific Cove Mobile Home Park, subject to specific findings and conditions; and
- The Commission voted (2-1) to adopt the proposed resolution approving the RIR with conditions finding that the RIR is sufficient pending the application of measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents.

RESOLUTION 1950:

At the December 1, 2011 public hearing, the Planning Commission sought clarification regarding Resolution 1950 adopted in 1984. Resolution 1950, titled "Equality of Treatment in Mobile Home Relocations" states:

"In any relocation activities of the City of Capitola concerning mobile home parks, including, but not limited to the application of the relocation guidelines adopted in Resolution 1926, mobile home owners whose mobile home is used as a second home or temporary residence shall be treated equally with those whose mobile home is used as a primary residence. To the extent that this Resolution is contrary to any relocation guidelines of the City this Resolution shall take precedence."

To clarify the intent behind the resolution, the City Manager at the time of adoption was recently contacted. Resolution 1950 was part of the negotiations with the Pacific Cove Park residents to move the coaches from the upper Pacific Cove parking lot to what is today the Pacific Cove Mobile Home Park. The resolution stated that residents who used their coaches as second homes would be afforded the same relocation benefits as full-time residents. As the resolution was part of the City's past negotiation with those residents who owned coaches in the Park in 1984, the attached resolution clarifies that those part time residents who owned at the time of the City's original purchase would be given the same benefits as full time residents, but not to residents who acquired subsequent to the City's acquisition.

FISCAL IMPACT:

The draft RIR estimates the closure of Pacific Cove will cost approximately \$2.1 million, which includes \$1.6 million to acquire coaches and relocate Park Tenants, and \$500,000 in coach removal and contingency. In addition, should Council elect to close the Park, staff recommends retaining the services of a professional relocation consultant to help Park residents find suitable replacement housing. That contract for relocation services will likely cost between \$100,000 and \$150,000. For the purposes of estimating costs at this point, a figure of \$2.25 million will be used, which includes the entire RIR estimate and costs for relocation services. It is possible actual costs will be lower, but for planning purposes staff recommends using a figure of \$2.25 million.

The City does not have adequate reserves to fund these expenditures using existing funds. As a result, there are two basic options available should the City elect to move forward with Park closure:

1. **Grant Funds.** The City could seek to obtain grant funds to help offset the costs to close the Park. However, all the potential grant funding sources staff has identified to-date require identifying a future use for the site. For example, should the City determine the site is appropriate for habitat restoration, it is possible Department of Water Resources Flood Corridor Program may be a funding source. However, making a determination about future uses is unlikely to occur in the near future; the City has included studies of the future uses in the Pacific Cove site into the General Plan update. The General Plan is not scheduled for adoption until 2013, with Coastal Commission certification in late 2013/early 2014. Given the timelines

the Council previously established for Park closure, and the current infrastructure condition, those timelines may not be acceptable to the Council.

- 2. Debt Financing.** The City could issue debt to finance the \$2.25 million. Based on preliminary research by staff, it appears that a debt financing for the relocation of Pacific Cove residents will be subject to Federal taxation, since the proceeds will not be used for capital improvements. As such, the interest rate will be higher than would otherwise be the case for a tax-exempt municipal financing. Current market interest rates for a 15 year issuance would be approximately 6.5%, and a 20 year issuance would be approximately 7%. Using those rates, annual debt service payments would be between \$200,000 and \$230,000.

At this point, it appears the General Fund will have to be the primary source of repayment. However, there is a possibility that some portion of the financing could be funded through the City's Housing Trust Fund. If so directed, staff will continue to research the feasibility of using all available funds, and return with more detail on January 26.

As the Council discussed in a joint meeting with the Finance Advisory Committee in November, a number of expenditure reduction/revenue expansion concepts have been proposed for potential consideration. One or more of those concepts could help to offset the potential debt payments. The City's General Fund budget is structurally balanced at this time, based on extensive expenditure and service level reductions over the past several years. However, with this potential added annual expenditure, this will likely no longer be the case; and without new revenues, this means expenditure reductions are likely to be needed for a balanced budget in 2012-13.

Staff recommends bringing a financing plan for the Pacific Cove relocation costs to the January 26, 2012 Council meeting. That financing plan will include further information on options, costs and potential funding sources to finance the closure of Pacific Cove.

ATTACHMENTS:

1. Planning Commission Resolution 2011-01 recommending approval of the CDP to City Council;
2. Planning Commission Resolution 2011-02 recommending sufficiency of the RIR to City Council;
3. City Council Draft Resolution approving the CDP and demonstrating consistency with the Mello Act;
4. City Council Draft Resolution revising Resolution 1950;
 - a. Exhibit: Resolution 1950 – Equality of Treatment in Mobile Home Relocations.
5. City Council Draft Resolution finding that the RIR is sufficient;
6. CMC Section 17.90.030 Relocation Impact Report Contents;
7. Relocation Impact Report & Relocation Plan;
8. Replacement Housing Plan;
9. Summary Appraisal Report;
10. Notice of Non-Entitlement to Relocation Benefits;
11. Resolution No. 1993 – Authorizing Acquisition of Pacific Cove Mobile Home Park;
12. Space Occupancy Classification Table;
13. Scope of Work for City Hall/Pacific Cove Special Study Area Plan;
14. Public Comments and Draft Responses to Comments RIR & Relocation Plan;

**Report Prepared By: Ryan Bane
Senior Planner**

**Reviewed and Forwarded
By City Manager:**



RESOLUTION NO. 2011-01

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF CAPITOLA
RECOMMENDING THAT THE CITY COUNCIL APPROVE A COASTAL DEVELOPMENT
PERMIT FOR THE CLOSURE OF THE PACIFIC COVE MOBILEHOME PARK**

WHEREAS, the City of Capitola's Local Coastal Program (LCP) was certified by the California Coastal Commission in December of 1981 and has since been amended from time to time; and

WHEREAS, the City of Capitola's General Plan was adopted on September 29, 1989, and has since been amended from time to time; and

WHEREAS, the City of Capitola reviews land use designations and zoning in order to regulate appropriate use of land and to protect the public health, safety and welfare; and

WHEREAS, the Planning Commission has reviewed the Coastal Development Permit Findings attached and made part hereof as Exhibit 1; and

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission of the City of Capitola recommends that the City Council take the following actions:

1. Issue a Coastal Development Permit for the project to close Pacific Cove Mobile Home Park subject to the Coastal Permit Conditions of Approval attached and made part hereof as Exhibit 2.

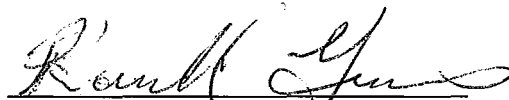
I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the Planning Commission of the City of Capitola at a Regular Meeting held on the 1st day of December, 2011, by the following vote:

AYES: Commissioners Graves, Routh, and Smith

NOES: None

ABSENT: None

ABSTAIN: Commissioner Newman and Chairperson Ortiz


Ron Graves, Vice-Chairperson

ATTEST:


Susan Westman, Interim Community Development Director

RESOLUTION NO. 2011-01

EXHIBIT 1

COASTAL DEVELOPMENT PERMIT FINDINGS

D. Findings Required. A coastal permit shall be granted only upon adoption of specific written factual findings supporting the conclusion that the proposed development conforms to the certified Local Coastal Program, including, but not limited to:

- The proposed development conforms to the City's certified Local Coastal Plan (LCP). The specific, factual findings, as per CMC Section 17.46.090 (D) are as follows:

(D) (2) Require Project-Specific Findings. In determining any requirement for public access, including the type of access and character of use, the city shall evaluate and document in written findings the factors identified in subsections (D) (2) (a) through (e), to the extent applicable. The findings shall explain the basis for the conclusions and decisions of the city and shall be supported by substantial evidence in the record. If an access dedication is required as a condition of approval, the findings shall explain how the adverse effects which have been identified will be alleviated or mitigated by the dedication. As used in this section, "cumulative effect" means the effect of the individual project in combination with the effects of past projects, other current projects, and probable future projects, including development allowed under applicable planning and zoning.

(D) (2) (a) Project Effects on Demand for Access and Recreation. Identification of existing and open public access and coastal recreation areas and facilities in the regional and local vicinity of the development. Analysis of the project's effects upon existing public access and recreation opportunities. Analysis of the project's cumulative effects upon the use and capacity of the identified access and recreation opportunities, including public tidelands and beach resources, and upon the capacity of major coastal roads from subdivision, intensification or cumulative build-out. Projection for the anticipated demand and need for increased coastal access and recreation opportunities for the public. Analysis of the contribution of the project's cumulative effects to any such projected increase. Description of the physical characteristics of the site and its proximity to the sea, tideland viewing points, upland recreation areas, and trail linkages to tidelands or recreation areas. Analysis of the importance and potential of the site, because of its location or other characteristics, for creating, preserving or enhancing public access to tidelands or public recreation opportunities;

- The project is located between at 426 Capitola Avenue, a short distance from Capitola Village and Capitola's main beach. The project is closure of an existing privately owned mobile home park and will not affect existing public access and recreational opportunities as the park is not used for public access to recreational opportunities, public tidelands and beach resources. Closure of the mobile home park will eliminate 44 mobile home park spaces and remove all 41 mobile home coaches and all related structures, with the exception of the bathroom building which is to remain. The demand and need for coastal access and recreational opportunities for the public will not diminish. The mostly flat site is located approximately 1200' from the nearest coastal bluff. The existing mobile home park does not currently provide public access and

therefore the closing of the park will not affect coastal access to tidelands or public recreation opportunities.

(D) (2) (b) Shoreline Processes. Description of the existing shoreline conditions, including beach profile, accessibility and usability of the beach, history of erosion or accretion, character and sources of sand, wave and sand movement, presence of shoreline protective structures, location of the line of mean high tide during the season when the beach is at its narrowest (generally during the late winter) and the proximity of that line to existing structures, and any other factors which substantially characterize or affect the shoreline processes at the site. Identification of anticipated changes to shoreline processes at the site. Identification of anticipated changes to shoreline processes and beach profile unrelated to the proposed development. Description and analysis of any reasonably likely changes, attributable to the primary and cumulative effects of the project, to: wave and sand movement affecting beaches in the vicinity of the project; the profile of the beach; the character, extent, accessibility and usability of the beach; and any other factors which characterize or affect beaches in the vicinity. Analysis of the effect of any identified changes of the project, alone or in combination with other anticipated changes, will have upon the ability of the public to use public tidelands and shoreline recreation areas;

- No portion of the project is located along the shoreline or beach. The purpose of the project is to close an existing 44 space mobile home park.

(D) (2) (c) Historic Public Use. Evidence of use of the site by members of the general public for a continuous five-year period (such use may be seasonal). Evidence of the type and character of use made by the public (vertical, lateral, blufftop, etc., and for passive and/or active recreational use, etc.). Identification of any agency (or person) who has maintained and/or improved the area subject to historic public use and the nature of the maintenance performed and improvements made. Identification of the record owner of the area historically used by the public and any attempts by the owner to prohibit public use of the area, including the success or failure of those attempts. Description of the potential for adverse impact on public use of the area from the proposed development (including but not limited to, creation of physical or psychological impediments to public use);

- The mobile home park has not historically been used by members of the general public for access or coastal use. Therefore there will not be any adverse impacts on public use of the area by the closing of the mobile home park.

(D) (2) (d) Physical Obstructions. Description of any physical aspects of the development which block or impede the ability of the public to get to or along the tidelands, public recreation areas, or other public coastal resources or to see the shoreline;

- The relatively flat site currently contains 41 one-story mobile home coaches. The closure of the mobile home park proposes removal of all the structures on the site, with the exception of the public bathroom which is to remain. The public does not use the property for coastal access, therefore the park closure will not block or impede the ability of the public to get to or along the tidelands, public recreation areas, or other public coastal resources. Removal of the existing structure will only increase views of the shoreline for the general public.

(D) (2) (e) Other Adverse Impacts on Access and Recreation. Description of the development's physical proximity and relationship to the shoreline and any public recreation area. Analysis of the extent of which buildings, walls, signs, streets or other aspects of the development, individually or cumulatively, are likely to diminish the public's use of tidelands or lands committed to public recreation. Description of any alteration of the aesthetic, visual or recreational value of public use areas, and of any diminution of the quality or amount of recreational use of public lands which may be attributable to the individual or cumulative effects of the development.

- The relatively flat site is located approximately 1,200' from the shoreline, with majority of Capitola Village way separating the property from the nearest coastal bluff. The nearest coastal recreation area is Capitola Beach which is approximately 1,200' to the south. The project will not diminish the public's use of tidelands or lands committed to public recreation as it currently is not used, proposed to be used, nor is needed by the public to access tidelands or the shoreline. The project is privately owned land and will therefore not alter the aesthetic, visual or recreational value of public use areas. In addition, the closing of the privately owned mobile home park will not diminish the quality or amount of recreational use of public lands as it does not border public lands nor is used for access to public lands used for recreation.

(D) (3) (a – c) Required Findings for Public Access Exceptions. Any determination that one of the exceptions of subsection (F) (2) applies to a development shall be supported by written findings of fact, analysis and conclusions which address all of the following:

a. The type of access potentially applicable to the site involved (vertical, lateral, bluff top, etc.) and its location in relation to the fragile coastal resource to be protected, the agricultural use, the public safety concern, or the military facility which is the basis for the exception, as applicable;

b. Unavailability of any mitigating measures to manage the type, character, intensity, hours, season or location of such use so that agricultural resources, fragile coastal resources, public safety, or military security, as applicable, are protected;

c. Ability of the public, through another reasonable means, to reach the same area of public tidelands as would be made accessible by an access way on the subject land.

- The project is not requesting a Public Access Exception, therefore these findings do not apply.

(D) (4) (a – f) Findings for Management Plan Conditions. Written findings in support of a condition requiring a management plan for regulating the time and manner or character of public access use must address the following factors, as applicable:

a. Identification and protection of specific habitat values including the reasons supporting the conclusions that such values must be protected by limiting the hours, seasons, or character of public use;

b. Topographic constraints of the development site;

c. Recreational needs of the public;

d. Rights of privacy of the landowner which could not be mitigated by setting the project back from the access way or otherwise conditioning the development;

e. The requirements of the possible accepting agency, if an offer of dedication is the mechanism for securing public access;

f. Feasibility of adequate setbacks, fencing, landscaping, and other methods as part of a management plan to regulate public use.

- No Management Plan is required; therefore these findings do not apply.

(D) (5) Project complies with public access requirements, including submittal of appropriate legal documents to ensure the right of public access whenever, and as, required by the certified land use plan and Section 17.46.010 (coastal access requirements);

- No legal documents to ensure public access rights are required for the proposed project.

(D) (6) Project complies with visitor-serving and recreational use policies;

- This finding does not apply as the subject property is located in the MHE (Mobile Home Exclusive) Zoning District and not within a zoning that has applicable visitor-serving or recreational policies.

(D) (7) Project complies with applicable standards and requirements for provision of public and private parking, pedestrian access, alternate means of transportation and/or traffic improvements;

- The project is closure of an existing mobile home park with no new proposed use. The site is proposed to remain vacant and therefore does not require any public or private parking nor alternate means of transportation and/or traffic improvements.

(D) (8) Review of project design, site plan, signing, lighting, landscaping, etc., by the city's architectural and site review committee, and compliance with adopted design guidelines and standards, and review committee recommendations;

- The project was not reviewed by the architectural and site review committee, as the project is closure of a mobile home park with no new development proposed.

(D) (9) Project complies with LCP policies regarding protection of public landmarks, protection or provision of public views; and shall not block or detract from public views to and along Capitola's shoreline;

- No public landmarks are affected by the project. No public view will be impacted to and along Capitola's shoreline.

(D) (10) Demonstrated availability and adequacy of water and sewer services;

- This finding does not apply as the closure of the mobile home park eliminates the need of water and sewer services.

(D) (11) Provisions of minimum water flow rates and fire response times;

- This finding does not apply as the closure of the mobile home park eliminates the existing structures and therefore the need for fire response.

(D) (12) Project complies with water and energy conservation standards;

- This finding does not apply as the closure of the mobile home park eliminates the existing structures and therefore the need for water and energy.

(D) (13) Provision of park dedication, school impact, and other fees as may be required;

- The project is closure of an existing mobile home park, therefore this finding does not apply.

(D) (14) Project complies with coastal housing policies, and applicable ordinances including condominium conversion and mobile home ordinances;

- The closure of the existing mobile home park complies with the requirements and procedures set by Municipal Code Section 17.90 to close a mobile home park.

(D) (15) Project complies with natural resource, habitat, and archaeological protection policies;

- The majority of the site is paved over and the project involves the removal of the existing mobile home coaches. No natural resources or habitat exist on site, and no excavation will take place that may affect any potential archaeological resources.

(D) (16) Project complies with Monarch butterfly habitat protection policies;

- The project is outside of any identified sensitive habitats, specifically areas where Monarch Butterflies have been encountered, identified and documented.

(D) (17) Project provides drainage and erosion and control measures to protect marine, stream, and wetland water quality from urban runoff and erosion;

All existing drainage and erosion control measures will remain on site and not be altered as part of the project.

(D) (18) Geologic/engineering reports have been prepared by qualified professional for projects in seismic areas, geologically unstable areas, or coastal bluffs, and project complies with hazard protection policies including provision of appropriate setbacks and mitigation measures;

- The project is not located within a geologically unstable area nor is there any construction involved as part of the project, therefore this finding does not apply.

(D) (19) All other geological, flood and fire hazards are accounted for and mitigated in the project design;

- The project is not located within a geologically unstable area nor within the flood plain. Removal of the mobile home coaches will eliminate all potential fire hazards.

(D) (20) Project complies with shoreline structure policies;

- The proposed development is not located on the shoreline and therefore does not require compliance with shoreline structure policies.

(D) (21) The uses proposed are consistent with the permitted or conditional uses of the zoning district in which the project is located;

- The project is to eliminate the mobile home park use. No new use is proposed, therefore this finding does not apply.

(D) (22) Conformance to requirements of all other city ordinances, zoning requirements, and project review procedures;

- The project conforms to the requirements of all city ordinances, zoning requirements and project development review and development procedures.

(D) (23) Project complies with the Capitola parking permit program as follows:

- The project is closure of an existing mobile home park, therefore this finding does not apply.

RESOLUTION NO. 2011-01

EXHIBIT 2

Coastal Development Permit Conditions of Approval

1. The project approval consists of a Coastal Development Permit for closure of the Pacific Cove Mobile home Park. The closure will eliminate 44 mobile home park spaces and remove all 41 mobile home coaches and all related structures, with the exception of the bathroom building which is to remain. All underground utility lines are to be abandoned in place and overhead utilities removed and disconnected at the property boundary. The existing roadways, pad and landscaping are proposed to remain. No coaches are to be demolished onsite.
2. Upon removal of the coaches and related structures, the applicant shall implement the approved Erosion Control Plan.
3. All utilities shall be abandoned safely and in accordance with State Housing and Community Development and utility provider standards.
4. The public restrooms shall be secured to prevent any potential nuisances.

RESOLUTION NO. 2011-02

**RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF CAPITOLA
RECOMMENDING THAT THE CITY COUNCIL
FIND THE RELOCATION IMPACT REPORT IS SUFFICIENT SUBJECT TO REASONALBE
MEASURES TO MITIGATE THE ADVERSE IMPACTS OF THE CHANGE OF USE ON
ELIGIBLE MOBILE HOME RESIDENTS**

WHEREAS, the State Mobile Home Residency Law, Civil Code Section 798, et seq., and Government Code Sections 65863.7, limit the grounds on which mobile home owners may be evicted from a mobile home park, protect their right to sell their mobile homes in a place in a mobile home park and authorize local jurisdictions to impose reasonable measures to mitigate the adverse impacts on displaced mobile home owners when a mobile home park closes or converts to another use; and

WHEREAS, the City of Capitola on December 13, 1984 adopted Ordinance number 576 adding Municipal Code Chapter 17.90 MOBILE HOME PARKS; and

WHEREAS, the City of Capitola on October 28, 1993 adopted Ordinance number 759 amended Municipal Code Chapter 17.90 MOBILE HOME PARKS; and

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission of the City of Capitola recommends that the City Council take the following actions:

1. Find the Relocation Impact Report is sufficient subject to the measures identified in Exhibit 1.

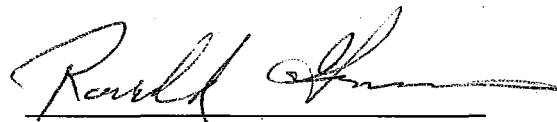
I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the Planning Commission of the City of Capitola at a special meeting held on the 1st day of December, 2011, by the following vote:

AYES: Commissioners Routh and Smith

NOES: Commissioner Graves

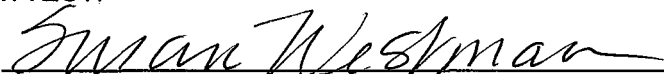
ABSENT: None

ABSTAIN: Commissioner Newman and Chairperson Ortiz



Ron Graves, Vice-Chairperson

ATTEST:



Susan Westman, Interim Community Development Director

RESOLUTION NO. 2011-02

EXHIBIT 1

Recommended measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents

Relocation Benefits and Amounts		Pre-2000 Occupant			Post-2000 Occupant		
Benefit Type	Amount	Full-time Owner	Part-time Owner	Tenant	Full-time Owner	Part-time Owner	Tenant
Actual and reasonable cost of moving home to replacement site.	Fixed Payment or Actual & Reasonable Expenses	Yes	Yes	Not Applicable	No	No	No
Fair Market Value of Mobile Home Only	Based on Appraised Value	Yes	Yes	Not Applicable	Yes	Yes	Not Applicable
Purchase Price Differential (PPD) - Difference Between the Acquisition Cost & Replacement Cost of New Mobile Home	Up to \$22,500 Unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	Not Applicable
Rental Assistance Payment - (RAP) - (Space Rent) - Difference Between the Displacement and Replacement Space Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	No
Rental Assistance Payment - (RAP) - (Dwelling Rent) - Difference Between the Displacement and Replacement Dwelling Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes - owners can convert PPD to RAP	No	Yes	No	No	No
Last Resort Housing Payments	Amount Required Over PPD or RAP for Displacee to Replace Housing	Yes	No	Yes	No	No	No

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
APPROVING A COASTAL DEVELOPMENT PERMIT AND DEMONSTRATING
CONSISTENCY WITH THE MELLO ACT FOR THE
CLOSURE OF THE PACIFIC COVE MOBILEHOME PARK**

WHEREAS, the City of Capitola's Local Coastal Program (LCP) was certified by the California Coastal Commission in December of 1981 and has since been amended from time to time; and

WHEREAS, the City of Capitola's General Plan was adopted on September 29, 1989, and has since been amended from time to time; and

WHEREAS, the City of Capitola reviews land use designations and zoning in order to regulate appropriate use of land and to protect the public health, safety and welfare; and

WHEREAS, the Planning Commission recommended approval of the Coastal Development Permit on December 1, 2011; and

WHEREAS, the City Council has reviewed the Coastal Development Permit Findings which are attached hereto as Exhibit 1; and

WHEREAS, the Mello Act was adopted in 1981 to preserve residential housing units occupied by low or moderate income persons or families in the coastal zone; and

WHEREAS, the Mello Act imposes a duty on local governments to provide replacement housing, if such replacement housing is feasible, as a condition of granting a permit to demolish or convert housing units which are located within the coastal zone and occupied by low or moderate income persons; and

WHEREAS, the Mello Act further requires local jurisdictions such as the City of Capitola having less than 50 acres of vacant privately owned land in the coastal zone and three miles inland which is available for residential use and which is in their jurisdiction to determine if replacement housing is feasible and further provides that the Mello Act shall not apply under these circumstances if the local jurisdiction determines that replacement housing is not feasible; and

WHEREAS, because the Pacific Cove Mobile Home Park site is located in a flood plain and is not a suitable location for replacement housing, the City Council hereby finds and determines that replacement housing for purposes of the Mello act is not feasible for this reason; and

WHEREAS, because the City owns no other land zoned to allow residential development, and because the City is incapable of acquiring any such other land due to the fact that sufficient properly zoned land for this purpose in the City is not readily available for purchase and, due to fiscal constraints, the City would be incapable of purchasing any such land in any event, the City Council hereby finds and determines that replacement housing for purposes of the Mello Act is not feasible for this reason as well; and

WHEREAS, the City of Capitola has nonetheless effectively provided replacement housing to mitigate potentially adverse affordable housing inventory impacts attributable to the project which is the subject of the Coastal Development Permit by using City Redevelopment funds to ensure that 86 units at Castle Mobilehome Park in the City, not hitherto restricted to low or

moderate income household occupancy, will be retained as affordable housing and only occupied by low-moderate income households in perpetuity.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Capitola hereby approves issuance of a Coastal Development Permit, subject to the Coastal Permit Conditions of Approval attached hereto and made a part hereof as Exhibit 2.

BE IT FURTHER RESOLVED, for the reasons stated above, it is infeasible to comply with the Mello Act replacement housing requirements and the Mello Act therefore does not apply to the project which is the subject of the Coastal Development Permit .

BE IT FURTHER RESOLVED that the City, in approving the Replacement Housing Plan which ensures that 86 units Castle Mobile Home Estates will be restricted for occupancy by low income households in perpetuity, has nonetheless effectively mitigated the adverse affordable housing inventory impacts potentially attributable to the project which is the subject of the Coastal Development Permit.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the City Council of the City of Capitola at a Special Meeting held on the 12th day of January, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

_____, CMC
Susan Sneddon, City Clerk

EXHIBIT 1

COASTAL DEVELOPMENT PERMIT FINDINGS

D. Findings Required. A coastal permit shall be granted only upon adoption of specific written factual findings supporting the conclusion that the proposed development conforms to the certified Local Coastal Program, including, but not limited to:

- The proposed development conforms to the City's certified Local Coastal Plan (LCP). The specific, factual findings, as per CMC Section 17.46.090 (D) are as follows:

(D) (2) Require Project-Specific Findings. In determining any requirement for public access, including the type of access and character of use, the city shall evaluate and document in written findings the factors identified in subsections (D) (2) (a) through (e), to the extent applicable. The findings shall explain the basis for the conclusions and decisions of the city and shall be supported by substantial evidence in the record. If an access dedication is required as a condition of approval, the findings shall explain how the adverse effects which have been identified will be alleviated or mitigated by the dedication. As used in this section, "cumulative effect" means the effect of the individual project in combination with the effects of past projects, other current projects, and probable future projects, including development allowed under applicable planning and zoning.

(D) (2) (a) Project Effects on Demand for Access and Recreation. Identification of existing and open public access and coastal recreation areas and facilities in the regional and local vicinity of the development. Analysis of the project's effects upon existing public access and recreation opportunities. Analysis of the project's cumulative effects upon the use and capacity of the identified access and recreation opportunities, including public tidelands and beach resources, and upon the capacity of major coastal roads from subdivision, intensification or cumulative build-out. Projection for the anticipated demand and need for increased coastal access and recreation opportunities for the public. Analysis of the contribution of the project's cumulative effects to any such projected increase. Description of the physical characteristics of the site and its proximity to the sea, tideland viewing points, upland recreation areas, and trail linkages to tidelands or recreation areas. Analysis of the importance and potential of the site, because of its location or other characteristics, for creating, preserving or enhancing public access to tidelands or public recreation opportunities;

- The project is located between at 426 Capitola Avenue, a short distance from Capitola Village and Capitola's main beach. The project is closure of an existing publicly owned mobile home park and will not affect existing public access and recreational opportunities as the park is not used for public access to recreational opportunities, public tidelands and beach resources. Closure of the mobile home park will eliminate 44 mobile home park spaces and remove all 41 mobile home coaches and all related structures, with the exception of the bathroom building which is to remain. The demand and need for coastal access and recreational opportunities for the public will not diminish. The mostly flat site is located approximately 1200' from the nearest coastal bluff. The existing mobile home park does not currently provide public access and therefore the closing of the park will not affect coastal access to tidelands or public recreation opportunities.

(D) (2) (b) Shoreline Processes. Description of the existing shoreline conditions, including beach profile, accessibility and usability of the beach, history of erosion or accretion, character and sources of sand, wave and sand movement, presence of shoreline protective structures, location of the line of mean high tide during the season when the beach is at its narrowest (generally during the late winter) and the proximity of that line to existing structures, and any other factors which substantially characterize or affect the shoreline processes at the site. Identification of anticipated changes to shoreline processes at the site. Identification of anticipated changes to shoreline processes and beach profile unrelated to the proposed development. Description and analysis of any reasonably likely changes, attributable to the primary and cumulative effects of the project, to: wave and sand movement affecting beaches in the vicinity of the project; the profile of the beach; the character, extent, accessibility and usability of the beach; and any other factors which characterize or affect beaches in the vicinity. Analysis of the effect of any identified changes of the project, alone or in combination with other anticipated changes, will have upon the ability of the public to use public tidelands and shoreline recreation areas;

- No portion of the project is located along the shoreline or beach. The purpose of the project is to close an existing 44 space mobile home park.

(D) (2) (c) Historic Public Use. Evidence of use of the site by members of the general public for a continuous five-year period (such use may be seasonal). Evidence of the type and character of use made by the public (vertical, lateral, blufftop, etc., and for passive and/or active recreational use, etc.). Identification of any agency (or person) who has maintained and/or improved the area subject to historic public use and the nature of the maintenance performed and improvements made. Identification of the record owner of the area historically used by the public and any attempts by the owner to prohibit public use of the area, including the success or failure of those attempts. Description of the potential for adverse impact on public use of the area from the proposed development (including but not limited to, creation of physical or psychological impediments to public use);

- The mobile home park has not historically been used by members of the general public for access or coastal use. Therefore there will not be any adverse impacts on public use of the area by the closing of the mobile home park.

(D) (2) (d) Physical Obstructions. Description of any physical aspects of the development which block or impede the ability of the public to get to or along the tidelands, public recreation areas, or other public coastal resources or to see the shoreline;

- The relatively flat site currently contains 41 one-story mobile home coaches. The closure of the mobile home park proposes removal of all the structures on the site, with the exception of the public bathroom which is to remain. The public does not use the property for coastal access, therefore the park closure will not block or impede the ability of the public to get to or along the tidelands, public recreation areas, or other public coastal resources. Removal of the existing structure will only increase views of the shoreline for the general public.

(D) (2) (e) Other Adverse Impacts on Access and Recreation. Description of the development's physical proximity and relationship to the shoreline and any public recreation area. Analysis of the extent of which buildings, walls, signs, streets or other aspects of the development, individually or cumulatively, are likely to diminish the public's use of tidelands or lands committed to public recreation. Description of any alteration of the aesthetic, visual or recreational value of public use areas, and of any diminution of the quality or amount of recreational use of public lands which may be attributable to the individual or cumulative effects of the development.

- The relatively flat site is located approximately 1,200' from the shoreline, with majority of Capitola Village separating the property from the nearest coastal bluff. The nearest coastal recreation area is Capitola Beach which is approximately 1,200' to the south. The project will not diminish the public's use of tidelands or lands committed to public recreation as it currently is not used, proposed to be used, nor is needed by the public to access tidelands or the shoreline. The project is privately owned land and will therefore not alter the aesthetic, visual or recreational value of public use areas. In addition, the closing of the privately owned mobile home park will not diminish the quality or amount of recreational use of public lands as it does not border public lands nor is used for access to public lands used for recreation.

(D) (3) (a – c) Required Findings for Public Access Exceptions. Any determination that one of the exceptions of subsection (F) (2) applies to a development shall be supported by written findings of fact, analysis and conclusions which address all of the following:

a. The type of access potentially applicable to the site involved (vertical, lateral, bluff top, etc.) and its location in relation to the fragile coastal resource to be protected, the agricultural use, the public safety concern, or the military facility which is the basis for the exception, as applicable;

b. Unavailability of any mitigating measures to manage the type, character, intensity, hours, season or location of such use so that agricultural resources, fragile coastal resources, public safety, or military security, as applicable, are protected;

c. Ability of the public, through another reasonable means, to reach the same area of public tidelands as would be made accessible by an access way on the subject land.

- The project is not requesting a Public Access Exception, therefore these findings do not apply.

(D) (4) (a – f) Findings for Management Plan Conditions. Written findings in support of a condition requiring a management plan for regulating the time and manner or character of public access use must address the following factors, as applicable:

a. Identification and protection of specific habitat values including the reasons supporting the conclusions that such values must be protected by limiting the hours, seasons, or character of public use;

- b. Topographic constraints of the development site;**
- c. Recreational needs of the public;**
- d. Rights of privacy of the landowner which could not be mitigated by setting the project back from the access way or otherwise conditioning the development;**
- e. The requirements of the possible accepting agency, if an offer of dedication is the mechanism for securing public access;**
- f. Feasibility of adequate setbacks, fencing, landscaping, and other methods as part of a management plan to regulate public use.**

- No Management Plan is required; therefore these findings do not apply.

(D) (5) Project complies with public access requirements, including submittal of appropriate legal documents to ensure the right of public access whenever, and as, required by the certified land use plan and Section 17.46.010 (coastal access requirements);

- No legal documents to ensure public access rights are required for the proposed project.

(D) (6) Project complies with visitor-serving and recreational use policies;

- This finding does not apply as the subject property is located in the MHE (Mobile Home Exclusive) Zoning District and not within a zoning that has applicable visitor-serving or recreational policies.

(D) (7) Project complies with applicable standards and requirements for provision of public and private parking, pedestrian access, alternate means of transportation and/or traffic improvements;

- The project is closure of an existing mobile home park with no new proposed use. The site is proposed to remain vacant and therefore does not require any public or private parking nor alternate means of transportation and/or traffic improvements.

(D) (8) Review of project design, site plan, signing, lighting, landscaping, etc., by the city's architectural and site review committee, and compliance with adopted design guidelines and standards, and review committee recommendations;

- The project was not reviewed by the architectural and site review committee, as the project is closure of a mobile home park with no new development proposed.

(D) (9) Project complies with LCP policies regarding protection of public landmarks, protection or provision of public views; and shall not block or detract from public views to and along Capitola's shoreline;

- No public landmarks are affected by the project. No public view will be impacted to and along Capitola's shoreline.

(D) (10) Demonstrated availability and adequacy of water and sewer services;

- This finding does not apply as the closure of the mobile home park eliminates the need of water and sewer services.

(D) (11) Provisions of minimum water flow rates and fire response times;

- This finding does not apply as the closure of the mobile home park eliminates the existing structures and therefore the need for fire response.

(D) (12) Project complies with water and energy conservation standards;

- This finding does not apply as the closure of the mobile home park eliminates the existing structures and therefore the need for water and energy.

(D) (13) Provision of park dedication, school impact, and other fees as may be required;

- The project is closure of an existing mobile home park, therefore this finding does not apply.

(D) (14) Project complies with coastal housing policies, and applicable ordinances including condominium conversion and mobile home ordinances;

- The closure of the existing mobile home park complies with the requirements and procedures set by Municipal Code Section 17.90 to close a mobile home park.

(D) (15) Project complies with natural resource, habitat, and archaeological protection policies;

- The majority of the site is paved over and the project involves the removal of the existing mobile home coaches. No natural resources or habitat exist on site, and no excavation will take place that may affect any potential archaeological resources.

(D) (16) Project complies with Monarch butterfly habitat protection policies;

- The project is outside of any identified sensitive habitats, specifically areas where Monarch Butterflies have been encountered, identified and documented.

(D) (17) Project provides drainage and erosion and control measures to protect marine, stream, and wetland water quality from urban runoff and erosion;

- All existing drainage and erosion control measures will remain on site and not be altered as part of the project.

(D) (18) Geologic/engineering reports have been prepared by qualified professional for projects in seismic areas, geologically unstable areas, or coastal bluffs, and project complies with hazard protection policies including provision of appropriate setbacks and mitigation measures;

- The project is not located within a geologically unstable area nor is there any construction involved as part of the project, therefore this finding does not apply.

(D) (19) All other geological, flood and fire hazards are accounted for and mitigated in the project design;

- The project is not located within a geologically unstable area nor within the flood plain. Removal of the mobile home coaches will eliminate all potential fire hazards.

(D) (20) Project complies with shoreline structure policies;

- The proposed development is not located on the shoreline and therefore does not require compliance with shoreline structure policies.

(D) (21) The uses proposed are consistent with the permitted or conditional uses of the zoning district in which the project is located;

- The project is to eliminate the mobile home park use. No new use is proposed, therefore this finding does not apply.

(D) (22) Conformance to requirements of all other city ordinances, zoning requirements, and project review procedures;

- The project conforms to the requirements of all city ordinances, zoning requirements and project development review and development procedures.

(D) (23) Project complies with the Capitola parking permit program as follows:

- The project is closure of an existing mobile home park, therefore this finding does not apply.

EXHIBIT 2Coastal Development Permit Conditions of Approval

1. The project approval consists of a Coastal Development Permit for closure of the Pacific Cove Mobile home Park. The closure will eliminate 44 mobile home park spaces and remove all 41 mobile home coaches and all related structures, with the exception of the bathroom building which is to remain. All underground utility lines are to be abandoned in place and overhead utilities removed and disconnected at the property boundary. The existing roadways, pad and landscaping are proposed to remain. No coaches are to be demolished onsite.
2. Upon removal of the coaches and related structures, the applicant shall implement the approved Erosion Control Plan.
3. All utilities shall be abandoned safely and in accordance with State Housing and Community Development and utility provider standards.
4. The public restrooms shall be secured to prevent any potential nuisances.

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
REPEALING RESOLUTION NO. 1950 AND APPROVING PROVISIONS FOR
EQUALITY OF TREATMENT IN PACIFIC COVE MOBILE HOME PARK RELOCATION**

WHEREAS, Resolution No. 1950 was adopted on May 10, 1984, to provide equality of treatment in mobile home relocations after the City purchased Pacific Cove Mobile Home Park; and

WHEREAS, Resolution No. 1950 was adopted to clarify the definition of resident as that term is defined in the Relocation Assistance and Real Property Acquisition Guidelines (“Guidelines”) adopted by Resolution No. 1926 on January 12, 1984; and

WHEREAS, it is necessary to correct the reference to Resolution No. 1926, which should be Resolution No. 1916 pertaining to the Guidelines, and to add language that only mobile home owners “who owned a coach in the Park prior to the City’s acquisition of the Park” are eligible to be treated equally with those whose mobile home is used as a primary residence.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola as follows:

1) Resolution No. 1950 is hereby repealed in its entirety.

2) In any relocation activities of the City of Capitola concerning Pacific Cove Mobile Home Park (“Park”), including, but not limited to the application of the Relocation Assistance and Real Property Acquisition Guidelines adopted by Resolution No. 1926 on January 12, 1984, mobile home owners whose mobile home is used as a second home or temporary residence, and who owned a coach in the Park prior to the City’s acquisition of the Park, shall be treated equally with those whose mobile home is used as a primary residence. To the extent that this Resolution is contrary to any relocation guidelines of the City, this Resolution shall take precedence.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the City Council of the City of Capitola at a Special Meeting held on the 12th day of January, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

_____, CMC
Susan Sneddon, City Clerk

COPY

RESOLUTION NO. 1950

EQUALITY OF TREATMENT IN MOBILE HOME RELOCATIONS

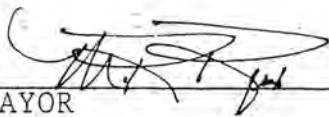
In any relocation activities of the City of Capitola concerning mobile home parks, including, but not limited to the application of the relocation guidelines adopted in Resolution No. 1926, mobile home owners whose mobile home is used as a second home or temporary residence shall be treated equally with those whose mobile home is used as a primary residence. To the extent that this Resolution is contrary to any relocation guidelines of the City this Resolution shall take precedence.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the CITY COUNCIL OF THE CITY OF CAPITOLA at its regular meeting held on the 10th day of _____ May, 1984, by the following vote:

AYES: Council Members Beltram, Bucher, Clarke, Harlan & Mayor Routh.

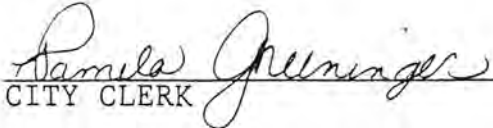
NOES: None.

ABSENT: None.



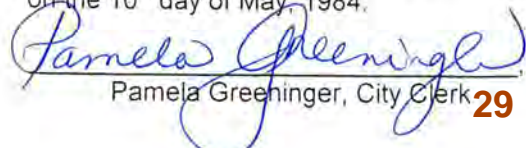
 MAYOR

ATTEST:



 CITY CLERK

This is to certify that the above and foregoing is a true and correct copy of Resolution No. 1950 passed and adopted by the Capitola City Council on the 10th day of May, 1984.



 _____, MMC
 Pamela Greeninger, City Clerk **29**

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
FINDING THE RELOCATION IMPACT REPORT IS SUFFICIENT (OR INSUFFICIENT) SUBJECT
TO REASONABLE MEASURES TO MITIGATE THE ADVERSE IMPACTS
OF THE CHANGE OF USE ON ELIGIBLE MOBILE HOME RESIDENTS**

WHEREAS, the State Mobile Home Residency Law, Civil Code Section 798, et seq., and Government Code Sections 65863.7, limit the grounds on which mobile home owners may be evicted from a mobile home park, protect their right to sell their mobile homes in a place in a mobile home park and authorize local jurisdictions to impose reasonable measures to mitigate the adverse impacts on displaced mobile home owners when a mobile home park closes or converts to another use; and

WHEREAS, on December 13, 1984, the City Council of the City of Capitola adopted Ordinance No. 576, which added Chapter 17.90 to the Capitola Municipal Code pertaining to Mobile Home Parks; and

WHEREAS, on October 28, 1993, the City Council of the City of Capitola adopted Ordinance No. 759, which amended Capitola Municipal Code Chapter 17.90 pertaining to Mobile Home Parks; and

WHEREAS, the Planning Commission found the Relocation Impact Report (RIR) for closure of the Pacific Cove Mobile Home Park is sufficient pending the application of measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Capitola hereby finds the Relocation Impact Report is sufficient (or insufficient) subject to the measures identified in Exhibit 1 attached hereto.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the City Council of the City of Capitola at its Regular Meeting held on the 12th day of January, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

_____, CMC
Susan Sneddon, City Clerk

EXHIBIT 1

Recommended measures not exceeding the reasonable costs of relocation to mitigate the adverse impacts of the change of use on eligible mobile home residents

Relocation Benefits and Amounts		Pre-2000 Occupant			Post-2000 Occupant		
Benefit Type	Amount	Full-time Owner	Part-time Owner	Tenant	Full-time Owner	Part-time Owner	Tenant
Actual and reasonable cost of moving home to replacement site.	Fixed Payment or Actual & Reasonable Expenses	Yes	Yes	Not Applicable	No	No	No
Fair Market Value of Mobile Home Only	Based on Appraised Value	Yes	Yes	Not Applicable	Yes	Yes	Not Applicable
Purchase Price Differential (PPD) - Difference Between the Acquisition Cost & Replacement Cost of New Mobile Home	Up to \$22,500 Unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	Not Applicable
Rental Assistance Payment - (RAP) - (Space Rent) - Difference Between the Displacement and Replacement Space Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	No
Rental Assistance Payment - (RAP) - (Dwelling Rent) - Difference Between the Displacement and Replacement Dwelling Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes - owners can convert PPD to RAP	No	Yes	No	No	No
Last Resort Housing Payments	Amount Required Over PPD or RAP for Displacee to Replace Housing	Yes	No	Yes	No	No	No

Capitola Municipal Code (17.90.030 Contents of relocation impact report.)	Summary of Pacific Cove Relocation Impact Report	Staff Response
A. A detailed description of any proposed or change of use, or change without new use;	The City is not proposing a new use at this time. There will be no physical changes to the real property. Existing personal property of residents will be removed from the property. Existing utility connections will be capped.	None
B. A timetable for conversion of the park;	Owners of the mobilhomes will be given 6 months notice of closure of Pacific Cove Mobile Home Park in January 2012. The expected closure and final day of operation will in July 2012.	Civil Code Section 798.56(g)(2) and City Code Sections 17.90.025 and 17.90.090 requires park management to give the homeowners six months, or more, written notice of termination of tenancy after approval of both the project and the determination of RIR sufficiency by the City.
C. A legal description of the park;	See RIR page 24	Both a legal and physical description of the property is included in the RIR
D. The number of spaces in the park, length of occupancy by the current occupant of each space and current rental rate for each space;	See RIR page 37	The applicant has provided the length of occupancy and the rental rate for each space.
E. The date of manufacture and size of each mobile home;	See RIR: Page 70, Attachment 3	None
F. Appraisals addressing relevant issues identified by the director. A qualified appraiser shall be selected by the city and the cost of the appraisals shall be borne by the applicant. The appraisals shall identify those mobile homes which cannot be moved due to type, age or other considerations. Appraisal information shall be provided on the effect upon the homeowner's investment in the mobile home,	See Appraisal Report of Pacific Cove Mobile Home Park	None

such as the change in value of effected mobile homes that would result from the proposed change in use;		
G. The results of questionnaires to all homeowners/occupants regarding the following: whether the occupant owns or rents, whether this is the only residence, occupants' ages, whether the occupants have disabilities that would be aggravated by the moving process, the purchase date and price paid by the mobile home owner, the costs incurred by the mobile home owner in improving the home, and the amount and relevant terms of any remaining mortgage. Answering such questionnaire shall be voluntary;	Results of such questionnaires are provided Attachment 1 of the RIR. Tables 1-11 generally provide this information.	Copies of the actual survey responses have been redacted by the City as it includes personal information about tenants of the Pacific Cove Mobilehome Park.
H. The name and mailing address of each eligible resident, mobile home tenant, mobile home resident, resident mobile home owner and legal owner of a mobile home in the park;		Omitted to protect the privacy of owners and tenants.
I. The purchase price of condominiums similar in size to the mobile homes within a reasonable distance, and the rental rates and moving costs involved in moving to an apartment or other rental unit within a reasonable distance including, but not limited to, fees charged by moving companies and any requirement for payment of the first and last month's rent and security deposits;	See RIR page 39	None
J. A list of comparable mobile home parks within a twenty-mile radius and a list of comparable mobile home parks within a radius of twenty-five to fifty miles of the applicant's mobile home park. For each comparable park, the list should, if possible, state the criteria of that park for accepting relocated mobile homes, rental rates and the name, address and telephone number of the park representative	See RIR Page 41, Table 8 and Attachment 4.	None

<p>having authority to accept relocated homes, including any written commitments from mobile home park owners willing to accept displaced mobile homes. The purpose of the requirements in this subsection are to provide information necessary to create appropriate relocation compensation. It is not meant to suggest that the city, in any sense, favors tenants having to move out of any mobile home park in Capitola.</p>		
<p>K. Estimates from two moving companies as to the minimum and per mile cost of moving each mobile home, including tear-down and set-up of mobile homes and moving of improvements such as porches, carports, patios and other moveable amenities installed by the residents. Said moving companies shall be approved by the director prior to inclusion in the final RIR.</p>	<p>See RIR Page 67 , Table 11 and Attachment 7, Page 101</p>	<p>None</p>
<p>L. Proposed measures to mitigate the adverse impacts of the conversion upon the mobile home park residents.</p>	<p>See RIR Pages 53-64</p>	<p>None</p>
<p>M. Identification of a relocation specialist to assist residents in finding relocation spaces and alternate housing. The specialist shall be selected by the applicant, subject to the city's approval, and shall be paid for by the applicant. (Ord. 759 (part), 1993)</p>	<p>The RIR identifies Overland Pacific Cutler as the relocation specialist to assist residents in finding alternate housing.</p>	<p>None</p>

**PACIFIC COVE MOBILE HOME PARK
426 CAPITOLA AVENUE
CAPITOLA, CA 95010**

**RELOCATION IMPACT REPORT
&
RELOCATION PLAN**

Prepared For

**THE CITY OF CAPITOLA
420 CAPITOLA AVENUE
CAPITOLA, CA 95010**

PREPARED BY



**7901 OAKPORT STREET, SUITE 4800
OAKLAND, CA 94621-2015
510.638.3081**

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EXECUTIVE SUMMARY

The City of Capitola (City) is considering closure of the Pacific Cove Mobile home Park (Park). The Park is owned by the City and is situated in the Coastal Zone within the City's jurisdictional limits. Park closure is being considered in light of the March 24, 2011 flood event that resulted in substantial damage to the Park's infrastructure and to many of the mobile homes in the Park. It is apparent to the City Council that given the Park's physical location, the property damage from the March 2011 flood event, and the hazards posed by the Park property, it is unlikely the Park can be rebuilt to adequately protect life and property at the Park site.

Should the City Council vote to close the Park, the City does not have a planned new use for the site. It is anticipated that, should the City elect to close the Park, future uses for the site will be considered in the context of the City's General Plan update.

As explained below, because the Park closure would constitute a project undertaken by the City, certain State statutes and regulations are implicated which require the City, under certain circumstances, to pay Park residents who will be dislocated as a result of the Park closure compensation in the form of relocation benefits which are intended to underwrite certain costs the dislocated Park residents can be expected to incur in reestablishing residence at another location.

As further explained below, because the Park is located in the City's Coastal Zone and because the Park currently hosts a number of low and moderate income households, the City is statutorily required to ascertain whether it is feasible to provide replacement housing units dedicated to low and moderate income households at other locations within the Coastal Zone and in a number sufficient to replace corresponding low and moderate housing units which are demolished as a result of the Park closure project.

Accordingly, the required relocation plan is intended to address the relocation assistance needs of current Park residents while the replacement housing plan is

not necessarily intended to benefit current Park residents, but rather to assure, to the extent feasible, that housing units affordable to low and moderate income households are not eliminated in the Coastal Zone as a result of the City's implementation of its Park closure project.

The Park hosts 44 mobile home spaces. In turn, these 44 mobile home spaces currently host 41 mobile homes, most of which are currently occupied by residents who either own the mobile home and rent the space upon which the mobile home is located or alternatively sublet the mobile home from the mobile home owner. Since the City owns the Park, space rents are paid by the mobile home owner to the City. In three instances, the City owns the mobile home and directly rents the mobile home to that mobile home's tenant.

The relocation benefits which the City must confer upon current Park residents are delineated and defined in the California Relocation Assistance and Real Property Acquisition Guidelines (the "Guidelines") set forth at Title 25, California Code of Regulations, Chapter 6, Sections 6000 et. seq.

Under California law, in order for a public or private owner of a Mobile Home Park (MHP) to change the use, suspend (or cessation) its use or close a MHP, it must prepare a Relocation (or Closure) Impact Report (RIR). In addition, parties are displaced for a project utilizing public funds or by a public entity; a relocation plan is required by California Relocation Assistance Law (CRAL) and Guidelines.

This plan was developed to satisfy the requirements for a RIR and relocation plan per Government Code Section 65863.7(a), the City of Capitola Municipal Code (17.90.30), and California Government Code Sections 7260-7277 (California Relocation Assistance Law or CRAL).

The subject of this RIR and relocation plan is the Pacific Cove Mobile Park (the Park) located at 426 Capitola Avenue in Capitola. The City acquired the Park in

1984. Substantial damages caused by a ruptured sub-surface storm drain pipe during a heavy storm on March 24, 2011, raised concerns of long-term viability of continued use of the property as a residential mobile home park. On April 29, 2011, the City Council unanimously voted to consider the closure of the Park.

Presently, the Park contains 44 spaces for mobile home use. Should the Park be closed, there will be 36 potential displacements, which include the 30 coach owners and six (6) tenant occupants. Of these 36 potential displacements, 24 are deemed to be potentially eligible to receive relocation benefits. Final eligibility will be subject to residents completing an eligibility interview.

The City hired the firm Overland, Pacific and Cutler (OPC) to prepare this RIR and relocation plan. The firm Desmond Marcello and Amster (DM&A) was hired to prepare an appraisal of the coaches within the Park. OPC and DM&A carried out relocation impact survey and appraisal inspections between July 26 and August 17, 2011.

Based on the results of OPCs relocation survey (or interviews), income information was provided by 11 occupants. Seven (7) of the mobile homes are occupied by low income households (those earning 80% or less of the Area Median Income) and four (4) were moderate income and above (those earning 80% - 120% and greater than 120% respectively of the Area Median Income). Income data for the remaining occupants will be required to calculate their maximum relocation benefits.

Because the Park is located in a Coastal Zone and the closure would impact low income households provisions for replacement housing must be made under California Government Code Section 65590 (aka the Mello Act). OPC has prepared a replacement housing plan to address this requirement, as well.

The closure of the Park will require the payment of certain relocation benefits under CRAL and mobile home park closure law. Should the Park be closed, owners will

have the option to move their home to another location or the City may purchase the home from them if it cannot be moved.

If the home can be moved, the owner may be eligible for actual and reasonable cost to move the home to a replacement park. In addition, the owner may be eligible for a rental assistance payment for the differential in space rent between the replacement park and the displacement park (Pacific Cove), and moving expenses for their personal property (household goods).

Monetary benefits for replacement housing costs, in cases where the coach cannot be moved and must be replaced, are limited to primary residents of the park (those who occupy the park as their primary residence and not as a second home or own the property as a rental property).

Beginning in May 2000, new residents at the Park, as part of their lease, were provided notification that the Park would be closed and they would not be eligible to receive relocation benefits. This notification signifies that the Park is not a permanent location for housing.

In order to be eligible for these benefits, an occupant must have occupied the Park prior to May 2000. Tenant occupants of a coach owned by another party may also be eligible for relocation rental assistance to rent a replacement home; tenants must have also occupied the coach prior to May 2000.

Furthermore, tenants must have resided in the coach for at least 90 days prior to May 2000; owner occupants must have resided in the coach 180 days prior to May 2000.

Primary resident owners, renters and non-resident second home owners residing at the property prior to May of 2000 are eligible to receive reimbursement for moving cost of personal property.

In order to close the Park, this plan must be submitted and accepted as being complete by the City's Community Development Director. The plan must then be provided to the Park residents for a 30 day review and comment period. The City's Planning Commission must also hear the plan and make a recommendation to the City Council to adopt the plan or reject the plan. The Council would have to approve the RIR in order to close the Park. Should the Council vote to close the Park, residents would receive a minimum of 180 Days Notice of Termination of Tenancy per Civil Code Section 798.56. CRAL requires a subsequent 90 Day Notice to Vacate prior to residents being required to move. No eligible resident will be required to move until referral to at least one replacement housing unit is made available to them.

It is expected that the Planning Commission will hear this plan on December 1, 2011 after the closure of the 30 day review and comment period by the residents. The City Council may hear the plan on December 8, 2011. A closure notice and relocation activity would follow the Council's vote, if it votes to close the Park.

Should the City Council vote to close the Park, the estimated cost of the closure is estimated at \$2.1 million. This figure assumes the acquisition of the coaches at the Fair Market Value as well as the payment of relocation benefits to those residents preliminarily deemed eligible. Final eligibility will subject to residents completing an eligibility interview.

This document is required and it is designed to meet the requirements of California Mobile Home Park Closure Law, the City of Capitola Municipal Code for the RIR for the City of Capitola (the City) and California Relocation Assistance Law to consider the closure of the Pacific Cove Mobile Home Park (the Park).

INTRODUCTION

Under California law, in order for a public or private owner of a Mobile Home Park (MHP) to change the use, suspend (or cessation) its use or close a MHP, it must prepare a Relocation (or Closure) Impact Report (RIR). The statutes under California law are described below.

When private parties are displaced for a project utilizing public funds, a relocation plan is required by California Relocation Assistance Law (CRAL) and Guidelines. These statutes are described below.

Because this Park is located within a Coastal Zone, provisions must be made to comply with Government Code Section 65590, also known as the Mello Act. The Mello Act requires analysis of the feasibility of providing replacement housing resources within the Coastal Zone. Although a separate replacement housing plan will be prepared, this plan does consider existing replacement dwelling units located with the Coastal Zone.

This plan was prepared for the Pacific Cove Mobile Home Park (the Park) located at 426 Capitola Avenue in Capitola, CA. This document is designed to satisfy the requirement for both the RIR and the relocation plan, which the Capitola City Council must review and improve prior to closure of this MHP or others.

California Mobile Home Park Laws

California is unique in its protection of Mobile Home Park (MHP) Residents. Several statutes (California Government Code Section 65863.7 and Civil Code Chapter 2.5 Section 798.56) are in place which provide the requirements and guidance on how either the cessation (or suspension) of use or closure of a MHP should be analyzed and planned. The applicable State Laws are discussed in later portions of this plan in Section F. In addition to State Law, the Capitola's Municipal Code (Muni Code) also provides strong guidance on the contents necessary and the data required in an

RIR. Chapter 17.90 of the Muni Code is the local implementing ordinance for park closures.

California Relocation Law

This Plan sets forth policies and procedures necessary to conform with statutes and regulations established by the California Relocation Assistance Law, California Government Code Section 7260 et seq. (the "CRAL") and the California Relocation Assistance and Real Property Acquisition Guidelines, Title 25, California Code of Regulations, chapter 6, section 6000 et seq. (the "Guidelines").

If at a point in the future, this park closure becomes federalized through the use of federal funds including, but not limited to the Community Development Block Grant (CDBG) and/or HOME programs, the Relocation Program and benefits will conform to the Uniform Relocation Act (42 U.S.C. § 4600 et seq.), its implementing regulations (49 C.F.R.) Part 24) as well as regulations of the applicable funding source; Section 104(d) of the Housing and Community Redevelopment Act of 1974.

Mello Act

The requirement to prepare a replacement housing plan, intended to protect against the loss of low and moderate income housing units in the Coastal Zone, is set forth in the Mello Act, California Government Code Section 65590. Pursuant to that statute, the conversion or demolition of Coastal Zone residential dwelling units occupied by persons and families of low or moderate income shall not be authorized unless provision has been made for the replacement of those dwelling units with units for persons and families of low and moderate income. The replacement dwelling units must be located within the same city or county as the dwelling units proposed to be converted or demolished. The replacement dwelling units must be located on the site of the converted or demolished units (in this case the Park) or elsewhere in the within the Coastal Zone if feasible or if location on the site or

elsewhere in the Coastal Zone is not feasible, the replacement dwelling units must be located within three miles of the Coastal Zone. Furthermore, the replacement dwelling units must be provided and available for use within three years from the date upon which work commences on the project resulting in the conversion or demolition of the subject residential dwelling units.

The Mello Act requirements for replacement dwelling units, among other circumstances, do not apply under the following circumstances unless the local government determines that replacement of all or any portion of the converted or demolished residential dwelling units is feasible: where the residential dwelling units are converted or demolished in connection with a project that will put the subject property to a coastal dependent or coastal related use which is consistent with the City's local coastal program such as visitor serving commercial or recreational facilities; where the conversion or demolition of the subject Coastal Zone residential dwelling units will take place within a jurisdiction such as the City in which the area encompassing the Coastal Zone, and three miles inland, has less than 50 aggregate acres of land that is vacant, privately owned and available for residential use. Each of these two exceptions is potentially applicable with reference to the City's Park closure project and, accordingly, might provide a basis for excusing the City from adopting a replacement housing plan if, and to the extent that, the City determined that replacement of all or any portion of the converted or demolished residential dwelling units is infeasible. For purposes of the Mello Act, replacement housing is "feasible" if it is capable of being developed in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technical factors.

As explained below, despite the fact that both of the foregoing exceptions potentially appear to apply to the City's Park closure project, the City may determine that it would be feasible to provide for the requisite number of replacement housing units in compliance with the Mello Act and, accordingly, the City may therefore make a policy decision to comply with the Mello Act.

Intent of This Document

The City does not have a planned use for the property should the City Council vote to close Pacific Cove Mobile Park, however, this document is required and it is designed to meet the requirements of California Mobile Home Park Closure Law and the City of Capitola Municipal Code for the RIR for the City of Capitola (the City) to consider the closure of the Pacific Cove Mobile Home Park (the Park).

This document was prepared with the intent to meet the statutory requirements for a relocation plan.

The plan has been prepared to evaluate the present circumstances and replacement housing requirements and needs of the park occupants in terms of relocation to replacement housing. Relocation efforts will be carried out under the primary direction of the City and the City will have direct responsibility for implementation of this Plan through its direction to Overland, Pacific and Cutler, its relocation agent.

In this document, the following topics are addressed and described,

- Background of the park, its location and legal description
- Legal framework for a park closure
- Park closure timeline and process
- Appraisal process and results
- Relocation interview results
- Resident demographic information
- Comparable housing and park Survey
- Relocation cost estimate including moving estimates, and
- Mitigation measures including the proposed relocation program

An understanding and analysis of these topics, as later explained, are necessary and required in order for the Capitola City Council to make an informed decision regarding the future of the Park.

Potential Impacts

This park closure, should it be approved, would impact as many as 30 privately owned mobile homes. The closing of the Park could result in as many as 36 displacements of tenant occupants (within City and Privately owned coaches), owner occupants and absentee owners of coaches. According to the self-reported data, seven of the households that would be displaced are low income (those earning 80% or less of the area median income).

A snap shot of the spaces within the park and the type of occupancy identified is shown in Table 1 below. This data is based on the results of the occupant tenant survey as well as a review of data provided by the Park management.

Table 1: General Description of Spaces Impacted

Space Occupancy Classification	# Coaches	# Relocation cases
Privately Owned		
Occupied Full-time by Owner	14	14
Occupied Part-time by Owner	8	8
Un-Occupied Coach: Absentee Owners	4	4
Tenant Occupied	3	6 (tenant and owner)
Occupancy Un-known	1	1
Total Impacted Privately Owned	30	33
City Owned		
Tenant Occupied	3	3
Empty Coach*	8	
Empty Space*	3	
Total Impacted City Owned Spaces & Coaches	14	
Total Spaces Considered in Park Closure	44	
Potential Relocation Cases */^		36

* Excludes empty spaces and empty City owned coaches

^ To be verified via eligibility interviews for relocation benefits

Primary Residency

If the City Council votes to close the park, the residents of the Park to be displaced (that claim that the Park is their primary residence) will be required to provide verification that the Park is their primary residence. Primary residency must have been established prior to March 24, 2011. March 24 signifies the date of the flood event, which has led the City to pursue closure of the Park. Residents who have taken steps to claim primary residency after this date will not be considered as Primary Residents of the Park. As part of implementing the RIR, methods to be used to verify Park residency status will include, but are not limited to the following. Multiple documents will be required.

- Copy of Property Tax Bill showing the Park address as the mailing address for statements
- Utility Bills showing the Park address as the mailing address for such statements
- Copy of Registration for the Coach showing the Park as the mailing address
- Copy of Mortgage or Loan Statement showing the Park as the mailing address for such statements
- Title showing the Park as the mailing address
- Declaration of Homestead, which has been notarized and recorded with the Santa Cruz County Records Office

Eligibility for Relocation Benefits

Not all current residents at the Park will be eligible for monetary relocation benefits should the City Council vote to close the Park. Beginning in May 2000, new residents at the Park, as part of their lease, were provided notification that the Park would be closed and they would not be eligible to receive relocation benefits. This notification signifies that the Park is not a permanent location for housing.

In order to be eligible for these benefits, an occupant must have occupied the Park prior to May 2000. Tenant occupants of a coach owned by another party may also be eligible for relocation rental assistance to rent a replacement home; tenants must have also occupied the coach prior to May 2000.

Furthermore tenants must have resided in the coach for at least 90 days prior to May 2000; owner occupants must have resided in the coach 180 days prior to May 2000. Primary resident owners, renters and non-resident second home owners residing at the property prior to May of 2000 are eligible to receive reimbursement for moving cost of personal property.

Non-resident second homeowners who have resided in the Park prior to May 2000 are not eligible for replacement housing payments; however, they may be eligible for moving assistance to relocate personal property from the Park. There are 24 potentially eligible persons and households to receive relocation benefits. Final eligibility will be determined in an eligibility interview during the implementation of the RIR and relocation plan.

A more detailed description of relocation benefits available is located in Sections G and I of this plan. A summary table (Table 9) can be found on page 60.

Identified Relocation Specialist

Pursuant to City Ordinance 759 (part 1993) as described in the Muni Code (17.90.30 (M)), the applicant, which in this case is the City, is required to identify a relocation specialist to work with the parties impacted by the park closure.

Overland, Pacific & Cutler, Inc. (OPC), an experienced acquisition and relocation firm, was selected through a competitive request for proposal (RFP) process and has entered into a contract with the City of Capitola to prepare this RIR and Relocation Plan. OPC is also expected to subsequently provide the required relocation assistance.

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A. EXISTING CONDITIONS

Project Location – City of Capitola

Carolyn Swift of the City of Capitola Museum writes that “Capitola is built on the location of an Indian village that existed for more than a thousand years.” The establishment of the Santa Cruz Mission in approximately 1791 led to the near extinction of the Soquel “Rancheria” and like so many areas in modern day California, the area’s native culture nearly vanished completely. The period between the establishment of the Mission and California’s statehood in 1850, and the birth of Santa Cruz County, was known as the Mexican era. “German immigrant Frederick Hihn—a pioneer credited with developing much of the county’s early industry—acquired the site of present-day Capitola from the Castro family.”¹

“Hihn leased the beach flat to Soquel pioneer Samuel A. Hall in 1869. Hall saw that the landscape that provided refuge from the summer heat could also be profitable. His foresight created the place known now as the oldest resort on the Pacific Coast. Once Capitola prospered, Hihn took over direct control of the enterprise, and subdivided lots for sale beginning in 1882. Hihn died in 1913, but his daughter waited until after World War I to sell off the Capitola portion of his estate. Henry Allen Rispin, a speculator from San Francisco, bought Capitola in 1919 with plans to build an updated, fashionable haven. Among his ventures were a reconfiguration of the Esplanade, construction of the Venetian Courts, and development of a golf course. Overextended and losing his estate to foreclosures by 1927, Rispin left Capitola after the start of the Great Depression of 1929, and never returned. Capitola’s community of permanent residents stepped forward to guide Capitola in the following decades. The village became the third city in Santa Cruz County after an incorporation election in January 1949.”²

¹ Carolyn Swift, City of Capitola website

² Carolyn Swift, City of Capitola website

Figures 1 and 2 below show the regional and local locations of Capitola in terms of its proximity to the San Francisco Bay Area, Silicon Valley and the Central Valley. This makes Capitola an attractive vacation and second home location as well as its chief amenities such as the Monterey Bay and the Santa Cruz Mountains that help Capitola draw thousands of visitors each year and have made it home to over 10,000 residents.

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Figure 1: Regional Location

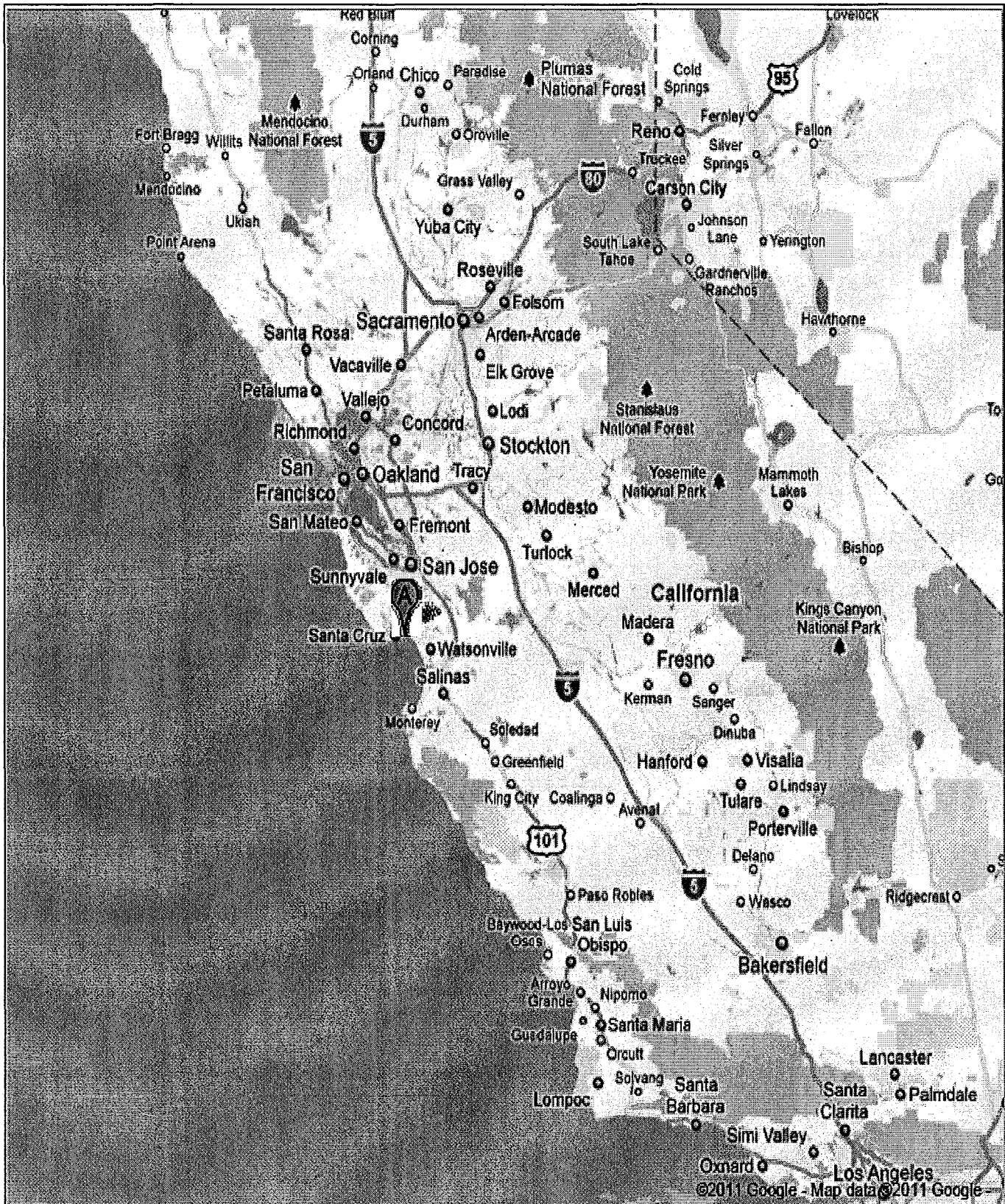
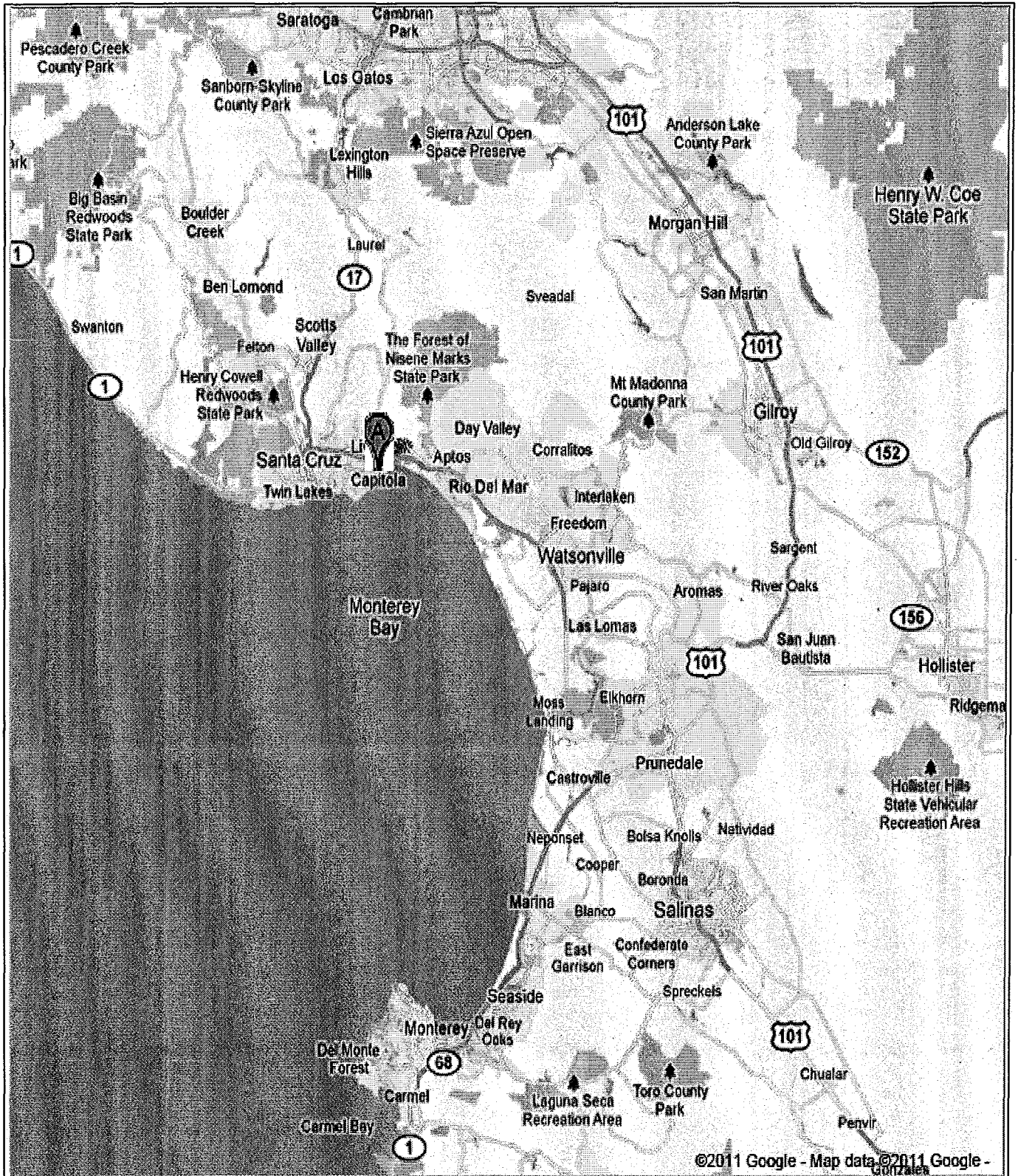


Figure 2: Area Location



Subject Park – Pacific Cove Mobile Home Park

The Pacific Cove Mobile Park (the Park), located at 426 Capitola Avenue in Capitola, CA is owned by the City of Capitola. The park is directly north of the Southern Pacific railway and adjacent to Capitola City Hall. The park is situated in the lower portion of an area owned by the City of Capitola which is approximately six acres in total. The upper level of the area is a public parking lot. A site specific map is shown in Figure 4 found on page 30.

In 1981 the City of Capitola adopted a Local Coastal Plan as required by the California Coastal Act of 1976. In order to advance the Coastal Act's goal of assuring public access to coastal resources, the plan included a policy of providing 300 to 400 new parking spaces for Capitola's beach users.

In October 1983 the City Council formed a "Blue Ribbon Parking/Traffic Committee." This committee was given the responsibility to develop a master plan for traffic, parking and pedestrian improvements in Capitola Village and to make recommendations on how to acquire sufficient additional parking facilities to implement the City's Local Coastal Plan. One of the Committee's recommendations in December 1983 was that the Pacific Cove Mobile Home Park be purchased and converted to parking resources.

In September 1984 the Council authorized the City Manager to purchase the park for the negotiated price of \$1,500,000. The City assumed ownership of the park in October 1984.

Over several years, the City worked to clear the upper park in order to develop that site as a parking lot. The parking lot on the upper site opened for use in July of 1987. The City has studied various use options on the lower site; however, to date does not have a planned use yet determined.

On March 24, 2011, the Park sustained substantial damages caused by a ruptured sub-surface storm drain pipe during a heavy storm. The City has raised concerns that long-term the Park is not in a condition to continue its residential use. On April 29, 2011 the City Council unanimously voted to consider the closure of the Park.

The subject of this RIR is the remaining 45 spaces at the Park. Of these spaces, 41 are occupied with coaches. There, 30 of these spaces have privately owned coaches and 11 are owned by the City.

A description of the existing conditions by space is shown in Table 2 below.

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Table 2: Tenant Reported Occupancy and Space Utilization

Space #	Ownership		Tenant Occupied Coach		Private Owner Occupied/Utilized Coach			Other Vacant Coach (City)
	City	Private	City Owned	Privately Owned	Full-time	Part-time	Un-occupied	
40		X				X		
41	X							X
42		X					X	
43		X		X				
45	X		X					
46	X							X
47		X				X		
48		X						X
49		X			X			
50		X				X		
51	X							X
53		X				X		
54		X				X		
56		X			X			
57		X					X	
58	X							X
59		X					X	
60		X			X			
62		X			X			
63		X			X			
64		X			X			
65	X		X					
66		X		X				
67		X		X				
68		X			X			
69		X			X			
70	X							X
71		X			X			
72	X							X
73	X							X
74		X				X		
75		X			X			
76		X			X			
77		X			X			
78		X				X		
79	X							X
80		X				X		
81	X		X					
82		X			X			
83		X			X			
84		X					X	

Spaces 44, 55 and 61 are omitted as they empty spaces (No Coach emplaced)

Notes:

Park Legal Description

Below is the best available legal description of the Park, which includes several assessor parcel numbers. This description is taken from a Preliminary Title Report provided by the City the Capitola as prepared by for the City by Santa Cruz Title Company on August 28, 2008. The appropriate assessor map for the park is shown in Figure 3 and the known easements for the park are shown in Figure 4 below.

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LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Santa Cruz, City of Capitola, and described as follows:

PARCEL ONE:

BOUNDED NORTHERLY BY THE SOUTHERLY LINE OF SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA AS SAID MAP WAS FILED FOR RECORD OCTOBER 18, 1930, IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY; SAID SOUTHERLY LINE OF SAID WELCH'S SUBDIVISION BEING THE CENTER LINE OF NOBLE GULCH; BOUNDED ON THE EASTERLY LINE BY THE WESTERLY LINE OF BAY AVENUE; ON THE SOUTHERLY SIDE BY THE NORTHERLY LINE OF THE RAILROAD RIGHT OF WAY OF THE SOUTHERN PACIFIC COMPANY, WHERE SHOWN NORTHWESTERLY OF BLOCKS "H", "I" AND "J" ON MAP ENTITLED, "CAPITOLA," FILED FOR RECORD APRIL 25, 1888, IN MAP BOOK 10, PAGE 13, RECORDS OF SANTA CRUZ COUNTY; AND ON THE WESTERLY SIDE BY CAPITOLA AVENUE AS SHOWN ON MAP ENTITLED "CAPITOLA SUBDIVISION NO. 6," FILED MAY 13, 1922, IN MAP BOOK 18, PAGE 136, RECORDS OF SANTA CRUZ COUNTY.

PARCEL TWO:

LOT 1, AS SHOWN UPON THAT CERTAIN MAP ENTITLED "SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA," FILED FOR RECORD OCTOBER 18, 1930, IN MAP BOOK 25, RECORDS OF SANTA CRUZ COUNTY.

PARCEL THREE:

LOTS 4 TO 19 INCLUSIVE AS SHOWN UPON THAT CERTAIN MAP ENTITLED "SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA," FILED FOR RECORD OCTOBER 18, 1930, IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY,

RESERVING AND EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PARCELS:

(A) THE LANDS CONVEYED BY THE F.A. HINN COMPANY, A CORPORATION, TO SOUTHERN PACIFIC RAILROAD COMPANY, A CORPORATION, BY DEED DATED AUGUST 9, 1904, RECORDED AUGUST 17, 1904 IN BOOK 155 OF DEEDS, PAGE 438, RECORDS OF SANTA CRUZ COUNTY, AS FOLLOWS:

THAT CERTAIN PARCEL OF LAND SITUATED ON THE NORTHERLY SIDE OF AND ADJACENT TO THE RIGHT OF WAY OF SAID PARTY OF THE FIRST PART, AND BEING BOUNDED BY A LINE BEGINNING AT A POINT ON THE NORTHERLY LINE OF THE RIGHT OF WAY OF THE SOUTHERN PACIFIC COMPANY'S SANTA CRUZ BRANCH, ENGINEERS STATION 830 X 50 IN THE CENTER LINE OF THE MAIN TRACK, OF SAID BRANCH, BEING DISTANT 25 FEET SOUTHERLY THEREFROM MEASURED AT RIGHT ANGLES THEREWITH; THENCE AT RIGHT ANGLES WITH SAID CENTER LINE NORTHERLY 13 FEET; THENCE EASTERLY AND PARALLEL WITH SAID CENTER LINE

AND 38 FEET DISTANT NORTHERLY THEREFROM TO A POINT ON THE WESTERLY SIDE OF BAY AVENUE, DISTANT 30 FEET WESTERLY FROM THE CENTER LINE OF SAID BAY AVENUE; THENCE SOUTHERLY ALONG SAID WESTERLY LINE OF BAY AVENUE. TO A POINT ON THE NORTHERLY LINE OF SAID RIGHT OF WAY, DISTANT 25 FEET NORTHERLY FROM SAID CENTER LINE OF SAID MAIN TRACK MEASURED AT RIGHT ANGLES THEREWITH; THENCE WESTERLY PARALLEL WITH AND 25 FEET DISTANT NORTHERLY FROM SAID LAST MENTIONED CENTER LINE TO THE PLACE OF BEGINNING.

(AFFECTS PARCEL ONE HEREINBEFORE DESCRIBED.)

(B) THE LANDS CONVEYED BY NETTIE L. WIEGEL, A SINGLE PERSON, TO CHARLES CALVIN CARSON, ET UX, BY DEED DATED SEPTEMBER 2, 1941, RECORDED OCTOBER 2, 1941 IN BOOK 427, PAGE 98, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AS FOLLOWS:

BEING A PART OF LOT 1 AS SHOWN AND DESIGNATED ON THE MAP ENTITLED "SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA." FILED FOR RECORD OCTOBER 18, 1930 IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY. DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHEASTERLY LINE OF BEULAH DRIVE AT THE MOST WESTERLY CORNER OF LOT 2 AS THE SAME IS SHOWN AND DESIGNATED ON THE ABOVE ENTITLED MAP; THENCE FROM SAID POINT OF BEGINNING AND ALONG THE SOUTHWESTERLY LINE OF SAID LOT 2, SOUTH 37 DEGREES 43' EAST 50.00 FEET TO A POINT; THENCE LEAVING THE SOUTHWESTERLY LINE OF SAID LOT 2, SOUTH 52 DEGREES 17' WEST 50.00 FEET TO A POINT; THENCE NORTH 37 DEGREES 43' WEST 50.00 FEET TO A POINT AT THE INTERSECTION OF THE SOUTHEASTERLY LINE OF BEULAH DRIVE WITH THE EASTERLY LINE OF CAPITOLA AVENUE; THENCE ALONG THE SOUTHEASTERLY LINE OF SAID BEULAH DRIVE, NORTH 52 DEGREES 17' EAST 50.00 FEET TO THE PLACE OF BEGINNING.

(AFFECTS PARCEL TWO HEREINBEFORE DESCRIBED.)

[DESCRIPTION CONTINUED ON FOLLOWING PAGE]

PRARCEL THREE CONTINUED:

(C) THE LANDS CONVEYED BY EDGAR MC GOWAN, ET UX, TO THE CAPITOLA CHAMBER OF COMMERCE, A CORPORATION, BY DEED DATED APRIL 11, 1946, RECORDED APRIL 17, 1946 IN BOOK 652, PAGE 82, OFFICIAL RECORDS OF SANTA CRUZ COUNTY. AS FOLLOWS:

BEING IN THE SOQUEL RANCHO AND BEING A PORTION OF THE LANDS CONVEYED TO EDGAR MC GOWAN AND BEULA S. MC GOWAN, HIS WIFE, BY DEED RECORDED DECEMBER 26, 1944 IN BOOK 491, PAGE 259, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING ON THE EASTERLY LINE OF CAPITOLA AVENUE AS SHOWN ON MAP ENTITLED "SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA," FILED FOR RECORD OCTOBER 18, 1930, IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY, AT A POINT FROM WHICH THE SOUTHERLY CORNER OF LOT 1 AS SHOWN ON SAID ABOVE MENTIONED MAP BEARS SOUTHERLY ALONG SAID LINE OF SAID AVENUE ON AN ARC OF 480 FEET RADIUS, A DISTANCE OF 4.57 FEET; THENCE FROM SAID POINT OF BEGINNING ALONG SAID LINE OF CAPITOLA AVENUE SOUTHERLY CURVING TO THE LEFT WITH A RADIUS OF 480 FEET THROUGH AN ANGLE OF 5 DEGREES 22' 17" FOR A DISTANCE OF 45.0 FEET TO A POINT FROM WHICH A PIPE AT END OF CURVE BEARS SOUTHERLY ALONG SAID CURVE 15.0 FEET DISTANT; THENCE LEAVING SAID AVENUE AND RUNNING ALONG A RADIAL LINE NORTH 73 DEGREES 17' EAST 100.0 FEET; THENCE NORTH 56 DEGREES 51' WEST 58.78 FEET TO A POINT FROM WHICH THE POINT OF BEGINNING BEARS SOUTH 73 DEGREES 17' WEST; THENCE SOUTH 73 DEGREES 17' WEST 60.0 FEET TO THE POINT OF BEGINNING. (AFFECTS PARCELS ONE AND TWO HEREINBEFORE DESCRIBED.)

(D) THE LANDS CONVEYED BY EDGAR MC GOWAN, ET UX, TO LLOYD J. RYAN AND KENNETH W. RYAN BY DEED DATED FEBRUARY 21, 1946, RECORDED APRIL 23, 1946 IN BOOK 621, PAGE 119, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AS FOLLOWS:

BEGINNING AT AN IRON PIPE ON THE EASTERLY SIDE OF CAPITOLA AVENUE FROM WHICH THE MOST SOUTHERLY CORNER OF LOT 1, SUBDIVISION NO. 1, AS SHOWN ON MAP OF WELCH'S ADDITION TO CAPITOLA, FILED IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY, BEARS NORTH 14 DEGREES 12' WEST 55.26 FEET DISTANT; THENCE NORTHERLY ALONG A CURVE TO THE RIGHT WITH A RADIUS OF 480 FEET, THROUGH AN ANGLE OF 1 DEGREES 47' 25" FOR A DISTANCE OF 15 FEET TO A STATION; THENCE LEAVING THE EASTERLY SIDE OF CAPITOLA AVENUE NORTH 73 DEGREES 17' EAST 130.00 FEET TO A STATION; THENCE SOUTH 17 DEGREES 30' EAST 178 FEET, A LITTLE MORE OR LESS, TO A STATION ON THE NORTHERLY BOUNDARY OF THE RIGHT OF WAY OF THE SOUTHERN PACIFIC RAILROAD; THENCE ALONG SAID LAST MENTIONED BOUNDARY SOUTHWESTERLY 142 FEET, A LITTLE MORE OR LESS, TO A STATION ON THE EASTERLY BOUNDARY OF SAID CAPITOL AVENUE; THENCE ALONG SAID LAST MENTIONED BOUNDARY, NORTHERLY CURVING TO THE RIGHT WITH A RADIUS OF 255 FEET FOR A DISTANCE OF 115 FEET, A LITTLE MORE OR LESS, TO END OF CURVE; THENCE NORTH 17 DEGREES 30' WEST 153.88 FEET TO THE PLACE OF BEGINNING

(E) THE LANDS CONVEYED BY WILLIAM A. FRANKLIN, IRMA A. FRANKLIN AND IRMA A. HUNTER TO THE CITY OF CAPITOLA, A BODY POLITIC, BY DEED DATED SEPTEMBER 13, 1958, RECORDED SEPTEMBER 29, 1958 IN BOOK 1207 PAGE 37, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AS FOLLOWS:

A PART OF LANDS CONVEYED TO WILLIAM A. FRANKLIN, ET AL, BY DEED RECORDED IN BOOK 1085, PAGE 33, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, AND MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF LANDS CONVEYED TO THE CITY OF CAPITOLA BY DEED RECORDED IN BOOK 792, PAGE 255, OFFICIAL RECORDS OF SANTA CRUZ COUNTY, ON THE EASTERN LINE OF CAPITOLA AVENUE; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERN BOUNDARY OF SAID LAST MENTIONED LANDS NORTH 73 DEGREES 17' EAST 60.00 FEET TO AN ANGLE; THENCE SOUTH 56 DEGREES 12' EAST 58.17 FEET TO AN ANGLE; THENCE NORTH 73 DEGREES 17' EAST 3.89 FEET TO A STATION; THENCE NORTH 56 DEGREES 12' WEST 60.64 FEET TO AN ANGLE; THENCE NORTH 76 DEGREES 08' WEST 11.98 FEET TO AN ANGLE; THENCE SOUTH 73 DEGREES 17' WEST 51.04 FEET TO A STATION ON THE EASTERN LINE OF SAID CAPITOLA AVENUE; THENCE ALONG SAID LAST MENTIONED LINE SOUTHERLY, CURVING TO THE LEFT FROM A TANGENT BEARING SOUTH 9 DEGREES 22' 37" EAST WITH A RADIUS OF 480.00 FEET THROUGH AN ANGLE OF 0 DEGREES 57' 41" FOR A DISTANCE OF 8.05 FEET TO THE PLACE OF BEGINNING. (AFFECTS PARCELS ONE AND TWO HEREINBEFORE DESCRIBED.)

PARCEL FOUR:

LOTS 2, 3, 20, 21 AND 22, AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "SUBDIVISION NO. 1 OF WELCH'S ADDITION TO CAPITOLA," FILED FOR RECORD OCTOBER 18, 1930, IN MAP BOOK 25, PAGE 14, RECORDS OF SANTA CRUZ COUNTY.

APN: 035-141-33

(End of Legal Description)


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Figure 3: Assessor Map

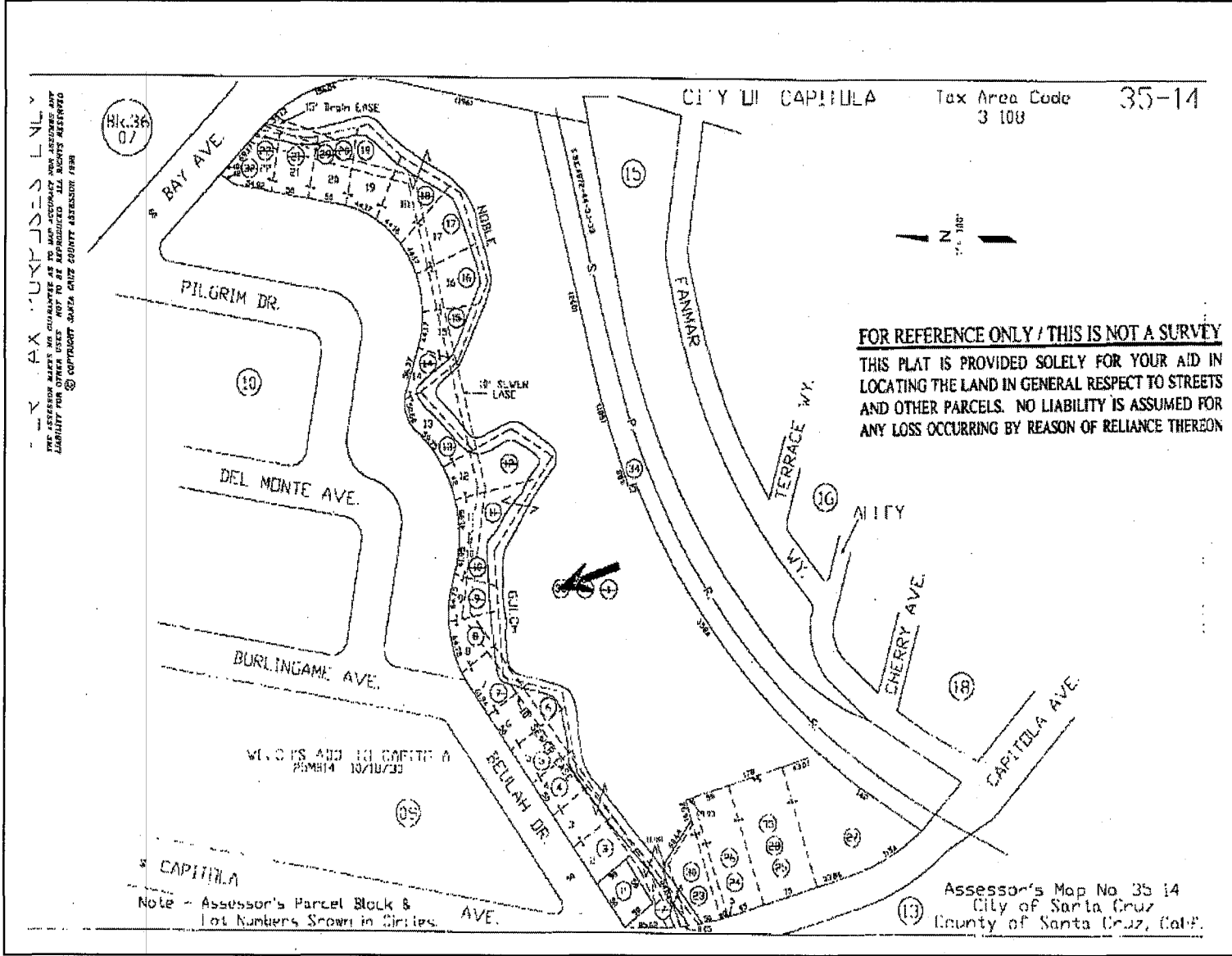
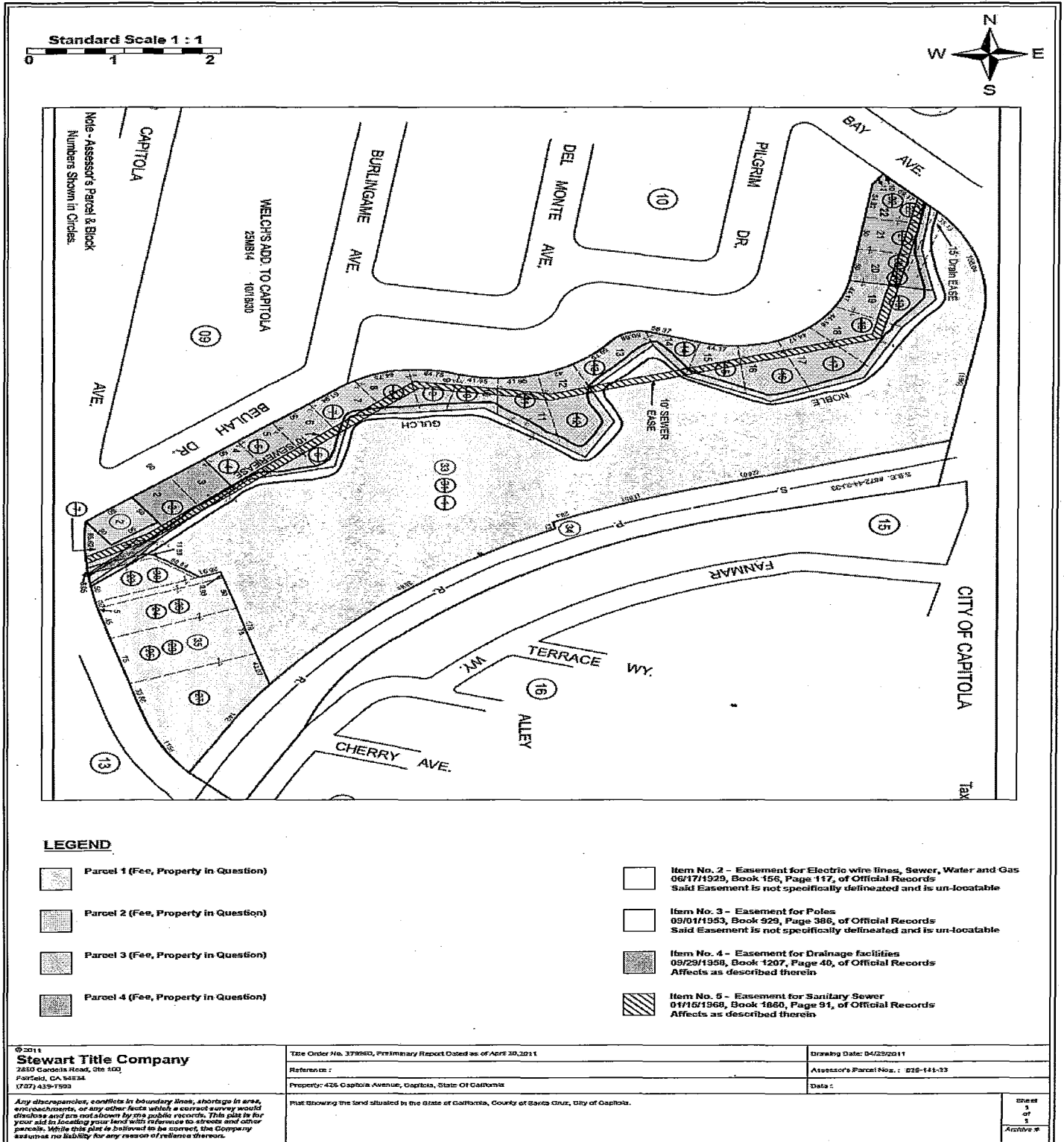


Figure 4: Plotted Easements



LEGEND

- Parcel 1 (Fee, Property in Question)
- Parcel 2 (Fee, Property in Question)
- Parcel 3 (Fee, Property in Question)
- Parcel 4 (Fee, Property in Question)

- Item No. 2 - Easement for Electric wire lines, Sewer, Water and Gas 08/17/1929, Book 156, Page 117, of Official Records Said Easement is not specifically delineated and is un-locatable
- Item No. 3 - Easement for Poles 09/01/1953, Book 929, Page 386, of Official Records Said Easement is not specifically delineated and is un-locatable
- Item No. 4 - Easement for Drainage facilities 03/23/1959, Book 1207, Page 49, of Official Records Affects as described therein
- Item No. 5 - Easement for Sanitary Sewer 01/15/1968, Book 1860, Page 91, of Official Records Affects as described therein

© 2011
Stewart Title Company
 7850 Carolina Road, Ste 102,
 Fairfield, CA 94524
 (707) 439-1900

Title Order No. 378960, Preliminary Report Dated as of APR 20, 2011

Drawing Date: 04/29/2011

Reference:

Assessor's Parcel No.: 025-141-33

Property: 425 Capitola Avenue, Capitola, State Of California

Date:

Any discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other facts which a correct survey would disclose and are not shown by this plan are for your aid in locating your land with reference to streets and other parcels. While this plan is believed to be correct, the Company assumes no liability for any reason of reliance thereon.

Plot showing the land situated in the State of California, County of Santa Cruz, City of Capitola.

Sheet
 1
 of
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 Archive #

Demographic and Housing Characteristics

City of Capitola

The current population estimate by the State of California Department of Finance Demographic Research Unit for the City of Capitola is 10,198 persons, which represents a 1% increase in the City's population between 2009 and 2010.

In order to understand the present demographic characteristics of the City, OPC consulted the recently released 2010 Census data. Presently, the data is limited. OPC analyzed the data available and found it to be inaccurate as presented (essentially the numbers do not add up) when attempting to quantify certain characteristics such as the age of households and occupied housing units. More accurate data would assist in comparing the demographics in the Park to that of the City at large.

Deeming the 2010 data set as unreliable, OPC has not quoted these statistics. However, it can be said that Capitola trends toward small, tenant occupied households. It can also be said that a large constituent of the population is trending towards 55 or older. An analysis of the 2000 Census appears to support these assumptions.

The 2000 Census showed that Capitola had an approximate population of 10,033 persons. The majority (83%) of the population was white. Fifty-two percent of the total population was female and 48% were male. The median age of persons in Capitola was 38 years.

In 2000, Capitola's housing stock was estimated at 5,309 housing units. Within those units were approximate 4,692 households with an average household size of 2.11 persons. Thus, approximately 617 housing units were either vacant or were utilized as vacation units on a temporary basis.

Of the occupied housing units, 53% of them were occupied by renters. Fifty-one (51) percent of households were described as non-family with 37% of that group being over the age of 55. Within the family household category, 27% were over the age of 55. Nearly one-third (32%) of Capitola Households in the 2000 Census were comprised of persons 55 or older.

Pacific Cove Mobile Home Park

Data Collection Methodology

Between July 26 and August 17, 2011, OPC met with or spoke by phone with owners and occupants of the coaches. Of the 36 potential respondents, 33 responded to meet with OPC in person or speak by phone. Direct, in-person interviews were conducted on the site August 4-6 and 11-13.

Enquiries made of those occupants included household size and composition; ages of all household members; primary language spoken in the home; disabilities and health problems, if any; and, preferences related to replacement housing location (See copy of residential interview form at **ATTACHMENT 1**).

Of those responding and making themselves available for an interview, only one household refused to provide any demographic data. In other cases, information was provided on a limited number of questions.

Demographic Information Including Occupancy

Population and Housing Tenure

Based on the responses to the survey, OPC found approximately 43 persons occupied the coaches either part-time or full-time. Tables 1 and 2 shown earlier in this report on pages 13 and 23 respectively describe the occupancy types (full-time owner, part-time owner, absentee owner or tenant occupancy) in aggregate form (Table 1) and by space (Table 2).

Age and Special Needs of Occupants

Thirty-six persons in 24 households responded to the question regarding their age or their age range. Table 3 displays the distribution of the responses. The park has a high senior (over the age of 62) population. A limited number of children were identified as living in the park.

Table 3: Age of Occupants

Age Range	# Responded	%
0-17	2	6%
18-30	1	3%
31-40	4	11%
41-50	0	0%
51-60	10	28%
61-70	8	22%
71-80	6	17%
81 +	5	14%
Total	36	100%

In terms of special needs, a range of concerns were identified in the survey responses. Ten households indicated they have a disability or other special needs. These needs will be taken into consideration in the process of assisting displacees locate to replacement housing.

Income

Based on the results of OPCs relocation survey (or interviews), income information was provided by 11 occupants. Seven (7) of the mobile homes are occupied by low income households (those earning 80% or less of the Area Median Income) and four (4) were moderate income and above (those earning 80% - 120% and greater than 120% respectively of the Area Median Income). Income data for the remaining occupants will be required to calculate their maximum relocation benefits.

Stated income information was provided by six home owners and five home renters. An analysis of this income against the adjusted household income for Santa Cruz County to derive percentage of area median income (AMI) for these households is shown in Table 4 below. The range of the incomes in terms of AMI ranged from as little as 13% to as high as 159%.

Table 4: Stated Income Distribution

Threshold Category	AMI % Range	# of HHs
Extremely low	0-30%	4
Very Low	30-50%	3
Low	50-80%	0
Moderate	80-120%	3
Above Moderate	120% +	1
Total Respondents		11

Prior to any mandatory displacement income verification documentation such as tax returns or pay stubs will be required to calculate relocation benefits. Should a displacee refuse to provide such information, any relocation rental assistance will be calculated on the difference between their displacement and replacement rent, which may result in a lower benefit than what the displacee may qualify otherwise to receive.

Housing (Coach) Information

In addition to the City hiring OPC to prepare the RIR and Relocation Plan, Desmond, Marcello and Amster (DM&A) was hired to appraise the coaches owned by private parties. DM&A worked closely with OPC during the interview process and prepared their appraisal concurrently with OPC's preparation of this plan. DM&A's report is made a part of the document, as **ATTACHEMENT 10**. A distribution of unit type (by number of bedrooms) is shown below in Table 5.

Table 5: Stated Unit Size

Unit Size	#	%
1 BR	10	32%
2 BR	18	61%
3 BR	2	6%
Total Responses	30	100%

Length of Occupancy and Space Rent Distribution

Based on the survey responses and the City's rent roll, a distribution of the range of rents was derived as shown in the Table 6 below.

Table 6: Space Rent Distribution

Rent Range	Total	%
\$100 - \$199	22	61%
\$200 - \$299	7	19%
\$300 - \$399	0	0%
\$400 - \$499	1	3%
\$500 - 599	0	0%
\$600 - \$699	2	6%
\$700 - \$799	1	3%
\$800 - \$899	0	0%
\$900 - \$999	1	3%
\$1,000 +	2	6%
Total	36	100%

Based on data reported by the owners and occupants of the coaches and a review of lease information the range in length occupancy at the Park spans from 31 years (1980) to less than a year (2011). A table of occupancy dates is shown in Table 7 below. This table also displays the rents reported by the City and the tenants.

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Table 7: Reported Length of Occupancy and Rent

Space #	Coach Owner/Tenant	Lease Date	Reported Move In Date	Rent Per City Rent Roll	Rent Reported by Tenant
40		5/5/2005	2005	\$ 154.21	\$ 174.00
42		6/10/1998		\$ 144.22	
43	Owner	6/10/1998		\$ 137.44	
43	Tenant	1/7/2005	2006	Not Applicable	\$ 1,050.00
45		7/20/2006	2006	\$ 420.00	\$ 600.00
47		5/24/1999	1999	\$ 142.08	\$ 235.00
48		3/8/2010		\$ 176.47	
49		6/10/1998		\$ 137.71	\$ 278.00
50		9/27/1995	1995	\$ 133.11	\$ 171.61
53		1/5/1999	1983	\$ 155.37	\$ 250.00
54		1/25/2001		\$ 193.42	\$ 267.00
56		6/10/1998	1981	\$ 139.32	\$ 226.00
57		3/4/2011	2011	\$ 600.00	\$ 600.00
59		10/17/2006		\$ 169.63	
60		9/18/1998	1998	\$ 180.04	\$ 283.99
62		2/17/2005	2004	\$ 190.50	\$ 300.00
63		6/10/1998	1997	\$ 152.35	\$ 230.00
64		6/10/1998	1963	\$ 127.93	\$ 240.00
65		12/21/2010	2011	\$ 1,000.00	\$ 1,000.00
66	Tenant		2011	Not Applicable	\$ 900.00
66	Owner	9/26/2006	2006	\$ 187.92	\$ 302.00
67	Owner	7/24/2009		\$ 180.33	\$ 180.00
67	Tenant		2011	Not Applicable	\$ 800.00
68		8/28/2004	1991	\$ 184.26	\$ 300.00
69		6/10/1998	1996	\$ 152.35	\$ 215.00
71		5/1/2008	2008	\$ 160.34	\$ 166.00
74			1983	\$ 179.62	\$ 224.00
75			1983	\$ 181.63	\$ 181.63
76			2006	\$ 207.72	\$ 207.72
77			1979	\$ 181.63	\$ 228.00
78		6/14/1998		\$ 181.63	\$ 235.00
80			1993	\$ 600.00	\$ 650.00
81		8/9/2002		\$ 735.00	\$ 735.00
82			1993	\$ 169.63	\$ 169.63
83		Not Available	Not Provided	\$ 188.84	\$ 300.00
84			1980	\$ 247.80	\$ 247.80

Coach Characteristics and Conditions of Coaches

DM&A's appraisal report shows the characteristics of the coaches subject to this RIR including the known and or stated age, manufacturer, square footage and improvements to the coach. Of critical concern is whether or not the coaches are in condition to move to another park or parcel of land.

DM&A's appraisal work found that only 2 of 30 coaches appraised could be moved. Further explanation of this can be found in its appraisal report.

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B. REPLACEMENT HOUSING RESOURCES

A resource survey was conducted during the week of August 22, 2011 to identify available comparable, decent, safe and sanitary units in relative proximity to the Project site. In addition, a survey of mobile parks within a 20 mile and 25 to 50 mile radius was conducted (See Housing and Parks Survey – ATTACHMENT 4).

A brief description of the findings related to mobile homes and condominiums for sale as well as these types of housing for rent is shown below. Apartments and single-family homes for rent were also included in the survey. Additionally a description of the park findings has also been provided.

It should be noted that the residents will have the ability to use their relocation assistance in the purchase, or rental of a mobile home or other types of housing including rental apartments, single family homes and condominiums. Listings may increase or decrease at a point in the future. Specific referrals will be based upon the choices indicated by the residents to OPC.

Housing for Sale

Mobile Homes

A survey of mobile home listings on October 24, 2011 found 39 mobile homes for sale in Santa Cruz County. Most units were found in Capitola (8) and Santa Cruz (26). Most are within 5 miles of Pacific Cove. The median list price for the coach is \$62,800 and the median space rent is \$650. Investigation of these spaces included non-rent controlled parks. The median age is 19 years and the median square footage is 612. Listings for these properties are shown in ATTACHMENT 4.

This is compared to a median age of 44 years old and 522 square feet at Pacific Cove. Thus the available replacement stock tends to be newer and larger than what's found at Pacific Cove.

It is notable that the space rent associated with these comparable coaches for sale is higher in many cases; however, as described later in this report, the differential in this space rent is compensable for a period of up to 42 months for eligible displacees.

Condominiums

An alternative to a mobile home required to be surveyed in the Muni Code is condominiums. A survey of condominium listings on October 24, 2011 found eleven condominiums for sale in Santa Cruz County. The median list price of the survey is \$230,000 and the median square footage is 809; median Home Owners Associations (HOA) fees are \$340 per month. Units were located in Capitola, Santa Cruz, Aptos and Soquel. Listings are shown in ATTACHMENT 4.

Housing for Rent

Mobile Homes and Other Types of Rental Housing

At the time of the survey, only two mobile homes were found for rent in the area with a median rent of \$1,375. A mix of apartments, duplex and four-plex units and cottages were located for rent in the Capitola area including Santa Cruz and Aptos. Forty units of housing were found with a median rent of \$1,295 and a median security deposit of \$1,525. Listings are shown in ATTACHMENT 4.

A resource available to low-income seniors earning 60% or less of AMI is the Bay Avenue Senior Apartment in Capitola located at 750 Capitola Avenue. First Community Housing recently completed major renovations and development of new units at the property. Further information can be provided to qualifying residents by OPC during the implementation phase of this relocation project; however, interested

seniors over the age of 62 are encouraged to secure a place on the wait list by contacting the property management at 831-464-6435.

Comparable Mobile Home Parks

Approximately 71 mobile home parks, comparable to Pacific Cove, were located within 20 miles of the Park. A distribution of the parks by location and median space rent is provided below in Table 8 below. Information related to the restrictions on relocating mobile homes to these parks has been provided in Attachment 4 where possible.

Table 8: Parks within 20 Miles

Location	# of Parks	Median Space Rent
Aptos	6	\$267
Capitola	7	\$270
San Lorenzo Valley	4	\$255
Santa Cruz	28	\$300
Scotts Valley	6	\$305
Soquel	9	\$326
Watsonville	11	\$363

In addition to those parks within 20 miles of Pacific Cove, an additional survey of parks within a radius of 25 of 50 miles was also conducted. More than 47 parks were located. These parks are located in Santa Clara, Monterey and San Benito Counties. Should a displacee identify that he or she would like information on one of these parks OPC will work with them to obtain it. Descriptions of these parks are shown in ATTACHMENT 4.

C. CONCURRENT RESIDENTIAL DISPLACEMENT

There are no projects now, or planned in the immediate future, which will substantially impact negatively upon the efforts and ability of the City to relocate the displacee households from the Project site.

Capitola is largely built out and does not have any substantial redevelopment projects in progress that would potentially eliminate housing units from the limited stock in the City, which would reduce the inventory of potential replacement units within the City.

Capitola features, as previously stated, numerous mobile home parks. One of these parks, Castle has been going through a repositioning and rehabilitation planning processes with the City to ensure that it is maintained as a stable source of affordable housing in Capitola. Castle was recently sold to Millennium Housing. Millennium is contractually obligated by the City to rehabilitate the park and reserve 86 of the 108 spaces in the park for very-low to moderate income households.

The City of Capitola will invest \$2 million dollars in the project and over 40 of the spaces have been reserved as the replacement housing resource under the Mello Act for a potential closure of Pacific Cove. Further details about Mello Act replacement housing requirements are provided in the Replacement Housing Plan prepared by OPC that accompanies this plan.

D. TEMPORARY HOUSING

There is no anticipated need for temporary housing. Should such a need arise temporary housing will conform to all applicable laws and requirements.

E. PROGRAM ASSURANCES AND STANDARDS

Services will be provided to ensure that displacement does not result in different, or separate treatment of households based on race, nationality, color, religion, national origin, sex, marital status, familial status, disability or any other basis protected by the federal Fair Housing Amendments Act, the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, the California Fair Employment & Housing Act, and the Unruh Act, as well as any otherwise arbitrary or unlawful discrimination.

No one will be displaced without a minimum of one hundred eighty (180)-days written Notice and, per Section 6042 of the guidelines, without being offered comparable replacement housing.

“Comparable” housing takes into account factors such as: decent, safe, and sanitary (as defined in Code of Regulations § 6008[d] of the Guidelines); comparable as to the number of bedrooms, living space, and type and quality of construction of the acquired unit but not lesser in rooms or living space than necessary to accommodate the displaced household; in an area that does not have unreasonable environmental conditions; not generally less desirable than the acquired unit with respect to location to schools, employment, health and medical facilities, and other public and commercial facilities and services; and within the financial means of the displaced household as defined in section 6008, subdivision (c)(5) of the Guidelines.

The relocation program to be implemented by the City conforms to the standards and provisions set forth in Government Code section 7260 et seq., the Guidelines, California Health and Safety Code section 33410 et eq., (if applicable), and all other applicable regulations and requirements. In addition, those requirements set forth by State law for mobile home park closures will be followed, as addressed in the following section.

F. STATE MOBILEHOME PARK CLOSURE LAWS

This section outlines the requirements that must be met under state law to legally close a mobile home park in California.

Both Government Code Section 65863.7 and Civil Code Chapter 2.5- Section 798.56 set forth requirements that must be met prior to mobile home park closure. These statutes apply to both publicly-owned and privately-owned parks.

California & Capitola Mobile home Park Closure Law

Government Code Sections 65863.7 and 65863.8 impose special impact report and notice requirements in connection with mobile home park closures, and provide for local governments to require mitigation of park closure impacts in certain instances.

1. Conversion Impact Report

Government Code Section 65863.7(a) requires that, prior to the *conversion* of a mobile home park to another use, or prior to *closure* of a mobile home park, the person or entity proposing the change in use shall file a report on the impact of the closure on the displaced residents of the park.

Per 17.90.030 of the City of Capitola Municipal Code, which is in compliance with State law, the RIR is required to address the following:

- i) A detailed description of the description of any proposed or change of use;
- ii) Timetable for conversion of the park;
- iii) A legal description of the park;

- iv) The number of spaces, length of occupancy by the current occupant of each space and current rental rate for each space;
- v) The date of manufacture and size of each mobile home;
- vi) Appraisals addressing the relevant issues identified by the community development director (see 17.90.30 (f) for further information regarding the appraisal requirements);
- vii) Results of questionnaires to all homeowners/occupants regarding including their occupancy tenure (owner/renter), ages of occupants, disabilities, cost incurred by the owner to improve the home and the amount and relevant terms of any remaining mortgage. Responses to such questions are completely voluntary;
- viii) Purchase price of condominiums and rental rates for apartments in the area;
- ix) A list of comparable mobile home parks with 20 miles of the park and within between 25 and 50 miles (see 17.90.30 (I) for further information regarding the requirements of this survey of comparable parks);
- x) Estimates of from two moving companies for the movement of the mobile homes
- xi) Proposed mitigation measures to mitigate the adverse impacts of the conversion; and
- xii) Identification of a relocation specialist.

This RIR satisfies the requirements specified for a "Conversion Impact Report."

Pursuant to Section 65863.7(i), if the closure of the park is the result of a decision by a local governmental entity to *not* renew a conditional use permit or zoning variance, or is the result of any other zoning or planning decision, the local government agency is deemed to be the person proposing the change in use for purposes of preparing the Report.

In *this* case, the City of Capitola is the entity proposing the closure of the park.

2. Mitigation Measures

Pursuant to Government Code Section 65863.7(e) and, whether or not a hearing is scheduled, the City Council of Capitola (or its otherwise delegated advisory agency) shall review the report, and *may* require, as a condition of the change, that the owner take steps to mitigate any adverse impact of the park closure on the ability of displaced park residents to find adequate housing in a mobile home park, which shall not exceed the "reasonable costs of relocation"; a term which is generally interpreted to be the moving costs associated with relocating a mobile home to a new site. Eligible households will be entitled to benefits as set forth in this Plan.

3. Notice requirements

Pursuant to Government Code Section 65863.8, a local government may not take action on an application for change in use of a mobile home park unless, at least thirty (30) days prior to the action, the local government has informed the applicant in writing of the requirements of Civil Code Section 798.56 (discussed below) and all applicable local regulations requiring the applicant

to notify park residents of the proposed change. No action can be taken on the application until the applicant has verified that park residents have been informed of the change in use.

City of Capitola Municipal Code (17.90.40) requires that the applicant must cause the submission of a draft RIR with a written statement to the Community Development Director (Director) that it is being filed pursuant to Government Code Section 65863.7.

Per 17.90.070, upon the filing of the RIR, the Director shall advise the applicant in writing whether it is complete. The Director shall then set a time, date and place for a hearing before the Planning Commission not later than 60 after the date of acceptance.

Not less than 30 days prior to the scheduling public hearing before the Planning Commission, the park owner shall, by certified mail or personal delivery, provide (transmit) the registered legal owner of each mobile home as well as each resident, a copy of the RIR and notice of the Planning Commission hearing. Not less than 15 days prior to the Planning Commission hearing, the owner of the park shall file verification that the requirements for transmittal have been met. The commission must, by resolution, shall render its findings and recommendation to the city council within 95 days of the acceptance of the application for closure being deemed complete.

Within 45 days of receipt of the Planning Commissions the recommendation, a date for hearing the application before the City Council shall be set. Within 80 days of the date of the Planning Commission decision, the City Council shall, by resolution, render its findings and decision.

Termination of Park Occupancy Due to Park Closure

Civil Code Section 798.56 sets forth the required “just cause(s)” for termination of tenancy in a mobile home park. Subsection (g) specifies that change of use of the park, or any portion thereof, is a reason for termination of tenancy, provided the following requirements have been met:

- (1) The management gives the homeowners at least fifteen (15) days written notice that the management will be appearing before a local governmental board, commission, or body to request permits for a change of use of the mobile home park;
- (2) If, permits are required for a change in use, then after all permits requesting a change of use have been approved by the local governmental board, commission, or body the mobile home management shall give the homeowners six (6) months or more written notice of termination of tenancy. If the change of use requires no local governmental permits, then notice shall be given twelve (12) months or more prior to the management's determination that a change of use will occur. The notice shall disclose, and describe in detail the nature of the change of use;
- (3) Should a potential new owner of a coach or occupant of a space seek to take up tenancy in the mobile park, the mobile park management shall give that proposed owner or occupant written notice prior to that owner or occupant taking residency in the park that the management is requesting a change of use before local governmental bodies or that a change of use request has been granted; and,

- (4) The notice requirements for termination of tenancy set forth in Civil Code Sections 798.56 and 798.57 shall be followed if the proposed change actually occurs (Civil Code Section 798.56[g]).

Civil Code Section 798.56(h) *additionally* requires that the impact report required pursuant to Government Code Section 65863.7 shall be given to the homeowners or residents at the same time that notice is required as described in (2), above.

The City will be applying for a Coastal Permit in order to close the Park. Given that a permit is required to close the park, per Civil Code Section 798.56, sub-section G requires that the City provide residents and owners of Pacific Cove at least a six month Termination of Tenancy Notice.

G. RELOCATION ASSISTANCE PROGRAM

A relocation representative from ***Overland, Pacific & Cutler, Inc.***, is available to assist any displaced household having questions in regard to relocation and/or assistance in relocating.

Staff may be contacted by calling, **Toll Free: 1.877.972.8908**, during the hours of 9:00 a.m. to 6:00 p.m., Monday through Friday.

The relocation offices are located at:

**Overland, Pacific & Cutler, Inc.
7901 Oakport Street, Suite 4800
Oakland, CA 94621-2089**

A comprehensive relocation assistance program, with technical and advisory assistance, will be provided to the households proposed to be displaced. This assistance will satisfy both California Relocation Law and the mitigation required pursuant to Government Code Section 65863.7(i). Close and frequent contact will be maintained with each household.

In addition to distribution of Informational Brochures (See **ATTACHMENT 5**), advisory assistance will be directed to include procedures:

1. To fully inform eligible project occupants of the nature of, and procedures for obtaining relocation assistance and benefits;
2. To determine the needs of each residential displacee eligible for assistance;
3. To provide an adequate number of appropriate housing referrals. The Guidelines require a minimum of three (3) referrals to comparable, decent, safe and sanitary housing units within a reasonable time *prior to* displacement, and require assurance that no residential occupant is required to move without a minimum of one hundred eighty (180) day's written notice to vacate;
4. To provide current, and continuously updated, information concerning replacement housing opportunities;
5. To connect with special assistance in the form of referrals to governmental and social service agencies, if needed.
6. To provide assistance that does not result in different, or separate treatment due to race, color, religion, national origin, sex, sexual orientation, marital status or other arbitrary circumstances;

7. To supply information concerning federal and state housing programs and other governmental programs providing assistance to displaced persons;
8. To assist each eligible person to complete applications for benefits.
9. To make relocation benefit payments in accordance with State of California Guidelines, including the provisions of the Last Resort Housing sections, where applicable;
10. To inform all persons subject to displacement of City of Capitola policies with regard to eviction and property management; and,
11. To establish and maintain a formal grievance procedure for use by displaced persons seeking administrative review of City of Capitola decisions with respect to relocation assistance.

H. CITIZEN PARTICIPATION/PLAN REVIEW

A critical component of the planning process and the development of RIR and Relocation Plan is outreach to those impacted by closure, namely the owners of the coaches (mobile home) and the occupants be they owner occupants or tenant occupants of the homes.

To initiate this process, OPC mailed a General Information Notice (GIN) on June 22, 2011 to all known owners and occupants of the coaches. The GIN informed them that a meeting would be held on July 13, 2011. The GIN was mailed certified and first class mail. The meeting would explain the potential closure of the park and the resident's rights to potential relocation benefits. Twenty-one persons attended the meeting. Copies of notices sent to park residents and owners have been provided as ATTACHMENT 10 of this plan.

The meeting open to all residents was followed by an invitation to all owners and residents to meet with OPC and DM&A for an interview to gain information regarding their household composition and relocation needs as well as for an inspection of the property to inform the appraiser of the coach. These letters were mailed both certified and first class mail to the known mailing addresses for the owners and occupants on July 21, 2011.

As previously stated, between July 26 and August 17, 2011, OPC and DM&A met with or spoke by phone with occupants and owners at Pacific Cove.

Requirements under Government Code Sections 65863.7, 65863.8 and Civil Code Section 798.56 will also be followed as addressed above. Section 6012 (Citizen Participation) of the California Code of Regulations, Title 25, Chapter 6, will be adhered to in both the spirit and letter of the law by City and OPC in implementing the Relocation Program. City will ensure the following:

1. Full and timely access to documents relevant to the relocation program;
2. Provision of technical assistance necessary to interpret elements of the relocation plan and other pertinent materials;
3. Copies of this Plan shall be available for review within thirty (30) days prior to approval by the City. The City will receive comments from displacees and other interested persons regarding this Plan;
4. A general notice of this Plan shall be provided to *all* prospective displacees of the proposed project. This Plan shall be made available for circulation for information and review by interested citizen groups, state and county agencies, and all persons affected by the project;
5. The right to submit written, or oral comments and objections, including the right to submit written comments regarding the Relocation Plan and

to have these comments attached to the Plan when it is forwarded to the City of Capitola for final approval;

6. Upon receipt of public comments, the Plan will be reviewed to ensure that it is feasible; that it complies with applicable environmental standards and locally-adopted rules and regulations governing relocation; and,
7. Upon completion of all reviews, the Plan will be presented for approval by the City.

I. RELOCATION BENEFIT CATEGORIES

Relocation benefits will be provided in accordance with the provisions of the State of California Relocation Law, Government Code Section 7260 et. seq., Title 25, Chapter 6, Relocation Assistance and Real Property Acquisition Guidelines. Benefits will be paid to eligible displaced persons upon submission of required claim forms and documentation in accordance with approved procedures.

Specific eligibility requirements and benefit plans will be detailed on an individual basis with all displacee households. In the course of personal interviews and follow-up visits, each displacee will be counseled as to available options and the consequences of any choice with respect to financial assistance.

Chapter 6, of Title 25 of the California Code of Regulations contains the relocation regulations published by the California Department of Housing and Community Development ("HCD") that apply to state and local agencies. Section 6008(g) defines a "dwelling" as *'. . . the place of permanent or customary and usual abode of a person including . . . a mobile home.*

In order to alleviate hardships for tenants who must pay additional move-in costs (such as first and last month's rent, credit check costs and other security deposits),

City will provide advance benefit payments to assist qualified displacees in securing replacement housing units.

Requests for advance payments will be expeditiously processed to help avoid the loss of desirable and appropriate replacement housing.

Residential Moving Expense Payments

The subject households will be eligible to receive a payment for moving expenses for personal property. Payments will be made based upon *either*: **1.** a fixed room count schedule; or, **2.** an invoice for actual reasonable moving expenses not to exceed the reasonable cost for accomplishing such activity.

- 1) Fixed Payment** – A fixed payment for moving expenses based on the number of rooms containing furniture or other personal property to be moved. The fixed moving payment will be based upon the most recent Federal Highway Administration schedules maintained by the California Department of Transportation (See: **ATTACHMENT 6 – Fixed Payment Moving Schedule**).

- Or -

- 2) Actual Reasonable Moving Expense Payments** - The displaced households may elect to have a licensed, professional mover perform the move; if so, the displacing entity will pay for the actual cost of the move up to fifty (50) miles, and all reasonable charges for packing, unpacking, insurance, utility connection charges and the cost directly related to displacement of modifying personal property to adapt it to the replacement location. The payment will be made directly to the mover or as a reimbursement to the displaced household.

Rental Assistance/Down Payment Assistance

Owner-Occupants of mobile homes who established residency at Pacific Coves Mobile Home Park for a period of *one hundred eighty (180)* days prior to acquisition by City will be entitled to a 'Replacement Housing Payment' (RHP) pursuant to 49 C.F.R., Part 24, Section 24.502, not to exceed twenty two thousand five hundred dollars (\$22,500.) *and*, Rental Assistance to cover any "pad rent" differential, in addition to their Moving Expenses.

Displaced households which are residential tenants *or* owners and have established residency (*primary* residence) within the Project site for a minimum of *ninety (90)* days are, pursuant to 49 C.F.R., Part 24, Section 24.503, entitled to an amount not to exceed five thousand two hundred fifty dollars (\$5,250.) as a Rental Assistance Payment (RAP); *and*, a moving expense payment.

Except in the case of 'Last Resort Housing' situations, Replacement Housing Payments (RHP) to 180-Day owners and, Rental Assistance Payments (RAP) to Ninety (90)-Day owners and tenants, will be limited to the maximums noted above.

The calculation will be based upon the *monthly* housing need (space/rent differential) over a forty-two (42) month period, consistent with Section 6104 of the Guidelines. In addition, households may opt to apply the amount to which they are entitled toward the purchase of a replacement unit (Guidelines section 6104).

If a household chooses to purchase a replacement home rather than rent, the household will have the right to request a lump sum payment of the entire balance to which they are entitled.

Mobile home Replacement Housing Payments

Section 6112 of the Guidelines describes the payments to which the residents are entitled, based upon the status of the resident's acquired dwelling and the resident's replacement dwelling.

Section 6102 of the Guidelines outlines the benefits payable to a displaced owner who: (1) owned and resided in a mobile home for at least 180 days prior to the initiation of negotiations; and, (2) purchased and occupied a replacement dwelling within one (1) year *subsequent to* the date on which the individual received final payment for the mobile home.

Only primary, owner-residents are eligible for §6102 benefits. Non-resident, “second home” owners, who have a *different primary* residence, are *not* eligible for these benefits.

A household that owns a mobile home and rents the site – or, “pad” – upon which the Mobile Home is located must receive the following payment:

1. If a manufactured home is not available, the amount necessary to purchase a conventional, non-manufactured replacement dwelling up to \$22,500. (Explained below) (§6112 [c] [5] [a]); or,
2. The amount necessary to purchase a replacement manufactured home (up to \$22,500) *and* the amount necessary to lease, rent, or make a down payment on a replacement site (up to \$5,250.) (§6112 [c] [5] [b]). (The above amount shall not exceed the difference between the mobile home’s acquisition price *paid to* the owner/displacee, and the actual price of the replacement housing); or,
3. If the household elects to *rent* a replacement mobile home and site or, “conventional” housing, the amount required to do so – up to \$5,250. – with the site rent included in the calculation (§6112 [c] [5] [c]).

If a mobile home owner-occupant purchases a replacement mobile home *or* conventional home, the benefits described in 1. and 2., above, are established in order to compensate for the following costs:

- (1) Increased interest costs for the replacement dwelling financing;
- (2) Reasonable expenses incident to the purchase of the replacement dwelling; or,
- (3) The cost of re-habilitating an otherwise unsafe dwelling.

Owner-Occupants of mobile homes will be eligible for Rental Assistance to cover “pad rent” differential as calculated above pursuant to the rental assistance payment formula.

Mobile home owner-occupants who wish to *rent* a replacement dwelling, instead of purchasing, will be entitled to Rental Assistance Payments using “economic rent” in the calculations, in an amount not to exceed their Purchase Price Differential (PPD) payment.

A sample calculation for determining rental assist payments to replace a dwelling unit is shown below. The figures used are reflective of the sample displacement rents provided by the City and the median rents from the Housing Resources Survey described in Section B of this plan on page 39.

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1. Rent of Displacement Unit	\$1,100	Displacement Rent plus Utility Costs
or		
2. Ability to Pay	\$1,000	30% of the Gross Household Income
3. Lesser of lines 1 or 2	\$1,000	
Subtracted From:		
4. Actual New Rent	\$1,200	Actual New Rent including Utility Allowance
or		
5. Comparable Rent	\$1,395	Determined by Agency; <u>includes</u> Utility Allowance
6. <u>Lesser</u> of lines 4 or 5	\$1,200	
7. Yields Monthly Need:	\$200	Subtract line 3 from line 6
Rental Assistance	\$ 8,400	Multiply line 7 by 42 months

Last Resort Housing Payment

There is a sufficient amount of “comparable replacement housing” per the attached housing survey (See **ATTACHMENT 4**). Although there are a sufficient *number* of potential replacement dwellings for the mobile home owners, it would appear that most may well exceed the statutory limit of twenty two thousand five hundred dollars (>\$22,500.) for a Replacement Housing Payment. There would appear, therefore, to be a need to provide Last Resort Housing Payments.

The California Code of Regulations (CCR), Title 25, Division 1, Chapter 6, at Article 4. Last Resort Housing, Section 6139 provides that, if comparable replacement housing is not available to a displacee (whether because of physical availability, condition, or affordability), City must either terminate the acquisition *or*, provide Pacific Cover RIR/Relocation Plan

comparable replacement housing (called 'Last Resort Housing').

Last Resort Housing *payments* are authorized by statute if affordable "comparable replacement housing" cannot be found for the displaced tenant households (i.e., housing at a cost not greater than thirty percent [$>30\%$] of the household's average monthly income).

In such cases, payments may be made beyond the five thousand two hundred fifty dollar (\$5,250.) statutory maximum for "Ninety [90]-Day Owners" and, tenants), up to forty two (42) months worth of rental assistance. The supplemental increment beyond \$5,250 may be paid in installments or in a lump sum at the discretion of City.

In the event of federal participation in the project through *either* the CDBG or HOME program(s), the period of rental assistance payments will be established at sixty (60) months for those tenant households which qualify by income category. Mobile Home *owner-occupants* may also be eligible for "Last Resort Housing" payments, if comparable housing can not be found within the twenty two thousand five hundred dollar (\$22,500) statutory maximum, as a Purchase Price Differential (PPD) payment. It will be the policy of City to make "lump sum" payments, as required, for down payment assistance. Rental Assistance Payments will be provided in two (2), equally blended installments.

This type of situation is likely to develop among low-income households and/or in environments where Project area rents are particularly *low* versus rents elsewhere within the community. A combination of factors - which would include, in relation, the income levels of project site tenants; project site rents; and, a *potentially* high cost of replacement rent - will create the need for last resort housing payments.

Summary of Relocation Benefits

Table 9 outlines the benefits for which the mobile home occupants may be eligible:

Table 9: Summary of Relocation Benefits Summary

Relocation Benefits and Amounts		Pre-2000 Occupant			Post-2000 Occupant		
Benefit Type	Amount	Full-time Owner	Part-time Owner	Tenant	Full-time Owner	Part-time Owner	Tenant
Actual and reasonable cost of moving home to replacement site.	Fixed Payment or Actual & Reasonable Expenses	Yes	Yes	Not Applicable	No	No	No
Fair Market Value of Mobile Home Only	Based on Appraised Value	Yes	Yes	Not Applicable	Yes	Yes	Not Applicable
Purchase Price Differential (PPD) - Difference Between the Acquisition Cost & Replacement Cost of New Mobile Home	Up to \$22,500 Unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	Not Applicable
Rental Assistance Payment - (RAP) - (Space Rent) - Difference Between the Displacement and Replacement Space Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes	No	Not Applicable	No	No	No
Rental Assistance Payment - (RAP) - (Dwelling Rent) - Difference Between the Displacement and Replacement Dwelling Rent	Up to \$5,250 unless Last Resort Housing Payments Are Required	Yes - owners can convert PPD to RAP	No	Yes	No	No	No
Last Resort Housing Payments	Amount Required Over PPD or RAP for Displacee to Replace Housing	Yes	No	Yes	No	No	No

J. PAYMENT OF RELOCATION BENEFITS

No household will be displaced until "comparable" housing is offered as defined in Section 6008, subdivisions (c) and (d) of the Guidelines. Relocation staff will inspect any replacement units to which referrals are made to verify that they meet all the standards of decent, safe, and sanitary as defined in Section 6008, subdivision (d) of the Guidelines. Relocation benefits will be made in a timely manner.

Claims and supporting documentation for relocation benefits must be filed with City within eighteen (18) months from:

1. The date the claimant moves from the acquired property; *or*,
2. The date on which final payment for the acquisition of real property is made, whichever is *later*.

The procedure for the preparation and filing of claims and the processing and delivery of payments will be as follows:

1. Claimant(s) will provide all necessary documentation to substantiate eligibility for assistance.
2. Assistance amounts will be determined in accordance with the provisions of Federal and California Relocation Law.
3. Required claim forms will be prepared by relocation personnel in conjunction with claimant(s). Signed claims and supporting documentation will be submitted by relocation personnel to City.
4. City will review, and approve claims for payment, or request additional information.

5. City will issue benefit checks which will be available at OPC
Pacific Cover RIR/Relocation Plan

offices for retrieval by Claimants or by delivery, unless circumstances dictate otherwise.

6. Final payments will be issued after confirmation that the Project area premises have been completely vacated, and actual residency at the replacement unit is verified.
7. Receipts of payment will be obtained and maintained in the relocation case file.

K. RELOCATION TAX CONSEQUENCES

In general, relocation payments are not considered income for the purpose of the Internal Revenue Code of 1986, or the Personal Income Tax Law, Part 10 of the Revenue and Taxation Code. The above statement on tax consequences is not intended to be provision of tax advice by City or their Agents, Consultants, Employees or Assigns.

Displacees are encouraged to consult with their own tax advisors concerning the tax consequences of relocation payments. According to the Social Security Administration, relocation benefits do not impact S.S.I. payments, however lump sum payments *may* trigger reviews during asset searches. Further information regarding relocation benefits and their impact upon Social Security benefits is available from OPC.

L. APPEALS POLICY

The appeals policy will follow the standards described in Section 6150 et seq. of the Guidelines. Should federal funds be used in the project, the appeals process will follow Sub-part A 24.1 of the URA.

Briefly stated, displacees will have the right to ask for administrative review when

there is a complaint regarding rights to relocation and relocation assistance, as to:

1. Eligibility;
2. The amount of payment;
3. The failure to provide comparable replacement housing referrals;
or,
4. City of Capitola landlord management practices.

M. EVICTION POLICY

Eviction by City is permissible only as a last alternative. With the exception of persons considered to be in unlawful occupancy, a displaced person's eviction does not affect eligibility for relocation assistance and benefits. Relocation records must be documented to reflect the specific circumstances surrounding the eviction.

Eviction by the City may be undertaken only for one or more of the following reasons:

1. Failure to pay rent, except in those cases where the failure to pay is due to the lessor's failure to keep the premises in habitable condition; is the result of harassment or retaliatory action; or, is the result of a discontinuation or substantial interruption of services which cannot be reasonably mitigated by lessor;
2. Performance of a dangerous or illegal act in the unit by lessee, its guests or invitees or, any combination thereof;
3. A Material breach of the rental agreement and failure to correct said breach within 30 days of notice;

4. Maintenance of a nuisance, and failure to abate within a reasonable time following notice;
5. Refusal to accept one of a reasonable number of offers of replacement dwellings;
6. A requirement under State or local law or emergency circumstances that cannot be prevented by reasonable efforts on the part of the Lessor.

N. PARK CLOSURE AND RELOCATION TIMELINE

Should the City Council vote to close the Park, it is expected that the after a 30 day review of this report the following general schedule will be followed. This schedule is subject to change. All impacted residents will receive ample notification of the progress of the activities required. All dates shown below are subject to change.

- November 1 – Distribution of RIR to Public
- November 17, 2011 – Public hearing to answer questions regarding RIR
- December 1, 2011 – Hearing to Review and Recommend RIR to City Council by Planning Commission
- December 8, 2011 – Hearing and Consideration of RIR by City Council

The following dates are tentative, subject to Council consideration of the RIR

- January 2012 – Issuance of 180-Day Notice of Park Closure & Commencement of Relocation Advisory Service Provision
- April 2012 – Issuance of 90 Day Notice to Vacate per CRAL
- July 2012 – Closure of Pacific Cove Mobile Home Park

O. ESTIMATED PARK CLOSURE AND RELOCATION COSTS

The City anticipates utilizing financial assistance provided through various sources including the City's General fund. Other sources may include Federal funds.

The **preliminary cost estimate for the park closure** including relocation benefits, acquisition of coaches and the demolition of the coaches is estimated at **\$2.1 million**.

A preliminary estimate of the data, based on the move in dates collected, 14 residents and owners are eligible to receive monetary relocation assistance for replacement housing.

A detailed estimate is shown in Table 10. Per the requirements of 17.90.30 (K), OPC has received two bids from trailer movers for planning purposes. A description of these bids is also shown below and in ATTACHMENT 7. A median of the bids was used to assess the cost of demolishing the coaches and hauling off them off-site.

Because of the long period of implementation, changes in circumstances and incomplete information on some of the households, the City will budget a reserve for unanticipated contingencies.

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Table 10: Park Closure Cost Estimate

Relocation/Closure Cost Category	Legal Citation	Description of Cost	Cost Estimate
Purchase Price Differential Paid to Eligible Full-time Owner Occupant *	6112 and 6102 - Title 25 California Relocation Assistance Guidelines	Differential between the cost of a replacement home and the acquisition price of the coach up to a maximum of \$22,500	\$1,157,550
Rental Assistance Payments for Space Rental Differential for Eligible Full-time Owner Occupants	6112 and 6104 -Title 25 California Relocation Assistance Guidelines	Differential between the rent of a replacement mobile home space in a park and the displacement space rent multiplied by 42 months	\$79,012
Rental Assistance Payments to Renter Occupants (Including Last Resort Housing Payments per 6120 & 6139 of Title 25)	6112 and 6104 - Title 25 California Relocation Assistance Guidelines	Differential between the rent of a replacement home and the displacement rent multiplied by 42 months	\$140,616
Moving Assistance Payments	6090 - Title 25 California Relocation Assistance Guidelines	Fixed move payment schedule as determined by the Federal Highways Administration and adopted by Caltrans	\$34,200
Sub-total of Relocation Costs			\$1,411,378
Fair Market Value of the Acquisition of Private Coaches	6182 - Title 25 California Relocation Assistance and Real Property Acquisition Guidelines	Based on appraisal prepared by DM&A	\$159,725
Coach Demolition and Haul off Cost			\$340,000
Sub-total of Relocation and Closure Cost			\$1,911,103
Contingency (10%)			\$191,110
Total Estimated Closure Cost (Less Consulting Fees)			\$2,102,213

Mobile Home Move Quotes

OPC obtained two move bid quotes for the movement of mobile homes up to 100 miles from the Park. Bids were received from JP Mobile Movers and Baxter Mobile Movers. Bids were received for both single-wide and double wide moves. These quotes provide pricing for moving and re-installing the coach and all accessories including awning and porches. A comparison of the bids and a median cost is shown below in Table 11.

Table 11: Mobile Move Bid Results

Firm	Coach Type	
	Single-wide	Double-wide
Baxter	\$5,000	\$10,000
JP Mobile	\$7,000	\$12,000
Median Cost	\$6,000	\$11,000

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ATTACHMENT 1: SAMPLE RESIDENTIAL INTERVIEW FORM

Interview Date: _____ Site Move-In: _____ Initiation of Negotiations: _____ Interviewer: _____

<p>Head of Household _____ Address: _____ # _____ _____ Site Telephone # _____ Work/Cell # _____ Fax # _____ Email _____ Social Security Number : _____</p> <p><u>DISPLACEMENT STATISTICS</u></p> <p>Dwelling Type _____ Approx. Sq.Ft. _____ Approximate Age of Unit: _____ yrs. _____ # Bedrooms _____ # Bathrooms _____ # Rooms _____ <input type="checkbox"/> Laundry Fac. <input type="checkbox"/> Garage <input type="checkbox"/> Carport <input type="checkbox"/> Pets: If so, describe _____</p> <p>Mobile Home: Size: _____ ft x _____ ft Year: _____ Model: _____ Pad Rent: \$ _____</p> <p><u>OCCUPANCY / FINANCIAL INFORMATION</u></p> <p>Occupancy Status: <input type="checkbox"/> Own <input type="checkbox"/> Rent</p> <p>Condition of unit : <input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor</p> <p>Home business? _____ Description _____</p> <p>Do you rent out any rooms in the dwelling? <input type="checkbox"/> Yes <input type="checkbox"/> No If so, names: _____ If so, is person or persons considered part of household? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><u>Owners:</u> <input type="checkbox"/> Mortgage <input type="checkbox"/> Own Clear Monthly Payment: Principal \$ _____ Loan Balance(s) as of _____ : \$ _____ Loan Type: <input type="checkbox"/> Fixed <input type="checkbox"/> Variable Annual % Rate _____ Loan Type: <input type="checkbox"/> Fixed <input type="checkbox"/> Variable Annual % Rate _____ Original Date(s) of Current Loan(s) : _____ Rem. Loan Term _____ Months Rem. Loan Term _____ Months</p> <p><u>Renters:</u> <input type="checkbox"/> Total Monthly Rent: \$ _____ Landlord _____ <input type="checkbox"/> Written Agreement Date _____ <input type="checkbox"/> M/M <input type="checkbox"/> Lease <input type="checkbox"/> Vacant/No Contact <input type="checkbox"/> Unit Furnished <input type="checkbox"/> Unit Unfurnished <input type="checkbox"/> Security Deposit? \$ _____ If Sect.8, Total Tenant Rent. \$ _____ Caseworker: _____ Telephone #: _____</p>	<p><u>OTHER:</u></p> <p><u>ETHNICITY:</u> <input type="checkbox"/> White <input type="checkbox"/> Asian <input type="checkbox"/> Hispanic/Latino <input type="checkbox"/> African American <input type="checkbox"/> Other _____</p> <p><u>PRIMARY LANGUAGE:</u> <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Other: _____</p> <p><u>SPECIALIZED NEEDS:</u> <input type="checkbox"/> AFDC / TANF, Pension SS, SSI <input type="checkbox"/> Other Public Assistance (ask for Entitlement Letter) <input type="checkbox"/> Elderly Household <input checked="" type="checkbox"/> Handicapped Household: Describe: _____ _____ Need Barrier-Free: Yes <input type="checkbox"/> No <input type="checkbox"/> <input type="checkbox"/> _____ Own Car? Yes <input type="checkbox"/> No <input type="checkbox"/> <input type="checkbox"/> Need access to public transportation? Describe mode: _____ _____ <input type="checkbox"/> Need to live near medical facilities? Describe location: _____ _____ <input type="checkbox"/> Other Special needs or services requested: Describe: _____ _____</p>	<p>Monthly Utilities: Which _____</p> <p>Gas: <input type="checkbox"/> Tenant <input type="checkbox"/> Owner Electricity: <input type="checkbox"/> Tenant <input type="checkbox"/> Owner Water: <input type="checkbox"/> Tenant <input type="checkbox"/> Owner Other: _____</p> <p>Appliances Owned by Tenant: <input type="checkbox"/> Stove <input type="checkbox"/> Refrigerator <input type="checkbox"/> W/D <input type="checkbox"/> Other _____</p> <p>Are all occupants planning to move at the same time, and to the same replacement dwelling? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please explain: _____ _____ _____ _____ _____ _____ _____ _____</p>
--	--	---

Household Members	Sex	Age	Move-in date	Income	Relationship/ Employer/School
1	M F				
2	M F				
3	M F				

ATTACHMENT 2: INCOME LIMITS – SANTA CRUZ COUNTY (2011)

The following figures are approved by the U.S. Department of Housing and Urban Development (H.U.D.) for use in the **County of Santa Cruz** to define and determine housing eligibility by income level.

Income Category	Number of Persons Per Household							
	1	2	3	4	5	6	7	8
Extremely Low	\$21,200	\$24,200	\$27,250	\$30,250	\$32,700	\$35,100	\$37,550	\$39,950
Very Low	\$35,300	\$40,350	\$45,400	\$50,400	\$54,450	\$58,500	\$62,500	\$66,550
Lower	\$56,500	\$64,550	\$72,600	\$80,650	\$87,150	\$93,600	\$100,050	\$106,500
Median	\$60,050	\$68,650	\$77,200	\$85,800	\$92,650	\$99,550	\$106,400	\$113,250
Moderate	\$72,050	\$82,650	\$92,650	\$102,950	\$112,200	\$119,400	\$127,650	\$135,900

Figures are per the California Department of Housing and Community Development, July 13, 2011.

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Pacific Cove Mobile Home Park – Subject Mobile Homes Data Sheet

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
40	Travel Trailer	A	Yes	Arctic Fox	N/I – Est. 1990's	236	1	1	\$101	N/I	N/I
42	Manufactured Home	A	No	N/A	N/I – Est. 1990's	560	N/I	N/I	\$87	N/I	N/I
43	Manufactured Home	A	No	N/A	1982	716	2.5	1	\$96	N/D	1982
47	Mobile Home	A	No	Nashua	1960 (Approx)	423	1	1	\$116	N/D	1999
48	Mobile Home	F/P	No	Castaway	N/I – Est. 1960's	240	1	1	\$90	N/I	N/I
49	Mobile Home	G	No	Jewel	1950's (approx)	432	1	1	\$124	N/D	1982
50	Mobile Home	A/G	No	Anderson	1956	336	1	1	\$125	N/D	1995
53	Manufactured Home	A/G	No	Skyline/Palm Manor	1988	880	2	2	\$115	33,122	1988
54	Mobile Home	A/G	No	Champion	1968	1178	2.5	2	\$100	165,000	2002 (approx)

N/A – Information not available at time of interview
 N/D- Not Disclosed
 N/I – Not Interviewed

A - Average
 F - Fair
 G - Good
 P - Poor

ATTACHMENT 3: COACH CHARACTERISTICS

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
56	Mobile Home	A	No	Paramount	1956	640	2	1	\$95	N/D	Approx. 1971
57	Manufactured Home	G	No	Golden West	1995	1176	2	1	\$111	70,000	1998
59	Mobile Home	A	No	Universal	1965	970 (Reported by Owner)	2.5	1	\$98	115,000	2006
60	Mobile Home	A/G	No	National	1964	900	2	2	\$100	N/D	1989
62	Mobile Home	G	No	Lancer	1981	800	2	2	\$110	135,000	2004
63	Mobile Home	A/F	No	Champion	N/A – Est. 1970's	528	1	1	\$80	60,000 (Approx)	1997
64	Mobile Home	A	No	Angel	1956	516	2	1	\$96	Paid \$4,500 on top of trade with city	1982
66	Mobile Home	A	No	Westbrook	1974	576	2	1	\$90	N/D	2006
67	Mobile Home	A/F	No	Champion	1971	570	1	1	\$82	Grandmother paid \$12,000 in 1978. Christine paid \$60,000 in 2008	2008

N/A – Information not available at time of interview
N/D- Not Disclosed
N/I – Not Interviewed

A - Average
F - Fair
G - Good
P - Poor

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
56	Mobile Home	A	No	Paramount	1956	640	2	1	\$95	N/D	Approx. 1971
57	Manufactured Home	G	No	Golden West	1995	1176	2	1	\$111	70,000	1998
59	Mobile Home	A	No	Universal	1965	970 (Reported by Owner)	2.5	1	\$98	115,000	2006
60	Mobile Home	A/G	No	National	1964	900	2	2	\$100	N/D	1989
62	Mobile Home	G	No	Lancer	1981	800	2	2	\$110	135,000	2004
63	Mobile Home	A/F	No	Champion	N/A - Est. 1970's	528	1	1	\$80	60,000 (Approx)	1997
64	Mobile Home	A	No	Angel	1956	516	2	1	\$96	Paid \$4,500 on top of trade with city	1982
66	Mobile Home	A	No	Westbrook	1974	576	2	1	\$90	N/D	2006
67	Mobile Home	A/F	No	Champion	1971	570	1	1	\$82	Grandmother paid \$12,000 in 1978. Christine paid \$60,000 in 2008	2008

N/A - Information not available at time of interview
 N/D - Not Disclosed
 N/I - Not Interviewed

A - Average
 F - Fair
 G - Good
 P - Poor

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
68	Mobile Home	A/F	No	Star	1967	1040	3	1	\$80	N/D	1991
69	Mobile Home	A/G	No	Melody	1967	860	2	2	\$104	N/D	1996
71	Mobile Home	A/F	No	Nashua	1962	348	2.5	1	\$105	N/D	1964
74	Mobile Home	A/G	No	Fleetwood Homes	1961	380	1	1	\$111	N/D	1983
75	Mobile Home	A	No	Champion	1965	500	2	1	\$100	N/D	1976
76	Mobile Home	A/G	No	Casa Loma	1966	1080	2	1	\$95	115,000	2006
77	Mobile Home	F	No	Fleetwood Homes	1970's	480	2	1	\$85	N/D	1979
78	Mobile Home	A	No	SilverCrest	1971	648	1	1	\$90	15,000	1975
80	Manufactured Home	G	Yes	Champion (Infinity Limited)	2004	836	3	2	\$126	\$58,000	2003/ 2004
82	Mobile Home	G	No	Imperial	1967	540	1	1	\$109	N/D	1999/ 2000
83	Manufactured Home	G	No	N/A	N/A- Est. 1980's	1040	2	2	\$100	N/D	N/A
84	Mobile Home	A	No	Royal Lancer	1974	1440	2	2	\$80	N/D	1980

N/A - Information not available at time of interview
N/D- Not Disclosed
NI - Not Interviewed

A - Average
F - Fair
G - Good
P - Poor

ATTACHMENT 4: COMPRABLE PARK & HOUSING RESOURCES

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MOBILE HOMES FOR SALE

Address	City	Listing Price	BR	BA	Year	Park	Square Feet	Size	Space Rent	Restrictions
220 Mar Vista #54	Aptos	\$97,000	2	2	1966	Blue Pacific	706	SW	\$557	Co-op Park
1099 38th #17	Capitola	\$33,500	2	1	1970	Castle Mobile Estates	600	SW	\$650	All age park
1099 38th #82	Capitola	\$35,500	2	2	1971	Castle Mobile Estates	612	SW	\$650	All age park
1099 38th Ave #39	Capitola	\$49,900	2	1	1970	Castle Mobile Estates	800	SW	\$650	All age park
750 47th #55	Capitola	\$65,000	2	1	1967	Surf and Sand	720	SW	\$1,300	
750 47th AV #5	Capitola	\$68,000	2	1	1954	Surf and Sand	750	SW	\$350	
750 47th #41 #41	Capitola	\$69,000	2	1	1963	Surf and Sand	550	SW	\$350	
750 47th ST #53	Capitola	\$69,500	2	1.5	1963	Surf and Sand	816	SW	\$500	
750 47th #35	Capitola	\$89,000	2	1	1962	Surf and Sand	470	DW	\$350	All age park
6831 hwy 9 #6	Felton	\$65,000	1	1	1997	Fall Creek	588	DW	\$360	
2395 Delaware #189	Santa Cruz	\$15,999	2	2	1973	DeAnza	1316	DW	\$2,195	40+ to own
2395 Delaware AV #120	Santa Cruz	\$18,300	2	2	1990	DeAnza	1500	DW	\$1,715	40+ to own
170 West Cliff DR #41	Santa Cruz	\$19,995	0	1	2001	Clearview Court	288	DW	\$665	All age park
170 West Cliff #74	Santa Cruz	\$24,900	1	1	1970	Clearview Court	480	DW	\$735	All age park
2395 Delaware AV #173	Santa Cruz	\$29,999	1	2	1971	DeAnza	1664	DW	\$2,850	40+ to own
2395 Delaware AV #155	Santa Cruz	\$33,333	2	2	1971	DeAnza	1440	DW	\$2,865	40+ to own
2120 N Pacific #45	Santa Cruz	\$39,000	1	1		Coop Park		SW	\$357	Space Only

2120 N Pacific #30	Santa Cruz	\$42,000	1	1		Coop Park		SW	\$359	Space Only
170 W Cliff DR #39	Santa Cruz	\$47,500	1	1		Clearview Court	480	SW	\$765	All age park
2120 Pacific AV #38	Santa Cruz	\$49,000	1	1	1958	Coop Park	410	SW	\$349	Co-op Park
1040 38th AV #37	Santa Cruz	\$54,500	1	1	1973	Shangri La	576	SW	\$362	62+
2395 Delaware #81	Santa Cruz	\$54,900	2	2	1971	DeAnza	1733	DW	\$2,500	40+ to own
1625 Brommer ST #24	Santa Cruz	\$60,000	1	1	1990	Live Oak Park	400	SW	\$350	
1099 38th AV #45	Santa Cruz	\$60,000	2	1	1970	Castle Mobile Estates	860	DW	\$650	All age park
720 26th Ave #27	Santa Cruz	\$60,000	2	2	1960	Pleasure Point	850	SW	\$304	
1099 E 38th AV #19	Santa Cruz	\$62,800	2	1.5	1971	Castle Mobile Estates	720	SW	\$550	All age park
560 30th AV #38	Santa Cruz	\$69,000	1	1	1962	Snug Harbor	480	SW	\$330	
2565 Portola DR #12	Santa Cruz	\$74,900	1	1	1958	Ocean Breeze	400	SW	\$360	
2395 Delaware AV #78	Santa Cruz	\$75,000	2	2	2006	DeAnza	1180	DW	\$2,500	40+ to own
2630 Portola DR #35	Santa Cruz	\$84,000	1	1	2008	Trailer Haven	393	SW	\$281	All age park
1730 Commercial WY #14	Santa Cruz	\$85,000	1	1	2009	Pacific Family	432	SW	\$335	All age park
890 38th AV #92	Santa Cruz	\$89,000	3	2	1961	Opal Cliffs	825	SW	\$630	
1555 Merrill St #39	Santa Cruz	\$94,500	2	1	1994	Shoreline Estates	728	SW	\$328	
998 38th #28	Santa Cruz	\$95,000	2	2	1969	Ranchito	940	DW	\$232	62+
1555 Merrill St #148	Santa Cruz	\$95,000	2	2	1970	Shoreline	960	DW	\$350	55+
1555 Merrill St #164	Santa Cruz	\$99,000	2	2	1970	Shoreline	1150	DW	\$350	55+

444 Whispering Pines DR #99	Scotts Valley	\$76,000	2	2	1973	Vista Del Lago	1440	DW	\$795	All age park
999 Old San Jose Rd #82	Soquel	\$62,000	2	1	1968	Carriage Acres	944	DW	\$360	All age park
2630 Orchard ST #40	Soquel	\$99,000	2	2		Country Villa	1050	DW	\$484	
Median Data		\$62,800			1992	612			\$650	

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CONDOS FOR SALE

Address	City	BR	BA	Listing Price	HOA	Sqft
41 GRANDVIEW ST #01402	Santa Cruz, CA 95060	1	1	\$199,500	\$310	692
1925 46TH AV #145	Capitola, CA 95010	2	1	\$200,000	\$340	990
308 RIVER ST #E31	Santa Cruz, CA 95060	2	1	\$219,900	\$370	797
323 BROADWAY #C2	Santa Cruz, CA 95060	1	1	\$229,000	\$407	1028
318 SOQUEL AV #D1	Santa Cruz, CA 95062	2	2	\$230,000	\$407	1180
755 14TH AV #108	Santa Cruz, CA 95062	2	1	\$230,000	\$211	799
1925 46TH AV #139	Capitola, CA 95010	2	1	\$240,000	\$340	775
1925 46TH AV #136	Capitola, CA 95010	2	1	\$244,000	\$315	790
930 PONSELLE LN #4	Capitola, CA 95010	2	1	\$245,000	\$325	819
4203 STARBOARD CT	Soquel, CA 95073	3	1	\$249,000	\$316	
3050 MARLO CT #2	Aptos, CA 95003	2	1	\$251,500	\$380	1050

Median Data

\$230,000

\$340

809

NON-MOBILE HOME RENTALS

Address	City	Type	Bed	Bath	Rent	Deposit	Pets
9012 SOQUEL DRIVE, #2	Aptos	Apt	1	1	\$895	\$1,295	Cats
1901 KINSLEY ST. #8	Santa Cruz	Apt	1	1	\$925	\$1,425	Cats
123 Pearl Street #5	Santa Cruz	Apt	1	1	\$960	\$1,460	No
701 Beach Street	Santa Cruz	Apt	1	1	\$975		
2623 Porter St	Soquel	Apt	1	1	\$985	\$1,100	No
Taylor Way	Santa Cruz	Cottage	1	1	\$995		Yes
229 MAR VISTA #B	Aptos	Fourplex	1	1	\$1,025	\$1,525	Cats
3912 Portola Drive	Capitola	Apt	1	1	\$1,040	\$1,500	
119 Clay St #1	Santa Cruz	Apt	1	1	\$1,050	\$800	No
E. Walnut St. at Soquel Dr.	Santa Cruz	Cottage	1	1	\$1,100	\$1,200	Cats
850 Rosedale Ave	Capitola	Apt	1	1	\$1,135	\$1,000	No
212 San Jose Avenue	Capitola	Apt	1	1	\$1,195		No
Merced ave	Santa Cruz	Duplex	1	1	\$1,200		
208 Terrace Way #3	Santa Cruz	Apt	1	1	\$1,250	\$1,875	Cats
315 Riverview Avenue, #3	Capitola	Cottage	1	1	\$1,250	\$500	unk
41st. Ave	Capitola	Apt	1	1	\$1,295		
Balboa Ave. at Cabrillo Ave.	Capitola	Apt	1	1	\$1395-1 adult \$1450 - 2 adults		Yes, under 10lbs
1925 46th ave, #31	Capitola	Condo	1	1	\$1,400		No
22625 East Cliff Drive	Santa Cruz	Condo	1	1	\$1,445	\$1,000	No
2655 Mar Vista D	Aptos	Apt	2	1	\$1,240	\$1,860	No
Barson St. at Ocean St.	Santa Cruz	Fourplex	2	1	\$1,250	\$1,800	No
514 Laverne Ave #B	Aptos	Duplex	2	1	\$1,275	\$1,500	No
600 CABRILLO PARK CT. #15	Soquel	Townhouse	2	1.5	\$1,295	\$1,895	Cats
2939 PARK AVENUE #3	Soquel	Apt	2	1	\$1,295	\$1,895	Cats
121 Grant St #16	Santa Cruz	Apt	2	1	\$1,325	\$1,200	No
174 Searidge Ct #D	Aptos	Apt	2	1	\$1,350	\$1,200	No
810 Balboa Ave #C	Capitola	Apt	2	1	\$1,375	\$1,200	No
1545 San Andreas Rd	Aptos	Duplex	2	1	\$1,395	\$1,900	No

4440 Diamond Street 3	Capitola	Condo	2	1	\$1,400	\$2,000	No
408 Village Circle	Santa Cruz	House	2	1	\$1,450		
1542 Dolphin	Aptos	Townhouse	2	1.5	\$1,500	\$2,250	No
Valencia rd. at Trout gulch rd.	Aptos	Cottage	2	1	\$1,500	\$1,500	Cats
801 Brommer #B	Santa Cruz	Duplex	2	2	\$1,550	\$2,325	No
180 Dakota Ave #18	Santa Cruz	Condo	2	1	\$1,600	\$2,400	No
1630 Merrill Street	Santa Cruz	Apt	2	1	\$1,645		Yes
304 Cliff Street	Santa Cruz	Apt	2	1	\$1,650	\$1,650	No
725 Capitola Ave	Capitola	Condo	2	1.5	\$1,650	\$2,475	Cats
132 Marina	Aptos	House	2	1	\$1,695	\$2,550	No
6111 Abbey	Aptos	Townhouse	2	1.5	\$1,700	\$2,550	No
2906 Mattison Lane	Santa Cruz	Cottage	2	1	\$1,750	\$2,625	Cats
Median Data					\$1,295	\$1,525	

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MOBILE HOMES FOR RENT

Address	City	Type	Bed	Bath	Rent	Deposit	Pets
Brown Gables Rd at Hwy 9	Santa Cruz	Mobile Home	1	1	\$1,000.00	\$1,500.00	Cats
Plum st at Rosedale	Capitola	Mobile Home	2	2	\$1,750.00	Neg.	Cats

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MOBILE HOME PARKS WITHIN 20 MILES

LOCATION	PARK NAME	ADDRESS	CONTACT	APPROXIMATE SPACE RENT/FEES	AGE	PETS	DISTANCE FROM SUBJECT PARK	TYPE	Replacement Coaches
SANTA CRUZ	Antonelli	2655 Brommer Ave Santa Cruz	831-476-3951	\$ 160.00	55+	On approval	2.4	**	
	Beach Comber	2627 Mattison Ln Santa Cruz	831-475-6923	\$ 261.00	All	On Approval	3.0	***	
	Blue & Gold	1255 38th Ave. Santa Cruz	831-475-1620	\$ 330.00	All	Max 20 pounds	1.8		
	De Anza	2395 Delaware St. Santa Cruz	831-423-8660	\$ 1,640.00	55+	On Approval	7.9		
	El Rio	2120 Mattison Ln Santa Cruz	831-423-9494	\$ 330.00	All	Max 30 pounds	2.8	***	
	Homestead	2335 Brommer St. Santa Cruz	831-476-7616	\$ 110.00	55+	On Approval	2.4	**	
	Live Oak	1225 17th Ave. Santa Cruz	831-732-7477	\$ 330.00	All	On Approval	2.4		
	Ocean Breeze	2565 Portola Dr. Santa Cruz	831-479-9662	\$ 215.00	All	On Approval	1.8		

Pleasure Point	720 26th Ave. Santa Cruz		\$ 291.00	All	Max 35 pounds	1.9		
Ranchito	998 38th Ave. Santa Cruz	831-476-0723	\$ 232.00	62+	On Approval	1.5		
Shangri-La	1040 38th Ave. Santa Cruz	831-475-7494	\$ 340.00	62+	On Approval	1.6		
Shoreline Estates	1555 Merrill St. Santa Cruz	831-475-7031	\$ 350.00	55+	On Approval	2.8		
Snug Harbor	560 30th Ave. Santa Cruz	831-475-4464	\$ 284.00	All	Max 35 pounds	1.8		
Sorrento Oaks	800 Brommer St. Santa Cruz	831-476-0101	\$ 130.00	55+	On Approval	3.3	**	
Voyage West	3710 Gross Rd. Santa Cruz	831-476-1523	\$ 327.00	All	On Approval	1.2		
Villa Santa Cruz	2435 Felt Street Santa Cruz	831-475-0900	\$ 135.00	All	Max 28 pounds	2.4	***	
Bay Mobile Home Park	925 38th Ave. Santa Cruz	831-475-7899	\$ 288.00	All	On Approval	1.4		Currently no vacancies. All replacement coaches must not be over ten (10) years old (or receive a special exemption from the Park Owner in cases where the coach is in exceptionally good condition)

								and meet all current HCD requirements at the time of installation.
Bell Harbor Mobile Home Park	3300 Portola Dr. Santa Cruz	831.234.1346	\$ 300.00	All	On Approval	1.6		
Clearview Court Mobile Home	170 West Cliff Dr. Santa Cruz	831-423-5855	\$ 665.00	All	On Approval	7.2		
Garden Lane Mobile Home Park	692 38th Ave. Santa Cruz	831-722-7864	\$ 300.00	All	On Approval	1.4		
Pine Knoll Mobile Home Park	2546 Capitola Road, Santa Cruz	831-475-0559	\$ 322.00	All	Max 35 pounds; no cats	1.7		
Pleasant Acres Mobile Home Park	1770 17TH AVE, San Cruz	831-475-1012	\$ 224.00	All	On Approval	3.1		
Trailer Haven Mobile Home Park	2630 Portola Drive, Santa Cruz	831-475-7322	\$ 250.00	All	On Approval	1.8		
Pacific Family	1730 Commercial Way, Santa Cruz	831-476-7651	\$ 355.00	All	On Approval	2.4	***	All replacement coaches must not be over ten (10) years old (or receive a special exemption from the Park Owner in cases where the coach is in exceptionally good condition) and meet all current HCD requirements at the time of installation.

Bay Village	825 35th Ave., Santa Cruz	831-475-7899	\$ 275.00	All	On Approval	1.6		Currently no vacancies. All replacement coaches must not be over ten (10) years old (or receive a special exemption from the Park Owner in cases where the coach is in exceptionally good condition) and meet all current HCD requirements at the time of installation.
Opal Cliff	890 38th Ave. Santa Cruz	831-475-7899	\$ 470.00	All	On Approval	1.4		Currently no vacancies. All replacement coaches must not be over ten (10) years old (or receive a special exemption from the Park Owner in cases where the coach is in exceptionally good condition) and meet all current HCD requirements at the time of installation.
Yacht Harbor Manor	1190 7th Ave. Santa Cruz	831-475-5150	\$ 365.00	All	Max 35 pounds	3.3		
CAPITOLA								
Castle Mobile Home Park	1099 38th Ave. Santa Cruz	831-475-7334	\$ 600.00	All	Max 20 pounds	1.6		
Tradewinds	4160 Jade St. Capitola	831-475-6740	\$ 110.00	55+	On Approval	1.1	**	
Brookvale Terrace	300 Plum St. Capitola	831-475-9499	\$ 190.00	All	Max 45 pounds	0.4	**	

Cabrillo Estates	930 Rosedale Ave. Capitola	831-475-4312	\$ 300.00	All	On Approval	1.1		
Loma Vista	4425 Clares St. Capitola	831-476-3165	\$ 348.00	55+	On Approval	1.1		
Surf & Sand	750 47th Ave. Capitola	831-475-5815	\$ 270.00	55+	On Approval	0.8		
Turner Lane	920 Capitola Av. Capitola	831-475-0252 under new ownership	\$ 150.00	All	Max 20 pounds	0.5		
Wharf Manor	2155 Wharf Road Capitola		\$ 418.00	All	On Approval	1.2		

SOQUEL	Alimur	4300 Soquel Dr., Soquel	831-475-0252	\$ 307.00	All	Max 20 pounds	1.8	***	
	Carriage Acres	999 Old San Jose Rd. Soquel	831-475-6653	\$ 360	All	Max 40 pounds	1.8		
	Cliffwood Heights	3200 Cliffwood Dr. Soquel	831-475-3366	\$ 90.00	55+	On Approval	1.6	**	
	Country Villa	2630 Orchard, Soquel	831-475-5530	\$ 525.00	All	On Approval	1.2		

Old Mill	3060 Porter St. Soquel	831-475-6696	\$ 450.00	All	On Approval	1.1		
Orchard Lane	2750 Orchard St. Soquel	831-475-4464	\$ 326.00	All	Max 35 pounds	1.1		
Rodeo Estates	100 N. Rodeo Gulch Soquel	831-476-6242	\$ 405.00	55+	Max 35 pounds	1.9		
Soquel Glenn	5300 Soquel Dr. Soquel	831-476-5044	\$ 272.00	55+	On Approval	1.3		
Soquel Trailer	4150 Soquel Dr. Soquel	831-475-4463	\$ 300.00	All	On Approval	1.5		

APTOS	Aptos Knolls	600 Trout Gulch Aptos	831-688-4422	\$ 550.00	55+	Max 25 pounds	4.1	
	Aptos Pines	7515 Freedom Blvd. Aptos	831-688-5444	\$ 150.00	All	On Approval	5.7	*
	Blue Pacific	220 Mar Vista Dr. Aptos	831-688-3090	\$ 343.00	All	Max 20 pounds	2.8	
	Ocean View	21 Windemere Ln Aptos	831-688-6346	\$ 161.00	55+	On Approval	3.2	
	Palm Terrace	2711 Mar Vista Dr. Aptos	831-688-4831	\$ 475.00	All	Max 35 pounds	3.0	
	Seacliff	2700 Mar Vista Dr. Aptos	831-688-6824	\$ 191.00	55+	On Approval	3.0	**

SCOTTS VALLEY	Monteville	552 Bean Creek Rd., Scotts Valley	831-438-1309	\$ 170.00	55/45+	On Approval	8.9	*
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Mountain Brook	6011 Scotts Valley Dr., Scotts Valley	831-439-9286	\$ 325.00	All	On Approval	10.0	***	
Spring Lakes	225 Mt. Hermon Rd., Scotts Valley	831-438-2407	\$ 175.00	55+	Max 20 pounds	8.5	**	
Forest Hills	4121 Scotts Valley Dr., Scotts Valley (income restricted)	831-438-2750	\$ 285.00	All	Cats only	8.5		
Scotts Valley	5344 Scotts Valley Dr.	831-761-9151	\$ 370.00	All	On Approval	9.8		
Vista Del Lago	444 Whispering Pines, Scotts Valley	831-438-4840	\$ 619.00	All	On Approval	8.6		
SAN LORENZO VALLEY								
Fall Creek	6831 Highway 9, Felton	831-335-7599	\$ 285.00	55+	On Approval	11.7		
Redwoods on River	265 Brown Gables Rd., Ben Lomond	831-336-5182	\$ 180.00	All	On Approval	14.9		
Sequoia Villa	12540 Central Ave., Boulder Creek	831-338-6586	\$ 230.00	All	On approval	17.2		
Smithwoods	Kelldon Dr., Felton	831-335-4321	\$ 279.00	55+	On Approval	9.8		
WATSONVILLE / CORRALITOS								
Colonial Manor	525 Airport Blvd. Watsonville	831-724-1036	\$ 294.00	55+	On Approval	12.3		

Freedom	1954 Freedom Blvd. Watsonville	831-458-3013	\$ 200.00	All	On Approval	12.4		
Green Valley Village	501 Green Valley Rd. Watsonville	831-722-6766	\$ 310	All	On Approval	14.2		
Meadows Manor	49 Blanca Lane Watsonville	831-724-1841	\$ 400.00	All	On Approval	13.7		
Monterey Vista	144 Holm Rd. Watsonville	831-722-6698	\$ 375.00	55+	On Approval	11.7		
Moss Landing	1900 Salinas Rd. Watsonville	831-724-1900	\$ 310.00	All	On Approval	18.2		
Pinto Lake	789 Green Valley Rd. Watsonville	831-724-3333	\$ 350.00	All	Max 20 pounds	15.4		
Portola Heights	1007 Freedom Blvd. Watsonville	831-724-4909	\$ 436.00	All	Max 25 pounds	13.4		
Rancho Cerritos	2120 Kralj Dr. Watsonville	831-722-5391	\$ 415.00	All	On Approval	10.0		
Rancho Corralitos	270 Hames Rd. Corralitos	831-722-6515	\$ 425.00	55+	Max 15 pounds	9.8	**	

NOTE: * space rents vary due to coach size and location and change annually

* Resident Owned Park with individual parcel numbers

** Resident Owned Park with shares

*** Resident Owned Park CO-OP

Converting to Resident-owned.

MOBILE HOME PARKS WITHIN 25 AND 50 MILES

Jnits	Age	Park Name	Address	City	State	Phone	Distance From Subject Park
196	All	FRIENDLY VILLAGE OF MILPITAS	120 DIXON LANDING RD	MILPITAS	CA	408-263-1120	42.1
45	All	JOHNSVILLE MOBILE HOME PARK	1504 S MAIN ST	MILPITAS	CA	408-262-1593	38.4
145	All	MOBILODGE OF MILPITAS MH PARK	1515 N MILPITAS BLVD	MILPITAS	CA	408-262-2484	41.8
82	All	FAIRVIEW MOBILE MANOR	2900 FAIRVIEW RD	HOLLISTER	CA	831-637-7953	42.5
235	All	MISSION OAKS MOBILE HOME PARK	1401 SAN JUAN RD	HOLLISTER	CA	831-637-6311	38.3
178	All	PACIFIC MOBILE ESTATES	500 W TENTH ST	GILROY	CA	408-842-8300	36.1
121	All	WAGON WHEEL MOBILE VILLAGE	8282 MURRAY AVE	GILROY	CA	408-842-6240	37.8
54	All	ACE MOBILE HOME COMMUNITY	2800 MONTEREY RD	SAN JOSE	CA	408-225-3204	36.7
64	All	BELLA ROSA MOBILE LODGE	1500 VIRGINIA PL # 146	SAN JOSE	CA	408-923-3066	37.1
418	All	CALIFORNIA HAWAIIAN MH PARK	3637 SNELL AVE	SAN JOSE	CA	408-227-0330	34.8
440	All	CARIBEES MOBILE HOME PARK	411 LEWIS RD	SAN JOSE	CA	408-629-0624	36.3
618	All	CASA DEL LAGO MOBILE HOME PARK	2151 OAKLAND RD	SAN JOSE	CA	408-432-1323	38.6
433	All	CHATEAU LA SALLE	2681 MONTEREY HWY	SAN JOSE	CA	408-298-3230	36.3
200	All	COLONIAL MOBILE MANOR	3300 NARVAEZ AVE	SAN JOSE	CA	408-269-4404	33.5
182	All	COYOTE CREEK MOBILE HOME PARK	2580 SENTER RD	SAN JOSE	CA	408-279-0925	36.8
221	All	GOLDEN WHEEL PARK	1450 OAKLAND RD	SAN JOSE	CA	408-453-3575	36.5

62	All	HILTON MOBILE PARK	661 BONITA AVE	SAN JOSE	CA	408-297-2363	36.6
187	All	HOMETOWN EASTRIDGE	1955 QUIMBY RD	SAN JOSE	CA	408-251-1401	39
108	All	LA BUONA VITA-MOBILE PARK	445 N CAPITOL AVE	SAN JOSE	CA	408-923-3119	39.2
265	All	LAMPLIGHTER SAN JOSE	4201 N FIRST ST	SAN JOSE	CA	408-321-9331	41
541	All	MAGIC SANDS PARK	165 BLOSSOM HILL RD	SAN JOSE	CA	408-225-1010	35
400	All	MILL POND MOBILE HOME PARK	2320 CANOAS GARDEN AVE	SAN JOSE	CA	408-267-9790	34.8
81	All	MOBILE HOME MANOR	1300 E SAN ANTONIO ST	SAN JOSE	CA	408-294-6789	36.6
344	All	MONTEREY OAKS MOBILE HOME PARK	6130 MONTEREY HWY	SAN JOSE	CA	408-225-1475	37.6
107	All	MOSS CREEK MOBILE HOME PARK	2929 ABORN SQUARE RD	SAN JOSE	CA	408-274-5600	40.3
108	All	MOUNTAIN SHADOWS MH PARK	633 SHADOW CREEK DR	SAN JOSE	CA	408-269-9090	33.8
144	All	MOUNTAIN SPRINGS MH PARK	625 HILLSDALE AVE	SAN JOSE	CA	408-266-7611	34.3
102	All	OLD ORCHARD MOBILE PARK	2135 LITTLE ORCHARD ST	SAN JOSE	CA	408-292-4359	35.5
186	All	QUAIL HOLLOW MOBILE HOME PARK	1445 S BASCOM AVE	SAN JOSE	CA	408-371-0116	29.9
95	All	REDWOOD MOBILE HOME PARK	2745 MONTEREY HWY	SAN JOSE	CA	408-227-8591	36.1
166	All	RIVER GLEN MOBILE PARK	2150 ALMADEN RD	SAN JOSE	CA	408-269-2367	33.9
120	All	SAN JOSE MOBILE HOME PARK	540 BONITA AVE	SAN JOSE	CA	408-292-9694	36.5
121	All	SAN JOSE ONE MOBILE HOME PARK	1350 PANOCHÉ AVE	SAN JOSE	CA	408-293-9317	36.8
148	All	SAN JOSE VERDE MOBILE HOME PARK	555 UMBARGER RD	SAN JOSE	CA	408-295-3342	37.1

45	All	GREEN PARROT MOBILE HOMES PARK	835 KIMBALL AVE	SEASIDE	CA	831-394-0222	36.6
68	All	TRAILER TERRACE MOBILE PARK	1206 LA SALLE AVE OFC	SEASIDE	CA	831-392-1934	34.8
		SEASIDE MOBILE ESTATES	1146 BIRCH AVE	SEASIDE	CA	831-394-0700	35.1
		TRAILER HARBOR	905 KIMBALL	SEASIDE	CA	831-394-7559	36.6
		HILBY HEIGHTS PARK	1528 HILBY AVE	SEASIDE	CA	418-394-7951	37.3
138	All	MOORPARK MOBILE HOME PARK	501 MOORPARK WAY	MOUNTAIN VIEW	CA	650-968-4358	38.8
141	All	NEW FRONTIER MOBILE HOME PARK	325 SYLVAN AVE	MOUNTAIN VIEW	CA	650-967-1725	38.5
206	All	SAHARA MOBILE VILLAGE	191 E EL CAMINO REAL	MOUNTAIN VIEW	CA	650-968-7891	37.5
144	All	SUNSET ESTATES MOBILE HOME PARK	433 SYLVAN AVE	MOUNTAIN VIEW	CA	650-968-2222	38.4
143	All	T L MOBILE HOME PARK	440 MOFFETT BLVD	MOUNTAIN VIEW	CA	650-968-4848	39.6
84	All	CYPRESS SQUARE MOBILE HOME PARK	347 CARMEL AVE	MARINA	CA	831-384-9151	30
61	All	EL CAMINO MOBILE HOMES PARK	3320 DEL MONTE BLVD	MARINA	CA	831-384-8241	29.1
99	All	EL RANCHO MOBILE HOME PARK	356 RESERVATION RD	MARINA	CA	831-384-8141	29.8
69	All	LAZY WHEEL MOBILE HOME PARK	304 CARMEL AVE	MARINA	CA	831-384-9421	29.9
83	All	MARINA DEL MAR MOBILE HOME PARK	3128 CRESCENT AVE # 73	MARINA	CA	831-384-8180	29.8
310	All	MONTE DEL LAGO MOBILE HOME PARK	13100 MONTE DEL LAGO	CASTROVILLE	CA	831-633-3729	25

ATTACHEMENT 5: SAMPLE INFORMATIONAL STATEMENT

GENERAL INFORMATION

- I. ASSISTANCE IN LOCATING A REPLACEMENT DWELLING
- II. MOVING BENEFITS
- III. REPLACEMENT HOUSING PAYMENT - TENANTS AND CERTAIN OTHERS
- IV. REPLACEMENT HOUSING PAYMENT - HOMEOWNERS
- V. QUALIFICATION FOR AND FILING OF RELOCATION CLAIMS
- VI. LAST RESORT HOUSING ASSISTANCE
- VII. RENTAL AGREEMENT
- VIII. APPEAL PROCEDURES - GRIEVANCE
- IX. TAX STATUS OF RELOCATION BENEFITS
- X. ADDITIONAL INFORMATION AND ASSISTANCE AVAILABLE

I. GENERAL INFORMATION

The mobile home coach in which you now live is in an area – 'Pacific Cove Mobile Home Park' – to be improved by the City of Capitola (City). As the project schedule proceeds in the future, it will be necessary for you to move from your dwelling. You will be notified in a timely manner as to the date by which you must move.

Please read this information, as it will be helpful to you in determining your eligibility for and the amount of relocation benefits under federal and/or state law. We suggest you save this informational statement for reference.

The City has retained the services of Overland, Pacific & Cutler, Inc., a qualified professional relocation firm, to assist you. The firm is available to explain the program and benefits. Their address and telephone number is:

Overland, Pacific & Cutler, Inc.
7901 Oakport Street, Suite 4800
Oakland, California 94621-2089
Telephone: 877.972.8908

PLEASE DO NOT MOVE PREMATURELY. THIS IS NOT A NOTICE TO VACATE YOUR DWELLING. However, if you desire to move sooner than required, you must contact your representative with Overland, Pacific & Cutler, Inc., so you will not jeopardize any benefits to which you might otherwise be eligible.

This is a general informational brochure only, and is not intended to give a detailed description of either the law or regulations pertaining to City=s relocation assistance program.

II. ASSISTANCE IN LOCATING A REPLACEMENT DWELLING

The City, through its representatives, will assist you in locating a comparable replacement dwelling by providing referrals to appropriate and available housing units. You are encouraged to actively seek such housing yourself.

When a suitable replacement dwelling unit has been found, your relocation consultant will carry out an inspection and advise you as to whether the dwelling unit meets decent, safe and sanitary housing requirements. A decent, safe and sanitary housing unit must provide adequate space for its occupants; proper weatherproofing; and, sound heating, electrical and, plumbing systems. Your new dwelling must pass inspection before relocation assistance payments can be authorized.

III. MOVING BENEFITS

If you must move as a result of displacement by the City, you will receive a payment to assist in moving your personal property, including the mobile home coach which you own. There are two types of moving payments. You have the option of selecting either one of the following types of moving payments:

A. Fixed Moving Payment

A Fixed Moving Payment is based upon the number of rooms you occupy and whether or not you own your own furniture. The payment is based upon a schedule approved by the City and ranges, for example, from four hundred dollars (\$400.00) for one (1) furnished room to two thousand one hundred fifty dollars (\$2,150.00) for eight rooms in an unfurnished dwelling (For details see the Table following).

Your relocation representative will inform you of the amount you are eligible to receive if you choose this type of payment.

FIXED MOVING SCHEDULE - CALIFORNIA (effective 2005)

Occupant Owns Furniture		Occupant Does NOT Own Furniture	
1 room	\$625.00	1 room	\$400.00
2 rooms	\$800.00	Each Additional Room	\$65.00
3 rooms	\$1,000.00		
4 rooms	\$1,170.00		
5 rooms	\$1,425.00		
6 rooms	\$1,650.00		
7 rooms	\$1,900.00		
8 rooms	\$2,150.00		
Each Additional Room	\$225.00		

If you select a fixed payment, you will be responsible for arranging for your own move and the City will assume no liability for any loss or damage of your personal property.

B. Actual Moving Expense (Professional Move)

If you wish to engage the services of a licensed commercial mover and have the City pay the cost directly, you may claim the ACTUAL cost of moving your personal property up to fifty (50) miles. Your relocation representative will inform you of the number of competitive moving bids (if any) which may be required, and assist you in developing a scope of services for City approval.

IV. REPLACEMENT HOUSING PAYMENT - TENANTS AND CERTAIN OTHERS

You may be eligible for a payment of up to five thousand two hundred fifty dollars (\$5,250.00) to assist you in renting or purchasing a comparable replacement dwelling. In order to qualify, you must either be a tenant who has occupied your present dwelling for at least Ninety (90) days prior to City of Capitola acquisition of the property; or, an owner who has occupied your dwelling for between Ninety (90) and one hundred eighty (180) days prior to City of Capitola acquisition of the property.

A. Rental Assistance. If you qualify, and **wish to rent** your replacement dwelling, your rental assistance benefits will be based upon the difference, over no less than a forty-two (42) month period, between the rent you must pay for a comparable replacement dwelling; and, the **lesser of** your current rent **or** thirty percent (30%) of your gross monthly household income. You will be required to provide your relocation representative with monthly rent and household income verification prior to the determination of your eligibility for this payment.

- Or -

B. Down-payment Assistance. If you qualify, and **wish to purchase** a home as a replacement dwelling, you can apply up to the total amount of your rental assistance payment towards the down-payment and non-recurring incidental expenses. Your relocation representative will clarify procedures necessary to apply for this payment.

V. REPLACEMENT HOUSING PAYMENT - HOMEOWNERS

A. If you owned, and occupied a dwelling for **at least 180 days** prior to May 2000, you *may* be eligible to receive a payment of up to twenty two thousand five hundred dollars (\$22,500.00) to assist you in purchasing a comparable replacement unit in the event you are *unable* to relocate your coach to another park.

If you owned, and occupied a *non-relocatable* displacement dwelling for **at least 90 days but not more than 180 days** immediately prior to the date of the City's purchase, you may be eligible for a payment of up to five thousand two hundred fifty dollars (\$5,250.00). This payment is intended to cover the following items:

1. **Purchase Price Differential** – An amount which, when added to the amount for which City purchases your property, equals the lesser of the actual cost of your replacement dwelling; **or**, the amount determined by City as necessary to purchase a comparable replacement dwelling. Your relocation representative will explain both methods to you.
2. **Mortgage Interest Differential** – The amount which covers the *increased interest* costs, if any, required financing a replacement dwelling. Your relocation representative will explain limiting conditions.
3. **Incidental Expenses** – Those one time costs incidental to purchasing a replacement unit, such as escrow fees, recording fees, and credit report fees. Recurring expenses such as prepaid taxes and insurance premiums are **not** compensable.

B. Rental Assistance Option – If you are an owner-occupant and choose to *rent* rather than purchase a replacement dwelling, you may be eligible for a rental assistance payment of up to \$5,250.00. The payment will be based on the difference between the fair market rent of the dwelling you occupy and the rent you must pay for a comparable replacement dwelling.

If you receive a rental assistance payment, as described above, and *later* decide to purchase a replacement dwelling, you may apply for a payment equal to the amount you would have received if you had initially purchased a comparable replacement dwelling, *less* the amount you have already received as a rental assistance payment.

VI. QUALIFICATION FOR AND FILING OF RELOCATION CLAIMS

To qualify for a Replacement Housing Payment, you must rent or purchase, and occupy a comparable replacement unit **within one year from the later** of the following:

1. For a *tenant*, the date you move from the displacement dwelling;
2. For an *owner-occupant*, the date you receive final payment for the displacement dwelling, or, in the case of condemnation, the date the full amount of estimated just compensation is deposited in court; or
3. The date City fulfills its obligation to make available comparable replacement dwellings.

All claims for relocation benefits must be filed with the City **within eighteen (18) months** from the date on which you receive final payment for your property, or the date, on which you move, whichever is later.

VII. LAST RESORT HOUSING ASSISTANCE

If comparable replacement dwellings are not available when you are required to move, or if replacement housing is not available within the monetary limits described above, City will provide Last Resort Housing assistance to enable you to rent, or purchase a replacement dwelling on a timely basis. Last Resort Housing assistance is based on the individual circumstances of the displaced person. Your relocation representative will explain the process for determining whether or not you qualify for Last Resort assistance.

If you are a tenant, and you choose to purchase rather than rent a comparable replacement dwelling, the entire amount of your rental assistance and last resort eligibility must be applied toward the down-payment of the home you intend to purchase.

VIII. RENTAL AGREEMENT

Except for the causes of eviction set forth below, no person lawfully occupying the park will be required to move without having been provided with at least Ninety (90) days written notice from the City. Eviction will be undertaken only in the event of one or more of the following infractions:

- A.** Failure to pay rent; except in those cases where the failure to pay is due to the lessor's failure to keep the premises in habitable condition, is the result of harassment or retaliatory action or is the result of discontinuation or substantial interruption of services within the reasonable control of lessor;
- B.** Performance of dangerous or illegal act in the unit by lessee, its guests or invitee's or, any combination thereof;
- C.** A Material breach of the rental agreement and failure to correct breach within thirty (30) days of written notice;
- D.** Maintenance of a nuisance and failure to abate within a reasonable time following notice;
- E.** Refusal to accept one of a reasonable number of offers of replacement dwellings; or
- F.** The eviction is required by State or local law and cannot be prevented by reasonable efforts on the part of the public entity.

IX. APPEAL PROCEDURES - GRIEVANCE

Any person aggrieved by a determination as to eligibility for a relocation payment, or the amount of a payment, may have her/his claim reviewed or reconsidered in accordance with City's appeals procedure. Complete details on appeal procedures are available upon request from City.

X. TAX STATUS OF RELOCATION BENEFITS

California Government Code Section 7269 indicates no relocation payment received shall be considered as income for the purposes of the Personal Income Tax Law, Part 10 (commencing with Section 170 01) of Division 2 of the California Revenue and Taxation Code, or the Bank and Corporation Tax law, Part 11 (commencing with Section 23001) of Division 2 of the California Revenue and Taxation Code. Furthermore, federal regulations (49 CFR Part 24, Section 24.209) also indicate that no payment received under this part (Part 24) shall be considered as income for the purpose of the Internal Revenue Code of 1954, which has been redesignated as the Federal Internal Revenue Code of 1986. The preceding statement is not tendered as legal advice in regard to tax consequences, and displacees should consult with an independent tax advisor or legal counsel to determine the current status of such payments.

XI. ADDITIONAL INFORMATION AND ASSISTANCE AVAILABLE

Those responsible for providing you with relocation assistance hope to assist you in every way possible to minimize hardships involved in relocating to a new home. Your cooperation will be helpful and greatly appreciated. If you have any questions at any time during the process, please do not hesitate to contact your relocation representative.

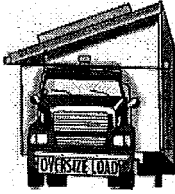
**ATTACHMENT 6: FIXED RESIDENTIAL MOVE SCHEDULE FOR PERSONAL
PROPERTY (MOBILE HOME EXCLUDED)**

FIXED MOVING SCHEDULE			
Mobile Homes			
Occupant owns furniture		Occupant does NOT own furniture	
1 room	\$625.00	1 room	\$400.00
2 rooms	\$800.00	each additional room	\$65.00
3 rooms	\$1,000.00		
4 rooms	\$1,175.00		
5 rooms	\$1,425.00		
each additional room	\$225.00		

DRAFT

ATTACHEMENT 7: MOBILE HOME MOVE BIDS

DRAFT



Baxter Mobile Home Transport, Inc

2540 Burlwood Dr
Modesto, CA 95355

www.baxtermobilehometransport.com

Estimate

Date	Estimate #
8/22/2011	533

Contractor's License # 867503

Phone #	Fax #
209-544-8212	209-544-2285

Name / Address
Linh Inokuchi linokuchi@opcservices.com 510-924-3013 510-638-3081

Job

Description	Amount
Prepare double mobile home for transport located in Capitola, CA. Provide axles and tires if necessary.	3,000.00
Transport home within 100 mile radius.	3,000.00
Set up home. Block & level	4,000.00
Total	\$10,000.00



Baxter Mobile Home Transport, Inc

2540 Burlwood Dr
 Modesto, CA 95355

www.baxtermobilehometransport.com

Estimate

Date	Estimate #
8/22/2011	532

Contractor's License # 867503

Phone #	Fax #
209-544-8212	209-544-2285

Name / Address
Linh Inokuchi linokuchi@opcservices.com 510-924-3013 510-638-3081

Job

Description	Amount
Prepare single mobile home for transport located in Capitola, CA. Provide axles and tires if necessary.	1,500.00
Transport home within 100 mile radius.	1,500.00
Set up home. Block & level	2,000.00
Total	\$5,000.00



Free Mobile Home and Manufactured Housing Advertising for Buying, Selling and Renting.

Thank you for visiting our website and participating in our free estimate to move a mobile home. This information is only available by doing so....

Below is average pricing to move a mobile home within 100 miles. Only the transporting would increase every 100 miles.

Additional cost would be:

- expando or room addition.
- permit processing (installation permits -not transit permits)
- Utility disconnection and connections.
- Extra wide loads - requires pilot cars with flashing lights
- Difficult delivery or pick-up. Obstructions - fences, mailboxes, trees - requires special rolling equipment.
- Installation in a mobile home park - because of bracing requirements

Mobile Home Only	Takedown	Transporting	Setup
Singlewide	\$800	\$800	\$1,200
Doublewide	\$2,400	\$1,600	\$3,500
Triplewide	\$4,000	\$2,400	\$5,000

Awning or Carport	Small length 20 ft.	Medium length 40 ft.	Full length 60 ft.
Takedown	\$300	\$400	\$550
Setup	\$500	\$750	\$1,000

Porch	Small length 20 ft.	Medium length 40 ft.	Full length 60 ft.
Takedown	\$300	\$600	\$900
Setup	\$500	\$950	\$1,300

Skirting	Wood	Aluminum	Vinyl
Takedown	\$300	\$300	\$300
Setup	\$900	\$400	\$400

Here is another way to estimate moving your mobile home 100 miles with everything included. Permit process, utility connections and disconnections, foundations or required bracing. Everything.

Complete Move	Mobile Home Only	Mobile Home with Accessories
Singlewide	\$3,500	\$7,000
Doublewide	\$7,500	\$12,000
Triplewide	\$10,000	\$14,000

\$299 Complete Project Estimate

Visits to meet with you, the mobile home to be moved and the location where it's to be installed.

To confirm pickup and delivery access for obstacles and clearances.

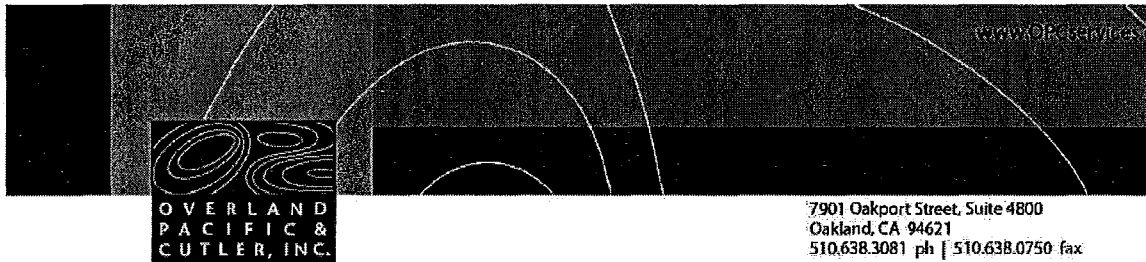
Draft a site plan of the proposed mobile home as it would sit on the lot or space.

Submit proposed plans to local planning dept or authority for approval and fees estimate.

Then you receive a written Complete Project Estimate we both are feel confident about

**ATTACHMENT 8: LETTERS SUBMITTED TO COMMUNITY DEVELOPMENT
DIRECTOR REGARDING RIR PREPARATION**

DRAFT



June 9, 2011

**Derek Johnson
Community Development Director
City of Capitola**

RE: Waiver of Appraisal of City owned Coaches at Pacific Cove and Identification of Appraisal Issues

Dear Mr. Johnson:

As you are aware the City of Capitola (the City) is contemplating the closure/change of use of the Pacific Cove Mobile Home Park. Overland, Pacific and Cutler (OPC) has been retained by the City to prepare the Relocation Impact Report as well as the necessary relocation plan and replacement housing plan.

Section 17.90.030 (f) of the City of Capitola Municipal Code requires appraisal of those mobile homes which cannot be moved as the result of a park closure or change of use.

Pacific Cove contains 42 mobile home spaces, of which 10 spaces are occupied by City owned mobile homes. The 32 privately owned coaches clearly require appraisal to determine the value should the closure or change of use require acquisition of coaches not moveable due to their age or condition to an alternate location i.e another park.

Given that the City owns the remaining 10 coaches (in addition to owning the park and seeking the closure/change of use), is it necessary to appraise those coaches to meet the requirements of Section 17.90.030 (f) of the City of Capitola Municipal Code?

In addition, pursuant to Capitola Municipal Code Section 17.90.030(F), I am requesting your identification of relevant issues that should be addressed in the appraisal.

As the owner the City would have the right to salvage the coaches and retain the proceeds from such salvage; or if moveable, sell the coaches or have them moved to an alternate location. The City may wish to have the coaches appraised for its own planning purposes, however, for the purposes of the Relocation Impact Report the appraisal does not seem warranted; the current occupants would however, receive relocation benefits under California Relocation Law if they qualify.

Sincerely,



Chad K. Wakefield
Project Manager
Overland, Pacific and Cutler

DRAFT



August 25, 2011

Derek Johnson
Community Development Director
City of Capitola
Delivered via email to: djohnson@ci.capitola.ca.us

RE: Waiver of requirement 17.90.030 (h)

Dear Mr. Johnson:

As you are aware the City of Capitola (the City) is contemplating the closure/change of use of the Pacific Cove Mobile Home Park (the Park). Overland, Pacific and Cutler (OPC) have been retained by the City to prepare the Relocation Impact Report (RIR) as well as the necessary relocation plan and replacement housing plan.

Section 17.90.030 (h) of the City of Capitola Municipal Code requires that the names and mailing addresses of each eligible resident, mobile home tenant, mobile home resident, resident mobile home owner and legal owner of a mobile park in the park be included in the RIR.

I am requesting a waiver for the inclusion of this information in the RIR. It would be expected that this report will become public information. It is our belief that the identities of the persons potentially impacted by this closure should be kept confidential. OPC believes in taking all appropriate measures to protect the privacy of the persons we work with and we as a practice do not identify specific persons in our planning reports and documents that are subject to become public information. Exclusion of this information will assist us in protecting the privacy of those persons potentially impacted.

Additionally we seek approval to exclude the names and addresses of the persons potentially impacted by the closure in other required areas of the RIR including the Appraisal reports per 17.90.030 (f).

As an alternative we will include language that states the range and amount of spaces covered in the report. Additionally there are other areas to be addressed in the RIR that help to identify the specific impacts without expressly revealing the identities of the persons impacted.

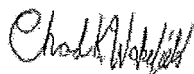
The persons potentially impacted by this potential closure have been identified. Outreach has been made to all residents, owners and tenants in the park for the RIR. To date we have completed interviews with 35 of 38 potentially impacted persons and have made numerous follow up attempts with the three outstanding impacted persons; and we will make attempts during the required 30 day review and comment period to interview them.

All impacted persons will be notified of the availability of the RIR and relocation plan, thus there is no concern of these persons being unaware of the process, potential impacts to them, benefits, services and types of compensation that will be available to them should the park be closed. Additionally, eligibility interviews will be required should the Park be approved for closure by the Capitola City Council. The impacted persons have also been informed that it's their right to seek the assistance and advice of any professionals they may need to help them evaluate the potential impacts, benefits, services and compensation should the park be closed.

To this end we believe that there is no benefit to including the names and addresses of the impacted persons in the RIR. We believe that there are no persons who may be impacted that are unaware of the potential closure and thus the additional step of identifying them in the RIR is believed to be un-necessary and has no informative value.

We respectfully request your review of this matter and waiver of this requirement in the RIR.

Sincerely,

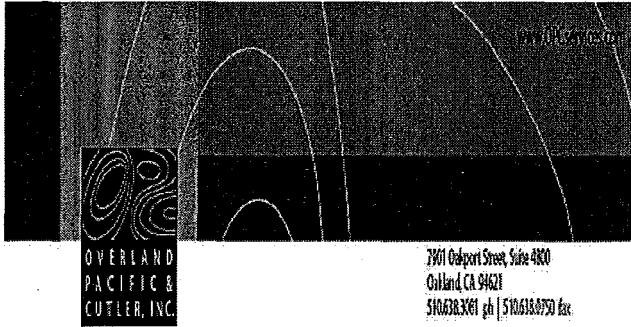


Chad K. Wakefield
Project Manager
Overland, Pacific and Cutler

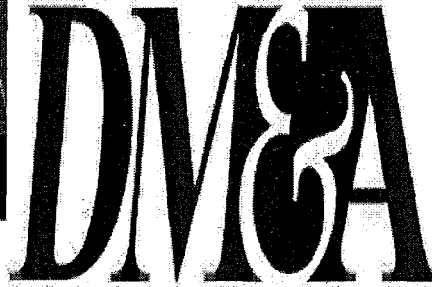
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**ATTACHMENT 9: COMMUNICATION TO POTENTIALLY
IMPACTED PERSONS**

DRAFT



7901 Oakport Street, Suite 400
Oakland, CA 94621
510.638.3601 ph | 510.618.0750 fax



July 21, 2011

Name
Address
City/State/Zip Code

Re: Pacific Cove Mobile Home Park Relocation Impact Report Interview and Inspection

Dear Pacific Cove Space Resident and/or Property Owner:

As you may be aware, The City of Capitola (called here the "City"), the owner of the Pacific Cove Mobile Home Park (called here the "Park"), is considering Park closure and cessation of use. If this occurs you will be displaced from the Park.

Per the requirements of California Government Code Section 65863.7 and 66427.4 (called here the Government Code) and Chapter 17.90 of the City of Capitola Municipal Code (called here the "Municipal Code"), the City, is required to prepare a Relocation Impact Report (called here the "RIR"). Copies of these Codes have been enclosed with this letter. Additional information can be found on-line through the Department of Housing and Community Development Mobile Home Ombudsman at the following link <http://www.hcd.ca.gov/codes/ol/faqPage.html>.

In order to meet the specific requirements of 17.90.030 of the Municipal Code, the City must have Appraisals prepared and conduct a survey of the residents of the Park's occupants.

The City has hired Overland, Pacific and Cutler (called here "OPC") to prepare the RIR and Desmond, Marcello and Amster (called here "DM&A") to prepare the appraisals, which will help to inform the RIR. In addition OPC will also be preparing a Replacement Housing Plan under the Mello Act and Relocation Plan under California Relocation Assistance Law.

Representatives from OPC and DM&A will be available at the Park on the following dates to conduct inspections for the appraisals and interviews for the RIR survey. Appointments are expected to last approximately 45 minutes and as a means to minimize any inconvenience to your time, OPC and DM&A would like to meet with you during the same appointment.

- August 4-6, 2011
 - We'll also make ourselves accessible August 11-13 if you are unavailable the previous week
 - You may schedule a telephonic appointment between August 1 and August 16, 2011

The inspection consists of measuring the exterior of your home, a brief inspection of the interior and taking a few pictures. The survey will consist of questions regarding the persons occupying the property, their income and their relocation needs.

Prior to your interview appointment, please gather the following information, if available;

- Certificate of Title
- Bill of Sale
- Information regarding the Make, Model, Serial Number and Year of your home
- Recent invoices for any improvements to your home
- Space rent amount
- Date of Purchase and amount paid
- Coach mortgage amount/ monthly payments
- Income information
- Current utility bills

It is our intention that our interview is conducted with minimal inconvenience to you. Your preparation of the above requested information will help us to expedite this process.

Marcus Pigrom, ASA and Steven Hjelmstrom, ASA are the appraisers that will be conducting the interviews/inspections. Linh Inokuchi and John Morris from OPC will be conducting the relocation interviews.

Per the Government Code, Municipal Code and California Mobile Park Residency Law, your participation is voluntary. However, we respectfully request your participation to the fullest extent possible. Please keep in mind that if you do not participate in this process the initial valuation of your property and the calculation of any relocation benefits may be negatively impacted.

If you are not the registered owner of the home you occupy, please forward this letter to the owner of the home or leave us a message with the name and telephone number for the owner of the home as soon as possible. If you rent the home we will still need to conduct a relocation interview with you to assist us in determining the relocation assistance you may be eligible for including relocation rental assistance for replacement housing.

Please note that DM&A is an independent appraiser and OPC is an independent consultant and neither firm is employees of the City of Capitola. In addition, we have no professional, personal or financial interests regarding our conclusions of values of your home and the particulars of the relocation needs.

Please contact Linh Inokuchi from OPC at (800) 400-7356 or via email at linokuchi@opcservices.com to schedule an in person relocation interview and appraisal inspection appointment as soon as possible. Marcus Pigrom from DM&A can be contacted directly for a telephonic appraisal interview at (310) 216-1400. Please contact Linh for a telephonic relocation interview.



We thank you in advance for your time and cooperation in this process.

Sincerely,



Chad K. Wakefield
Project Manager
Overland, Pacific and Cutler



Marcus Pigrom, ASA
Senior Manager
Desmond, Marcello and Amster

DRAFT



General Information Notice

Residential Occupant to Be Displaced

June 22, 2011

<<HEAD-OF-HOUSEHOLD>> and All Other Occupants
<<MAILING ADDRESS>>

Dear Occupants:

The City of Capitola (called here the "City") is considering Park closure at the property you currently occupy and/or own at <park address> for the **Pacific Cove Mobile Home Park Project** (Project). This notice is to inform you of your rights under State law. If the City closes the property and you are displaced for the Project, you will be eligible for relocation assistance under the California Relocation Assistance Law (Sec 7260 et. seq. of the CA Government Code).

However, you do not have to move now.

This is not a notice to vacate the premises or a notice of relocation eligibility.

The City has retained the professional firm of **Overland, Pacific & Cutler, Inc. (OPC)** to represent the City and assist in the relocation process.

You should continue to pay your monthly pad rent to your landlord because failure to pay your pad rent and meet your obligations as a tenant may be cause for eviction and loss of relocation assistance. You are urged not to move or sign any agreement to purchase or lease a unit before receiving formal notice of eligibility for relocation assistance. If you move or are evicted before receiving such notice, you will not be eligible to receive relocation assistance. Please contact us before you make any moving plans.

If you rent your coach, you should continue to pay your monthly rent to your landlord because failure to pay rent and meet your obligations as a tenant may be cause for eviction and loss of relocation assistance. You are urged not to move or sign any agreement to purchase or lease a unit before receiving formal notice of eligibility for relocation assistance. If you move or are evicted before receiving such notice, you will not be eligible to receive relocation assistance. Please contact us before you make any moving plans.

If the City closes the property and you are eligible for relocation assistance, you will be given advisory services, including referrals to replacement housing, and at least 90 days advance written notice of the date you will be required to move. You would also receive a payment for moving expenses and may be eligible for financial assistance to help you rent Pacific Cover RIR/Relocation Plan

115

or buy a replacement dwelling. Any person aggrieved by a determination as to eligibility for, or the amount of, a payment authorized by the City's Relocation Assistance Program may have the appeal application reviewed by the City in accordance with its appeals procedure. Complete details on appeal procedures are available upon request from the City.

Again, this is not a notice to vacate and does not establish eligibility for relocation payments or other relocation assistance. If the City decides not to close the property, you will be notified in writing.

If you have any questions about this or any other relocation issues, please contact me at the address and the phone number below.

Also, in an effort to provide you with the best possible information and explanations of your relocation rights, I would like to invite you to a residents meeting on **Wednesday, July 13, 2011 at 6 P.M. at:**

**The City of Capitol
Community Room
420 Capitola Avenue
Capitola, CA 95010**

Sincerely,



**Chad Wakefield
Project Manager
Overland, Pacific & Cutler, Inc.
7901 Oakport Street, Suite 4800
Oakland, CA 94621
Phone 510.638.3081
Toll- Free 866.972.8908
cWakefield@opcservices.com**

ATTACHEMENT 10: APPRAISAL REPORT

DRAFT

REPLACEMENT HOUSING PLAN

Pacific Cove Mobile Home Park Closure

Prepared for

The City of Capitola

By



7901 Oakport Street, Suite 4800
Oakland, CA 94621
(877)972-8908

SEPTEMBER, 2011

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I. INTRODUCTION

The **City of Capitola** (the City) is considering closure of the Pacific Cove Mobile Home Park (the Park). It has been determined that there as many as 41 coaches (aka mobile homes or travel trailers), which are either occupied or vacant yet occupiable residential units, in total placed on 44 spaces within the Park. These coaches would need to be either relocated or acquired and demolished in order to close the park and change its use.

Based on preliminary interviews with current Park occupants, 10 of the coaches are known to be occupied by 'Very Low' to 'Moderate' income households and, per state law, these units would need to be replaced by the City, if feasible. An additional nine coaches are suspected to be occupied by persons of at the most, Moderate income. The remaining coaches are occupied by households of 'Above Moderate' income and need not be replaced by the City.

California Government Code Section 65590 (known as the Mello Act) requires that when residential units (including mobile homes) occupied by Very Low to Moderate income persons are demolished or converted to other uses within a Coastal Zone such as Capitola, the City is required to adopt a replacement housing plan, if such a plan is feasible.

The plan should identify the project and the negative impact it will have on the affordable housing resources and make provisions for how the affordable housing units to be lost as a result of the project will be replaced on the site. If it is not feasible to replace the units one-for-one, the plan should explain the reasons why it is not feasible and set forth alternative solutions for replacing the housing within the Coastal Zone or within three miles of the site.

In addition to complying with Mello Act requirements, this plan shall also identify existing affordable housing resources in the area that may have capacity to provide housing to those persons displaced by the park closure project.

This **Replacement Housing Plan** (the Plan) has been prepared for the City because 1) On March 24, 2011, the Park sustained damages caused by a heavy storm. That event

has raised concerns that long-term residential use of the Park is not safe or physically viable or economically viable; **2)** On April 29, 2011 the City Council unanimously voted to explore the possibility of closing the Park; and **3)** a Relocation Impact Report (RIR) will be prepared to provide the City Council with information to properly consider the Park's closure. Should the City Council approve the Park's Closure a 180 Day Notice will be issued and the Park residents would be displaced including at least 10 Very Low to Moderate Income households.

This Plan describes the following:

- 1) The proposed Project;
- 2) The general location of units for 'Very Low', 'Lower' and 'Moderate' income persons which will, or may be removed or destroyed as a result of the Project;
- 3) The general location and intentions for the development/provision of replacement housing;
- 4) The means of financing such development of replacement housing;
- 5) The schedule for the construction of replacement housing; and,
- 6) The time period for which these units will remain affordable.

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II. PROJECT DESCRIPTION AND LOCATION

PROJECT DESCRIPTION

The City, as the owner of the Pacific Cove Mobile Home Park (the Park), is considering the closure of the Park and in connection with that closure it would potentially acquire 30 privately owned coaches and demolishing those coaches along with 11 coaches it owns and rents to private parties and other entities. The future use of the Park has not been determined, however, there are no plans to develop new residential dwellings on the property.

As a result of this proposed closure – and, its removal of 'Very Low-to-Moderate' income housing - a replacement housing plan is required under state law under the Mello Act.

PROJECT LOCATION

The City of Capitola is an incorporated municipality (1949) in Santa Cruz County, California, with an *estimated* population, as of 2010 (according to the State of California Department of Finance Demographic Research Unit), of 10,198 people, (see **Figure 1**).

The Project site which is the subject of this Plan is located at 426 Capitola Avenue, directly north of the Southern Pacific railway and adjacent to Capitola City Hall, near Capitola Village and the Monterey Bay. Area detail is shown in **Figure 2**.

Regional and site-specific maps are to be found on the following pages.

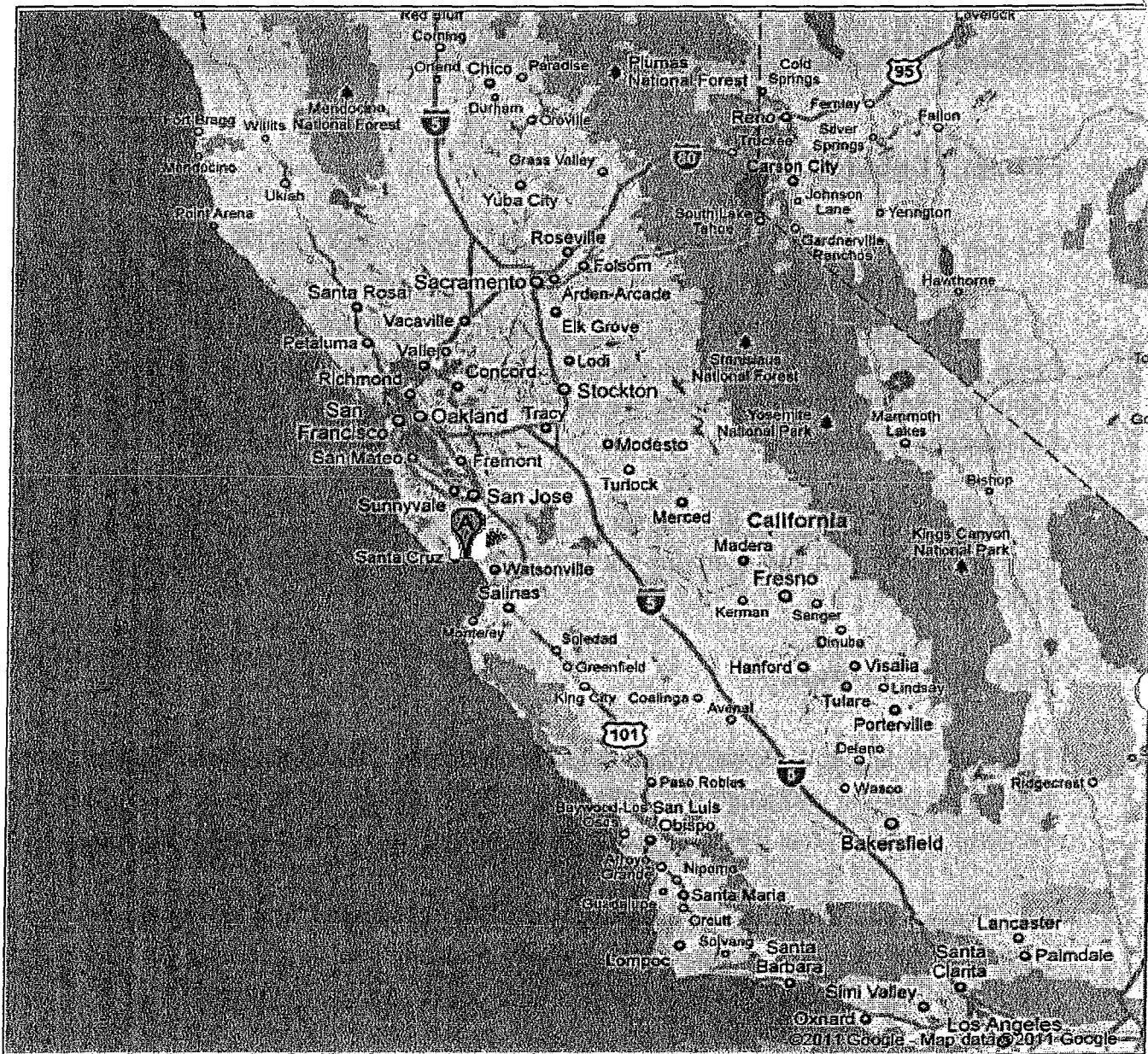


Figure 1: Regional Project Location

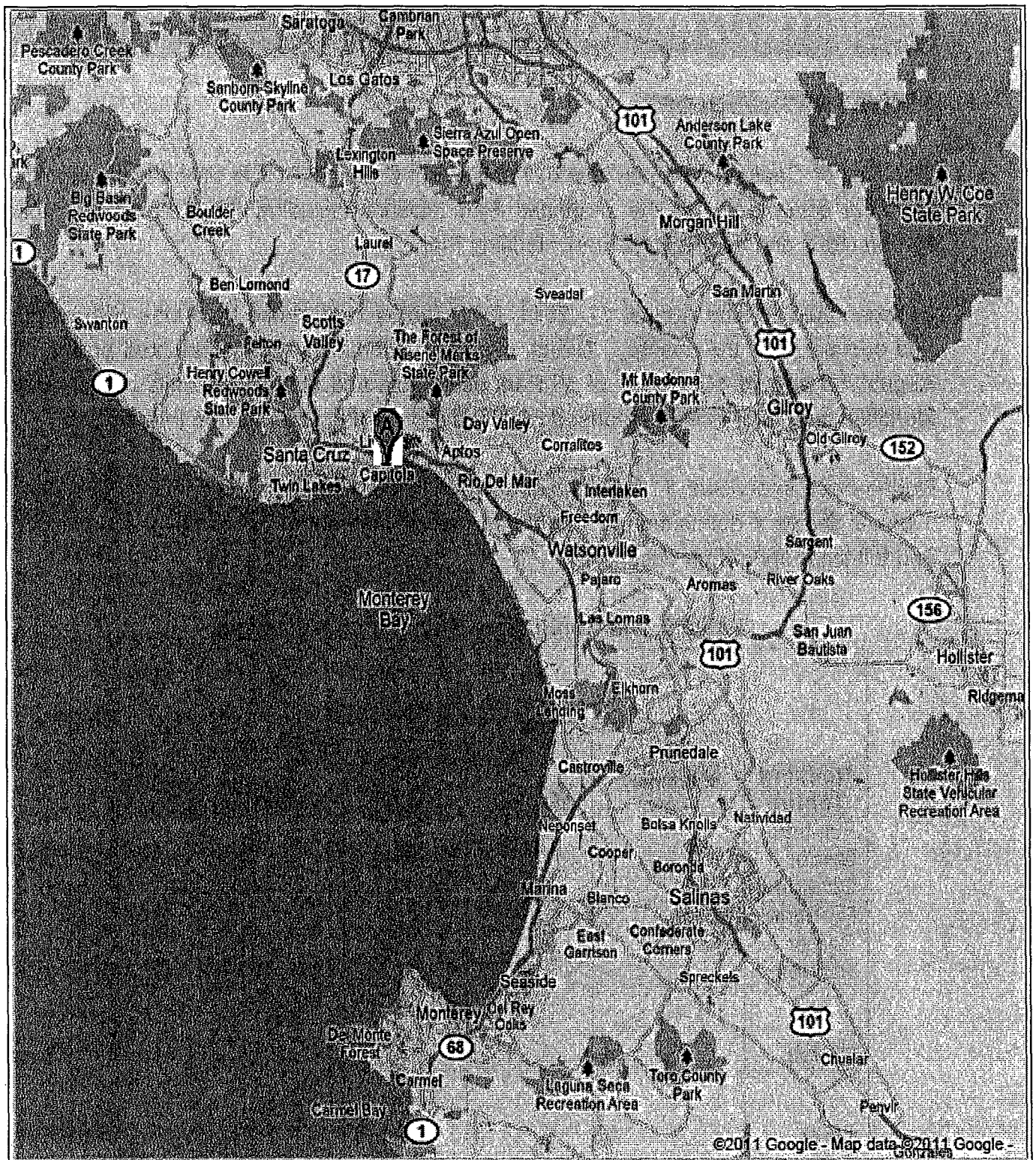


Figure 2: Specific Project Location

III. UNITS TO BE REPLACED

SURVEY METHODOLOGY

The City of Capitola hired Overland, Pacific and Cutler (OPC) to prepare the required planning documents for the proposed Park closure including the Relocation Impact Report (RIR) and this Replacement Housing Plan.

Between July 26 and August 17, 2011, OPC met with or spoke by phone with owners and occupants of the coaches. Direct, in-person interviews were conducted on the site August 4-6 and 11-13. A total of 36 Park occupants and absentee mobile owners were identified and 33 of those persons, or persons representing them, were interviewed.

During these interviews, 11 households were willing to provide income information. Table 1 below shows a distribution of the stated income categories by owner (both part-time and full-time) and renter occupants.

Table 1: Distributions of Stated Income Category

Housing Tenure	Income Category				
	Extremely Low	Very Low	Low	Moderate	Above Moderate
Full-time Owner Occupant	2	0	3		
Part-time Owner Occupant				1	1
Renter	2	1		1	
Total	4	1	3	2	1

Table 2 below shows the distribution of all potential persons impacted according to their stated housing tenure. From a comparison of the income information collected to the overall impacts shown in Table 3 below, income information is needed for an additional 16 displacees. Stated part-time residents and those who are absentee owners are excluded from the need to replace their housing because the Park is not their primary residence.

Table 2: Stated Housing Tenure

Occupancy Type/Response	#
Part-time Owner Occupied	8
Full-time Owner Occupant	13
Absentee Owner - Coach Not Occupied	3
Not Responsive	6
Total Private Owners	30
Total Tenants	6
Total Potential Displacees	36

Table 3: Analysis of Variance in Data

Housing Tenure Class	Income Provided	Total Impacted
Full-time Owner Occupant	5	14
Part-time Owner Occupant	2	8
Absentee Owner	0	4
Renter	4	6
Tenure Not Stated	0	4
Total	11	36

For planning purposes, it is assumed that 10 full-time owners and renters who did not provide income information fall within the Moderate income category and that six persons who did not state their housing tenure fall within the Above Moderate income category.

By discounting all part-time owners, absentee owners and un-stated tenure classifications, this Replacement Housing Plan is only concerned with 20 units. Thus the City would need to propose the provision of a source of replacement housing for 20 units.

REPLACEMENT HOUSING REQUIREMENTS

Pursuant to the provisions Government Code Section 65590 (b) and Article 4, Section 6124 and 6130 of Title 25 of the California Relocation Assistance and Real Property Acquisition Guidelines (the Guidelines), the City is required to make available 100% of the required replacement units at an affordable housing cost to households *in the same, or a lower income category* (i.e., 'Very Low', 'Lower' and 'Moderate' income standard) as those households which would be displaced.

INCOME CLASSIFICATION BY HUD STANDARD

California Health & Safety Code Sections 50079.5 and 50105 provide that the 'Extremely Low', 'Very Low', 'Lower' and, 'Moderate' income limits established by the United States Department of Housing and Urban Development (HUD) are the state limits for those same income categories.

Sections 50079.5 and 50105 direct the State Department of Housing & Community Development (HCD) to publish the income limits. HUD released new income limits in April 2011 and these limits are currently in place for the current calendar year. Accordingly, HCD filed with the Office of Administrative Law, amendments to Section 6932 of Title 25 of the California Code of Regulations. The amendments contained the currently applicable HUD income limits, prepared by HCD pursuant to Health and Safety Code Section 50093.

Table 4, following, provides the latest annual definition of those Federal, State-adopted income categories, for Santa Cruz County, to define and determine housing eligibility, by income level, for certain programs; which limits will be utilized in this Replacement

Housing Plan for determining which units, by bedroom count, will be required to be made available for households in the 'Very Low', 'Lower' and 'Moderate' income categories.

Table 4: Santa Cruz County Income Limits

Income Category	Number of Persons Per Household							
	1	2	3	4	5	6	7	8
Extremely Low	\$21,200	\$24,200	\$27,250	\$30,250	\$32,700	\$35,100	\$37,550	\$39,950
Very Low	\$35,300	\$40,350	\$45,400	\$50,400	\$54,450	\$58,500	\$62,500	\$66,550
Lower	\$56,500	\$64,550	\$72,600	\$80,650	\$87,150	\$93,600	\$100,050	\$106,500
Median	\$60,050	\$68,650	\$77,200	\$85,800	\$92,650	\$99,550	\$106,400	\$113,250
Moderate	\$72,050	\$82,650	\$92,650	\$102,950	\$112,200	\$119,400	\$127,650	\$135,900

Figures are per the California Department of Housing and Community Development, July 13, 2011.

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IV. LOCATION OF REPLACEMENT HOUSING

The City has one primary option available to provide all of the needed replacement housing to mitigate the impact of the Project. The implementation of the proposed Project will result in the removal of as many as 19 “affordable” residential dwelling units. A description of this option as well as an analysis of potential resources under the Mello Act is shown below.

Primary Replacement Housing Option

Capitola features numerous mobile parks. One of these parks, Castle (aka Castle Mobile Estates), which is located within Capitola’s coastal zone has been going through a repositioning and rehabilitation planning processes with the City to ensure that it is maintained as a stable source of affordable housing in Capitola.

The sale of Castle was recently approved to Millennium Housing. Millennium is contractually obligated to rehabilitate the park and reserve 86 of the 108 spaces in the park for very-low to moderate income households. The City of Capitola will invest \$2 million dollars in the project and over 40 of the spaces have been reserved as replacement housing for a potential closure of Pacific Cove.

Castle is located at 1099 38th Avenue in Capitola. This park is approximately 1.5 miles from Pacific Cove. This resource alone would allow the City of Capitola to meet its obligation under the Mello Act to provide as many as 20 spaces, which could provide housing to persons ranging from Extremely Low (0-30% AMI) to Moderate (80-120% AMI).

Alternative Options Available

An alternative resource available to low-income seniors earning 60% or less of AMI is the Bay Avenue Senior Apartment in Capitola located at 750 Capitola Avenue. First Community Housing (FCH) recently completed major renovations and development of new units at the property. The City of Capitola assisted financially in the rehabilitation and redevelopment of the property.

Analysis of Potential Sites and Properties

Vacant land and properties in Capitola and Santa Cruz County, which may be developed or redeveloped for residential purposes, is extremely scarce. OPC conducted a survey of land listed for sale on September 5, 2011. Table 5 below shows the results of that survey.

Table 5: Analysis of Land Survey

Address	Location	Present Use	Potential Use	Lot Size (AC)	Listed Sale Price	Distance from Site
5000 Cliff Dr	Capitola	Hotel (10 rooms)	Conversion to SRO or Redevelopment. No Plans approved or being considered.	0.07	\$2,495,000	0.4 miles
514 Frederick St.	Santa Cruz	Single-family rental property	Listed as approved subdivision map for 4 townhomes.	0.26	\$599,000	0.9 miles
Gaviota Street	Aptos	Vacant beach front land	Listed as having a plot for 30 lots (condominium), with no entitlements	12.7	\$49,000,000	6.7 miles
44 Front Street	Santa Cruz	Vacant land	Listed as tentative map approved for 3 condos (1 penthouse, 1 commercial and 1 other residential condo)	0.08	\$549,000	7 miles
Total *			Unit Potential: 46	13.11	\$1,144,413	

* Land shown as average price per unit for land acquisition cost

Of the sites, two (5000 Cliff Drive and 514 Frederick) may be feasible sites for the development of affordable replacement housing within the guidelines of the Mello Act. They are within three miles of the Park. The existing use and the entitlements could yield 10 single-room occupancy (SRO) units and four townhomes.

The 5000 Cliff Drive property is not a feasible option in its present condition. As an existing hotel the most feasible conversion program would be to convert it to an SRO facility. However, these types of units would not be comparable to any unit that is subject to demolition at Pacific Cove. In order for 5000 Cliff Drive to be a feasible site for replacement housing, the existing hotel rooms would have to be converted to a minimum of one bedroom apartments or the site would have to be razed. An in-depth study on the development potential under Capitola's zoning ordinance would need to be undertaken to determine how many units could be developed on the 3,000 square foot site.

This site and the 514 Frederick Street property would require the City of Capitola to identify a developer to acquire, finance and develop the properties as it does not have the capacity to undertake these functions.

The site located in Aptos is not economically feasible to be developed as affordable housing for numerous reasons including its list price and the potential development cost associated with developing the ocean fronting property. Land entitlements are also assumed to be difficult to acquire for a project at the density that would make a project feasible.

The 44 Front Street property has land entitlements; however, the development program approved for those entitlements is not a match for the replacement housing needed. In order for this site to be feasible it would need to be re-entitled, the potential to do so is unknown and the City faces the same challenge it would with the 514 Frederick property.

V. FINANCING REPLACEMENT HOUSING

As previously stated, the City of Capitola will invest \$2 million towards replacement housing in order to satisfy the replacement housing requirements under the Mello Act. This investment will be made in the form of rental subsidies and assistance with development cost for the rehabilitation and stabilization of Castle Mobile Estates, for which the City has contractually obligated itself. This investment further assists the City satisfy requirements under Article 4 of the Guidelines.

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VI. NON-APPLICABILITY OF ARTICLE 34 OF THE CALIFORNIA CONSTITUTION

Article 34 of the California Constitution pertains to any ‘ . . . Public Housing Project.’ Pursuant to Article 34, Section 1, no . . . ‘Low rent housing project . . . ’ is to be developed, constructed or acquired in *any way* by *any state public body* – which includes cities, counties, districts, authorities, agencies or any other subdivision or public entity of the state – until, or unless a majority of the qualified electors of the city, town or county, in which it is proposed the ‘low rent housing project’ be developed, constructed or acquired, voting upon the issue, *approve* such project by voting *in favor* at either an election held for that purpose or a special or general election.

For the purposes of Article 34 the term ‘low rent housing project means . . . ’

‘ . . . any development composed of urban or rural dwellings, apartments or other living accommodations for persons of low income, financed in whole or in part by the Federal Government or a state public body or to which the Federal Government or a state public body extends assistance by supplying all or part of the labor, by guaranteeing the payment of liens, or otherwise. For the purposes of this Article only there shall be excluded from the term “low rent housing project” any such project where there shall be in existence on the effective date hereof, a contract for financial assistance between any state public body and the Federal Government in respect to such project.’

In this instance the replacement housing being developed and constructed pursuant to the activities described in this Replacement Housing Plan does not require the approval of the voters of the City of Capitola pursuant to Article 34 of the California Constitution. Neither ownership, nor rental housing are, or will be, “low rent housing projects” either as defined at Article 34 or Section 37001 (b) of the California Health & Safety Code. All such replacement housing will be privately owned, and will *not* be exempt from real property taxes as would otherwise be the case in the event of public ownership, and will not be financed with direct, long-term financing from a public body. The City will *not* “develop, construct, or acquire” housing as described in Section 1 of Article 34 of the State Constitution, as it will only be providing authorized assistance, and monitoring construction by imposition of mandated, or authorized conditions.

VII. TIME TABLE FOR REPLACEMENT HOUSING

The City will provide for the construction and/or rehabilitation of replacement housing units sufficient to address the replacement requirements of affordable housing discussed in *this* Plan. The City anticipates utilizing a number of the housing units, required pursuant to this Plan, for those households of 'Extremely Low' to 'Moderate' income.

The City expects replacement housing units to be available prior to the eventual closure of Pacific Cove.

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VIII. SUMMARY

In summary, as many as 30 dwelling units will be removed as a result of the proposed Project. Based on the dwelling units to be removed for the proposed Project, the City will displace as many as 19 Extremely Low to Moderate income households.

The City will satisfy its Mello Act replacement housing obligation through assisting in the rehabilitation of Castle Mobile Estates, which is within the Coastal Zone and also within three miles of the Park. This rehabilitation project will make up to 40 units available to those persons displaced by the closure of Pacific Cove including an estimated 19 Extremely Low to Moderate income households.

The above actions will yield the required number of replacement dwelling units and meet the other provisions under the Mello Act and the Guidelines.

The City recognizes its legal and community responsibilities in this matter and has made a sincere, good faith effort to accomplish these goals. The City retains its option to successfully use other approaches and strategies not discussed herein to fulfill its replacement housing obligations in a timely manner.

[END OF DOCUMENT]

SUMMARY APPRAISAL REPORT OF
THIRTY
MANUFACTURED HOMES, MOBILE HOMES AND TRAILERS
AT
PACIFIC COVE MOBILE HOME PARK
426 CAPITOLA AVENUE
CAPITOLA, CALIFORNIA

PREPARED FOR THE
CITY OF CAPITOLA

Effective Date of Value

March 23, 2011

Prepared By

DESMOND, MARCELLO & AMSTER

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September 15, 2011

Mr. Jaime Goldstein
City Manager
City of Capitola
420 Capitola Avenue
Capitola, CA 95010

Re: *Summary Appraisal Report of Thirty Manufactured Homes, Mobile Homes and Trailers at Pacific Cove Mobile Home Park
Located at 426 Capitola Avenue, Capitola, California
Prepared for the City of Capitola
File No.: 3353/01A(3)*

Dear Mr. Goldstein:

As you requested, Desmond, Marcello & Amster ("DM&A") has made an investigation and analysis of thirty manufactured homes, mobile homes and trailers (collectively referred to as "Subject Mobile Homes") at the Pacific Cove Mobile Home Park ("the Subject Park"), located at 426 Capitola Avenue, Capitola, California.

The effective date of value utilized herein is March 23, 2011.

The purpose of this appraisal is to provide an estimate of the two following fair market values of the thirty manufactured homes, mobile homes and trailers that are the subject of this report: (1) fair market value of the Subject Mobile Home in place as of March 23, 2011, and (2) fair market value of the Subject Mobile Home only as of March 23, 2011.

The intended use or function of this appraisal is to assist the City of Capitola and its representatives with information for the relocation impact report as a result of the City's consideration of the park closure. This appraisal report was prepared in conformance with Section 17.90.030 and Chapter 17.90 of the City of Capitola Municipal Code, California Government and Civil Codes, and Mobile Home Residency Law. Furthermore, appraisal procedures were guided by the Uniform Standards of Professional Appraisal Practice (USPAP).

Based upon our investigation and analysis, and in reliance upon the information provided, it is our opinion that the fair market values in place, and the fair market values of the Subject Mobile Homes appraised herein, as of the effective dates of value indicated are as follows:

SUMMARY OF FAIR MARKET VALUES

<u>SPACE NUMBER</u>	FAIR MARKET VALUE IN PLACE (ROUNDED) AS OF MARCH 23, <u>2011</u>	FAIR MARKET VALUE OF MOBILE HOME ONLY (ROUNDED) AS OF MARCH 23, <u>2011</u>
40	\$24,000	\$9,000
42	\$48,500	\$6,800
43	\$66,250	\$6,300
47	\$49,000	\$1,150
48	\$21,500	\$525
49	\$53,500	\$1,250
50	\$42,000	\$675
53	\$101,000	\$12,750
54	\$118,000	\$10,500
56	\$61,000	\$1,500
57	\$130,000	\$9,250
59	\$95,000	\$2,500
60	\$90,000	\$4,750
62	\$88,000	\$5,500
63	\$42,000	\$3,750
64	\$49,500	\$1,350
66	\$52,000	\$3,100
67	\$47,000	\$3,250
68	\$83,000	\$3,650
69	\$89,500	\$3,500
71	\$34,500	\$700
74	\$42,000	\$725
75	\$50,000	\$1,000
76	\$102,500	\$7,300
77	\$41,000	\$1,200
78	\$58,000	\$5,550
80	\$105,000	\$31,500
82	\$59,000	\$2,800
83	\$104,000	\$12,250
84	\$115,000	\$12,000

Mr. Jaime Goldstein
September 15, 2011
Page 3

In our files are retained a report copy, worksheets, field notes, maps; and other data upon which our conclusions are based.

Respectfully submitted,

DESMOND, MARCELLO & AMSTER

ML/bc

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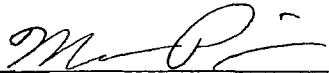
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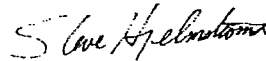
APPRAISER CERTIFICATION

We certify that, to the best of our knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions.
- we have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- we have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.
- our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.
- we have made personal inspections of the property that is the subject of this report.
- no one has provided significant personal property appraisal assistance to the persons signing this certificate.



Marcus Pigrom, ASA
Senior Manager



Steven Hjelmstrom, ASA

GENERAL DATA

PROPERTY APPRAISED

The property appraised in this report consists of thirty manufactured homes, mobile homes and trailers located within the Pacific Cove Mobile Home Park in Capitola, California. The homes located at space numbers 41, 45, 46, 51, 55, 65, 70, 72, 73, 79, and 81 are not included as part of this appraisal. It is our understanding that these homes are owned by the City of Capitola. In addition, three vacant spaces, also owned by the City of Capitola, have been omitted from this appraisal.

The Subject Mobile Homes have been valued assuming a 100% ownership interest without consideration for any encumbrances against the property appraised.

PURPOSE AND INTENDED USE

The purpose of this appraisal is to provide an estimate of the following fair market values of the thirty manufactured Subject Mobile Homes that are the subject of this report: (1) fair market value of the Subject Mobile Home in place as of March 23, 2011, and (2) fair market value of the Subject Mobile Home only as of March 23, 2011.

In the event of the City of Capitola's future decision to close the park, the values of the Subject Mobile Homes, in their current place, would be significantly impacted and in most cases, completely negated. Therefore, it is the intended use or function of this appraisal to provide the City of Capitola and its representatives with information and support in determining compensation to the subject home owners as a result of the acquisition or relocation of the Subject Mobile Homes, due to a potential closure of the Subject Park.

VALUATION/REPORT DATE

The effective date of value of March 23, 2011 corresponds to the day before the flood which caused significant damage to the mobile home park. We conducted our inspections of the subject mobile homes on August 4-6, 11, and 12, 2011. We have made the assumption that as of the effective date of value of this report, the mobile homes appraised were in place at the subject location and were in a condition similar to their condition at the time of our August 4-6, 11 and 12, 2011 inspections. As a result of the effective date of value preceding the flood, any damage to the mobile homes resulting from the flood were not considered for the purposes of this report. In addition, the effective date of value utilized in this report also precedes the City of Capitola's city council decision to consider the park's closure on April 28, 2011, and subsequent necessity for the preparation of a Relocation Impact Report. The report date on the accompanying letter corresponds to the final date of report preparation.

DESCRIPTION OF THE ASSETS APPRAISED

The Subject Mobile Homes range in estimated age from seven to 55 years, and from approximately 236 square feet to 1,440 square feet in size. Eleven of the Homes have additions ranging in size from approximately 42 square feet to 528 square feet. More information regarding each Subject Home is included in the Addenda of this report.

Industry

Manufactured homes, mobile homes and trailers can usually be acquired in the secondary marketplace through used manufactured and mobile home dealers, brokers, and private parties.

KEY ASSUMPTIONS

For the purposes of this appraisal:

1. We have made the assumption that all additions, alterations and all other improvements related to the Subject Mobile Homes are legally permissible.
2. We have assumed that the Subject Mobile Homes are considered to be personal property and we have appraised them as such.
3. We have not inspected the interiors of three of the Subject Mobile Homes, located at space numbers 40, 42, and 48. This was because the owners of these mobile homes either failed to respond or refused access to their homes. We have assumed that the quality and condition of the interiors of these homes is commensurate with the quality and condition of the exterior of the home.
4. We have relied on information from various sources, including, but not limited to, the Subject Home owners and occupants, government agencies, the NADA Manufactured Housing Cost Guide, real estate brokers and realtors. We assume this information to be true and accurate.
5. For the purpose of developing the "fair market values in place" included herein, we have assumed that the Subject Mobile Homes could be bought and sold in place without unusual external interference or influence, (i.e. impediments that are not customarily required by mobile home parks similar to the Subject Park).
6. We have made the assumption that the Subject Mobile Homes are compliant with all federal, state and local laws and ordinances and are free of all hazardous materials.

If these assumptions or conditions are other than as assumed herein, our conclusions of value may be different.

DEFINITION OF FAIR MARKET VALUE

For the purposes of this report, we have defined fair market value in place and fair market value as:

The fair market value of the property appraised is the most probable price on the date of valuation that would be agreed to by an impartial seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and an impartial buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

APPRAISAL DEFINITIONS

Replacement Cost New

The current cost of a similar new property having the nearest equivalent utility as the property being appraised, as of a specific date. [Source: American Society of Appraisers, *Principles of Valuation*]

Depreciation

A loss in value from all causes, including factors of deterioration and functional and/or economic obsolescence, as of a specific date. [Source: American Society of Appraisers, *Principles of Valuation*]

Effective Age

The apparent age of an asset in comparison with a new asset of like kind. It is often calculated by deducting the Remaining Useful Life of an asset from the Normal Useful Life. [Source: American Society of Appraisers, *Principles of Valuation*]

Estimated Remaining Life

The period over which an item, or groups of items are estimated to remain in use. [Source: American Society of Appraisers, *Principles of Valuation*]

The Cost Approach

The appraiser adjusts the replacement cost (new) of the asset being appraised for the loss in value caused by physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach is based on the principle of substitution: a prudent buyer will not pay more for an asset than the cost of acquiring a substitute property of equivalent utility. [Source: American Society of Appraisers, *Valuing Machinery and Equipment*]

The Market Data or Sales Comparison Approach

The appraiser adjusts the prices that have been paid for assets comparable to the asset being appraised, equating the comparables to the subject. [Source: American Society of Appraisers, *Valuing Machinery and Equipment*]

The Income Approach

The appraiser determines the present value of the future economic benefits of owning the property. [Source: American Society of Appraisers, *Valuing Machinery and Equipment*]

Manufactured Home

A factory built modular home that complies with federal building codes administered by the U.S. Department of Housing and Urban Development and was built after June 15, 1976.

Mobile Home

A factory built modular home produced before June 15, 1976.

Trailer

A furnished vehicle designed to be drawn by a truck or automobile and used when parked as a dwelling.

Add On

Any addition to the livable space of a manufactured or mobile home that was prefabricated or constructed on site and was built to local and state building requirements.

Site Improvements

For the purposes of this report, "site improvements" are defined as:

Items affixed to the unit situs, with the intent of being permanent, which may include fencing, enclosures, canopies, hardscaping, landscaping, and minor miscellaneous items, but not including utilities and their conduits and the underlying real property.

ENVIRONS

The Subject Park is located on Capitola Avenue, approximately three quarters of a mile south of CA State Route 1 in the City of Capitola, Santa Cruz County, California. The park is built on slightly sloped ground in a ravine. Amenities in the park include a laundry facility.

The neighborhood is developed with predominately multi-residential uses. Ample retail and consumer services are readily available within one-half mile of the Subject Park.

ACCESSIBILITY

The Subject Park has access to vehicular traffic via Capitola and Bay Avenues, which connects to the greater Santa Cruz County area.

SOURCES OF INFORMATION

In preparing this appraisal, we have considered many sources of information including, but not limited to, the following:

- Inspections of the subject manufactured homes, mobile homes and trailers at the Subject Park;
- Identification of each subject manufactured home, mobile home, trailer and inventory of observable components and accessories;
- Personal and telephonic interviews with the accessible subject manufactured homes, mobile home and trailer owners;
- Conversations with and information on file from various sources knowledgeable regarding the manufactured home industry. They include, but are not limited to, the following:
 - N.A.D.A. Manufactured Housing Cost Guide
 - Multiple Listing Service
 - Patty Kindig, David Lyng Real Estate
 - Bryan Mackenzie, Coldwell Banker
 - Samuel Su, Realty World - Todd Su & Associates
 - Charlie Su, Realty World - Todd Su & Associates; and
- Review of market data on file in the DM&A library.

UNDERLYING REAL PROPERTY DATA

PROPERTY OWNER (LAND)

The City of Capitola

LOCATION

426 Capitola Avenue
Capitola, California

PRESENT USE

The present use is as a 44-space trailer, mobile home and manufactured home park. Of the 44 spaces, 14 are owned by the City of Capitola, three of which are vacant. The remaining thirty homes are the Subject Mobile Homes valued herein.

PHYSICAL DESCRIPTION

Land

Shape:	S- Shaped
Area Occupied:	Approximately 4 acres
Topography:	Slightly sloped ravine
Accessibility:	Legal vehicular access from Capitola and Bay Avenues

VALUATION

INTRODUCTION

The purpose of this appraisal is to estimate the fair market value in place of the Subject Mobile Homes for acquisition or relocation purposes. In addition, we have provided estimates of the fair market value of the Subject Mobile Homes as of March 23, 2011, which corresponds to the day before the flood and the City of Capitola's decision to consider closure of the park on April 28, 2011.

Fair market value in place and fair market value of the Subject Mobile Homes only represents the investment that would be required to replace existing assets in their present form and condition using valuation methodology which considers the manner in which the homes are acquired and put in use. In other words, fair market value in place and fair market value of the Subject Mobile Homes only are the values of the asset, designed to fit the specific requirement, in an amount which ownership would be justified, given alternative investment opportunities, by a prudent investor contemplating retention of the asset in its present economic employment.

There are three fundamental techniques applied to the valuation of assets. These techniques are based on the cost to acquire (Cost Approach), the cost at which the asset may change hands in the marketplace (Market Data or Sales Comparison Approach), and the present worth of expected future cash flows (Income Approach). The principle of substitution is important to the development and application of the three approaches.¹ This principle provides that a prudent investor will pay no more for an asset, property, or business than he would be required to pay for a replacement serving as a reasonable substitute of equal utility.

The Cost and Income Approaches were considered but not utilized. The Cost Approach is not sufficiently accurate in the valuation of assets such as the Subject Mobile Homes. Value conclusions derived from the Cost Approach are not representative of the marketplace in which homes similar to the subjects commonly exchange in. Utilization of the Cost Approach in this case would be strictly an academic exercise and would not yield significant results toward a conclusion of fair market value in place and fair market value. The Income Approach was also considered but not utilized to reach a conclusion of value. This was due to a less than sufficient amount of empirical data available in the subject marketplace that would be required to yield a meaningful conclusion of value. Therefore, this appraisal has relied upon the Sales Comparison Approach.

Our research indicates that several factors are important in the valuation of trailers, manufactured and mobile homes. These include, but are not limited to, the type of home, size, age, quality, condition, number of bedrooms and bathrooms, the presence of an addition, and upgrades such as decks, carports, canopies, landscaping, yards, upgraded flooring, upgraded bathroom fixtures, washer/dryers, etc. All of the relating mobile home factors and upgrades were noted from our physical inspections/home owner interviews and were considered in the valuation of every mobile home appraised. The subjects are approximately seven to 55 years old in age and below average to good in quality and condition. Eleven of the Subject Mobile Homes have an addition.

¹ "The Principle of Substitution" *Real Estate Appraisal Terminology*, Byrl N. Boyce, Ph. D., Page 201

Furthermore, the location within the park, quality, condition, space rents, park amenities, and restrictions of a park are significant factors relevant to the "in place value" of park homes.

APPLICATION OF THE SALES COMPARISON APPROACH

Fair Market Value in Place

We implemented an MLS (Multiple Listing Service) search (10 mile radius from the Subject Site) in order to research the greater Capitola area marketplace for transactions involving mobile homes and trailers comparable to the subjects. The range of transaction dates that we examined was October 2010 through May 2011. We reviewed data from 16 sales results. In almost all cases, the sales were located in communities that are in our opinion, comparable to the homes in Pacific Cove Mobile Home Park.

We considered rent control issues, the general quality of life, and desirability of the communities that yielded sales transactions. In our opinion, it would be inappropriate to consider sales from outside of the County of Santa Cruz, except for use as a very broad point of reference. Neither qualitative nor quantitative adjustments to sales transactions located outside of the County of Santa Cruz would yield meaningful values comparable to the subjects, due to the overly unique nature of the Subject Location. Such "guesses" would be highly speculative in nature and we consider them inappropriate for this assignment.

In our opinion, the 16 comparative sales included in this report (see Comparative Sales Data Sheet in the Addenda) represent the most appropriate available, relative to the Subject Mobile Homes, as of the effective date of value. This data was obtained from interviews we conducted with real estate brokers and realtors familiar with the subject marketplace and comparable sales data from the MLS.

The comparative sales that we have utilized are all located within 2.5 miles of the Subject Park and are listed as follows: Blue & Gold Mobile Home Park, Pleasant Acres Mobile Home Park, Snug Harbor Mobile Home Park, Carriage Acres Mobile Home Park, Opal Cliffs Mobile Home Park, Alimur Mobile Home Park, Castle Mobile Home Park, and Cabrillo Mobile Home Park. We considered these sales to be "arm's length" transactions. There have been no transactions within the subject park in the last year.

We have given considerable thought and consideration to data and opinions provided to us by the real estate brokers and realtors that we interviewed (See Sources of Information above). We have utilized the 16 comparable sales included in the Addenda, in order to aid us in establishing "benchmarks of value". Lastly we have considered the individual features of the Subject Mobile Homes listed above, relative to each other and to the comparative sales herein. A summary of the fair market values in place of the Subject Mobile Homes concluded from this analysis is provided below.

The comparable sales transactions that were utilized in our valuation analysis include homes that were sold exclusively on an "in place" basis. As such, the values include related site improvements. Therefore, our conclusions of value for the Subject Mobile Homes include related site improvements.

Fair Market Value – Mobile Home Only

We utilized the NADA Manufactured Housing Guide in order to form our fair market value conclusions. NADA guidebooks are a compilation of empirical sales data from the national and relevant regional market places to assist us with estimates of the fair market values of the Subject Mobile Homes. We utilized available relevant data gathered from inspections and home owner interviews. In the limited cases where information was unavailable, assumptions based on our physical inspections were used. It is our opinion, that NADA was the most reliable available source of fair market value of the Subject Mobile Homes as of the date of this report.

SUMMARY AND CONCLUSIONS

The application of the Sales Comparison Approach provides an indication of value. Based upon the application of this approach to the various Subject Mobile Homes appraised herein, our opinions of the fair market values in place and fair market values, as of the effective dates of value indicated below are as follows:

<u>SPACE NUMBER</u>	<u>FAIR MARKET VALUE IN PLACE (ROUNDED) AS OF MARCH 23, 2011</u>	<u>FAIR MARKET VALUE OF MOBILE HOME ONLY (ROUNDED) AS OF MARCH 23, 2011</u>
40	\$24,000	\$9,000
42	\$48,500	\$6,800
43	\$66,250	\$6,300
47	\$49,000	\$1,150
48	\$21,500	\$525
49	\$53,500	\$1,250
50	\$42,000	\$675
53	\$101,000	\$12,750
54	\$118,000	\$10,500
56	\$61,000	\$1,500
57	\$130,000	\$9,250
59	\$95,000	\$2,500
60	\$90,000	\$4,750
62	\$88,000	\$5,500
63	\$42,000	\$3,750
64	\$49,500	\$1,350
66	\$52,000	\$3,100
67	\$47,000	\$3,250
68	\$83,000	\$3,650
69	\$89,500	\$3,500
71	\$34,500	\$700
74	\$42,000	\$725
75	\$50,000	\$1,000
76	\$102,500	\$7,300
77	\$41,000	\$1,200
78	\$58,000	\$5,550

<u>SPACE NUMBER</u>	FAIR MARKET VALUE IN PLACE (ROUNDED) AS OF <u>MARCH 23, 2011</u>	FAIR MARKET VALUE OF MOBILE HOME ONLY (ROUNDED) AS OF <u>MARCH 23, 2011</u>
80	\$105,000	\$31,500
82	\$59,000	\$2,800
83	\$104,000	\$12,250
84	\$115,000	\$12,000

ADDENDA

Pacific Cove Mobile Home Park – Subject Mobile Homes Data Sheet

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
40	Travel Trailer	A	Yes	Arctic Fox	N/I – Est. 1990's	236	1	1	\$101	N/I	N/I
42	Manufactured Home	A	No	N/A	N/I – Est. 1990's	560	N/I	N/I	\$87	N/I	N/I
43	Manufactured Home	A	No	N/A	1982	716	2.5	1	\$96	N/D	1982
47	Mobile Home	A	No	Nashua	1960 (Approx)	423	1	1	\$116	N/D	1999
48	Mobile Home	F/P	No	Castaway	N/I – Est. 1960's	240	1	1	\$90	N/I	N/I
49	Mobile Home	G	No	Jewel	1950's (approx)	432	1	1	\$124	N/D	1982
50	Mobile Home	A/G	No	Anderson	1956	336	1	1	\$125	N/D	1995
53	Manufactured Home	A/G	No	Skyline/Palm Manor	1988	880	2	2	\$115	33,122	1988
54	Mobile Home	A/G	No	Champion	1968	1178	2.5	2	\$100	165,000	2002 (approx)

N/A – Information not available at time of interview
 N/D- Not Disclosed
 N/I – Not Interviewed

A - Average
 F - Fair
 G - Good
 P - Poor

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
56	Mobile Home	A	No	Paramount	1956	640	2	1	\$95	N/D	Approx. 1971
57	Manufactured Home	G	No	Golden West	1995	1176	2	1	\$111	70,000	1998
59	Mobile Home	A	No	Universal	1965	970 (Reported by Owner)	2.5	1	\$98	115,000	2006
60	Mobile Home	A/G	No	National	1964	900	2	2	\$100	N/D	1989
62	Mobile Home	G	No	Lancer	1981	800	2	2	\$110	135,000	2004
63	Mobile Home	A/F	No	Champion	N/A – Est. 1970's	528	1	1	\$80	60,000 (Approx)	1997
64	Mobile Home	A	No	Angel	1956	516	2	1	\$96	Paid \$4,500 on top of trade with city	1982
66	Mobile Home	A	No	Westbrook	1974	576	2	1	\$90	N/D	2006
67	Mobile Home	A/F	No	Champion	1971	570	1	1	\$82	Grandmother paid \$12,000 in 1978. Christine paid \$60,000 in 2008	2008

N/A – Information not available at time of interview
N/D- Not Disclosed
N/I – Not Interviewed

A - Average
F - Fair
G - Good
P - Poor

Space Number	Type of Home	Condition	Movable?	Home Manufacturer/Model	Year of Manufacture	Total Square Feet of Home	Number of Bedrooms	Number of Bathrooms	Adjusted Price per Square Foot	Reported Purchase Price (Per Owner)	Reported Purchase Date (Per Owner)
68	Mobile Home	A/F	No	Star	1967	1040	3	1	\$80	N/D	1991
69	Mobile Home	A/G	No	Melody	1967	860	2	2	\$104	N/D	1996
71	Mobile Home	A/F	No	Nashua	1962	348	2.5	1	\$105	N/D	1964
74	Mobile Home	A/G	No	Fleetwood Homes	1961	380	1	1	\$111	N/D	1983
75	Mobile Home	A	No	Champion	1965	500	2	1	\$100	N/D	1976
76	Mobile Home	A/G	No	Casa Loma	1966	1080	2	1	\$95	115,000	2006
77	Mobile Home	F	No	Fleetwood Homes	1970's	480	2	1	\$85	N/D	1979
78	Mobile Home	A	No	SilverCrest	1971	648	1	1	\$90	15,000	1975
80	Manufactured Home	G	Yes	Champion (Infinity Limited)	2004	836	3	2	\$126	\$58,000	2003/ 2004
82	Mobile Home	G	No	Imperial	1967	540	1	1	\$109	N/D	1999/ 2000
83	Manufactured Home	G	No	N/A	N/A- Est. 1980's	1040	2	2	\$100	N/D	N/A
84	Mobile Home	A	No	Royal Lancer	1974	1440	2	2	\$80	N/D	1980

N/A – Information not available at time of interview
N/D- Not Disclosed
N/I – Not Interviewed

A - Average
F - Fair
G - Good
P - Poor

PACIFIC COVE MOBILE HOME PARK

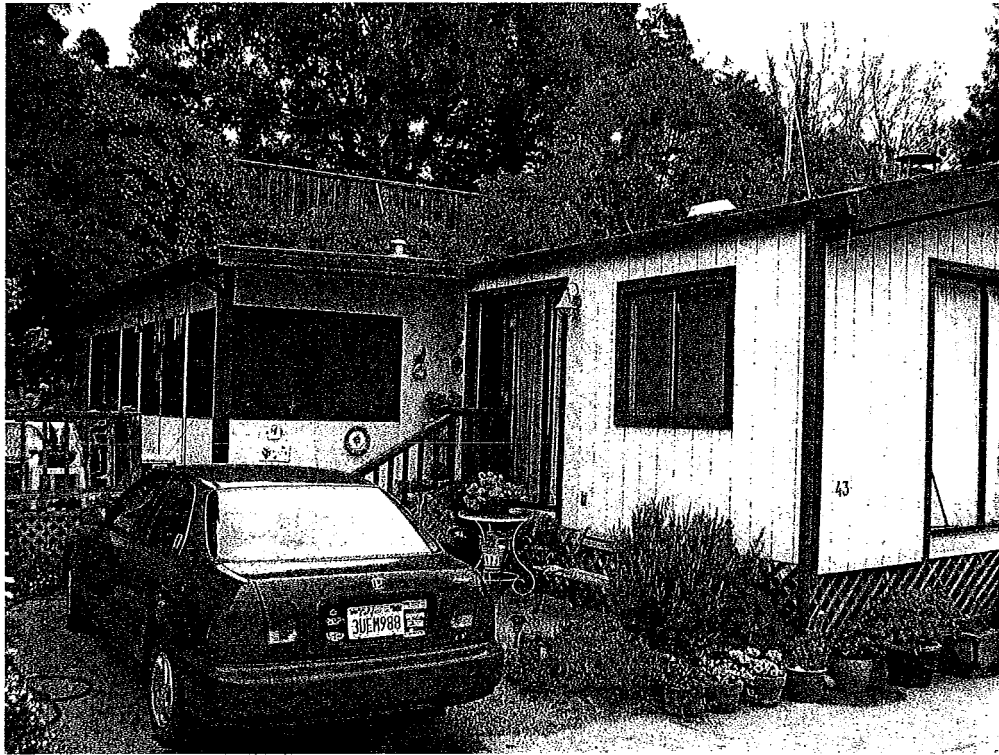


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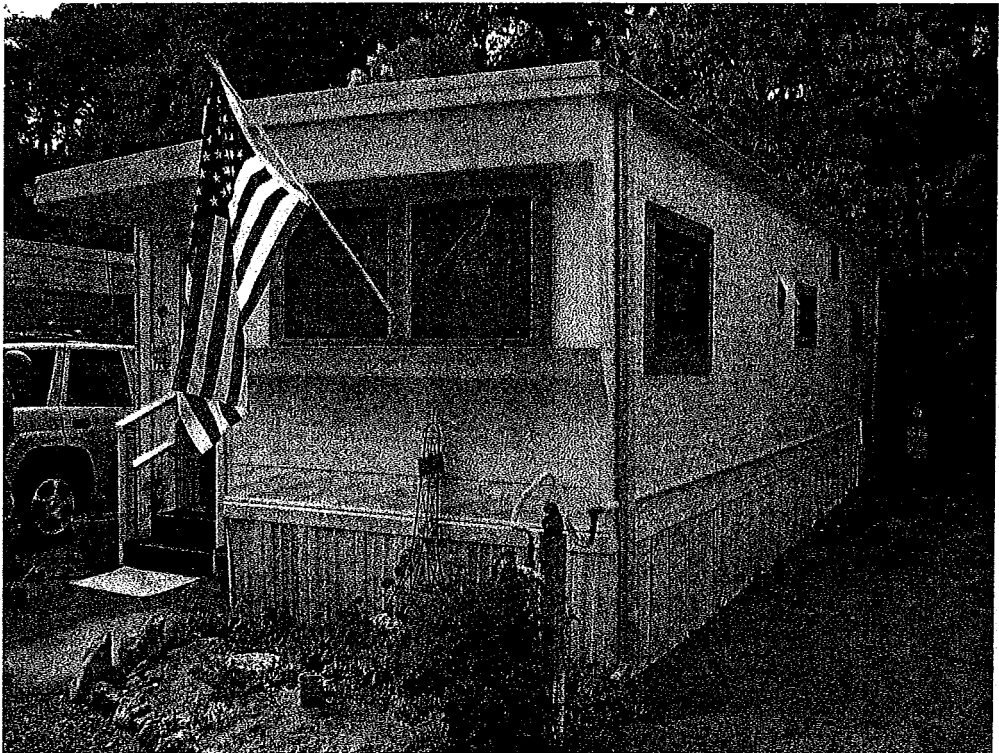


UNIT #42

PACIFIC COVE MOBILE HOME PARK



UNIT #43



UNIT #47

PACIFIC COVE MOBILE HOME PARK



UNIT #48

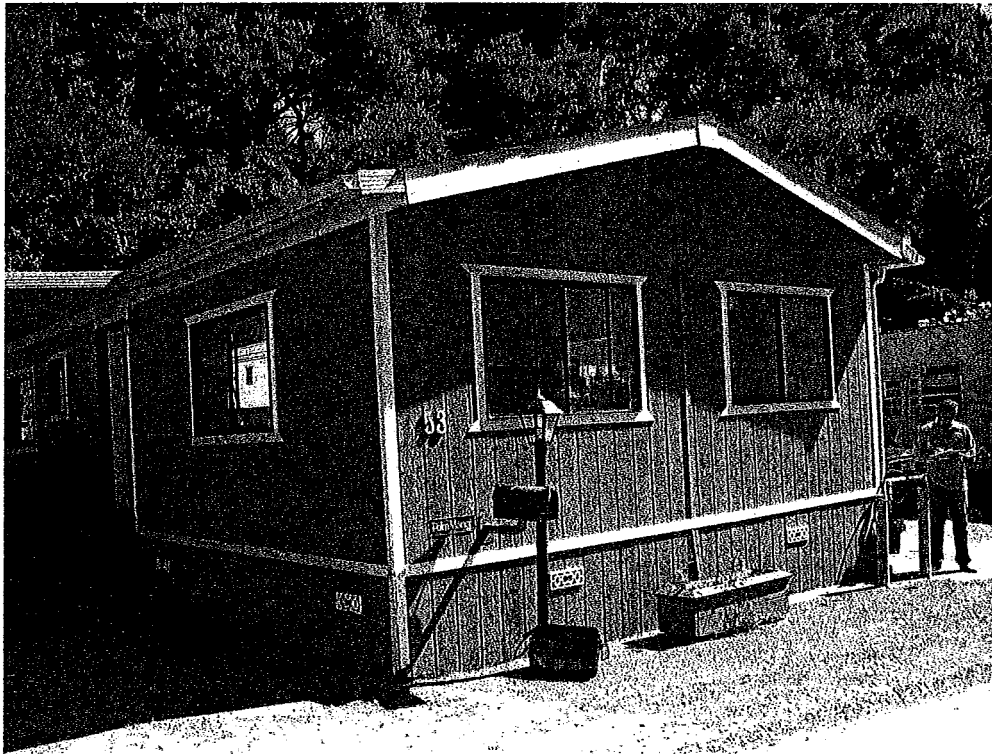


UNIT #49

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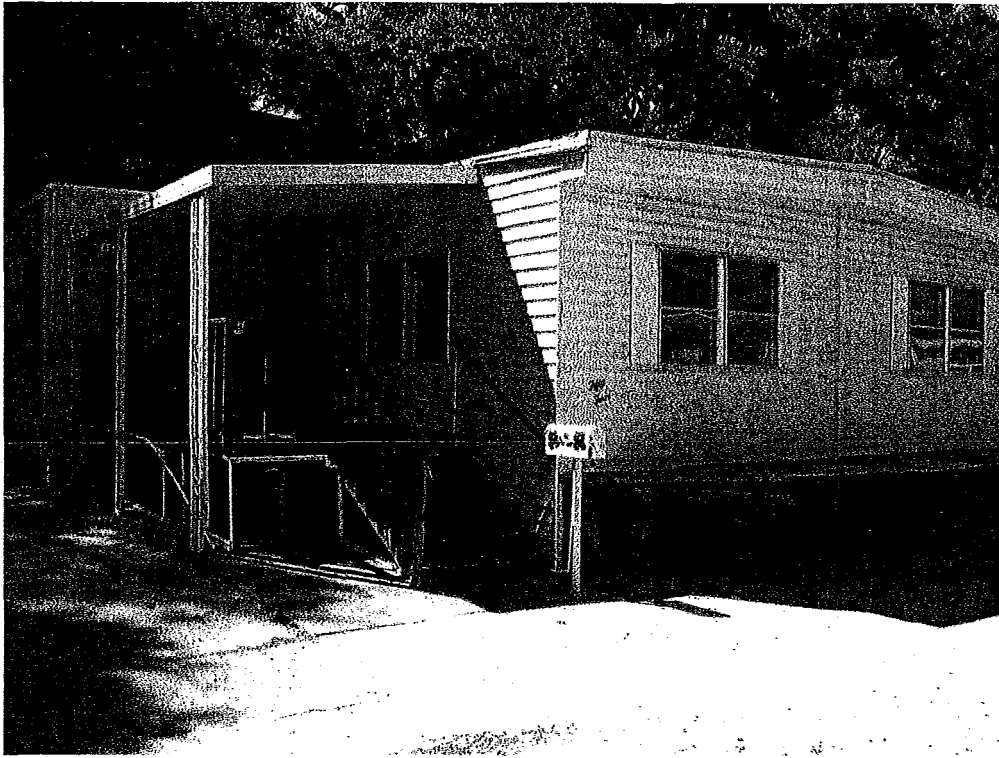


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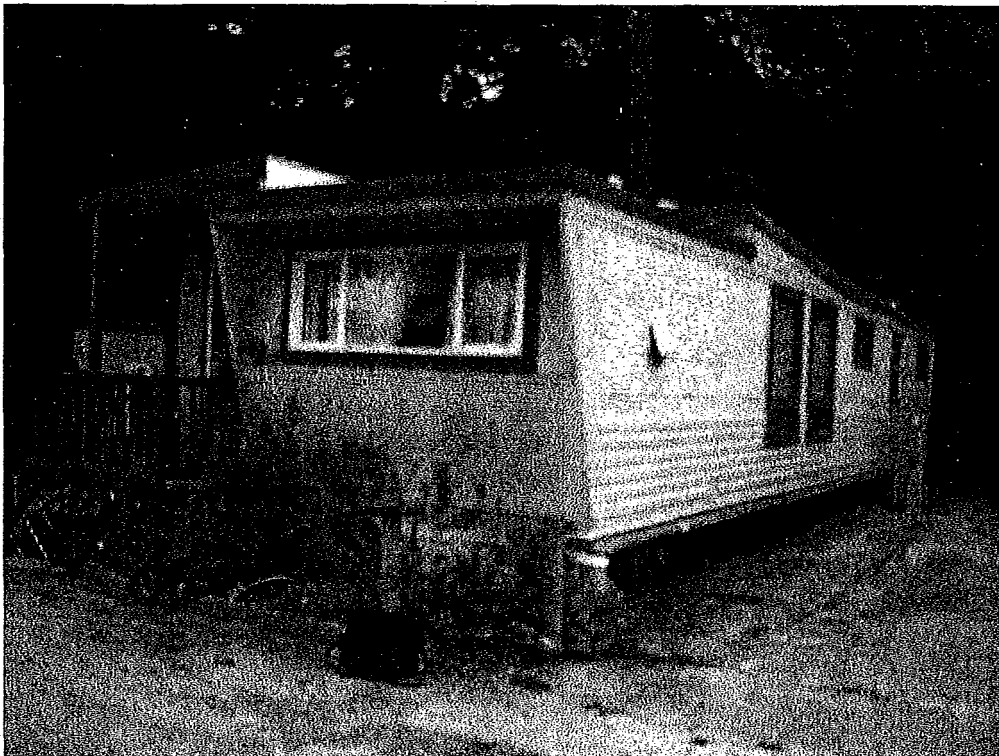


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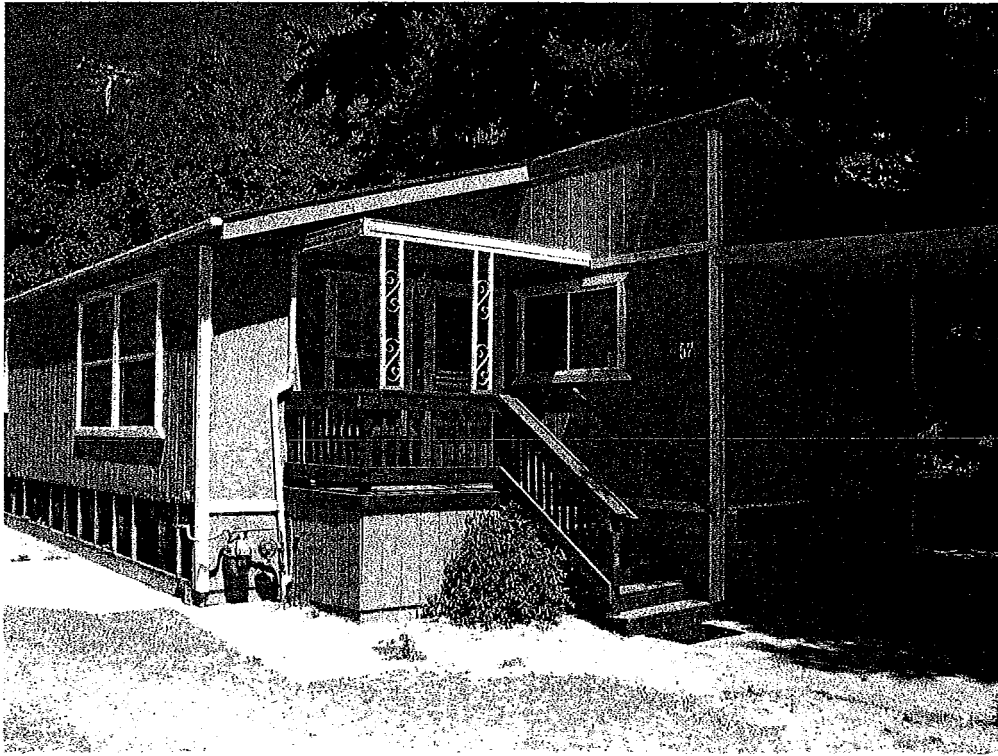


UNIT #54



UNIT #56

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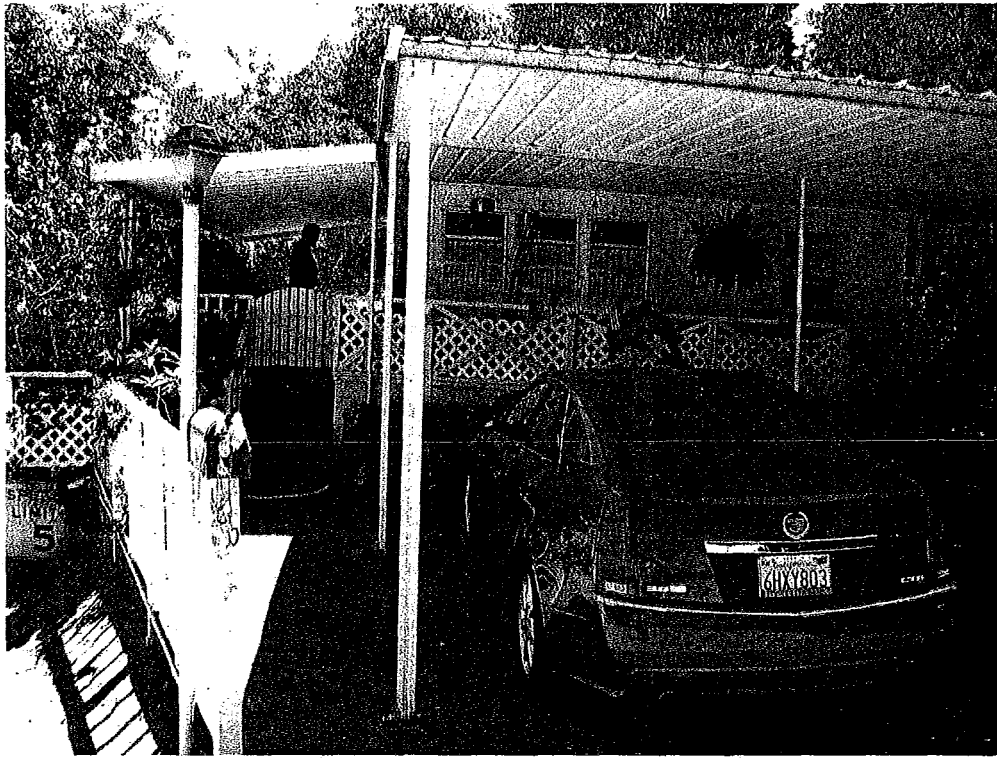


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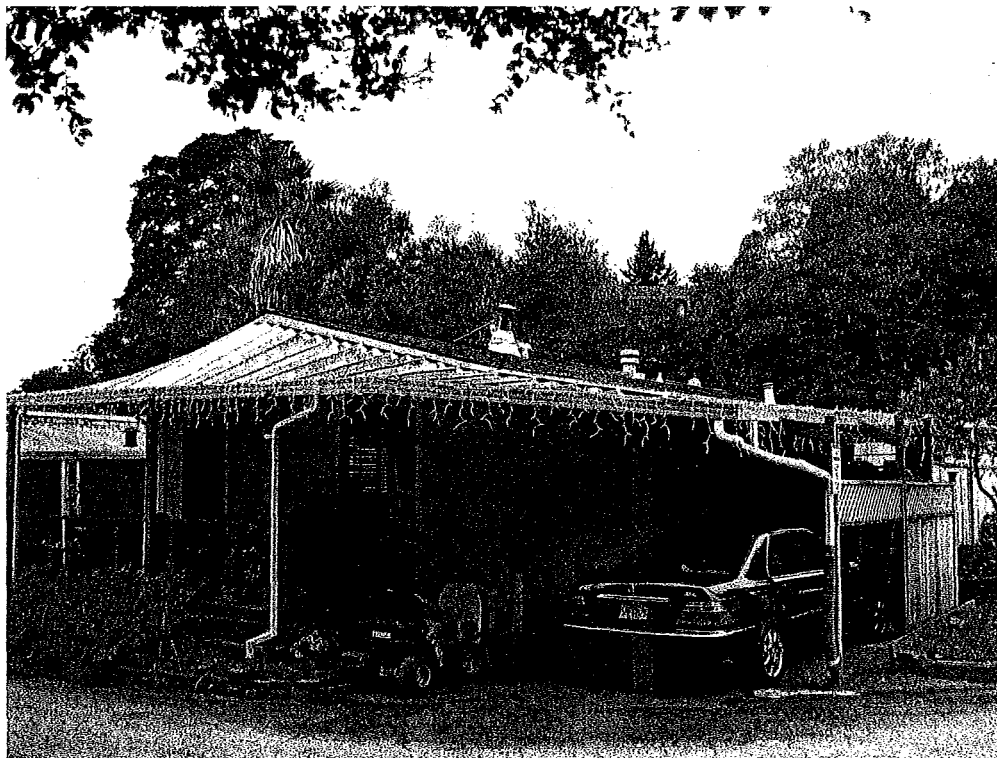
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UNIT #59

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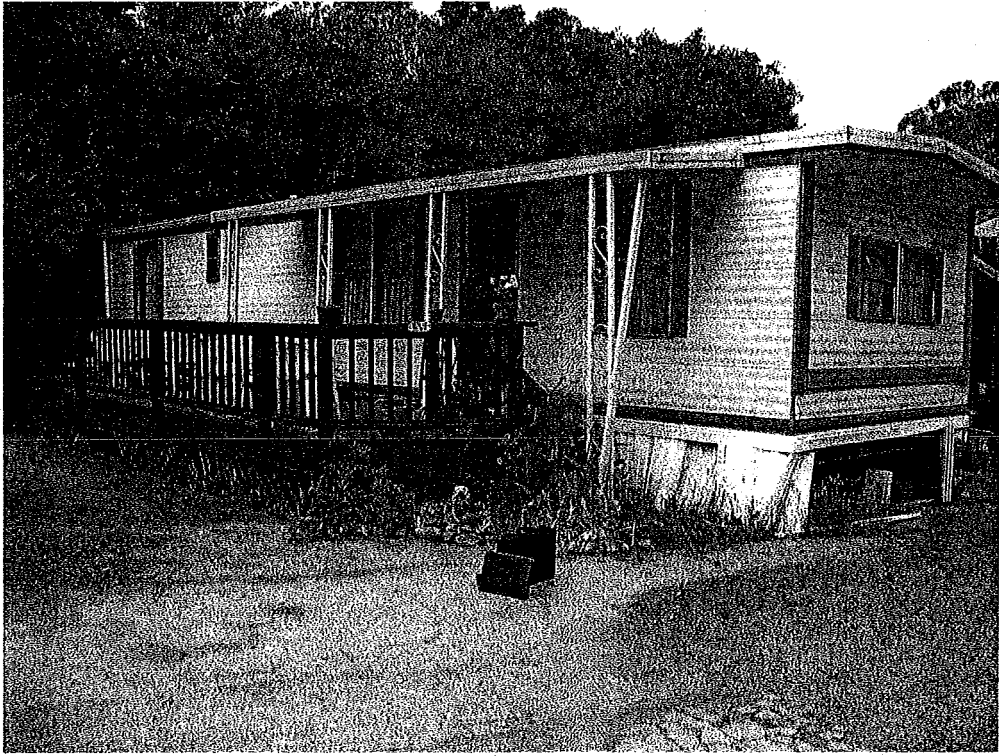


UNIT #60



UNIT #62

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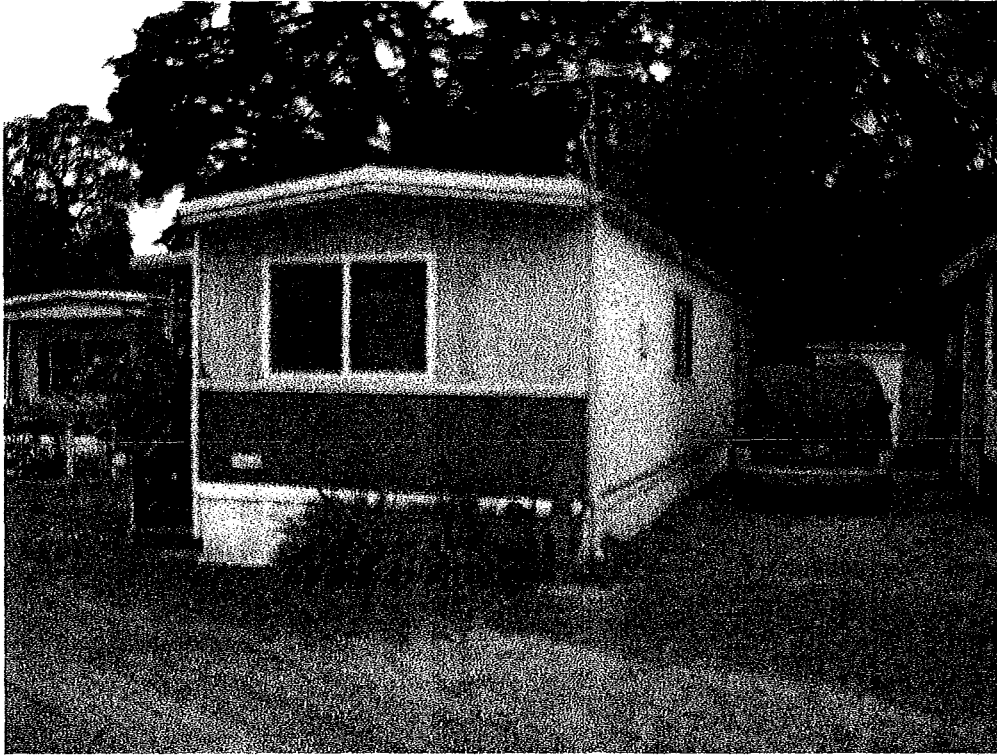


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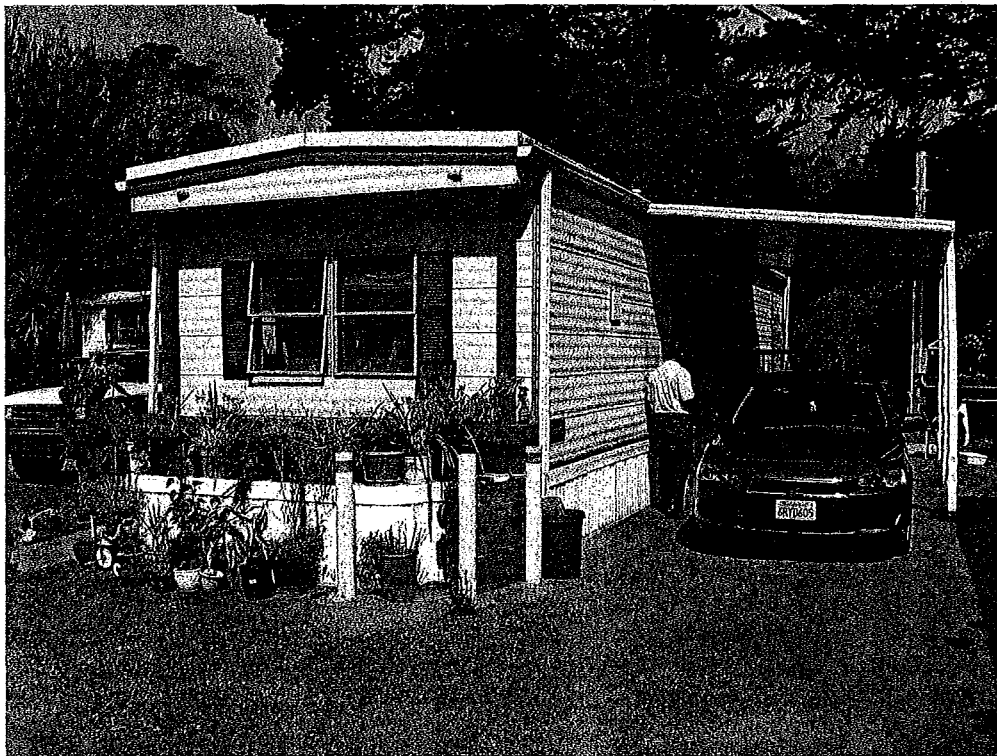


UNIT #64

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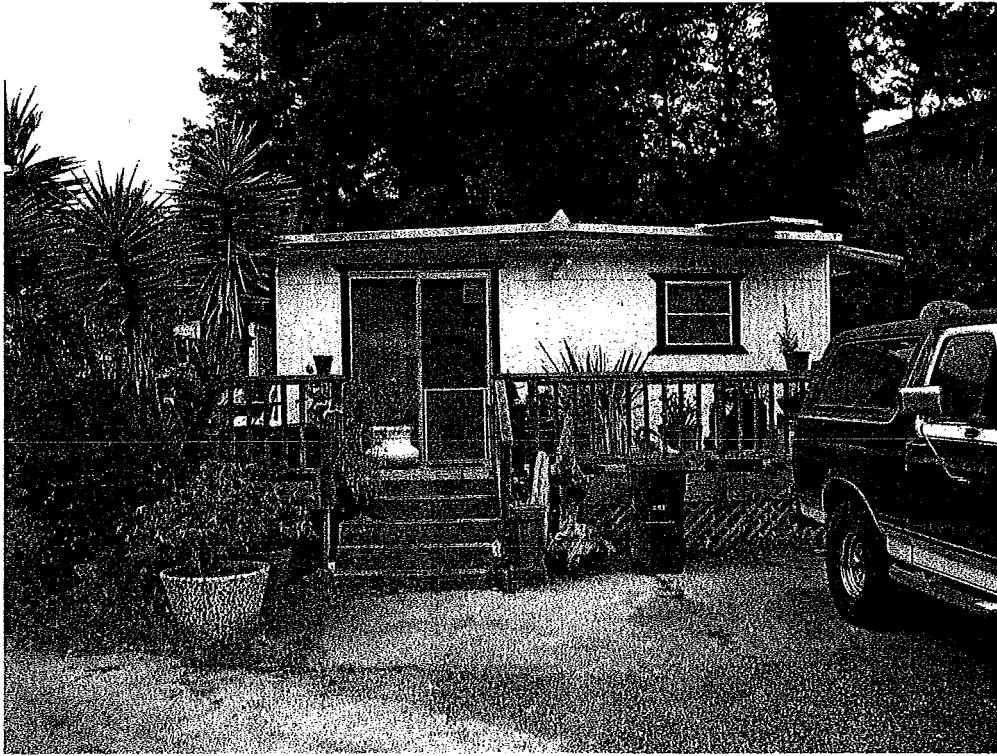


UNIT #66



UNIT #67

PACIFIC COVE MOBILE HOME PARK

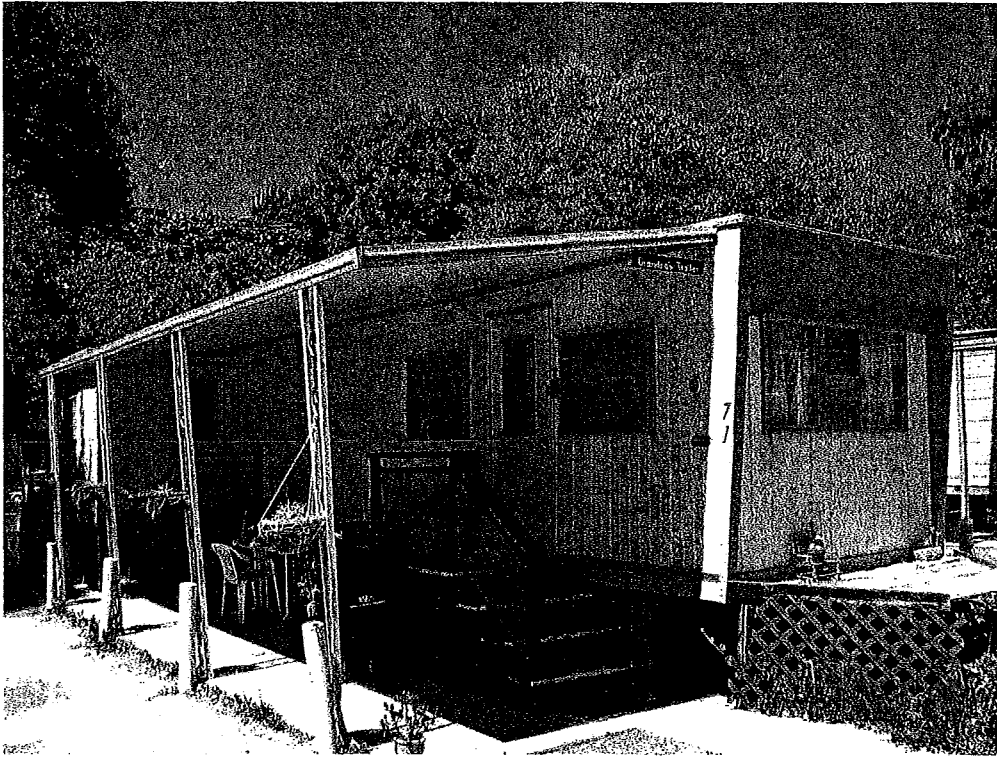


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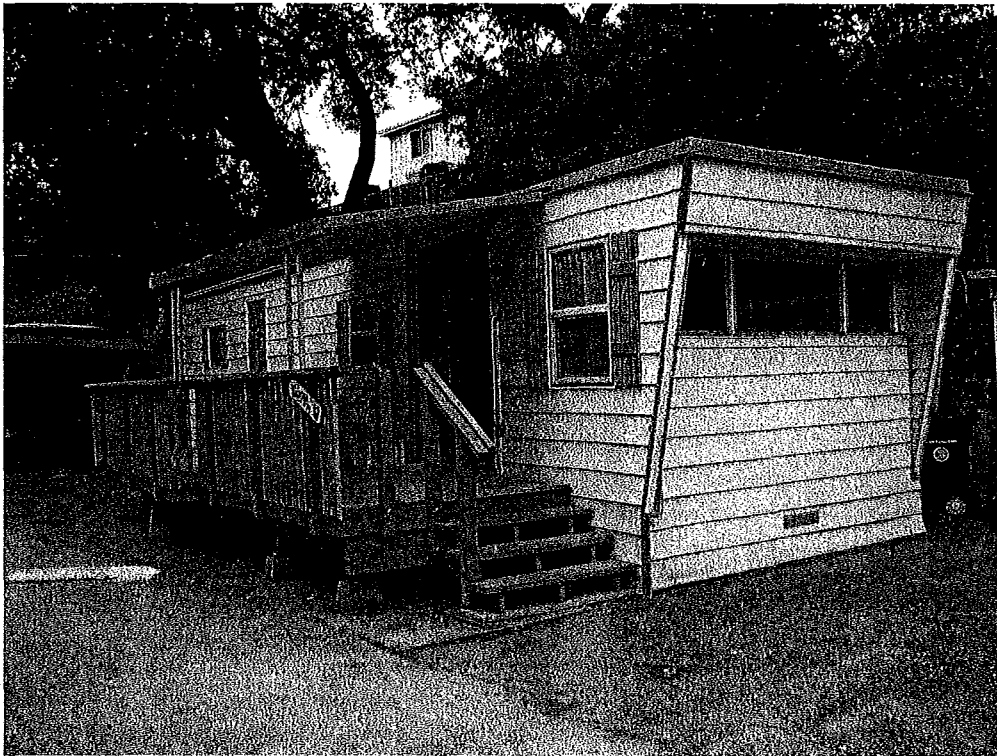


UNIT #69

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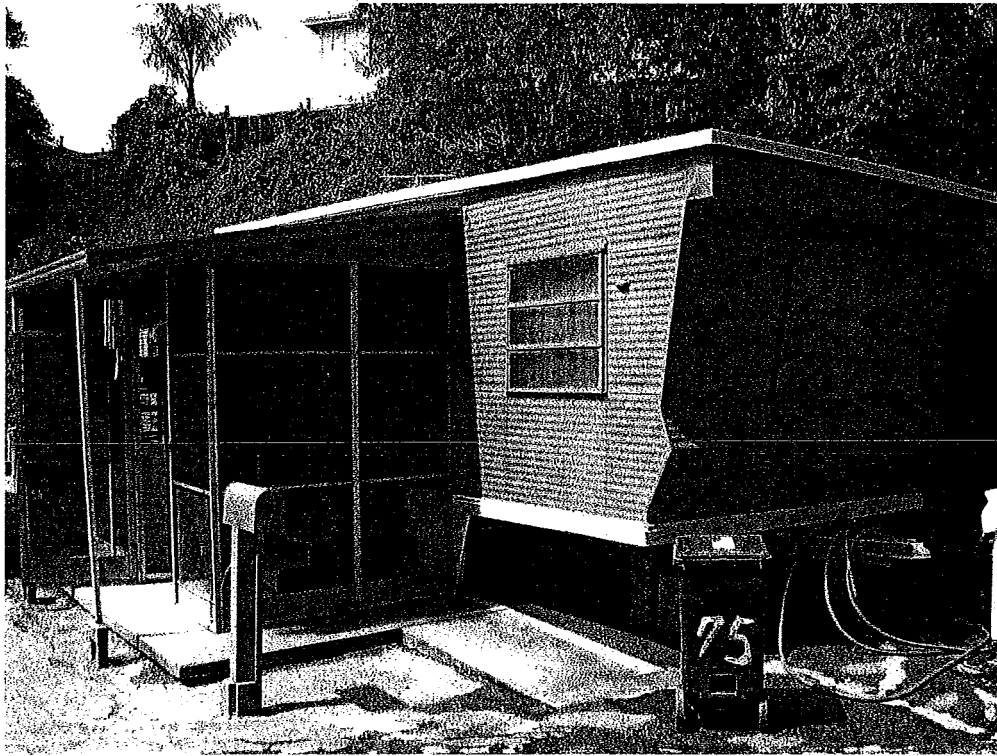


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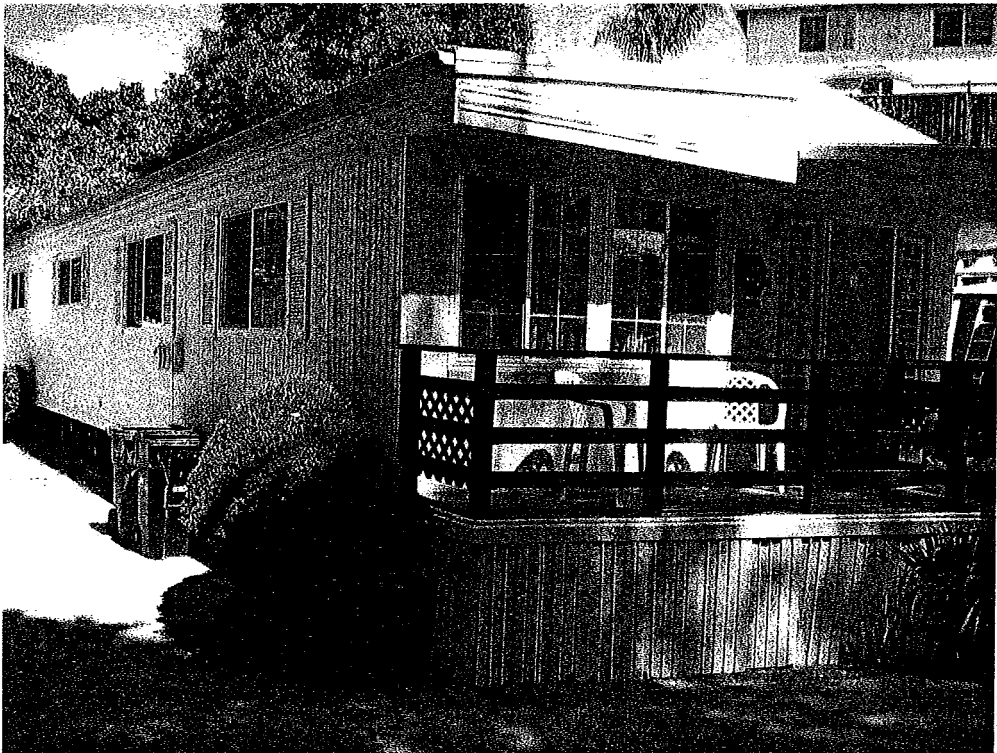


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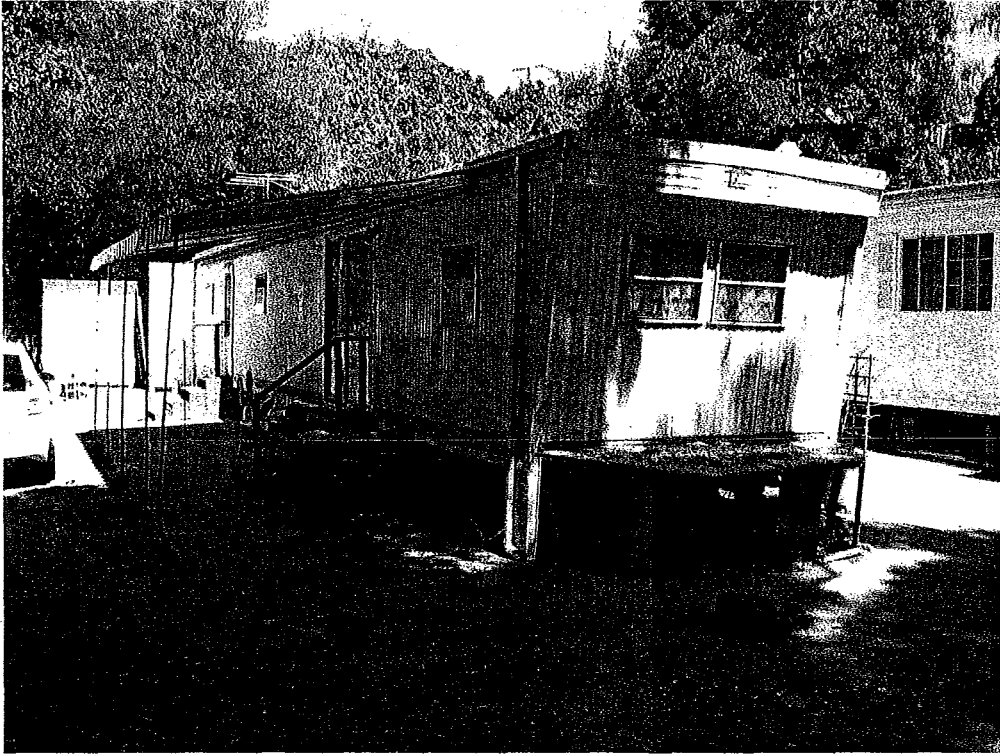


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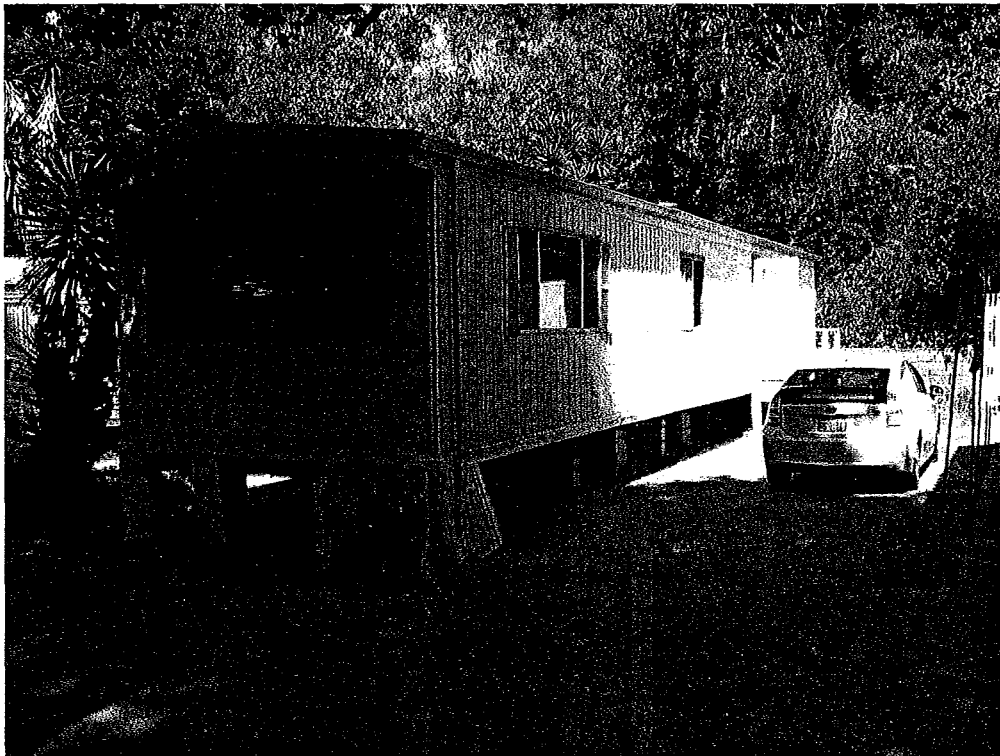


UNIT #76

PACIFIC COVE MOBILE HOME PARK

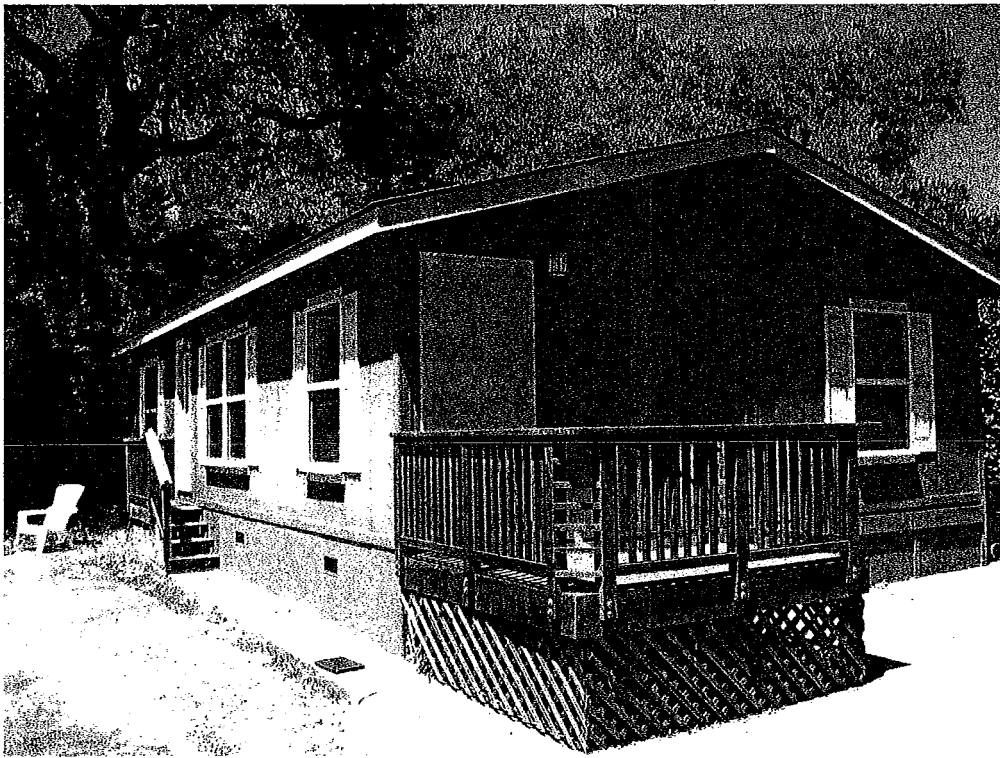


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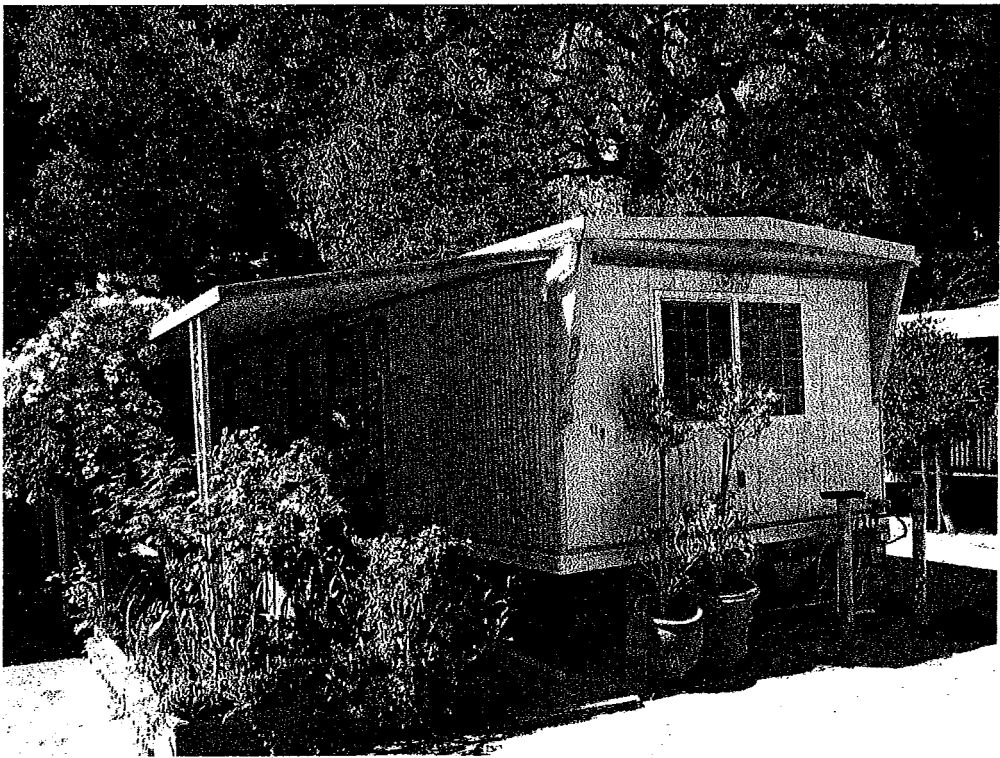


UNIT #78

PACIFIC COVE MOBILE HOME PARK

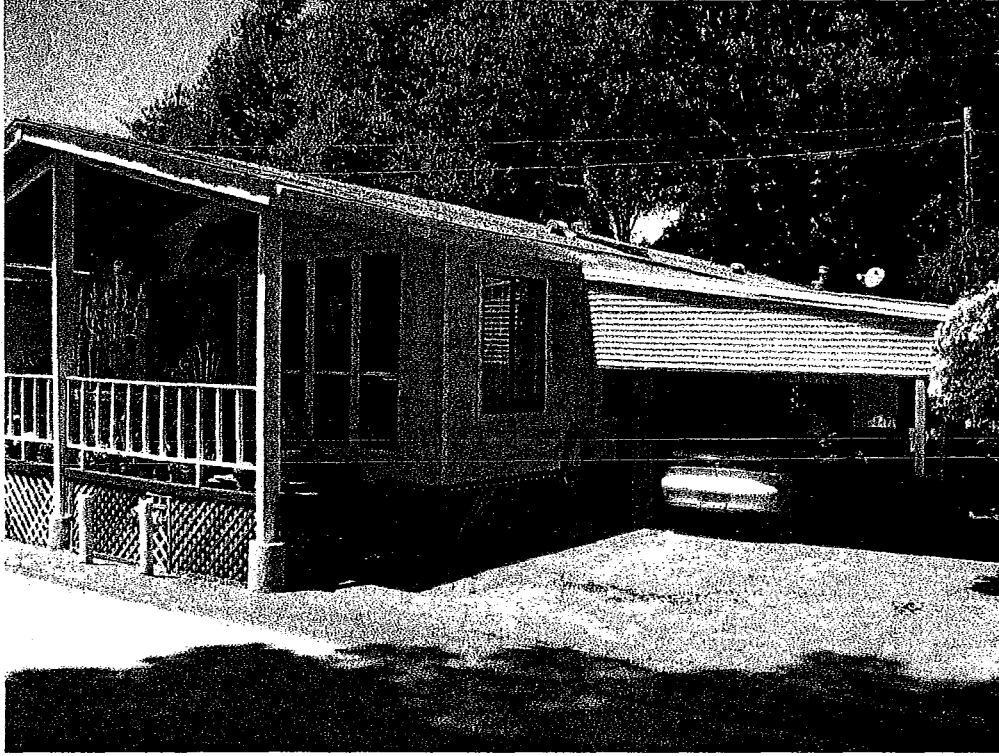


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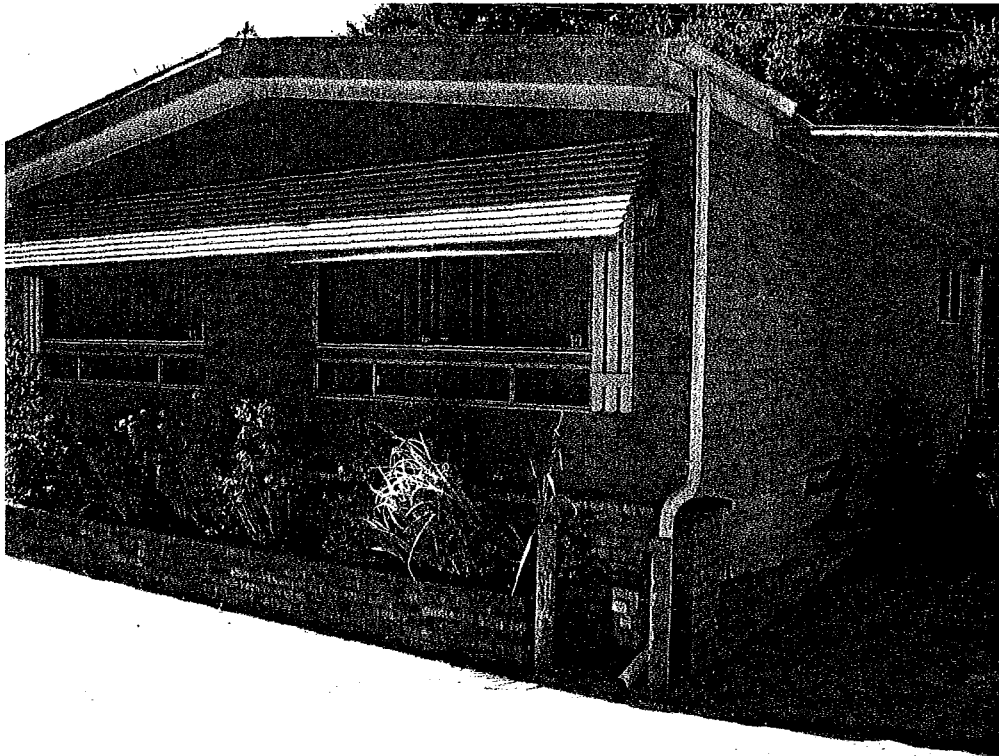


UNIT #82

PACIFIC COVE MOBILE HOME PARK



UNIT #83



UNIT #84

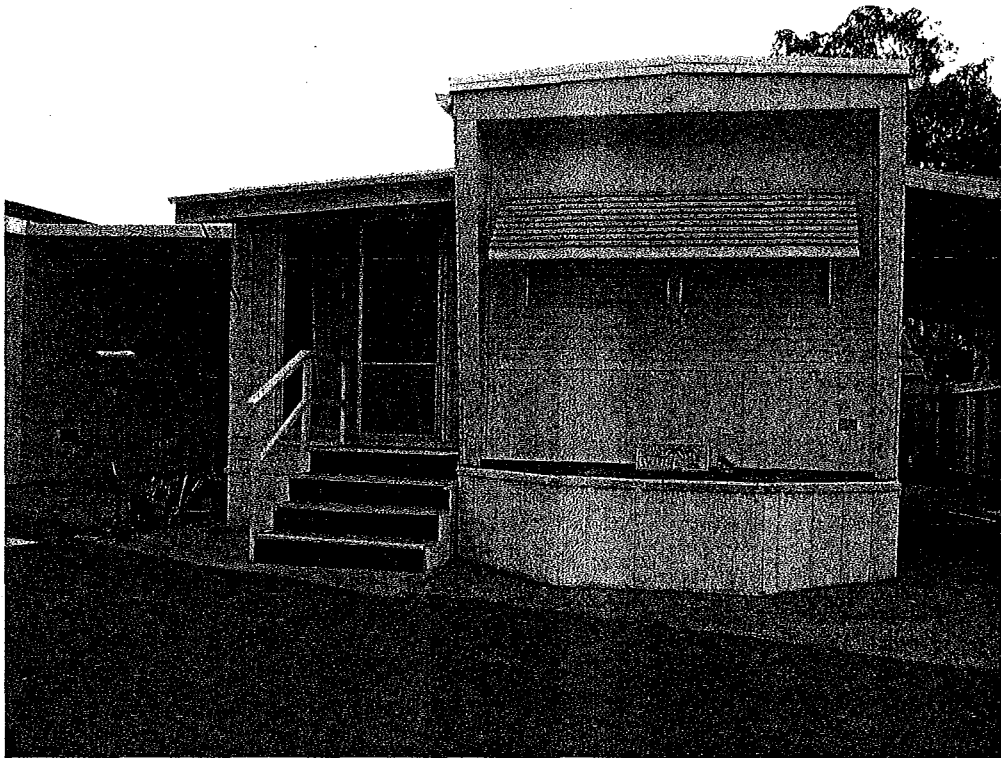
COMPARATIVE SALES DATA SHEET

Sale No.	Park	Park Type	Space No.	Overall Condition	Sale Price	Sale Date	Year	Manufacturer/Model	Bed/Bath	Total Sq.Ft.	Adjusted Price/Sq.ft.	Size
1	Blue & Gold Mobile Home Park	Family	106	Good	105,000	May-11	1969	Golden West	2,2	1040	\$100.96	Double Wide
2	Blue & Gold Mobile Home Park	Family	85	Average	61,000	Jan-11	1963	NA	1,1	460	\$132.61	Single
3	Pleasant Acres Mobile Home Park	Family	46	Good	55,000	Oct-10	1991	NA	1,1	650	\$84.62	Single
4	Snug Harbor Mobile Home Park	Family	23	Average	59,000	Dec-10	1957	NA	2,1	506	\$116.60	Single
5	Carriage Acres Mobile Home Park	Family	18	Excellent	95,000	Apr-11	2007	Fleetwood	1,1	645	\$147.29	Single
6	Carriage Acres Mobile Home Park	Family	94	Good	97,389	Jun-11	2003	Lake Springs	2,1	726	\$134.14	Single
7	Carriage Acres Mobile Home Park	Family	92	Average/Good	45,000	Aug-10	1981	Concord	1,1	518	\$86.87	Single
8	Snug Harbor Mobile Home Park	Family	9	Average	47,500	Nov-11	1966	Imperial	1,1	456	\$104.17	Single
9	Opal Cliffs Mobile Home Park	Family	23	Average	50,000	Dec-10	1961	N/A	1,1	400	\$125.00	Trailer
10	Alimur Mobile Home Park	Family	71	Average	40,000	Jun-11	1958	NA	1,1	680	\$58.82	Single
11	Carriage Acres Mobile Home Park	Family	41	Average	95,000	Nov-10	1968	NA	2,2	980	\$96.94	Double Wide
12	Castle Mobile Home Park	Family	64	Average	99,500	Sep-10	1971	Lancer	2,1	880	\$113.07	Double Wide
13	Castle Mobile Home Park	Family	25	Average	75,000	May-11	1974	NA	2,1	900	\$83.33	Double Wide
14	Blue & Gold Mobile Home Park	Family	104	Excellent	195,000	May-11	2010	NA	3,2	1,326	147.06	Double Wide
15	Cabrillo Mobile Home Park	Family	54	Good	145,000	Oct-10	1998	NA	3,2	1,040	139.42	Double Wide
16	Blue & Gold Mobile Home Park	Family	110	Good	190,000	Sep-10	1999	Karsten	3,2	1,152	164.93	Double Wide

COMPARATIVE SALES PHOTOGRAPHS

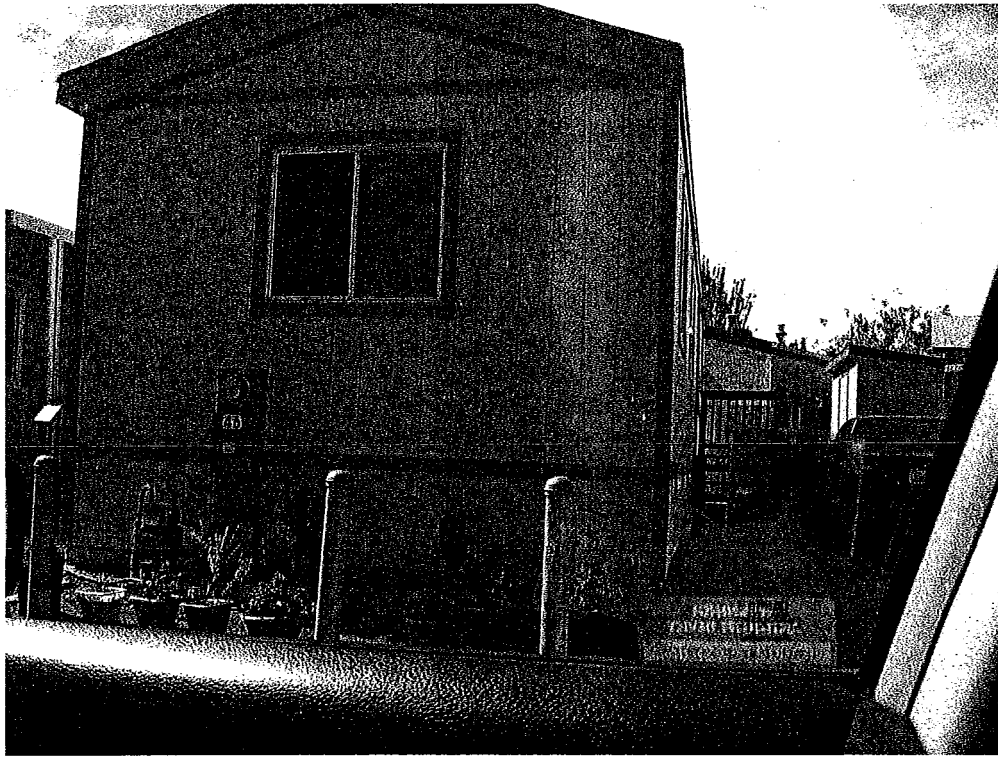


NO. 1 - BLUE & GOLD MOBILE HOME PARK



NO. 2 - BLUE & GOLD MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS

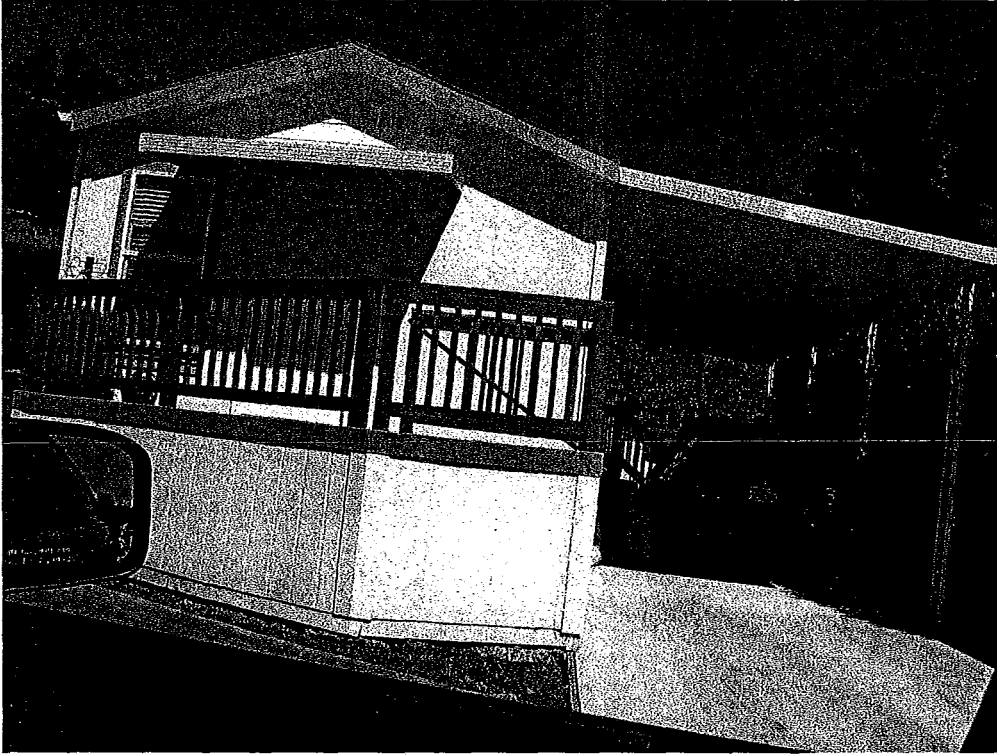


NO. 3- PLEASANT ACRES MOBILE HOME PARK

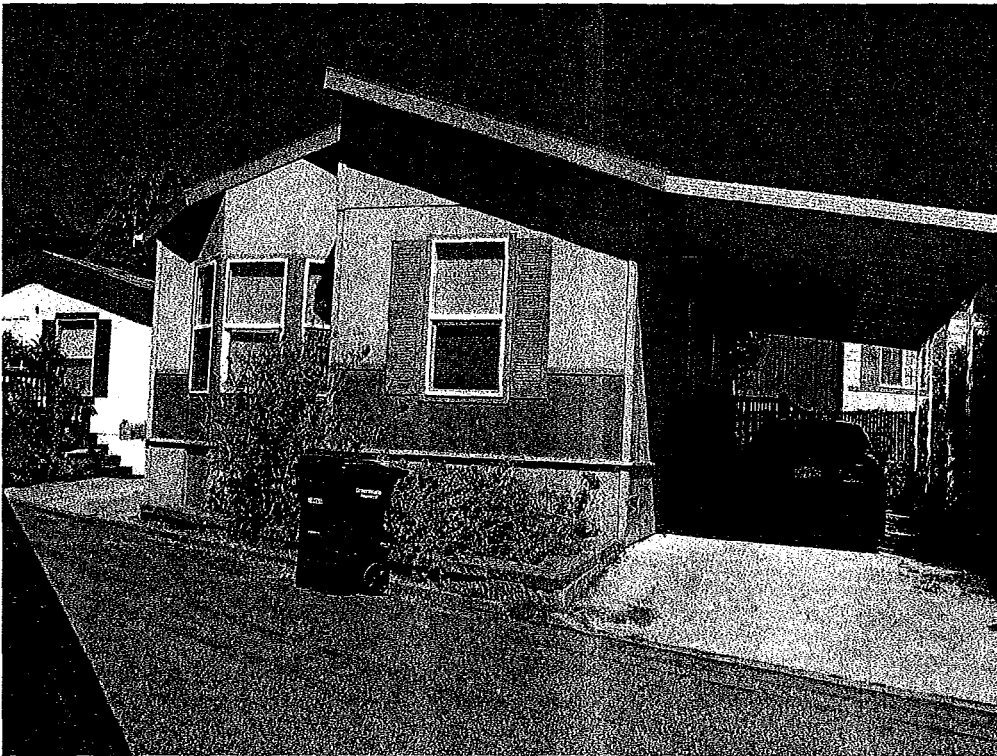


NO. 4 - SNUG HARBOR MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS



NO. 5 - CARRIAGE ACRES MOBILE HOME PARK

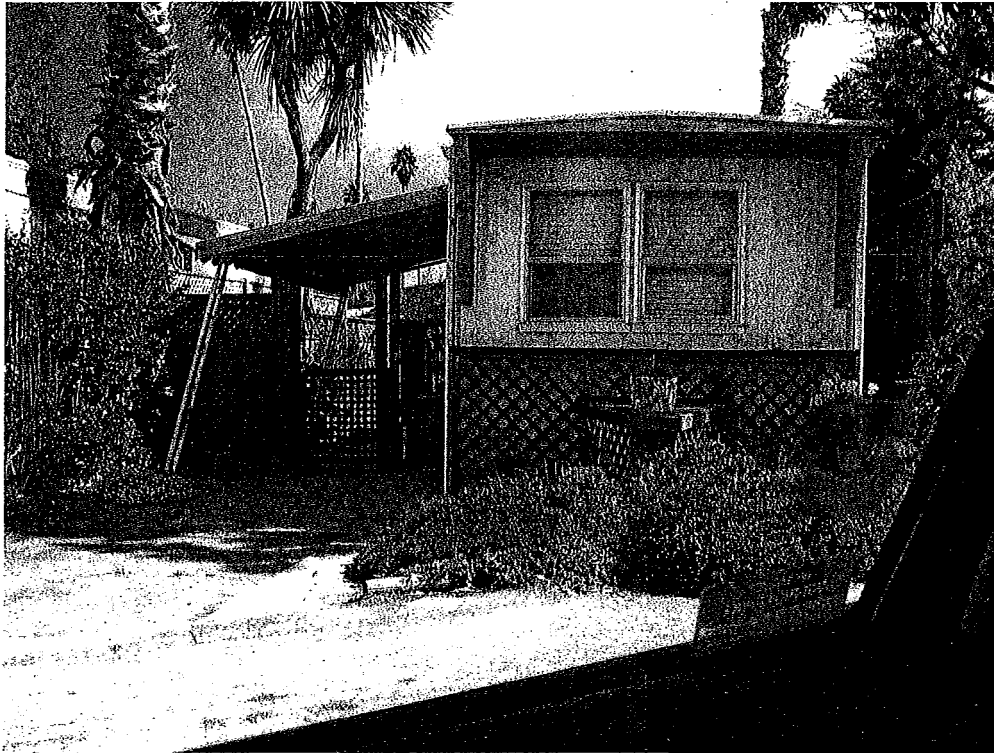


NO. 6 - CARRIAGE ACRES MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS



NO. 7 - CARRIAGE ACRES MOBILE HOME PARK



NO. 8 - SNUG HARBOR MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS

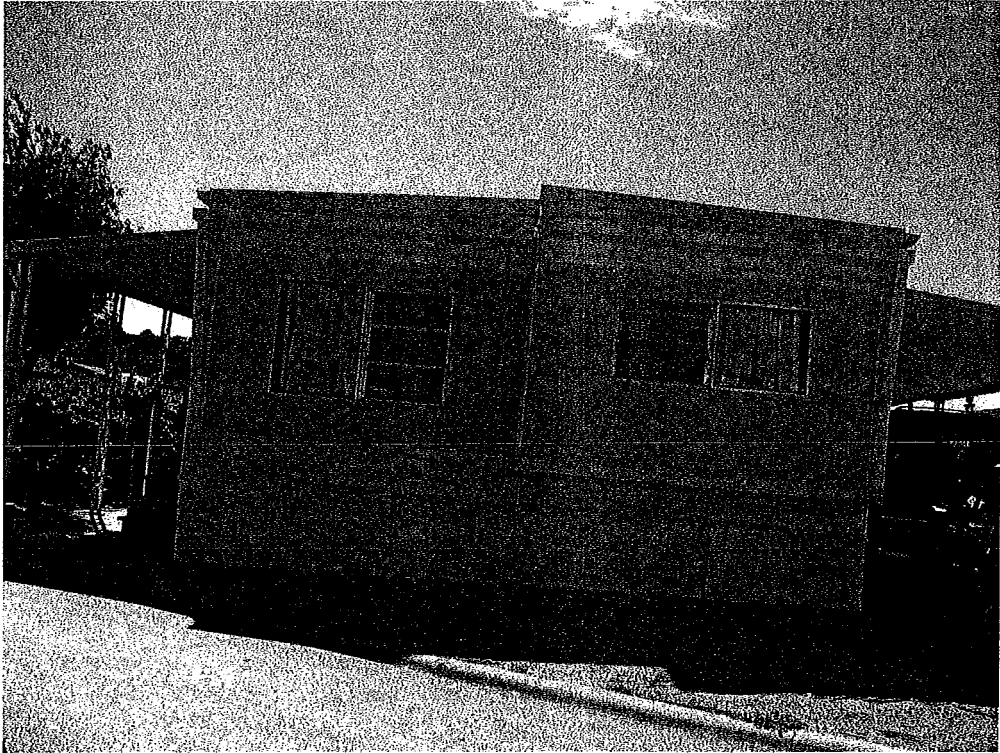
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NO. 9 – OPAL CLIFFS MOBILE HOME PARK

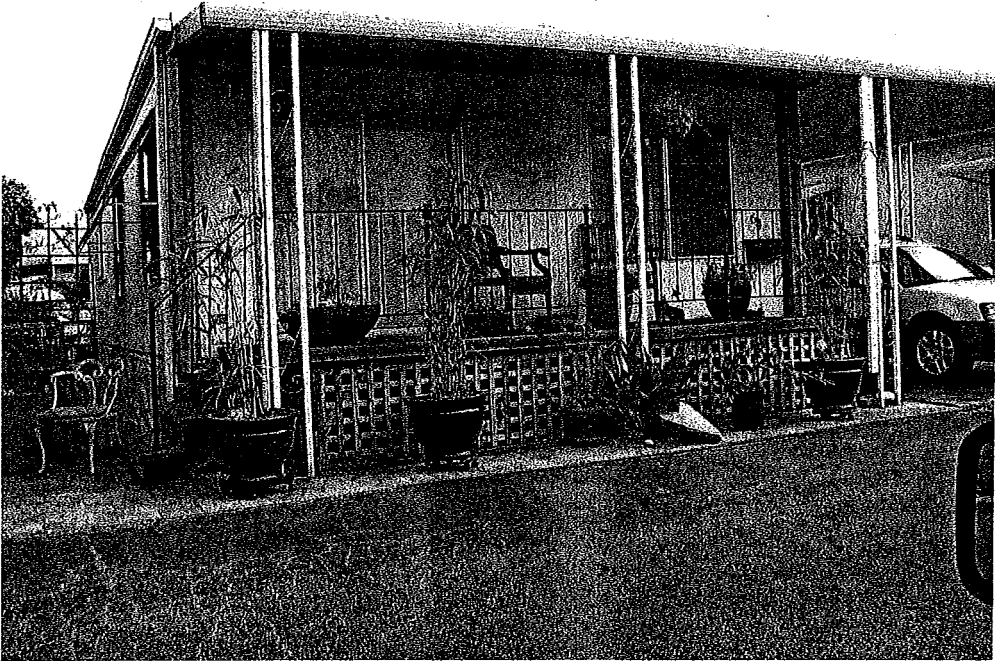


NO. 10 – ALIMUR MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS

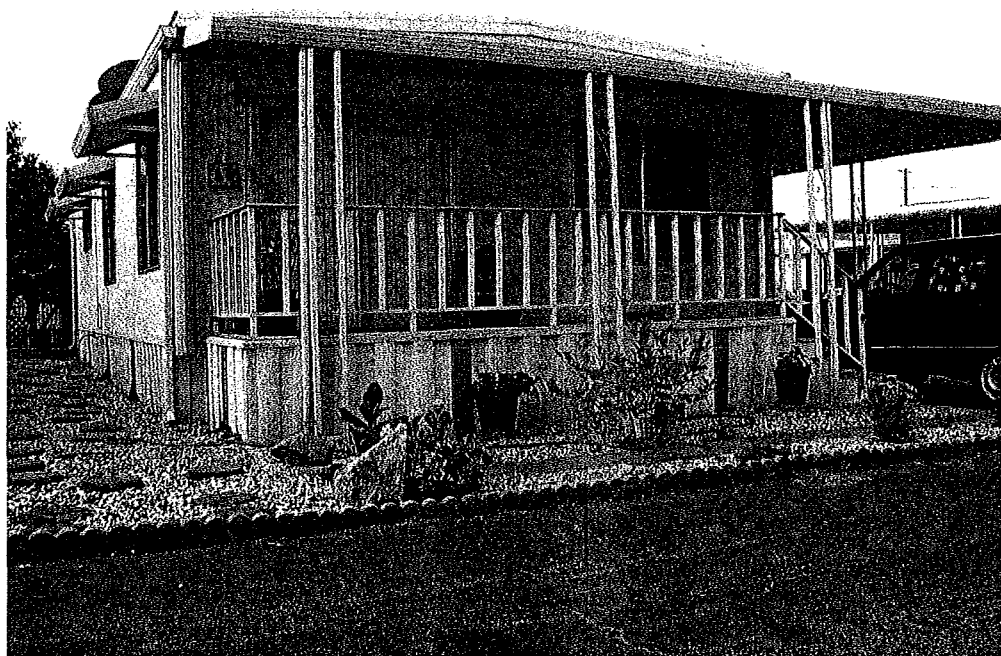


NO. 11 - CARRIAGE ACRES MOBILE HOME PARK



NO. 12 - CASTLE MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS



NO. 13 - CASTLE MOBILE HOME PARK

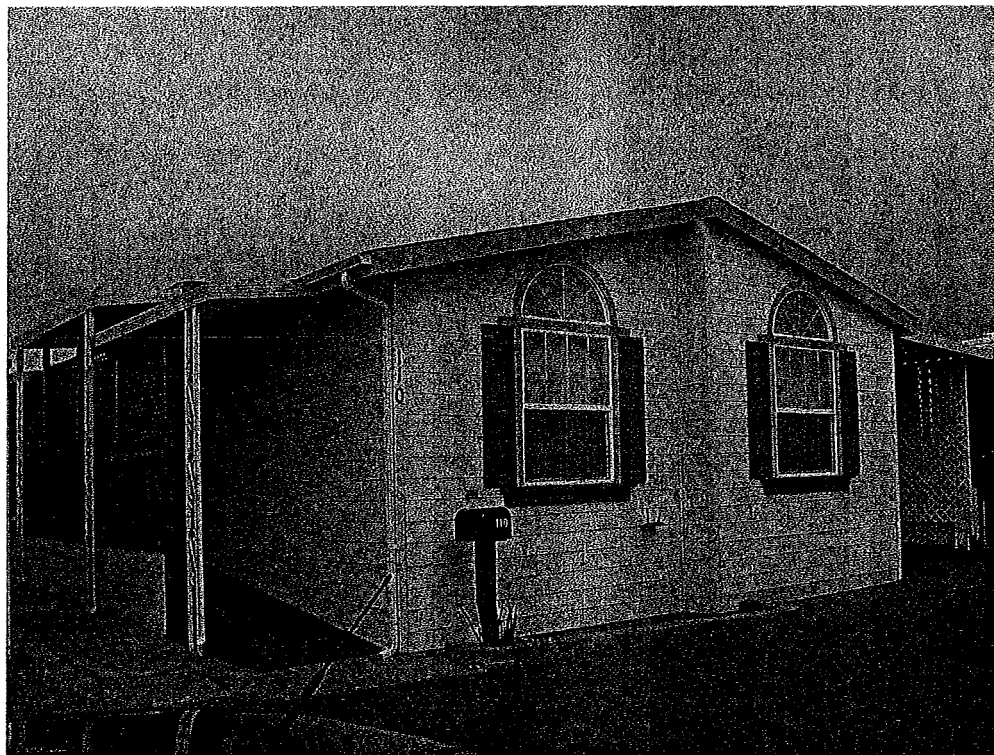


NO. 14 - BLUE & GOLD MOBILE HOME PARK

COMPARATIVE SALES PHOTOGRAPHS

PHOTOGRAPH NOT AVAILABLE

NO. 15 – CABRILLO MOBILE HOME PARK



NO. 16 – BLUE & GOLD MOBILE HOME PARK

CONTINGENT AND LIMITING CONDITIONS

- (1) No responsibility can be taken by the appraiser for the inability of the owner(s) of this business to sell the subject assets at the appraised value.
- (2) No responsibility can be taken for the accuracy of information on the ownership of the assets appraised. All information was provided by the business owner(s) or their representative and is assumed to be correct. No warranty is given as to the accuracy of such information.
- (3) Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice (USPAP).
- (4) No responsibility is assumed for matters legal in nature.
- (5) No liabilities were considered. Value conclusions are free and clear of liens, easements and encumbrances.
- (6) The fee for this appraisal report does not contemplate appearance in court or before other governmental agencies as an expert witness. However, Desmond, Marcello & Amster will appear if prior arrangements are made. Expert witness testimony will be compensated for at the appraisers' professional fee rates.
- (7) This appraisal and its conclusion are subject to review upon presentation of data which is undisclosed or not available at this writing.
- (8) Neither all nor any part of the contents of this report, particularly as to the conclusion, the identity of the appraiser, or reference to the American Society of Appraisers, shall be conveyed to the public through advertising, public relations, news or other media without the prior written consent and approval of the appraiser.
- (9) No responsibility is taken for changes in market conditions and no obligation is assumed to revise the final report to reflect events or conditions which occur subsequent to the date hereof.
- (10) Full compliance with all applicable federal, state, and local environmental, zoning and similar laws and regulations is assumed, unless otherwise stated.
- (11) The results of this appraisal including the opinion of value are made only for the stated effective date of value and the purpose stated, and shall not be used for any other purpose.

- (12) It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any federal, state or local government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- (13) The existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to our attention nor were we aware of such during our inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated. We are not qualified to test for such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions may affect the value of the property, the value estimate is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
- (14) You agree to indemnify and hold harmless Desmond, Marcello & Amster from and against any and all liabilities, damages, costs and expenses (including attorneys' fees) which may be incurred by Desmond, Marcello & Amster as a result of any action(s) brought against us in connection with our report.
- (15) Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

DESMOND, MARCELLO & AMSTER
TANGIBLE ASSET VALUATION SPECIALISTS

THE FIRM: GENERAL DESCRIPTION

Since 1968, Desmond, Marcello & Amster has provided clients in both the public and private sectors with expertise in the valuation of closely-held businesses, professional practices, and specific tangible and intangible assets, such as furniture, fixtures and equipment and goodwill. Since the enactment of the California Eminent Domain Law of 1976, DM&A has specialized in providing valuation services for eminent domain proceedings.

Desmond, Marcello & Amster has completed over one thousand appraisals under the California Eminent Domain Law, for both government agencies and private parties. The valuation analysts at DM&A work in conjunction with condemning agencies, business owners, attorneys, relocation agents, acquisition agents, developers, and real property appraisers to provide defensible value opinions. Since 1976, DM&A has provided litigation support in condemnation cases with unparalleled success in the courtroom.

DM&A is staffed to provide its eminent domain clients a full breadth of valuation services. This multi-disciplinary capability enables DM&A to address complex valuation issues involving furniture, fixtures and equipment.

Desmond, Marcello & Amster offers the following eminent domain valuation services:

- Exposure estimates of goodwill loss and fixtures and equipment value for budgeting purposes;
- Preliminary fixture and equipment and goodwill loss studies;
- Comprehensive appraisal reports of goodwill loss, and fixtures and equipment;
- Analysis of precondemnation damages and inverse condemnation claims;
- Assistance in negotiating settlements;
- Expert witness testimony; and
- Educational seminars on goodwill loss valuation issues.

Litigation support services include:

- Assistance in developing questions for depositions and interrogatories;
- Review of opposing appraisals;

- Assistance in coordinating other key witnesses;
- Outlining examination for direct testimony and cross examination; and
- Development of rebuttal testimony.

PROFESSIONAL AFFILIATIONS AND DESIGNATIONS

Individual staff members of Desmond, Marcello & Amster are associated with the following:

American Society of Appraisers (Members and Candidates)
CFA Institute (Member)
International Right of Way Association (Member)
American Institute of Certified Public Accountants (Member)
California Society of Certified Public Accountants (Member)
Institute of Management Accountants (Member)

PUBLICATIONS

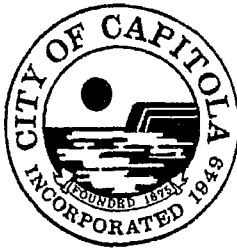
DM&A publishes the *Compensable Business Loss Review*, a technical newsletter first released in 1988. The *Review* covers a wide array of eminent domain topics including valuation, acquisition, relocation and legal issues.

LECTURES AND SEMINARS

Firm members regularly conduct seminars for public agencies, professional appraisal organizations and law firms on how to appraise goodwill loss under §1263.510 of the California Eminent Domain Statute. DM&A was chosen by the California Redevelopment Association as the goodwill loss trainer for the Redevelopment Institute's Property Acquisition Workshop.

EDUCATION

Members of the firm hold graduate and undergraduate degrees from the academic institutions of Harvard, Wharton (University of Pennsylvania), University of Michigan, Claremont McKenna College, Loyola Marymount University, University of Southern California, and California State University, Long Beach. All firm members are regularly involved in continuing education courses in finance, accounting and valuation.



CITY OF CAPITOLA
420 CAPITOLA AVENUE
CAPITOLA CALIFORNIA 95010
TELEPHONE/ TDD 831 475-7300
FAX 831 479-8879

NOTICE OF NON-ENTITLEMENT TO RELOCATION BENEFITS

Under certain circumstances, owners/residents of mobilehomes situated in mobilehome parks owned by a public agency are entitled to “relocation benefits” when and if the public agency decides to close the mobilehome park and put the mobilehome park property to a different use. Generally speaking, however, relocation benefits are only extended to tenants of the mobilehome park who owned or resided in their mobilehomes *prior to the time* that the public agency acquired the mobile home park.

The City of Capitola purchased the Pacific Cove Mobilehome Park in 1985. Given this fact, under the applicable California administrative regulations which govern relocation benefits, you will be considered a “post acquisition tenant” meaning that you purchased your mobilehome and undertook residency in Pacific Cove Mobilehome Park on a date following the City’s purchase of that park. As set forth in your Lease Agreement, you have been notified that you are renting your mobilehome space in Pacific Cove Mobilehome Park on a “month to month tenancy” basis meaning that your tenancy in the Pacific Cove Mobilehome Park is subject to termination on 30 days notice from the City. The City has held ongoing discussions regarding the ultimate intention to devote the Pacific Cove Mobilehome Park to another use, most likely in the nature of some type of City Hall facilities expansion given the fact that the Pacific Cove Mobilehome Park is contiguous to the Capitola City Hall property.

In summary, you are hereby notified that you are assuming a mobilehome ownership/tenancy interest in a mobilehome park owned by the City of Capitola which should not be considered permanent given the City's decision and plans to put that property to another use in the foreseeable, but as of this date indefinite, future. Given the fact that you are assuming the afore-referenced interest in the Pacific Cove Mobilehome Park with knowledge that the City's ownership of the park predates your interest and with further knowledge of the City's prior plans to ultimately devote the Pacific Cove Mobilehome Park property to another use which precludes the property's ongoing use as a permanent mobilehome park, you are hereby notified that you will not be entitled to relocation benefits if and when you are required to vacate the Pacific Cove Mobilehome Park in order to allow that park property to be put to the anticipated public use.

If you have questions concerning this Notice or your rights upon notice of termination of tenancy for the City's "public use" purposes, you should confer with an attorney who specializes in mobilehome tenancy law. You should be notified also, however, that the process the City must undertake in order to close the Pacific Cove Mobilehome Park is a detailed, fully public participatory process and that you will receive ample notice of the park closure proceedings before they are undertaken and will have the opportunity to review all final documents prepared in connection with those proceedings pursuant to the requirements of State law.

We hereby acknowledge receipt of the above Notice.

Dated: _____

Name: _____

Dated: _____

Name: _____

RESOLUTION NO. 1993

RESOLUTION AUTHORIZING ACQUISITION OF PROPERTY
COMMONLY KNOWN AS PACIFIC COVE MOBILEHOME PARK

RECITALS:

The City Council of the City of Capitola has conducted numerous public hearings to consider the acquisition of real property described in Exhibit "A", attached hereto (commonly known as the Pacific Cove Mobilehome Park) in order to create upon that property a parking lot open to the general public. Negotiations with the fee owners of that property led to a April 10, 1984 Option Agreement whereby the property could be acquired by the City without the City having to conduct eminent domain proceedings. The City Council of the City of Capitola has determined that acquiring the property described in Exhibit "A" with the intention of using it for public purposes is in the best interest of the public.

NOW, THEREFORE, the City Council of the City of Capitola resolves as follows:

1. The property described in Exhibit "A", is hereby appropriated for a public use within the meaning of Code of Civil Procedure Section 1235.180, to wit: it is set aside for the purpose of establishing thereon a public parking lot. It is the intention of the City Council that the property be used for that purpose within a reasonable time.

2. The City Manager is authorized and directed to acquire said property upon the terms and conditions set forth in the April 10, 1984 Option Agreement as modified by the Amendments dated October 3, 1984 and to execute on behalf of the City documents necessary for that purpose, including but not limited to, escrow instructions and the Hold Harmless Agreement contemplated by Paragraph 7 of the Option Agreement.

3. The City hereby accepts the Deed of the property

RESOLUTION NO. 1993

described in Exhibit "A" by Pacific Cove Associates to the City of Capitola and authorizes the recordation of that Deed.

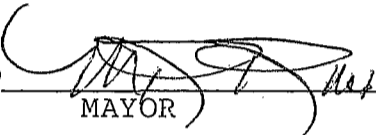
4. The City Council hereby authorizes City Manager, Stephen Burrell to execute on behalf of the City (as Trustor) a Deed of Trust pertaining to the property described in Exhibit "A" to secure a Purchase-Money Promissory Note in the amount of \$639,968.58 and to execute said Note.

PASSED AND ADOPTED this 3rd day of October, 1984, by the following vote:

AYES: Council Members Beltram, Clarke, Harlan and Mayor Routh.

NOES: None.

ABSENT: Council Member Bucher.

APPROVED 
MAYOR

ATTEST: 
CITY CLERK

Table 1

Space Occupancy Classification	# Coaches	# Relocation cases
Privately Owned		
Occupied Full-time by Owner	14	14
Occupied Part-time by Owner	8	8
Un-Occupied Coach: Absentee Owners	4	4
Tenant Occupied	3	6 (tenant & owner)
Occupancy Un-known	1	1
Total Impacted Privately Owned	30	33
City Owned		
Tenant Occupied	3	3
Empty Coach ¹	8	
Empty Space	3	
Total Impacted City Owned Spaces & Coaches	14	
Total Spaces Considered in Park Closure	44	
Potential Relocation Cases²		36

¹ Excludes empty spaces and empty City owned coaches

² To be verified via eligibility interviews for relocation benefits

**1st AMENDMENT TO THE
PROFESSIONAL SERVICES AGREEMENT**

between

CITY OF CAPITOLA AND DESIGN, COMMUNITY & ENVIRONMENT

The City of Capitola and Design, Community & Environment hereby agree to the following Amendment to the Contract dated November 11, 2010:

- 1) Add to Section 1, Scope of Services, "The services to be performed under this Agreement will also include CITY HALL/PACIFIC COVE SPECIAL STUDY AREA PLAN and SEA LEVEL RISE ANALYSIS, as further detailed in Appendix One; and
- 2) Amend Appendix One to include the attached Scope of Services; and
- 3) Amend Appendix Two to include the following additional tasks:
 - Task 3: City Hall/Pacific Cove Special Study Area Plan: \$35,000
 - Task 4: Sea Level Rise Analysis: \$20,000
 - Task 5: LCP Coastal Commission Adoption: \$10,000
 - Task 6: Project Grant Management: \$3,500

All other terms and conditions of the Professional Services Agreement remain in full force and effect.

CONTRACTOR: Design, Community & Environment

_____ Date: _____
 By: David Early, President

CITY OF CAPITOLA

_____ Date: _____
 By: Benjamin Goldstein, City Manager

APPROVED AS TO FORM:

_____ Date: _____
 John G. Barisone, City Attorney

Additional Scope of Services for Design, Community & Environment
Appendix One: Grant-Funded Tasks for the General Plan Update

TASK 3: CITY HALL/PACIFIC COVE SPECIAL STUDY AREA PLAN (\$35,000)

The DC&E team will conduct a special study of the six-acre City Hall/Pacific Cove site. These facilities are currently at risk from flood-related hazards due to their location within the flood plain. The purpose of this study is to identify feasible locations for municipal facilities that would move first responders (Police Department, Fire Department, City staff) out of the flood plain. The study will identify possible alternative locations for municipal facilities at the City Hall/Pacific Cove municipal site, as well as alternative sites within Capitola. The study will also identify potential redevelopment options for the City Hall/Pacific Cove site on the portions of the site that are not appropriate for municipal or first responder facilities. Such redevelopment could provide funding for new first responder municipal facilities.

1. Review Prior Studies

The DC&E team will review key background information related to the City Hall/Pacific Cove site, including the 2008 study of redevelopment capacity on the site, and the 2010 parking structure study for the site. Our work on this special study area will build from this prior work.

2. Stakeholder Work Session

The DC&E team will conduct a series of two work sessions on a single day with key stakeholders in the City Hall/Pacific Cove site. The first work session will be held with City staff, including staff from the City Manager's office, the Community Development Department, the Police Department, and the Fire Department. The focus of this work session will be to understand the operational requirements related to the relocation of municipal functions.

The second work session will be held with other key stakeholders, including area residents, property owners, and businesses that would be most affected by the relocation of municipal functions and the redevelopment of the existing City Hall/Pacific Cove site. Representatives from the Village Business Improvement Area and the Village Residents Association will participate in this work session.

Following the stakeholder work session, the DC&E team and City staff will discuss input received, relocation options, and a general summary of on-site and off-site alternatives for first responder facilities and alternatives uses for the City Hall site.

3. Municipal Service Relocation Alternatives

The DC&E Team will include an experienced emergency response planning design firm, which will review the entire 6-acre City Hall/Pacific Cove site and give recommendations on feasible locations for relocating municipal services at the site, given technical requirements for ingress and egress, flood plain, emergency response requirements, etc. The emergency responder design firm will also provide an analysis of the suitability of other alternative sites that have been identified outside City Hall/PacificCove.

Based upon input received from the stakeholder work sessions and the emergency services design firm, the DC&E team will identify alternative locations for the Police Department, Fire Department, and City Hall. We will prepare a memorandum that identifies potential sites for relocation of munisicipal facilities, both on- and off-site,and describes the advantages and disadvantages of these options.

4. Redevelopment Alternatives

The DC&E team will prepare redevelopment alternatives for the City Hall/Pacific Cove site, assuming that existing municipal facilities will be relocated in some way, either at the existing site or to a different location in the city. We will prepare up to three alternative schematic diagrams for the 6-acre site. These alternatives will reflect an analysis of constraints on the site, including hazards-related constraints. One or more of the alternatives will include a new parking structure. Information on

square footage, number of dwelling units, and parking will be developed for each alternative. These alternatives will be presented to the public for review and comment at the community workshop described below.

5. Community Workshop

The DC&E team will host a community workshop to receive input on the municipal services relocation alternatives and the alternative schematic diagrams for redevelopment of the City Hall/Pacific Cove site. The workshop will begin with an introductory presentation, followed by small group discussions. The small groups will work together to identify their “preferred alternative” for relocation and redevelopment. GPAC members will assist with the facilitation of these discussions. Following the small group discussions each group will report back to all participants the results of their discussion.

6. GPAC Meeting #5

The DC&E team will facilitate a GPAC meeting focusing on the City Hall/Pacific Cove site. At this meeting the GPAC will review feedback received at the community workshop and provide input on preferred relocation options and alternatives for redevelopment of the site. This input will help guide the preparation of a summary memorandum, described below.

7. Summary Memorandum

The DC&E team will prepare a summary memorandum for the City Hall/Pacific Hall site. This memorandum will provide recommendations for the relocation of the Police Department, Fire Department, and City Hall to areas with reduced exposure to flooding hazards. The memorandum will also present a preferred alternative for the redevelopment of the City Hall/Pacific Cove site. This preferred alternative will be shown in a conceptual illustration with accompanying policies and design standards and guidelines. The contents of this memorandum will ultimately be incorporated into the updated General Plan.

TASK 4: SEA LEVEL RISE ANALYSIS (\$20,000)

Philip Williams & Associates (PWA) will prepare a detailed analysis of coastal hazards in Capitola associated with projected sea-level rise. This analysis will utilize detailed data sets which will provide increased precision relating to flooding and coastal erosion hazards. This analysis will be used to help guide preparation of design concepts for the proposed Capitola Hotel on the Esplanade. The analysis will also be incorporated into the Local Coastal Plan (LCP), General Plan, and EIR.

TASK 5: LCP - COASTAL COMMISSION ADOPTION \$10,000

California Land Planning (CLP) will assist Capitola with the review and adoption of the LCP by the Coastal Commission. CLP will attend meetings with Coastal Commission staff to review draft LCP materials and to discuss issues of concern to the Coastal Commission. Within the available budget, CLP will attend meetings of the Coastal Commission for review and adoption of the LCP.

TASK 6: PROJECT GRANT MANAGEMENT \$3,500

DC&E will work with City staff to establish invoicing protocols for the DRI grant-funded tasks. On a monthly basis DC&E will provide detailed invoicing information identifying specific work completed as part of these tasks.

**PACIFIC COVE MOBILE HOME PARK
426 CAPITOLA AVENUE
CAPITOLA, CA 95010**

**PUBLIC COMMENTS AND DRAFT RESPONSES TO COMMENTS
RELOCATION IMPACT REPORT
&
RELOCATION PLAN**

Prepared For

**THE CITY OF CAPITOLA
420 CAPITOLA AVENUE
CAPITOLA, CA 95010**

PREPARED BY



**7901 OAKPORT STREET, SUITE 4800
OAKLAND, CA 94621-2015
510.638.3081**

INDEX OF COMMENTS

COMMENTOR	DATE RECEIVED	METHOD OF DELIVERY	RESPONSE TO COMMENT
Christopher Flynn	11/21/2011*	first class mail	Page 22
Brad and Kathy Sutton	11/25/2011	email	Page 22
Peter and Jeanne Roddy	11/26/2011	email	Page 22
Doug Rennels	11/27/2011	email	Page 23
Anne Sullivan	11/27/2011	email	Page 24
Kathleen Kelly	11/28/2011	email	Page 24
Mark and Barbara Vasko	11/28/2011	email	Page 24
Carol Lerno	11/29/2011	email	Page 24
Tracey Conklin	11/29/2011	email	Page 25
Peggy Ames	11/29/2011	email	Page 25
Marilyn Bierach	11/30/2011	email	Page 25
Anne Schrodel	11/30/2011	email	Page 25

*Post marked

USER GUIDE

The information that follows includes the individual comment letters received from residents by the deadline of November 30, 2011 for inclusion in the RIR.

OPC has prepared a draft response to each comment letter received in numerical order of when it was received by OPC as shown on the Index of Comments. These comments follow the catalog of comment of letters. This draft document may be revised by OPC prior to the City Council's consideration of the RIR.

Where possible the individual comments that applied to a specific theme such as the appraisal report, noticing or processes were labeled as a sub-comment within the body of the comment letter for ease of response to the points presented. Other than this labeling and formatting the comment letters, no other modifications were made and the comment letters are shown as they were presented to OPC.

CATALOG OF COMMENTS

Comment # 1

CHRISTOPHER T. FLYNN
UNIT OWNER SPACE 40

5501 Sacramento Avenue
Richmond, CA 94804
510 813 1609
flynncct@gmail.com

November 21, 2011

Chad Wakefield, Project Manager
Overland, Pacific & Cutler, Inc.
7901 Oakport Street, Suite 4800
Oakland, CA 94621

Subject: Comments on Pacific Cove RIR/Relocation Plan Revision Date 10-24-2011.

Dear Chad,

The Relocation Impact Report (RIR) includes the appraisal completed by Desmond, Marcello & Amster (DM&A). Neither the RIR nor the transmittal letter of the RIR (Goldstein letter dated 31 October 2011) discuss the limiting qualifications of the included DM&A appraisal.

Thus the recipient of this report may falsely assume the appraisal meets the usual requirement of a real estate transaction appraisal. That is the appraisal is completed at arm's length to both the buyer and seller. This is not the case. The DM&A appraisal is paid for by the buyer, for the intended purposes of the buyer, and significantly without any input or consideration of objectivity by any of the sellers. It is the buyers appraisal and nothing more.

As discussed at the November 17, 2011 meeting the expectation of establishing fair market value by the sellers - the soon to be displaced current unit owners - is that location and the amenities of that location e.g. walking distance to shops, restaurants, the beach, ambiance are all component parts of a fair and reasonable appraisal conducted at arm's length to buyers and sellers.

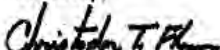
Further a test of the validity of the buyers appraisal compared to fair market value estimate of the sellers could and should have been completed to provide a fair representation to any reader of the RIR; especially when this valuation can be readily accomplished.

City Council action has compelled a number of the privately owned units to be listed on the real estate market for sale. These sale prices are public information and a reflection of the sellers perceived value at a point in time. Simply adding up the total sales value of the sellers listed sales price and adding up the DM&A appraisal values of those specific units would provide a quick comparison of the difference in total valuation.

This difference in valuation is a significant piece of information for readers and persons who will be making decisions on people's lives based on the RIR. That is the DM&A appraisal is not sufficient information to make a reasonable decision on the cost of the park closure or to be able to hold reasonable discussion on the fair market value of a unit at the time of park closure.

Recommend and request the RIR be amended to include the available listed real estate sales values as herein described above.

Sincerely,


Christopher T. Flynn

Comment # 2

DATE: November 25, 2011

TO: Chad Wakefield

Overland Pacific and Cutler Inc.

Oakland CA 94621

From: Brad and Cathy Sutton

426 Capitola Ave Sp 82

Capitola CA 95010

Mr. Wakefield

We are sending a few of our comments concerning the RIR for Pacific Cove Mobile Home Park.

- (1) We feel the comps were not adequate because the parks that were listed are parks that are experiencing changes in rent control, increased rents, and shortened leases.
- (2) We were also confused on the appraisals as to space 59. How was a price of \$95,000.00 determined when other single wide's were valued in the \$50,000.00 price range. They city had previously purchased mobile homes in the park that came up for sale at fair market value and we believe we are entitled to the same.

Brad and Cathy Sutton

Comment # 3

Attn: Chad Wakefield, Project Manager
Overland, Pacific and Cutler, Inc.

I have reviewed the RIR and accompanying appraisal dated September, 2011. I have noted some inconsistencies between the two reports as well as my opinion on some major flaws in the assumptions underlying the appraisal. These assumptions effectively change the facts and estimated relocation values in the RIR and fair market values stated in the RIR.

(1) First, the RIR states that the valuations in the RIR are pre-flood as recorded the day before the flood; however, the appraisal states that flood damage is NOT included in the appraised value. In this case those who are entitled to relocation benefits under the RIR will be compensated for flood damage as they are entitled to the differential between the value of their coach and a replacement home in the area. This is "unequal" treatment giving a few residents full compensation for damages. All residents should be compensated for these damages or change in valuation.

(2) Secondly, the RIR places residents in categories based on acknowledging receipt of a letter notifying them of a "possible" park closure. Many residents did not know about this letter until "after" taking possession of their coach prior to signing a lease. It is also questionable whether this is a legally enforceable document as it contradicts state law by claiming one can force a resident as a condition of signing a lease to relinquish their relocation rights. Also, there is a Resolution in effect which was approved by City Council in 1983 which states that all residents will be treated the same with regard to relocation rights, benefits and value of their coaches.

(3) The appraisal was presented to residents at the time the RIR was But there was no one present who could answer questions about the appraisal. Why were NADA values included? Why were there no comps from Pacific Cove? Why were distress sales included from the Capitola mobile home parks which have changed structure or were forced to sign shortened leases? Our questions have not been answered to date.

(4) There are some residents of our Park who could no longer function independently if moved further than Capitola borders or even the village. How is that issue going to be addressed?

(5) " New low- income" housing" developed at Castle Mobile home Estates are not new but have existed long before this proposed park closure. Also, rents will go up in this park to a level prohibitive for some of the residents—thus not adequate replacement.

ATTACHMENT 14

(6) I believe all residents should be bought out at fair market value "in-place." The appraisal falls short of that and the RIR is unclear as to who will be adequately compensated. Mobile homes are bought and sold as real property so placing one resident's ownership as more valuable from another's is inappropriate. We wouldn't ask that of anyone selling a conventional home on the market.

Thank you for adding this communication to the RIR packet for consideration by the Planning Commission and City council at their regularly scheduled December meetings.

Jeanne and Peter Roddy

Please acknowledge receipt of this communication

--

Sent from my mobile device

Comment # 4

November 27, 2011
Chad Wakefield
Project Manager
Overland, Pacific & Cutler, Inc.
7901 Oakport St., Suite 4800
Oakland, CA 94621
cWakefield@OPCservices.com

Concerns related to Relocation Impact Report for Pacific Cove Mobile Home Park Residents by City of Capitola:

My name is Douglas Rennels. I have lived at #77 in Pacific Cove Mobile Home Park since 1979, when I was able to purchase the home with money I inherited from a distant relative. The low rent I pay has allowed me to live independently on a fixed low income. I have pride of owning my own home, with adequate distance from my neighbors to allow a noise barrier. We are a community within the park and look out for each other. For me, "comparable housing" should include, among other things, these factors of independence, safety, quiet, community, and ability to pay one's own rent.

The park's location is a major factor for me as well. It feels safe being in the heart of Capitola. I am legally blind, though I can see adequately without the use of a cane or dog, and I am an epileptic. I therefore can't obtain a driver's license. I am dependent on living where I can walk to stores, the post office, and the beach safely. I do use buses and can get to shopping centers conveniently when I need to from this location. My elderly mother is in a wheelchair (from polio in 1956) and lives on Depot Hill in Capitola. I can walk to her home quickly if she needs physical help. This is a crucial factor, and is part of why we both purchased our homes where we did, near each other.

I am one of the "permanent, full time, long residing" home owners within the park. The RIR states that I am entitled to receive the most comprehensive package with this classification. However, I'd like to point out that being on a fixed low income dilutes the offer considerably for the following reasons:

1. The RIR states that the city would buy my home, and pay the "purchase price differential" to buy a comparable trailer for sale elsewhere. Would I be subject to any tax liability for being given this differential money? Would there be restrictions on what I can do with that home such as future potential subletting or selling options, or would it be mine outright like my present home? Would there be any protection from the my new park owners about raising rents to high amounts or moving me to another location in that park (as the Surf and Sand owner has done)?

I do appreciate this offer of a "differential". Considering that my "in place" appraised value was only \$41,000 and my "home only" value was only \$1,200, I would never have been able to turn around and purchase a home in Santa Cruz County. I wonder what my newer less fortunate neighbors will do! We understand that the city has the right to use the "home only" values for

reimbursement. That would be like stealing the home with hardly any compensation! Surely this wouldn't be allowed! However, even the "in place" appraised values are way too low!! Were these "stress sales" that were used for comparisons? The photos included in the RIR are post-flood photos—were the values based on lack of skirting and what the neighborhood looked like, etc.? I have seen 1 bedroom trailers for \$60,000, but a 2 bedroom like mine would be much higher! I challenge the City Council and the Planning Commission to find a 2 bedroom for \$41,000, as mine was appraised for, in a comparable situation.

If I did purchase a trailer with the offered "purchase price differential", it would probably be in a park that charges a higher rent than I pay now. And that is where #2 below would *seem* to help out...

2. I also would qualify for 42 months "rental assistance" to make up the difference between the low rent I pay now and the new rent. But what do I do after 42 months??! I am on a fixed low income, which would seem to say that I have to pick a *low standard park* now, where lower rents are charged, in order to be able to afford it later on my own. So what happened to the "comparable" situation clause! With my visual impairment, I question my safety in a low income park or housing situation, with the kind of people that might live in such a park. Presently I don't have this safety worry where I live now, and by buying here, had hoped to never have to experience it.

People say I should consider Section 8 housing, but lists are presently closed, and less and less landlords are even offering Section 8 housing with tighter and tighter government restrictions on repairs and upgrades. I don't really see this as a viable option.

Both #1 and #2 above are appreciated, but I can't figure out how they benefit me down the road. It seems my only option is to purchase a newer home in a park that has low rent, and pray the new landlord doesn't skyrocket the rent. At that point I would be exposed to the same risks as I am now.

Thank- you for reading and considering these comments. I hope a better situation can be worked out for us all. We do not want to leave our location. If we do have to leave, it should be a more workable plan.

Douglas Rennels
426 Capitola Ave, Space #77
Capitola, CA 95010

Comment # 5

Anne M. Sullivan
Unit Owner Space 74

November 27, 2011

Chad Wakefield, Project Manager
Overland, Pacific & Cutler, Inc.
7901 Oakport Street, Suite 4800
Oakland, CA 94621

Subject: Comments on Pacific Cove RIR/Relocation Plan Revision Date 10-24-2011.

Dear Chad,

(1) On page 22 of your Relocation Impact Report (RIR), it is stated:
“On March 24, 2011, the Park sustained substantial damages caused by a ruptured sub-surface storm drain pipe during a heavy storm.”

The city was and is responsible for the upkeep of the park and the infrastructure of the town. It was their lack of maintenance of the park and maintenance of infrastructure within the city, itself, which caused “substantial” damage to the location of my unit.

Since the RIR was commissioned after this damage occurred, it does not accurately reflect the value of my unit before the pipe rupture. The value of my unit has been damaged by the City of Capitola’s negligence. I do not accept the value assigned by the RIR as an accurate assessment of the value of my unit before the rupture.

(2) I consider that your report and the City of Capitola are attempting to cost me tens of thousands of dollars. I object to and disagree with the RIR on this basis. I suggest you consider the selling price of units to private buyers before the failure of infrastructure occurred and base your valuations on that. I recommend and request that you amend the RIR to include these values.

Sincerely,
Anne M. Sullivan
Anne M. Sullivan

cc: City of Capitola

Comment #6

Subject: Pacific Cove Mobile Home Park

(1) I am writing in response to your "Fair Market Value in Place" appraisal dated as of March 23,2011.

I wish to dispute the value you placed on my home in Space 60, Pacific Cove Mobile Home Park, Capitola, California.

(2) I am also requesting the documents and a complete copy of the appraisal on said mobile home on Space #60.

Please also send a response to the fact that you received this email.

Thank You,
Kathleen Kelly

Comment # 7

Dear Overland, Pacific and Cutler

(1) We are responding to the Relocation Impact Report and Relocation Plan received on Nov 6. It is our concern that we receive a fair replacement value for our home in Capitola. We purchased this home for our retirement. We intend to purchase another home in this area. We are 65 and 67 years old. If we don't receive reasonable compensation we will never be able accomplish this. From this location we can walk to all services need. This location has no comparison.

Even the City of Capitola has chosen this prime real estate for their city offices. Let's be reasonable, these appraisals are extremely low for Capitola.

(2) Are these appraisals 'before' or 'after' the flood? They seemed to not take condition into consideration. We find them unexplainable.

Our interest is a fair replacement value. That is all that we will except.

Sincerely,
Mark and Barbara Vasko
Sp # 47

Comment # 8

Larry Machado assisted Amber Machado (born at space 56 in 1985) purchase Space 62 in 2002 and Natalie Machado was born there. So, there is a continuity of primary residency.

Space 62 was able to take out Purchase Loan because of age of unit and location. So, is there a responsibility of lender or City? Especially because disclaimer of permanent location???

Does disclaimer apply to Larry, who was primary resident in 1984 through present? To both space 56 (as caregiver) and 62. Space 62 was purchased for ease of caregiving for Antonio Machado in space 56.

Compensation of moving of personal property (Coach)? Pay off? Buy Out? Or kick out? !!!!

The qualifying residents vs. this reports', eliminated residents. Top priority should be taking care of all the residents fairly. No one should have to be displaced or be given notice to vacate until all legal responsibility of the Landlord is reviewed and enforceable!

The landlord is City of Capitola and they are going through the process of trying to collect from County, State and Federal Government for disaster relief; Pacific Cove Park should be put on hold until funds are received and proof of available funds to relocate, buy out or payout the funds. Qualifying for funds

The City does not have a "Planned Use" for Park but many have been discussed and the intent of purchase was for long term planning of City.

The City was buying units until they ran out of monies; then the inflation of Real Estate set in. Units were bought and sold with the knowledge of permanency of location both by City and buyer. Full disclosure?

What most "residents" want is security, Knowledge and input into this dreadful situation. Time. Fairness. NOT division from the City or each other.

We know the City has long term plans for the property and the 2011 March storm break, brought the inevitable to a sooner rather than later situation.

Once again, we can all get appraisals, reports, review ordinances , codes etc., but it is the humanity that City of Capitola needs to consider. Spending monies none of us have doesn't make sense.

Low income was not a requirement to live at Pacific Cove Park. Old timers purchased to live there no matter what income they had. Plus, the City did not require proof of low income to receive Rent Control.

When the City has helped to finance Parks for Residents to purchase, they are able to require income and age restriction (Loma Vista on Clares Street) comes to mind.

We do have an opportunity individually to plead our situation after the Planning/City decision? Correct?

Thanks for the opportunity to consider input.

Comment # 9

In September 2006 my husband and I were both surprised and thrilled to find out that two coaches in the Pacific Cove Mobile Home Park were up for sale. We had friends that owned a coach in the park and often visited them and enjoyed the close proximity to downtown Capitola, and the beach. We kept a watchful eye for units to be put up for sale, but coaches were slow to come on the market. We had found out that the City was buying up coaches for a 'potential' long term plan, but for some reason two coaches were somehow up for sale to the public... lucky us?!? Now was our chance... we were thrilled and excited to buy a coach in this park where we would be walking distance to everything! We bought this coach because of it's location, which was also evident in the price we paid (location, location, location)! The price was not indicative of the value of the coach, but more for the value of its **location**! We've enjoyed our little eclectic park, the low maintenance of a mobile home, the ability to enjoy the beach and walk to many fine restaurants and shops. We are disappointed that a faulty pipe repair has brought the closure of this park to fruition, however, we are more concerned about the appalling appraisals given for the coaches in the location where they sit (I'm confused?). We wholeheartedly disagree with the methodology used to value our coaches for the appraisal report. We bought these coaches valued and priced for their **location** and frankly the appraisals given for these units are a slap in the face. The inconsistent valuation of each coach only amplifies my concerns, as well as the City's decision to not use a local appraisal company. We have paid good money for these homes (from savings, retirement funds, or even still outstanding mortgages), and many thought they would be able to retire in these homes. No one in the park, including us, has money to throw away. If it is the City's ultimate decision to close the park, then so be it, but then you must renumerate the owners of these units with a fair value of the coach where the coach it is **located** and not low-ball us... it may just be business for you, but it is our homes and our hard earned money you are talking about. Franking its just plain wrong!

Regards
Tracey Conklin
Space #66

Comment #10

To Whom This May Concern,

I am the daughter of an owner of a mobile home at Pacific Cove Mobile Home Park in Capitola, CA. My parents bought this mobile home in 1980. It was purchased with the intent for them to retire there. They did careful research of the area and knew that for my father, who was in a wheelchair, would be able to get around town and could maneuver fairly freely in the park. They also liked the fact that they felt safe being nextdoor to the police station and city hall. A lot of thought and planning was done as well as creating the ramp for access. Unfortunately my father passed before they could retire to the beach house. My mother came and spent a lot of time there after he was gone until she was no longer able to live alone. She now suffers from dementia and now lives in a care facility in Palo Alto. When we can, we still bring her down for a visit on a weekend, but she will never be able to live there full time again. Still she should receive a fair market value for her home since the park is to be closed. We tried to sell her mobile home twice in the last few years and had 2 different buyers that were interested until they talked to the city and then both backed out.

The city of Capitola has put us in limbo and kept us there for far too long. We still love our homes and the park, but it is not ok to cheat us out of fair market value for our homes. I implore you to be fair and offer us a valuation of our homes that reflects their true worth in the place where they are.

Peggy Ames
daughter of Vivian Blomenkamp
Space #84

Comment # 11

Dear Chad,

(1) As we discussed in our telephone conversation Monday November 28th, we are not in agreement on the fair market value the city of Capitola will be offering us in the amount of \$1,250, since our mobile is listed as being unmovable.

(2) The report states the purchase date of our mobile as 1985, which is not accurate. We have been in the Pacific Cove Mobile Home Park for over 50 years, since the opening of the park by a private owner in the 60's. Our mobile was moved from the upper level to the lower level when the upper level was turned into a parking lot. And although it is not relevant now, we were told by the city manager at that time, we did not have to worry about the park closing and would be able to remain there as long as we wanted to. Others in the park at that time were told the same thing. It was a verbal contract made by the city manager.

Regards,
Marilyn Bierach Sp49

Comment #12

To: Chad Wakefield, Overland Pacific & Cutler
7901 Oakport Street, Suite 4800
Oakland, California 94621

Capitola Planning Commission
Capitola City Council

Date: November 30, 2011

Subject: Relocation Impact Report (dated October 2011)

Dear Chad,

(1) Please include this letter with the RIR when it is presented to the Planning Commission on December 1 and the City Council on December 8. I hope the Planning Commission and City Council will consider the following comments in evaluating the RIR and Appraisal Report.

(2) Due to the conflict of interest as both the owner of the Pacific Cove Mobile Home Park and the governing body overseeing the closure of the park, I understand the enormous responsibility the City of Capitola has in following all local, state and federal guidelines for the park closure. Additionally, the City has the added duty of being fair to all the tenants of the park, as well as the original tenants who were promised they would never be moved again. Many of those original tenants still reside in the park and do not wish to move.

(3) California state mobile home code states that the owner of the park must pay mobile home owners "fair market value in place" when closing a park.

(4) The RIR and the appraisal do not include a description of the beautiful beachside location and that it's within a few minutes walking distance from the park. The following description on the City of Capitola's website describes it well:

"Capitola is an intimate beach village tucked in a river valley in Santa Cruz County on the Monterey Bay. Located an hour away from San Jose and an hour and a half from San Francisco, Capitola enjoys a lively population full of tradition and an interesting history.

The City's wharf and riverside areas remind one of a village in France or perhaps a Mediterranean coast in Italy. Capitola Village is located along a wide beach with a breathtaking view of Monterey Bay and is home to numerous craft galleries, boutiques and restaurants. It is here where the Begonia Festival takes place each Labor Day weekend, featuring flower-draped floats and the must-see sand castle contest. Each fall the village

also hosts the Annual Capitola Art & Wine Festival, which brings in over 170 artists, 10 wineries and numerous food vendors. Other visitor attractions include the Capitola Historical Museum, Capitola Wharf, and the Capitola Mall.

Voted one of the best beach locations on the [California Coast by Sunset Magazine](#), Capitola has fishing and boating services in addition to its beachfront restaurants, shops and entertainment.”

(5) The appraisals in the RIR are below fair market value for the beautiful location previously described. With the high cost of housing in this area, all mobile home owners and the tenants renting homes in the park will have difficulty finding affordable replacement housing in Capitola.

(6) Only one specific mobile home (a double-wide) was discussed during the meeting with Overland Pacific on November 17th. DM&A appraised it at \$104,000 while the closest comparable replacement the owner/residents could locate is \$159,000 (per the resident). That's \$55,000 less than stated in the report. It was no wonder that the nearly 90 year old owner/resident was so distressed when he attended the meeting.

(7) During the question and answer period, both you (the Project Manager) and the owner of Overland Pacific said there were no comparable comp's for the mobile homes in our park, but that fact is not included in the report. Instead you included the Appraisal Report which used sales comparisons from parks that were "distressed", do not have the same amenities as the park (close to stores, restaurants, medical facilities, recreation, the beach, etc.) or they have a higher crime rate. Although there had been sales in the park, you both said you would not consider sales more than a year or two old.

(8) The appraisals did not consider the pre-flooding condition of the mobile homes. The appraiser considered the current (flood-damaged) condition of the mobile homes to be the same as on the day before the first flooding occurred. For example, my mobile home skirting and the insulation under the MH were damaged and the living room carpet and entry floor had been removed due to water damage when the appraiser inspected my coach.

(9) I am concerned that the appraisal on my mobile home is not a fair and accurate appraisal. Consequently I feel the appraisal is much lower that it should have been. Thank you for advising us that we could have our own appraisals done. Prior to the park closure, I will get an appraisal done by a local appraiser, someone who has knowledge about mobile homes and parks in this area.

(10) The RIR report does not state that the mobile home park is zoned as Mobile Home Exclusive (MHE). A change of use would require rezoning. Although not stated in the RIR, according to City documents when the City

purchased the property, it was divided into separate parcels and the lower section (now the Pacific Cove Mobile Home Park) was zoned MHE and the upper section (now the parking lot behind City Hall) was re-zoned as Public Facilities (PF).

(11) The description of relocation benefits in the RIR discriminates. The State law says full-time residents are eligible for relocation benefits. The RIR report divides residents into different groups (full-time residents who lived in the park prior to 2000 are eligible). The non-entitlement document (referred to but not included in the RIR) may not be enforceable since signing it would require residents to give up their rights contrary to City and State MH codes.

(12) Additionally, per the November 17th meeting with Overland, Pacific & Cutler, only full-time residents who lived in the park prior to 2000 will be eligible for a "purchase price differential" when purchasing a replacement home. This would allow only a few full-time residents to purchase replacement housing in the area. The other full-time residents would not receive fair compensation. All residents should be treated equally in receiving fair market value in place (including part-time residents).

(13) NADA values are not required per City and State MH code. Possibly these were included in the RIR for the City to consider as the "scrap value" when clearing the park. The NADA value does not take into consideration the location or condition of the mobile home. The NADA value only reflects the depreciation of mobile homes, not appreciation. My mobile home is much improved and as up-to-date as a newer mobile home.

(14) The RIR includes a "NADA value" of \$7300 for my mobile home. Santa Cruz County has one of the highest costs of living in the United States and there are no comparable double-wide mobile homes available in this area for that amount. The RIR should clearly state the purpose of listing the NADA values since they do not equate to the fair market value in place and only confuse those who will be concerned about budgeting enough funds for the park closure.

(15) The housing plan in the RIR for low-income residents is inadequate and does not meet Mello Act requirements. The RIR states there are 40 spaces in Castle Mobile Home Park reserved for low-income Pacific Cove residents who will be displaced by the park closure. This is not accurate. There are no new low-income spaces in Castle MHP. The park currently has 5 or 6 mobile homes for sale. Castle MHP is approximately 70% low-income and the City cannot count existing low-income spaces a second time to meet the Mello Act requirement.

(16) If any Pacific Cove residents did try to purchase one of the 5 or 6 mobile homes that are for sale in Castle MHP, they probably couldn't afford (and wouldn't qualify) to live in the park since the space rent is approx. \$700 a month.

Per the new rental agreements in Castle MHP, in order to qualify for reduced rent, the tenant must meet strict guidelines including having resided in their park prior to January 1, 2011 which obviously Pacific Cove MHP residents could not meet.

(17) The reference to the availability of low-income housing in the Bay Avenue Senior Apartments is misleading. The waiting list is so long that Bay Avenue Senior Apartments is now refusing to take names for “the list to be put on the waiting list”. Additionally, the Section 8 housing list is closed. The wait for those already on the list is 8 or 10 years.

(18) Recently the City Council abolished rent control which previously was a benefit to owners of mobile homes in the park. Now, we are left wondering if our space rents will be increased in the event the City does not have the funds to close the park and we remain here longer.

(19) The RIR states no “change of use” of the park. This is questionable when putting surface parking in the mobile home park is being openly discussed at City meetings. The zoning has not changed in over 25 years and any other use of the park would require a zoning change and approval by the Coastal Commission.

(20) The definition of the time allowed for tenants to vacate before the park closure is confusing and difficult to understand. It’s questionable whether the 180 day time limit for notification applies when there is no “change of use” when a local permit is required. Or is it 360 days? The Coastal Commission is a State agency, not local. Also, there’s a question whether the 90 day notice to vacate can be served before the 180 (or 360 days) have expired?

(21) The RIR did not include a date for submitting the application for park closure to the Coastal Commission and the length of time required for their determination to be made.

(22) Before a mobile home park can be closed, the owner (City of Capitola) must have the funds. This is a requirement before the City can declare the park officially closed. What is going to happen if the RIR is approved and there aren’t enough funds to pay the expenses for the entire park closure?

Please consider my comments in your decision.

Sincerely Yours,

Ann Schroedel
426 Capitola Avenue #76
Capitola, CA 95010

DRAFT RESPONSES TO COMMENTS

Comments

Response to Comment Letter #1

Per the requirements of the Capitola Municipal Code, 17.90.30 (f) an appraisal report was prepared to evaluate the value of the homes located at Pacific Cove. The appraisal report was prepared by Desmond Marcello and Amster (DM&A). DM&A performed their work in accordance with the Uniform Standards and Practices of Professional Appraisal Practice (USPAP).

Should the park be closed and an offer made by the City to purchase a home the owner has the right to present a counter offer to the City.

Response to Comment Letter #2

- (1) OPC prepared an extensive list of mobile parks per the requirements of the Capitola Municipal Code, 17.90.30 (j) to provide a complete view of the number of parks that could serve as a replacement location for a displaced home owner. Should an owner consider one of the parks listed they should inquire about conditions of the park and determine if they would elect to move to that park. The City's relocation consultant can assist displaced residents with this process if necessary.
- (2) Per the requirements of the Capitola Municipal Code, 17.90.30 (f) an appraisal report was prepared to evaluate the value of the homes located at Pacific Cove. The appraisal report was prepared by Desmond Marcello and Amster (DM&A). DM&A performed their work in accordance with the Uniform Standards and Practices of Professional Appraisal Practice (USPAP). DM&A's report presents two values for each home; the Fair Market Value in Place and the Fair Market Value of the Home Only. The values in place ranged from \$21,500 to \$130,000.

Response to Comment Letter #3

- (1) Compensation for damages from the flood is not considered in the RIR or the appraisal. Such compensation is an issue outside of the scope of the RIR and the appraisal. Should the park be closed and an offer made by the City to purchase a home the owner has the right to present a counter offer to the City. Should the owner be eligible for relocation benefits including replacement housing assistance and that owner not be satisfied

ATTACHMENT 14

with the either the eligibility determination or the amounts of benefits offered, the owner may appeal both the determination of eligibility for relocation benefits and the amount of those benefits.

- (2) Residents who moved into the park after May 2000 were informed in their lease via an informed acknowledgment that the park may be closed and they would not be compensated with relocation benefits should that happen. If a resident is deemed to be ineligible for relocation benefits and the resident disagrees with the decision they may file an appeal and bring fourth supporting information for such an appeal.
- (3) Per the appraisal report, see page two, the NADA guide is one of several sources of information used by the appraiser and not the only source of information. NADA values are indicative of the homes themselves in their current condition, non-tangible values such as location, park amenities, space rent, etc are considered in these values. Per discussions with DM&A, at the time of their research, there were no recent sales transactions within Pacific Cove to use as comparable sales in the report. Comps within Pacific Cove would have been the most reliable comps to use, unfortunately there were none and they used data from nearby surrounding parks.
- (4) Relocation advisory services will be provided based on the needs of the individual. If a displacee wants to stay in Capitola, the relocation specialist hired by the City will work with that displacee to do so.
- (5) Castle Mobile Home Park has been acquired by a new owner and that owner has an agreement to rehabilitate the park and has deed restricted 86 units for low- and moderate-income residents, those units have been identified as replacement housing under the Mello Act should the City elect to close Pacific Cove.
- (6) The valuation used for acquiring coaches at Pacific Cove Mobile Park in the draft RIR is the value of the coach only. The park residents do not own the land on which the coach is located. Specific levels of compensation on a per space basis are not shown in the RIR as a means to protect, as much as possible, the identity of the owners and occupants of the coaches. If park residents would like a estimate of their potential benefit, they should contact Lisa Murphy at the City of Capitola at (831) 475-7300.

Response to Comment Letter #4

The relocation advisory services provided will be based on individual needs. When relocation activity commences the relocation specialist will work with displacees to locate replacement housing at a location that meets their needs. The type, location and amenities for replacement housing are ultimately the choice of the displaced person.

- (1) Relocation benefits such as the purchase price differential is not considered taxable income. A displacee will be able to do what they wish at and with their replacement property within the rules and regulations of its location and applicable laws. Should a displacee move to another mobile home park, they would have the protections provided by applicable state and local laws pertaining to mobile home park residency.
- (2) Under California Relocation Laws a displaced person may be eligible for 42 months of rental assistance. Once the maximum amount of that rental assistance is expended there would be no further obligation of the displacing agency to provide additional compensation. Long-term affordability should be a consideration when making a replacement housing decision.

Response to Comment Letter #5

- (1) Per the requirements of the Capitola Municipal Code, 17.90.30 (f) an appraisal report was prepared to evaluate the value of the homes located at Pacific Cove. The appraisal report prepared by Desmond Marcello and Amster (DM&A) was done so in accordance with the Uniform Standards and Practices of Professional Appraisal Practice (USPAP). This appraisal did consider the value of the homes prior to the flood event. The valuation to be used when acquiring coaches at Pacific Cove Mobile Park will be ultimately determined by the City Council.
- (2) Please see response #1 above.

Response to Comment Letter #6

- (1) Please see response #1 to Comment Letter number five. Displaced residents will be afforded to prepare an independent appraisal and appeal the value in the City's appraisal.
- (2) A copy of the report was sent via email on December 1, 2011.

Response to Comment Letter #7

- (1) Should the park be closed, the City will offer the owner just compensation based on the fair market value as determined by in the independent appraisal report.
- (2) As stated in the appraisal report prepared by DM&A, the all values are prior to the flood.

Response to Comment Letter #8

Should the City Council approve the RIR and City move forward with the park closure, a relocation specialist will be hired to work with displaced residents to determine what benefits they may be eligible for, provide a notice of eligibility (NOE) for those benefits and assist the displacee in making claims for those benefits. Eligibility for benefits will be based on the current occupant(s) at the time the NOE is prepared and presented to the displacee; previous residents cannot be considered.

Should the park be closed, an offer be made for the home and should the owner be eligible for relocation benefits including replacement housing assistance, the owner has the right to present a counter offer for the property and appeal both the determination of eligibility for relocation benefits and the amount of those benefits.

Response to Comment Letter #9

Please response (1) to comment letter 5 above.

Response to Comment Letter #10

Please response to comment letter 5 (1) above.

Response to Comment #11

- (1) Please response to comment letter 5 (1) above.
- (2) The information pertaining to specific spaces and the occupant of that space is based on the information provided to OPC and DM&A during the resident survey for the preparation of the RIR and the appraisal. We will review our files regarding the stated purchase date indicated in your comment and revise the report where appropriate.

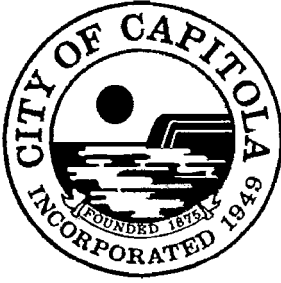
Response to Comment #12

- (1) Comment will be included in package to the Planning Commission and City Council as well as included as an appendix to the final RIR.

- (2) Comment noted.
- (3) Per the requirements of the Capitola Municipal Code, 17.90.30 (f) an appraisal report was prepared to evaluate the value of the homes located at Pacific Cove. The appraisal report prepared by Desmond Marcello and Amster (DM&A) was done so in accordance with the Uniform Standards and Practices of Professional Appraisal Practice (USPAP). No requirements to pay a Fair Market In Place value was found upon further review of California Government Code Section 65863 or 66427.4, Civil Code Chapter 2.5 Section 798.56), California Mobile Home Park Residency Law, Title 25, California Code of Regulations, Chapter 6, Sections 6000 or the Capitola Municipal Code (17.90).
- (4) The RIR and appraisal report both include general description of the park's location. Please see page four.
- (5) Please see response (3) above.
- (6) The dollar amount stated in this comment was only used as an example to demonstrate how relocation benefits are calculated.
- (7) See response four to this comment letter above. OPC did not prepare the appraisal report and does not determine what comparable sales are used in the appraisal report. Per discussions with DM&A, at the time of their research, there were no recent sales transactions within Pacific Cove to use as comparable sales in the report. Comps within Pacific Cove would have been the most reliable comps to use, unfortunately there were none and they used data from nearby surrounding parks.
- (8) The values in the appraisal are prior pre-flood. Any damage to the homes as a result of the flood was not considered.
- (9) Comment noted.
- (10) Any future use at the property, as described in the RIR, will be required to conform to local land use regulations.
- (11) Residents who moved into the park after May 2000 were informed in their lease via an informed acknowledgment that the park may be closed and they would not be compensated with relocation benefits should that happen. If a resident is deemed to be ineligible for relocation benefits based on their acknowledgment of the park closure when they moved into the park and the resident disagrees with the decision they may file an appeal and bring fourth supporting information for such an appeal.

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- (12) Please see response above.
- (13) NADA values are indicative of the homes themselves in their current condition, non-tangible values such as location, park amenities, space rent, etc are considered in these values.
- (14) Per the appraisal report, see page two, the NADA guide is one of several sources of information used by the appraiser and not the only source of information. Should an offer be made by the City to purchase a property the owner may counter the City's offer with their own appraisal.
- (15) Please see Comment Letter 3, response #5.
- (16) Please see Comment Letter 3, response #5
- (17) Comment noted.
- (18) The City has no plans to increase rents at the park.
- (19) As stated in the RIR, no specific change of use for the parcel in which the coaches within Pacific Cove Mobile Park are placed was determined at the time the RIR was prepared.
- (20) As stated in the RIR, the City will provide a minimum of a 180 Day Notice to Terminate Tenancy. The 90 Day Notice to Vacate is required by California Relocation Law and will be served within the period of the 180 Day Notice to Terminate Tenancy. Additional time would be at the desertion of the City.
- (21) This matter will not go to the Coastal Commission as the City council is authorized to issue the Coastal Development permit in this instance. The City will have funds available prior to moving forward with a park closure.



CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: FINANCE DEPARTMENT
 DATE: JANUARY 6, 2012
 SUBJECT: APPROVAL OF CITY CHECK REGISTER REPORT

RECOMMENDED ACTION: By motion and roll call vote, that the City Council approve the attached Check Register Reports for December 2, December 9, December 16, and December 23, 2011.

DISCUSSION: The attached Check Registers for:

Date	Starting Check #	Ending Check #	Total Checks	Amount
12/02/11	68184	68282	99	\$297,204.36
12/09/11	68283	68333	51	\$84,509.96
12/16/11	68334	68396	63	\$60,200.11
12/23/11	68397	68508	103	\$163,237.76
12/09/11 Payroll				\$154,679.05
12/23/11 Payroll				\$203,239.94

The check register of November 18, 2011 ended with check #68183.

Following is a list of checks issued for more than \$10,000.00, and a brief description of the expenditure:

Check	Issued to:	Dept.	Purpose	Amount
68194	Belfor	CM	Reconstruction Svcs, Pymt 2	\$100,000.00
68201	CalPERS Health Ins	CM	Dec 2011 Health Ins, Employee funded	\$52,782.96
68208	Design, Community & Environment	CDD	Oct 2011 CDBG and Gen Plan Professional Services	\$19,116.12
68210	Employment Dev. Dept	CM	Q3 CY2011 Unemployment Ins.	\$11,503.00
68251	Overland, Pacific & Cutler	CM	Relocation Assistance Study	\$13,093.75
68252	Pacific Gas & Electric	PW	Monthly Electric	\$12,688.96
68262	SCC Auditor Controller	PD	Oct 2011 Citation Surcharges	\$10,432.00
68287	Bowman & Williams, Inc	PW	Pac Cove Slope Failure Repair	\$11,165.88
68323	Soquel Creek Water District	PW	Sep-Nov Water Use	\$10,342.23
68335	Atchison, Barisone & Condotti	CM	Nov11 Legal Services	\$14,274.96
68402	Atchison, Barisone & Condotti	CM	Oct11 Legal Services	\$17,740.92
68422	Community Bridges	CM	Q2 Community Grant	\$27,632.00
68470	Pacific Gas & Electric	PW	Monthly Electric	\$12,745.24

On March 28, 2002, Council adopted Ordinance 838, which amended the City Municipal Code as follows:

"3.28.010 Auditing. All claims for salaries and wages of officers and employees and payroll-related withholdings, assessments, and attachments against the treasury of the City and all other claims for payment may be audited and allowed by the City Manager or his/her designee prior to payment thereof."

"3.28.050 Approval. All claims against the City treasury are to be allowed for payment by the City Manager or his/her designee and are to be presented to the City Council as an informational item as part of their regularly scheduled meetings after their issuance for ratification."

RESOLUTION NO. 2683 On September 22, 1994, Resolution No. 2683 was passed and adopted by the City Council. This resolution includes the following text:

Be it hereby resolved by the City Council of the City of Capitola that the City Manager is authorized, as cash shortages arise, to make temporary cash loans between and among the General Fund and all other City funds except the Redevelopment Agency; Special Assessment District funds; and The Village and Beach Parking Fund; and

Be it further resolved that such inter-fund 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; and

Be it further resolved that the City Manager shall report to the City Council at its next regularly scheduled meeting, the amounts of such Interfund loans actually made; the funds from which and to which such Interfund loans were made; and the anticipated date the loans will be repaid.

The bank statement reconciliation has not been completed for the month. Bank reconciliation is completed and reported in conjunction with the monthly Treasurer's report. All checks on these registers have been deducted from the corresponding fund's cash balance. Interfund loans are not recorded on the financial records on a regular basis, except at year-end for financial reporting purposes.

There are several significant timing issues that create cash flow shortages:

- Triple flip delay of Sales Tax from monthly to December and April (~\$500,000/2x year)
- One quarter of the annual Worker's Compensation premium was paid in July (\$100,000)
- One half of the Self Insurance/Liability annual payment was paid in July (\$32,669)
- One third of the Police Communication JPA annual payment was paid in July (\$146,121)

As of 01/04/12 the total cash available is \$2,049,892. The General Operating Fund has a cash balance of \$350,934. Internal Service Funds (#2210 through #2214) were created for City budget purposes and are reclassified for financial reporting into the General Fund. The Compensated Absences Fund (#2216) has a positive cash balance of \$19,790. The Capital Improvement Projects has a positive cash balance of \$894,118. By Council direction the Emergency Reserves Fund (#1020) may not participate in cash loans; the Emergency Reserves Fund has a fund balance of \$195,313.76.

For cash flow purposes these funds are available to the General Fund. A consolidation of these cash balances results in a cash position of \$2,049,892.

The following table shows the funds that are consolidated:

CASH POSITION - CITY OF CAPITOLA 1/4/12

	<u>Net Balance</u>
General Fund	350,934
Worker's Comp. Ins. Fund	308,629
Self Insurance Liability Fund	56,455
Stores Fund	14,074
Information Technology Fund	40,736
Equipment Replacement	37,433
Compensated Absences Fund	19,790
Contingency Reserve Fund	-
Public Employee Retirement - PERS	327,467
Open Space Fund	256
Capital Improvement Projects	894,118
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS	2,049,892

The Emergency Reserve Fund balance is \$195,313.76 and is not included above.

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, loans in the amount of \$1,139,895.66 were made from the following funds to the general fund:

Loans Between funds:

Contingency Reserve	\$464,895.66
Equipment Replacement	\$325,000.00
Information Technology	\$150,000.00
Self Insurance Liability	\$200,000.00
Total Loans	\$1,139,895.66

It is anticipated that these loans to General Fund will be repaid by June 30, 2012.

ATTACHMENTS:

1. Check Register for December 2, 2011
2. Check Register for December 9, 2011
3. Check Register for December 16, 2011
4. Check Register for December 23, 2011

Report Prepared By: Linda Benko
AP Clerk

Reviewed and Forwarded
By City Manager: 

Checks dated 12/2/11 numbered 68184 to 68282 for a total of \$297,204.36 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/2/11 the unaudited cash balance is \$1,811,209

CASH POSITION - CITY OF CAPITOLA 12/2/11

	<u>Net Balance</u>
General Fund	199,887
Worker's Comp. Ins. Fund	91,704
Self Insurance Liability Fund	24,355
Stores Fund	9,386
Information Technology Fund	43,291
Equipment Replacement	61,683
Compensated Absences Fund	32,104
Contingency Reserve Fund	50,000
Public Employee Retirement - PERS	401,997
Open Space Fund	256
Capital Improvement Projects	896,547
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS	<u>1,811,209</u>

The Emergency Reserve Fund balance is \$14,734.54 and is not included above.

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, loans in the amount of \$1,354,895.66 were made from the following funds to the general fund:

Loans Between funds:	
Contingency Reserve	\$654,895.66
Equipment Replacement	\$275,000.00
Information Technology	\$125,000.00
Self Insurance Liability	\$200,000.00
Worker's Comp. Ins. Fund	\$100,000.00
Total Loans	<u>\$1,354,895.66</u>

It is anticipated that these loans to General Fund will be repaid by June 30, 2012.



 Jamie Goldstein, City Manager

12/2/11

 Date



 Jacques J.J. Bertrand, City Treasurer

12-7-11

 Date

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68184	12/02/2011 Invoice 4221	Open	Date 11/08/2011	Description Sweeper brooms Fund 1310, Gas Tax	ACME ROTARY BROOM SERVICE	\$1,680.24
68185	12/02/2011 Invoice 2012-00000394	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	ADAMS, BECKY	\$154.70
68186	12/02/2011 Invoice 59291699 59291693	Open	Date 11/12/2011 11/12/2011	Description Alarm monitoring, 1465 38th, evidence stg Alarm Monitoring, 422 Capitola Ave	ADT SECURITY SERVICES, INC.	\$256.41
68187	12/02/2011 Invoice AFLAC-Nov11	Open	Date 11/16/2011	Description Employee Ins, Employee Funded	AFLAC	\$464.50
68188	12/02/2011 Invoice 42898	Open	Date 11/22/2011	Description Keys for lockers-PD	ALLSAFE LOCK COMPANY	\$5.40
68189	12/02/2011 Invoice 323769	Open	Date 11/08/2011	Description Firbark	APTOS LANDSCAPE SUPPLY, INC.	\$74.52
68190	12/02/2011 Invoice 2012-00000395	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	ARITCHITA, WIND, C.	\$117.00
68191	12/02/2011 Invoice 2735355	Open	Date 11/07/2011	Description Oct 2011 Phone Service	AT&T/CALNET 2	\$1,896.49
68192	12/02/2011 Invoice 38018 38019	Open	Date 11/22/2011 11/22/2011	Description Nov 2011 Wharf meter reading Nov 2011 Pacific Cove MHP	AUTOMATED TEST ASSOCIATES	\$62.00
68193	12/02/2011 Invoice 2828	Open	Date 11/18/2011	Description Monthly Landscape Fee, Pac Cove MHP	BACK TO EDEN LANDSCAPING INC.	\$575.00
68194	12/02/2011 Invoice 10133-3Recon2	Open	Date 10/28/2011	Description Reconstruction Services, Payment 2 Fund 1020, Emergency Reserve	BELFOR	\$100,000.00
68195	12/02/2011 Invoice 2012-00000397	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	BETZ, SHERRI	\$3,965.65

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68196	12/02/2011 Invoice 2962072	Open	Date 11/14/2011	Description Wood - Cliff Dr. fence	BIG CREEK LUMBER	\$370.86
68197	12/02/2011 Invoice 2012-00000398	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	BRESLIN-KESSLER, PAUL	\$4,777.50
68198	12/02/2011 Invoice 1699	Open	Date 11/18/2011	Description Pay Station stickers - Phase 1	CADILLAC DESIGNS	\$364.00
68199	12/02/2011 Invoice Dec2011	Open	Date 11/18/2011	Description Long Term Disability Ins, PD	CALIF LAW ENFORCEMENT ASSOC.	\$429.00
68200	12/02/2011 Invoice Pearson-2012	Open	Date 11/18/2011	Description Dues, Pearson, 2012	CALIF SOCIETY OF MUNI FIN OFF	\$110.00
68201	12/02/2011 Invoice 3019256	Open	Date 11/18/2011	Description Dec 2011 Employee Health Ins Employee Funded	CalPERS Health Insurance	\$52,782.96
68202	12/02/2011 Invoice POA12-2-11	Open	Date 11/28/2011	Description POA Dues, PD, Employee Funded	CAPITOLA PEACE OFFICERS ASSOC.	\$821.08
68203	12/02/2011 Invoice 2829-2012 2810-2012	Open	Date 11/18/2011 10/29/2011	Description Storage Space, Museum funded Storage Unit, Museum supplies	CAPITOLA SELF STORAGE	\$6,420.00
68204	12/02/2011 Invoice 5646-Nov-Dec11	Open	Date 11/11/2011	Description Website Hosting Fund 2211, IT	Charter Communications	\$129.99
68205	12/02/2011 Invoice 1104 1106	Open	Date 10/31/2011 10/31/2011	Description Storm Water Educ & Outreach Oct11 Soquel Creek Urban Watch/First Flush	COASTAL WATERSHED COUNCIL	\$4,082.82
68206	12/02/2011 Invoice Q! Comm Grt	Open	Date 11/18/2011	Description Q1 Community Grant	CULTURAL COUNCIL OF SCC	\$1,036.75
68207	12/02/2011 Invoice 20111026	Open	Date 10/26/2011	Description Reimb Meals Exp, Training Course	DALLY, ANDREW	\$75.07

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68208	12/02/2011 Invoice 11561	Open	Date 10/31/2011	Description Oct 2011 Professional Services Fund 1313, Gen Plan=\$15388.02 Fund 1350, CDBG Grant=\$3728.10	DESIGN, COMMUNITY & ENVIRONMEN	\$19,116.12
68209	12/02/2011 Invoice 2012-00000400	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	DICKS, CHUCK	\$185.25
68210	12/02/2011 Invoice UI-Q3 CY2011	Open	Date 11/02/2011	Description Unemployment Ins, Q3 CY2011 Fund 2213, Self-Ins Liab.	EMPLOYMENT DEVELOPMENT DEPT	\$11,503.00
68211	12/02/2011 Invoice 2012-00000401	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	EVANS, PAT	\$185.25
68212	12/02/2011 Invoice 4095574 4095575 4105684 4115010	Open	Date 11/04/2011 11/04/2011 11/08/2011 11/10/2011	Description Valve parts Irrigation supplies Top soil Misc. - Soquel Cr. Park	EWING IRRIGATION	\$166.03
68213	12/02/2011 Invoice 2012-00000396	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	FAIA ARTWORKS	\$591.50
68214	12/02/2011 Invoice 7764x 7978	Open	Date 07/01/2011 11/09/2011	Description Correction to Inv 7764, 6/16/11 Plants - City Hall	FARWEST NURSERY	\$22.49
68215	12/02/2011 Invoice 2012-00000402	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	FITZGERALD, AIMEE	\$270.40
68216	12/02/2011 Invoice 11-670778 11-670777	Open	Date 11/11/2011 11/11/2011	Description 200 Gal Diesel 513 Gal Ethanol	FLYERS ENERGY, LLC	\$2,812.58
68217	12/02/2011 Invoice 2012-00000403	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	FRANCA, CLAUDIO	\$208.00
68218	12/02/2011 Invoice 65	Open	Date 11/07/2011	Description Uniform Exp, Moreno-PD	GALLI UNIFORM COMPANY	\$147.17

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68219	12/02/2011 Invoice 671105	Open	Date 11/12/2011	Description Rock	GRANITE ROCK COMPANY	\$39.17
68220	12/02/2011 Invoice 2012-00000404	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	HILL, CAROL	\$182.00
68221	12/02/2011 Invoice 2012-00000399	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	HO KUK MU SUL CORPORATION	\$289.90
68222	12/02/2011 Invoice 343374	Open	Date 11/16/2011	Description Auto parts	HOSE SHOP	\$85.86
68223	12/02/2011 Invoice 11/14-11/18/11 11/21-11/25/11	Open	Date 11/28/2011 11/28/2011	Description Mechanic Mechanic	HOWARD, CHARLIE	\$1,260.00
68224	12/02/2011 Invoice ICMA12-2-11	Open	Date 11/28/2011	Description Retirement Plan Contr. Employee Funded	ICMA RETIREMENT TRUST 457	\$5,474.80
68225	12/02/2011 Invoice 2012-00000405	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	INK, BRUCE	\$321.10
68226	12/02/2011 Invoice 111411	Open	Date 11/14/2011	Description Arborist Services, 726 Gilroy Drive	JAMES P ALLEN & ASSOC	\$270.00
68227	12/02/2011 Invoice 20111112	Open	Date 11/12/2011	Description Reimb refreshments for Gen Plan Meeting Fund 1313, Gen Plan	JOHNSON, DEREK	\$106.75
68228	12/02/2011 Invoice 2012-00000407	Open	Date 11/21/2011	Description Late Fall Instructor Payments 2011	KAPLAN, PHIL	\$726.70
68229	12/02/2011 Invoice 108330	Open	Date 11/07/2011	Description Toner Freight Fund 2211, IT	KBA Docusys	\$12.95
68230	12/02/2011 Invoice 008	Open	Date 11/09/2011	Description Rispin Mansion Hazard Elimination Project Fund 1200, CIP	KERKO, BRYAN, T.	\$2,468.75

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68231	12/02/2011	Open			KING'S CLEANERS	\$655.15
	Invoice		Date	Description		Amount
	111611		11/16/2011	Nov 2011 Uniform Cleaning, PD		\$655.15
68232	12/02/2011	Open			KING'S PAINT AND PAPER, INC.	\$41.79
	Invoice		Date	Description		Amount
	A149655		11/09/2011	Paint		\$41.79
68233	12/02/2011	Open			KINNAMON, LORRAINE	\$355.55
	Invoice		Date	Description		Amount
	2012-00000408		11/21/2011	Late Fall Instructor Payments 2011		\$355.55
68234	12/02/2011	Open			LLOYD'S TIRE SERVICE INC.	\$50.00
	Invoice		Date	Description		Amount
	217792		11/03/2011	Tire Repair		\$50.00
68235	12/02/2011	Open			LUCAS, SAMANTHA	\$252.56
	Invoice		Date	Description		Amount
	2012-00000409		11/21/2011	Late Fall Instructor Payments 2011		\$252.56
68236	12/02/2011	Open			Mainstreet Media dba GOODTIMES	\$200.00
	Invoice		Date	Description		Amount
	65424		10/27/2011	Goodtimes Ad, Oct 2011 Fund 1321, BIA		\$200.00
68237	12/02/2011	Open			MARCHESE, HELEN	\$385.84
	Invoice		Date	Description		Amount
	Petty Cash Nov11		11/28/2011	Restore Petty Cash Fund 1000, Gen Fund=\$222.19 Fund 1313, Gen Plan=\$163.65		\$385.84
68238	12/02/2011	Open			MARRUJO, SANDY	\$271.70
	Invoice		Date	Description		Amount
	2012-00000410		11/21/2011	Late Fall Instructor Payments 2011		\$271.70
68239	12/02/2011	Open			MATTERN, MARK	\$260.00
	Invoice		Date	Description		Amount
	2012-00000411		11/21/2011	Late Fall Instructor Payments 2011		\$260.00
68240	12/02/2011	Open			MCCUTCHEN, SUELLEN	\$321.75
	Invoice		Date	Description		Amount
	2012-00000412		11/21/2011	Late Fall Instructor Payments 2011		\$321.75
68241	12/02/2011	Open			McMENAMIN, GEORGE	\$1,000.90
	Invoice		Date	Description		Amount
	11R		11/29/2011	Riparian restoration		\$1,000.90

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68242	12/02/2011	Open			MID-COUNTY AUTO SUPPLY	\$997.42
	Invoice		Date	Description		Amount
	281385		11/02/2011	Auto Parts, Sweeper-Fund 1310, Gas Tax		\$173.15
	281547		11/03/2011	Auto Parts, F-150 PW Admin		\$6.49
	281422		11/02/2011	Auto Parts, Shop Use		\$116.45
	281943		11/07/2011	Auto parts, PD Units		\$92.45
	281944		11/07/2011	Auto Parts, PD 081		\$11.94
	282029		11/07/2011	GEM Vehicle Battery		\$614.86
	282132		11/08/2011	Battery Core Return, GEM Vehicle		(\$32.48)
	281698		11/04/2011	Auto parts, John Deere Loader		\$14.56
68243	12/02/2011	Open			MILES, MITCHELL, A.	\$799.50
	Invoice		Date	Description		Amount
	2012-00000413		11/21/2011	Late Fall Instructor Payments 2011		\$799.50
68244	12/02/2011	Open			MISSION PRINTERS	\$228.33
	Invoice		Date	Description		Amount
	42306		11/04/2011	City Window Envelopes Fund 2210, Stores		\$228.33
68245	12/02/2011	Open			MITCHELL, JEANI	\$544.70
	Invoice		Date	Description		Amount
	2012-00000414		11/21/2011	Late Fall Instructor Payments 2011		\$544.70
68246	12/02/2011	Open			MONTEREY BAY SYSTEMS	\$736.45
	Invoice		Date	Description		Amount
	120338		11/07/2011	Copier Maint Contract Fund 1000, Gen Fund=\$211.45 Fund 2211, IT=\$525.00		\$736.45
68247	12/02/2011	Open			MORRISSEY, YOSHIE	\$132.60
	Invoice		Date	Description		Amount
	2012-00000415		11/21/2011	Late Fall Instructor Payments 2011		\$132.60
68248	12/02/2011	Open			MURPHY, LISA	\$40.02
	Invoice		Date	Description		Amount
	Oct11		11/28/2011	Reimb Expenses		\$40.02
68249	12/02/2011	Open			NIXON-EGLI EQUIPMENT CO.	\$786.21
	Invoice		Date	Description		Amount
	21105592		11/17/2011	auto parts		\$753.88
	21105495		11/10/2011	auto parts		\$32.33

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68250	12/02/2011	Open			ORCHARD SUPPLY HARDWARE	\$439.43
	Invoice		Date	Description		Amount
	6012-3697635		11/09/2011	Misc Supplies, Corp Yd		\$5.36
	6011-4795161		11/04/2011	Misc.		\$28.63
	6009-5829944		11/08/2011	Graffiti clean-up		\$32.22
	6007-2431243		11/09/2011	Memorial plaque supplies		\$20.51
	6007-2431240		11/09/2011	Wasp spray		\$24.85
	6013-1231142		11/10/2011	Misc.		\$14.06
	6011-4796524		11/10/2011	Wasp spray		\$19.45
	6010-4766963		11/12/2011	Batteries		\$14.05
	6014-9877795		11/15/2011	Concrete - Cliff Dr. fence		\$48.55
	6011-5826776		11/15/2011	Concrete - Cliff Dr. fence		\$48.55
	6011-4798077		11/16/2011	Misc.		\$36.43
	6007-2432808		11/16/2011	Concrete		\$22.91
	6010-4767359		11/16/2011	IT Supplies		\$10.83
	6008-4763971		11/09/2011	IT Supplies		\$22.15
	6014-5827770		11/22/2011	IT Supplies		\$75.76
	6010-4766604		11/08/2011	IT Supplies		\$15.12
				Fund 1000, Gen Fund=\$295.00		
				Fund 1311, Wharf Fund=\$20.51		
				Fund 2211, IT=\$123.86		
68251	12/02/2011	Open			OVERLAND, PACIFIC & CUTLER, INC.	\$13,093.75
	Invoice		Date	Description		Amount
	1108075		09/15/2011	Relocation Assistance and Study		\$13,093.75
				Fund 1020, Emergency Reserve		
68252	12/02/2011	Open			PACIFIC GAS & ELECTRIC	\$12,688.96
	Invoice		Date	Description		Amount
	Oct-Nov2011		11/18/2011	Monthly Gas & Elec, all sites		\$12,688.96
				Fund 1000, Gen Fund=\$4026.36		
				Fund 1300, SLESF=\$176.45		
				Fund 1310, Gas Tax=\$6784.08		
				Fund 1311, Wharf Fund=\$1702.07		
68253	12/02/2011	Open			PACIFIC GAS & ELECTRIC	\$306.31
	Invoice		Date	Description		Amount
	Oct-Nov11		11/18/2011	Pac Cove MHP Elec and Gas		\$306.31
68254	12/02/2011	Open			PACIFIC VETERINARY SPECIALISTS IN	\$138.55
	Invoice		Date	Description		Amount
	200096		11/08/2011	Animal Control Exp, 11c-02071-PD		\$138.55
68255	12/02/2011	Open			PALACE ART & OFFICE SUPPLIES	\$512.94
	Invoice		Date	Description		Amount
	8689870		11/13/2011	Armory Supplies		\$14.64
	931679		11/14/2011	Paper-PD		\$46.44
	932556		11/17/2011	Office Supplies, City Hall		\$25.96
	932559		11/17/2011	Office Supplies, City Hall		\$244.85
	932109		11/16/2011	Office Supplies, City Hall		\$18.33
	932555		11/17/2011	Office supplies-PD		\$162.72
				Fund 2210, Stores=\$289.14		

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68256	12/02/2011	Open			PAPE MACHINERY	\$672.72
	Invoice		Date	Description		Amount
	8029667		11/10/2011	John Deere Loader Parts		\$672.72
68257	12/02/2011	Open			PHIL ALLEGRI ELECTRIC, INC.	\$1,715.09
	Invoice		Date	Description		Amount
	16365		11/08/2011	Electrical repair		\$1,438.09
	16408		11/11/2011	Electrical repair		\$277.00
68258	12/02/2011	Open			PK SAFETY SUPPLY	\$131.33
	Invoice		Date	Description		Amount
	145733		10/31/2011	Gas cans		\$131.33
68259	12/02/2011	Open			POT, TRENISE	\$1,043.32
	Invoice		Date	Description		Amount
	2012-00000416		11/21/2011	Late Fall Instructor Payments 2011		\$1,043.32
68260	12/02/2011	Open			PRAXAIR DISTRIBUTION INC.	\$58.51
	Invoice		Date	Description		Amount
	41284437		11/20/2011	Acetylene/gas-Corp Yd		\$58.51
68261	12/02/2011	Open			REPUBLIC ITS INC.	\$698.24
	Invoice		Date	Description		Amount
	RR-121419		11/12/2011	FY 11/12 Traffic Signal Maintenance Fund 1310, Gas Tax		\$698.24
68262	12/02/2011	Open			SANTA CRUZ COUNTY AUDITOR-CONT	\$10,432.00
	Invoice		Date	Description		Amount
	Sur-Oct2011		11/28/2011	Citation Surcharges, Oct 2011		\$10,432.00
68263	12/02/2011	Open			SANTA CRUZ COUNTY CONFERENCE	\$2,750.00
	Invoice		Date	Description		Amount
	9901		11/09/2011	Sunset & VIA Co-Op Ad, Spring 2012 Fund 1321, BIA		\$2,750.00
68264	12/02/2011	Open			SCC INFORMATION SERVICES	\$502.78
	Invoice		Date	Description		Amount
	Nov2011		11/03/2011	Nov 2011 SCAN Charges, PD		\$502.78
68265	12/02/2011	Open			SCC TAX COLLECTOR	\$7,948.16
	Invoice		Date	Description		Amount
	036-101-37#1		10/20/2011	Sanitation District Assessment, First Instal		\$862.03
	034-072-01#1		10/20/2011	034-072-01, 1400 Wharf Rd		\$2,736.83
	034-541-34#1		10/20/2011	034-541-34, Library		\$562.83
	035-141-35#1		10/20/2011	035-141-35, City Hall		\$837.88
	035-262-07#1		10/20/2011	035-262-07, Esplanade Park Fund 1000, Gen Fund=\$5211.33 Fund 1311, Wharf Fund=\$2736.63		\$2,948.59
68266	12/02/2011	Open			SEE-CABARGA, DIANE	\$322.40
	Invoice		Date	Description		Amount
	2012-00000417		11/21/2011	Late Fall Instructor Payments 2011		\$322.40

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68267	12/02/2011	Open			SIRCHIE	\$77.12
	Invoice		Date	Description		Amount
	57827-in		11/04/2011	Detective supplies		\$77.12
68268	12/02/2011	Open			SOUTH BAY REGIONAL TRAINING	\$240.00
	Invoice		Date	Description		Amount
	71382		11/18/2011	POST, Interview & Interrogation for Mendo		\$240.00
68269	12/02/2011	Open			STATLER, WILLIAM, C.	\$1,700.00
	Invoice		Date	Description		Amount
	Oct 2011		11/28/2011	Interim Finance Director Services, Oct 201		\$1,700.00
68270	12/02/2011	Open			STEVENS, CLAUDIA	\$149.50
	Invoice		Date	Description		Amount
	2012-00000418		11/21/2011	Late Fall Instructor Payments 2011		\$149.50
68271	12/02/2011	Open			SUMMIT UNIFORM CORP	\$259.80
	Invoice		Date	Description		Amount
	43769		11/02/2011	Patches for PEO		\$259.80
68272	12/02/2011	Open			SWIFT, STEVE	\$276.68
	Invoice		Date	Description		Amount
	Swift-Nov11		11/18/2011	Reimb Museum Display Expenses		\$105.91
	Nov11		11/23/2011	Remib Purchases for Museum Maint.		\$170.77
68273	12/02/2011	Open			THE HARTFORD -PRIORITY ACCOUNT:	\$1,807.80
	Invoice		Date	Description		Amount
	5654280-6		11/18/2011	City Employee Life and Disability Ins-Dec		\$1,807.80
68274	12/02/2011	Open			UNION BANK OF CALIFORNIA	\$216.08
	Invoice		Date	Description		Amount
	PARS12-2-11		11/28/2011	PARS Contribution, Employee Funded		\$216.08
68275	12/02/2011	Open			US BANCORP EQUIPMENT FINANCE, II	\$139.46
	Invoice		Date	Description		Amount
	190861039		11/18/2011	Copier Lease		\$139.46
				Fund 2211, IT		
68276	12/02/2011	Open			Van Den Heuvel, Dana	\$1,815.49
	Invoice		Date	Description		Amount
	20111202		11/18/2011	PERS Pymt in advance of IDR		\$1,815.49
68277	12/02/2011	Open			WALBRIDGE, BREIGE	\$448.50
	Invoice		Date	Description		Amount
	2012-00000419		11/21/2011	Late Fall Instructor Payments 2011		\$448.50
68278	12/02/2011	Open			WEINSTEIN, JOHANNA	\$247.00
	Invoice		Date	Description		Amount
	2012-00000406		11/21/2011	Late Fall Instructor Payments 2011		\$247.00

City Checks Issued 12/2/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount	
68279	12/02/2011	Open			WHEELER, MARK, S	\$116.91	
	Invoice		Date	Description		Amount	
	Copy-2		11/29/2011	Reimb Plan Copies		\$116.91	
68280	12/02/2011	Open			WITMER-TYSON IMPORTS INC.	\$500.00	
	Invoice		Date	Description		Amount	
	T8907		11/02/2011	K-9 October training		\$500.00	
68281	12/02/2011	Open			Guagnini, Anna	\$500.00	
	Invoice		Date	Description		Amount	
	2012-00000423		11/22/2011	Tree Deposit Refund #11-116		\$500.00	
68282	12/02/2011	Open			Quill.com	\$97.35	
	Invoice		Date	Description		Amount	
	7871795		11/07/2011	Door signs-PD		\$97.35	
Check Totals:				Count	99	Total	\$297,204.36

Checks dated 12/9/11 numbered 68283 to 68333 for a total of \$84,509.96 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/9/11 the unaudited cash balance is \$1,336,583

CASH POSITION - CITY OF CAPITOLA 12/9/11

	<u>Net Balance</u>
General Fund	10,294
Worker's Comp. Ins. Fund	16,704
Self Insurance Liability Fund	24,355
Stores Fund	6,950
Information Technology Fund	14,658
Equipment Replacement	11,683
Compensated Absences Fund	32,104
Contingency Reserve Fund	25,000
Public Employee Retirement - PERS	301,716
Open Space Fund	256
Capital Improvement Projects	892,862
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS	<u><u>1,336,583</u></u>


The Emergency Reserve Fund balance is \$5,447.41 and is not included above.

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

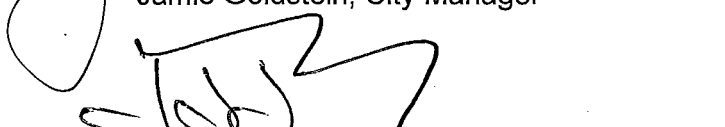
To resolve this cash flow issue, loans in the amount of \$1,479,895.66 were made from the following funds to the general fund:

Loans Between funds:	
Contingency Reserve	\$629,895.66
Equipment Replacement	\$325,000.00
Information Technology	\$150,000.00
Self Insurance Liability	\$200,000.00
Worker's Comp. Ins. Fund	\$175,000.00
Total Loans	<u>\$1,479,895.66</u>

It is anticipated that these loans to General Fund will be repaid by June 30, 2012.



 Jamie Goldstein, City Manager



 Jacques J.J. Bertrand, City Treasurer

 12/9/11
 Date

 1-3-12
 Date

City Checks Issued 12/9/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68283	12/09/2011 Invoice 230099-2012	Open	Date 09/06/2011	Description 2012 Membership	AMER SOCIETY OF CIVIL ENGINEERS	\$255.00 \$255.00
68284	12/09/2011 Invoice 38019-1	Open	Date 11/22/2011	Description Pac Cove MHP meter reading balance of N	AUTOMATED TEST ASSOCIATES	\$30.00 \$30.00
68285	12/09/2011 Invoice 2962321 2557054 2962229 2963021 2963164	Open	Date 11/17/2011 11/17/2011 11/16/2011 11/30/2011 12/01/2011	Description Wood - Wharf-Fund 1311, Wharf Fund Quick set concrete Wood - Cliff Dr. fence Wood - PC fence Wood - PC fence	BIG CREEK LUMBER	\$1,373.02 \$165.82 \$13.44 \$342.84 \$524.89 \$326.03
68286	12/09/2011 Invoice 59604	Open	Date 11/05/2011	Description Rispin Mansion Hazard Elimination Project Fund 1200, CIP	BIGGS CARDOSA ASSOCIATES	\$1,895.92 \$1,895.92
68287	12/09/2011 Invoice 6839 6840	Open	Date 12/02/2011 12/02/2011	Description Repairs of Slope Failures in Pac Cove Professional Services 11/1/11-11/31/11 Fund 1020, Emergency Res=\$9287.13 Fund 1200, CIP=\$1878.75	BOWMAN & WILLIAMS, INC.	\$11,165.88 \$9,287.13 \$1,878.75
68288	12/09/2011 Invoice 21678918	Open	Date 12/05/2011	Description Music licensing	BROADCAST MUSIC INC.	\$309.00 \$309.00
68289	12/09/2011 Invoice 125082 125265	Open	Date 10/31/2011 11/30/2011	Description October CWO active meters Nov active meters Fund 1316, Parking Reserve Fund	CALE PARKING SYSTEMS USA, INC.	\$918.68 \$148.68 \$770.00
68290	12/09/2011 Invoice 535	Open	Date 11/10/2011	Description Pac Cove, Sp45 Faucet Repair	CHESHIRE RIO PROPERTY MGMT	\$90.20 \$90.20
68291	12/09/2011 Invoice 20111115	Open	Date 11/15/2011	Description Project Management Services Fund 1315, Public Arts Fee Fund	CITY OF SAN JOSE	\$5,635.40 \$5,635.40
68292	12/09/2011 Invoice 1092689 1092689-01	Open	Date 11/08/2011 11/15/2011	Description Cleaning supplies Doggie bags	CLEAN SOURCE	\$1,401.86 \$1,158.30 \$243.56

City Checks Issued 12/9/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68293	12/09/2011 Invoice 005	Open	Date 11/24/2011	Description Public Safety Background Investigation	COLEY HEATH INVESTIGATIONS	\$1,300.00 \$1,300.00
68294	12/09/2011 Invoice 28750-29	Open	Date 12/02/2011	Description web hosting 12/23/11-01/22/12 Fund 1313, General Plan Update Fund	CRUZIO THE INTERNET STORE INC.	\$39.95 \$39.95
68295	12/09/2011 Invoice 11696030	Open	Date 11/20/2011	Description Copier Lease Fund 2210, Stores Fund	DE LAGE LANDEN FINANCIAL SERVICE	\$334.07 \$334.07
68296	12/09/2011 Invoice 4457 4450	Open	Date 11/28/2011 11/30/2011	Description 108 Hollister - patch pavement Hollister Avenue -expose gas line Fund 1310, Gas Tax Fund	EARTHWORKS PAVING CONTRACTOR	\$2,232.17 \$625.00 \$1,607.17
68297	12/09/2011 Invoice D7076	Open	Date 12/01/2011	Description quarterly lube and inspection	ELEVATOR SERVICE COMPANY, INC.	\$165.00 \$165.00
68298	12/09/2011 Invoice 4126572 4138823	Open	Date 11/15/2011 11/17/2011	Description landscape services Straw wattle	EWING IRRIGATION	\$69.26 \$38.16 \$31.10
68299	12/09/2011 Invoice 11-668978 11-668979 11-673442 11-673443 11-675459	Open	Date 11/03/2011 11/03/2011 11/17/2011 11/17/2011 11/23/2011	Description 508 Gal Ethanol 130 Gal Diesel 407 Gal Ethanol 75 Gal Diesel 432 Gal Ethanol	FLYERS ENERGY, LLC	\$6,058.70 \$2,040.62 \$541.67 \$1,559.45 \$301.79 \$1,615.17
68300	12/09/2011 Invoice 511770051	Open	Date 11/16/2011	Description First aid kit, gun shot kits-PD	GALLS	\$356.51 \$356.51
68301	12/09/2011 Invoice CapPD11.2011	Open	Date 11/16/2011	Description Background Investigation, PD	Harris, Buck	\$982.40 \$982.40
68302	12/09/2011 Invoice 8586	Open	Date 11/16/2011	Description Auto parts	HOSE SHOP	\$85.86 \$85.86
68303	12/09/2011 Invoice 7077672	Open	Date 11/15/2011	Description Warranty Extension Fund 2211, Info Technology	IBM Coproration	\$2,480.00 \$2,480.00

City Checks Issued 12/9/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68304	12/09/2011	Open			INDEPENDENT ELECTRIC SUPPLY INC	\$2,318.13
	Invoice		Date	Description	Amount	
	S100800118.003		11/22/2011	Light Pole 1903J w/button photocell, 150w	\$2,318.13	
68305	12/09/2011	Open			KIMLEY-HORN AND ASSOCIATES, INC.	\$4,818.08
	Invoice		Date	Description	Amount	
	4638541		10/31/2011	Parking Tech Prof Services through 10/31/1 Fund 1316, Parking Res Fund	\$4,818.08	
68306	12/09/2011	Open			LEWIS TREE SERVICE INC.	\$1,600.00
	Invoice		Date	Description	Amount	
	18948		11/29/2011	Tree pruning - Park Ave.	\$1,600.00	
68307	12/09/2011	Open			LIFESPORT MEDICINE	\$225.00
	Invoice		Date	Description	Amount	
	Farotte		11/12/2011	Employment Physical, Farotte-PD	\$225.00	
68308	12/09/2011	Open			Mainstreet Media dba GOODTIMES	\$200.00
	Invoice		Date	Description	Amount	
	65922		11/10/2011	BIA Advertising Fund 1321, BIA	\$200.00	
68309	12/09/2011	Open			MID-COUNTY AUTO SUPPLY	\$200.58
	Invoice		Date	Description	Amount	
	282392		11/10/2011	Auto Parts, PD 2005 Impala	\$43.69	
	282413		11/10/2011	Auto Parts, PD 2005 Impala	\$40.00	
	282437		11/10/2011	Auto parts, PD 2005 Impala	\$11.91	
	282428		11/10/2011	Auto Parts, Shop Use	\$3.19	
	283284		11/17/2011	Auto parts-PD Impala	\$86.28	
	282876		11/14/2011	Auto parts-PW F-350 Flatbed	\$15.51	
68310	12/09/2011	Open			MOBILE MINI LLC	\$180.47
	Invoice		Date	Description	Amount	
	955239032		11/03/2011	Storage container-PD	\$180.47	
68311	12/09/2011	Open			ORCHARD SUPPLY HARDWARE	\$137.41
	Invoice		Date	Description	Amount	
	6011-3698398		11/17/2011	Auto parts	\$24.32	
	6011-4798585		11/18/2011	Rivets	\$42.15	
	6005-4765221		11/21/2011	Misc.	\$16.23	
	6011-9879901		11/22/2011	Propane tank	\$28.77	
	6014-5827879		11/22/2011	Sealer	\$10.80	
	6007-2434112		11/23/2011	Misc.	\$15.14	
68312	12/09/2011	Open			PACIFIC VETERINARY SPECIALISTS IN	\$138.65
	Invoice		Date	Description	Amount	
	200635		11/14/2011	Animal Control Exp, 11c-02107-PD	\$138.65	
68313	12/09/2011	Open			PALACE ART & OFFICE SUPPLIES	\$195.03
	Invoice		Date	Description	Amount	
	8695186		11/26/2011	office supplies-PD	\$40.04	
	933466		11/28/2011	Office Supplies, City Hall-Fund 2210, Stores	\$81.47	
	8693677		11/22/2011	Office Supplies, Corp Yd	\$73.52	

City Checks Issued 12/9/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68314	12/09/2011	Open			PARACO CORPORATION	\$470.40
	Invoice		Date	Description		Amount
	FP11244		11/30/2011	Flags		\$470.40
68315	12/09/2011	Open			PENINSULA COMMUNICATIONS	\$7,510.01
	Invoice		Date	Description		Amount
	14338		11/02/2011	PD Radios-Grant Funded		\$7,510.01
68316	12/09/2011	Open			PHIL ALLEGRI ELECTRIC, INC.	\$152.72
	Invoice		Date	Description		Amount
	16447		12/01/2011	Electrical repair		\$152.72
68317	12/09/2011	Open			PITNEY BOWES INC.	\$2,019.99
	Invoice		Date	Description		Amount
	3654-Nov11		11/20/2011	Postage Refill, City Hall Fund 2210, Stores		\$2,019.99
68318	12/09/2011	Open			PK SAFETY SUPPLY	\$291.87
	Invoice		Date	Description		Amount
	147031		11/17/2011	Gas cans		\$291.87
68319	12/09/2011	Open			ROSEMAN, LEWIS	\$2,947.24
	Invoice		Date	Description		Amount
	111111		11/11/2011	November 2011 Parking Meter Service		\$2,947.24
68320	12/09/2011	Open			ROYAL WHOLESALE ELECTRIC	\$25.17
	Invoice		Date	Description		Amount
	7719-555129		11/09/2011	Lamps		\$25.17
68321	12/09/2011	Open			SCC DEPT OF PUBLIC WORKS	\$21.74
	Invoice		Date	Description		Amount
	6148-1		02/17/2011	maps		\$8.00
	5018-1		05/20/2011	maps		\$2.75
	5023-1		06/22/2011	maps		\$10.99
68322	12/09/2011	Open			SANTA CRUZ FIRE EQUIPMENT CO.	\$161.39
	Invoice		Date	Description		Amount
	90664		11/09/2011	Semi-Annual Fire Inspection Fund 1311, Wharf Fund		\$161.39
68323	12/09/2011	Open			SOQUEL CREEK WATER DISTRICT	\$10,342.23
	Invoice		Date	Description		Amount
	Sep-Nov11		11/15/2011	Sep-Nov Water Use		\$6,515.10
	Sep-Nov11a		11/17/2011	Sep-Nov11 Water Use		\$3,827.13
				Fund 1311, Wharf Fund=\$711.14		
				Fund 1000, General Fund=\$9631.09		
68324	12/09/2011	Open			SUMMIT UNIFORM CORP	\$1,203.74
	Invoice		Date	Description		Amount
	43774		11/03/2011	Uniform Exp, Farotte-PD		\$142.89
	43903		11/11/2011	Uniform Exp, E Gonzalez-PD		\$463.31
	43922		11/14/2011	Uniform Exp, Minium-PD		\$597.54

City Checks Issued 12/9/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68325	12/09/2011	Open			SWIFT, STEVE	\$4.36
	Invoice		Date	Description		Amount
	HD20111128		11/28/2011	Reimb Museum Maint Exp		\$4.36
68326	12/09/2011	Open			TLC ADMINISTRATORS, INC.	\$2,174.52
	Invoice		Date	Description		Amount
	93030-Dec11		12/06/2011	Dental & Vision Employee Ins.		\$2,174.52
68327	12/09/2011	Open			WATSONVILLE BLUEPRINT	\$46.81
	Invoice		Date	Description		Amount
	31918		12/05/2011	prints & disc		\$46.81
68328	12/09/2011	Open			WESTERN ALLIED MECHANICAL INC.	\$8,680.50
	Invoice		Date	Description		Amount
	61852A		11/28/2011	Replace compressor & liquid liner drier		\$8,680.50
68329	12/09/2011	Open			Cruz, Marciano	\$500.00
	Invoice		Date	Description		Amount
	2001166.002		12/05/2011	Refund of rental deposit		\$500.00
68330	12/09/2011	Open			Gachina, John	\$500.00
	Invoice		Date	Description		Amount
	2012-00000428		12/02/2011	Tree Deposit Refund #11-061		\$500.00
68331	12/09/2011	Open			Gemplers	\$54.04
	Invoice		Date	Description		Amount
	1018211374		11/29/2011	Safety boxes-PD		\$54.04
68332	12/09/2011	Open			O'Loughlin, Tiffany	\$67.00
	Invoice		Date	Description		Amount
	2001173.002		12/05/2011	Class refund		\$67.00
68333	12/09/2011	Open			Winham, Joanne	\$144.00
	Invoice		Date	Description		Amount
	2001172.002		12/05/2011	Class refund		\$144.00
Check Totals:				Count	51	Total \$84,509.96

Checks dated 12/16/11 numbered 68334 to 68396 for a total of \$60,200.11 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/16/11 the unaudited cash balance is \$2,691,373

CASH POSITION - CITY OF CAPITOLA 12/16/11

	<u>Net Balance</u>
General Fund	1,365,533
Worker's Comp. Ins. Fund	16,704
Self Insurance Liability Fund	24,355
Stores Fund	6,829
Information Technology Fund	14,331
Equipment Replacement	11,683
Compensated Absences Fund	32,104
Contingency Reserve Fund	25,000
Public Employee Retirement - PERS	301,716
Open Space Fund	256
Capital Improvement Projects	892,862
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS	<u><u>2,691,373</u></u>

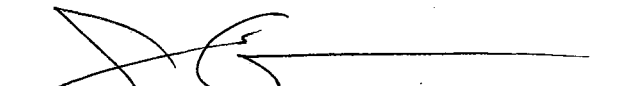
The Emergency Reserve Fund balance is \$5,313.76 and is not included above.

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, loans in the amount of \$1,479,895.66 were made from the following funds to the general fund:

Loans Between funds:	
Contingency Reserve	\$629,895.66
Equipment Replacement	\$325,000.00
Information Technology	\$150,000.00
Self Insurance Liability	\$200,000.00
Worker's Comp. Ins. Fund	\$175,000.00
Total Loans	<u>\$1,479,895.66</u>

It is anticipated that these loans to General Fund will be repaid by June 30, 2012.



 Jamie Goldstein, City Manager

12/16/11

 Date



 Jacques J.J. Bertrand, City Treasurer

1.3.12

 Date

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68334	12/16/2011	Open			AT&T	\$1,938.47
	Invoice		Date	Description		Amount
	2811029		11/13/2011	Telephone Service		\$1,919.32
	Dec2011		12/01/2011	Telephone Service, Dec 2011		\$7.82
	2421-Dec11		12/01/2011	Telephone Service, Dec 2011		\$11.33
68335	12/16/2011	Open			ATCHISON, BARISONE, & CONDOTTI	\$14,274.96
	Invoice		Date	Description		Amount
	Nov2011		11/30/2011	Nov11 Contract Legal Services		\$14,274.96
68336	12/16/2011	Open			BIG CREEK LUMBER	\$2,371.25
	Invoice		Date	Description		Amount
	2963264		12/02/2011	Pac Cove fence Lumber		\$1,457.82
	2963515		12/07/2011	Pac Cove fence hardware		\$69.28
	2963594		12/08/2011	Pac Cove fence lumber		\$844.15
68337	12/16/2011	Open			BOLLINGER INSURANCE	\$300.00
	Invoice		Date	Description		Amount
	2012		12/12/2011	Field Owner's Insurance, Rec		\$300.00
68338	12/16/2011	Open			BRESLIN-KESSLER, PAUL	\$299.00
	Invoice		Date	Description		Amount
	2012-00000442		12/13/2011	Late Fall Last Instr. Payments		\$299.00
68339	12/16/2011	Open			BROADCAST MUSIC INC.	\$309.00
	Invoice		Date	Description		Amount
	2134775-2012		11/30/2011	Music License Fee		\$309.00
68340	12/16/2011	Open			CA DEPARTMENT OF JUSTICE	\$32.00
	Invoice		Date	Description		Amount
	881519		12/05/2011	Fingerprint Appt, PD		\$32.00
68341	12/16/2011	Open			CALIF SOCIETY OF MUNI FIN OFF	\$110.00
	Invoice		Date	Description		Amount
	Saldana-2012		11/28/2011	Dues, 2012		\$110.00
68342	12/16/2011	Open			CALIF SOCIETY OF MUNI FIN OFF	\$50.00
	Invoice		Date	Description		Amount
	2011Award		12/09/2011	GFOA CAFR Award Program Appl.		\$50.00
68343	12/16/2011	Open			CAPITOLA PEACE OFFICERS ASSOC	\$821.08
	Invoice		Date	Description		Amount
	POA12-16-11		12/15/2011	POA Dues, Employee Funded		\$821.08
68344	12/16/2011	Open			CAPITOLA PHYSICAL THERAPY	\$60.00
	Invoice		Date	Description		Amount
	233		12/05/2011	Medical Evaluation		\$60.00
68345	12/16/2011	Open			CHANTICLEER VET HOSPITAL	\$1,018.60
	Invoice		Date	Description		Amount
	14340-Nov11		12/05/2011	Animal Control Expense, PD		\$1,018.60

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68346	12/16/2011	Open			CLARK, DAVE	\$494.00
	Invoice		Date	Description		Amount
	2012-00000441		12/13/2011	Late Fall Last Instr. Payments		\$494.00
68347	12/16/2011	Open			COASTAL WATERSHED COUNCIL	\$4,894.31
	Invoice		Date	Description		Amount
	1113		11/30/2011	Storm Water Education and Outreach Sv		\$1,001.06
	1112		11/30/2011	Soquel Creek Monitoring -Water Quality		\$3,893.25
68348	12/16/2011	Open			COLEY HEATH INVESTIGATIONS	\$1,300.00
	Invoice		Date	Description		Amount
	005		11/24/2011	Public Safety Background Investigation		\$1,300.00
68349	12/16/2011	Open			COMMUNITY TECHNOLOGY ALLIANC	\$462.00
	Invoice		Date	Description		Amount
	702759		11/17/2011	HMS Share of Cost for FY10/11		\$462.00
68350	12/16/2011	Open			CPS	\$476.10
	Invoice		Date	Description		Amount
	SOP31489		11/23/2011	Records Manager Test		\$476.10
68351	12/16/2011	Open			EARTHWORKS PAVING CONTRACTC	\$1,728.03
	Invoice		Date	Description		Amount
	4449		11/22/2011	Pac Cove MHP base rock		\$1,728.03
68352	12/16/2011	Open			ENERGY RESOURCE CONSERVATIC	\$3,548.06
	Invoice		Date	Description		Amount
	8428		11/03/2011	Final Payment, Streeflight Upgrade Loan		\$3,548.06
				Fund 1310, Gas Tax		
68353	12/16/2011	Open			FARWEST NURSERY	\$16.48
	Invoice		Date	Description		Amount
	230758		12/09/2011	Plants		\$16.48
68354	12/16/2011	Open			FEDERAL EXPRESS	\$199.11
	Invoice		Date	Description		Amount
	7-698-56739		12/06/2011	Weekly Shipping		\$199.11
68355	12/16/2011	Open			FLEET SERVICES	\$93.47
	Invoice		Date	Description		Amount
	27883863		12/08/2011	Gas Card Purchases, PD		\$93.47
68356	12/16/2011	Open			FLYERS ENERGY, LLC	\$3,435.17
	Invoice		Date	Description		Amount
	11-674735		11/29/2011	55 Gal Oil		\$539.50
	11-675460		11/23/2011	145 Gal Diesel		\$575.51
	11-678113		12/02/2011	115 Gal Diesel		\$450.12
	11-678112		12/02/2011	510 Gal Ethanol		\$1,870.04

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68357	12/16/2011	Open			HOWARD, CHARLIE	\$1,992.97
	Invoice		Date	Description		Amount
	000327947		12/09/2011	Reimb Purch of Sweeper parts-Fund 131		\$462.97
	Dec1		12/08/2011	Mechanic, 11/28 to 12/2/11		\$770.00
	Dec2		12/08/2011	Mechanic, 12/5 to 12/9/11		\$760.00
68358	12/16/2011	Open			HOWELLS, NANCY	\$232.70
	Invoice		Date	Description		Amount
	2012-00000440		12/13/2011	Late Fall Last Instr. Payments		\$232.70
68359	12/16/2011	Open			ICMA RETIREMENT TRUST 457	\$5,479.54
	Invoice		Date	Description		Amount
	ICMA-Dec11		12/15/2011	Retirement Plan Contr, Employee Funde		\$5,479.54
68360	12/16/2011	Open			INTERNAT'L INSTITUTE OF MUNI CLERKS	\$75.00
	Invoice		Date	Description		Amount
	Deiter2012		10/05/2011	Annual Membership Fee, 2012		\$75.00
68361	12/16/2011	Open			INTERSTATE BATTERY SYSTEM INC	\$51.70
	Invoice		Date	Description		Amount
	111040		12/02/2011	Batteries-PD		\$51.70
68362	12/16/2011	Open			INTERSTATE SALES	\$534.93
	Invoice		Date	Description		Amount
	1190		08/12/2011	street delineators		\$534.93
68363	12/16/2011	Open			KAREN NEVIS FINE ARTS	\$66.03
	Invoice		Date	Description		Amount
	2029		12/07/2011	8x12 tile		\$66.03
68364	12/16/2011	Open			LIUNA PENSION FUND	\$484.00
	Invoice		Date	Description		Amount
	LiunaDues12-11		12/15/2011	Dec2011 Union Pension Dues, Employee Funded		\$484.00
68365	12/16/2011	Open			McMENAMIN, GEORGE	\$857.64
	Invoice		Date	Description		Amount
	R12		12/12/2011	Riparian Restoration		\$857.64
68366	12/16/2011	Open			MID-COUNTY AUTO SUPPLY	\$252.16
	Invoice		Date	Description		Amount
	283840		11/22/2011	Auto parts-1999 Parks Ford PU		\$159.24
	283317		11/17/2011	Return Parts		(\$16.33)
	283297		11/17/2011	Auto parts-PD Impala		\$40.00
	283318		11/17/2011	Auto parts-Bobcat Loader		\$26.16
	283131		11/16/2011	Auto parts-PW Vehicles		\$43.09
68367	12/16/2011	Open			MISSION LINEN SUPPLY	\$763.10
	Invoice		Date	Description		Amount
	Nov11		11/30/2011	Mat, Uniform, and Towel Cleaning Servic		\$763.10

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68368	12/16/2011	Open			MURPHY, LISA	\$131.55
	Invoice		Date	Description		Amount
	Pkg-Dec11		12/09/2011	Reimb Trans Exp, CALPERLA Conf		\$131.55
68369	12/16/2011	Open			NORTH BAY FORD	\$12.71
	Invoice		Date	Description		Amount
	224451		11/18/2011	auto parts-PD072		\$12.71
68370	12/16/2011	Open			ORCHARD SUPPLY HARDWARE	\$277.33
	Invoice		Date	Description		Amount
	6007-4765106		11/28/2011	Auto parts		\$8.65
	6009-9783067		11/28/2011	Misc.		\$6.27
	6014-1388277		11/28/2011	Paint		\$8.64
	6013-7823782		11/29/2011	Misc.		\$4.97
	6013-7823783		11/29/2011	Misc.		\$2.91
	6007-3695187		11/29/2011	Fence post mix - Cliff Dr. fence		\$60.40
	6011-5821724		11/29/2011	Tool box - Cary		\$38.95
	6005-9066309		11/29/2011	Mortar		\$15.34
	6011-4792329		12/01/2011	Cleaning Supplies, Rec		\$85.79
	6014-338386		11/28/2011	IT Supplies		\$43.24
	972233		12/01/2011	Return IT Supplies		(\$10.81)
	6011-332443		12/01/2011	IT Supplies		\$12.98
68371	12/16/2011	Open			PALACE ART & OFFICE SUPPLIES	\$1,178.37
	Invoice		Date	Description		Amount
	933319		11/28/2011	Paper-PD		\$46.44
	933955		11/30/2011	Office Supplies, City Hall		\$23.75
	15833		12/01/2011	Chairs-PD, Fund 1300, SLESF		\$1,108.18
68372	12/16/2011	Open			PHOENIX GROUP INFORMATION SY	\$1,917.83
	Invoice		Date	Description		Amount
	102011911		11/18/2011	AC adapter		\$93.70
	102011070		11/18/2011	Citations, Oct 2011		\$1,824.13
68373	12/16/2011	Open			PITNEY BOWES INC.	\$146.14
	Invoice		Date	Description		Amount
	625251		11/16/2011	Postage machine rental		\$146.14
68374	12/16/2011	Open			ROYAL WHOLESALE ELECTRIC	\$99.37
	Invoice		Date	Description		Amount
	7719-555430		11/21/2011	Light Tubes		\$99.37
68375	12/16/2011	Open			SANTA CRUZ COUNTY HEALTH SER'	\$286.00
	Invoice		Date	Description		Amount
	20111207		12/07/2011	Blood Alcohol Tests, Jul-Sep 2011		\$286.00
68376	12/16/2011	Open			SANTA CRUZ COUNTY INFORMATIOI	\$502.78
	Invoice		Date	Description		Amount
	SCAN-Dec11		11/29/2011	Open Query Charges, Dec 2011		\$502.78

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68377	12/16/2011 Invoice 375847	Open	Date 11/21/2011	Description Wires, IT-Fund 2211, IT	SANTA CRUZ ELECTRONICS, INC.	\$7.51
68378	12/16/2011 Invoice Oct-Nov11	Open	Date 11/18/2011	Description WATER BILLS FOR STREET MEDIANS	SANTA CRUZ MUNICIPAL UTILITIES	\$688.40
68379	12/16/2011 Invoice Nov2011	Open	Date 11/30/2011	Description Nov 2011 Public Notices	SANTA CRUZ SENTINEL	\$414.22
68380	12/16/2011 Invoice 3917-15640	Open	Date 12/01/2011	Description Dec11 Website Hosting	THE INTERNET CONNECTION INC.	\$150.00
68381	12/16/2011 Invoice 2012-00000435	Open	Date 12/12/2011	Description Nov 26 to Dec 10 2011 Volleyball	THILL, WENDY	\$120.00
68382	12/16/2011 Invoice 15141	Open	Date 12/01/2011	Description Section 125 Plan admin fee	TLC ADMINISTRATORS, INC.	\$175.00
68383	12/16/2011 Invoice CNIN015959	Open	Date 11/21/2011	Description Copier Maint Contract Fund 2210, Stores	TRI-COUNTY BUSINESS SYSTEMS IN	\$97.74
68384	12/16/2011 Invoice PARS12-16-11	Open	Date 12/15/2011	Description PARS Contribution, Employee Funded	UNION BANK OF CALIFORNIA	\$286.42
68385	12/16/2011 Invoice 954791491	Open	Date 12/03/2011	Description Shipping-PD	UNITED PARCEL SERVICE	\$21.12
68386	12/16/2011 Invoice Dec2011	Open	Date 12/15/2011	Description Employee Contr to United Way	UNITED WAY OF SCC	\$40.00
68387	12/16/2011 Invoice Dec11Dues	Open	Date 12/15/2011	Description Union Dues, Dec11, Employee Funded	UPEC LIUNA LOCAL 792	\$908.50
68388	12/16/2011 Invoice 20111216	Open	Date 12/06/2011	Description PERS Payments in advance of IDR	Van Den Heuvel, Dana	\$1,815.49
68389	12/16/2011 Invoice 134726	Open	Date 11/18/2011	Description Taxi signs	ZUMAR INDUSTRIES INC.	\$129.77

City Checks Issued 12/16/2011

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount	
68390	12/16/2011 Invoice 2012-00000444	Open	Date 12/14/2011	Description Tree Permit Deposit Refund #11-022 & #	Alcocer, Carlos	\$500.00	
68391	12/16/2011 Invoice 2001178.002	Open	Date 12/12/2011	Description Refund of Security Deposit	Gangoff, Michelle	\$85.00	
68392	12/16/2011 Invoice 2001177.002	Open	Date 12/12/2011	Description Refund of Security Deposit	Harbor Supported Living Services, Inc.	\$100.00	
68393	12/16/2011 Invoice 2012-00000447	Open	Date 12/14/2011	Description Tree Permit Deposit Refund #11-126	Hawes, Brian	\$500.00	
68394	12/16/2011 Invoice 2012-00000446	Open	Date 12/08/2011	Description Refund cite 13130132	Jackson, Annette	\$48.00	
68395	12/16/2011 Invoice 2012-00000443	Open	Date 12/14/2011	Description Tree Permit Deposit Refund #11-135	Kessinger, Jacque	\$500.00	
68396	12/16/2011 Invoice 11134156	Open	Date 12/08/2011	Description Refund cite 11134156	Pais, Peggy	\$40.00	
Check Totals:				Count	63	Total	\$60,200.11

Checks dated 12/23/11 numbered 68397 to 68508 for a total of \$163,237.76 have been reviewed and authorized for distribution by the City Manager and City Treasurer.

As of 12/23/11 the unaudited cash balance is \$2,258,071

CASH POSITION - CITY OF CAPITOLA 12/23/11

	<u>Net Balance</u>
General Fund	771,354
Worker's Comp. Ins. Fund	191,704
Self Insurance Liability Fund	24,355
Stores Fund	6,399
Information Technology Fund	11,486
Equipment Replacement	11,683
Compensated Absences Fund	32,104
Contingency Reserve Fund	-
Public Employee Retirement - PERS	314,613
Open Space Fund	256
Capital Improvement Projects	894,118
TOTAL GENERAL FUND & COUNCIL DESIGNATED FUNDS	<u><u>2,258,071</u></u>

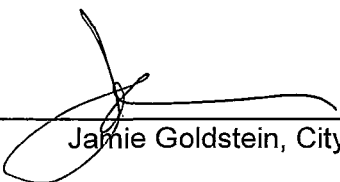
The Emergency Reserve Fund balance is \$195,313.76 and is not included above.

On a fiscal year basis the City's annual budget balances expenditures and revenue in the General Fund. Due to the timing of revenue receipts, during most of the fiscal year General Fund expenditures will outpace revenue.

To resolve this cash flow issue, loans in the amount of \$1,139,895.66 were made from the following funds to the general fund:

Loans Between funds:	
Contingency Reserve	\$464,895.66
Equipment Replacement	\$325,000.00
Information Technology	\$150,000.00
Self Insurance Liability	\$200,000.00
Total Loans	<u>\$1,139,895.66</u>

It is anticipated that these loans to the General Fund will be repaid by June 30, 2012.



 Jamie Goldstein, City Manager

12/23/11

 Date



 Jacques J.J. Bertrand, City Treasurer

1-3-12

 Date

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68397	12/23/2011	Open			ADVOCACY INC.	\$1,058.75
	Invoice		Date	Description		Amount
	2012-00000478		12/21/2011	Quarterly Grant Payment		\$1,058.75
68398	12/23/2011	Open			AFLAC	\$464.50
	Invoice		Date	Description		Amount
	AFLAC12-16-11		12/15/2011	Health Ins Suppl, Employee Funded		\$464.50
68399	12/23/2011	Open			ALLSAFE LOCK COMPANY	\$4.86
	Invoice		Date	Description		Amount
	42978		12/13/2011	Keys		\$4.86
68400	12/23/2011	Open			APTOS LANDSCAPE SUPPLY, INC.	\$149.04
	Invoice		Date	Description		Amount
	324734		12/01/2011	Pathway fines - Riverview		\$149.04
68401	12/23/2011	Open			ARNONE, MICHAEL	\$3,250.00
	Invoice		Date	Description		Amount
	201126-1		12/14/2011	Plan Development for Tree Replacement at City Hall		\$3,250.00
68402	12/23/2011	Open			ATCHISON, BARISONE, & CONDOTTI	\$17,740.92
	Invoice		Date	Description		Amount
	Oct2011		10/31/2011	Oct Legal Fees		\$17,740.92
68403	12/23/2011	Open			B & B SMALL ENGINE REPAIR	\$602.80
	Invoice		Date	Description		Amount
	254951		12/08/2011	Chainsaw Maintenance		\$113.11
	254967		12/08/2011	Chainsaw parts		\$221.76
	254990		12/08/2011	Chainsaw Maintenance		\$191.83
	255302		12/13/2011	Chainsaw parts		\$11.96
	255305		12/13/2011	Chainsaw chains		\$64.14
68404	12/23/2011	Open			BACK TO EDEN LANDSCAPING INC.	\$575.00
	Invoice		Date	Description		Amount
	2845		12/18/2011	Monthly Landscape Fee, Pac Cove MHP		\$575.00
68405	12/23/2011	Open			BANK OF AMERICA	\$2,624.12
	Invoice		Date	Description		Amount
	Nov-Dec2011		12/06/2011	Nov-Dec2011 Credit Card Charges Fund 1000, General Fund=\$1182.06 Fund 1313, General Plan=\$331.03 Fund 1315, Public Arts=\$40.25 Fund 2210, Stores=\$33.68 Fund 2211, Info Tech=\$1037.10		\$2,624.12
68406	12/23/2011	Open			BAY AREA POLYGRAPH	\$600.00
	Invoice		Date	Description		Amount
	369		12/13/2011	Three exams, new hires, PD		\$600.00
68407	12/23/2011	Open			BETZ, SHERRI	\$897.00
	Invoice		Date	Description		Amount
	2012-00000449		12/19/2011	Instructor Payment, Rec		\$897.00

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68408	12/23/2011	Open			BIG BROTHERS BIG SISTERS OF SCC	\$690.50
	Invoice		Date	Description	Amount	
	2012-00000462		12/21/2011	Quarterly Grant Payment	\$690.50	
68409	12/23/2011	Open			BIG CREEK LUMBER	\$2,065.58
	Invoice		Date	Description	Amount	
	2963597		12/08/2011	Concrete PC fence	\$194.14	
	2963670		12/08/2011	Pac Cove fence lumber	\$571.35	
	2963856		12/12/2011	Pac Cove fence lumber	\$1,227.62	
	2963977		12/13/2011	Pac Cove fence hardware	\$72.47	
68410	12/23/2011	Open			BRESLIN-KESSLER, PAUL	\$1,087.40
	Invoice		Date	Description	Amount	
	2012-00000451		12/20/2011	Private Lessons 12/20/11	\$1,057.50	
	2012-00000452		12/20/2011	Rec Instructor Payment, Holiday Camp	\$29.90	
68411	12/23/2011	Open			CABRILLO COLLEGE STROKE CTR	\$1,689.50
	Invoice		Date	Description	Amount	
	2012-00000471		12/21/2011	Quarterly Grant Payment	\$1,689.50	
68412	12/23/2011	Open			CALIFORNIA GREY BEARS INC.	\$3,485.25
	Invoice		Date	Description	Amount	
	2012-00000456		12/21/2011	Quarterly Grant Payment	\$3,485.25	
68413	12/23/2011	Open			CALIFORNIA POLICE CHIEFS ASSOC.	\$300.00
	Invoice		Date	Description	Amount	
	1553		12/15/2011	Job Listing, Police Chief	\$300.00	
68414	12/23/2011	Open			CALIF. RURAL LEGAL ASSIST. INC.	\$906.50
	Invoice		Date	Description	Amount	
	2012-00000480		12/21/2011	Quarterly Community Grant	\$906.50	
68415	12/23/2011	Open			CAMPUS KIDS CONNECTION INC.	\$4,141.25
	Invoice		Date	Description	Amount	
	2012-00000472		12/21/2011	Quarterly Community Grant	\$4,141.25	
68416	12/23/2011	Open			CASA OF SANTA CRUZ COUNTY	\$556.75
	Invoice		Date	Description	Amount	
	2012-00000489		12/21/2011	Quarterly Community Grant	\$556.75	
68417	12/23/2011	Open			CASEY PRINTING	\$2,925.21
	Invoice		Date	Description	Amount	
	20249011		12/01/2011	Winter 2012 brochure	\$2,925.21	
68418	12/23/2011	Open			CENTRAL COAST CENTER FOR INDEPENDENT LIVING	\$3,674.25
	Invoice		Date	Description	Amount	
	2012-00000476		12/21/2011	Quarterly Community Grant	\$3,674.25	

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68419	12/23/2011	Open			Charter Communications	\$259.98
	Invoice		Date	Description		Amount
	5646-Jan2012		12/11/2011	Internet Access, Dec11-Jan12		\$259.98
				Fund 2211, Info Tech.		
68420	12/23/2011	Open			CLEAN BUILDING MAINTENANCE	\$3,542.00
	Invoice		Date	Description		Amount
	9078		11/30/2011	Nov Cleaning Service		\$3,542.00
68421	12/23/2011	Open			COMMUNITY ACTION BOARD OF SC C	\$339.00
	Invoice		Date	Description		Amount
	2012-00000475		12/21/2011	Quarterly Community Grant		\$339.00
68422	12/23/2011	Open			COMMUNITY BRIDGES	\$27,632.00
	Invoice		Date	Description		Amount
	2012-00000459		12/21/2011	Quarterly Community Grant		\$27,632.00
68423	12/23/2011	Open			COMPLETE MAILING SERVICE INC	\$1,563.33
	Invoice		Date	Description		Amount
	59926		12/14/2011	Brochure Sort & Mail-Rec		\$1,563.33
Check #68424 through #68432 were spoiled by the printer.						
68433	12/23/2011	Open			CRITICAL REACH	\$265.00
	Invoice		Date	Description		Amount
	12-83		12/15/2011	TRAK annual payment-PD		\$265.00
68434	12/23/2011	Open			CRYSTAL SPRINGS WATER CO.	\$183.00
	Invoice		Date	Description		Amount
	Nov2011		11/30/2011	Nov Drinking Water		\$183.00
68435	12/23/2011	Open			CULTURAL COUNCIL OF SANTA CRUZ	\$1,036.75
	Invoice		Date	Description		Amount
	2012-00000470		12/21/2011	Quarterly Community Grant		\$1,036.75
68436	12/23/2011	Open			DEPT OF CONSUMER AFFAIRS	\$120.00
	Invoice		Date	Description		Amount
	82997-2012		11/18/2011	CPA Renewal, Saldana		\$120.00
68437	12/23/2011	Open			DEPARTMENT OF MOTOR VEHICLES	\$136.00
	Invoice		Date	Description		Amount
	1KJ4938-12		11/14/2011	Trailer Registration Renewal		\$136.00
68438	12/23/2011	Open			DIENTES COMMUNITY DENTAL CARE	\$344.50
	Invoice		Date	Description		Amount
	2012-00000469		12/21/2011	Quarterly Community Grant		\$344.50
68439	12/23/2011	Open			DOGHERRA'S INC.	\$258.40
	Invoice		Date	Description		Amount
	307208		12/13/2011	Towing, PD		\$258.40

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68440	12/23/2011 Invoice 76485-in	Open	Date 12/12/2011	Description Badge #585 records	ENTENMANN-ROVIN	\$55.74
68441	12/23/2011 Invoice 40876	Open	Date 11/30/2011	Description EPO live search-PD	ENTERSECT CORP	\$34.00
68442	12/23/2011 Invoice 2012-00000486	Open	Date 12/21/2011	Description Quarterly Community Grant	FAMILIES IN TRANSITION	\$605.50
68443	12/23/2011 Invoice 2012-00000463	Open	Date 12/21/2011	Description Quarterly Community Grant	FAMILY SERVICE AGENCY OF THE CE	\$2,149.75
68444	12/23/2011 Invoice 7-727-99367	Open	Date 12/19/2011	Description Shipping Fees Fund 1372, Housing Trust=\$20.63	FEDERAL EXPRESS	\$65.55
68445	12/23/2011 Invoice 5 5a	Open	Date 12/01/2011 12/01/2011	Description Website Maint BIA Communications Manager Fund 1321, BIA	FERRASCI-HARP, AMY	\$1,000.00
68446	12/23/2011 Invoice 495874	Open	Date 12/15/2011	Description 1855 41st ave. Jan-Mar 2012	FIRST ALARM	\$113.34
68447	12/23/2011 Invoice 11-679382 11-679393	Open	Date 12/09/2011 12/09/2011	Description 515 Gal Ethanol 50 Gal Diesel	FLYERS ENERGY, LLC	\$2,090.86
68448	12/23/2011 Invoice CBF-11-2011-2	Open	Date 11/30/2011	Description Professional Services Nov 2011 Fund 1313, Gen Plan Update=\$700.00 Fund 1350, CDBG Grant=\$3400.00	FLYNN, CAROLYN	\$4,100.00
68449	12/23/2011 Invoice 20111211	Open	Date 12/11/2011	Description Reimb Village Holiday Decor Fund 1321, BIA	HANNA, CARIN	\$656.66
68450	12/23/2011 Invoice 2012-00000484	Open	Date 12/21/2011	Description Quarterly Community Grant	HOMELESS SERVICE CTR OF SCC	\$627.00
68451	12/23/2011 Invoice 2012-00000485	Open	Date 12/21/2011	Description Quarterly Community Grant	HOSPICE of SANTA CRUZ COUNTY	\$345.00

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68452	12/23/2011	Open			HUB INTERNAT'L OF CA INS. SERVICE	\$100.21
	Invoice		Date	Description	Amount	
	12/31/11		12/20/2011	Insurance for Comm Ctr Events	\$100.21	
68453	12/23/2011	Open			INTERSTATE BATTERY SYSTEM	\$214.23
	Invoice		Date	Description	Amount	
	50223177		12/07/2011	auto parts	\$214.23	
68454	12/23/2011	Open			INTERWEST CONSULTING GROUP IN	\$695.18
	Invoice		Date	Description	Amount	
	11750		12/06/2011	Plan review - 1100 41st Avenue	\$695.18	
68455	12/23/2011	Open			JOHNSON, ROBERTS, & ASSOCIATES	\$16.75
	Invoice		Date	Description	Amount	
	116404		12/01/2011	Background Check, New Hire-PD	\$16.75	
68456	12/23/2011	Open			KAPLAN, PHIL	\$27.95
	Invoice		Date	Description	Amount	
	2012-00000448		12/19/2011	Instructor Payment, Rec	\$27.95	
68457	12/23/2011	Open			LLOYD'S TIRE SERVICE INC.	\$382.86
	Invoice		Date	Description	Amount	
	219249		12/01/2011	Auto Parts, Parks 2004 F-250	\$338.86	
	219862		12/13/2011	Auto Parts, PD Vehicles	\$44.00	
68458	12/23/2011	Open			LOOMIS	\$1,205.18
	Invoice		Date	Description	Amount	
	10973919		11/30/2011	Nov11 Armored Car Service	\$1,205.18	
68459	12/23/2011	Open			McMENAMIN, GEORGE	\$475.00
	Invoice		Date	Description	Amount	
	R13		12/19/2011	Riparian Restoration	\$475.00	
68460	12/23/2011	Open			MEDCO SUPPLY CO.	\$109.17
	Invoice		Date	Description	Amount	
	41457497		12/20/2011	First Aid Supplies	\$109.17	
68461	12/23/2011	Open			MEGAPATH COVAD COMMUNICATION	\$643.86
	Invoice		Date	Description	Amount	
	47649370		11/28/2011	Internet Access	\$643.86	
				Fund 2211, Info Tech		
68462	12/23/2011	Open			MID-COUNTY AUTO SUPPLY	\$399.78
	Invoice		Date	Description	Amount	
	284361		11/28/2011	auto parts-Sweeper	\$312.85	
	285968		12/14/2011	auto parts-Sweeper	\$28.81	
	286084		12/15/2011	auto parts-1991 F-150	\$28.04	
	285905		12/13/2011	Sweeper Parts	\$10.72	
	285469		12/08/2011	auto parts-Shop	\$19.36	
				Fund 1310, Gas Tax=\$341.86		

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68463	12/23/2011	Open			MILLER'S TRANSFER & STORAGE CO	\$169.50
	Invoice		Date	Description		Amount
	82745		12/02/2011	Records Mgmt: Dec Storage, Nov Handlin		\$169.50
68464	12/23/2011	Open			MIRACLE RECREATION EQUIPMENT	\$380.32
	Invoice		Date	Description		Amount
	718755		11/28/2011	Cargo net		\$380.32
68465	12/23/2011	Open			NATIVE ANIMAL RESCUE	\$297.00
	Invoice		Date	Description		Amount
	2012-00000481		12/21/2011	Quarterly Community Grant		\$297.00
68466	12/23/2011	Open			O'NEILL SEA ODYSSEY	\$1,454.00
	Invoice		Date	Description		Amount
	2012-00000457		12/21/2011	Quarterly Community Grant		\$1,454.00
68467	12/23/2011	Open			ORCHARD SUPPLY HARDWARE	\$1,196.67
	Invoice		Date	Description		Amount
	6005-2436484		11/30/2011	Auto parts		\$39.90
	6013-7823877		11/30/2011	Lights		\$138.20
	6009-9783579		11/30/2011	Concrete		\$45.31
	6014-9878743		12/01/2011	PC retaining wall		\$44.26
	6009-9784040		12/01/2011	Concrete - Cliff dr fence		\$169.13
	6011-4792578		12/02/2011	Cable ties		\$43.04
	6013-1134141		12/02/2011	Stainles steel cleaner		\$8.11
	6009-1334685		12/05/2011	Cable ties		\$23.79
	6011-1783648		12/05/2011	Brushes		\$21.63
	6013-1234791		12/06/2011	Misc. small tools		\$8.10
	6013-1234793		12/06/2011	Concrete - PC fence		\$188.06
	6011-4793835		12/06/2011	Wood screws - PC fence		\$36.79
	6011-4794192		12/07/2011	Misc. - PC fence		\$70.18
	6005-2437704		12/07/2011	Concrete - PC fence		\$45.30
	6011-4794712		12/09/2011	Misc. small tools		\$87.59
	6011-4794803		12/05/2011	Tool boxes		\$21.63
	6013-7825889		12/12/2011	Misc. maintenance supplies		\$56.89
	6007-3528157		12/12/2011	Misc. small tools		\$62.95
	6009-1387075		12/12/2011	Rivets		\$85.81
	6013-7025096		12/12/2011	cement		\$181.25
	973290		12/12/2011	Return Misc Supplies		(\$181.25)
68468	12/23/2011	Open			OUTDOOR WORLD	\$1,704.40
	Invoice		Date	Description		Amount
	30172		12/14/2011	Uniform Purchase, Public Works		\$1,542.08
	30172-B.O.		12/19/2011	Balance on Uniform Order for PW		\$162.32
68469	12/23/2011	Open			PACIFIC GALLERY & CUSTOM FRAMIN	\$112.90
	Invoice		Date	Description		Amount
	8204		12/08/2011	Framing		\$112.90

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68470	12/23/2011	Open			PACIFIC GAS & ELECTRIC	\$12,745.24
	Invoice		Date	Description		Amount
	Nov-Dec11		12/19/2011	Monthly Elec		\$12,745.24
				Fund 1000=\$4177.18		
				Fund 1300, SLESF=\$88.96		
				Fund 1310, Gas Tax=\$6918.51		
				Fund 1311, Wharf=\$1560.59		
68471	12/23/2011	Open			PACIFIC GAS & ELECTRIC	\$351.50
	Invoice		Date	Description		Amount
	PacCove-Dec11		12/19/2011	Pac Cove MHP Elec and Gas		\$351.50
68472	12/23/2011	Open			PALACE ART & OFFICE SUPPLIES	\$1,301.93
	Invoice		Date	Description		Amount
	934255		12/02/2011	Gavel, City Council		\$30.31
	934414		12/05/2011	Office Supplies, City Hall		\$90.87
	935630		12/12/2011	Paper, City Hall-Fund 2210, Stores		\$278.64
	935575		12/12/2011	Envelopes		\$26.61
	935363		12/09/2011	Paper-PD		\$46.44
	15979		12/13/2011	Chairs-PD-Fund 1300, SLESF		\$775.07
	936239		12/15/2011	Office supplies		\$20.35
	936217		12/15/2011	Office supplies		\$33.64
68473	12/23/2011	Open			PARENTS CENTER OF SANTA CRUZ	\$1,772.00
	Invoice		Date	Description		Amount
	2012-00000464		12/21/2011	Quarterly Community Grant		\$1,772.00
68474	12/23/2011	Open			PFX PET SUPPLY, LLC	\$24.63
	Invoice		Date	Description		Amount
	CD11752517		12/01/2011	Dog food-PD		\$24.63
68475	12/23/2011	Open			PRAXAIR DISTRIBUTION INC.	\$154.77
	Invoice		Date	Description		Amount
	41429918		11/28/2011	Acetylene-Corp Yard		\$154.77
68476	12/23/2011	Open			ProBUILD COMPANY LLC	\$190.70
	Invoice		Date	Description		Amount
	5581500		11/29/2011	Form tubes		\$190.70
68477	12/23/2011	Open			PUBLIC ENGINES, INC./CRIME REPOF	\$597.00
	Invoice		Date	Description		Amount
	14534		12/01/2011	Q1 CY2012 Subscription		\$597.00
68478	12/23/2011	Open			QUILL CORPORATION	\$48.93
	Invoice		Date	Description		Amount
	8581907		12/06/2011	Door signs		\$48.93
68479	12/23/2011	Open			RED SHIFT INTERNET SERVICES	\$115.11
	Invoice		Date	Description		Amount
	1484815		12/01/2011	Internet Access, Dec 2011		\$49.94
	1484814		12/01/2011	Internet Access, Dec 2011-Fund 2211, IT		\$65.17

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68480	12/23/2011	Open			ROSEMAN, LEWIS	\$2,947.24
	Invoice		Date	Description		Amount
	121511		12/15/2011	Parking meter service December 2011		\$2,947.24
68481	12/23/2011	Open			SANTA CLARA COUNTY SHERIFF	\$560.00
	Invoice		Date	Description		Amount
	1800030871		12/02/2011	Firing range usage, Oct 2011-PD		\$560.00
68482	12/23/2011	Open			SANTA CRUZ AIDS PROJECT	\$2,287.50
	Invoice		Date	Description		Amount
	2012-00000466		12/21/2011	Quarterly Community Grant		\$2,287.50
68483	12/23/2011	Open			SC COMMUNITY COUNSELING CENTE	\$1,721.50
	Invoice		Date	Description		Amount
	2012-00000483		12/21/2011	Quarterly Community Grant		\$1,721.50
68484	12/23/2011	Open			SCC OFFICE OF EDUCATION	\$339.00
	Invoice		Date	Description		Amount
	2012-00000458		12/21/2011	Quarterly Community Grant		\$339.00
68485	12/23/2011	Open			SANTA CRUZ TODDLER CARE CTR	\$308.50
	Invoice		Date	Description		Amount
	2012-00000488		12/21/2011	Quarterly Community Grant		\$308.50
68486	12/23/2011	Open			SAVE OUR SHORES	\$844.75
	Invoice		Date	Description		Amount
	20111209		12/09/2011	Reusable Bags for BYOB Day		\$500.00
	Q2 Comm Grt		12/21/2011	Quarterly Community Grant		\$344.75
68487	12/23/2011	Open			SECOND HARVEST FOOD BANK	\$2,456.25
	Invoice		Date	Description		Amount
	2012-00000461		12/21/2011	Quarterly Community Grant		\$2,456.25
68488	12/23/2011	Open			SENIOR CITIZENS LEGAL SERVICES	\$2,435.75
	Invoice		Date	Description		Amount
	2012-00000468		12/21/2011	Quarterly Community Grant		\$2,435.75
68489	12/23/2011	Open			SENIOR NETWORK SERVICES, INC.	\$615.25
	Invoice		Date	Description		Amount
	2012-00000474		12/21/2011	Quarterly Community Grant		\$615.25
68490	12/23/2011	Open			SENIORS COUNCIL OF SCC	\$819.25
	Invoice		Date	Description		Amount
	2012-00000465		12/21/2011	Quarterly Community Grant		\$819.25
68491	12/23/2011	Open			SPRINT	\$4,308.43
	Invoice		Date	Description		Amount
	974855313-120		11/28/2011	Cell Phone Service		\$4,308.43
				Fund 2211, IT=\$120.00		

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68492	12/23/2011 Invoice 2012-00000477	Open	Date 12/21/2011	Description Quarterly Community Grant	SURVIVORS HEALING CENTER	\$132.00
68493	12/23/2011 Invoice EBay-Dec11	Open	Date 12/19/2011	Description Reimb Museum Items purchased on EBay	SWIFT, CAROLYN	\$135.56
68494	12/23/2011 Invoice 5703321-9a	Open	Date 12/19/2011	Description City Employee Life and Disability Ins	THE HARTFORD -PRIORITY ACCOUNT	\$1,799.05
68495	12/23/2011 Invoice IV93538	Open	Date 12/02/2011	Description Parts, John Deere Mower	TURF & INDUSTRIAL EQUIPMENT CO.	\$165.34
68496	12/23/2011 Invoice 2012-00000479	Open	Date 12/21/2011	Description Quaterly Community Grant Fund 2211, IT=\$500.00	UNITED WAY OF SCC	\$2,026.75
68497	12/23/2011 Invoice 192157667 192325637 191248301	Open	Date 12/04/2011 12/08/2011 11/23/2011	Description Lease Payment, Finance Printer Copier Lease, PD Rec Copier Lease Payment	US BANCORP EQUIPMENT FINANCE,	\$549.76
68498	12/23/2011 Invoice 20111230	Open	Date 12/06/2011	Description PERS Payment in advance of IDR	Van Den Heuvel, Dana	\$1,815.49
68499	12/23/2011 Invoice 2012-00000467	Open	Date 12/21/2011	Description Qtrly Community Grant Payment	VISTA CENTER FOR THE BLIND	\$460.25
68500	12/23/2011 Invoice 2012-00000460	Open	Date 12/21/2011	Description Quarterly Grant Payments	VOLUNTEER CENTERS OF SC COUNT	\$339.00
68501	12/23/2011 Invoice 12-056	Open	Date 11/29/2011	Description Image Fees, 41st Ave Streetscape Fund 1315, Public Arts Fund	WESTERN STATES ARTS FEDERATIO	\$99.68
68502	12/23/2011 Invoice 2012-00000453	Open	Date 12/20/2011	Description Interim Community Development Director	WESTMAN, SUSAN	\$6,240.00
68503	12/23/2011 Invoice 6083 6423	Open	Date 03/28/2011 12/15/2011	Description Emergency tree removal-oak Remove bay tree in slide area, Esplanade	WILLIAMS TREE SERVICE, INC.	\$2,800.00

City Checks Issued 12/23/11

Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
68504	12/23/2011 Invoice T8960	Open	Date 12/01/2011	Description K-9 training, Nov2011	WITMER-TYSON IMPORTS INC.	\$500.00 \$500.00
68505	12/23/2011 Invoice 2012-00000473	Open	Date 12/21/2011	Description Quarterly Community Grant	WOMEN'S CRISIS SUPPORT	\$903.25 \$903.25
68506	12/23/2011 Invoice 2012-00000482	Open	Date 12/21/2011	Description Quarterly Community Grant	WOMENCARE	\$566.25 \$566.25
68507	12/23/2011 Invoice 2012-00000450	Open	Date 12/20/2011	Description Tree Deposit Refund #11-109	Adams, Kirk and Terri	\$500.00 \$500.00
68508	12/23/2011 Invoice 44750246x	Open	Date 12/19/2011	Description Replace Payroll Check #44750246	EDWARDS, KURT	\$662.65 \$662.65
Check Totals:				Count	103	Total \$163,237.76



CAPITOLA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: FINANCE DEPARTMENT
DATE: JANUARY 6, 2012
SUBJECT: APPROVAL OF RDA CHECK REGISTER REPORTS

RECOMMENDED ACTION: By motion and roll call vote, that the RDA Board approve the Check Register Reports dated December 2, December 16, and December 9, 2011 as submitted.

DISCUSSION:

The attached Check Registers for the referenced date:

Date	Starting Check #	Ending Check #	Total Checks	Amount
12/02/11	3012	3013	2	\$10,347.04
12/16/11	3014	3017	4	\$29,640.50
12/23/11	3018	3018	1	\$152,520.00

The prior RDA check register report of November 4, 2011 ended with check number 3011.

The following check was issued for more than \$10,000.00:

Check	Issued to:	Dept.	Purpose	Amount
3013	Housing Authority of SCC	CDD	Oct 2011 Prof Services	\$10,154.00
3014	Castle Mobile Estates	CDD	Q1 2012 Rent Subsidy	\$12,900.00
3017	Housing Authority of SCC	CDD	Nov 2011 Prof Services	\$12,615.00
3018	Capitola City Treasurer	CM	Loan Int, FY11/12	\$152,520.00

As of 1/4/12 the unaudited cash balance in the RDA account is \$2,921,016 allocated as follows:

RDA Operating Fund	\$2,747,882.84
RDA Low/Mod Housing Fund	\$173,133.05

ATTACHMENTS:

1. Check Register for December 2, 2011
2. Check Register for December 9, 2011
3. Check Register for December 16, 2011

Report Prepared By: Linda Benko
AP Clerk

Reviewed and Forwarded
by Executive Director:

RDA Checks Issued 12/2/2011

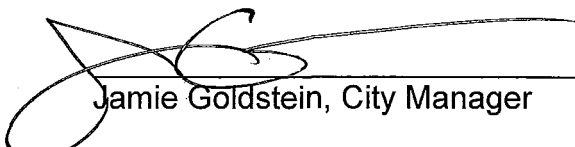
Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount	
3012	12/02/2011	Open			GOLDFARB & LIPMAN, LLP	\$193.04	
	Invoice		Date	Description		Amount	
	103122		11/15/2011	FY 2011-2012 RDA Legal Services		\$193.04	
3013	12/02/2011	Open			HOUSING AUTHORITY OF THE COUN	\$10,154.00	
	Invoice		Date	Description		Amount	
	12-04 CMHP & CSD		11/03/2011	Oct 2011 Professional Services		\$10,154.00	
Check Totals:				Count	2	Total	\$10,347.04

The above listed checks have been printed and released under the RDA Executive Director's approval. Included are checks numbered 3012 through 3013 for \$10,347.04.

These checks has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/2/11 is \$2,252,210.90

RDA Operating Fund	\$2,293,540.90
Low/Mod Housing Fund	(\$41,330.00)



 Jamie Goldstein, City Manager
 12/2/11
 Date

RDA Checks Issued 12/16/2011


Number	Date	Status	Void Reason	Reconciled/ Voided Date	Payee Name	Transaction Amount	
3014	12/16/2011	Open			CASTLE MOBILE ESTATES	\$12,900.00	
	Invoice		Date	Description		Amount	
	Q1 2012		12/14/2011	Q1 2012 Rent Subsidy Program		\$12,900.00	
3015	12/16/2011	Open			GOLDFARB & LIPMAN, LLP	\$1,545.50	
	Invoice		Date	Description		Amount	
	102129-1		07/18/2011	June 2011 RDA Legal Services		\$1,401.50	
	102129-2		07/18/2011	RDA elim legal services		\$144.00	
3016	12/16/2011	Open			HARRIS & ASSOCIATES	\$2,580.00	
	Invoice		Date	Description		Amount	
	15430		11/10/2011	Clares Street Traffic Calming Project		\$2,380.00	
	15681		12/08/2011	Clares Street Traffic Calming Project		\$200.00	
3017	12/16/2011	Open			HOUSING AUTHORITY OF SCC	\$12,615.00	
	Invoice		Date	Description		Amount	
	12-05CSD & CMHP		12/07/2011	Professional Services Nov 2011		\$12,615.00	
Check Totals:				Count	4	Total	\$29,640.50

The above listed checks have been printed and released under the RDA Executive Director's approval. Included are checks numbered 3014 through 3017 for \$29,640.50

These checks has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/16/11 is \$2,222,570.40

RDA Operating Fund	\$2,290,816.90
Low/Mod Housing Fund	(\$68,246.50)



 Jamie Goldstein, City Manager
 12/16/11
 Date

RDA Checks Issued 12/23/11

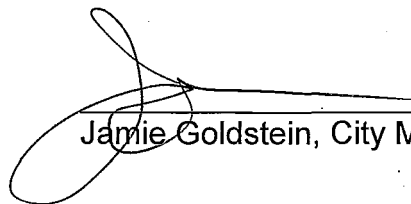
Check Number	Invoice Number	Status	Invoice Date	Description	Payee Name	Transaction Amount
3018	12/23/2011	Open			CAPITOLA CITY TREASURER	\$152,520.00
	Invoice		Date	Description		Amount
	Int-FY11-12		12/22/2011	Loan Interest, FY11/12		\$152,520.00
Check Totals:				Count	1	Total \$152,520.00

The above listed check has been printed and released under the RDA Executive Director's approval. Included is check number 3018 for \$152,520.00

This check has been reviewed and authorized for distribution.

The unaudited cash balance in the RDA account as of 12/23/11 is \$2,921,015.89

RDA Operating Fund	\$2,756,061.84
Low/Mod Housing Fund	\$164,954.05



 Jamie Goldstein, City Manager

12/23/11
 Date



Item #: 4.B.

CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: OFFICE OF THE CITY CLERK/REDEVELOPMENT AGENCY SECRETARY

DATE: JANUARY 6, 2012

SUBJECT: **CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY MINUTE APPROVAL:**
MINUTES OF THE REGULAR JOINT MEETINGS OF THE CAPITOLA CITY
COUNCIL/REDEVELOPMENT AGENCY OF NOVEMBER 22 AND DECEMBER 8,
2011

RECOMMENDED ACTION: By motion of the City Council/Redevelopment Agency Directors, approve the subject minutes as submitted.

DISCUSSION

Attached for City Council/Redevelopment Agency review and approval are the Minutes to the subject Regular Joint Meetings.

ATTACHMENTS

1. November 22, 2011 Minutes
2. December 8, 2011 Minutes

Report Prepared By: Pamela Greeninger, MMC
City Clerk/RDA Secretary

Reviewed and Forwarded by
City Manager/Executive Director:

A handwritten signature in blue ink, consisting of a stylized, cursive letter 'B' followed by a horizontal line.

NOT OFFICIAL UNTIL APPROVED BY COUNCIL/RDA DIRECTORS 12104

CITY OF CAPITOLA
CITY COUNCIL/REDEVELOPMENT AGENCYNovember 22, 2011
Capitola, California

MINUTES OF A REGULAR JOINT MEETING

6:00 P.M - CLOSED SESSION - CITY MANAGER'S OFFICE

At 6:00 p.m. in the City Hall Council Chambers, Mayor/Chairperson Norton noted that all Council Members/Redevelopment Agency Directors were present. Mayor/Chairperson Norton made an announcement regarding the items to be discussed in Closed Session, as follows:

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

Bill Newman, et al. (residents of Surf & Sand Mobile Home Park) vs. Surf and Sand, LLC, Ronald Reed, et al. (Surf and Sand, LLC; Ronald Reed, Cross-Complainants vs. City of Capitola) [Superior Court County of Santa Cruz, Unlimited Jurisdiction, Case No. CV 171783]

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Government Code §54956.9:

- Two Cases: 1) Noble Gulch Storm Drain Failure in Pacific Cove Mobile Home Park
2) Pacific Cove Mobile Home Park Flooding and Closure

No one from the public was present for the announcement regarding the Closed Session; therefore, the City Council/Redevelopment Agency recessed at 6:01 p.m. to the Closed Session in the City Manager's Office.

7:00 P.M. – OPEN SESSION**REGULAR JOINT MEETING OF THE CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY**

Mayor/Chairperson Norton called the Regular Joint Meeting of the Capitola City Council/Redevelopment Agency to order at 7:03 p.m. on Tuesday, November 22, 2011, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ROLL CALL AND PLEDGE OF ALLEGIANCE

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

ABSENT: None

OTHERS: City Treasurer Jacques Bertrand

STAFF: City Manager/Executive Director Jamie Goldstein, City Attorney/RDA General Counsel John G. Barisone, Interim Community Development Director/Deputy Executive Director Susan Westman, Chief of Police Michael Card, Public Works Director Steve Jesberg, Administrative Services Director Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

Following the Pledge of Allegiance, Mayor Norton led a moment of silence in memory of former City Council Member and City Treasurer Robert "Bob" Begun who died last weekend. Mayor Norton commented on Mr. Begun's service and contributions to community, saying Bob was the most community-connected person he knew. Each council member offered their personal comments about Bob, as did City Treasurer Bertrand.

Council Member Harlan expressed her condolences to Doree Steinmann and then read written comments from Assemblymember Bill Monning.

Mayor Norton thanked Doree for coming to the meeting tonight.

* * * PRESENTATIONS * * *

**Mayor's Proclamation Designating November 2011
"Pancreatic Cancer Awareness Month" [120-40]**

Vice Mayor Termini read and presented the Mayor's Proclamation Designating November of 2011 "Pancreatic Cancer Awareness Month" to Jennifer Flaniken, Capitola resident and Volunteer for the Bay Area Pancreatic Cancer Action Network. Ms. Flaniken thanked the mayor for his proclamation and discussed the increasing incidents of pancreatic cancer. Diane Borrison, a pancreatic cancer survivor, also thanked the city for the proclamation and the opportunity to address the Council on this important issue. She gave pancreatic cancer awareness bracelets to the council members.

Mayor Norton then announced that he has another Proclamation, which was not on the agenda, to present to Heartland Hospice. Jackie Calhoun, Manager of Business Development for Heartland Hospice, came forward to receive the proclamation.

**Mayor's Proclamation Recognizing Heartland Hospice
And Proclaiming December 3, 2011
"Heartland Hospice Day" [120-40]**

Mayor Norton read the Mayor's Proclamation and encouraged Capitola residents to join him at the Capitola Bandstand on Saturday, December 3, from 3:30 to 5:30 p.m. for the first "Light Up a Life" Memorial Celebration.

Ms. Calhoun thanked the Mayor for his proclamation and provided additional information regarding the event. She said they would definitely have a "Light Up a Life" bag for Bob Begun.

1. REPORT ON CLOSED SESSION [520-25]

City Attorney Barisone stated that the council discussed three items in Closed Session, and he reported on those items as follows:

The Council received a status report from staff on the existing litigation pertaining to the Cross-Complaint in Newman vs. Surf and Sand, LLC. He said the City has filed a motion to have the Cross-Complaint dismissed, and that motion will be heard by the Superior Court on December 12, 2011. No reportable action was taken.

The Council also discussed the multiple tort claims that have been filed against the city for damage resulting from the March storm drain failure. The staff provided a status report on that potential litigation, and the Council took no reportable action in closed session.

The Council again discussed the claims arising from the flood at Pacific Cove Mobile Home Park and the threatened litigation against the city over the potential closure of the park. No reportable action was taken.

2. ORAL COMMUNICATIONS

A. Additions and Deletions to Agenda - None

B. Public Comments

1) The following people addressed the City Council pertaining to their ongoing concerns about SmartMeters:

Terry commented on the article in the Connection magazine about SmartMeters

Angela Flynn expressed concerns

Marilyn Garrett spoke and submitted written material to council

2. B. ORAL COMMUNICATIONS – Public Comments (Continued)

2) Carin Hanna invited council members and resident to the various events being planned in Capitola Village to kick off the holiday season: Surfing Santa will arrive on Saturday, November 26, at noon on Capitola Beach; the Village Tree Lighting will take place on Friday, December 2, at 5:30 p.m., with the Shoreline Middle School Band playing holiday music. On that night Capitola is participating in the 1st Night Friday Art show and many shops will be open. On Saturday, December 3, Heartland Hospice will have its “Light up a Life” Memorial Celebration from 3:30-5:30 at the Bandstand. On Friday, December 9, the Community Caroling event will take place in the Village. The Soquel High Jazz singers will be leading the caroling, and refreshments will be provided by Shadowbrook Restaurant.

3) A woman commented on the General Plan Advisory Committee workshop she attended November 12 and 13. (She did not sign in and I could not hear her name.) She feels the city would be shooting itself in the foot if it doesn’t pursue a hotel in the Village. She would really like to see people come to Capitola, and a hotel would be a great addition in the Village. Mayor Norton encouraged her to submit her comments in writing to staff.

C. Staff Comments

City Manager Goldstein announced that Su Sneddon, City Clerk from the City of Calistoga, has been selected to replace Pam Greeninger who will be retiring at the end of this year. Su will start work in mid-December to train with Pam before she leaves.

D. City Council/RDA Director/Treasurer Comments/Committee Reports

1) Council Member Nicol provided a report on the Santa Cruz County Regional Transportation Commission, including sanction for the Rail Trail corridor, funding future projects, consideration of a ½ cent tax increase to fund for various infrastructure maintenance projects throughout the county, and release of an RFP for call boxes.

Council Member Harlan asked about a December 1 meeting of the Santa Cruz County Regional Transportation Commission. Council Member Nicol responded. Council Member Harlan would be interested in having a representative from the RTC come to the City to provide an update and respond to questions of council members. She also believes that whatever goes before the RTC Board should be available to the city. In addition, she commented on HOV lanes being proposed for Highway 1.

Council Member Nicol pointed out that no one knows what an HOV lane is, and he explained that it is actually a diamond lane for carpooling. Auxiliary lanes are on-off ramps.

3) Council Member Termini said there was a great crowd for the General Plan Advisory Committee meeting where the Village and a hotel in the Village were discussed. He said the consultants did an excellent job and there was a lot of good discussion. He also announced that the Art & Cultural Commission received over 90 submissions for the art project on 41st Avenue.

4) Council Member Harlan reported on the League of California Cities Conference she attended in San Francisco and read information provided at the session where they discussed, “When flat is the new ‘up’,” and discussed innovative ways the City of Alhambra attracted new businesses and to get businesses to be more business friendly.

5) Council Member Harlan also reported on the AMBAG meeting of November 9, stating that the board is continuing its outreach for a new executive director. They also put together a work plan and are issuing a monthly newsletter.

E. Committee Appointments**1) Council Member Harlan's appointment to the Finance Advisory Committee. [330-40]**

Council Member Harlan stated that she wished to thank TJ Welch for serving as her appointee on the Finance Advisory Committee for the past year. She then announced that she is appointing Will O'Sullivan to serve as her appointee, effective immediately.

ACTION: Council Member Termini moved, seconded by Council Member Storey, to approve Council Member Harlan's appointment of Will O'Sullivan to the Finance Advisory Committee. The motion carried unanimously.

F. Approval of Check Register Reports**1) City: Approval of City Check Register Reports dated October 21, October 28, November 4, and November 10, 2011. [300-10]**

Council Member Nicol had questions regarding the following checks: #67926 regarding tests and travel for state licensing board (for pre-test training and travel for Building Official Mark Wheeler); #67951 for beach shuttle service; #67977 regarding advice concerning labor matters; #67987 to Belfor in the amount of \$205,659 (replacement check) and #67995 to the City of Scotts Valley for DUI Enforcement (Chief of Police Card said the City of Capitola receives the grant and disburses funds to other jurisdictions that participate in the program).

Council discussion was followed by this action:

ACTION: Council Member Storey moved, seconded by Council Member Termini, to approve the Check Register Reports dated October 21 and 28, and November 4 and 10, 2011, including checks numbered 67858 through 67932 in the amount of \$372,919.02, checks numbered 67933 through 67982 in the amount of \$193,443.62, checks numbered 67983 through 68053 in the amount of \$384,072.86, and checks numbered 68054 through 68108 in the amount of \$76,670.24, respectively; and payroll disbursements for the October 21, 2011, payroll in the amount of \$164,806.00, and the November 4, 2011, payroll in the amount of \$163,660.95, for a Grand Total of \$1,355,462.69, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

2) RDA: Approval of Redevelopment Agency Check Register Reports dated October 21 and November 4, 2011. [760-25]

Director Nicol questioned the payment of \$834.50 to Goldfarb & Lipman for legal services. Executive Director Goldstein said their firm was used to assist the City with matters involving the State's efforts to end Redevelopment Agencies. Their offices worked with Community Development Director Johnson in preparing documents, including an ordinance, resolutions, and agreements pertaining to continuing the Redevelopment Agency in Capitola.

Chairperson Norton questioned the status of the library. Executive Director Goldstein said that due to the unknown state of the RDA, all work is being held off until there is a decision from the court.

Director discussion was followed by this action:

ACTION: Director Harlan moved, seconded by Director Termini, to approve the Check Register Reports dated October 21 and November 4, 2011, including checks numbered 3004 through 3008 in the amount of \$7,053.62 and checks numbered 3009 through 3011 in the amount of \$16,128.68, respectively; for a Grand Total of \$23,182.30, as submitted. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

3. CONSENT CALENDAR

Mayor/Chairperson Norton asked if there were any items on the Consent Calendar that members of the public or the City Council/Redevelopment Agency Directors wished to pull for separate discussion. Council Member/Director commented on Item 3.F. pertaining to the City Treasurer's Report for the month ended October 31, 2011. Mayor/Chairperson Norton commented on Item 3.I. pertaining to days of closure of City Hall. *(See comments under those items.)*

CONSENT CALENDAR ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Nicol, to approve the Consent Calendar, as recommended. The motion carried on the following vote: AYES: Council Members/Directors Harlan, Termini, Nicol, Storey, and Mayor/Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

A. Approve Reading by Title of all Ordinances and Resolutions and declare that said Titles which appear on the Public Agenda shall be determined to have been read by Title and Further Reading Waived.

ACTION: The City Council/Redevelopment Agency Directors unanimously approved the reading by title of all Ordinances and Resolutions and declared that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

B. City/RDA: Approve Minutes of the Regular Joint Meeting of the City Council/Redevelopment Agency of October 13 and 27, 2011.

ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Nicol, to approve the Minutes of the Regular Joint Meetings of the City Council/Redevelopment Agency of October 13 and 27, 2011, as submitted. The motion carried on the following vote: AYES: Council Members/Directors Harlan, Termini, Nicol, Storey, and Mayor/Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

C. Receive Planning Commission Action Minutes for the Regular Meeting of November 3, 2011. [740-50]

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to receive the Planning Commission Action Minutes for the Regular Meeting of November 3, 2011, as submitted. The motion carried on the following vote: AYES: Council Member Harlan, Termini, Nicol, Storey and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

D. Receive City Treasurer's Report for Month ended September 30, 2011 (Unaudited). [380-30]

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to accept the City Treasurer's Report for the Month ended September 30, 2011 (Unaudited), as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

E. RDA: Receive RDA Quarterly Treasurer's Report for the Quarter ended September 30, 2011 (Unaudited). [760-25]

ACTION: Director Termini moved, seconded by Director Nicol, to accept the RDA Quarterly Treasurer's Report for the Quarter ended September 30, 2011 (Unaudited), as submitted. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

F. Receive City Treasurer's Report for Month ended October 31, 2011 (Unaudited). [380-30]

Prior to action being taken on the Consent Calendar, Council Member Storey commented on this item. He referred to the General Fund Summary Balance Sheet on page 70 of the packet (page 3 of the Agenda Report), saying there is a liabilities line item, entitled, "Due to Other Funds," in the amount of \$1,254,900.

3. F. CONSENT CALENDAR (Continued)

Council Member Storey requested a breakdown of that total. City Manager Goldstein said he would be happy to provide that information off agenda.

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to accept the City Treasurer's Report for the Month ended October 31, 2011 (Unaudited), as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

G. Consider Capitola Soquel Chamber of Commerce request to suspend parking meter enforcement and increase the parking time limit from 2 to 3 hours in Capitola Village from Thursday, November 24 through Sunday, December 25, 2011. Staff recommendation: approve request. [470-30]

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to approve the request from the Capitola Soquel Chamber of Commerce to suspend parking meter enforcement and increase the parking time limit from 2 to 3 hours in Capitola Village from Thursday, November 24 through Sunday, December 25, 2011, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

H. Receive and Approve the 2012 Meeting Schedules for the City Council/Redevelopment Agency and for the Planning Commission/ Architectural and Site Review Committee. [520-40]

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to receive the 2012 City Meeting Schedules as an informational item and direct staff to post this information at City Hall, the Capitola Branch Library, on the City's website, and distribute to department heads, newspapers, and various groups that regularly submit items to the City. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

I. Adopt Resolution Establishing Days for Closure of City Offices during the 2012 Calendar Year. [630-10]

Prior to action being taken on the Consent Calendar, Mayor Norton asked why we have the Columbus Day holiday.

City Manager Goldstein said former City Council's approved employee MOUs, which specify Columbus Day in the holiday schedule. He said this is something that could be brought up during negotiations.

Council discussion was followed by this action:

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to adopt **Resolution No. 3896, Resolution Establishing Days for Closure of City Offices during the 2012 Calendar Year**, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

J. Adopt Resolution approving a revised Job Description for the position of Records Manager. [600-10]

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to adopt **Resolution No. 3897, Resolution Approving a Revised Job Description for the Position of Records Manager**, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

4. PUBLIC HEARINGS

A. Public Hearing to consider adoption of an Ordinance Adding Chapter 17.70 to the Capitola Municipal Code providing a Procedure for Reasonable Accommodation in the City's Land Use and Zoning and Building Regulations [1st Reading]. Presentation: Community Development Department. [730-85 Zoning/740-30 LCP]

Housing and Redevelopment Project Manager Foster summarized the written staff report utilizing a PowerPoint Presentation. Following his presentation, he responded to questions of council members.

Mayor Norton opened the public hearing at 8:20 p.m. Seeing no one, the public hearing was closed.

There was no additional council discussion prior to the following action being taken:
ACTION: Council Member Nicol moved, seconded by Council Member Termini, to pass the proposed Ordinance Adding Chapter 17.70 to the Capitola Municipal Code providing a Procedure for Reasonable Accommodation in the City's Land Use and Zoning and Building Regulations to a second reading, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

B. Public Hearing to Consider an Ordinance Amending the Capitola Municipal Code to allow Sandwich Board Signs [1st Reading]. Presentation: Community Development Department. [720-50]

Interim Community Development Director Westman summarized the written agenda report pertaining to the proposed ordinance that would allow sandwich board signs for a one-year period, which would begin upon approval by the Coastal Commission. She informed the council that the Planning Commission considered the proposed ordinance but recommended that the City Council continue this matter for review by the General Plan Advisory Committee. The Planning Commission expressed concerns that such signs would pose a hazard and be a visual blight, among other things. She then responded to questions of council members pertaining to what benefits approving of the ordinance would have on businesses, whether they would be stationary, and clarification regarding size. .

Mayor Norton opened the public hearing at 8:31 p.m.

The following people spoke in **opposition** to the proposed ordinance, citing concerns about ADA compliance, inability to effectively enforce illegal signs, eyesores, pedestrian hazards, and potential liability:

Gayle Ortiz, Planning Commissioner, Capitola resident and business owner

Matt Arthur, Capitola resident and business owner in the Village

A woman (unable to hear her name; also spoke under Oral Communications) expressed concern about restricting pedestrians with signs on the sidewalk. She believes sidewalks should be kept pedestrian friendly.

Terry Campion said the sidewalks are already cluttered. As a business owner, he does not believe in cluttering the Village. He said a compromise might work.

The following people spoke in **favor** of the proposed ordinance and giving businesses the ability to have an opportunity to try sandwich board signs before completion of the General Plan:

Gary Wetsel, President of the Capitola Village and Wharf Business Improvement Area, Capitola resident and business owner

Michael Levine, real estate broker located in the Trestle building

Justyna Zimkowski, owner of Vanity by the Sea, located in the Mercantile

4. A. PUBLIC HEARINGS

Carin Hanna, owner of the Craft Gallery, offered her support for the proposed ordinance allowing sandwich board signs for a trial period. She suggested a committee be formed to review and tighten up the guidelines.

Molly Ordning, Monterey Avenue resident, suggested a compromise: that being an easel, such as the one in front of Mr. Toot's. She suggested designing one that is unique for the Village.

Ed Bottorff, Capitola resident, agreed with Molly Ordning's suggested compromise for an easel, rather than a sandwich board sign.

Mayor Norton closed the public hearing at 9:07 p.m.

There was considerable Council discussion regarding the proposed ordinance to allow sandwich board signs.

Council Member Termini said he would be in favor of sandwich board signs if they were allowed in all commercial areas and not allowed on the public sidewalks. He commented on an email he received from Mr. Houskins, who suggested a standardized sign. Perhaps the Village should have a master sign program like large shopping area. Council Member Termini also would like to hear from the Chief of Police, Public Works and Planning Departments that enforcement will take place.

Council Member Harlan is sympathetic with the businesses in the Village; however, she cannot support sandwich board signs on the sidewalks, as enforcement would be difficult.

Council Member Storey is not opposed to more signage; however, he is concerned about pedestrian access. He would support the Capitola Village and Wharf Business Improvement Area working with the Planning Commission and the Art & Cultural Commission in developing a unified theme sign program. He does not support the ordinance as written.

Council Member Nicol shares the sentiments of his colleagues, and he does not want Capitola to look like Venice Beach. Perhaps the Capitola Village and Wharf Business Improvement Area and/or the Art & Cultural Commission could come back with a themed sign program that might work.

Mayor Norton is concerned about the potential proliferation of signs and suggested having the Art & Cultural Commission consider this.

Interim Community Development Director Westman said the current Municipal Code allows for a business to have a blade sign/projecting sign. She suggested that staff could look at other sign options within the current ordinance.

Considerable Council discussion was followed by this action:

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to direct staff to return with this ordinance, taking into account council comments to look at restrictions that would include signs not on public sidewalks, signs in good repair, a standard design, and have that brought back to the council for further review. The ordinance should encompass all commercial districts, not just the Village.

Mayor Norton suggested a friendly amendment to the motion to include having the Art & Cultural Commission look into a master sign design. Council Member Termini said that would be the next step once a sign ordinance is brought back.

4. A. PUBLIC HEARINGS (Continued)

Interim Community Development Director Westman said staff would like the flexibility of trying to work out the sign issue, so far as the zoning ordinance is concerned. She also suggested that once the Council has come up with some concrete ideas that have merit and approval, then the signage matter could go to the Art & Cultural Commission.

Interim Community Development Director Westman asked for clarification from the Council regarding her understanding of the Council's direction, which is that staff will work with the merchants to try and come up with a sign program that is going to help them identify certain features or business activities where they could use a sandwich board or a temporary sign. Her understanding is that the council would like staff to sit down with the merchants and come up with creative ideas.

Council Member Termini said staff is to review standard sandwich board signs, off the public sidewalk and in all commercial areas.

Mayor Norton said staff should set a time limit, and he also believes there should be a maximum number of sign permits allowed. He suggested setting a limit of, say, 20 sandwich board signs in the first year. Mayor Norton asked if the council could set a cap on the number of sandwich board signs. City Attorney Barisone said he believes the council could set a limit during the trial period, as long as there was not any preference given. Mayor Norton said it could be first come, first served.

The motion carried with Council Member Harlan voting no.

Following the vote on the motion, Interim Community Development Director Westman informed the Council that she wants to get direction from the council about sign enforcement. She wants to make sure the Council is comfortable with the planning staff going out and being proactive in enforcing all illegal signs. Mayor Norton said he does not want to put any more work on the Planning staff. Council Member Termini commented on using the planning staff for enforcement and wondered if the police could take this on.

Mayor Norton asked if the city has policing power and whether we have the ability to remove illegal signs. City Attorney Barisone believes the city's code allows it, although he would need to confirm that after looking at the code.

* * *

At 9:34 p.m., Mayor Norton announced that he would be moving Other Business Item 5.A. pertaining to next steps for a Skate Park for discussion at this time.

5. OTHER BUSINESS

A. Report on next steps for a Skate Park at Monterey Park. Staff recommendation: accept report and project work plan. [1040-20]

Utilizing a PowerPoint Presentation, Public Works Director Jesberg summarized the project work plan for a Skate Park at Monterey Park, as detailed in the written agenda report. He informed the Council that it is very important to determine the size of the skate park. He showed aerial views of a 4,000 and a 9,000 square-foot skate park.

He passed out copies of a written proposal from Dreamworks Skateparks that was received late yesterday. He commented on the proposal and responded to questions of council members.

5. A. OTHER BUSINESS (Continued)

Mayor Norton opened the public hearing at 9:49 p.m.

The following people spoke in support of a 9,000 square foot skate park at Monterey Park:

Tory Delfavero, Capitola resident
 Dave Friel
 Emily Martin, Capitola resident
 Terry Campion, skateboard shop owner in Capitola

Tory Delfavero, Capitola resident, said the proponents of the skate park have formed a group and is having its first fundraiser at the Santa Cruz Board Room on Saturday, November 26, where they will have a raffle and sell T-shirts. She said Jimbo Philips, a famous local skateboard artist, has donated his time and designed T-shirts for the fundraiser.

Council discussion was followed by this action:

ACTION: Council Member Termini moved, seconded by Council Member Storey, to accept the staff's report on the Skate Park Project Work Plan, which identifies the steps to construct a skate park at Monterey Park and approved designing a 9,000 square-foot skate park.

Under discussion of the motion, Council Member Nicol expressed concern that a larger park would be a destination park rather than a neighborhood park as was previously discussed. He wants a safe place for the younger local children.

There was discussion among the council members and staff pertaining to Council Member Nicol's concerns about a destination park.

Mayor Norton asked that the agenda report and the council's decision be forwarded to the school district.

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

* * *

At 10:15 p.m., Mayor Norton announced that the City Council would now consider Public Hearing Item 4.C.

4. C. **Public Hearing on CDBG-funded Green Economy and Job Creation Final Report. Presentation: Community Development Department. [700-10]**

Interim Community Development Director Westman provided a brief verbal report and said the City Council's action tonight is to accept the report.

Mayor Norton opened the public hearing at 10:17 p.m. Seeing no one, the public portion of the hearing was closed.

Council Member Nicol supports the concept in principal; however, he cannot support strategy 6, and he is concerned about strategy 13. He explained his concerns. Council Member Storey concurred with Council Member Nicol concerns.

Interim Community Development Director Westman explained that the council is not adopting these strategies tonight and that some of these strategies will come back as part of the General Plan update.

4. C. PUBLIC HEARINGS (Continued)

Council discussion was followed by this action:

ACTION: Council Member Storey moved, seconded by Council Member Harlan, to accept the “*The Capitola Green Economy: Job Creation and a Sustainable Future*” report dated October 31, 2011, prepared by Strategic Economics, which was funded by a grant from the Community Development Block Grant (CDBG) Program of the State of California Department of Housing and Community Development, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

5. OTHER BUSINESS

A. Report on next steps for a Skate Park at Monterey Park. Staff recommendation: accept report and project work plan. [1040-20]

This item was reordered after Public Hearing Item 4.B. (See discussion and action on Pages 12112 and 12113.)

B. Report from Police Department on Domestic Violence. Staff recommendation: receive report. [480-05]

Using a PowerPoint Presentation, Chief of Police Card reported on the Police Department’s review of the information regarding cases of domestic violence provided by Laura Segura, Executive Director of Women’s Crisis Support, presented at the City Council’s October 27 meeting. Following his presentation, Chief of Police Card responded to questions of council members.

Council Member Storey commented on a presentation he attended at Dominican Hospital of the Annual United Way Community Assessment Project. He said Capitola should have some awareness regarding their report; particularly as they relate to public safety. He said the police chief of Scotts Valley presented figures contained in the report regarding public safety that listed a 102% increase in violent crimes. Council Member Storey said the report is online at the United Way website at www.UnitedWay.org.

City Treasurer Bertrand asked if there were any suggestions on public education and getting the word out to residents in Capitola. Chief of Police Card said information could be included on the city scroll.

ACTION: Council Member Storey moved, seconded by Council Member Harlan, to receive the Police Department’s report regarding domestic violence crime statistics, as submitted. The motion carried unanimously.

C. RDA: Resignation of Capitola Redevelopment Agency Treasurer. Staff recommendation: accept resignation and appoint the City Manager to serve as Interim RDA Treasurer, until such time as a Finance Director is appointed. [760-10]

Executive Director Goldstein summarized the written agenda report and stated that staff is recommending that we go back to a previous practice to appoint the Finance Director as Redevelopment Agency Treasurer.

Director Storey wondered if the City Treasurer could be appointed. There was discussion and response from Executive Director Goldstein regarding that question. He stated that the overall recommendation provided by Interim Finance Director Stanton is to have the finance director serve in that capacity.

5. C. OTHER BUSINESS (Continued)

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

ACTION: Director Harlan moved, seconded by Director Termini, to accept the resignation of Redevelopment Agency Treasurer Debbie Johnson, effective November 1, 2011, and to appoint City Manager/Executive Director Jamie Goldstein to serve as the Interim Redevelopment Agency Treasurer. The motion carried on the following vote: AYES: Directors Harlan, Termini, Nicol, Storey, and Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None. *[Note: The Directors did not approve the recommendation to establish the practice used by many other Redevelopment Agencies to appoint the City's Finance Director as RDA Treasurer. That matter will be considered at a future meeting.]*

Council Member Nicol asked if there would be a Finance Advisory Committee meeting next week. City Manager Goldstein said there would be a meeting on Tuesday, November 29, and he was working on the agenda packet.

6. **COUNCIL/RDA DIRECTORS/STAFF COMMUNICATIONS**

A) Chief of Police Card announced that he would be tendering his resignation effective March 30, 2012.

B) Council Member Harlan reported that she attended a League of California Cities webinar on the 2011 Legislative Briefing. Materials are available at City Hall if council members are interested in seeing them. The briefing painted a pretty bleak picture of the future economy in California.

C) Council Member Nicol commented on the new buzz word in government "trigger cutting."

7. **ADJOURNMENT**

At 11:00 p.m. the City Council/Redevelopment Agency Meeting was adjourned in Memory of former City Treasurer/Council Member Robert "Bob" Begun to its next Regular Joint Meeting to be held on Thursday, December 8, 2011, at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Dennis R. Norton, Mayor
Redevelopment Agency Chairperson

ATTEST:

, MMC
Pamela Greeninger, City Clerk
Redevelopment Agency Secretary

NOT OFFICIAL UNTIL APPROVED BY THE COUNCIL/RDA

12116

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

December 8, 2011
Capitola, California

MINUTES OF A REGULAR JOINT MEETING

6:00 P.M - CLOSED SESSION - CITY MANAGER'S OFFICE

At 6:00 p.m. in the City Hall Council Chambers, Mayor/Chairperson Norton noted that all Council Members/Redevelopment Agency Directors were present. Mayor/Chairperson Norton made an announcement regarding the items to be discussed in Closed Session, as follows:

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

Bill Newman, et al. (residents of Surf & Sand Mobile Home Park) vs. Surf and Sand, LLC, Ronald Reed, et al. (Surf and Sand, LLC; Ronald Reed, Cross-Complainants vs. City of Capitola) [Superior Court County of Santa Cruz, Unlimited Jurisdiction, Case No. CV 171783]

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Government Code §54956.9:

- Two Cases: 1) Noble Gulch Storm Drain Failure in Pacific Cove Mobile Home Park
2) Pacific Cove Mobile Home Park Flooding and Closure

No one from the public was present for the announcement regarding the Closed Session; therefore, the City Council/Redevelopment Agency recessed at 6:02 p.m. to the Closed Session in the City Manager's Office.

7:00 P.M. – OPEN SESSION

REGULAR JOINT MEETING OF THE CAPITOLA CITY COUNCIL/REDEVELOPMENT AGENCY

Mayor/Chairperson Norton called the Regular Joint Meeting of the Capitola City Council/Redevelopment Agency to order at 7:19 p.m. on Thursday, December 8, 2011, in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

ROLL CALL AND PLEDGE OF ALLEGIANCE

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

ABSENT: None

OTHERS: City Treasurer Jacques Bertrand

STAFF: City Manager/RDA Executive Director and Interim Treasurer Jamie Goldstein, City Attorney/RDA General Counsel John G. Barisone, Interim Community Development Director/Deputy Executive Director Susan Westman, Chief of Police Michael Card, Public Works Director Steve Jesberg, Administrative Services Director Lisa Murphy, and City Clerk/Secretary Pamela Greeninger

*** * * PRESENTATIONS * * ***

**Presentation of Mayor's Proclamations
to Retiring Employees [120-40]**

Mayor Norton announced that the City will be losing two of its long-time employees, Ed Morrison and Pam Greeninger, who will be retiring at the end of this year. He then called Ed to come forward.

**Ed Morrison, Maintenance Superintendent
37 Years of Service**

Mayor Norton read and presented Ed with a Mayor's Proclamation recognizing him for his 37 years of service to the City and congratulating him on his retirement.

Council Member Termini then presented Ed with a Certificate of Recognition from the State Legislature signed by Assemblymember Bill Monning and Senator Joe Simitian.

Ed thanked the mayor and council members for the proclamation and said he has been very fortunate to work with some great people during his career with the city. He is honored with this recognition.

**Pamela Greeninger, City Clerk
32 Years of Service**

Mayor Norton read and presented the Mayor's Proclamation to Pam for her 32 years of service to the City of Capitola. He commented on the various positions and capacities, both elected and appointed, that Pam has served during her career. A Certificate of Recognition from the State Legislature signed by Assemblymember Bill Monning and Senator Joe Simitian was also presented to Pam by Council Member Termini.

Pam thanked Mayor Norton and the council members and commented on earlier years with the City when Ed's children and hers came to City Hall for "Take your child to work day." She looks forward to her retirement in Capitola where, as several council members have said, "It is as good as it gets." Pam especially wanted to thank her husband, Stewart, for putting up with the night meetings all these years, and to her son, Chris, for attending tonight's meeting for this recognition.

1. REPORT ON CLOSED SESSION [520-25]

City Attorney Barisone advised that the City Council/Redevelopment Agency met in Closed Session at 6:00 p.m., with all members being present. He reported on the items discussed as follows:

The City Council received an update pertaining to existing litigation in the Newman vs. Surf & Sand, LLC. The council was informed that the cross complaint had been dismissed in that case after making a motion to have the case dismissed. The cross-complainant, Surf & Sand, LLC, voluntarily dismissed the case.

The City Council discussed potential litigation against the city's first party insurance company, Lexington Insurance Company. A status report on negotiations with the insurance company was provided. No reportable action was taken.

The Council received an update from staff, and there was council discussion regarding potential litigation against the City from the storm drain failure in Pacific Cove Mobile Home Park. No reportable action was taken.

The City Council conducted a public employee performance evaluation of the City Manager. No reportable action was taken.

2. ORAL COMMUNICATIONS

A. Additions and Deletions to Agenda – None

B. Public Comments

1) Ron Graves congratulated Pam and Ed for their fine service to the City.

2. B. ORAL COMMUNICATIONS (Continued)

2) As the City's representative on the METRO Board, Ron Graves reported that revenue is up, and the board will consider recovering some of the routes that had been eliminated, including a route through Capitola. Mr. Graves also advised that the board has been able to retain their general manager, Les White, for another 2 years. He said Mr. White is an outstanding manager, and the METRO is lucky to have him.

3) Marilyn Garrett thanked City Clerk Greeninger for helping her with information she has requested. She then commented on a group of people who went to the PG&E office to return their SmartMeters, and she expressed concern that the police closed down the office. People should be able to return a product if they think it is making them sick. Ms. Garrett urged the council to put a status report on the next Council agenda to inform the public about what is going on with the opt-out program and City moratorium ordinance. She suggested having Professor Glen Chase and Nina Beatty also be given the opportunity to provide a status report at the meeting. She urged the council to stand up for the people in the community.

C. Staff Comments

City Manager Goldstein noted that the very last page of the packet, which was the second page to the List of County/Multi-County Boards, Commissions and Committees, was not printed in the paper copies of the agenda packet. He passed out copies of that page to the council members.

D. City Council/RDA Director/Treasurer Comments/Committee Reports

1) Council Member Termini announced that the Art & Cultural Commission has whittled down the 89 applications for the 41st Avenue Art Project to 4 very qualified artists. The commission's recommendation will be brought to Council at a future meeting.

2) Council Member Termini reported that he attended a school board workshop for the new preschool at Jade Street Park. He discussed changes that were made to their site plans and applauded them for making extra effort to address the city's concerns.

3) Council Member Harlan reported on AMBAG and announced that a new Interim Executive Director was selected to replace Les White (not the same Les White as METRO). Her name is Diane Eidam. She will assume her duties on Monday, December 12.

4) Mayor Norton invited everyone to come to the Bandstand on Friday night at 6:00 p.m. for Christmas caroling in the Village.

E. Committee Appointments

- 1) **City Council Appointments/Reappointments to the Art and Cultural Commission. Staff recommendation: Appointment/ Reappointment of (1) Arts Professional Member, (1) Artist or Arts Organization Representative, and (3) At Large Members. [1010-60]**

City Clerk Greeninger summarized the written agenda report and informed the council members that the new applicants were interviewed by the Art & Cultural Commission at their last meeting. The commission has recommended re-appointment of all current members and Kim Hogan to serve as an At Large Member replacing Debbie Hale who chose not to continue at this time.

Mayor Norton noted that Kim Hogan and Nathan Cross were in the audience and asked them to come forward.

2. E. Committee Appointments (Continued)

ACTION: Council Member Storey moved, seconded by Council Member Harlan, to approve the Art & Cultural Commission's recommendation to appoint of Kim Hogan as an At Large member, and to reappoint the following members to the Art & Cultural Commission for two-year terms ending December 31, 2013, as follows:

Roy Johnson, Arts Professional
 Karen Nevis, Artist
 Nathan Cross, At Large
 James Wallace, At Large

The motion carried unanimously.

2) Mayor Norton stated that he wished to appoint Nathan Cross to the Finance Advisory Committee to replace Bob Begun who recently passed away. **[110-10/330-40]**

Nathan Cross introduced himself and discussed his background in finance and budgeting as the assistant superintendent of Live Oak School District, and he hopes that experience will be of value on the committee.

F. Approval of Check Register Reports

1) **City: Approval of City Check Register Report dated November 18, 2011. [300-10]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to approve the Check Register Reports dated November 18, 2011, including checks numbered 68109 through 68183 in the amount of \$73,142.25, and payroll disbursements for the November 18, 2011, payroll in the amount of \$161,993.37, for a Grand Total of \$235,135.62, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

2) **RDA: None.**

3. **CONSENT CALENDAR**

Mayor/Chairperson Norton asked if there were any items on the Consent Calendar that members of the public or the City Council/Redevelopment Agency Directors wished to pull for separate discussion.

Council Member/Director Termini pulled Item 3.I. pertaining to approval of a contract with Bob Murray and Associates for Chief of Police Recruitment.

Council Member Harlan commented on Item 3.C. pertaining to the Action Minutes of the Planning Commission. *(See comments under that item on Page 12120.)*

Mayor/Chairperson Norton advised Item 3.I. would be discussed immediately following action on the consent calendar. *(See discussion and action on Page 12121 and 12122.)*

CONSENT CALENDAR ACTION: Council Member/Director Termini moved, seconded by Council Member/Director Nicol, to approve the Consent Calendar, as recommended. The motion carried on the following vote: AYES: Council Members/Directors Harlan, Termini, Nicol, Storey, and Mayor/Chairperson Norton. NOES: None. ABSENT: None. ABSTAIN: None.

3. CONSENT CALENDAR (Continued)

- A. Approve Reading by Title of all Ordinances and Resolutions and declare that said Titles which appear on the Public Agenda shall be determined to have been read by Title and Further Reading Waived.**

ACTION: The City Council/Redevelopment Agency Directors unanimously approved the reading by title of all Ordinances and Resolutions and declared that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

- B. City/RDA: Approve Minutes – None.**

- C. Receive Planning Commission Action Minutes for the Regular Meeting of December 1, 2011. [740-50]**

Prior to action on the Consent Calendar, Council Member Harlan asked whether the Council was receiving full minutes or just action minutes for the Planning Commission (Item 3.C.) City Clerk Greeninger said action minutes are provided. Council Member Harlan said there were a number of comments made at the last Planning Commission meeting that the commissioners said they wanted included in the minutes, because those comments were specifically for the City Council members. Council Member Harlan would really like to see such comments included in the minutes the council sees.

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to receive the Planning Commission Action Minutes for the Regular Meeting of December 1, 2011, as submitted. The motion carried on the following vote: AYES: Council Member Harlan, Termini, Nicol, Storey and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

- D. Adopt Resolution Setting the Interest Rate for Tenant Security Deposits for 2012 at Zero Percent (0.00%). [750-10]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to adopt **Resolution No. 3898, Resolution Setting Interest Rate for Tenant Security Deposits for 2012 at Zero Percent (0.00%) in the City of Capitola.** The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

- E. Approve Addendum No. 2 to the Professional Services Agreement with R.L. Hastings and Associates, LLC, in an amount not to exceed \$25,000 for Tenant Relocation Services for the Bay Avenue Senior Apartments Project. [500-10 A/C: R.L. Hastings and Associates, LLC]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to authorize the City Manager to execute the letter Addendum No. 2 amending the Professional Services Agreement with R.L. Hastings and Associates, LLC, in an amount not to exceed \$25,000 for tenant relocation services for the Bay Avenue Senior Apartments Project, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

- F. Adopt Resolution Approving a Rate Schedule for Residential and Commercial Garbage Collection and Recycling in Capitola Effective January 1, 2012, supceding Resolution No. 3850. [930-45]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to adopt **Resolution No. 3899, Resolution Approving a Rate Schedule for Residential and Commercial Garbage Collection and Recycling in Capitola Effective January 1, 2012, Supceding Resolution No. 3850,** as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

3. CONSENT CALENDAR (Continued)

- G. Adopt Ordinance Adding Chapter 17.70 to the Capitola Municipal Code providing a Procedure for Reasonable Accommodation in the City's Land Use and Zoning and Building Regulations [2nd Reading], and Adopt Resolution Authorizing submittal of the Amendments to the Local Coastal Program contained in the new Chapter 17.70 to the California Coastal Commission for Certification. [730-05/730-85/570-10]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to take the following actions:

1. Adopted **Ordinance No. 965, Ordinance Adding Chapter 17.70 to the Capitola Municipal Code Providing a Procedure for Reasonable Accommodation in the City's Land Use and Zoning and Building Regulations**; and
2. Adopted **Resolution No. 3900, Resolution Authorizing Submittal to the California Coastal Commission for the Certification of an Amendment to the Local Coastal Program Adding Chapter 17.70 to the Capitola Municipal Code Providing a Procedure for Reasonable Accommodation in the City's Land Use and Zoning and Building Regulations**, as submitted.

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

- H. Declaration of three pieces of property currently stored at the Corporation Yard, including a 2000 Johnson Street Sweeper, 2001 Mower trailer, and 2001 Toro riding mower, as surplus property, and direct the Public Works Department to sell or dispose of the property. [370-10]**

ACTION: Council Member Termini moved, seconded by Council Member Nicol, to declare three pieces of property currently stored at the Corporation Yard including a 2000 Johnson Street Sweeper, 2001 Mower trailer, and 2001 Toro riding mower, as surplus property and directed the Public Works Department to sell or dispose of the property, as submitted. The motion carried on the following vote: AYES: Council Members Harlan, Termini, Nicol, Storey, and Mayor Norton. NOES: None. ABSENT: None. ABSTAIN: None.

The following Consent Calendar item was pulled for separate discussion and action:

- I. Approve Contract with Bob Murray and Associates for Chief of Police Recruitment, and Adopt Resolution Amending the FY2011-12 General Fund Budget by \$19,500 to fund an Executive Recruiter Contract. [650-05/500-10 A/C: Bob Murray and Associates]**

Administrative Services Director Murphy summarized the written agenda report and responded to questions of council members.

Council Members Termini and Storey expressed concerns about the cost for this recruitment and believe there is no better consultant than the actual staff and citizens of Capitola.

Mayor Norton asked if anyone in the audience wished to address this item.

Lin Banks agreed with Council Member Termini that \$20,000 is a lot of money to spend. She also informed the council that she and Mike Banks have been trained to do background checks.

3. I. CONSENT CALENDAR (Continued)

Toni Castro, CEO of the Capitola-Soquel Chamber of Commerce, believes there is a better way of recruiting for the position. She said there are many intelligent people in our community who could review candidates for the position. She encouraged the council to consider another manner of recruitment as it would be wise for the city to save the money.

Council Member Harlan discussed prior City experience with the Bob Murray firm and believes the City needs help reviewing applicants for the position. Council Member Nicol agreed that a professional headhunter is necessary to go through the screening process, as it takes a great deal of time.

Considerable Council discussion was followed by this action:

ACTION: Council Member Nicol moved, seconded by Council Member Harlan, to approve the recommended action, as follows:

1. Adopted **Resolution No. 3901, Resolution Amending the FY2011-12 General Fund Budget by transferring \$19,500 from Police Department Salary & Benefits Account to the Police Department Contract Services Account to Fund the Executive Recruiter Contract to Fill the Chief of Police Position;** and
2. Authorized the City Manager to execute a contract with Bob Murray and Associates in an amount not to exceed \$19,500 for the recruitment of a Chief of Police, as submitted.

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

4. PUBLIC HEARINGS

- A. Public Hearing on Project Application #11-114, 426 Capitola Avenue, APN 035-141-33, to consider an application regarding a Coastal Development Permit, Relocation Impact Report (RIR), and Relocation Plan for the closure of Pacific Cove Mobile Home Park. Environmental Determination: Categorical Exemption. Property Owner: City of Capitola, Owner/filed 10/27/11. Presentation: Community Development Department. [NOTE: This item to be continued to a Special Meeting of the City Council on Thursday, December 15, 2011, at 7:00 p.m.] [260-10]**

City Manager Goldstein informed the Council that due to noticing requirements this item would not be heard tonight. The hearing has been re-noticed for a Special Meeting on December 15, 2011, at 7:00 p.m. He said the City Council could hold the hearing on December 15th as noticed, or the Council could continue it to another date and re-notice the hearing.

There was interest expressed by the council members to reschedule the hearing to another date.

After considerable Council discussion regarding possible special meeting dates, the following action was taken:

ACTION: Council Member Termini moved, seconded by Council Member Storey, to re-notice and continue the Public Hearing on Project Application #11-114, to consider an application regarding a Coastal Development Permit, Relocation Impact Report, and Relocation Plan for the Closure of Pacific Cove Mobile Home Park located at 426 Capitola Avenue, APN 035-141-33 for the next Regular Joint Meeting of the City Council/Redevelopment Agency to be held on Thursday, January 12, 2012, beginning at 6:00 p.m. The motion carried unanimously.

4. PUBLIC HEARINGS (Continued)

B. Public Hearing to consider the 41st Avenue/Capitola Mall Re-Visioning Plan dated October 26, 2011, prepared by The Planning Center|DC&E (formerly Design Community & Environment), which was funded by Community Development Block Grant (CDBG) Funds. Presentation: Community Development Department. [740-40 General Plan/700-10 CDBG]

Interim Community Development Director Westman summarized the written agenda report and, using a PowerPoint Presentation discussed the public process that occurred in coming up with the Re-Visioning Plan. She said staff's recommendation is to accept the report with the suggested change.

Mayor Norton opened the public hearing at 8:16 p.m.

Tom Nelson, retail specialist with Colliers International, spoke on behalf of a number of businesses he represents along 41st Avenue. He stated that many of the businesses and property owners were not notified of the meetings when input was given for the report. He asked if there would be an opportunity for the businesses to provide their input later on.

Interim Community Development Director Westman said the council is not adopting the report, and there will be opportunities during the General Plan Update process for further input.

Chuck Davis, representing Macerich Corporation, owners of Capitola Mall, informed the council that they have worked very closely with staff in getting Target, and they are committed to upgrading the Capitola Mall property. He commented on a proposed plan to put a road through the property and discussed the difficulties in doing so as the property is owned by over 9 property owners.

Brian Schabel, DDS, of North Coast Orthodontics, addressed comments in the report about medical and dental offices in the 41st Avenue corridor. He pointed out that although their business does not generate sales tax, they do bring families into the community who frequent businesses in the area. Dr. Schabel does not want the door closed to other professionals in the area.

Mayor Norton closed the public portion of the hearing at 8:28 p.m.

Council Member Harlan said it was difficult to read the charts and graphs in the report that were copied in black and white, and she requested colored copies in the future. City Manager Goldstein advised the document is in color on the website. She also said she would feel more comfortable if the report used words such, "may or might" rather than "will," and she would encourage the consultant to change the tense of the words; that way it does not appear to be approved.

Council Member Harlan then provided suggested changes to the report, as follows: *(Note: Council Member Harlan referred to the agenda packet page numbers. The page numbers below in parenthesis are the page numbers in the report itself.)*

Page 122 (42) – Recommended Policy 2.2 be taken out as it relates to removing the barricade at 40th Avenue, which has been a topic of discussion in the past.

Page 123 (43) – Action 2.2 references to "Santa Cruz Transit" and "Transit" should be changed to "METRO."

4. B. PUBLIC HEARINGS (Continued)

Page 125 (45) – Policy 3.7 – The “Rail Trail” is now being called the “Sanctuary Scenic Network Trail,” and the reference in the report should be changed.

Page 127 (47) – She strongly supports the recommendations of Action 3.8 to identify obstacles and obstructions, such as utility poles that are in the middle of a sidewalk.

Page 135 (Appendix A, page -7-) She is extremely excited about a shuttle between the Mall and the Village. She hopes funding can be found for that; a shared expense between the city and the businesses.

In addition, Council Member Harlan would like to add the issue of storing merchandise outdoors by front doors. She is also interested in doing some traffic calming on adjacent streets. Some of her neighbors on 42nd Avenue are interested in speed bumps on that street due to the number of cars using 42nd Avenue rather than 41st Avenue.

Interim Community Development Director Westman said she has written down all of Council Member Harlan’s comments and that when this report is taken to the General Plan Advisory Committee, she will include all of the council’s comments; however, the council is not actually amending the report tonight. She clarified the report is being accepted, and all comments will be included in a separate document.

ACTION: Council Member Termini moved, seconded by Council Member Harlan, to accept the 41st Avenue/Capitola Mall Re-Visioning Plan dated October 26, 2011, prepared by The Planning Center|DC&E with the proposed modification to the language on page 33 suggested by staff in the Agenda Report for inclusion in the General Plan Update, as submitted.

Under discussion of the motion there were additional comments from council members.

Council Member Termini urged the speaker from Colliers International to inform his clients to come to the General Plan Advisory Committee meetings.

Council Member Storey believes it is a good visioning plan, and he, too, had some comments:

Page 107 (27) - He wished there had been more discussion about protecting the neighborhoods under the Re-Visioning Plan Goals; Land Use and Design 9). He does not want the city to sacrifice the neighborhoods in its efforts to emphasize economic development on 41st Avenue. He would have liked to see specific action items included in the work plan list, particularly the residents on Reposa who are impacted by the new hotel.

Page 111 (31) – There is a reference to boutique hotels on Capitola Road near the Wharf Road intersection. He believes we need to be careful about certain locations, particularly if they are located adjacent to residential neighborhoods.

Page 115 (35) – The charts refers to phasing plans on the 41st Avenue roadway having no major changes; however, the Art & Cultural Commission is working on a major art project for 41st Avenue. He commented that there is no reference to the project in the plan, and he believes there should be something noted about compatible artwork.

Page 119 (39) Policy 1.2 – He believes it should say auto dealers on auto row, not within the entire corridor.

4. B. PUBLIC HEARINGS (Continued)

Page 125 (45) Policy 3.7 – The reference to supporting the Rail Trail (Sanctuary Scenic Trail) as a key pedestrian connection is important; however, he would like to see a greater reference to this in the plan.

Page 127 (47) – In addition to removing utility poles from sidewalks, there should be a reference to underground utilities wherever possible.

Council Member Nicol said he agrees with most of the suggestions of his colleagues. He disagreed with Council Member Harlan's opposition to removing Policy 2.2 pertaining to 40th Avenue as he believes the city should support that extension.

Mayor Norton expressed concern about the amount of land coverage in the 41st Avenue corridor for automobile parking. He suggested multi-level parking garages in order to allow for more land use for actual businesses. He also suggested mapping key locations for additional study within the 41st Avenue Corridor, such as Bank of America. Perhaps there is an economic trade-off in moving that building in order to make that intersection more community oriented. He noted that many large cities are making corner properties public areas.

Following further council comment on the motion to accept the 41st Avenue/Capitola Mall Re-Visioning Plan with the proposed modification, the motion carried unanimously.

5. OTHER BUSINESS

A. City Council Consideration of Reorganization - Selection of a New Mayor and Vice Mayor. Staff recommendation: City Council determination. [120-37]
Mayor Norton said he would entertain nominations for Mayor.

ACTION: Council Member Harlan moved, seconded by Council Member Storey, to nominate Vice Mayor Michael Termini as Mayor. The motion carried unanimously.

Mayor Norton then entertained nominations for Vice Mayor.

ACTION: Council Member Storey moved, seconded by Council Member Termini, to nominate Council Member Stephanie Harlan as Vice Mayor. The motion carried unanimously.

Mayor Norton said this has been a very difficult year for the City, with many trials and tribulations. He said we have a very cohesive City Council who has worked hard together and has accomplished much this past year. The city staff is responsible for the accomplishments as well, and he thanked City Manager Jamie Goldstein, Public Works Director Steve Jesberg, former Interim Community Development Director Derek Johnson, Administrative Services Director Lisa Murphy, Chief of Police Mike Card, as well as City Attorney John Barisone and Deputy City Attorney Adair Paterno. He then commented on the various events and accomplishments during the past year he has served as Mayor.

Disasters:

1. Responded to the March 2011 pipe failure, by fully mobilizing City resources to assist affected residents and businesses
2. Evacuated portions of the Village in advance of a tsunami warning from the Japan earthquake
3. Directed staff to prepare documents to close the Pacific Cove Mobile Home Park, potentially ending more than 25 years of planning and debate about the site.

5. A. OTHER BUSINESS (Continued)

Environmental:

1. Expanded the City's ban on Styrofoam to reduce Styrofoam waste in the landfill and on our beaches
2. Began a public education campaign to reduce the use of Plastic Bags by distributing 500 reusable bags and posting signs in grocery stores
3. Installed electric vehicle charging stations
4. Earned Green Business Certification for New Brighton Middle School with the City's help

Planning:

1. Initiated public process to update the City's General Plan for the first time in more than 20 years
2. Ended decades of planning on the Rispin site, and completed a project to stabilize and secure the building, with the goal of opening the site to public access as soon as final allocation of funding can be released from the RDA

Public Art:

1. Completed Monterey Avenue tile art project in cooperation with students at New Brighton Middle School
2. Started the largest-ever Public Art Project: the 41st Avenue Public Art scheduled for completion next year

Public Improvements:

1. Installed pay stations allowing credit card payment for parking on the Esplanade in the Village
2. Identified site for a skate park at Monterey Park, and partnered with local fund raisers to seek funding
3. Completed the Capitola Road median project – designed to make Capitola Road safer for cars, pedestrians and bikes.

Economic:

1. Adopted a balanced budget without significant one-time gimmicks for the FY 10/11 FY
2. Began refunding the City's reserve accounts after the March 2011 floods
3. Entered an agreement with Macerich to participate in redevelopment of the Capitola Mall
4. Target commenced site improvements to the old Gottschalk's building

Housing:

1. Ended nearly a decade of litigation through the non-profit acquisition of Castle MHP, using \$2 million in City RDA Housing funds and securing the site in perpetuity with stable rents affordable to low-income residents
2. Entered a settlement agreement with Surf and Sand, getting low-income, full-time residents 34-year below-market leases – ending years of costly litigation that threatened the City's fiscal future
3. Opened the Bay Avenue Senior Housing Project, a partnership project between the City and a nonprofit to rehab and develop more than 109 units for low-income seniors

Library: Laid the groundwork for a Capitola Branch Library.

Each council member commented on Mayor Norton's service to the community as mayor during the past year and congratulated him for leading the city through turbulent times.

Mayor Norton then handed the gavel to newly-selected Mayor Termini, who then presided over the remainder of the meeting.

5. OTHER BUSINESS (Continued)

B. Presentation to Outgoing Mayor Dennis Norton [120-37]

After outgoing Mayor Norton's comments, Mayor Termini called him forward for a special and unique presentation. Mayor Termini said no mayor has suffered as much, nor weathered as many figurative or actual storms as Mayor Norton has during the past twelve months, and he thanked Dennis for taking his leadership as Mayor to heart. He then presented a large tile with a new painting done by Karen Nevis, which has not yet been released, to Dennis Norton, Capitola Mayor, 12/8/10 to 12/8/11.

Mayor Norton thanked the council for their support during the past year. He said Capitola is a great place to live, and we have a wonderful community.

E. Review of Council Member Representation on City and County/ Multi-County Boards, Commissions, and Committees. Staff recommendation: Council determination regarding representation on the Finance Advisory Committee, and review of representation on County/Multi-County Boards, Commissions and Committees. [110-10/330-40 Finance Advisory Committee/430-05 Commission on the Environment/1000-05 Cultural Council]

City Clerk Greeninger provided a brief report based on the written agenda report.

With respect to the County/Multi-County Boards, Commissions and Committees, Council Member Storey asked if anyone would be interested in serving on the Cultural Council. Council Member Norton said he would.

Council Member Norton said he would stay on Capitola Commission on the Environment as the council member representative.

Council Member Harlan said she would like to be on the Finance Advisory Committee; however, it is not possible with her present work schedule. She suggested keeping it the way it is, with Council Member Nicol serving on her behalf.

Council Member Harlan commented that the Sanctuary Inter-Agency Task Force may start meeting again as there may be interest in the sanctuary trail.

Council Member Nicol said that at the last Santa Cruz County Regional Transportation Commission he was unanimously elected Chairman of the Board.

ACTION: After Council discussion, it was the consensus of the City Council to approve the following changes to council representation on the Finance Advisory Committee and the Commission on the Environment:

Finance Advisory Committee:

Michael Termini	Mayor
Kirby Nicol	Council Member

Commission on the Environment:

Dennis Norton	Council Member
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In addition, Council Member Norton was appointed to serve as the City's representative to the Cultural Council of Santa Cruz County.

6. COUNCIL/RDA DIRECTORS/STAFF COMMUNICATIONS

City Manager Goldstein noted that tonight's meeting should be adjourned to the next Regular Joint Meeting on January 12, 2012, rather than to a Special Meeting next week as was noted on the agenda.

7. ADJOURNMENT

The meeting was adjourned at 9:07 p.m. to the next Regular Joint Meeting of the City Council/Redevelopment Agency to be held on Thursday, January 12, 2012, at 6:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Dennis R. Norton, Mayor
Redevelopment Agency Chairperson

Michael Termini, Mayor
Redevelopment Agency Chairperson

ATTEST:

Signing off for the last time... It has been a wonderful 32 years working for the City of Capitola.

_____, MMC
Pamela Greeninger, City Clerk
Redevelopment Agency Secretary



Item #: 4.C.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: CITY MANAGER'S DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: LIABILITY CLAIMS

RECOMMENDED ACTION: Deny liability claims and forward to the City's liability insurance carrier.

DISCUSSION:

The following claimants have filed liability claims against the City of Capitola:

1. Allstate Insurance, subrogee of Nazar Turkish Imports: \$26,582;
2. Allied Interstate, subrogee of Capitola Associates, LLC: undetermined amount;
3. Brian Alexander: undetermined amount.

ATTACHMENTS: None

Report Prepared By: Liz Nichols
Executive Assistant to the City Manager

Reviewed and Forwarded
By City Manager: 



CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: FINANCE DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR JUNE 30, 2011

RECOMMENDED ACTION: Receive the Comprehensive Annual Financial Report for the City of Capitola and Capitola Redevelopment Agency for June 30, 2011.

BACKGROUND

State law requires that an independent audit firm is retained by the City of Capitola and the Redevelopment Agency annually to audit the general-purpose financial statements and issue an opinion. In accordance with Government Code section 12460 and Health and Safety Code 33080, these documents were presented to the California State Controller's Office, the California Department of Housing and Community Development, and the Capitola Redevelopment Agency Board of Directors on December 22, 2011. The Comprehensive Annual Financial Report (CAFR) for the City of Capitola for the year ended June 30, 2011 is herewith provided to the City Council, Redevelopment Agency Board, the Capitola Financing Authority, and citizens of Capitola.

DISCUSSION

The financial report presents the financial condition, results of operations, and current economic condition for the fiscal year ended June 30, 2011 for the City of Capitola, the Redevelopment Agency of the City of Capitola, and its component units. The financial statements are audited "in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States." The independent audit firm of Teaman, Ramirez & Smith, Certified Public Accountants, has issued the following opinion on the City's financial records, found on page 1 of the CAFR: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America....In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole."

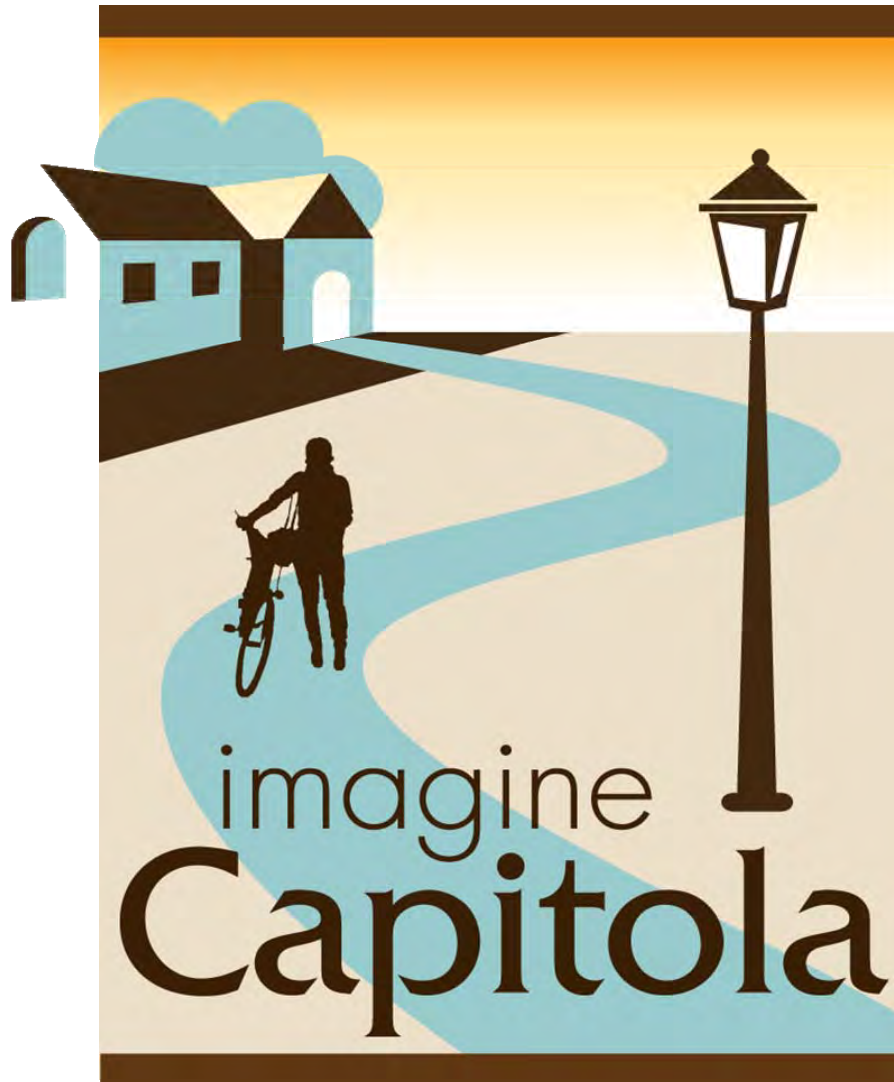
ATTACHMENTS

1. City of Capitola Comprehensive Annual Financial Report, June 30, 2011
2. 2011 Redevelopment Agency Financial Statements, June 30, 2011
3. City of Capitola Single Audit Report on Federal Award Programs, June 30, 2011
4. City of Capitola Management Representation Letter, December 16, 2011
5. Professional Standards Letter, December 19, 2011

**Report Prepared By: Lonnie Wagner
Accountant II**

**Reviewed and Forwarded by
City Manager/Executive Director:**

Comprehensive Annual Financial Report



Capitola General Plan Update process

City of Capitola, California

For The Fiscal Year Ended June 30, 2011

CITY OF CAPITOLA, CALIFORNIA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by the Capitola Finance Department

**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2011**

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**City of Capitola
Comprehensive Annual Financial Report
Year Ended June 30, 2011**

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INTRODUCTORY SECTION

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420 CAPITOLA AVENUE
CAPITOLA, CALIFORNIA 95010
TELEPHONE (831) 475-7300
FAX (831) 479-8879

December 19, 2011

Honorable Mayor,
Members of the City Council, and
Citizens of the City of Capitola

SUBJECT: Comprehensive Annual Financial Report – June 30, 2011

The Comprehensive Annual Financial Report (CAFR) for the City of Capitola for the fiscal year ended June 30, 2011 is hereby submitted.

State law requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City's independent auditor, Teaman, Ramirez & Smith, Inc., has audited the City's financial statements and issued an unqualified opinion that financial statements for fiscal year ended June 30, 2011 are fairly presented in conformity with generally accepted accounting principles. This opinion, along with the basic financial statements of the City, are hereby submitted and included in the financial section of this report in fulfillment of the above requirement.

The independent audit of the financial statements was also part of the federally mandated Single Audit designed to meet the needs of federal granting agencies. The standards governing the Single Audit require the independent auditor to report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available from the City of Capitola in the separately issued Single Audit Report. Single Audit Report on Federal Award Programs for Year Ended June 30, 2010 is currently available and the Single Audit Report on Federal Award Programs for Year Ended June 30, 2011 will be available after March 31, 2012, the official due date for the Report.

This report consists of City management's representations concerning the finances of the City of Capitola. Consequently, management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Management believes the data presented is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City. To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls designed both to protect the City's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, I assert that to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

The City of Capitola Comprehensive Annual Financial Report is organized as follows:

- I. Introductory section – Letter of Transmittal, Directory of Officials, Organization Chart, and Awards for Financial Reporting
- II. Financial Section – Independent Auditors' Report, Management Discussion & Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information, and Supplementary Information
- III. Statistical Section – Historical trends for Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information

City of Capitola profile

Capitola, a general law city incorporated January 11, 1949, is an intimate suburban, recreational and tourist beach village of approximately two square miles, located on the northern edge of the Monterey Bay, 35 miles north of Monterey and 75 miles south of San Francisco. The City is home to numerous family-oriented annual events, including the Begonia Festival, celebrating its 58th year in 2010 and the Wharf to Wharf Race, celebrating its 38th year. The City also sponsors several annual series of events, such as Twilight Concerts at the Beach, Art Shows at the Beach, Movies at the Beach, along with the Capitola Water Festival. The City provides police protection, street, park and facilities maintenance, recreation, building, planning, zoning, administrative, and financial services for Capitola. Independent special districts provide fire protection, water, sewer, and drainage services.

Profile of the Government

The Comprehensive Annual Financial Report includes all financial activities of the City and the Redevelopment Agency of the City of Capitola, two separate legal entities. City Council members also serve as the governing board members of the Redevelopment Agency and the City Manager serves as its Executive Director. The Capitola Financing Authority, a joint powers authority created by and between the City and the RDA, was formed in 1996 to facilitate a 1996 refunding bond issue and the subsequent 1998 Reassessment Revenue Bonds.

The City's accounting records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. The annual budget serves as the foundation for the City of Capitola's financial planning and control. In accordance with the City's Municipal Code, the budget is to be adopted by resolution on or before June 30th for the ensuing fiscal year. Expenditures authorized in the final budget resolution are appropriated at the budget unit. Capital projects are budgeted at the individual project level. City Council may appropriate, amend, or transfer funds by an affirmative vote of three Council members at any regular or special Council meeting.

An affirmative vote of three members of the City Council at any regular or special meeting may create, eliminate, revise, or otherwise amend amounts set aside as reserves in a fund which in the opinion of the council are no longer necessary, amounts appropriated as contingencies in a fund, transfers between budget units, or other budgetary designations.

Factors Affecting Financial Condition

Local Economy

A significant impact on the local economy as well as City financial performance in March 2011 was a heavy rainstorm and subsequent flooding. A major storm front initiated conditions that caused failure of a major storm drain above Capitola Village and the City Hall/Police Department complex, sending water into numerous structures and facilities. Village businesses, surrounding residences, and the Capitola Police Department had major physical damage. The effort to clean up and re-open businesses took several weeks. The financial impact for the City includes relocating the Police Department in portable units for several months, gutting and rebuilding the Police Department facility and refurbishing offices, locker rooms and records areas, reduced access to the village area and associated visitor revenue impacting sales tax revenue, transient occupancy tax, and parking meter and parking citation revenue (waived for reconstruction period so cleanup and construction crews could gain access). Businesses suffered as well from being closed or from lack of access. As is common in Santa Cruz County, community support was significant, with many volunteers appearing on the streets, offering physical assistance, trucks, storage, and anything else as it was needed.

Although Capitola's location and atmosphere as a Central Coast beach town has made it a day trip and vacation destination city, it is also one of two major retail centers in the County. The Capitola Mall, combined with Brown's Ranch and 41st Avenue businesses are the retail hub of the central county. With major retailers such as Macy's, Sears, Kohl's, CVS, Orchard Supply, Ross, and Bed Bath and Beyond, Capitola is a "net regional retail provider" bringing in five to six times the City household retail demand within Capitola. Total sales tax revenue for 2010-11 of \$4.9 million is 44.0% of Capitola's total general fund revenue. Actual retail store performance was up slightly for the current year at 1.5% after an 18% and 5% drop in the prior two years. The City anticipates that the July, 2012 opening of a 100,000 square foot Target in Capitola Mall will be a big boost to local sales tax revenue.

Capitola's second major source of revenue is property tax, which remains relatively stable. 2010-11 property tax revenue of \$4.1 million is a 1.0% increase over 2009-10.

Transient occupancy tax (TOT) of \$601,700 is 5.4% of revenue, up 1.6% year over year. This, despite the above mentioned impact of the March floods. Although not included in this year's revenues, Capitola anticipates a significant source of TOT in fiscal 2011-12 from the late July, 2011 opening of an 84 room Fairfield Inn & Suites by Marriott on 41st Avenue.

The economic challenges of the past few years continued in fiscal 2010-11. Many smaller and mid-sized businesses and restaurants in Capitola have been negatively affected throughout this period. Consumer confidence and spending continue to be guarded, resulting in relatively flat revenue across all segments of sales tax revenue producers. The City continues to seek redevelopment opportunities that will help to update and upgrade the City's major retail corridor and mall area. In this regard, the City and Capitola RDA have signed a public infrastructure deal with The Macerich Partnership, Capitola Mall management company and majority owner. This agreement includes a pledge of \$1 million in RDA funds associated with Macerich's frontage improvements on 41st Avenue and updating architectural features. RDA funds would include sidewalk widening, landscaping, improved bicycle and public access, and assisting with the reconstruction of the existing public transit center located at the Mall.

The City took major steps in the General Plan update process this year, which includes an effort to identify locations and opportunities to encourage redevelopment within the City. Potential changes which may be considered in the General Plan update to help spur economic development include,

revised zoning standards, and identification of priority public infrastructure improvements and appropriate locations for additional hotel development projects.

Long-term Financial Planning

The City recognized an extraordinary item in the 2010-11 financial statements resulting from the March, 2011 flooding in the City that caused damage to a storm drain and the Capitola Police Department. The Flood Disaster Loss in the amount of \$795,304 is for repairs from flood damage. This is reported as an extraordinary item in the Statement of Revenues, Expenditures, and Changes in Fund Balances in the General Fund and the Statement of Activities. Long term, replenishing reserves to Financial Policy levels in a flat to depressed economy will have challenges. Capitola currently has a goal of reaching the established reserve levels by year-end fiscal 2015-16. In a first step toward achieving that goal, the City allocated a minimum of \$ 337,500 to the reserve accounts in the adopted FY 2011-12 budget.

In 2007, the City established a maximum City contribution cap on Public Employees Retirement System (PERS) with all employee bargaining units. The cap sets the maximum percentage of an employee's salary the City will contribute toward retirement costs at 28.291% for Safety employees and 16.488% for Miscellaneous Group employees. This has protected the City significantly in recent years from the escalating retirement costs for public employees.

The City's 1/4 % sales tax will expire December 31, 2017. Prior to the expiration of that tax, additional revenue sources will have to be identified, or services cut to offset the revenue loss.

The City's adopted Economic Development Plan calls for the establishment of additional visitor serving overnight accommodations to capture additional revenue from the large influx of seasonal visitors to the community. A number of sites for additional hotels have been considered, and will be further analyzed in the General Plan update.

New grants

The City of Capitola had three new grants awarded during 2010-11.

The City was awarded a \$100,000 California Department of Conservation Strategic Growth Council (SGC) Sustainable Communities Planning Grant. The purpose of this grant is to fund the Sustainability portion of the General Plan Update. In addition, the City participated in an application for a SGC planning grant by the Association of Monterey Bay Area Governments (AMBAG) to fund a regional Sustainable Communities Plan. The City will receive \$8,414 to fund its participation in that process.

The City was also awarded a 2008 Disaster Recovery Initiative (DRI) grant from the California Community Development Block Grant program for \$250,000 for development of the City's Local Hazard Mitigation Plan (LHMP) and Safety Element of the General Plan Update. The grant plan also includes a review of relocating emergency responders at the current City Hall site, a sea level rise analysis, and coordination of the LHMP with the General Plan Update, the Local Coastal Plan, and the Climate Action Plan.

Continuing grants

A federal planning grant for \$40,000 was awarded in early 2010 by the Economic Development Administration (EDA) to study the feasibility of developing a parking structure on City property to facilitate coastal access and redevelopment in the Capitola Village. The final report included the identification of several design options for a parking structure, graphical depictions of a parking structure on the site, and cost estimates for the design options. It developed two site plan alternatives

for a parking structure at the current site of the Pacific Cove parking lot, depending upon the amount of financing available for the project. The report was accepted by the City Council in April 2011.

Work has just been completed on two prior \$35,000 City CDBG study grants, the Green Economy/Environmental Economic Analysis and 41st Avenue/Capitola Mall Re-Visioning Plan. The studies were incorporated into the City's General Plan update process, and allowed the City to focus efforts on specific planning for the redevelopment of the 41st Avenue corridor and mechanisms to boost the City's "green" employment sector. The Final Report for the Green Economy grant, "The Capitola Green Economy: Job Creation and a Sustainable Future," identified twenty-one strategies to be considered for incorporation into the city's General Plan Update and the Climate Action Plan as applicable. The Report estimates that if all twenty-one strategies were implemented, Capitola could attract from 150 to 600 additional jobs through 2035. The Final Report was accepted by the City Council in November 2011.

The "41st Avenue/Capitola Mall Re-Visioning Plan" was developed as part of the General Plan Update process during 2011, and was accepted by the City Council on December 8, 2011. The Plan establishes a long-term vision for the corridor, including new development on existing surface parking at the Mall to create a more inviting destination for residents and visitors, new sidewalk-oriented commercial uses along other parts of the corridor, high-quality commercial, residential and hotel uses, and enhanced pedestrian and bicycle connections throughout the area.

Completed grants

The City and RDA participated in the Bay Avenue Senior Housing Project, a 109 unit senior low income housing rehabilitation project in Capitola being developed by a non-profit agency. As part of the \$28 million project, the City provided \$4.5 million in project funding through a \$1.4 million residual receipts loan from the Redevelopment Agency, a \$235,000 RDA grant and \$2.9 million grant funding which the City received from the California Department of Housing and Community Development (HCD) through the Federal HOME program. The completed project now offers fifty-five years of guaranteed affordability for fifty extremely low income seniors, thirty very low income seniors, and twenty-eight low income seniors. Thirty-nine of the units have been set aside for senior households with special needs and five units have been set aside with additional services in order to serve seniors with mental illness who are at risk of homelessness.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Capitola intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 25, 2011 Capitola Redevelopment Agency Resolution 2011-10 adopted the Enforceable Obligation Payment Schedule and on August 26 it was submitted to the California Department of Finance and the California State Controller's Office as required.

On September 22, 2011, City of Capitola Ordinance No. 962 was adopted indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. Notification of the Continuation Ordinance was submitted to the California State Department of Finance, the California State Controller's Office, and the Santa Cruz County Auditor-Controller as required. The initial payment by the City is estimated to be \$798,547 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$189,398 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26. Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the

fiscal year ending June 30, 2012 and for a period shortly thereafter. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to redevelopment agencies ability to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

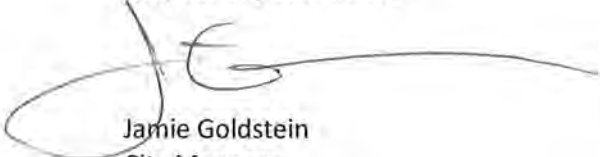
In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

Awards and Acknowledgements

The Certificate for Outstanding Financial Reporting was awarded to the City of Capitola for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010 by the California Society of Municipal Finance Officers (CSMFO). The City has received this award every year since fiscal 1999-2000 and we believe that the current CAFR meets the Certificate for Outstanding Financial Reporting requirements and have submitted it to CSMFO for this year's award.

I wish to express my thanks and appreciation to the Mayor, members of the City Council, and the City and RDA Treasurers for their leadership, interest, and continued support in planning and conducting the financial operations of the City of Capitola in a responsible and prudent manner in the best interests of the citizens of Capitola.

Respectfully submitted,



Jamie Goldstein
City Manager

CITY OF CAPITOLA
List of Principal Officials
June 30, 2011

ELECTED OFFICIALS

Mayor	Dennis Norton
Vice Mayor	Michael Termini
Council Member	Stephanie Harlan
Council Member	Kirby Nicol
Council Member	Sam Storey
City Treasurer	Jacques Bertrand

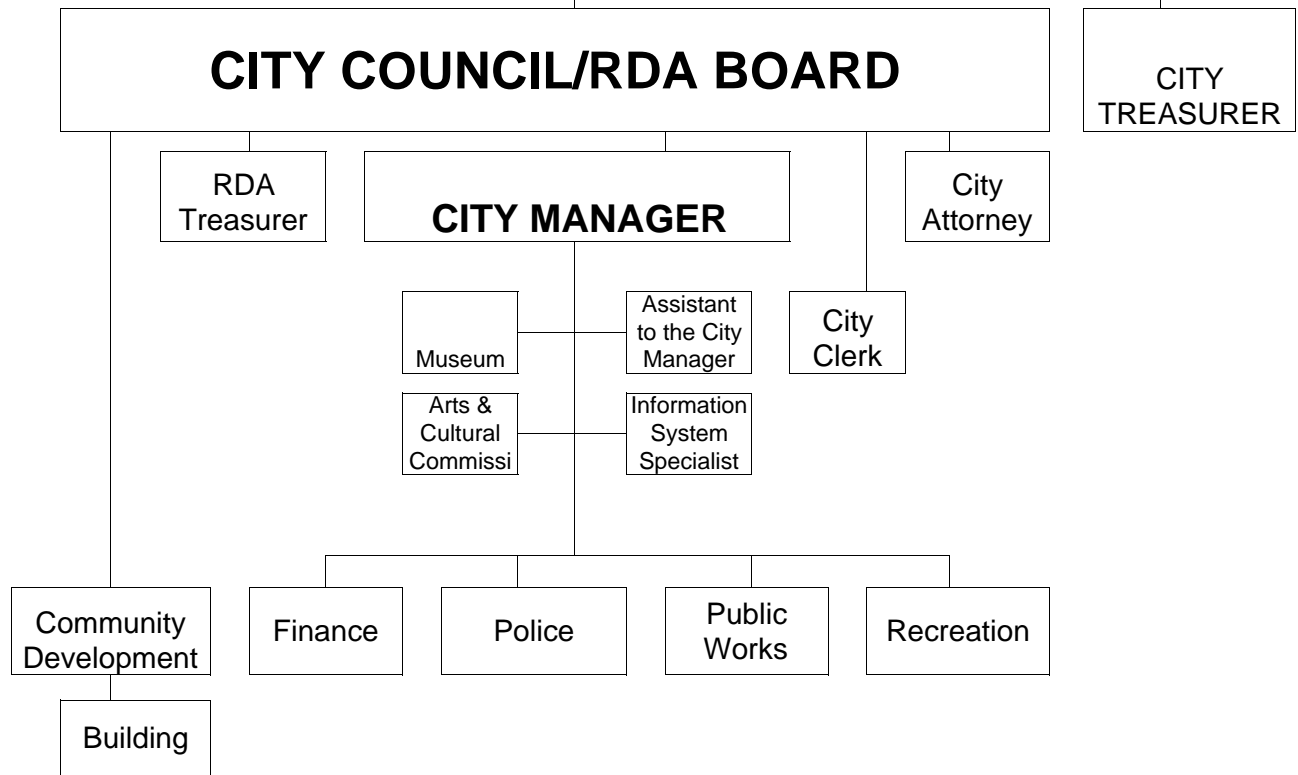
APPOINTED OFFICIALS

City Manager	Jamie Goldstein
City Attorney	Atchison, Barisone, Condotti & Kovacevich
RDA Treasurer	Debbie Johnson

DEPARTMENT HEADS/ADMINISTRATORS

Chief of Police	Mike Card
City Clerk	Pamela Greeninger
Community Development Director	Derek Johnson
Finance Director	Vacant
Public Works Director	Steven Jesberg

CITIZENS OF CAPITOLA



California Society of Municipal Finance Officers

Certificate of Award

***Outstanding Financial Reporting
for the Fiscal Year Ending June 30, 2010***

Presented to the

City of Capitola

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting systems from which reports were prepared.

February 24, 2011



Ronnie Campbell

*Ronnie Campbell
CSMFO President*

Chu Thai

*Chu Thai, Chair
Professional Standards and
Recognition Committee*

Dedicated Excellence in Municipal Financial Reporting

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable City Council
City of Capitola, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Capitola's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note III to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of the City of Capitola's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Capitola's financial statements as a whole. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The statements and schedules listed in the "Supplementary Information" section in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Teaman Ramirez & Smith, Llc.

December 19, 2011

Management's Discussion and Analysis

The management of the City of Capitola offers the following narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. The information presented here should be considered in conjunction with the additional information provided in the Letter of Transmittal included in the Introductory Section of this document and the basic financial statements that follow this Management Discussion and Analysis.

Fiscal Year 2010-11 Financial Highlights

- The City's total net assets at fiscal year-end were \$19.9 million.
- Total City revenues, including program and general revenues, were \$16.0 million, offset by total expenses of \$16.8 million.
- Governmental Program Revenues were \$4.9 million and Governmental Program Expenses were \$16.8 million.
- General Fund Revenues were \$11.6 million, offset by General Fund Expenditures of \$11.8 million.

Details and comparisons to prior fiscal year are provided in the Government-Wide Financial Analysis and Financial Analysis of Fund Financial Statements sections of this Management's Discussion and Analysis.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are presented in three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The Financial Section also includes other supplemental information: Management's Discussion and Analysis (this section), the Required Supplementary Information that further supports the information in the financial statements, and the Supplementary Information of additional supporting schedules and combining statements.

Government-wide Financial Statements are designed to provide a broad overview of the finances of the City as a whole, in a manner similar to private sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and/or decreases in net assets may serve to indicate whether the financial position of the City is improving or declining. The Statement of Activities shows how the City's net assets changed during the most recent fiscal year. It includes all revenues and expenses based on when they are earned or incurred regardless of the timing of cash receipt or disbursement. The City's financial position, presented in the Statement of Net Assets, and all of the City's financial activities, presented in the Statement of Activities are required to be grouped into government activities and business-type activities. As of June 30, 2010, the City of Capitola has only governmental activity. They include the activities of the Redevelopment Agency of the City, for which the City is financially accountable.

Fund Financial Statements provide more detailed information about the City's most significant funds, rather than the City as a whole. A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with certain financial requirements. The major funds for the City are presented in the basic financial statement section of this report, along with non-major funds presented in summary. The City has two fiduciary funds, all others are governmental.

Governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and the balance of spendable resources available at fiscal year-end. This information may be of use in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, a better understanding of the long-term impact of the City's near-term financial decisions can be gained.

The City maintains four major governmental funds: General Fund, Federal Home Loan Reuse, RDA Low and Moderate Income Housing, and RDA Debt Service. The financial information for each major fund is shown individually and the remaining funds are shown in aggregate in the basic financial statements. The City's governmental activities include the activities of the Redevelopment Agency of the City because the City is financially accountable for the Agency. The City maintains seven internal service funds that provide goods and services solely for City governmental activities and are eliminated at fiscal year-end with any related fund balance reported.

In the Required Supplementary and Supplementary sections, individual Schedules of Revenues, Expenditures, and Changes to Fund Balance – Budget and Actual are presented for each major and non-major fund. Also included are Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds and Combining Balance Sheet - Non-Major Governmental Funds.

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because these resources cannot be used by the City. Combining Statements of Fiduciary Assets and Liabilities – Agency Funds and Statement of Changes in Fiduciary Net Assets – Agency Funds are shown in the Supplementary Information.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found immediately following the financial statements.

Other information presents certain supplemental information, including Schedules of Revenue, Expenditures, and Changes in Fund Balance for major funds, Combining Statements for Non-major Governmental Funds, and Schedules of Revenue, Expenditures, and Changes in Fund Balance for non-major funds and the fiduciary fund, in addition to the basic financial statements and accompanying notes.

Government-Wide Financial Analysis

This analysis focuses on the net assets, and changes in net assets, at the city-wide level as presented in the Statement of Net Assets and Statement of Activities. As noted previously, increases and/or decreases in net assets over time may serve to indicate changes in the financial position of the City.

Total net assets decreased \$1.6 million or 7.5% from 2009-10 to 2010-11. Over 75% of net assets are composed of the \$15.1 million in net capital assets, the land, buildings, equipment, and infrastructure used to provide services to Capitola's citizens. Due to the nature of these assets, these funds are not available for future spending. The decrease is due primarily to annual depreciation offset by Capitola's Lagoon Ocean Water Quality project and a sidewalk project on Bay Avenue. \$1.6 million or 8.2% of the City's net assets are restricted funds with external limitations on their use. The remaining \$3.2 million or 16.3% is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. A condensed comparative is shown below.

Governmental Net Assets (in thousands)		
Governmental Activities	2011	2010
Cash & Investments	\$ 8,799	\$ 9,904
Capital Assets	16,089	16,667
Other Assets	5,785	5,986
Total Assets	\$ 30,673	\$ 32,557
Long-term Debt	\$ 6,569	\$ 7,373
Other Liabilities	4,166	3,630
Total Liabilities	\$ 10,735	\$ 11,003
Net Assets		
Net Capital Assets	\$ 15,054	\$ 15,598
Restricted	1,635	1,381
Unrestricted	3,249	4,575
Total Net Assets	\$ 19,938	\$ 21,554

All revenue for the City of Capitola is governmental revenue. Revenue decreased \$1.8 million year over year, primarily due to reductions of \$460,000 for HOME program with the completion of the federal HOME grant for the Bay Avenue Senior Housing Project, a \$400,000 decline in operating grants, and \$270,000 decline in permits, plan check, maintenance, and building fees. Major revenue sources for the City General Fund are sales and use tax (30.5% of total revenue), property tax (25.7%), and charges for services (21.5%). City tax revenue was essentially flat for the year. Total expenditures remained flat versus 2009-10 as the City controlled spending to remain in line with the reduced revenue.

Changes in Governmental Net Assets (in thousands)		
Revenues:	2011	2010
Program Revenues: (a)		
Charges for services	\$ 3,446	\$ 4,831
Operating Grants & Contributions	1,040	1,469
Capital Grants & Contributions	421	388
Total Program Revenues	4,907	6,688
General Revenues:		
Property Taxes	4,107	4,066
Sales and Use Taxes	4,891	4,994
Other Taxes	1,347	1,336
Investment Income	185	238
Other	573	488
Total General Revenues	11,103	11,122
Total Revenues	\$ 16,010	\$ 17,810
Expenses:		
General Government	\$ 5,453	\$ 5,103
Public Safety	5,422	5,533
Community Development	2,068	2,428
Cultural and Leisure	995	1,025
Transportation	2,445	1,932
Interest on Long-term Debt	448	509
Total Expenses	\$ 16,831	\$ 16,530
Change in Net Assets before extraordinary items	\$ (821)	\$ 1,280
Extraordinary Item: Flood loss disaster	(795)	-
Change in Net Assets	\$ (1,616)	\$ 1,280
Net Assets at Beginning of Year	\$ 21,554	\$ 20,274
Net Assets at End of Year	\$ 19,938	\$ 21,554
<u>(a) Program Revenue by activity</u>		
General Government	\$ 785	\$ 822
Public Safety	\$ 1,200	\$ 1,274
Community Development	\$ 1,793	\$ 3,453
Cultural and Leisure	\$ 655	\$ 697
Transportation	\$ 475	\$ 441
Total	\$ 4,908	\$ 6,687

Financial Analysis of Fund Financial Statements

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As of June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances in government funds are reported in classifications that comprise a hierarchy based on primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance is composed of funds that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance is composed of funds that are constrained to specific purposes by state or federal law, or externally imposed conditions by grantors or creditors.

Committed Fund Balance includes amounts constrained for a specific purpose by City Council action. It requires an equivalent action by City Council to remove the constraint.

Assigned Fund Balance includes any remaining amounts for all government funds other than General Fund that are not classified as nonspendable, restricted, or committed. For the General Fund, amounts constrained for the intent to be used for a specific purpose by the delegated official to assign fund balance. The City's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the Finance Director.

Unassigned Fund Balance are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances. For all funds other than the General Fund, amounts expended in excess of resources that are nonspendable, restricted, committed, or assigned.

Major Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the City's new resources available for spending at the end of each fiscal year.

The General Fund is the chief operating fund of the City. The total fund balance of the General Fund at fiscal year-end was \$4.8 million, a \$248,000 or 5.0% decrease from prior year. At June 30, 2011, the unassigned fund balance of the General Fund was \$2.8 million.

As a measure of General Fund liquidity, it can be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At June 30, 2011, unassigned fund balance represented 23.6% of total General Fund expenditures, a 15.6% point drop from fiscal 2009-10 and total fund balance represented 40.3% of total General Fund expenditures, a 17.0% point decrease. A major component of the drop in liquidity is the result of costs related to a winter storm which initiated conditions that caused failure

of a major storm drain above Capitola Village and the City Hall/Police Department complex, sending water into numerous structures and facilities. The City recognized an extraordinary item of \$795,300 for repairs. Replenishing reserves to Financial Policy levels in a flat to depressed economy will have challenges. Capitola has established a goal of reaching the established reserve levels by year-end fiscal 2015-16, and allocated \$337,500 to the reserve accounts in the adopted FY 2011-12 budget.

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund

	Budgeted Amounts		2011 Actual Results	Variance to Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,812	\$ 7,759	\$ 7,625	\$ (134)
Licenses & Permits	\$ 509	\$ 512	\$ 455	\$ (57)
Fines & Forfeitures	\$ 859	\$ 819	\$ 702	\$ (117)
Intergovernmental	\$ 1,259	\$ 1,139	\$ 1,119	\$ (20)
Charges for Services	\$ 1,486	\$ 1,457	\$ 1,187	\$ (270)
Use of Money and Property	\$ 415	\$ 400	\$ 385	\$ (15)
Other Revenue	\$ 115	\$ 125	\$ 155	\$ 30
Total Revenues	<u>\$ 12,455</u>	<u>\$ 12,211</u>	<u>\$ 11,628</u>	<u>\$ (583)</u>
EXPENDITURES				
Current:				
General Government	\$ 2,791	\$ 3,146	\$ 2,874	\$ (272)
Public Safety	\$ 5,787	\$ 5,697	\$ 5,307	\$ (390)
Community Development	\$ 713	\$ 747	\$ 701	\$ (46)
Culture and Recreation	\$ 966	\$ 985	\$ 899	\$ (86)
Transportation	\$ 2,044	\$ 2,101	\$ 2,015	\$ (86)
Capital Outlay	\$ 100	\$ -	\$ 11	\$ 11
Total Expenditures	<u>\$ 12,401</u>	<u>\$ 12,676</u>	<u>\$ 11,807</u>	<u>\$ (869)</u>
Excess/(Deficit) of Rev. to Exp.	\$ 54	\$ (465)	\$ (179)	\$ 286
OTHER FINANCING SOURCES & USES				
Transfers In	\$ -	\$ 4	\$ 115	\$ 111
Transfers Out	\$ (1,080)	\$ (864)	\$ (714)	\$ 150
Total Other Financing Sources & Uses	<u>\$ (1,080)</u>	<u>\$ (860)</u>	<u>\$ (599)</u>	<u>\$ 261</u>
EXTRAORDINARY ITEM				
Flood Disaster Loss	\$ -	\$ -	\$ (795)	\$ (795)
Net Change in Fund Balance	\$ (1,026)	\$ (1,325)	\$ (1,573)	\$ (248)
Fund Balance, Beginning	\$ 6,332	\$ 6,332	\$ 6,332	\$ -
Fund Balance, Ending	\$ 5,306	\$ 5,007	\$ 4,759	\$ (248)

General Fund Budget comparison is part of the Required Supplementary Information following the Notes to the Financial Statements. Over the course of the year, the City Council revises the City budget for amendments and appropriations to reflect carryovers of unspent contractual obligations and appropriations from the prior year and newly approved appropriations for City decisions that have been made since generation of the budget. General Fund revenue budget of \$12.5 million was decreased by \$244,000 during fiscal 2010-11. Total actual General Fund revenues were \$11.6 million, \$583,000 or 4.8% below the final budget. General Fund operating expenditures budget of \$12.4 million was increased by \$275,000 during 2010-11. Total actual General Fund operating expenditures were \$11.8 million, which is \$869,000 or 6.9% lower than (favorable to) the final amended budget. The overall favorable expenditure variance was the result of a concerted effort to maintain previously cut and controlled expenditures, combined with the unanticipated \$795,000 cost of water damage repair completed in 2010-11.

The Federal HOME Loan Reuse Fund is for depositing loan payments from recipients of the HOME program loans made within the City. All deposits into this HOME Program Reuse Fund must be used to fund additional affordable housing activities in the City, in accordance with the Federal HOME Program

Reuse Guidelines. Currently there are four groups of outstanding home loans recorded in this fund: a set of share loans to assist mobile home park residents purchase their park, First Time Homebuyer Program providing deferred second mortgages, housing rehabilitation loans to bring mobile homes and homes up to standard, and a combination of rehabilitation and acquisition loans to assist residents in the acquisition of their mobile home park. Fiscal 2010-11 activity was composed of \$12,300 in principal and interest revenue from the Wharf Road Manor Acquisition and Rehabilitation Loan.

The RDA Low Income Housing Fund is funded from 20% of gross tax increment set aside required under California Redevelopment Law. As required by law, it is segregated in a separate fund and all principal repayments and interest payments for loans and grants are returned to the fund. Current year source of revenue of \$490,300 is primarily tax increment housing set aside. Key expenditures were \$95,000 in emergency housing funding, \$49,000 First Time Homebuyer loan, \$19,000 in security deposit subsidies, \$11,000 in mobile home park rent subsidies, supported by \$210,000 in contract and housing administration expense. Total revenues of \$2,300 plus \$490,300 in transfers in were offset by total expenditures of \$415,000 and transfers out of \$112,300 resulting in a \$34,700 decrease in fund balance to \$885,800.

The RDA Debt Service Fund is funded from Redevelopment Agency tax increment. For 2010-11, expenditures and transfers out were \$656,100 greater than fund revenues of \$2.5 million. Pass throughs and related transfers out for 20% housing set aside requirements were \$1.1 million and \$490,300, respectively. Supplemental Educational Revenue Augmentation Fund (SERAF) payment of \$144,800 and principal and interest payments of \$428,900 were other statutory and existing contractual obligations paid. Other expenditures for existing commitments were \$618,000 for Construction in Progress and \$106,500 for project construction services for the Clares Traffic Calming project, \$63,000 for securing and site planning for Rispin property, \$50,000 for library planning, and \$ 117,200 in general operating expenditures, including tourism/economic development of \$51,800 and county property tax administration fee of \$32,200.

The RDA Debt Service fund includes a \$618,000 debt to the City for reimbursement of previously rendered but uncharged administrative services and \$1,350,000 debt to the City for a loan relating to purchase of 5.4 acres of the Rispin property in July, 2003. The \$618,000 loan is to be paid on demand but not later than 25 years from the date of the agreement which is December 13, 2026. The \$1,350,000 loan, initially due and payable in full on the maturity date of June 24, 2017, is now due June 24, 2022 based on amendment of the Redevelopment Plan for the Capitola Redevelopment Project to extend the time limit on receipt of tax increment revenues. Terms dictate the maturity date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended.

Capital Asset and Debt Administration key components are net capital assets for the City and total long term debt, along with debt due within one year.

Capital Assets for governmental activities remain essentially the same as last year, increasing \$416,000 or 1.2% to \$35.7 million at fiscal year-end 2010-11. Net capital assets of \$16.1 million at June 30, 2011 are slightly lower than prior year due to depreciation charges. Limited change in assets is due to economic conditions and the City's conservative fiscal management. Additional detail on capital assets can be found in Note III.D. *Notes to the Financial Statements*.

Capital Assets - Governmental Activities (in thousands)		
	2011	2010
Land	\$ 4,884	\$ 4,884
Construction in Progress	\$ 502	\$ 871
Buildings & Improvements	\$ 3,256	\$ 3,256
Machinery & Equipment	\$ 2,960	\$ 2,948
Infrastructure	\$ 24,145	\$ 23,372
Total Capital Assets	\$ 35,747	\$ 35,331
Accumulated Depreciation	\$ (19,659)	\$ (18,664)
Net Capital Assets	\$ 16,088	\$ 16,667

Long-term Debt is summarized below. At June 30, 2011, total long term debt was \$7.4 million. Additions to debt were a result of operational commitments such as compensated absences, other post employment benefits, and RDA pass throughs, totaling \$230,000. Major reductions in long term debt were due to pension obligation debt service payments, pass through payments, and compensated absences related to retirements.

Long Term Debt				
	Balance			Balance
	July 1, 2010	Additions	Reductions	June 30, 2011
2007 Pension Obligation Bond	\$ 4,265,000	\$ -	\$ 435,000	\$ 3,830,000
Capital Leases Payable	69,001	-	33,791	35,210
Notes Payable	1,010,182	-	6,712	1,003,470
Compensated Absences	752,277	68,355	169,625	651,007
Net OPEB Obligation	149,108	75,215	-	224,323
RDA Pass Throughs	1,768,846	89,340	228,926	1,629,260
Total	\$ 8,014,414	\$ 232,910	\$ 874,054	\$ 7,373,270

Economic Outlook

The City of Capitola has established a tradition of fiscally conservative management, with an enterprising spirit that emphasis civic involvement and economic development.

The global economic downturn which began in 2007 appears to have leveled off, however consumer confidence continues to be relatively weak and economic activity low as compared to pre-2007 levels. The City of Capitola's job base, which is heavily retail, has declined from 6,200 in 2002 to 5,992 in 2011. The top 10 employers employed 1,970 or 31.8% of the City employment base in 2002. By 2011, the top ten employers employed 1,165, a drop of 40.9%. Currently, the top 10 employ 19.4% of the employment base for the City. These results reflect loss of two major auto dealerships and two major department stores during this time period combined with lower retail sales and staffing.

For fiscal year 2010-11, revenue was down 10% for the year and is anticipated to be relatively flat for 2011-12. Expenditures for the year were flat with the exception of the use of emergency reserves related to the pipe failure and related water damage of the Capitola Police Department and the Capitola Village. For 2011-12, expenditures are also anticipated to be held flat.

As identified in the transmittal letter, a heavy March 2011 rainstorm and subsequent pipe failure and water flows had a significant impact on the local economy. The financial impact for the City included the cost of relocating the Police Department in portable units for several months, gutting and rebuilding the Police Department facility and refurbishing offices, locker rooms and records areas. The City recognized an extraordinary item of \$795,300 in the 2010-11 financial statements as a result.

The City's fiscal management policy is to maintain contingency reserves at 10% of operating expenditures and emergency reserves at 5%. Fiscal year 2010-11 ended with the Contingency Reserve Fund at \$934,900 or 7.9% of General Fund operating expenditures and the Emergency Reserve Fund at \$134,700 or 1.1% of General Fund operating expenditures. Based on 2010-11 actual expenditures these reserves should be \$1.2 million and \$590,400, respectively , leaving a current gap in the City's reserve funds of slightly over \$700,000. Long term, replenishing reserves to Financial Policy levels in a flat to depressed economy will be challenging. Capitola currently has a goal of reaching the established reserve levels by year-end fiscal 2015-16. In a first step toward achieving that goal, the City allocated \$337,500 to the reserve accounts in the adopted FY 2011-12 budget.

Looking forward, the City has contained the growth in several expenditure classes through the establishment of a cap on the City's contribution to the Public Employees Retirement System (PERS), and establishing fixed contribution amounts for employee health care. These two cost containment mechanisms help to ensure the City's long term fiscal health.

The cap on the City's PERS contribution was established in 2007 through agreements with all employee bargaining units. The cap sets the maximum percentage of an employee's salary the City will contribute toward retirement costs at 28.291% for Safety employees and 16.488% for Miscellaneous Group employees. This has protected the City significantly in recent years from the escalating retirement costs for public employees. For 2010-11, Miscellaneous Group employees absorbed a PERS payroll deduction of 7.8% and the Safety Group had a 7.5% deduction.

While overall growth in City revenue has been limited in recent years, in 2011-12 the Fairfield Inn by Marriott opened, providing a boost to transient occupancy tax receipts. Additionally, a Target department store at the Capitola Mall is currently under construction and anticipated to open in early fiscal 2012-13.

A major economic impact for the City of Capitola will be the outcome of the existing redevelopment agency legislation and litigation. The potential elimination of the Capitola Redevelopment Agency would necessarily result in the City absorbing additional costs for programs and services that are currently part of the Redevelopment Agency's mission and that are important to the economic well being and future of the City. Due to the multiple potential outcomes and resulting regulations and requirements to proceed, it is difficult to fully assess the impact.

Mobile Home Park Activities

An important part of Capitola's affordable housing stock can be found in its nine mobile home parks serving over 720 households. Capitola has had a long-standing commitment to helping preserve these parks and assist the park residents. Over the years Capitola has encouraged and assisted in resident controlled park acquisitions as a way to gain long-term stability for the parks and to create a means for making needed infrastructure improvements. As of last year a total of two parks had been purchased cooperatively by the residents and three parks had been subdivided for individual resident ownership. In 2011 the City and Redevelopment Agency provided \$2 million in loan assistance for the acquisition and rehabilitation of the Castle Mobile Home Park by a non-profit housing provider. The City-owned Pacific Cove Mobile Home Park was also significantly damaged due to a winter storm and storm drain failure in 2011 and the City is now considering closing the park and relocating the residents.

The City's Mobile Home Park Rent Stabilization Ordinance was an important mechanism that had been in place for years as a way to help keep park rents affordable. On-going litigation from a number of mobile home park owners, however, made the defense of the Rent Stabilization Ordinance increasingly costly. In 2011 continuing park owner litigation forced the City to negotiate a compromise which eventually resulted in the repeal of the Rent Stabilization Ordinance in exchange for stabilized lease agreements for lower income park residents in the City's two remaining privately owned parks. In order to help reduce the impacts of the resulting rent increases the Redevelopment Agency initiated a Mobile Home Park Rental Assistance Program that provides assistance to lower income park residents

General Plan Update

Capitola is now entering the second year of a three-year General Plan Update process. Capitola's first General Plan was adopted in 1964 and was last updated in 1989. The General Plan update process will include the development of a new Plan, completion of an Environmental Impact Report, an update of the Capitola Municipal Code and an update of the Coastal Commission-required Local Coastal Plan. The costs of updating all of these planning documents will be paid for by the City's General Plan Maintenance Fund which is funded by fees on development projects. The City has entered into a professional services agreement with The Planning Group|DCE to coordinate the General Plan update.

The past year's work included the development of five White Papers that identify existing conditions in the community. In addition Re-Visioning area plans have been developed for key locations in the community including the 41st Avenue/Capitola Mall, the Bay Avenue area and the Capitola Village area. Public participation has been the overarching theme for all of the update planning activities. An 11 member General Plan Advisory Committee has been appointed that holds public meetings every month. A total of three day-long community workshops have also been held with significant community participation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for its fiscal activities to citizens, taxpayers, investors, creditors, and any other interested parties. If you have questions about this report or need additional information, contact the City Manager, City of Capitola at 420 Capitola Avenue, Capitola, California 95010.

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BASIC FINANCIAL STATEMENTS

**City of Capitola
Statement of Net Assets
June 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 8,798,878
Accounts Receivable (Net of Allowance for Uncollectibles)	135,209
Due from Other Governments	1,214,488
Loans Receivable	4,245,834
Debt Issuance Costs	75,120
Prepays	114,219
Capital Assets:	
Non-depreciable:	
Land	4,883,789
Construction in Progress	501,916
Depreciable:	
Equipment	2,960,247
Buildings and Improvements	3,256,481
Infrastructure	24,145,365
Accumulated Depreciation	<u>(19,658,802)</u>
Total Assets	<u>30,672,744</u>
LIABILITIES	
Accounts Payable	1,109,306
Accrued Liabilities	406,594
Interest Payable	95,910
Deposits Payable	239,001
Unearned Revenue	1,511,020
Noncurrent Liabilities:	
Due Within One Year	804,208
Due in More Than One Year	<u>6,569,062</u>
Total Liabilities	<u>10,735,101</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	15,053,786
Restricted for:	
Public Safety	
Transportation	184,213
Public Safety	9,932
Community Development	1,256,071
Culture and Recreation	184,326
Unrestricted	<u>3,249,315</u>
Total Net Assets	<u>\$ 19,937,643</u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 5,452,712	\$ 759,040	\$ 26,039	\$	\$ (4,667,633)
Public Safety	5,422,504	901,778	298,527		(4,222,199)
Community Development	2,067,847	1,077,236	715,563		(275,048)
Culture and Recreation	994,906	654,823			(340,083)
Transportation	2,444,924	53,533		421,219	(1,970,172)
Interest on Long-Term Debt	448,182				(448,182)
Total Governmental Activities	<u>\$ 16,831,075</u>	<u>\$ 3,446,410</u>	<u>\$ 1,040,129</u>	<u>\$ 421,219</u>	<u>(11,923,317)</u>
General Revenues:					
Taxes:					
					4,107,291
					477,084
					3,002,333
					849,967
					601,726
					266,948
					1,038,218
					283,955
					289,481
					185,346
					<u>11,102,349</u>
Extraordinary Item:					
					<u>(795,304)</u>
					(1,616,272)
					<u>21,553,915</u>
					<u>\$ 19,937,643</u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Balance Sheet
Governmental Funds
June 30, 2011**

	General	Federal Home Loan Reuse	RDA Low Income Housing	RDA Debt Service
ASSETS				
Cash and Investments	\$ 3,404,776	\$ 5,125	\$ 890,796	\$ 2,297,665
Accounts Receivable	59,874	4	2,448	14,598
Due from Other Governments	1,102,819			51,325
Due from Other Funds	53,157			
Advances to Other Funds	1,968,028			
Loans Receivable		1,912,341	2,167,879	
Prepays	5,519			108,700
	<u>5,519</u>	<u>1,912,341</u>	<u>2,167,879</u>	<u>108,700</u>
Total Assets	<u>\$ 6,594,173</u>	<u>\$ 1,917,470</u>	<u>\$ 3,061,123</u>	<u>\$ 2,472,288</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 832,952	\$	\$ 7,407	\$ 61,382
Accrued Liabilities	395,096			
Deferred Revenue	368,671	1,912,341	2,167,879	
Due to Other Funds				
Advances from Other Funds				1,968,028
Deposits Payable	238,001			
	<u>238,001</u>	<u>1,912,341</u>	<u>2,167,879</u>	<u>1,968,028</u>
Total Liabilities	<u>1,834,720</u>	<u>1,912,341</u>	<u>2,175,286</u>	<u>2,029,410</u>
Fund Balances:				
Nonspendable	1,973,547			108,700
Restricted		5,129	885,837	
Committed				
Assigned				334,178
Unassigned	2,785,906			
	<u>2,785,906</u>	<u>5,129</u>	<u>885,837</u>	<u>442,878</u>
Total Fund Balances	<u>4,759,453</u>	<u>5,129</u>	<u>885,837</u>	<u>442,878</u>
Total Liabilities and Fund Balances	<u>\$ 6,594,173</u>	<u>\$ 1,917,470</u>	<u>\$ 3,061,123</u>	<u>\$ 2,472,288</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,200,516	\$ 8,798,878
58,285	135,209
60,344	1,214,488
	53,157
	1,968,028
165,614	4,245,834
	114,219
<u>\$ 2,484,759</u>	<u>\$ 16,529,813</u>
\$ 207,565	\$ 1,109,306
11,498	406,594
186,357	4,635,248
53,157	53,157
	1,968,028
1,000	239,001
<u>459,577</u>	<u>8,411,334</u>
	2,082,247
814,375	1,705,341
	-
1,230,314	1,564,492
(19,507)	2,766,399
<u>2,025,182</u>	<u>8,118,479</u>
<u>\$ 2,484,759</u>	<u>\$ 16,529,813</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund balances of governmental funds \$ 8,118,479

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital Assets at Historical Cost	35,747,798
Accumulated Deprecation	<u>(19,658,802)</u>

Net 16,088,996

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. This amount represents interest payable at year-end. (95,910)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 3,124,228

Long term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Notes Payable	(1,003,470)
RDA Obligations	(1,629,260)
Compensated Absences Payable	(651,007)
Pension Obligation Bonds	(3,830,000)
Capital Leases Payable	(35,210)
Net OPEB Obligation	<u>(224,323)</u>

Total (7,373,270)

Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds. 75,120

Net assets of governmental activities \$ 19,937,643

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City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General	Federal Home Loan Reuse	RDA Low Income Housing	RDA Debt Service
REVENUES				
Taxes	\$ 7,624,970	\$	\$	\$ 2,451,649
Licenses & Permits	454,935			
Fines & Forfeitures	702,045			
Intergovernmental	1,118,889			
Charges for Services	1,186,897			
Use of Money and Property	384,744	12,303	2,347	10,996
Other Revenue	155,133			
Total Revenues	<u>11,627,613</u>	<u>12,303</u>	<u>2,347</u>	<u>2,462,645</u>
EXPENDITURES				
Current:				
General Government	2,874,417			1,581,433
Public Safety	5,307,054			
Community Development	700,953	12,305	415,043	
Culture and Recreation	898,752			
Transportation	2,015,284			
Capital Outlay	10,696			
Debt Service:				
Principal				228,926
Interest & Fiscal Charges				200,020
Total Expenditures	<u>11,807,156</u>	<u>12,305</u>	<u>415,043</u>	<u>2,010,379</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(179,543)</u>	<u>(2)</u>	<u>(412,696)</u>	<u>452,266</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds				
Transfer In	116,367		490,330	
Transfer Out	(714,498)		(112,367)	(1,108,330)
Total Other Financing Sources (Uses)	<u>(598,131)</u>	<u>-</u>	<u>377,963</u>	<u>(1,108,330)</u>
EXTRAORDINARY ITEM				
Flood Disaster Loss	(795,304)			
Net Change in Fund Balances	(1,572,978)	(2)	(34,733)	(656,064)
Fund Balances, Beginning	<u>6,332,431</u>	<u>5,131</u>	<u>920,570</u>	<u>1,098,942</u>
Fund Balances, Ending	<u>\$ 4,759,453</u>	<u>\$ 5,129</u>	<u>\$ 885,837</u>	<u>\$ 442,878</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 258,432	\$ 10,335,051
19,046	473,981
	702,045
1,307,065	2,425,954
90,921	1,277,818
81,901	492,291
17,441	172,574
<u>1,774,806</u>	<u>15,879,714</u>
26,693	4,482,543
161,305	5,468,359
858,156	1,986,457
109,977	1,008,729
279,215	2,294,499
653,894	664,590
475,503	704,429
246,535	446,555
<u>2,811,278</u>	<u>17,056,161</u>
<u>(1,036,472)</u>	<u>(1,176,447)</u>
	-
1,337,841	1,944,538
(9,343)	(1,944,538)
<u>1,328,498</u>	<u>-</u>
	(795,304)
292,026	(1,971,751)
<u>1,733,156</u>	<u>10,090,230</u>
<u>\$ 2,025,182</u>	<u>\$ 8,118,479</u>

The accompanying notes are an integral part of this statement.

City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances-total governmental funds \$ (1,971,751)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$430,449 was less than depreciation expense of \$1,001,684 in the period. (571,235)

The net effect of disposals of capital assets is to decrease net assets. (7,163)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. 704,429

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. This is the change in accrued interest payable. 10,893

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This represents the change in compensated absences during the year. 101,270

In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the net change in deferred revenue and unearned revenue from the prior year. 294,360

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures. This represents the change in OPEB liability during the year. (75,215)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Costs of Issuance (12,520)
Other Long-term Debt Issuance (89,340)

Change in net assets of governmental activities \$ (1,616,272)

City of Capitola
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

ASSETS

Cash and Investments	\$ 35,952
Accounts Receivable	<u>43</u>
Total Assets	<u><u>35,995</u></u>

LIABILITIES

Due to Bondholders	<u>35,995</u>
Total Liabilities	<u><u>\$ 35,995</u></u>

The accompanying notes are an integral part of this statement.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	Summary of Significant Accounting Policies	22 - 27
II	Reconciliation of Government-Wide and Fund Financial Statements	27
III	Detailed Notes on All Funds	27 - 39
IV	Other Information	40 - 48

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The accompanying financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's basic financial statements. The City's component units which are described below are all blended.

The City Council serves in separate session as the governing bodies of the Capitola Redevelopment Agency and the Capitola Financing Authority, although these agencies are legal entities apart from the City.

The Capitola Redevelopment Agency and Capitola Financing Authority are included as component units in the accompanying financial statements. The financial activities of the foregoing entities have been aggregated and merged (termed "blending") with those of the City in the accompanying financial statements, as each meets the criteria for inclusion as set forth in Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB Statement No. 39.

The Capitola Redevelopment Agency was established in 1980 by the City Council to eliminate blight within the defined project areas by encouraging and assisting planned development of low income housing and commercial projects. The Capitola Financing Authority is a joint powers authority whose board of directors comprises the City's elected council. Both the Redevelopment Agency and the Capitola Financing Authority exist for the purpose of facilitating the City's capital financing program. Separate financial statements are prepared by the Capitola Redevelopment Agency and are available at City Hall. The Capitola Financing Authority does not prepare separate financial statements.

B) Government-Wide and Fund Financial Statements

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-Wide and Fund Financial Statements - Continued

Fund Financial Statements: Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The Agency funds are reporting only assets and liabilities under the accrual basis of accounting and have no measurement focus.

The City reports the following major governmental funds:

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund for the City.

Federal Home Loan Reuse Fund

This fund accounts for housing loan principal and interest payments that will be available for a similar future federal program.

RDA Low Income Housing Fund

This fund accounts for 20% of the Redevelopment Agency tax increment revenues that are set aside by state law, and the use of those revenues.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

RDA Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs in the RDA.

The City also reports the following fund type:

Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and/or other funds. The City maintains two Agency funds - Brookvale Assessment District and Auto Center Assessment District - as an agent for bondholders.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

D) Assets, Liabilities, and Net Assets or Equity

1) Cash and Investments

Investments are reported in the accompanying balance sheet at fair market value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair market value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair market value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to those funds that are required by law or administrative action to receive interest. Investment income is allocated on a monthly basis based on the cash balance in each fund.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

2) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Noncurrent portions of long-term interfund loan receivables are reported as advances and such amounts are offset equally by a fund balance reserve account that indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

California Constitution Article XIII A, limits the combined property tax rate to one percent of a property’s assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property’s fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year end. Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	July 1	July 1
Due Date(s)	November 1 (50%) February 1 (50%)	August 1
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

The City adopted an alternative method of property tax distribution (the “Teeter Plan”). Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the fiscal year. The secured property tax levy is recognized as revenue upon receipt including the final payment, which generally is received within 60 days after the fiscal year.

3) Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. City policy is to capitalize all tangible property with a useful life of two or more years and a cost or assigned valued exceeding \$5,000, with the exception of infrastructure valued at \$50,000 or more.

With the implementation of GASB Statement No. 34, the City recorded all its public domain (infrastructure) capital assets placed in service after June 30, 1980, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities, and Net Assets or Equity - Continued

3) Capital Assets - Continued

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over the estimated useful lives. Depreciation is provided using the straight line method which means the cost of the assets is divided by its expected useful life in years and the result is charged to expense each fiscal year until the assets are fully depreciated. The City has assigned the useful lives listed below to capital assets.

Structures and Improvements	50 years
Equipment	5 - 25 years
Infrastructure	15 - 50 years

4) Deferred Revenue

Revenues received, but not yet earned, are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements, e.g., grants, entitlements and shared revenue, the basis of accounting for such revenue is determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements, and shared revenues received earlier than the time established by the revenue recognition criteria are reported as deferred revenues.

Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are classified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues are recognized at the point in time when revenue is earned through performance or similar recognition standards.

5) Compensated Absences

In compliance with Governmental Accounting Standards Board Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental fund types, the current liability appears in the respective funds and the long-term liability appears in the government-wide financial statements.

This liability is set up for the current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balances of total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains “Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.” The details of this \$3,124,228 difference are as follows:

Loans Receivable	\$	2,900,163
Grants Receivable		222,650
Developer Fees		1,415
		3,124,228
	\$	3,124,228

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The composition of cash and investments as of June 30, 2011, by fund type is as follows:

	Available For Operations	Restricted	Total
General Fund	\$ 3,215,915	\$ -	\$ 3,215,915
Special Revenue Funds	1,657,171	-	1,657,171
Capital Projects Funds	1,372,898	-	1,372,898
Debt Service Funds	-	2,552,894	2,552,894
Fiduciary Funds	-	35,952	35,952
	\$ 6,245,984	\$ 2,588,846	\$ 8,834,830

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements:

Cash and Investments	\$ 8,798,878
Total City Cash and Investments	<u>8,798,878</u>
Cash and Investments	<u>35,952</u>
Total Cash and Investments in Fiduciary Fund (separate statement)	35,952
Total Cash and Investments	<u><u>\$ 8,834,830</u></u>

Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills	5 years	60%	None
Negotiable Certificates of Deposit	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Guaranteed Investment Contracts	15 months	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rates risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk - Continued

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool – LAIF	\$ 4,773,802	\$ 4,773,802	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
State Investment Pool - LAIF	\$ 4,773,802	N/A	\$ -	\$ -	\$ -	\$ 4,773,802

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Custodial Credit Risk - Continued

None of the City's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

B) Interfund Receivables, Payables and Transfers

Due to/from other funds at June 30, 2011 is as follows:

		DUE FROM	
		Non-Major Funds	Total
DUE	General Fund	\$ 53,157	\$ 53,157
TO	Total	\$ 53,157	\$ 53,157

The interfund payable balances represent routine and temporary cash flow assistance from and to the General Fund until the amounts receivable from other agencies are collected to reimburse eligible expenditures.

Advances to/from other funds at June 30, 2011 are as follows:

		ADVANCES TO	
		Debt Service Fund	Total
ADVANCES	General Fund	\$ 1,968,028	\$ 1,968,028
FROM	Total	\$ 1,968,028	\$ 1,968,028

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2011, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2011, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution that credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Interfund transfers for the year ended June 30, 2011 are as follows:

		TRANSFERS IN			Total
		General Fund	RDA Low Income Fund	Other Governmental Funds	
TRANSFERS OUT	General Fund	\$ -	\$ -	\$ 841,597	\$ 841,597
	RDA Debt Service Fund	-	490,330	618,000	1,108,330
	RDA Low Income Fund	112,367	-	-	112,367
	Other Governmental Funds	4,000	-	5,343	9,343
Total		<u>\$ 116,367</u>	<u>\$ 490,330</u>	<u>\$ 1,464,940</u>	<u>\$ 2,071,637</u>

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

Transfers to the RDA Low Income Housing Fund totaled \$490,330 and were made from the RDA Debt Service Fund. The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Project Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

Transfers to the Non-Major Funds of \$841,597 and \$618,000 were made from the General Fund and RDA Debt Service Fund, respectively. The transfers were for debt service on the 2007 POB Bonds and construction on capital facilities.

Transfer to the General Fund of \$112,367 from the RDA Low Income Housing Fund was to reimburse the City for administrative costs.

C) Housing and Community Development Loan Program

The City uses Federal Home Loan Reuse, Housing and CDBG Program Income funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low and moderate income persons to improve or rehabilitate residences. The City accounts for this program in the Special Revenue Funds. Rehabilitation loans receivable of \$4,080,220 at June 30, 2011 have been reflected in the accompanying financial statements as loans receivable with an offsetting deferred revenue in the fund financial statements.

D) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 4,883,789	\$	\$	\$ 4,883,789
Construction in Progress	871,212	408,190	(777,486)	501,916
Total Capital Assets Not Depreciated	<u>5,755,001</u>	<u>408,190</u>	<u>(777,486)</u>	<u>5,385,705</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,256,481			3,256,481
Equipment	2,948,211	26,605	(14,569)	2,960,247
Infrastructure	23,372,225	773,140		24,145,365
Total Capital Assets Being Depreciated	<u>29,576,917</u>	<u>799,745</u>	<u>(14,569)</u>	<u>30,362,093</u>
Less Accumulated Depreciation	(18,664,524)	(1,001,684)	7,406	(19,658,802)
Net Capital Assets Being Depreciated	<u>10,912,393</u>	<u>(201,939)</u>	<u>(7,163)</u>	<u>10,703,291</u>
Net Capital Assets	<u>\$ 16,667,394</u>	<u>\$ 206,251</u>	<u>\$ (784,649)</u>	<u>\$ 16,088,996</u>

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets - Continued

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:	
General Government	\$ 872,096
Public Safety	55,993
Cultural and Recreation	36,292
Transportation	<u>37,303</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 1,001,684</u></u>

E) Long-Term Debt

2007 Pension Obligation Bonds

In July of 2007, the City issued \$5,040,000 of Pension Obligation Bonds in order to pre-fund a portion of the PERS Side Fund liability as determined by PERS for the City’s Safety and Miscellaneous Plans. Payments of interest are payable semi-annually on August 1 and February 1 of each year with a stated interest rate of 6.010%. The Bonds mature through August 1, 2017. The bonds are payable from any source of legally available funds of the City, including amounts on deposit in the General Fund.

The debt-service maturity schedule for the Pension Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 455,000	\$ 216,510	\$ 671,510
2013	485,000	188,263	673,263
2014	515,000	158,213	673,213
2015	545,000	126,360	671,360
2016	575,000	92,704	667,704
2017	610,000	57,095	667,095
2018	<u>645,000</u>	<u>19,382</u>	<u>664,382</u>
Total	<u><u>\$ 3,830,000</u></u>	<u><u>\$ 858,527</u></u>	<u><u>\$ 4,688,527</u></u>

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Capital Leases Payable

In the 2007-08 fiscal year, the City entered into a Lease Purchase Agreement to lease a Street Sweeper from First Municipal Leasing Corporation for \$165,450. The equipment's net book value included in capital assets in the statement of net assets at June 30, 2011 totaled \$125,926. Principal and interest payments with a rate of 4.20% are due annually on October 10 until maturity in 2011.

The lease payments for the Street Sweeper Capital Lease are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 35,210	\$ 1,479	\$ 36,689
Total	\$ 35,210	\$ 1,479	\$ 36,689

Notes Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principal to be fully prepaid without premium by the Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration date of September 29, 2014. Interest is 4.75% (\$47,500/year) payable semiannually on March 29 and September 29.

During the 2005-06 fiscal year, the City entered into an energy conservation assistance account loan agreement with the California Energy Resources Conservation and Development Commission (the "Commission"), which provided for a maximum loan of \$40,000, at an interest rate of 4.5 percent per annum. Principal, together with interest thereon, is due and payable in semiannual installments of \$3,548 beginning December 2006. The balance at June 30, 2011 was \$3,470.

The following is a summary of principal and interest to be paid on the notes payable in future years:

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 3,470	\$ 47,578
2013	-	47,500
2014	1,000,000	47,500
	\$ 1,003,470	\$ 142,578

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Compensated Absences

Governmental Accounting Standards Board Statement No. 16 identifies certain items that should be accrued as a liability as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.

City employees accumulate earned but unused benefits that can be converted to cash at termination of employment. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, totals \$651,007 as of June 30, 2011.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the Agency pays a portion of its tax increment revenues to other jurisdictions whose revenue and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions which called for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2011 \$ 66,026

County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Redevelopment Agency Pass-Through Agreements - Continued

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

The Agency may prefund any portion of the obligation at any time. "Prefund" means to provide the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2011 is \$1,563,234.

A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

<u>Fiscal Year</u>	<u>Total Amount of Agency Assistance Obligation</u>	<u>Minimum Scheduled Payment Amount</u>
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,000	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640

Debt service payments for debt existing at fiscal year end are generally made from the following sources:

Pension Obligation Bonds - General fund revenues.

Notes Payable - General fund revenues and RDA tax increment.

Redevelopment Agency Pass-Throughs - Tax increment revenues of the Redevelopment Agency.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

Changes in Long-Term Debt

Following is a summary changes in long-term debt during the 2010-2011 fiscal year:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2007 POB	\$ 4,265,000	\$ -	\$ 435,000	\$ 3,830,000	\$ 455,000
Capital Leases Payable	69,001	-	33,791	35,210	35,210
Notes Payable	1,010,182	-	6,712	1,003,470	3,470
Compensated Absences	752,277	68,355	169,625	651,007	65,000
Net OPEB Obligation	149,108	75,215	-	224,323	-
RDA Pass-Throughs	1,768,846	89,340	228,926	1,629,260	245,528
Totals	<u>\$ 8,014,414</u>	<u>\$ 232,910</u>	<u>\$ 874,054</u>	<u>\$ 7,373,270</u>	<u>\$ 804,208</u>

F) Net Assets and Fund Balances

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

1) Net Assets

Net assets are the excess of all the City's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level and for fiduciary funds and are described below:

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of net assets which is not restricted to use.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

III) DETAILED NOTES ON ALL FUNDS – Continued

F) Net Assets and Fund Balances - Continued

2) Fund Balances

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts constrained for a specific purpose by City Council action. It would require the same action by City Council to remove the constraint.

Assigned Fund Balance - Amounts remaining for all governmental funds other than the General Fund that are not classified as nonspendable, restricted or committed. For the General Fund, amounts constrained for the intent to be used for a specific purpose by the delegated official to assign fund balance. The City's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the Finance Director.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances. For all funds other than the General Fund, amounts expended in excess of resources that are nonspendable, restricted, committed, or assigned.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

III) DETAILED NOTES ON ALL FUNDS – Continued

F) Net Assets and Fund Balances - Continued

2) Fund Balances - Continued

The details of the fund balances as of June 30, 2011 are presented below:

	<u>General Fund</u>	<u>Federal Home Loan Reuse</u>	<u>RDA Low Income Housing</u>	<u>RDA Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances						
Nonspendable:						
Prepays	\$ 5,519	\$	\$	\$ 108,700	\$	\$ 114,219
Advances to Other Funds	1,968,028					1,968,028
Restricted for:						
Transportation					2,079	2,079
Public Safety					9,932	9,932
Community Development		5,129	885,837		365,105	1,256,071
Debt Service Reserve					252,932	252,932
Culture and Recreation					184,327	184,327
Committed to:						
-						
Assigned to:						
Debt Service				334,178		334,178
Other Capital Projects					1,230,314	1,230,314
Unassigned:	<u>2,785,906</u>				<u>(19,507)</u>	<u>2,766,399</u>
Total Fund Balance	<u>\$ 4,759,453</u>	<u>\$ 5,129</u>	<u>\$ 885,837</u>	<u>\$ 442,878</u>	<u>\$ 2,025,182</u>	<u>\$ 8,118,479</u>

G) Deficit Fund Equity

The following non-major funds had a deficit fund balance at June 30, 2011:

CDBG	\$ 4,067
CDBG Program Income	\$ 15,440

These deficits are expected to be reduced by future revenue or transfer from other funds.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

IV) OTHER INFORMATION

A) Risk Management

The City participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

B) Joint Ventures

Santa Cruz Consolidated Emergency Communications Center

The City is a member of the Santa Cruz Consolidated Emergency Communications Center, a Joint Powers Authority created to establish and operate a consolidated communications center which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Santa Cruz and Watsonville, and the County of Santa Cruz. The members, including the City of Capitola, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 495 Upper Park Rd, Santa Cruz, CA 95065.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

B) Joint Ventures - Continued

In addition, the Authority and member agencies have entered into a Use Agreement relating to the issuance of the Authority's Santa Cruz County Public Financing Authority 2002 Lease Revenue Refunding Bonds, Series A, in the aggregate principal amount of \$5,760,000. The Agreement obligates the member agencies to pay use payments each year as rental for the use and occupancy of the related facilities.

The following represents the City of Capitola's obligation for future use payments:

<u>Fiscal Year Ending June 30,</u>	<u>Annual Use Payment</u>
2012	\$ 36,822
2013	37,348
2014	36,879
2015	35,574
2016	36,979
2017-2021	185,289
2022-2024	110,540

Other Activities

The City participates in other joint activities for the provisions of law enforcement activities, including the Santa Cruz County Narcotics Enforcement Team (SCCNET) and the Criminal Justice Council. None of these activities are conducted as a separate legal entity; therefore, they are not joint ventures, but are cost-sharing arrangements only. No separate financial statements are prepared for these activities, nor is the City exposed to risk of additional costs beyond reimbursement of its share of on-going operating costs.

C) City's Employees' Retirement Plan

Public Employee's Retirement System

Plan Description

The City of Capitola contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The contract offers a "2.5% at 55" plan for Miscellaneous Plan members and "3% at 50" plan for Safety Plan Members. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814. The City of Capitola Miscellaneous Plan converted to 2.5% at 55, effective December 30, 2007.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Employee's Retirement System - Continued

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary. The City of Capitola pays the member contributions for both the Miscellaneous Plan and the Safety Plan: 7% and 9% respectively. The actual rate for the Miscellaneous Plan is 8%, of which the City pays for 7%, and the employees pay for 1%. The City of Capitola is required to make an additional contribution at an actuarially determined rate. The required employer contribution rates for the fiscal year 2010-11 were 11.089% for the Miscellaneous Plan members and 19.094% for Safety Plan members. The contribution requirements for plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Three Year Trend Information for the City of Capitola Miscellaneous Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/09	\$ 286,734	100%
06/30/10	\$ 384,507	100%
06/30/11	\$ 430,383	100%

Three Year Trend Information for the City of Capitola Safety Employees' Retirement Plan

Fiscal Year	Required Contributions	Percentage Contributed
06/30/09	\$ 392,074	100%
06/30/10	\$ 383,836	100%
06/30/11	\$ 405,773	100%

Public Agency Retirement System

Overview

The Federal Omnibus Budget Reconciliation Act of 1990 (FOBRA 90), mandated that all public sector employees not covered by their employers' existing retirement system(s) as of January 1, 1992, be covered by Social Security or an alternate plan. The City has provided these employees with a plan called The Public Agency Retirement System, which qualifies under Internal Revenue Code Sections 401(a) and 501.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

C) City's Employees' Retirement Plan - Continued

Public Agency Retirement System - Continued

Plan Description

The Public Agency Retirement System (PARS) is a defined contribution plan covering part-time, temporary or seasonal employees and all employees not covered by another retirement plan. The Plan is sponsored and paid for by employees and employer contributions. Members are 100% vested. Benefits are paid to the members in lump sum payments at termination, or if payment is in excess of \$3,500, the employee has the option of a lump sum payment at termination or at normal retirement age (60).

The City has the right to terminate or amend the Plan at any time.

Contributions

A total annual contribution of 7.5% of covered earnings is contributed to the PARS account for each eligible employee. The City of Capitola contributes 1.3% and the employee contributes 6.2%. During the fiscal year 2010-11 contributions totaled \$29,314: \$4,282 by the City and \$25,032 by employees. The City acts as administrator, with a trustee managing the investments and accounts. Fees are charged by the trustee and are paid from member earnings. Employer liabilities under the Plan are limited to the amount of the current contributions.

The City's contribution for fiscal year 2010-11 differs from the contribution totals provided by PARS in the following table because PARS reports on a calendar year, rather than a fiscal year basis.

Plan Net Assets and Changes in Net Assets

Balance 1/1/10	\$	74,005
Contributions		27,732
Earnings		1,156
Subtotal		102,893
Less: Expenses		(4,694)
Disbursements		(27,235)
Balance 12/31/10	\$	70,964

D) Post Employment Benefits

Plan Description

The City's defined benefit postemployment healthcare plan, (City of Capitola Retiree Healthcare Plan, CRHP), provides medical benefits to eligible retired City employees and spouses. CRHP is an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Plan Description - Continued

well as other requirements is established by State statute within the Public Employees' Retirement Law. CRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City contributes the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum.

The City is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 2.1% of the annual covered payroll. The City Council, through resolution, determined the City will make contributions on the "pay-as-you-go" method, making contributions to the plan at about the same time and in about the same amount as benefit payments and expenses become due.

Annual OPEB Cost

The City's annual OPEB cost, net OPEB obligation (asset) and the related information for 2011 were as follows:

Annual Required Contribution	\$ 99,497
Interest on Net Pension Obligation (Asset)	6,710
Adjustment to Annual Required Contribution	(6,517)
Annual OPEB Cost	<u>99,690</u>
Contributions Made	(24,475)
Pension Asset Amortization	-
Increase (Decrease) in Net Pension Obligation (Asset)	<u>75,215</u>
Net Pension Obligation (Asset) Beginning of Year	149,108
Net Pension Obligation (Asset) End of Year	<u><u>\$ 224,323</u></u>

For 2011, the City's annual OPEB cost (expense) of \$99,690 for CRHP was greater than the ARC by \$193. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

THREE-YEAR TREND INFORMATION FOR CRHP					
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation		
6/30/11	\$ 99,690	24.5%	\$ 224,323		
6/30/10	\$ 93,339	18.5%	\$ 149,108		
6/30/09	\$ 87,219	16.3%	\$ 72,996		

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

Actuarial Accrued Liability (AAL)	\$	1,006,369
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	1,006,369
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	4,686,029
UAAL as a Percentage of Covered Payroll		21.48%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Actuarial Methods and Assumptions - Continued

The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years as of the Valuation Date, Open Period
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increase	3.25%
Health Care Trend Rate	10.00%

E) Commitments and Contingent Liabilities

Claims and lawsuits have been filed against the City in the normal course of business. The outcome of these matters is not presently determinable. However, in the opinion of management, the resolution of these matters is not expected to have a significant impact on the financial condition of the City.

During the 2010-11 fiscal year, the Redevelopment Agency entered into an agreement with a developer committing \$1.0 million to help fund various improvements as part of the redevelopment of the Capitola Mall. As of June 30, 2011, no funds had been expended on this project.

Other Contingencies

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Capitola intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

IV) OTHER INFORMATION - Continued

E) Commitments and Contingent Liabilities - Continued

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 22, 2011, City of Capitola Ordinance No. 962 was adopted indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$798,547 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$189,398 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

**City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011**

IV) OTHER INFORMATION - Continued

E) Commitments and Contingent Liabilities - Continued

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012 and for a period shortly thereafter. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to redevelopment agencies ability to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

F) Extraordinary Item

In March 2011, flooding in the City caused failure of a major storm drain; the village, businesses, and residents, as well as the Capitola Police Department in the City Hall complex, suffered major damage as a result. The Flood Disaster Loss in the amount of \$795,304 is for repairs from flood damage. This is reported as an extraordinary item in the Statement of Revenues, Expenditures, and Changes in Fund Balances in the General Fund and the Statement of Activities.

G) Restatement of Fund Balances

Fund balances in the funds below were restated as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The beginning fund balances of Governmental Funds were restated as follows:

	General Fund	Other Governmental Funds
Fund Balances, as Previously Reported	\$ 6,253,782	\$ 1,811,805
Restatements:		
Changes to fund balance resulting from the Implementation of GASB 54	78,649	(78,649)
Fund Balances, as restated	\$ 6,332,431	\$ 1,733,156

H) Subsequent Event

Subsequent to June 30, 2011, the Redevelopment Agency loaned \$1.0 million to a non-profit agency to acquire a mobile home park. The agreement with the non-profit agency provides for additional funding of \$100,000/year for a ten-year period to provide rental assistance and infrastructure rehabilitation.

REQUIRED SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Funding Progress for CRHP
Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
07/01/11	\$ -	\$ 1,006,309	\$ 1,006,369	0%	\$ 4,686,029	21.48%
07/01/08	\$ -	\$ 1,043,809	\$ 1,043,809	0%	\$ 3,125,748	33.34%

*GASB 45 was implemented prospectively in fiscal year 2009. There were no previous actuarial valuations.

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,811,991	\$ 7,759,291	\$ 7,624,970	\$ (134,321)
Licenses & Permits	509,000	511,500	454,935	(56,565)
Fines & Forfeitures	859,000	819,000	702,045	(116,955)
Intergovernmental	1,258,700	1,138,880	1,118,889	(19,991)
Charges for Services	1,486,200	1,457,200	1,186,897	(270,303)
Use of Money and Property	414,800	400,100	384,744	(15,356)
Other Revenue	115,500	124,600	155,133	30,533
Total Revenues	<u>12,455,191</u>	<u>12,210,571</u>	<u>11,627,613</u>	<u>(582,958)</u>
EXPENDITURES				
Current:				
General Government	2,791,411	3,145,861	2,874,417	271,444
Public Safety	5,786,599	5,696,394	5,307,054	389,340
Community Development	713,274	747,085	700,953	46,132
Culture and Recreation	965,763	985,048	898,752	86,296
Transportation	2,044,053	2,101,332	2,015,284	86,048
Capital Outlay	100,000		10,696	(10,696)
Total Expenditures	<u>12,401,100</u>	<u>12,675,720</u>	<u>11,807,156</u>	<u>868,564</u>
Excess (Deficiency) of Revenues over Expenditures	<u>54,091</u>	<u>(465,149)</u>	<u>(179,543)</u>	<u>285,606</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		4,000	116,367	112,367
Transfers Out	(1,080,000)	(864,500)	(714,498)	150,002
Total Other Financing Sources (Uses)	<u>(1,080,000)</u>	<u>(860,500)</u>	<u>(598,131)</u>	<u>262,369</u>
EXTRAORDINARY ITEM				
Flood Disaster Loss	-	-	(795,304)	(795,304)
Net Change in Fund Balances	(1,025,909)	(1,325,649)	(1,572,978)	(247,329)
Fund Balances, Beginning	<u>6,332,431</u>	<u>6,332,431</u>	<u>6,332,431</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 5,306,522</u>	<u>\$ 5,006,782</u>	<u>\$ 4,759,453</u>	<u>\$ (247,329)</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Federal Home Loan Reuse Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$ 12,300	\$ 12,300	\$ 12,303	\$ 3
Total Revenues	12,300	12,300	12,303	3
EXPENDITURES				
Current:				
Community Development			12,305	(12,305)
Total Expenditures	-	-	12,305	(12,305)
Excess (Deficiency) of Revenues over Expenditures	12,300	12,300	(2)	(12,302)
Fund Balances, Beginning	5,131	5,131	5,131	-
Fund Balances, Ending	\$ 17,431	\$ 17,431	\$ 5,129	\$ (12,302)

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$	\$	\$ 2,347	\$ 2,347
Total Revenues	-	-	2,347	2,347
EXPENDITURES				
Current:				
Community and Development	458,700	465,852	415,043	50,809
Total Expenditures	458,700	465,852	415,043	50,809
Excess (Deficiency) of Revenues over Expenditures	(458,700)	(465,852)	(412,696)	53,156
OTHER FINANCING SOURCES (USES)				
Transfers In	463,400	463,400	490,330	26,930
Transfer Out		(730,000)	(112,367)	617,633
Total Other Financing Sources (Uses)	463,400	(266,600)	377,963	644,563
Net Change in Fund Balance	4,700	(732,452)	(34,733)	697,719
Fund Balance, Beginning	920,570	920,570	920,570	-
Fund Balance, Ending	\$ 925,270	\$ 188,118	\$ 885,837	\$ 697,719

City of Capitola
Notes to Required Supplementary Information
Year Ended June 30, 2011

BUDGETS AND BUDGETARY ACCOUNTING

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City’s budget ordinance requires that in April of each fiscal year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the following fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within each fund can be made by the City Manager. Budget modifications between funds, increases or decreases to a fund’s overall budget, transfers between general fund departments or transfers that affect capital projects must be approved by the City Council or Agency Board. Numerous properly authorized amendments are made during the fiscal year. Appropriations lapse at fiscal year end.

Budgetary control is enhanced by integrating the budget into the general ledger. Encumbrance accounting is employed (e.g., purchase orders) to avoid over-expenditure. Encumbrances outstanding at fiscal year end are automatically rebudgeted in the following fiscal year, unless specifically cancelled by Council action. Per Capitola Municipal Code 3.20.060.C: “The appropriation for the uncompleted balance of executory contracts should not lapse at year-end, but is automatically appropriated for the succeeding fiscal year unless specifically cancelled by council action.”

Excess of expenditures over appropriations in individual funds are as follows:

<u>Major Funds</u>	<u>Excess Expenditures</u>
Federal Home Loan Reuse Fund	\$ 12,305

The above excess expenditures were funded by available fund balances and revenues in excess of budgeted amounts.

SUPPLEMENTARY INFORMATION

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,316,800	\$ 2,316,800	\$ 2,451,649	\$ 134,849
Use of Money and Property			10,996	10,996
Total Revenues	<u>2,316,800</u>	<u>2,316,800</u>	<u>2,462,645</u>	<u>145,845</u>
EXPENDITURES				
Current:				
General Government	1,721,200	1,640,504	1,581,433	59,071
Capital Outlay	25,000	25,000		25,000
Debt Service:				
Principal	228,900	228,900	228,926	(26)
Interest and Fiscal Charges	200,000	200,000	200,020	(20)
Total Expenditures	<u>2,175,100</u>	<u>2,094,404</u>	<u>2,010,379</u>	<u>84,025</u>
Excess (Deficiency) of Revenues over Expenditures	<u>141,700</u>	<u>222,396</u>	<u>452,266</u>	<u>229,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(463,400)</u>	<u>(3,492,470)</u>	<u>(1,108,330)</u>	<u>2,384,140</u>
Total Other Financing Sources (Uses)	<u>(463,400)</u>	<u>(3,492,470)</u>	<u>(1,108,330)</u>	<u>2,384,140</u>
Net Change in Fund Balance	(321,700)	(3,270,074)	(656,064)	2,614,010
Fund Balance, Beginning	<u>1,098,942</u>	<u>1,098,942</u>	<u>1,098,942</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 777,242</u>	<u>\$ (2,171,132)</u>	<u>\$ 442,878</u>	<u>\$ 2,614,010</u>

City of Capitola Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Supplemental Law Enforcement Fund - This fund account for the receipt and expenditure of Supplemental Law Enforcement revenues provided by the State of California.

Gas Tax Fund - Accounts for receipts and expenditures of gasoline tax revenues as provided by State law.

Wharf Fund - In accordance with the State law and contractual commitments, this fund accounts for wharf operating revenues and expenditures.

Development Fees Fund - Account for receipts and expenditures of fees assessed on development to alleviate the impact of traffic problems due to that development.

Technology Fees Fund - Accounts for revenues received from technology fees to be used for new permit processing program.

PEG Cable TV Access Fee Fund - Accounts for Public Education and Government (PEG) Cable TV access fees.

Capitola Village and Wharf BIA Fund - Accounts for the receipt and expenditure of assessments for the Business Improvement Area.

Community Development Block Grants Fund - Accounts for housing loans receivable under federal housing programs.

CDBG Program Income - Accounts for housing loan principal and interest repayments for the Community Development Block Grant (CDBG) Program.

HOME Grant Fund - Accounts for the revenues and expenditures for the CalHOME grant to assist with affordable housing within the City.

Affordable Housing Fund - Accounts for the creation of new affordable housing and rehabilitation of existing affordable housing.

BEGIN Grant Fund - Accounts for receipts and expenditures of the Building Equity and Growth in Neighborhoods (BEGIN) grant.

DEBT SERVICE FUNDS

2007 POB Debt Service Fund - Accounts for the accumulation of resources for, and payment of long-term debt principal and interest related to the 2007 Pension Obligation Bonds.

CAPITAL PROJECTS FUNDS

Capital Projects Fund - Accounts for financial resources segregated for the acquisition of major capital facilities and equipment by the City.

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**City of Capitola
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011**

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	Technology Fees
ASSETS					
Cash and Investments	\$ 1,093	\$	\$ 53,585	\$	\$ 11,288
Accounts Receivable	17,963			3,441	
Due from Other Governments	10,936	35,440			
Loans Receivable					
Total Assets	\$ 29,992	\$ 35,440	\$ 53,585	\$ 3,441	\$ 11,288
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 572	\$ 12,011	\$ 2,123	\$	\$
Accrued Liabilities	5,153		4,048		
Deferred Revenue				1,415	
Due to Other Funds	14,335	23,376			
Deposits Payable			1,000		
Total Liabilities	20,060	35,387	7,171	1,415	-
Fund Balances:					
Restricted	9,932	53	46,414	2,026	11,288
Assigned					
Unassigned					
Total Fund Balances	9,932	53	46,414	2,026	11,288
Total Liabilities and Fund Balances	\$ 29,992	\$ 35,440	\$ 53,585	\$ 3,441	\$ 11,288

PEG Cable TV Access	Capitola Village and Wharf BIA	CDBG	CDBG Program Income	HOME Grant	Affordable Housing	BEGIN Grant
\$ 86,527 98 4,671	\$ 393 5,649	\$ 10,517 11,800 9,297	\$ 6 165,614	\$ 5,230	\$ 343,756 19,328	\$ 60,000
<u>\$ 91,296</u>	<u>\$ 6,042</u>	<u>\$ 31,614</u>	<u>\$ 165,620</u>	<u>\$ 5,230</u>	<u>\$ 363,084</u>	<u>\$ 60,000</u>
\$ 13,360	\$ 587	\$ 35,681	\$ 165,614 15,446	\$ -	\$ 624 19,328	\$ 23
<u>13,360</u>	<u>587</u>	<u>35,681</u>	<u>181,060</u>	<u>-</u>	<u>19,952</u>	<u>23</u>
77,936	5,455	(4,067)	(15,440)	5,230	343,132	59,977
<u>77,936</u>	<u>5,455</u>	<u>(4,067)</u>	<u>(15,440)</u>	<u>5,230</u>	<u>343,132</u>	<u>59,977</u>
<u>\$ 91,296</u>	<u>\$ 6,042</u>	<u>\$ 31,614</u>	<u>\$ 165,620</u>	<u>\$ 5,230</u>	<u>\$ 363,084</u>	<u>\$ 60,000</u>

Continued

City of Capitola
Combining Balance Sheet - Continued
Non-Major Governmental Funds
June 30, 2011

	2007 POB Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 255,229	\$ 1,372,898	\$ 2,200,516
Accounts Receivable			58,285
Due from Other Governments			60,344
Loans Receivable			165,614
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 255,229</u>	<u>\$ 1,372,898</u>	<u>\$ 2,484,759</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$	\$ 142,584	\$ 207,565
Accrued Liabilities	2,297		11,498
Deferred Revenue			186,357
Due to Other Funds			53,157
Deposits Payable			1,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,297</u>	<u>142,584</u>	<u>459,577</u>
Fund Balances:			
Restricted	252,932		814,375
Assigned		1,230,314	1,230,314
Unassigned			(19,507)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>252,932</u>	<u>1,230,314</u>	<u>2,025,182</u>
Total Liabilities and Fund Balances	<u>\$ 255,229</u>	<u>\$ 1,372,898</u>	<u>\$ 2,484,759</u>

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City of Capitola
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2011

	Special Revenue				
	Supplemental Law Enforcement	Gas Tax	Wharf	Development Fees	Technology Fees
REVENUES					
Taxes	\$	\$ 258,432	\$	\$	\$
Licenses and Permits					
Intergovernmental	170,283				
Charges for Services					7,386
Use of Money and Property		41	81,301		
Other Revenue				3,441	
Total Revenues	<u>170,283</u>	<u>258,473</u>	<u>81,301</u>	<u>3,441</u>	<u>7,386</u>
EXPENDITURES					
Current:					
General Government					
Public Safety	161,305				
Community Development					
Culture and Recreation			72,998		
Transportation		279,215			
Capital Outlay					
Debt Service:					
Principal		40,503			
Interest & Fiscal Charges		3,283			
Total Expenditures	<u>161,305</u>	<u>323,001</u>	<u>72,998</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,978</u>	<u>(64,528)</u>	<u>8,303</u>	<u>3,441</u>	<u>7,386</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,978	(64,528)	8,303	3,441	7,386
Fund Balances, Beginning	<u>954</u>	<u>64,581</u>	<u>38,111</u>	<u>(1,415)</u>	<u>3,902</u>
Fund Balances, Ending	<u>\$ 9,932</u>	<u>\$ 53</u>	<u>\$ 46,414</u>	<u>\$ 2,026</u>	<u>\$ 11,288</u>

PEG Cable TV Access	Capitola Village and Wharf BIA	CDBG	CDBG Program Income	HOME Grant	Affordable Housing	BEGIN Grant
\$ 19,046	\$	\$	\$	\$	\$	\$
		9,297		706,266	3,123	
396	70,335 137		26		14,000	
19,442	70,472	9,297	26	706,266	17,123	-
24,373						23
	72,454	47,411	2,980	693,515	41,796	
24,373	72,454	47,411	2,980	693,515	41,796	23
(4,931)	(1,982)	(38,114)	(2,954)	12,751	(24,673)	(23)
			5,343 (5,343)			
-	-	-	-	-	-	-
(4,931)	(1,982)	(38,114)	(2,954)	12,751	(24,673)	(23)
82,867	7,437	34,047	(12,486)	(7,521)	367,805	60,000
\$ 77,936	\$ 5,455	\$ (4,067)	\$ (15,440)	\$ 5,230	\$ 343,132	\$ 59,977

Continued

City of Capitola
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued
Non-Major Governmental Funds
Year Ended June 30, 2011

	2007 POB Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$	\$	\$ 258,432
Licenses and Permits			19,046
Intergovernmental		421,219	1,307,065
Charges for Services		10,077	90,921
Use of Money and Property			81,901
Other Revenue			17,441
			<u>17,441</u>
Total Revenues	-	431,296	1,774,806
EXPENDITURES			
Current:			
General Government	1,500	797	26,693
Public Safety			161,305
Community Development			858,156
Culture and Recreation		36,979	109,977
Transportation			279,215
Capital Outlay		653,894	653,894
Debt Service:			
Principal	435,000		475,503
Interest & Fiscal Charges	243,252		246,535
			<u>246,535</u>
Total Expenditures	679,752	691,670	2,811,278
			<u>2,811,278</u>
Excess (Deficiency) of Revenues Over Expenditures	(679,752)	(260,374)	(1,036,472)
			<u>(1,036,472)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	464,498	868,000	1,337,841
Transfers Out		(4,000)	(9,343)
			<u>(9,343)</u>
Total Other Financing Sources (Uses)	464,498	864,000	1,328,498
			<u>1,328,498</u>
Net Change in Fund Balances	(215,254)	603,626	292,026
Fund Balances, Beginning	468,186	626,688	1,733,156
			<u>1,733,156</u>
Fund Balances, Ending	\$ 252,932	\$ 1,230,314	\$ 2,025,182
			<u>\$ 2,025,182</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Supplemental Law Enforcement Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 169,400	\$ 169,400	\$ 170,283	\$ 883
Use of Money and Property	100	100		(100)
Total Revenues	<u>169,500</u>	<u>169,500</u>	<u>170,283</u>	<u>783</u>
EXPENDITURES				
Current:				
Public Safety	<u>169,400</u>	<u>169,400</u>	<u>161,305</u>	<u>8,095</u>
Total Expenditures	<u>169,400</u>	<u>169,400</u>	<u>161,305</u>	<u>8,095</u>
Excess (Deficiency) of Revenues over Expenditures	100	100	8,978	8,878
Fund Balance, Beginning	<u>954</u>	<u>954</u>	<u>954</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,054</u></u>	<u><u>\$ 1,054</u></u>	<u><u>\$ 9,932</u></u>	<u><u>\$ 8,878</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Gas Tax Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 278,800	\$ 278,800	\$ 258,432	\$ (20,368)
Use of Money and Property	400	400	41	(359)
Total Revenues	<u>279,200</u>	<u>279,200</u>	<u>258,473</u>	<u>(20,727)</u>
EXPENDITURES				
Current:				
Transportation	237,100	292,362	279,215	13,147
Capital Outlay	37,000	37,000		37,000
Debt Service:				
Principal			40,503	(40,503)
Interest & Fiscal Charges			3,283	(3,283)
Total Expenditures	<u>274,100</u>	<u>329,362</u>	<u>323,001</u>	<u>6,361</u>
Excess (Deficiency) of Revenues over Expenditures	5,100	(50,162)	(64,528)	(14,366)
Fund Balance, Beginning	<u>64,581</u>	<u>64,581</u>	<u>64,581</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 69,681</u></u>	<u><u>\$ 14,419</u></u>	<u><u>\$ 53</u></u>	<u><u>\$ (14,366)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Wharf Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of Money and Property	\$ 73,000	\$ 73,000	\$ 81,301	\$ 8,301
Other Revenue	1,000	1,000		(1,000)
Total Revenues	<u>74,000</u>	<u>74,000</u>	<u>81,301</u>	<u>7,301</u>
EXPENDITURES				
Current:				
Culture and Recreation	120,000	120,000	72,998	47,002
Capital Outlay	<u>73,000</u>	<u>73,000</u>		<u>73,000</u>
Total Expenditures	<u>193,000</u>	<u>193,000</u>	<u>72,998</u>	<u>120,002</u>
Excess (Deficiency) of Revenues over Expenditures	(119,000)	(119,000)	8,303	127,303
Fund Balance, Beginning	<u>38,111</u>	<u>38,111</u>	<u>38,111</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ (80,889)</u></u>	<u><u>\$ (80,889)</u></u>	<u><u>\$ 46,414</u></u>	<u><u>\$ 127,303</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Fees Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Revenue	\$ 10,000	\$ 10,000	\$ 3,441	\$ (6,559)
Total Revenues	10,000	10,000	3,441	(6,559)
EXPENDITURES				
Current:				
Community Development				-
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	10,000	10,000	3,441	(6,559)
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	10,000	10,000	3,441	(6,559)
Fund Balance, Beginning	(1,415)	(1,415)	(1,415)	-
Fund Balance, Ending	\$ 8,585	\$ 8,585	\$ 2,026	\$ (6,559)

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Technology Fees Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 1,000	\$ 1,000	\$ 7,386	\$ 6,386
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>7,386</u>	<u>6,386</u>
EXPENDITURES				
Current:				
Transportation				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	1,000	1,000	7,386	6,386
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,000	1,000	7,386	6,386
Fund Balance, Beginning	<u>3,902</u>	<u>3,902</u>	<u>3,902</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 4,902</u>	<u>\$ 4,902</u>	<u>\$ 11,288</u>	<u>\$ 6,386</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - PEG Cable TV Access Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and Permits	\$ 19,500	\$ 19,500	\$ 19,046	\$ (454)
Use of Money and Property	600	600	396	(204)
Total Revenues	<u>20,100</u>	<u>20,100</u>	<u>19,442</u>	<u>(658)</u>
EXPENDITURES				
Current:				
General Government	<u>24,500</u>	<u>24,500</u>	<u>24,373</u>	<u>127</u>
Total Expenditures	<u>24,500</u>	<u>24,500</u>	<u>24,373</u>	<u>127</u>
Excess (Deficiency) of Revenues over Expenditures	(4,400)	(4,400)	(4,931)	(531)
Fund Balance, Beginning	<u>82,867</u>	<u>82,867</u>	<u>82,867</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 78,467</u></u>	<u><u>\$ 78,467</u></u>	<u><u>\$ 77,936</u></u>	<u><u>\$ (531)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capitola Village and Wharf BIA Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 72,600	\$ 72,600	\$ 70,335	\$ (2,265)
Use of Money and Property	200	200	137	(63)
Total Revenues	<u>72,800</u>	<u>72,800</u>	<u>70,472</u>	<u>(2,328)</u>
EXPENDITURES				
Current:				
Community Development	<u>78,200</u>	<u>78,200</u>	<u>72,454</u>	<u>5,746</u>
Total Expenditures	<u>78,200</u>	<u>78,200</u>	<u>72,454</u>	<u>5,746</u>
Excess (Deficiency) of Revenues over Expenditures	(5,400)	(5,400)	(1,982)	3,418
Fund Balance, Beginning	<u>7,437</u>	<u>7,437</u>	<u>7,437</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 2,037</u></u>	<u><u>\$ 2,037</u></u>	<u><u>\$ 5,455</u></u>	<u><u>\$ 3,418</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 9,297	\$ (60,703)
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>9,297</u>	<u>(60,703)</u>
EXPENDITURES				
Current:				
Community Development	<u>75,000</u>	<u>51,912</u>	<u>47,411</u>	<u>4,501</u>
Total Expenditures	<u>75,000</u>	<u>51,912</u>	<u>47,411</u>	<u>4,501</u>
Excess (Deficiency) of Revenues over Expenditures	(5,000)	18,088	(38,114)	(56,202)
Fund Balance, Beginning	<u>34,047</u>	<u>34,047</u>	<u>34,047</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 29,047</u></u>	<u><u>\$ 52,135</u></u>	<u><u>\$ (4,067)</u></u>	<u><u>\$ (56,202)</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Program Income Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of Money and Property	\$	\$	26	\$ 26
Total Revenues	-	-	26	26
EXPENDITURES				
Current:				
Community Development		3,400	2,980	420
Total Expenditures	-	3,400	2,980	420
Excess (Deficiency) of Revenues over Expenditures	-	(3,400)	(2,954)	446
Fund Balance, Beginning	(12,486)	(12,486)	(12,486)	-
Fund Balance, Ending	<u>\$ (12,486)</u>	<u>\$ (15,886)</u>	<u>\$ (15,440)</u>	<u>\$ 446</u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Grant Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 425,000	\$ 425,000	\$ 706,266	\$ 281,266
Total Revenues	<u>425,000</u>	<u>425,000</u>	<u>706,266</u>	<u>281,266</u>
EXPENDITURES				
Current:				
Community Development	<u>430,000</u>	<u>430,000</u>	<u>693,515</u>	<u>(263,515)</u>
Total Expenditures	<u>430,000</u>	<u>430,000</u>	<u>693,515</u>	<u>(263,515)</u>
Excess (Deficiency) of Revenues over Expenditures	(5,000)	(5,000)	12,751	17,751
Fund Balance, Beginning	<u>(7,521)</u>	<u>(7,521)</u>	<u>(7,521)</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ (12,521)</u></u>	<u><u>\$ (12,521)</u></u>	<u><u>\$ 5,230</u></u>	<u><u>\$ 17,751</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Affordable Housing Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 10,000	\$ 10,000	\$ 3,123	\$ (6,877)
Use of Money and Property			14,000	14,000
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>17,123</u>	<u>7,123</u>
EXPENDITURES				
Current:				
Community Development	<u>127,000</u>	<u>124,750</u>	<u>41,796</u>	<u>82,954</u>
Total Expenditures	<u>127,000</u>	<u>124,750</u>	<u>41,796</u>	<u>82,954</u>
Excess (Deficiency) of Revenues over Expenditures	(117,000)	(114,750)	(24,673)	90,077
Fund Balance, Beginning	<u>367,805</u>	<u>367,805</u>	<u>367,805</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 250,805</u></u>	<u><u>\$ 253,055</u></u>	<u><u>343,132</u></u>	<u><u>\$ 90,077</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - BEGIN Grant Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 180,000	\$ 180,000	\$	\$ (180,000)
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>
EXPENDITURES				
Current:				
General Government	<u>240,000</u>	<u>240,000</u>	<u>23</u>	<u>239,977</u>
Total Expenditures	<u>240,000</u>	<u>240,000</u>	<u>23</u>	<u>239,977</u>
Excess (Deficiency) of Revenues over Expenditures	(60,000)	(60,000)	(23)	59,977
Fund Balance, Beginning	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,977</u></u>	<u><u>\$ 59,977</u></u>

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 POB Debt Service Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of Money and Property	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	2,000	2,000	1,500	500
Debt Service:				
Principal	435,000	435,000	435,000	-
Interest and Fiscal Charges	243,300	243,300	243,252	48
Total Expenditures	680,300	680,300	679,752	548
Excess (Deficiency) of Revenues over Expenditures	(680,300)	(680,300)	(679,752)	548
OTHER FINANCING SOURCES (USES)				
Transfers In	680,000	464,500	464,498	(2)
Total Other Financing Sources (Uses)	680,000	464,500	464,498	(2)
Net Change in Fund Balance	(300)	(215,800)	(215,254)	546
Fund Balance, Beginning	468,186	468,186	468,186	-
Fund Balance, Ending	\$ 467,886	\$ 252,386	\$ 252,932	\$ 546

City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$	\$ 448,315	\$ 421,219	\$ (27,096)
Charges for Services	45,000	45,000	10,077	(34,923)
Total Revenues	<u>45,000</u>	<u>493,315</u>	<u>431,296</u>	<u>(62,019)</u>
EXPENDITURES				
Current:				
General Government			797	(797)
Culture and Recreation	176,700	148,700	36,979	111,721
Capital Outlay	250,000	668,557	653,894	14,663
Total Expenditures	<u>426,700</u>	<u>817,257</u>	<u>691,670</u>	<u>125,587</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(381,700)</u>	<u>(323,942)</u>	<u>(260,374)</u>	<u>63,568</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	868,000	868,000	-
Transfers Out			(4,000)	(4,000)
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>868,000</u>	<u>864,000</u>	<u>(4,000)</u>
Net Change in Fund Balances	(131,700)	544,058	603,626	59,568
Fund Balance, Beginning	<u>626,688</u>	<u>626,688</u>	<u>626,688</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 494,988</u>	<u>\$ 1,170,746</u>	<u>\$ 1,230,314</u>	<u>\$ 59,568</u>

City of Capitola
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

	Brookvale Assessment District	Auto Center Assessment District	Total
ASSETS			
Cash and Investments	\$ 15,819	\$ 20,133	\$ 35,952
Accounts Receivable	19	24	43
Total Assets	\$ 15,838	\$ 20,157	\$ 35,995
LIABILITIES			
Due to Bond Holders	\$ 15,838	\$ 20,157	\$ 35,995
Total Liabilities	\$ 15,838	\$ 20,157	\$ 35,995

City of Capitola
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
<u>BROOKVALE ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$ 15,738	\$ 81	\$ -	\$ 15,819
Accounts Receivable		19		19
Total Assets	<u>\$ 15,738</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 15,838</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Bond Holders	15,738	100		15,838
Bond Reserve				-
Total Liabilities	<u>\$ 15,738</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 15,838</u>
<u>AUTO CENTER ASSESSMENT DISTRICT</u>				
ASSETS				
Cash and Investments	\$ 20,031	\$ 102	\$ -	\$ 20,133
Accounts Receivable		24		24
Total Assets	<u>\$ 20,031</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 20,157</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Bond Holders	20,031	126		20,157
Bond Reserve				-
Total Liabilities	<u>\$ 20,031</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 20,157</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 35,769	\$ 183	\$ -	\$ 35,952
Accounts Receivable		43		43
Total Assets	<u>\$ 35,769</u>	<u>\$ 226</u>	<u>\$ -</u>	<u>\$ 35,995</u>
LIABILITIES				
Due to Bond Holders	\$ 35,769	\$ 226	\$ -	\$ 35,995
Total Liabilities	<u>\$ 35,769</u>	<u>\$ 226</u>	<u>\$ -</u>	<u>\$ 35,995</u>

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CITY OF CAPITOLA, CALIFORNIA
 Net Assets by Component
 Last Nine Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government activities	\$	\$	\$	\$	\$	\$	\$	\$	\$
Invested in Capital Assets,									
Net of related debt	14,533	15,551	15,006	14,572	15,650	15,636	15,659	15,598	15,054
Restricted for									
Debt service	1,380	437	-	-	-	-	-	-	-
Community Development	1,590	1,742	2,157	3,310	3,633	1,717	1,107	1,317	1,256
Transportation	-	-	-	42	602	464	73	63	184
Public Safety	-	-	-	-	14	4	-	-	10
Culture and Recreation	-	-	-	-	-	-	-	-	185
Total Restricted	2,970	2,179	2,157	3,352	4,249	2,185	1,180	1,380	1,635
Unrestricted	3,227	3,547	1,944	4,732	5,135	3,191	3,435	4,575	3,249
Total Primary govt net assets	20,730	21,277	19,107	22,656	25,034	21,012	20,274	21,553	19,938

NOTES: The City of Capitola has no business-type activities; governmental and primary government figures are the same. The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available. Additional years will be added until ten fiscal years of information are available.

Source: City of Capitola Finance Department

2011-1

CITY OF CAPITOLA, CALIFORNIA
 Changes in Net Assets
 Last Nine Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

EXPENSES	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government activities	\$	\$	\$	\$	\$	\$	\$	\$	\$
General government	4,567	4,654	4,206	3,963	4,343	4,398	4,482	5,103	5,453
Public safety	4,298	4,254	4,542	5,350	5,733	5,298	5,927	5,533	5,422
Community development	958	1,052	4,177	1,227	1,550	2,193	2,218	2,428	2,068
Cultural and Leisure	1,518	1,385	1,476	1,511	1,596	1,658	1,035	1,025	995
Transportation	1,495	1,432	1,397	1,501	1,697	1,522	2,530	1,932	2,445
Interest on long-term debt	184	171	171	152	190	589	533	509	448
Total primary government expenses	13,020	12,948	15,969	13,704	15,109	15,658	16,725	16,530	16,831
PROGRAM REVENUES									
Primary government activities									
Charges for services:									
General government	699	1,218	1,046	724	705	794	658	806	759
Public safety	569	617	609	556	688	736	905	1,009	902
Community development	353	429	510	1,478	1,469	1,153	1,617	2,266	1,077
Cultural and Leisure	700	705	769	685	749	726	709	696	655
Transportation	41	32	34	11	18	13	34	53	54
Operating grants and contributions	339	301	291	812	1,010	1,420	286	1,469	1,040
Capital grants and contributions	583	496	324	161	514	-	527	388	421
Total primary govt program revenues	3,284	3,798	3,583	4,427	5,153	4,842	4,736	6,687	4,908
NET PRIMARY GOVT REV/(EXP):	(9,736)	(9,150)	(12,386)	(9,277)	(9,956)	(10,816)	(11,989)	(9,843)	(11,923)
GENERAL REVENUES AND OTHER CHANGES									
IN NET ASSETS:									
Primary government activities									
Taxes:									
Sec and Unsec Property taxes	2,397	2,657	2,903	3,465	3,916	4,034	4,147	4,066	4,107
Transaction and Use tax	-	-	209	975	1,048	1,016	788	928	850
Sales and Use tax	5,300	5,395	5,235	4,132	4,174	3,939	2,858	3,289	3,002
Transient occupancy taxes	492	493	516	543	604	644	605	592	602
Franchise taxes	321	364	391	418	438	437	459	462	477
Business license tax	275	-	-	303	326	299	278	282	267
Other taxes	61	-	-	-	-	-	-	-	-
Intergovernmental	594	502	261	1,415	1,421	1,507	1,417	979	1,323
Investment income	365	281	510	226	287	379	394	238	185
Other general revenues	12	24	191	109	120	452	305	287	289
Transfers	-	-	-	-	-	-	-	-	-
Total primary government activities	9,817	9,716	10,216	11,586	12,334	12,707	11,251	11,123	11,102
CHANGES IN NET ASSETS:									
Total primary government activities	81	566	(2,170)	2,309	2,378	1,891	(738)	1,280	(821)
NET ASSETS:									
07/01 prior year	20,649	20,711	21,277	19,107	22,656	25,034	21,012	20,274	21,554
06/30/200x	20,730	21,277	19,107	22,656	25,034	21,012	20,274	21,554	20,733
Restated	-	-	-	1,240	-	(5,913)	-	-	-
Extraordinary Item	-	-	-	-	-	-	-	-	(795)

NOTES: The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available. Additional years will be added until ten fiscal years of information are available.

Restated Assets figures are for the Library Fund in 2005-06 and Pension Obligation Bond in 2007-08. Extraordinary Item is March 2011 Flood Disaster Loss. Costs related to flood disaster will also be in 2011-12 financial results.

Source: City of Capitola Finance Department

2011-2

CITY OF CAPITOLA, CALIFORNIA
Fund Balances of Government Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
GENERAL FUND										
Reserved										
Prepaid	-	-	1	-	-	-	21	116	Represented below per GASB 54	
Advances	618	1,968	1,968	1,968	1,968	1,968	1,968	1,968		
Total Reserved	618	1,968	1,969	1,968	1,968	1,968	1,989	2,084		
Unreserved										
Designated	955	1,421	2,060	3,175	3,467	3,185	2,659	2,928		
Unrestricted	578	683	886	1,340	1,342	1,350	1,350	1,350		
Total Unreserved	1,533	2,104	2,946	4,515	4,809	4,535	4,009	4,278		
Fund Balance GASB 54	Pre-GASB 54 balances stated above									1,973
Nonspendable										-
Restricted										-
Committed									-	
Assigned									-	
Unassigned									2,786	
Total General Fund	2,151	4,072	4,915	6,483	6,777	6,503	5,998	6,362	4,759	
ALL OTHER GOVERNMENT FUNDS										
Reserved									Represented below per GASB 54	
Low income housing	1,590	1,742	1,655	1,790	1,808	-	-	-		
Debt service	1,380	458	7	38	608	-	-	-		
Total Reserved	2,970	2,200	1,662	1,828	2,416	-	-	-		
Unreserved, reported in:										
Unrestricted	1,820	-	-	-	-	-	-	-		
Special revenue funds	-	612	612	714	938	3,423	2,976	1,643		
Capital project funds	-	840	194	475	440	1,874	1,322	627		
Debt service funds	-	(397)	(302)	-	-	-	-	1,458		
Total Unreserved	1,820	1,055	504	1,189	1,378	5,297	4,298	3,728		
Fund Balance GASB 54	Pre-GASB 54 balances stated above								109	
Nonspendable									1,705	
Restricted									-	
Committed									-	
Assigned									1,564	
Unassigned									(19)	
Total All Other Govt Funds	4,790	3,255	2,166	3,017	3,794	5,297	4,298	3,728	3,359	
TOTAL	6,941	7,327	7,081	9,500	10,571	11,800	10,296	10,090	8,118	

NOTE: The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available. Additional years will be added until ten fiscal years of information are available.

Source: City of Capitola Finance Department

2011-3

CITY OF CAPITOLA
 Changes in Fund Balances of Governmental Funds
 Last Nine Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES:	\$	\$	\$	\$	\$	\$	\$	\$	\$
Taxes	8,846	8,909	9,253	11,375	12,047	12,008	10,239	10,285	10,335
Licenses, permits, and fees	199	746	835	357	255	270	664	609	474
Intergovernmental	1,532	1,206	918	750	1,225	1,121	1,745	2,932	2,426
Charges for services	1,503	1,405	1,578	2,092	2,263	2,467	1,744	1,380	1,278
Fines and forfeitures	534	575	571	512	639	672	702	803	702
Use of money and property	366	440	510	778	971	1,046	812	595	492
Other	208	193	299	86	89	434	178	163	173
Total revenues	13,188	13,474	13,964	15,950	17,489	18,018	16,084	16,767	15,880
EXPENSES:									
Current:									
General government	3,712	3,699	3,437	3,266	3,583	3,672	3,591	4,232	4,483
Public safety	4,080	4,087	4,726	5,261	5,631	5,246	5,869	5,441	5,468
Community development	949	1,075	1,547	1,358	1,831	2,324	2,362	2,338	1,986
Cultural and leisure	1,477	1,346	1,446	1,478	1,564	1,630	1,009	986	1,009
Transportation	1,312	1,325	1,436	1,493	1,690	1,476	2,575	2,017	2,294
Capital outlay	631	1,640	885	413	1,858	1,015	1,224	847	665
Subtotal	12,161	13,172	13,477	13,269	16,157	15,363	16,630	15,861	15,905
Debt service:									
Principal retirement	1,020	959	559	91	91	123	499	535	704
Interest and agent fees	193	196	174	171	170	471	529	507	447
Cost of Issuance	-	-	-	-	-	125	-	-	-
Subtotal	1,213	1,155	733	262	261	719	1,028	1,042	1,151
Total expenditures	13,374	14,327	14,210	13,531	16,418	16,082	17,658	16,903	17,056
Excess/(deficiency) of revenues over/(under) expenditures	(186)	(853)	(246)	2,419	1,071	1,936	(1,574)	(136)	(1,176)
OTHER FINANCING SOURCES/(USES)									
Transfers in	1,980	1,624	469	1,053	1,764	2,754	1,775	1,337	1,945
Transfers out	(1,980)	(1,624)	(469)	(1,053)	(1,764)	(2,754)	(1,775)	(1,337)	(1,945)
Sale of capital assets	-	1,239	-	-	-	166	-	-	-
Issuance of bonds	-	-	-	-	-	5,040	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-
Total other financing sources/(uses)	-	1,239	-	-	-	5,206	-	-	-
Special Items									
Prefunding of PERS liability	-	-	-	-	-	(5,913)	-	-	-
Flood Disaster loss	-	-	-	-	-	-	-	-	(795)
Net change in fund balances	(186)	386	(246)	2,419	1,071	1,229	(1,574)	(136)	(1,971)
Beginning Fund balance	7,127	6,941	7,327	7,081	9,500	10,571	11,800	10,226	10,090
Changes	(186)	386	(246)	2,419	1,071	1,229	(1,574)	(136)	(1,971)
Ending Fund balance	6,941	7,327	7,081	9,500	10,571	11,800	10,226	10,090	8,119
Debt service as a percentage of noncapital expenditures	9.97%	8.77%	5.44%	1.97%	1.62%	4.68%	6.18%	6.57%	7.24%

NOTE: The City of Capitola implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available. Additional years will be added until ten fiscal years of information are available.

Source: City of Capitola Finance Department

2011-4

CITY OF CAPITOLA, CALIFORNIA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Fourteen Fiscal Years
 (amounts expressed in thousands)

Fiscal Year						City of Capitola Redevelopment Agency				
	Secured (\$000)	Unsecured (\$000)	Less Exemptions (\$000)	Plus Reim-bursed Home-owners Exemption (\$000)	Taxable Assessed Value (\$000)	Secured (\$000)	Unsecured (\$000)	Less Exemp-tions (\$000)	Plus Reim-bursed Home-owners Exemption (\$000)	Taxable Assessed Value (\$000)
1998	850,104	(2)	24,742	10,803	836,165					-
1999	850,024	56,732	17,882	10,946	899,820					-
2000	916,373	59,420	17,089	11,132	969,836					-
2001	979,304	59,888	17,142	11,110	1,033,160					-
2002	1,062,124	62,487	20,825	12,144	1,115,930					-
2003	1,136,170	63,858	32,853	12,279	1,179,454					-
2004	1,222,957	63,534	24,504	11,691	1,273,678					-
2005	1,409,131	62,603	32,012	10,878	1,450,600	207,571	32,157	3,850	448	236,326
2006	1,531,428	68,903	29,922	10,725	1,581,134	216,849	35,131	3,917	447	248,510
2007	1,643,540	71,369	30,385	10,728	1,695,252	228,497	35,405	3,994	448	260,356
2008	1,708,219	73,545	36,208	10,710	1,756,266	235,447	36,450	4,087	476	268,286
2009	1,706,927	68,288	28,067	10,500	1,757,648	245,860	33,375	4,412	482	275,305
2010	1,722,042	71,726	32,453	10,279	1,771,594	245,533	35,458	4,161	487	277,317
2011	1,741,005	69,324	36,040	10,049	1,784,338	243,089	33,390	4,434	489	272,534

Separate RDA figures are not available

NOTES: Secured and unsecured values were combined for 1998.
 RDA figures were included in City figures for 1998-2004.

Source: Santa Cruz County Assessor's District Valuation by Fund

2011-5

CITY OF CAPITOLA
 Direct and Overlapping Property Tax Rates
 Last Six Fiscal Years
 (Rate per \$100 of assessed value)

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
City Direct Rates						
City basic rate	0.250000%	0.250000%	0.250000%	0.250000%	0.250000%	0.250000%
Redevelopment Agency	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
Total City Direct Rate	0.250000%	0.250000%	0.250000%	0.250000%	0.250000%	0.250000%
Overlapping Rates						
<u>General Fund</u>						
Santa Cruz County General Fund	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
<u>Board Governed Districts</u>						
<u>Autonomous Districts</u>						
<u>City</u>						
<u>School Districts</u>						
Soquel Elementary School GO DS 2002 Series A	0.011936%	0.011416%	0.011416%	0.011222%	0.011608%	0.011737%
Soquel Elementary School GO DS 2002 Series B	0.009208%	0.009186%	0.009186%	0.008852%	0.009028%	0.009452%
Soquel Elementary School GO DS 2002 Series C	n/a	0.007113%	0.007113%	0.003123%	0.003007%	0.003159%
Santa Cruz High School GO DS 1998 A&B/2005REF	0.005190%	0.016340%	0.016340%	0.017417%	0.016863%	0.020816%
Santa Cruz High School GO DS 1998 Series C	0.008477%	0.002895%	0.002895%	0.005321%	0.011120%	0.002548%
Cabrillo College GO DS 1998 Series A	0.000214%	0.001075%	0.001075%	n/a	n/a	n/a
Cabrillo College GO DS 1998 Series B	0.006081%	0.006259%	0.006259%	0.006463%	0.007056%	0.007017%
Cabrillo College GO DS 1998 Series C	0.001910%	0.002316%	0.002316%	0.002518%	0.003046%	0.001273%
Cabrillo College GO DS 1998 Series D	0.000731%	0.001332%	0.001332%	0.001529%	0.001754%	0.001462%
Cabrillo College GO DS 2004 Series A	0.012362%	0.008221%	0.008221%	0.009212%	0.009878%	0.010163%
Cabrillo College GO DS 2004 Series B	n/a	0.003965%	0.003965%	0.005218%	0.005523%	0.005421%
Cabrillo College GO DS 1998A REF 2004	0.005398%	0.006835%	0.006835%	0.008296%	0.008724%	0.010752%
Total overlapping debt repaid with property taxes	0.061507%	0.076953%	0.076953%	0.079171%	0.087607%	0.083800%
Total Direct Rate	1.061507%	1.076953%	1.076953%	1.079171%	1.087607%	1.083800%

NOTES: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies within which the subject property resides. IN addition to the 1.00% fixed amount, property tax owners are charged taxes as a percent of assessed property values for the payment of local school district bonds.

Data for Capitola is not available prior to 2006. Additional years will be added until ten fiscal years of information is available.

2011 - 6

CITY OF CAPITOLA, CALIFORNIA
 Principal Property Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2011		2002	
	2011 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation	2002 Gross Assessed Valuation	Percent of Total City Gross Assessed Valuation
	\$	%	\$	%
Macerich Partnership LP	\$ 84,054,914	4.64	\$ 77,921,899	6.93%
Ow George Jr Trustees Et al	\$ 11,990,353	0.66	\$ 9,968,981	0.89%
Target Corporation	\$ 10,200,000	0.56		
Bay Avenue Senior Housing LP	9,907,442	0.55		
Wirtanen Melanie Kett Trustee	\$ 8,109,000	0.45		
850 Rosedale LLC	\$ 7,660,200	0.42		
1100 41st Avenue LLC	7,430,140	0.41		
Brown Ranch Properties	\$ 6,519,224	0.36	\$ 5,499,547	0.49%
Crossroads Associates	6,270,682	0.35		
Loma Vista Estates Owners Assoc	5,790,570	0.32		
Baskin Properties LLC		0.00	\$ 13,189,454	1.17%
Bochner, Dan Zw/m Jt Et al		0.00	\$ 11,011,927	0.98%
Salvation Army Corporation, The		0.00	\$ 8,515,780	0.76%
Leavesly Ocean Inn-Vestors		0.00	\$ 5,763,459	0.51%
Sears Roebuck & Company		0.00	\$ 5,530,859	0.49%
	<u>157,932,525</u>	8.72	<u>\$ 137,401,906</u>	12.22%
Memo: Gross Assessed Value	1,810,329,000	100.00	\$ 1,124,611,000	100.00%

NOTES: Only eight taxpayers are identified for 2002 because Macerich Partnership was identified as three separate entities for the 2002 CAFR.

Source: Santa Cruz County Assessor's Office *Recapitulation of Assessment Rolls and Parcels with Gross Value over \$2,000,000; Rresidential over \$4,000,000* (2002,2011).

2011-7

CITY OF CAPITOLA, CALIFORNIA
Property Tax Levies and Collections
Last Fourteen Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
		\$			\$	%
1998	1,659,088	1,659,088	100.00	-	1,659,088	100.00
1999	1,654,149	1,654,149	100.00	-	1,654,149	100.00
2000	1,614,781	1,614,781	100.00	-	1,614,781	100.00
2001	1,786,246	1,786,246	100.00	-	1,786,246	100.00
2002	2,618,311	2,618,311	100.00	-	2,618,311	100.00
2003	2,039,535	2,039,535	100.00	-	2,039,535	100.00
2004	2,200,889	2,200,889	100.00	-	2,200,889	100.00
2005	2,268,012	2,268,012	100.00	-	2,268,012	100.00
2006	2,412,712	2,412,712	100.00	-	2,412,712	100.00
2007	2,605,158	2,605,158	100.00	-	2,605,158	100.00
2008	2,715,388	2,715,388	100.00	-	2,715,388	100.00
2009	2,851,724	2,851,724	100.00	-	2,851,724	100.00
2010	2,783,546	2,783,546	100.00	-	2,783,546	100.00
2011	2,813,554	2,813,554	100.00	-	2,813,554	100.00

NOTES: Figures presented include City property taxes and Redevelopment Agency tax increment, as well as amounts collected by the City and Redevelopment Agency that are pass throughs for other agencies. In fiscal year 1993-94, Santa Cruz County adopted the Teeter Plan under which the City of Capitola receives its entire tax levy, regardless of delinquencies as long as it qualifies for the Teeter Plan.

Source: Santa Cruz County Auditor-Controller Summary of Revenues and City of Capitola Finance Department.

2011-8

CITY OF CAPITOLA, CALIFORNIA
Gann Appropriation Limit
Last Fourteen Fiscal Years and Current Fiscal Year

Fiscal Year Ended June 30:	Inflation Factor	Population Factor	Ratio of Change	Appropriation Limit \$	% Change from Prior Year %	Appropriation Subject to Limit \$	% of Limit Appropriated %
1998	1.2138	1.0125	1.2290	6,917,267	22.90	5,992,644	86.63
1999	1.0467	1.0126	1.0599	7,331,531	5.99	5,119,375	69.83
2000	1.0415	1.0223	1.0647	7,806,068	6.47	5,281,165	67.65
2001	1.0453	1.0152	1.0612	8,283,710	6.12	5,785,772	69.85
2002	1.0782	1.0095	1.0884	8,925,610	7.75	6,668,189	74.71
2003	1.0396	1.0105	1.0505	10,206,170	14.35	7,089,747	69.47
2004	1.0236	1.0057	1.0294	10,506,892	2.95	7,182,700	68.36
2005	1.0328	1.0050	1.0380	10,905,776	3.80	7,580,600	69.51
2006	1.0526	1.0053	1.0582	11,540,261	5.82	9,100,600	78.86
2007	1.0396	1.0075	1.0474	12,121,418	5.04	9,329,300	76.97
2008	1.0442	1.0105	1.0552	12,790,085	5.52	9,439,100	73.80
2009	1.0496	1.0115	1.0616	13,578,208	6.16	9,268,400	68.26
2010	1.0772	1.0107	1.0887	14,782,595	8.87	8,463,700	57.25
2011	0.6888	1.0127	0.6976	10,312,043	(30.24)	8,115,800	78.70
2012	1.2191	1.0072	1.2279	12,662,030	22.79	8,377,700	66.16

SOURCE: State of California Department of Finance, Santa Cruz County Auditor-Controller,
City of Capitola Finance Department,

2011-9

CITY OF CAPITOLA, CALIFORNIA
 Top 25 Sales Tax Taxpayers
 Alphabetical, as of June 30, 2011

TOP 25 SALES TAX TAXPAYERS

AT&T Wireless	41st Avenue
Bed Bath & Beyond	Clares Street
Beverages & More	41st Avenue
Big 5 Sporting Goods	41st Avenue
Chevron Service Station (AJ's Fuel Market of Capitola) - Bay Ave.	Bay Avenue
Chevron Service Station (Chevron USA) - 41st Ave.	41st Avenue
CVS - combined 41st and Bay Ave.	41st and Bay Avenues
Gayles Bakery & Rosticceria	Bay Avenue
Kohls	41st Avenue
Macy's Department Store	41st Avenue
Nob Hill General Stores	Bay Avenue
O'Neill Surf Shop	41st Avenue
Orchard Supply Hardware	41st Avenue
Peninsula Petroleum (Capitola Shell) - 41st Ave.	41st Avenue
Ross Stores	41st Avenue
Santa Cruz Mazda	Auto Plaza Drive
Save Mart Supermarkets	41st Avenue
Sears Roebuck & Company	Capitola Road
Shadowbrook Restaurant	Wharf Road
Toyota of Santa Cruz	Auto Plaza Drive
Trader Joe's	Clares Street
Union 76 Service Station (Capitola 76) - 41st Ave.	41st Avenue
Union 76 Service Station (Gawfco Enterprises) - 41st Ave.	41st Avenue
Verizon Wireless	41st Avenue
Whole Foods	41st Avenue

NOTE: Information presented is as of June, 2010. It is alphabetical and is not indicative of relative nor total sales volume.

Source: California State Board of Equalization

2011-10

CITY OF CAPITOLA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Fourteen Fiscal Years
(amounts expressed in dollars unless otherwise noted)

Fiscal Year Ended	Government/Total Primary Government Activities (1)			\$ of Debt per		
	General Obligation Bonds (2)	Lease Revenue Bonds	Other debt (3)	Tot. Gov't./ Primary Gov't.	\$ of per capita personal	Debt per Capita (4)
	\$	\$	\$	\$	\$	\$
1998	-	4,975,000	-	4,975,000	163	450
1999	-	4,300,000	-	4,300,000	130	386
2000	-	3,595,000	1,000,000	4,595,000	117	458
2001	-	2,860,000	1,000,000	3,860,000	100	383
2002	-	2,090,000	1,711,005	3,801,005	100	377
2003	-	1,280,000	1,738,856	3,018,856	81	299
2004	-	440,000	1,703,322	2,143,322	54	214
2005	-	-	2,928,408	2,928,408	70	295
2006	-	-	2,886,924	2,886,924	63	292
2007	-	-	2,845,020	2,845,020	55	287
2008	5,040,000	-	2,807,848	7,847,848	153	786
2009	4,670,000	-	2,775,079	7,445,079	146	739
2010	4,265,000	-	2,768,854	7,033,854	138	690
2011	3,830,000	-	2,629,226	6,459,226	126	633

(1) The City of Capitola has no business-type activities; governmental and total primary government figures are the same. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) In July, 2007, the City of Capitola issued a \$5,040,000 Pension Obligation Bond (POB) which was used to pay off the City's CalPERS unfunded pension liability as of that point in time.

(3) Other debt currently includes a tax anticipation note, county library long term debt balance, and RDA deferred pass throughs.

Source: City of Capitola Financial Statements

2011-11

CITY OF CAPITOLA, CALIFORNIA
 Ratios of General Bonded Debt Outstanding
 Last Fourteen Fiscal Years

Fiscal Year Ended June 30:	Government/Total Primary Government Activities			\$ of Debt per \$ of per capita personal income (1)	Debt per Capita (1)
	General Obligation Bonds	Lease Revenue Bonds	Total Governmental / Primary Government Activities		
	\$	\$	\$		
1998	-	4,975,000	4,975,000	163	450
1999	-	4,300,000	4,300,000	130	386
2000	-	3,595,000	3,595,000	92	358
2001	-	2,860,000	2,860,000	74	283
2002	-	2,090,000	2,090,000	55	207
2003	-	1,280,000	1,280,000	34	127
2004	-	440,000	440,000	11	44
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	5,040,000	-	5,040,000	99	505
2009	4,670,000	-	4,670,000	91	464
2010	4,265,000	-	4,265,000	83	418
2011	3,830,000	-	3,830,000	75	380

NOTES: The City of Capitola has no business-type activities; governmental and total primary government figures are the same.

In July, 2008, the City of Capitola issued a \$5,040,000 Pension Obligation Bond which was used to pay down the CalPERS pension liability.

Source: City of Capitola Financial Statements

2011-12

CITY OF CAPITOLA, CALIFORNIA
 Direct & Overlapping Debt
 Fiscal Year end
 June 30, 2011

2010-11 Assessed Valuation		\$ 1,772,173,118	
Redevelopment Incremental Valuation		\$ 243,413,293	
Adjusted Assessed Valuation		\$ 1,528,759,825	
OVERLAPPING TAX AND ASSESSMENT DEBT:			
	% Applicable (1)	Total Debt 6/30/2011	City's Share of Debt 6/30/2011
Cabrillo Joint Community College District	5.627%	\$163,346,406	\$9,191,502
Santa Cruz City High School District	14.897	45,520,035	6,781,120
Live Oak School District	9.567	18,076,705	1,729,398
Soquel Union School District	56.15	12,440,000	6,985,060
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$239,383,146	\$24,687,080
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Cruz County Certificates of Participation	5.674%	\$64,594,111	\$3,665,070
Santa Cruz County Office of Education Certificates of Participation	5.674	11,165,000	633,502
Cabrillo Joint Community College District Certificates of Participation	5.627	1,980,000	111,415
Live Oak School District Certificates of Participation	9.567	15,127,892	1,447,285
Soquel Union School District	56.15	2,335,000	1,311,103
Santa Cruz City Schools Certificates of Participation	14.897	6,576,000	979,627
City of Capitola General Fund Obligations	100.000	343,252	343,252
City of Capitola Pension Obligation Bond	100.000	3,830,000	3,830,000
Monterey Bay Unified Air Pollution Control Authority Certificates of Participation	2.013	2,110,000	42,474
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$108,061,255	\$12,363,728
COMBINED TOTAL DEBT		\$ 347,444,401	\$ 37,050,808 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation	
Total Overlapping Tax and Assessment Debt	1.44%
Ratios to Adjusted Assessed Valuation	
Combined Direct Debt (\$4,640,544)	0.27%
Combined Total Debt	2.42%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11	\$0

Source: MuniServices, LLC

2011-13

CITY OF CAPITOLA
 Legal Debt Margin Information
 Last Fourteen Fiscal Years
 (amounts expressed in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assessed Valuation	850,103	906,756	975,793	1,039,192	1,124,611	1,200,028	1,286,491	1,471,735	1,600,330	1,714,909	1,781,764	1,775,215	1,793,768	1,810,329
RDA Base Valuation	147,099	145,036	156,563	160,978	173,198	188,349	194,534	202,415	214,599	226,445	234,306	241,324	243,336	238,631
Adj. assessed valuation	703,004	761,720	819,230	878,214	951,413	1,011,679	1,091,957	1,269,320	1,385,731	1,488,464	1,547,458	1,533,891	1,550,432	1,571,698
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	105,451	114,258	122,885	131,732	142,712	151,752	163,794	190,398	207,860	223,270	232,119	230,084	232,565	235,755
Net applicable debt														
Gen. obligation bonds	4,975	4,300	3,595	2,860	2,090	1,280	440	-	-	-	5,040	4,670	4,265	3,830
Legal debt margin	100,476	109,958	119,290	128,872	140,622	150,472	163,354	190,398	207,860	223,270	227,079	225,414	228,300	231,925
RATIO	4.95%	3.91%	3.01%	2.22%	1.49%	0.85%	0.27%	0.00%	0.00%	0.00%	2.22%	2.07%	1.87%	1.65%

NOTES: The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned assets for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the City of Capitola bylaws and the State Constitution.

2008 addition to General Obligation bonds represents the July, 2007 Pension Obligation Bond issued by the City of Capitola.

Source: Santa Cruz County Auditor-Controller's Office District Valuation by Fund, Santa Cruz County Assessor's Office Recapitulation of Assessment Roll, and City of Capitola Comprehensive Annual Financial Statements.

2011-14

CITY OF CAPITOLA
Pledged-Revenue Coverage
Last Fourteen Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Other Revenue Bonds				Tax Allocation Bonds			
	Available Revenue	Debt Service			Tax Increment	Debt Service		
		Principal	Interest	Coverage		Principal	Interest	Coverage
	\$	\$	\$	\$	\$	\$	\$	\$
1998	-	-	-	n/a	-	-	-	n/a
1999	-	-	-	n/a	-	-	-	n/a
2000	-	-	-	n/a	-	-	-	n/a
2001	-	-	-	n/a	-	-	-	n/a
2002	-	-	-	n/a	-	-	-	n/a
2003	-	-	-	n/a	-	-	-	n/a
2004	-	-	-	n/a	-	-	-	n/a
2005	-	-	-	n/a	-	-	-	n/a
2006	-	-	-	n/a	-	-	-	n/a
2007	-	-	-	n/a	-	-	-	n/a
2008	-	-	-	n/a	-	-	-	n/a
2009	-	-	-	n/a	-	-	-	n/a
2010	-	-	-	n/a	-	-	-	n/a
2011	-	-	-	n/a	-	-	-	n/a

Note: The City of Capitola has no tax allocation bonds or other revenue bonds.

SOURCE: City of Capitola financial statements

2011-15

CITY OF CAPITOLA
 Demographic and Economic Statistics
 Last Fourteen Fiscal Years

Calendar Year	Population	Per Capita Personal Income \$	Median Age	Unemployment Rate %
1998	11,050	30,600	35.0	5.7
1999	11,136	33,000	35.0	5.4
2000	10,033	39,200	35.0	4.7
2001	10,091	38,600	35.0	4.2
2002	10,089	37,900	35.0	4.6
2003	10,084	37,500	38.0	3.8
2004	10,011	39,800	38.0	3.4
2005	9,914	41,917	37.0	3.1
2006	9,901	45,925	37.0	4.9
2007	9,921	51,669	37.0	5.3
2008	9,988	51,140	38.0	7.1
2009	10,073	51,140	38.0	11.6
2010	10,198	51,140	39.4	11.4
2011	9,974	36,330	38.3	5.7

SOURCE: 2010-11 MuniServices, LLC. Estimates for 2010 and 2011 published in this report might be noticeably different from the previous year estimates. The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark. U.S.Census Bureau, 2010 American Community Survey.

SOURCES: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark (Sacramento, California, May, 2010.); U.S. Department of Commerce, Bureau of Economic Analysis (2008 most current available data); City-data.com; U.S. Department of Labor, Bureau of Labor Statistics Database; 1998-2004 Santa Cruz County Community Assessment Project (CAP); State of California LaborMarket Info.

2010-16

CITY OF CAPITOLA
 Principal Employers - Top Ten
 Current year and Nine years ago

Employer	2011			2002		
	Ranking	Number of Employees	% of Total Employment	Ranking	Number of Employees	% of Total Employment
Macy's	1	150	2.5%			
Subaru, Toyota, Kia of Santa Cruz	2	149	2.5%			
Gayle's Bakery & Rosticceria	3	140	2.3%	8	125	2.0%
Whole Foods Market	4	123	2.1%			
Shadowbrook Restaurant	5	120	2.0%			
Kohls	6	108	1.8%			
Orchard Supply Hardware	7	100	1.7%	9	110	1.8%
Sears	8	95	1.6%	6	170	2.7%
Pacific Coast Manor	9	90	1.5%			
Trader Joe's	10	90	1.5%			
Santa Cruz County Office of Education (1)				1	360	5.8%
Gottchalks (2)				2	257	4.1%
Soquel Elementary School District (1)				3	245	4.0%
Mervyn's (2)				4	233	3.8%
Spa Fitness				5	200	3.2%
City of Capitola		66		7	160	2.6%
Nob Hill		70		10	110	1.8%
Memo: Total Top Ten		1165	19.4%		1970	31.8%
Memo: Total Employment		5992	100.0%		6200	100.0%
Memo: Change in top ten number of employees 2011 vs. 2002			-40.9%			
Memo: Change in total number of employees 2011 vs. 2002			-3.4%			

SOURCE for 2011: MuniServices, LLC;
 SOURCE for 2002: 2002 City of Capitola Comprehensive Annual Financial Report.

(1) No longer located in the City of Capitola.
 (2) No longer in business.

CITY OF CAPITOLA
 Full-time and Part-time City Employees by Function
 Last Fourteen Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government														
City Manager	4.25	5.25	5.75	6.25	7.25	7.25	7.50	7.50	7.50	7.50	7.50	7.50	7.50	6.95
Finance	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.38	4.38	4.38	4.38
City Attorney	1.00	1.00	1.50	1.50	0.30	0.30	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	<u>10.25</u>	<u>11.50</u>	<u>12.50</u>	<u>13.00</u>	<u>12.80</u>	<u>12.80</u>	<u>12.75</u>	<u>13.75</u>	<u>13.75</u>	<u>13.75</u>	<u>13.88</u>	<u>12.88</u>	<u>12.88</u>	<u>12.33</u>
Police														
Chief, Captain, Sgts.	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00
Officers	14.00	14.00	14.00	14.00	13.00	12.00	13.00	13.00	14.00	15.00	15.00	15.00	15.00	15.50
CSOs	1.00	1.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Code enforcement	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Administrative	2.55	3.55	3.30	3.30	3.30	3.30	3.25	5.50	5.75	6.50	6.50	6.50	4.75	4.75
	<u>27.55</u>	<u>28.55</u>	<u>29.30</u>	<u>29.30</u>	<u>28.30</u>	<u>27.30</u>	<u>28.25</u>	<u>31.50</u>	<u>32.75</u>	<u>34.50</u>	<u>34.50</u>	<u>33.50</u>	<u>30.75</u>	<u>30.25</u>
Public Works														
Streets	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.33	8.00	8.33	8.33	7.33	7.33
Parks	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Fleet Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	<u>13.33</u>	<u>13.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.33</u>	<u>14.00</u>	<u>14.33</u>	<u>14.33</u>	<u>12.33</u>	<u>12.33</u>
Recreation														
Supervisor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other - full year	2.50	2.50	3.25	3.50	3.50	3.50	2.00	2.00	2.00	2.00	2.00	1.50	1.50	2.00
	<u>3.50</u>	<u>3.50</u>	<u>4.25</u>	<u>4.50</u>	<u>4.50</u>	<u>4.50</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>2.50</u>	<u>2.50</u>	<u>3.00</u>
Community Development	2.67	2.67	4.67	4.67	3.67	3.67	3.67	4.67	4.67	4.00	4.67	4.67	3.67	3.67
Building	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.50
Total City Employees	<u>59.30</u>	<u>61.55</u>	<u>67.05</u>	<u>67.80</u>	<u>65.60</u>	<u>64.60</u>	<u>64.00</u>	<u>69.25</u>	<u>70.50</u>	<u>71.25</u>	<u>72.38</u>	<u>69.88</u>	<u>63.13</u>	<u>63.08</u>

NOTE: Full time equivalents (FTE); does not include temporary or seasonal employees

SOURCE: City of Capitola finance department

2011-18

CITY OF CAPITOLA
 Operating Indicators by Function
 Last Fourteen Fiscal Years (except as noted)

INDICATOR	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Police department (calendar years)															
Adult arrests	Data not available			799	780	791	852	877	879	1,069	1,000	908	850	731	
Calls for service (in thousands)	Data not available			21	19	19	22	18	21	22	21	20	20	19	
Public works															
Miles paved	26	26	26	26	26	26	26	26	26	26	26	26	26	26	
New construction															
Commercial units	-	1	-	-	-	1	2	-	2	3	1	1	1	-	
Valuation (in millions)	-	\$ 3	-	-	-	\$ 1	\$ 1	-	\$ 4	\$ 5	\$ 1	\$ 1	\$ 13	\$ -	
Residential units (1)	13	20	11	23	16	9	7	10	17	18	69	122	8	3	
Valuation (in millions) (1)	\$ 2	\$ 6	\$ 2	\$ 4	\$ 5	\$ 2	\$ 3	\$ 4	\$ 6	\$ 6	\$ 11	\$ 20	\$ 2	\$ 1	
Recreation Revenue (in thousands)															
Classes	Data not available			\$ 266	\$ 255	\$ 314	\$ 296	\$ 330	\$ 321	\$ 335	\$ 356	\$ 378	\$ 336	\$ 319	\$ 325
Sports fees	Data not available			63	81	88	87	79	61	72	82	70	71	59	61
Junior Guard	Data not available			130	122	147	152	142	171	169	184	175	194	214	220
Camp Capitola	Data not available			69	89	84	62	54	71	67	76	80	80	79	102
Aquatics (2)	Data not available			14	20	27	29	24	27	27	23	19	-	-	-
Net Class Rev	Data not available			\$ 542	\$ 567	\$ 660	\$ 626	\$ 629	\$ 651	\$ 670	\$ 721	\$ 722	\$ 681	\$ 671	\$ 708
Jade St. Rental	Data not available			\$ 19	\$ 12	\$ 10	n/a	\$ 7	\$ 16	\$ 16	\$ 8	\$ 7	\$ 4	\$ 5	\$ 5
Net Recreation Rev	Data not available			\$ 561	\$ 579	\$ 670	\$ 626	\$ 636	\$ 667	\$ 686	\$ 729	\$ 729	\$ 685	\$ 676	\$ 713

(1) Residential units and associated valuations are total additional, new or substantially new (by code definition) units.

(2) Aquatics was discontinued as a City of Capitola Recreation Department offering in late 2007 due to lack of access to the local Community College pool.

Source: City of Capitola Police Department, Public Work Director, Building Official, and City financial records.

2011-19

CITY OF CAPITOLA
 Capital Asset Statistics by Function
 Last Fourteen Fiscal Years

Indicator	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police														
Stations	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Public works														
Streets (miles)	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Streetlights	Data not available			71	71	71	71	71	71	71	71	71	71	71
Traffic signals	Data not available			8	8	8	8	8	8	8	8	8	8	8
Parks and recreation:														
Parks	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Community centers	1	1	1	1	1	1	1	1	1	1	1	1	1	1
General														
Commercial buildings	2	2	2	2	2	2	2	2	2	2	2	2	2	2

Source: City of Capitola Public Works Director

2011-20

**REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA**

FINANCIAL STATEMENTS

Year Ended June 30, 2011

Redevelopment Agency of the City of Capitola
Financial Statements
Year Ended June 30, 2011

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Independent Auditors' Report

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Capitola (the "Agency"), a component unit of the City of Capitola, California (City), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and to provide an opinion on compliance but not on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budget and Actual Comparison, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The "Supplementary Information" listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Teaman Ramirez & Smith, Llc.

December 19, 2011

BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Capitola
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 3,188,461
Due From Other Governments	51,325
Interest Receivable	17,046
Loans Receivable	2,167,879
Prepays	<u>108,700</u>
Total Assets	<u>5,533,411</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	68,789
Unearned Revenue	1,395,586
Noncurrent Liabilities:	
Due Within One Year	245,528
Due in More Than One Year	<u>4,351,760</u>
Total Liabilities	<u>6,061,663</u>
NET ASSETS	
Restricted for Low/Moderate Income Housing	3,053,716
Restricted for Debt Service	2,410,906
Unrestricted	<u>(5,992,874)</u>
Total Net Assets	<u><u>\$ (528,252)</u></u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 2,620,313	\$	\$	\$	\$ (2,620,313)
Community Development	1,185,550				(1,185,550)
Interest on Long-Term Debt	200,020				(200,020)
Total Governmental Activities	\$ 4,005,883	\$ -	\$ -	\$ -	(4,005,883)
General Revenues:					
Property Taxes					2,451,649
Investment Earnings					13,343
Total General Revenues					2,464,992
Change in Net Assets					(1,540,891)
Total Net Assets - Beginning					1,012,639
Total Net Assets - Ending					\$ (528,252)

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Balance Sheet
Governmental Funds
June 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
ASSETS				
Cash and Investments	\$ 890,796	\$ 2,297,665	\$	\$ 3,188,461
Due From Other Governments		51,325		51,325
Interest Receivable	2,448	14,598		17,046
Loans Receivable	2,167,879			2,167,879
Prepays		108,700		108,700
Total Assets	\$ 3,061,123	\$ 2,472,288	\$ -	\$ 5,533,411
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,407	\$ 61,382	\$	\$ 68,789
Deferred Revenue	2,167,879			2,167,879
Total Liabilities	2,175,286	61,382	-	2,236,668
Fund Balances:				
Nonspendable:				
Prepays		108,700		108,700
Restricted for:				
Low and Moderate Income Housing	885,837			885,837
Debt Service		2,302,206		2,302,206
Total Fund Balances	885,837	2,410,906	-	3,296,743
Total Liabilities and Fund Balances	\$ 3,061,123	\$ 2,472,288	\$ -	\$ 5,533,411

The accompanying notes are an integral part of this statement.

**Redevelopment Agency of the City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets**

June 30, 2011

Fund balances of governmental funds \$ 3,296,743

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Long-term liabilities are not due and payable in the current period. Therefore,
they are not reported in the Governmental Funds Balance Sheet. The
long-term liabilities were adjusted as follows:

Advances payable	(1,968,028)
Note payable	(1,000,000)
RDA obligations	(1,629,260)

In governmental funds, other long-term assets are not available to pay for
current period expenditures and, therefore, are deferred in the funds.

772,293

Net assets of governmental activities

\$ (528,252)

Redevelopment Agency of the City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
Revenues				
Taxes	\$	\$ 2,451,649	\$	\$ 2,451,649
Use of Money and Property	2,347	10,996		13,343
Total Revenues	<u>2,347</u>	<u>2,462,645</u>	<u>-</u>	<u>2,464,992</u>
Expenditures				
Current:				
General Government		1,436,681		1,436,681
Community Development	527,410	618,000		1,145,410
Debt Service:				
Principal		228,926		228,926
Interest and Fiscal Charges		200,020		200,020
SERAF Payment		144,752		144,752
Total Expenditures	<u>527,410</u>	<u>2,628,379</u>	<u>-</u>	<u>3,155,789</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(525,063)</u>	<u>(165,734)</u>	<u>-</u>	<u>(690,797)</u>
Other Financing Sources (Uses)				
Transfers In	490,330			490,330
Transfers Out		(490,330)		(490,330)
Total Other Financing Sources (Uses)	<u>490,330</u>	<u>(490,330)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(34,733)	(656,064)	-	(690,797)
Fund Balances, Beginning of Year	<u>920,570</u>	<u>3,066,970</u>	<u>-</u>	<u>3,987,540</u>
Fund Balances, End of Year	<u>\$ 885,837</u>	<u>\$ 2,410,906</u>	<u>\$ -</u>	<u>\$ 3,296,743</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$ (690,797)
Amounts reported for governmental activities in the Statement of Activities are different because:	
The statement of activities reports losses arising from the disposal of capital assets. However, governmental funds do not report any losses on disposal of capital assets.	(1,038,880)
In governmental funds, repayment of long-term debt is reported as an expenditure.	228,926
The Agency's long-term obligation relating to the County Library Building is increased by 5% each year according to the agreement. This is the amount reported as an expense in the Statement of Activities, due to the increase in long-term debt.	(89,340)
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the change in deferred revenue for the fiscal year.	<u>49,200</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (1,540,891)</u></u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Reporting Entity and Summary of Significant Accounting Policies	10 - 14
2	Cash and Investments	14
3	Interfund Transactions	14
4	Loans Receivable	14
5	Capital Assets	15
6	Long-Term Debt	15 - 18
7	Low and Moderate Income Housing Fund	18
8	Risk Management	18 - 19
9	Commitments and Contingencies	19 - 20

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Agency is a blended component unit of the City. The Agency was created by the City of Capitola City Council (City Council) in 1980. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B) Basis of Presentation

The Agency's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All Agency activities are governmental; no business-type activities are reported in these financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Agency include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenues of the current fiscal period.

The Agency reports the following major governmental funds:

The Low/Moderate Income Housing Fund is used to reflect Low and Moderate Income Housing Activities.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated, if any.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is recognized as revenue.

D) Assets, Liabilities and Net Assets or Equity

1) Receivables

Incremental property tax revenues represent property taxes in the project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from the

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities and Net Assets or Equity - Continued

1) Receivables - Continued

project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Under the California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes.

2) Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of these assets, as follows:

Infrastructure	15 - 50 years
Structures and Improvements	50 years
Equipment	5 years

E) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

F) Relationship to the City of Capitola

The Agency is an integral part of the reporting entity of the City of Capitola. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Capitola is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Capitola.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Low/Moderate Income Housing

The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

H) Net Assets and Fund Balances

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount represents net assets restricted by external creditors, grantors, contributors, or laws or regulations.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

The Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Agency considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts constrained for a specific purpose by Board of Directors action. It would require the same action by the Board to remove the constraint.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Net Assets and Fund Balances - Continued

Fund Financial Statements - Continued

Assigned Fund Balance - Amounts that are constrained by the Board of Director's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - Amounts expended in excess of resources that are nonspendable, restricted, committed, or assigned.

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2011 consisted of the following:

Statement of Net Assets:	
Cash and Investments Pooled with the City	\$ 3,188,461
Total Cash and Investments	\$ 3,188,461

See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization.

3) INTERFUND TRANSACTIONS

Interfund Operating Transfers

	Transfers In	Transfers Out
Low/Moderate Income Housing Fund	\$ 490,330	\$ -
Debt Service Fund	-	490,330
	\$ 490,330	\$ 490,330

This transfer was made in order to deposit 20% of the tax increment in the Low/Moderate Income Housing Fund.

4) LOANS RECEIVABLE

The Agency loans the low and moderate tax increment set-aside taxes to low and moderate income families. The loans are collateralized by the property and generally mature upon the sale of the property. The loan's principal and interest amounts are deferred and due at maturity. At June 30, 2011, these outstanding loans totaled \$2,167,879 and bear interest at 3%.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

5) CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non Depreciable Capital Assets:				
Land	\$ 1,038,880	\$ -	\$ 1,038,880	\$ -
Construction in Progress	-	-	-	-
Total Non Depreciable Capital Assets	<u>1,038,880</u>	<u>-</u>	<u>1,038,880</u>	<u>-</u>
Depreciable Capital Assets:				
Equipment	-	-	-	-
Infrastructure	-	-	-	-
Building and Improvements	-	-	-	-
Total Depreciable Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	1,038,880	-	1,038,880	-
Less Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets	<u>\$ 1,038,880</u>	<u>\$ -</u>	<u>\$ 1,038,880</u>	<u>\$ -</u>

6) LONG-TERM DEBT

Advances from City

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2011, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. In the 2010-11 fiscal year, the Agency transferred title to the City for the City to use the land in accordance with redevelopment purposes. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) **LONG-TERM DEBT - Continued**

Advances from City - Continued

if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2011, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution which credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the agency pays a portion of its tax increment revenues to other jurisdictions whose revenues and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions, which call for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2011	<u>\$ 66,026</u>
------------------------------------	------------------

County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) LONG-TERM DEBT - Continued

Redevelopment Agency Pass-Through Agreements - Continued

The Agency may prefund any portion of the obligation at any time. "Prefund" means providing the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2011 is \$1,563,234. A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

Fiscal Year	Total Amount of Agency Assistance Obligation	Minimum Scheduled Payment Amount
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,500	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640
		\$ 2,351,277

Note Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principle to be fully prepaid without premium by the Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration of September 29, 2014. Interest is a 4.75% (\$47,500/year) payable semiannually on March 29, and September 29.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) LONG-TERM DEBT - Continued

Changes in Long-Term Debt

Following is a summary of long-term debt for the 2010-2011 fiscal year:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Current Portion
Advances Payable	\$ 1,968,028	\$ -	\$ -	\$ 1,968,028	\$ -
Note Payable	1,000,000	-	-	1,000,000	-
RDA Pass-Throughs	1,768,846	89,340	228,926	1,629,260	245,528
Totals	\$ 4,736,874	\$ 89,340	228,926	4,597,288	\$ 245,528

7) LOW AND MODERATE INCOME HOUSING FUND

California Redevelopment Law requires that each year, 20% of the Agency's gross tax increment revenue be set aside to enhance the City's supply of housing available to low and moderate income persons. During fiscal year 2010/2011, the Agency set-side for this purpose was \$490,330.

The Redevelopment Agency expended \$527,410 during fiscal year 2010/2011, for low and moderate income housing programs, and administration thereof.

8) RISK MANAGEMENT

The City (and Agency) participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$90,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

8) RISK MANAGEMENT - Continued

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

9) COMMITMENTS AND CONTINGENCIES

During the 2010-11 fiscal year, the Redevelopment Agency entered into an agreement with a developer committing \$1.0 million to help fund various improvements as part of the redevelopment of the Capitola Mall. As of June 30, 2011, no funds had been expended on this project.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Capitola intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

9) COMMITMENTS AND CONTINGENCIES - Continued

Recent Changes in Legislation Affecting California Redevelopment Agencies - Continued

Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 22, 2011, City of Capitola Ordinance No. 962 was adopted indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$798,547 with one half due on January 15, 2012 and the other half due May 15, 2012. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012 and for a period shortly thereafter. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to redevelopment agencies ability to continue in view of the California State Legislature’s declared intent to eliminate redevelopment agencies and to reduce their funding.

10) SUBSEQUENT EVENT

Subsequent to June 30, 2011, the Redevelopment Agency loaned \$1.0 million to a non-profit agency to acquire a mobile home park. The agreement with the non-profit agency provides for additional funding of \$100,000/year for a ten-year period to provide rental assistance and infrastructure rehabilitation.

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Low and Moderate Income Housing Fund
Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property	\$	\$	\$ 2,347	\$ 2,347
Total Revenues	-	-	2,347	2,347
Expenditures				
Community Development	465,852	465,852	527,410	(61,558)
Total Expenditures	465,852	465,852	527,410	(61,558)
Excess (Deficiency) of Revenues over Expenditures	(465,852)	(465,852)	(525,063)	(59,211)
Other Financing Sources (Uses)				
Transfers In	463,400	463,400	490,330	26,930
Transfers Out		(730,000)		730,000
Total Other Financing Sources (Uses)	463,400	(266,600)	490,330	756,930
Net Change in Fund Balance	(2,452)	(732,452)	(34,733)	697,719
Fund Balance - Beginning of Year	920,570	920,570	920,570	-
Fund Balance - End of Year	\$ 918,118	\$ 188,118	\$ 885,837	\$ 697,719

SUPPLEMENTARY INFORMATION

Capitola Redevelopment Agency
Computation of Low and Moderate Housing Excess Surplus Funds

	<u>Low and Moderate Income Housing Funds July 1, 2010</u>	<u>Low and Moderate Income Housing Funds July 1, 2011</u>
Opening Fund Balance	<u>\$ 920,570</u>	<u>\$ 885,837</u>
Less Unavailable Amounts:		
Unspent Bond Proceeds	\$ -	\$ -
Encumbrances [Section 33334.12 (g)(2)]	-	-
Loans Receivable	-	-
Land Held for Resale	-	-
	<u>-</u>	<u>-</u>
Available Low and Moderate Income Housing Funds	\$ 920,570	\$ 885,837
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010-11	\$ -	\$ 490,330
2009-10	485,113	485,113
2008-09	499,274	499,274
2007-08	466,900	466,900
2006-07	448,997	-
Total	<u>\$ 1,900,284</u>	<u>\$ 1,941,617</u>
Base Limitation	\$ 1,000,000	\$ 1,000,000
Greater amount	<u>\$ 1,900,284</u>	<u>\$ 1,941,617</u>
Computed Excess Surplus	<u><u>NONE</u></u>	<u><u>NONE</u></u>

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

Compliance

We have audited the Redevelopment Agency of the City of Capitola's (the "Agency") compliance with the types of compliance described in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller, applicable to the Agency's activities for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller, and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards and the State's *Guidelines for Compliance Audits of California Redevelopment Agencies* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, and which is described in the accompanying Schedule of Findings and Responses, as item 2011-1.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Responses as item 2011-1, that we consider to be a significant deficiency. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Agency's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the Agency, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Jeannan Ramirez & Smith, L.L.C.

December 19, 2011

**Redevelopment Agency of the City of Capitola
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

2011-1 Filing of the Fiscal Year 2010 Annual Report

Health and Safety Code Section 33080.1 requires each redevelopment agency to file an annual report with its legislative body within six months of the end of the Agency's fiscal year. The annual report should include the following:

- a) Financial Statement Audit;
- b) Fiscal Statement for the previous fiscal year, which includes the following:
 - i. The amount of outstanding indebtedness of the agency and each project area.
 - ii. The amount of tax increment property tax revenue generated in the agency and in each project area.
 - iii. The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to subdivision (b) of Section 33401 or Section 33676. Moneys expended on behalf of a taxing agency shall be itemized per each individual capital improvement.
 - iv. The financial transactions report required pursuant to Section 53891 of the Government Code.
 - v. The amount allocated to school or community college districts pursuant to each of the following provisions: (1) Section 33401; (2) Section 33445; (3) Section 33445.5; (4) paragraph (2) of subdivision (a) of Section 33676; and (5) Section 33681.
 - vi. The amount of existing indebtedness, as defined in Section 33682, and the total amount of payments required to be paid on existing indebtedness for that fiscal year.
 - vii. Any other financial information which the agency believes useful to describe its programs.
- c) A description of the Agency's activities in the previous fiscal year affecting housing and displacement;
- d) A description of the Agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year;
- e) A list of, and status report on all loans of \$50,000 or more, that in the previous fiscal year were in default or not in compliance with the terms of the loan;
- f) A description of the total number and nature of the properties that the Agency owns and those properties the Agency has acquired in the previous fiscal year;
- g) A list of the fiscal years that the Agency expects specified time limits of the plans to expire;
- h) Any other information that the Agency believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities.

During our audit, except for the items listed at d), e), and f), we found no indication that the Agency submitted the above reports to the Board of Directors, within the required time period, for the year ended June 30, 2010.

**Redevelopment Agency of the City of Capitola
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

Recommendation:

We recommend that the Agency prepare and submit the required annual report, as described above, to the Board of Directors in the required time frame for the 2010-11 fiscal year. In addition, we recommend the Agency establish documented procedures to ensure compliance with Section 33080.1 of the Health and Safety Code.

Response:

The City of Capitola and the Capitola Redevelopment Agency have consistently met the following State Controller RDA reporting requirements:

- online release of State Controller's Redevelopment Agencies' Financial Transactions Report
- submission of the Bureau of Census survey form
- two copies of the City of Capitola Comprehensive Annual Financial Report (independent audit)
- the Capitola Statement of Indebtedness for tax year 2010-11 filed with the Santa Cruz County Auditor-Controller
- two copies of the Capitola Redevelopment Agency Financial Statement for the year ending June 30, 2010
- Housing and Community Development Report on the Status and Use of Low and Moderate Income Housing Fund
- Capitola Redevelopment Agency Plan Limits Summary

In addition, the Agency has consistently met the following Department of Housing and Community Development requirements

- verification of online submittal of the annual report to HCD for the Capitola Redevelopment Agency
- Capitola RDA Plan Limit Summary
- Capitola RDA independent auditor's report and Financial Statement
- Capitola RDA Financial Transactions Report cover page

All reports were reviewed and signed by Redevelopment Agency management and submitted to the State Controller's Office and Department of Housing and Community Development prior to the December 31, 2010 deadline. Capitola Redevelopment Agency standard practice was to submit all required reports by the December 31st deadline and to subsequently file the reports with the Board of Directors at the first available meeting following completion, which occurred on the second Thursday in January.

The State Controller's audit of eighteen redevelopment agencies around the state in March, 2011 highlighted this as a pervasive issue: "None of the 18 reviewed agencies met all of their filing requirements. In some cases, annual financial reports were fed to the RDA governing bodies in pieces, while others simply did not file. Auditors from the Controller's office found that many of the RDAs' department staff were confused by filing requirements, and the report recommends strong training improvements for financial staff."

The State Controller's Office Division of Accounting and Reporting "fiscal alert letter" of August 31, 2011 highlights the reporting requirements and deadlines for SCO and HCD without reference to any state mandated internal agency deadlines. A clarifying letter, dated November 16, 2011, was sent to each Redevelopment Fiscal Officer for the sole purpose of notifying agencies that presenting the State Controller and HCD reports to their legislative bodies is required under Health and Safety Code section 33080.1 and identifying the requirement for a Fiscal Statement.

The Capitola Redevelopment Agency will comply fully with the requirement to present all material required by Health and Safety Code section 33080.1 to the Capitola Redevelopment Agency Board members by the December 31 deadline. In addition, the Agency shall establish documented procedures to ensure compliance with Section 33080.1.

CITY OF CAPITOLA
Capitola, California

SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS

Year Ended June 30, 2011

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CAPITOLA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2011

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City Council
City of Capitola
Capitola, California

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola, California (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Management of the City of Capitola in a separate letter dated December 19, 2011.

This report is intended solely for the information and use of the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Seaman Ramirez & Smith, Inc.

December 19, 2011

City Council
City of Capitola
Capitola, California

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance With OMB Circular A-133**

Compliance

We have audited the City of Capitola's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Capitola's major federal programs for the year ended June 30, 2011. The City of Capitola's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Capitola's management. Our responsibility is to express an opinion on the City of Capitola's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Capitola's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Capitola's compliance with those requirements.

In our opinion, the City of Capitola complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Capitola is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Capitola's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Capitola's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Capitola's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

December 19, 2011

CITY OF CAPITOLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Domestic Assistance Number	Grant Identification Number	Program Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through the State of California Housing and Community Development Department:</i>			
Community Development Block Grant	14.218	07-PTAE-3124	\$ 47,411
CDBG Program Income Rehabilitation Revolving Loan Fund	14.218	01-STBG-1571	8,322
HOME Investments Partnership Program	14.239	06-HOME-2403	711,766*
HOME Program Income	14.239	94-HOME-0087	<u>12,306*</u>
Total U.S Department of Housing and Urban Development			<u>779,805</u>
U.S. Department of Commerce			
<i>Direct Assistance:</i>			
Economic Adjustment Assistance (ARRA)	11.307	07-69-06484	<u>29,586</u>
Total U.S Department of Commerce			<u>29,586</u>
National Highway Traffic Safety Administration			
<i>Passed through the State of California Office of Traffic Safety:</i>			
Avoid the Nine	20.600	AL10101	59,655
Speed Awareness	20.600	PT1118	<u>32,597</u>
Total National Highway Traffic Safety Administration			<u>92,252</u>
U.S. Department of Homeland Security			
<i>Passed through the California Emergency Management Agency:</i>			
Federal Emergency Management Agency Disaster Response	None	N/A	5,144
<i>Passed through the County of Santa Cruz Office of Emergency Services:</i>			
Homeland Security Grant Program	97.067	N/A	<u>5,242</u>
Total U.S. Department of Homeland Security			<u>10,386</u>

Continued

CITY OF CAPITOLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Domestic Assistance Number	Grant Identification Number	Program Expenditures
U.S. Department of Justice			
Direct Assistance:			
Bulletproof Vest Partnership Program	16.607	1121-0235	\$ 2,572
Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0598	5,454
		2009-BUBX-	
Public Safety Partnership (ARRA)	16.710	0904-7364	101,552
			<hr/>
Total U.S. Department of Justice			109,578
			<hr/>
Total Federal Financial Assistance			\$ 1,021,607
			<hr/>

*Major Program

CITY OF CAPITOLA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City of Capitola that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City of Capitola from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City of Capitola becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had one major program for the year ended June 30, 2011, consisting of the U.S. Department of Housing and Urban Development HOME Investment Partnership Program Grant with total disbursements of \$724,072. This amount calculates to 71% of the total disbursements from federal awards.

CITY OF CAPITOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? No

Significant Deficiencies Identified not Considered to be Material Weaknesses? No

Noncompliance Material to Financial Statements Noted? No

Federal Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified? No

Significant Deficiencies Identified not Considered to be Material Weaknesses? No

Type of Auditors' Report Issued on Compliance for Major Programs: Unqualified

Any Audit Findings Disclosed that are Required to be Reported in Accordance With OMB Circular A-133, Section .510(a)? No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnership Program

Dollar Threshold used to Distinguish Between Type A And Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? No

CITY OF CAPITOLA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with GAS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings required to be reported in accordance with OMB Circular A-133.

CITY OF CAPITOLA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.

ATTACHMENT 4

420 CAPITOLA AVENUE
CAPITOLA, CALIFORNIA 95010
TELEPHONE (831) 475-7300
FAX (831) 479-8879



December 16, 2011

Teaman, Ramirez & Smith, Inc.
4201 Brockton Avenue, Suite 100
Riverside, California 92501

We are providing this letter in connection with your audit of the financial statements of the City of Capitola and the Redevelopment Agency of the City of Capitola as of June 30, 2011, and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola and the Redevelopment Agency of the City of Capitola and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U. S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 16, 2011, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all -
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of meetings of the City of Capitola and the Redevelopment Agency of the City of Capitola or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving -
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The City of Capitola has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the City is contingently liable.
 - c. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements
 - d. All accounting estimates, (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
12. We are responsible for the compliance with laws, regulations and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
13. There are no -
 - a. Violations or possible violations of budget ordinances, or laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
14. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
15. The City of Capitola and the Redevelopment Agency of the City of Capitola has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
16. The City and Agency have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. The City of Capitola and the Redevelopment Agency of the City of Capitola has invested its funds in accordance with its investment policy, which is in compliance with the Government Code.
18. All funds that meet the quantitative criteria in GASB Statement No. 34 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Net assets components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designated are properly classified and, if applicable, approved.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
21. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
22. With respect to the supplementary information as listed in the table of contents:
- a. We acknowledge our responsibility for presenting the supplementary information, as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, as listed in the table of contents, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United

States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

23. With respect to the Redevelopment Agency of the City of Capitola -
 - a. The Agency did submit on a timely basis to its legislative body and the State Controller the following annual reports for the previous fiscal year:
 - i) Annual Report of Financial Transactions of Community Redevelopment Agencies, per Health & Safety Code §33080.5;
 - ii) Housing activities report, per Health & Safety Code §33080.4 and §33080.7;
 - iii) Blight progress report, per Health & Safety Code §33080.4;
 - iv) Loan Report, per Health & Safety Code §33080.4;
 - v) Property Report, per Health & Safety Code §33080.4.
 - b. The Agency has set aside at least 20% of the gross tax increment revenue in the Housing Fund prior to any deductions for administrative fees, pass-through payments to taxing entities, negotiated fiscal agreements and waivers, or other transfers from the balance of the tax increment allocated to the Agency.
 - c. The Agency prepared a written determination showing that all planning and administrative expenditures from the Housing Fund were necessary for the production, improvement, and/or preservation of low- and moderate-income housing, per Health & Safety Code §33334.3(d).
 - d. Expenditures from the Housing Fund for on- or off-site improvements (if any), were part of programs that directly resulted in construction or rehabilitation of affordable housing or eliminated specific conditions jeopardizing the health or safety of existing low- or moderate-income residents, per Health & Safety Code §33334.2(e)(2).
 - e. Expenditures from the Housing Fund for expenditures outside of the project area (if any) were properly adopted by a resolution, per Health & Safety Code §33334.2(g).
 - f. The Agency conducted a public hearing for findings received from the detrimental effect of a redevelopment plan on either schools or fire districts (if any), per Health & Safety Code §33445.5 and §33445.6.
 - g. Any property leased or sold by the Agency during the fiscal year, was properly disclosed to the public, per Health & Safety Code §33431 and §33433.
24. With respect to federal award programs (if any)-
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

- b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- e. We are responsible for understanding and complying with, and have complied in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133 *Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- j. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

- k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- m. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- n. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- o. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.
- p. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grants agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- q. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- r. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- s. We are responsible for and have accurately prepared the audit section of the Data Collection Form as required by OMB Circular A-133 and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- t. We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
- u. There were no single audit audits in either of the previous two years.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: _____

Title: City Manager

**CITY OF CAPITOLA
SUMMARY OF AUDIT DIFFERENCES
June 30, 2011**

		Current Year Over (Under) Revenues and Expenditures/ Expenses And Changes in Fund Balance/Equity
Unadjusted audit differences:		
Accounts Payable not accrued - Expenditures understated		\$(37,827)
Cumulative effect (before effect of prior year differences)		
Effect of unadjusted audit differences-prior year:		\$(37,827)
Cumulative effect (after effect of prior year differences)		
Reclassification adjustments:	Balance Sheet	Statement(s) of Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
	\$	\$

December 19, 2011

City Council
City of Capitola
Capitola, CA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Capitola and the Redevelopment Agency of the City of Capitola for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. As described in Note III to the financial statements, the City changed accounting policies related to Fund Balance Reporting and Governmental Fund Type Definitions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the 2010-11 fiscal year. The application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the property and equipment depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of the fair value of investments in Note III A to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note III D to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council, Board of Directors, and management of the City of Capitola and the Redevelopment Agency of the City of Capitola and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Seaman Ramirez & Smith, Inc.



CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT MEETING OF JANUARY 12, 2012

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: ANNUAL REDEVELOPMENT AGENCY FISCAL 2010-2011 REPORTS

RECOMMENDED ACTION: Receive the Annual Redevelopment agency fiscal 2010-2011 Reports.

BACKGROUND

Pursuant to California Health and Safety Code 33080 the following reports were presented to the Capitola Redevelopment Agency Board of Directors on December 23, 2011. The Redevelopment Agency is annually required to submit the following items to the Redevelopment Agency Board of Directors and to file copies with the State Controller's Office and the Department of Housing and Community Development:

1. A copy of the Redevelopment Agency's Plan Summary
2. A copy of the HCD Annual Housing Report
3. Verification of online submittal of HCD report
4. A copy of the Agency's Financial Statements
5. A copy of the Agency's Financial Transactions Report and Cover Page
6. A copy of the Agency's 2010-22 Fiscal Statement

In accordance with California Health and Safety Code 33080.4 and 33080.7 the Agency is required to report to its legislative board the following specific information:

1. No loans made by the Agency in Fiscal Year 2010-2011 are in default with the terms of the loan made by the Agency;
2. The Agency did not acquire property in Fiscal Year 2010-2011;
3. The Agency made progress in eliminating blight in Fiscal Year 2010-2011 by finalizing negotiations with a new major department store tenant in the Capitola Mall. The Agency also addressed road congestion problems and pedestrian access on Capitola Road through street and traffic calming improvements. The Agency has also completed repairs to the Rispin Mansion to stabilize the buildings damages by fire and to secure the building and property from trespassing and vandalism.

ATTACHMENTS:

1. Redevelopment Agency's Plan Summary
2. HCD Annual Housing Report
3. Verification of online submittal of HCD report
4. Agency's Financial Statements
5. Agency's Financial Transactions Report and Cover Page
6. Agency's 2010-11 Fiscal Statement

Report Prepared By: David Foster
Housing and Redevelopment
Project Manager

Reviewed and Forwarded by
City Manager/Executive Director: 

ATTACHMENT 1

CITY OF CAPITOLA REDEVELOPMENT AGENCY
REDEVELOPMENT PLAN SUMMARY
CALIFORNIA HEALTH AND SAFETY CODE, SECTION 33080.1 (g)

DECEMBER, 2011

Project / Amendment	Ordinance	Date Adopted	Time Limit to Commence Eminent Domain Proceedings (g) (1)	Time Limit to Issue New Debt (g) (2)	Time Limit for RDA Plan Effectiveness (g) (3)	Time Limit to Repay Existing Debt (g) (4)
Original	522	6/24/1982	6/24/1994	1/1/2004	6/24/2025	6/24/1932
	583	1/24/1985				
	773	1/12/1995				
Added Area	872	7/22/2004	6/24/1994	1/1/2004	7/22/1934	7/22/1949

California Redevelopment Agencies-Fiscal Year 2010/2011
 Project Area Contributions to Low and Moderate Income Housing Funds
 Sch A Project Area Summary Report
 CAPITOLA

<i>Project Area</i>	<i>100% of Tax Increment</i>	<i>20% Set Aside Requirement</i>	<i>Tax Increment Allocated</i>	<i>Amount Exempted</i>	<i>Amount Suspended and/or Deferred</i>	<i>Tax Incr. Deposited to Hsng Fund</i>	<i>Percent of Tax Incr Dep</i>	<i>Repayment Deferrals</i>	<i>Other Income</i>	<i>Total Deposited to Housing</i>
<i>CAPITOLA PROJECT</i>	\$2,451,649	\$490,330	\$490,330	\$0	\$0	\$490,330	20.00%	\$0	\$2,347	\$492,677
<i>Agency Totals:</i>	\$2,451,649	\$490,330	\$490,330	\$0	\$0	\$490,330	20.00%	\$0	\$2,347	\$492,677

Note: Print this report in Landscape Orientation (Use the Print Icon just above, then Properties then Landscape)

**California Redevelopment Agencies- Fiscal Year 2010/2011
Project Area Contributions to Low and Moderate Income Housing Fund
Sch A Project Area Financial Information**

Agency **CAPITOLA**
Address **420 Capitola Avenue**
 Capitola **CA** **95010**

<u>Gross Tax Increment</u>	<u>Calculated Deposit</u>	<u>Amount Allocated</u>	<u>Amount Exempted</u>	<u>Amount Suspended and/or Deferred</u>	<u>Total Deposited</u>	<u>%</u>	<u>Cumulative Def.</u>
\$2,451,649	\$490,330	\$490,330	\$0	\$0	\$490,330	20.00%	\$0
				<i>Repayment</i>	\$0		
				<i>Category</i>			
				<i>Interest Income</i>	\$2,347		
				<i>Total Additional Revenue</i>	\$2,347		
				<i>Total Housing Fund Deposits for Project Area</i>	\$492,677		

Agency Totals For All Project Areas:

<u>Gross Tax Increment</u>	<u>Calculated Deposit</u>	<u>Amount Allocated</u>	<u>Amount Exempted</u>	<u>Amount Suspended and/or Deferred</u>	<u>Total Deposited</u>	<u>%</u>	<u>Cumulative Def.</u>
\$2,451,649	\$490,329.8	\$490,330	\$0	\$0	\$490,330	20%	\$0
				<i>Total Additional Revenue from Project Areas:</i>	\$2,347		
				<i>Total Deferral Repayments:</i>	\$0		
				<i>Total Deposit to Housing Fund from Project Areas:</i>	\$492,677		

California Redevelopment Agencies - Fiscal Year 2010/2011
Status of Low and Moderate Income Housing Funds
Sch C Agency Financial Summary
CAPITOLA

<i>Adjusted Beginning Balance</i>	<i>Project Area Receipts</i>	<i>Agency Other Revenue</i>	<i>Total Expenses</i>	<i>Net Resources Available</i>	<i>Other Housing Fund Assets</i>	<i>Total Housing Fund Assets</i>	<i>Encumbrances</i>	<i>* Unencumbered Balance</i>	<i>Unencumbered Designated</i>	<i>Unencumbered Not Dsgntd</i>
\$920,570	\$492,677	\$0	\$527,411	\$885,836	\$0	\$885,836	\$0	\$885,836	\$0	\$885,836

<i>Expenses</i>	<i>Planning and Administration Costs</i>	<i>Subsidies</i>	<i>Total</i>
2010/2011	\$346,669	\$180,742	\$527,411

**The Unencumbered Balance is equal to Net Resources Available minus Encumbrances*

Note: Print this report in Landscape Orientation (Use the Print Icon just above, then Properties then Landscape)

California Redevelopment Agencies - Fiscal Year 2010/2011
 Status of Low and Moderate Income Housing Funds
 Sch C Agency Financial and Program Detail
 CAPITOLA

	Beginning Balance	\$860,313
	Adjustment to Beginning Balance	\$60,257
	Adjusted Beginning Balance	\$920,570
Total Tax Increment From PA(s) \$490,330	Total Receipts from PA(s)	\$492,677
	Other Revenues not reported on Schedule A	\$0
	Sum of Beginning Balance and Revenues	\$1,413,247

<u>Expenditure</u>	<u>Item</u>	<u>Subitem</u>	<u>Amount</u>	<u>Remark</u>
Planning and Administration Costs				
	Administration Costs		\$312,418	
	Professional Services		\$34,251	
	Subtotal of Planning and Administration Costs		\$346,669	
 Subsidies from the LMIHF				
	1st Time Homebuyer Down Payment Assistance		\$54,032	
	Other		\$115,803	Security Deposit Program, Emergency Housing Assistance
	Rental Subsidies		\$10,907	
	Subtotal of Subsidies from the LMIHF		\$180,742	
	Total Expenditures		\$527,411	

Net Resources Available \$885,836

Indebtedness For Setasides Deferred \$0

Other Housing Fund Assets		
<u>Category</u>	<u>Amount</u>	<u>Remark</u>
SERAF Total Receivable	\$0	
Total Other Housing Fund Assets		\$0

Total Fund Equity \$885,836

2006/2007	\$448997
2007/2008	\$466900

California Redevelopment Agencies - Fiscal Year 2010/2011
 Status of Low and Moderate Income Housing Funds
 Sch C Agency Financial and Program Detail
 CAPITOLA

2008/2009	\$499273	sum of 4 Previous Years' Tax	Prior Year Ending	Excess Surplus for
2009/2010	\$485113	Increment for 2010/2011	Unencumbered Balance	2010/2011
		\$1900283	\$864,214	\$0

Sum of Current and 3 Previous Years' Tax Increments	\$1,941,616
Adjusted Balance	\$885,836
Excess Surplus for next year	\$0
Net Resources Available	\$885,836
Unencumbered Designated	\$0
Unencumbered Undesignated	\$885,836
Total Encumbrances	\$0
Unencumbered Balance	\$885,836
Unencumbered Balance Adjusted for Debt Proceeds	\$0
Unencumbered Balance Adjusted for Land Sales	\$0
Excess Surplus Expenditure Plan	No
Excess Surplus Plan Adoption Date	

<u>Site Improvement Activities Benefiting Households</u>				
<u>Income Level</u>	<u>Low</u>	<u>Very Low</u>	<u>Moderate</u>	<u>Total</u>
Construction	0	0	0	0
Rehabilitation	0	0	0	0
Health and Safety Hazard	0	0	0	0

<u>Land Held for Future Development</u>					
<u>Site Name</u>	<u>Num Of Acres</u>	<u>Zoning</u>	<u>Purchase Date</u>	<u>Estimated Start Date</u>	<u>Remark</u>

Use of the Housing Fund to Assist Mortgagees

Income Adjustment Factors	<input type="text"/>	Requirements Completed	<input type="text"/>
Home	\$ <input type="text"/>	Hope	\$ <input type="text"/>

Non Housing Redevelopment Funds Usage	<input type="text"/>
	<input type="text"/>

California Redevelopment Agencies - Fiscal Year 2010/2011
Status of Low and Moderate Income Housing Funds
Sch C Agency Financial and Program Detail
CAPITOLA

LMIHF Deposits/Withdrawals

<u>Document Name</u>	<u>Document Date</u>	<u>Custodian Name</u>	<u>Custodian Phone</u>	<u>Copy Source</u>
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Achievements

Description

during the 2010-11 fiscal year Capitola's redevelopment agency saw the completion of its \$30 million acquisition, rehabilitation & new construction project, Bay Avenue Senior Apartments. This project addressed the need for major rehabilitation of housing units currently housing very low-income seniors in a county with a negative vacancy rate for senior housing. The project utilized \$1,365,000 in rda funds which helped leverage HOME and CalHFA and low income housing tax credits. The project was completed in three phases to avoid off site relocation.

California Redevelopment Agencies - Fiscal Year 2010/2011
 Sch D General Project Information
 CAPITOLA

Project Area Name: CAPITOLA PROJECT

Project Name: First Time Homebuyer Loan Program	
Address: 420 Capitola Ave Capitola 95060	
PROJECT FUNDING SOURCE -----	
<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$54,032

Project Name: Bay Avenue Senior Apartments		
Address: 750 Bay Avenue Capitola 95010		
Owner Name: First Community Housing		
SPECIAL NEEDS UNITS -----		
<u>Category</u>	<u>Sub Category</u>	<u>Count</u>
Special Need Unit	Disabled (Mental)	5
Special Need Unit	Disabled (Physical)	45
Special Need Unit	Elderly	109
Special Need Unit	Special Needs	45

Project Name: Security Deposit Program	
Address: City wide Capitola 95010	
Owner Name: n/a	
PROJECT FUNDING SOURCE -----	
<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$14,800

California Redevelopment Agencies - Fiscal Year 2010/2011
Sch D General Project Information
CAPITOLA

Project Area Name: **OUTSIDE PROJECT AREA**

Project Name: Bay Avenue Senior Apartments Project

Address: **750 Bay Avenue Capitola 95010**

Owner Name: **First Community Housing**

SPECIAL NEEDS UNITS

<u>Category</u>	<u>Sub Category</u>	<u>Count</u>
Special Need Unit	Special Needs	109
Special Need Unit	Disabled (Mental)	5
Special Need Unit	Disabled (Physical)	45
Special Need Unit	Elderly	109

UNIT INVENTORY

			<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Above Mod</u>	<u>Became Ineligible</u>	<u>Total</u>
<u>Replacement</u>								
<u>Bedroom</u>								
<u>New Construction</u>								
Agency	Rental	1 Bedroom	33	0	0	0	0	33
<u>Substantial Rehabilitation Post 1993</u>								
Agency	Rental	1 Bedroom	20	30	0	0	0	50
Agency	Rental	2 Bedroom	20	6	0	0	0	26
<u>Bedroom Total</u>			73	36	0	0	0	109
<u>Inclusionary</u>								
<u>Unit</u>								
<u>Acquisition of Covenants</u>								
Agency	Rental	Elderly	63	46	0	0	0	109
<u>New Construction</u>								
Agency	Rental	Elderly	33	0	0	0	0	33
<u>Substantial Rehabilitation Pre 1994</u>								
Agency	Rental	Elderly	30	46	0	0	0	76
<u>Replacement</u>								
<u>Unit</u>								
<u>New Construction</u>								
Agency	Rental	Elderly	33	0	0	0	0	33
<u>Substantial Rehabilitation Post 1993</u>								
Agency	Rental	Elderly	40	36	0	0	0	76
<u>Unit Total</u>			199	128	0	0	0	327

PROJECT FUNDING SOURCE

Redevelopment Funds \$1,475,000

**California Redevelopment Agencies - Fiscal Year 2010/2011
Sch D General Project Information
CAPITOLA**

Project Area Name: OUTSIDE PROJECT AREA

Project Name: Bay Aveneu Senior Apartments Project
 Address: 750 Bay Avenue Capitola 95010
 Owner Name: First Community Housing

PROJECT FUNDING SOURCE-----

<u>Funding Source</u>	<u>Amount</u>
Federal Funds	\$3,000,000
State Funds	\$14,000,000
Private Funds	\$1,590,000
TCAC/Federal Award	\$10,026,310

Project Name: Emergency Housing Assistance Program
 Address: citywide Capitola 95010
 Owner Name: n/a

PROJECT FUNDING SOURCE-----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$95,000

Project Name: First Time Homebuyer loan Program
 Address: citywide Capitola 95010
 Owner Name: Various

PROJECT FUNDING SOURCE-----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$54,032

Project Name: Loma Vista Rent Subsidy
 Address: 4425 Clares Street Capitola 95010
 Owner Name: Loma Vista Estates Owners Association

PROJECT FUNDING SOURCE-----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$7,872

Project Name: Mobile Home Rehabilitation Loan Program
 Address: citywide Capitola 95010
 Owner Name: n/a

PROJECT FUNDING SOURCE-----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$4,802

California Redevelopment Agencies - Fiscal Year 2010/2011
Sch D General Project Information
CAPITOLA

Project Area Name: OUTSIDE PROJECT AREA

Project Name: Security Deposit Program
Address: **citywide Capitola 95010**
Owner Name: **n/a**

PROJECT FUNDING SOURCE -----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$14,800

Project Name: Wharf Rd MHP rent subsidy and rehab funds
Address: **2155 Wharf Rd. Capitola 95010**
Owner Name: **Wharf Road Homeowners Association**

PROJECT FUNDING SOURCE -----

<u>Funding Source</u>	<u>Amount</u>
Redevelopment Funds	\$7,560

Project Name: non-assisted market rate units
Address: **sites outside of Redevelopment area Capitola. CA 95010**

NON ASSISTED PROJECT UNITS -----

<u>Category</u>	<u>vlow</u>	<u>low</u>	<u>mod</u>	<u>amod</u>	<u>Building Permit Number</u>	<u>Building Permit Date</u>
New Constructions	0	0	1	3	BP2010-274	22-DEC-10
					BP2010-181	29-SEP-10
					BP2010-1	11-AUG-10
					BP2011-65	16-JUN-11

UNIT INVENTORY -----

			<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Above Mod</u>	<u>Became Ineligible</u>	<u>Total</u>
<u>Other Provided without LMIHF</u>								
			<u>Unit</u>					
New Construction								
Non-Agency	Owner	Non-Elderly	0	0	0	3	0	3
Non-Agency	Rental	Non-Elderly	0	0	1	0	0	1
Unit Total			0	0	1	3	0	4

SCHEDULE HCD E
CALCULATION OF INCREASE IN AGENCY'S INCLUSIONARY OBLIGATION FOR ACTIVITIES
(This Form is Information Only: Actual Obligation is based on Implementation Plan)

Report Year: 2010/2011

Agency: CAPITOLA

NOTE: This form is a summary of the totals of all new construction or substantial rehabilitation units from forms HCD-D7 which are developed in a project area by any entity (agency or non-agency).

PART I [H & SC Section 33413(b)(1)] AGENCY DEVELOPED	
1. New Units	0
2. Substantially Rehabilitated Units	0
3. Subtotal - Baseline of Units (add line 1 & 2)	0
4. Subtotal of Inclusionary Obligation Accrued this Year for Units (line 3 x 30%)	0
5. Subtotal of Inclusionary Obligation Accrued this year for <u>Very-Low Income</u> Units (line 4 x 50%)	0
PART II [H & SC Section 33413(b)(2)] NON-AGENCY DEVELOPED UNITS	
6. New Units	0
7. Substantially Rehabilitated Units	0
8. Subtotal - Baseline of Units (add lines 6 & 7)	0
9. Subtotal of Inclusionary Obligation Accrued this year for Units (line 8 x 15%)	0
10. Subtotal of Inclusionary Obligation Accrued this year for Very Low Income Units (line 9 x 40%)	0
PART III TOTALS	
11. Total Increase in Inclusionary Obligations During This Fiscal Year (add line 4 & 9)	0
12. Total Increase in Very Low Income Units Inclusionary Obligations During This Fiscal Year (add line 5 & 10)	0

ATTACHMENT 3

Confirmation of Redevelopment Agency On-Line Filing of Annual HCD Report

FY: Fiscal Year: 2010/2011

FM: Redevelopment Agency: CAPITOLA

Agency Administrator: David Foster

Date: 12/21/2011

Time: 10:37 am

**TO: State Controller
Division of Accounting and Reporting
Local Government Reporting Section
P.O.Box. 942850
Sacramento, CA 94250**

This notice is automatically generated by HCD's On-Line Reporting System. The purpose is to file with the State Controller's Office verification the redevelopment agency has complied with Health and Safety Code (H&SC) Section 33080(a) and submitted the annual HCD report required by H&SC Section 33080.1.

HCD Notification: For the Fiscal Year 2009-2010 Supplemental Education Revenue Augmentation Fund (SERAF) payment, the agency:

- Did use revenue/funds that reduced the amount available to the Housing Fund
- Did not use revenue/funds that reduced the amount available to the Housing Fund

To the best of my knowledge the representations made above and the agency information reported are correct.

12/21/11
Date

831
Telephone Number


Signature of Authorized Agency Representative

Housing & Redevelopment
Title Project Manager

**REDEVELOPMENT AGENCY OF THE
CITY OF CAPITOLA**

FINANCIAL STATEMENTS

Year Ended June 30, 2011

Redevelopment Agency of the City of Capitola
Financial Statements
Year Ended June 30, 2011

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Independent Auditors' Report

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Capitola (the "Agency"), a component unit of the City of Capitola, California (City), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Agency adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and to provide an opinion on compliance but not on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budget and Actual Comparison, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The "Supplementary Information" listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Teaman Ramirez & Smith, Inc.

December 19, 2011

BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Capitola
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Investments	\$ 3,188,461
Due From Other Governments	51,325
Interest Receivable	17,046
Loans Receivable	2,167,879
Prepays	<u>108,700</u>
Total Assets	<u>5,533,411</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	68,789
Unearned Revenue	1,395,586
Noncurrent Liabilities:	
Due Within One Year	245,528
Due in More Than One Year	<u>4,351,760</u>
Total Liabilities	<u>6,061,663</u>
NET ASSETS	
Restricted for Low/Moderate Income Housing	3,053,716
Restricted for Debt Service	2,410,906
Unrestricted	<u>(5,992,874)</u>
Total Net Assets	<u><u>\$ (528,252)</u></u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 2,620,313	\$	\$	\$	\$ (2,620,313)
Community Development	1,185,550				(1,185,550)
Interest on Long-Term Debt	200,020				(200,020)
Total Governmental Activities	\$ 4,005,883	\$ -	\$ -	\$ -	(4,005,883)
General Revenues:					
Property Taxes					2,451,649
Investment Earnings					13,343
Total General Revenues					2,464,992
Change in Net Assets					(1,540,891)
Total Net Assets - Beginning					1,012,639
Total Net Assets - Ending					\$ (528,252)

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Balance Sheet
Governmental Funds
June 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
ASSETS				
Cash and Investments	\$ 890,796	\$ 2,297,665	\$	\$ 3,188,461
Due From Other Governments		51,325		51,325
Interest Receivable	2,448	14,598		17,046
Loans Receivable	2,167,879			2,167,879
Prepays		108,700		108,700
Total Assets	<u>\$ 3,061,123</u>	<u>\$ 2,472,288</u>	<u>\$ -</u>	<u>\$ 5,533,411</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,407	\$ 61,382	\$	\$ 68,789
Deferred Revenue	2,167,879			2,167,879
Total Liabilities	<u>2,175,286</u>	<u>61,382</u>	<u>-</u>	<u>2,236,668</u>
Fund Balances:				
Nonspendable:				
Prepays		108,700		108,700
Restricted for:				
Low and Moderate Income Housing	885,837			885,837
Debt Service		2,302,206		2,302,206
Total Fund Balances	<u>885,837</u>	<u>2,410,906</u>	<u>-</u>	<u>3,296,743</u>
Total Liabilities and Fund Balances	<u>\$ 3,061,123</u>	<u>\$ 2,472,288</u>	<u>\$ -</u>	<u>\$ 5,533,411</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund balances of governmental funds	\$	3,296,743
-------------------------------------	----	-----------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Advances payable		(1,968,028)
Note payable		(1,000,000)
RDA obligations		(1,629,260)

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

772,293

Net assets of governmental activities	\$	<u><u>(528,252)</u></u>
---------------------------------------	----	-------------------------

Redevelopment Agency of the City of Capitola
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Low and Moderate Income Housing	Debt Service	Capital Projects	Total Govern- mental Funds
Revenues				
Taxes	\$	\$ 2,451,649	\$	\$ 2,451,649
Use of Money and Property	2,347	10,996		13,343
Total Revenues	<u>2,347</u>	<u>2,462,645</u>	<u>-</u>	<u>2,464,992</u>
Expenditures				
Current:				
General Government		1,436,681		1,436,681
Community Development	527,410	618,000		1,145,410
Debt Service:				
Principal		228,926		228,926
Interest and Fiscal Charges		200,020		200,020
SERAF Payment		144,752		144,752
Total Expenditures	<u>527,410</u>	<u>2,628,379</u>	<u>-</u>	<u>3,155,789</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(525,063)</u>	<u>(165,734)</u>	<u>-</u>	<u>(690,797)</u>
Other Financing Sources (Uses)				
Transfers In	490,330			490,330
Transfers Out		(490,330)		(490,330)
Total Other Financing Sources (Uses)	<u>490,330</u>	<u>(490,330)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(34,733)</u>	<u>(656,064)</u>	<u>-</u>	<u>(690,797)</u>
Fund Balances, Beginning of Year	<u>920,570</u>	<u>3,066,970</u>	<u>-</u>	<u>3,987,540</u>
Fund Balances, End of Year	<u>\$ 885,837</u>	<u>\$ 2,410,906</u>	<u>\$ -</u>	<u>\$ 3,296,743</u>

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$	(690,797)
Amounts reported for governmental activities in the Statement of Activities are different because:		
The statement of activities reports losses arising from the disposal of capital assets.		
However, governmental funds do not report any losses on disposal of capital assets.		(1,038,880)
In governmental funds, repayment of long-term debt is reported as an expenditure.		228,926
The Agency's long-term obligation relating to the County Library Building is increased by 5% each year according to the agreement. This is the amount reported as an expense in the Statement of Activities, due to the increase in long-term debt.		
		(89,340)
In governmental funds, notes receivable are offset by deferred revenue as they are not available to pay for current period expenditures. This represents the change in deferred revenue for the fiscal year.		49,200
		49,200
Change in Net Assets of Governmental Activities	\$	(1,540,891)

The accompanying notes are an integral part of this statement.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Agency is a blended component unit of the City. The Agency was created by the City of Capitola City Council (City Council) in 1980. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B) Basis of Presentation

The Agency's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Financial Statements

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All Agency activities are governmental; no business-type activities are reported in these financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Agency include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenues of the current fiscal period.

The Agency reports the following major governmental funds:

The Low/Moderate Income Housing Fund is used to reflect Low and Moderate Income Housing Activities.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of redevelopment projects and administrative expenses.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated, if any.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is recognized as revenue.

D) Assets, Liabilities and Net Assets or Equity

1) Receivables

Incremental property tax revenues represent property taxes in the project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from the

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Assets, Liabilities and Net Assets or Equity - Continued

1) Receivables - Continued

project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid, all property taxes from the project area revert back to the various taxing authorities.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Under the California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes.

2) Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of these assets, as follows:

Infrastructure	15 - 50 years
Structures and Improvements	50 years
Equipment	5 years

E) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

F) Relationship to the City of Capitola

The Agency is an integral part of the reporting entity of the City of Capitola. The funds of the Agency have been blended within the financial statements of the City because the City Council of the City of Capitola is the governing board of the Agency and exercises control over the operations of the Agency. Only the funds of the Agency are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Capitola.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Low/Moderate Income Housing

The California Health and Safety Code requires the Agency project area to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of incremental revenues in excess of debt service payments on the bonds) into a Low/Moderate Income Housing Fund. This money is restricted for the purpose of increasing and improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

H) Net Assets and Fund Balances

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount represents net assets restricted by external creditors, grantors, contributors, or laws or regulations.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Fund Financial Statements

The Agency implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Agency considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Agency considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts constrained for a specific purpose by Board of Directors action. It would require the same action by the Board to remove the constraint.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Net Assets and Fund Balances - Continued

Fund Financial Statements - Continued

Assigned Fund Balance - Amounts that are constrained by the Board of Director's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - Amounts expended in excess of resources that are nonspendable, restricted, committed, or assigned.

2) CASH AND INVESTMENTS

Cash and Investments as of June 30, 2011 consisted of the following:

Statement of Net Assets:	
Cash and Investments Pooled with the City	\$ 3,188,461
Total Cash and Investments	\$ 3,188,461

See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization.

3) INTERFUND TRANSACTIONS

Interfund Operating Transfers

	Transfers In	Transfers Out
Low/Moderate Income Housing Fund	\$ 490,330	\$ -
Debt Service Fund	-	490,330
	\$ 490,330	\$ 490,330

This transfer was made in order to deposit 20% of the tax increment in the Low/Moderate Income Housing Fund.

4) LOANS RECEIVABLE

The Agency loans the low and moderate tax increment set-aside taxes to low and moderate income families. The loans are collateralized by the property and generally mature upon the sale of the property. The loan's principal and interest amounts are deferred and due at maturity. At June 30, 2011, these outstanding loans totaled \$2,167,879 and bear interest at 3%.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

5) CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Non Depreciable Capital Assets:				
Land	\$ 1,038,880	\$ -	\$ 1,038,880	\$ -
Construction in Progress	-	-	-	-
Total Non Depreciable Capital Assets	<u>1,038,880</u>	<u>-</u>	<u>1,038,880</u>	<u>-</u>
Depreciable Capital Assets:				
Equipment	-	-	-	-
Infrastructure	-	-	-	-
Building and Improvements	-	-	-	-
Total Depreciable Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	<u>1,038,880</u>	<u>-</u>	<u>1,038,880</u>	<u>-</u>
Less Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets	<u>\$ 1,038,880</u>	<u>\$ -</u>	<u>\$ 1,038,880</u>	<u>\$ -</u>

6) LONG-TERM DEBT

Advances from City

The Redevelopment Agency has incurred substantial costs for a proposed expansion of the redevelopment area and amendment of the redevelopment plan. The City has been providing staff and administrative services without compensation to the Agency since the fiscal year 1997/1998. The City and the Agency entered into an agreement to identify the staff and administrative costs due to the City since the fiscal year 1997/1998. The parties agreed that the Agency will pay the City for its past administrative services, plus interest calculated at the Local Agency Investment Fund (LAIF) rate published for the quarter ending March. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability, b) the true interest cost of any obligation bond sold by the City, c) the State of California LAIF rate, or d) 5%. The parties further agreed that the amount owed has been calculated at an overhead rate of fifteen percent of net tax increment, with simple interest. The principal amount of this reimbursement shall be paid as Agency funds become available, but in no event later than twenty-five years. As of June 30, 2011, the Agency owes the City \$618,028.

In July 2003, the City of Capitola sold the Rispin Mansion property to the Redevelopment Agency of Capitola in exchange for a \$1,350,000 note. In the 2010-11 fiscal year, the Agency transferred title to the City for the City to use the land in accordance with redevelopment purposes. The parties agreed to calculate interest on the advance at 5% per annum. In June 2006, the City and Agency agreed to amend the interest rate to the greater of the following: a) the interest rate charged by the Public Employees Retirement System for the City's unfunded liability; b) the true interest cost of any pension obligation bond sold by the City; c) the State of California LAIF rate; or d) 5%. The outstanding principal sum of this Note shall be due and payable in full on June 24, 2017 ("Maturity Date"), provided, however, that

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) **LONG-TERM DEBT - Continued**

Advances from City - Continued

if the Redevelopment Plan for the Capitola Redevelopment Project is amended to extend the time limit on receipt of tax increment revenues, then the Maturity Date shall automatically be extended until the last date on which the Agency may receive tax increment under the Redevelopment Plan, as amended. Payment of interest is due on a quarterly basis. As of June 30, 2011, the Agency owes the City \$1,350,000. In April 2007, the RDA Board of Directors passed a resolution which credited the RDA cap with \$629,059 as a result of state legislation regarding previous Educational Relief Augmentation Fund (ERAF) payments made by the Capitola Redevelopment Agency.

Redevelopment Agency Pass-Through Agreements

Previous California redevelopment law permitted redevelopment agencies to negotiate agreements with overlapping taxing jurisdictions, whereby the agency pays a portion of its tax increment revenues to other jurisdictions whose revenues and function(s) may be adversely impacted by the Agency. The terms of such agreements were negotiable in accordance with the needs of the Agency and the jurisdictions. Accordingly, the Agency negotiated agreements with certain overlapping jurisdictions, which call for deferred payment of portions of the Agency's tax increment revenues. A summary of these deferred liabilities is as follows:

County Library Fund and County Special District Funds

The Agency entered into an agreement in 1984 with the County of Santa Cruz which provided that the Agency would not be required to pass through to the County Library Fund or Special District Funds any tax increments during years one through twenty of the Capitola Redevelopment Project. Instead, the Agency is required to pay these funds over a ten-year period beginning in year twenty-one (fiscal year ended June 30, 2002). The deferred pass-through payments are \$45,910/year for the County Library Fund and \$20,116/year for the County Special District Funds, for ten years ending June 30, 2012. There is no provision for interest in the agreement.

Principal balance at June 30, 2011	<u>\$ 66,026</u>
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County Library Building Fund

In August 2004, the Agency entered into an Implementation Agreement with the County of Santa Cruz to clarify and confirm provisions in the original Pass-Through Agreement, and First and Second Library Agreements. The Implementation Agreement requires that the Agency design and commence construction of a library building and related on-site improvements no later than June 30, 2018. The Agency's maximum obligation for this project, beginning with the 2004-05 fiscal year, is \$1,400,000, which is increased 5% per annum (compounded annually) until the fiscal year in which the library construction is completed or the full amount of the Agency assistance has been paid to the County.

Beginning February 1, 2005, and February 1st of each fiscal year thereafter through February 1, 2018, or until the total amount of the Agency assistance is funded or the Library construction is completed, the Agency is required to pay minimum scheduled payments into a County trust account, which earns interest at a rate equivalent to the County's pooled investment fund rate.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) LONG-TERM DEBT - Continued

Redevelopment Agency Pass-Through Agreements - Continued

The Agency may prefund any portion of the obligation at any time. "Prefund" means providing the total amount of funding needed in a particular year to achieve the total Agency obligation as of that fiscal year. The maximum obligation of the Agency through the fiscal year ending June 30, 2018 is \$2,640,000. The Agency has recorded the initial debt of \$1,400,000 as of the 2004-05 fiscal year, which is increased by 5% each year and reduced by the minimum scheduled payment each year. The principal balance at June 30, 2011 is \$1,563,234. A schedule of the Agency assistance obligation (increased by 5% per year) and the minimum scheduled payments is as follows:

Fiscal Year	Total Amount of Agency Assistance Obligation	Minimum Scheduled Payment Amount
2004-05	\$ 1,400,000	\$ 25,000
2005-06	1,470,000	25,000
2006-07	1,543,500	25,000
2007-08	1,620,675	25,000
2008-09	1,701,709	25,000
2009-10	1,786,794	25,000
2010-11	1,876,134	162,900
2011-12	1,969,941	179,502
2012-13	2,068,438	211,720
2013-14	2,171,860	250,243
2014-15	2,280,452	287,116
2015-16	2,394,475	325,579
2016-17	2,514,199	366,577
2017-18	2,639,909	417,640
		\$ 2,351,277

Note Payable

On September 29, 2000, the Agency borrowed \$1,000,000 to provide temporary, short-term financing for various capital projects included in the five year plan. The loan allowed for the principle to be fully prepaid without premium by the Agency upon 30 day written notice to the lender at any time after September 29, 2001. On March 30, 2006, Chase NYC took over the WestAmerica note and established a new expiration of September 29, 2014. Interest is a 4.75% (\$47,500/year) payable semiannually on March 29, and September 29.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

6) LONG-TERM DEBT - Continued

Changes in Long-Term Debt

Following is a summary of long-term debt for the 2010-2011 fiscal year:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Current Portion
Advances Payable	\$ 1,968,028	\$ -	\$ -	\$ 1,968,028	\$ -
Note Payable	1,000,000	-	-	1,000,000	-
RDA Pass-Throughs	1,768,846	89,340	228,926	1,629,260	245,528
Totals	\$ 4,736,874	\$ 89,340	228,926	4,597,288	\$ 245,528

7) LOW AND MODERATE INCOME HOUSING FUND

California Redevelopment Law requires that each year, 20% of the Agency's gross tax increment revenue be set aside to enhance the City's supply of housing available to low and moderate income persons. During fiscal year 2010/2011, the Agency set-side for this purpose was \$490,330.

The Redevelopment Agency expended \$527,410 during fiscal year 2010/2011, for low and moderate income housing programs, and administration thereof.

8) RISK MANAGEMENT

The City (and Agency) participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

8) RISK MANAGEMENT - Continued

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

9) COMMITMENTS AND CONTINGENCIES

During the 2010-11 fiscal year, the Redevelopment Agency entered into an agreement with a developer committing \$1.0 million to help fund various improvements as part of the redevelopment of the Capitola Mall. As of June 30, 2011, no funds had been expended on this project.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Capitola intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly

Redevelopment Agency of the City of Capitola
Notes to Financial Statements
Year Ended June 30, 2011

9) COMMITMENTS AND CONTINGENCIES - Continued

Recent Changes in Legislation Affecting California Redevelopment Agencies - Continued

Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 22, 2011, City of Capitola Ordinance No. 962 was adopted indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$798,547 with one half due on January 15, 2012 and the other half due May 15, 2012. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012 and for a period shortly thereafter. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to redevelopment agencies ability to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

10) SUBSEQUENT EVENT

Subsequent to June 30, 2011, the Redevelopment Agency loaned \$1.0 million to a non-profit agency to acquire a mobile home park. The agreement with the non-profit agency provides for additional funding of \$100,000/year for a ten-year period to provide rental assistance and infrastructure rehabilitation.

REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Capitola
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Low and Moderate Income Housing Fund
Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variances with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of Money and Property	\$	\$	\$ 2,347	\$ 2,347
Total Revenues	-	-	2,347	2,347
Expenditures				
Community Development	465,852	465,852	527,410	(61,558)
Total Expenditures	465,852	465,852	527,410	(61,558)
Excess (Deficiency) of Revenues over Expenditures	(465,852)	(465,852)	(525,063)	(59,211)
Other Financing Sources (Uses)				
Transfers In	463,400	463,400	490,330	26,930
Transfers Out		(730,000)		730,000
Total Other Financing Sources (Uses)	463,400	(266,600)	490,330	756,930
Net Change in Fund Balance	(2,452)	(732,452)	(34,733)	697,719
Fund Balance - Beginning of Year	920,570	920,570	920,570	-
Fund Balance - End of Year	\$ 918,118	\$ 188,118	\$ 885,837	\$ 697,719

SUPPLEMENTARY INFORMATION

Capitola Redevelopment Agency
Computation of Low and Moderate Housing Excess Surplus Funds

	Low and Moderate Income Housing Funds July 1, 2010	Low and Moderate Income Housing Funds July 1, 2011
Opening Fund Balance	<u>\$ 920,570</u>	<u>\$ 885,837</u>
Less Unavailable Amounts:		
Unspent Bond Proceeds	\$ -	\$ -
Encumbrances [Section 33334.12 (g)(2)]	-	-
Loans Receivable	-	-
Land Held for Resale	-	-
	<u>-</u>	<u>-</u>
Available Low and Moderate Income Housing Funds	<u>\$ 920,570</u>	<u>\$ 885,837</u>
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010-11	\$ -	\$ 490,330
2009-10	485,113	485,113
2008-09	499,274	499,274
2007-08	466,900	466,900
2006-07	448,997	-
Total	<u>\$ 1,900,284</u>	<u>\$ 1,941,617</u>
Base Limitation	\$ 1,000,000	\$ 1,000,000
Greater amount	<u>\$ 1,900,284</u>	<u>\$ 1,941,617</u>
Computed Excess Surplus	<u>NONE</u>	<u>NONE</u>

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board Members
Redevelopment Agency of the City of Capitola
Capitola, California

Compliance

We have audited the Redevelopment Agency of the City of Capitola's (the "Agency") compliance with the types of compliance described in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller, applicable to the Agency's activities for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller, and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards and the State's *Guidelines for Compliance Audits of California Redevelopment Agencies* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, and which is described in the accompanying Schedule of Findings and Responses, as item 2011-1.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Responses as item 2011-1, that we consider to be a significant deficiency. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Agency's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the Agency, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Seaman Ramirez & Smith, Inc.

December 19, 2011

**Redevelopment Agency of the City of Capitola
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

2011-1 Filing of the Fiscal Year 2010 Annual Report

Health and Safety Code Section 33080.1 requires each redevelopment agency to file an annual report with its legislative body within six months of the end of the Agency's fiscal year. The annual report should include the following:

- a) Financial Statement Audit;
- b) Fiscal Statement for the previous fiscal year, which includes the following:
 - i. The amount of outstanding indebtedness of the agency and each project area.
 - ii. The amount of tax increment property tax revenue generated in the agency and in each project area.
 - iii. The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to subdivision (b) of Section 33401 or Section 33676. Moneys expended on behalf of a taxing agency shall be itemized per each individual capital improvement.
 - iv. The financial transactions report required pursuant to Section 53891 of the Government Code.
 - v. The amount allocated to school or community college districts pursuant to each of the following provisions: (1) Section 33401; (2) Section 33445; (3) Section 33445.5; (4) paragraph (2) of subdivision (a) of Section 33676; and (5) Section 33681.
 - vi. The amount of existing indebtedness, as defined in Section 33682, and the total amount of payments required to be paid on existing indebtedness for that fiscal year.
 - vii. Any other financial information which the agency believes useful to describe its programs.
- c) A description of the Agency's activities in the previous fiscal year affecting housing and displacement;
- d) A description of the Agency's progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year;
- e) A list of, and status report on all loans of \$50,000 or more, that in the previous fiscal year were in default or not in compliance with the terms of the loan;
- f) A description of the total number and nature of the properties that the Agency owns and those properties the Agency has acquired in the previous fiscal year;
- g) A list of the fiscal years that the Agency expects specified time limits of the plans to expire;
- h) Any other information that the Agency believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities.

During our audit, except for the items listed at d), e), and f), we found no indication that the Agency submitted the above reports to the Board of Directors, within the required time period, for the year ended June 30, 2010.

**Redevelopment Agency of the City of Capitola
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

Recommendation:

We recommend that the Agency prepare and submit the required annual report, as described above, to the Board of Directors in the required time frame for the 2010-11 fiscal year. In addition, we recommend the Agency establish documented procedures to ensure compliance with Section 33080.1 of the Health and Safety Code.

Response:

The City of Capitola and the Capitola Redevelopment Agency have consistently met the following State Controller RDA reporting requirements:

- online release of State Controller's Redevelopment Agencies' Financial Transactions Report
- submission of the Bureau of Census survey form
- two copies of the City of Capitola Comprehensive Annual Financial Report (independent audit)
- the Capitola Statement of Indebtedness for tax year 2010-11 filed with the Santa Cruz County Auditor-Controller
- two copies of the Capitola Redevelopment Agency Financial Statement for the year ending June 30, 2010
- Housing and Community Development Report on the Status and Use of Low and Moderate Income Housing Fund
- Capitola Redevelopment Agency Plan Limits Summary

In addition, the Agency has consistently met the following Department of Housing and Community Development requirements

- verification of online submittal of the annual report to HCD for the Capitola Redevelopment Agency
- Capitola RDA Plan Limit Summary
- Capitola RDA independent auditor's report and Financial Statement
- Capitola RDA Financial Transactions Report cover page

All reports were reviewed and signed by Redevelopment Agency management and submitted to the State Controller's Office and Department of Housing and Community Development prior to the December 31, 2010 deadline. Capitola Redevelopment Agency standard practice was to submit all required reports by the December 31st deadline and to subsequently file the reports with the Board of Directors at the first available meeting following completion, which occurred on the second Thursday in January.

The State Controller's audit of eighteen redevelopment agencies around the state in March, 2011 highlighted this as a pervasive issue: "None of the 18 reviewed agencies met all of their filing requirements. In some cases, annual financial reports were fed to the RDA governing bodies in pieces, while others simply did not file. Auditors from the Controller's office found that many of the RDAs' department staff were confused by filing requirements, and the report recommends strong training improvements for financial staff."

The State Controller's Office Division of Accounting and Reporting "fiscal alert letter" of August 31, 2011 highlights the reporting requirements and deadlines for SCO and HCD without reference to any state mandated internal agency deadlines. A clarifying letter, dated November 16, 2011, was sent to each Redevelopment Fiscal Officer for the sole purpose of notifying agencies that presenting the State Controller and HCD reports to their legislative bodies is required under Health and Safety Code section 33080.1 and identifying the requirement for a Fiscal Statement.

The Capitola Redevelopment Agency will comply fully with the requirement to present all material required by Health and Safety Code section 33080.1 to the Capitola Redevelopment Agency Board members by the December 31 deadline. In addition, the Agency shall establish documented procedures to ensure compliance with Section 33080.1.

REDEVELOPMENT AGENCIES
FINANCIAL TRANSACTIONS REPORT
COVER PAGE

Redevelopment Agency Of The City Of Capitola

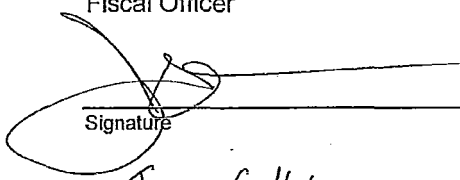
Fiscal Year: 2011

ID Number: 13984413600

Certification:

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the agency in accordance with the requirements as prescribed by the California State Controller.

Fiscal Officer



Signature

Jamie Goldstein

Name (Please Print)

Executive Director

Title

12/22/11

Date

Per Health and Safety Code section 33080, this report is due within six months after the end of the fiscal year. The report is to include two (2) copies of the agency's component unit audited financial statements and the report on the Status and Use of the Low and Moderate Income Housing Fund (HCD report). To meet the filing requirements, all portions must be received by the California State Controller's Office.

Please complete, sign, and mail this cover page to either address below.

Mailing Address:
State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
P. O. Box 942850
Sacramento, CA 94250

Express Mailing Address:
State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
3301 C Street, Suite 700
Sacramento, CA 95816

Supplement to the Annual Report of Community Redevelopment Agencies

Redevelopment Agency ID Number:	1398 4413 600
Name of Redevelopment Agency:	REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA

Mark the appropriate box below to indicate the ending date of your agency's fiscal year. Report data for that period only.

- September 2010
 December 2010
 June 2011

Return this form to the **California State Controller's Office**. If you have any questions regarding this form please contact:

U.S. Bureau of the Census, Shannon Doyle, 1-800-242-4523

A. Personnel Expenditures

Report your government's total expenditures for salaries and wages during the year, including amounts paid on force account construction projects.

Z00	\$	N/A
-----	----	-----

CANNOT DETERMINE - CITY & RDA
 COOPERATION AGREEMENT FOR
 TOTAL ADMINISTRATIVE COSTS
 & OVERHEADS

B. Mortgage Revenue Bond Interest Payments

Report your government's total amount of interest paid on mortgage revenue bonds during the year.

U20	\$	Ø
-----	----	---

The Required Forms Must Be Completed. Optional Forms Will Be Validated If Data Is Entered.

Double click on an item to open up the form!

Forms	Form Description	Type	Data	Completed
General Information	General Information	Required	Yes	Yes
Achievement	Achievement Information (Unaudited)	Optional	Yes	Yes
Audit Information	Audit Information	Required	Yes	Yes
Project Areas Report	Project Areas Report	Required	Yes	Yes
Project Areas	Assessed Valuations Data	Required	Yes	Yes
Project Areas	Pass Through / School District Assistance	Optional	Yes	Yes
Project Areas	Capital Improvement Detail	Optional	No	No
Project Areas	Summary of the Statement of Indebtedness	Optional	Yes	Yes
Project Areas	Agency Long-Term Debt	Optional	Yes	Yes
Project Areas	Non-Agency Long-Term Debt	Optional	No	No
Income Statement - Project Areas	Revenues	Required	Yes	Yes
Income Statement - Project Areas	Expenditures	Required	Yes	Yes
Income Statement - Project Areas	Other Financing Sources (Uses)	Required	Yes	Yes
Balance Sheet	Assets and Other Debits	Required	Yes	Yes
Balance Sheet	Liabilities and Other Credits	Required	Yes	Yes
Summary	Summary of Revenue, Expenditure and Other	Required	Yes	Yes

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

General Information

Fiscal Year **2011**

Members of the Governing Body			
	Last Name	First Name	Middle Initial
Chairperson	Norton	Dennis	
Member	Harlan	Stephanie	
Member	Nicol	Kirby	
Member	Termini	Michael	
Member	Storey	Sam	
Member			
Member			
Member			
Member			

Mailing Address

Street 1

Street 2

City State Zip

Phone Is Address Changed?

Agency Officials				
	Last Name	First Name	Middle Initial	Phone
Executive Director	Goldstein	Jamie		(831) 475-7300
Fiscal Officer	Johnson	Debbie		(831) 475-7300
Secretary	Greeninger	Pamela		(831) 475-7300

Report Prepared By		Independent Auditor
Firm Name	Teaman Ramirez and Smith	
Last	Wagner	Fankhanel
First	Lonnie	Greg
Middle Initial		
Street	420 Capitola Avenue	4201 Brockton Avenue, Suite 100
City	Capitola	Riverside
State	CA	CA
Zip Code	95010-	92501-
Phone	(831) 475-7300	(951) 274-9500

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Achievement Information (Unaudited)

Fiscal Year 2011

Indicate Only Those Achievements Completed During the Fiscal Year of this Report as a Direct Result
of the Activities of the Redevelopment Agency.

Please provide a description of the agency's activities/accomplishments during the past year.

(Please be specific, as this information will be the basis for possible inclusion in the publication.)

Activity Report

Provided in HCD report

Enter the amount of square footage completed this year by building type and segregated by new or rehabilitated construction.

Square Footage Completed

New
Construction

Rehabilitated

Commercial Buildings	[]	[]
Industrial Buildings	[]	[]
Public Buildings	[]	[]
Other Buildings	[]	[]
Total Square Footage	0	0

Enter the Number of Jobs Created from the Activities of the Agency

[]

Types Completed

[]

A=Utilities B=Recreation C=Landscape D=Sewer/ Storm E=Streets/ Roads
F=Bus/Transit

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Audit Information

Fiscal Year	2011		
Was the Report Prepared from Audited Financial Data, and Did You Submit a Copy of the Audit?	<input type="text" value="Yes"/>		If compliance opinion includes exceptions, state the areas of non-compliance, and describe the agency's efforts to correct. <div style="border: 1px solid black; height: 200px; width: 100%;"></div>
Indicate Financial Audit Opinion	<input type="text" value="Unqualified"/>		
If Financial Audit is not yet Completed, What is the Expected Completion Date?	<input type="text"/>		
If the Audit Opinion was Other than Unqualified, State Briefly the Reason Given	<input type="text"/>		
Was a Compliance Audit Performed in Accordance with Health and Safety Code Section 33080.1 and the State Controller's Guidelines for Compliance Audits, and Did You Submit a Copy of the Audit?	<input type="text" value="Yes"/>		
Indicate Compliance Audit Opinion	<input type="text" value="Unqualified"/>		
If Compliance Audit is not yet Completed, What is the Expected Completion Date?	<input type="text"/>		

**Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report**

Project Area Report

Fiscal Year 2011

Project Area Name

Capitola Project Area

Please Provide a Brief Description of the Activities for this Project Area During the Reporting Year.

Activity Report

Forwarded from Prior Year? Yes

Enter Code for Type of Project Area Report

P

P = Standard Project Area Report

A = Administrative Fund

L = Low and Moderate Income Housing Fund

M = Mortgage Revenue Bond Program

O = Other Miscellaneous Funds or Programs

S = Proposed (Survey) Project Area

Does the Plan Include Tax Increment Provisions?

Yes

Date Project Area was Established (MM-DD-YY)

6/10/1982

Most Recent Date Project Area was Amended

7/22/2004

Did this Amendment Add New Territory?

No

Most Recent Date Project Area was Merged

Will this Project Area be Carried Forward to Next Year?

Yes

Established Time Limit :

Repayment of Indebtedness (Year Only)

2032

Effectiveness of Plan (Year Only)

2022

New Indebtedness (Year Only)

2004

Size of Project Area in Acres

95

Percentage of Land Vacant at the Inception of the Project Area

8.0

Health and Safety Code Section 33320.1 (xx.x%)

Percentage of Land Developed at the Inception of the Project Area

92.0

Health and Safety Code Section 33320.1 (xx.x%)

Objectives of the Project Area as Set Forth in the Project Area Plan

RCP

(Enter the Appropriate Code(s) in Sequence as Shown)

R = Residential I = Industrial C = Commercial P = Public O = Other

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Assessed Valuation Data

Fiscal Year 2011

Project Area Name	Capitola Project Area
Frozen Base Assessed Valuation	33,980,450
Increment Assessed Valuation	238,630,551
Total Assessed Valuation	272,611,001

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Pass-Through / School District Assistance

Fiscal Year

Project Area Name

Amounts Paid To Taxing Agencies Pursuant To:	Tax Increment Pass Through Detail			Total	Other Payments	
	H & S Code Section 33401	H & S Code Section 33676	H & S Code Section 33607		H & S Code Section 33445	H & S Code Section 33445.5
County	570,982			\$570,982		
Cities				\$0		
School Districts				\$0		
Community College District				\$0		
Special Districts	431,393			\$431,393		
Total Paid to Taxing Agencies	\$1,002,375	\$0	\$0	\$1,002,375	\$0	\$0
Net Amount to Agency				\$1,449,274		
Gross Tax Increment Generated				2,451,649		

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Summary of the Statement of Indebtedness - Project Area

Fiscal Year	2011
Project Area Name	Capitola Project Area
Tax Allocation Bond Debt	0
Revenue Bonds	0
Other Long Term Debt	1,130,600
City/County Debt	18,583,306
Low and Moderate Income Housing Fund	12,468,700
Other	10,039,776
Total	\$42,222,382
Available Revenues	2,835,531
Net Tax Increment Requirements	\$39,386,851

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="City/County Debt"/>
Year of Authorization	<input type="text" value="1986"/>
Principal Amount Authorized	<input type="text" value="1,742,201"/>
Principal Amount Issued	<input type="text" value="1,742,201"/>
Purpose of Issue	<input type="text" value="Redevelopment Share - for Capital Projects"/>
Maturity Date Beginning Year	<input type="text" value="2002"/>
Maturity Date Ending Year	<input type="text" value="2017"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$618,028"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$618,028"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US;State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year
 Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="City/County Debt"/>
Year of Authorization	<input type="text" value="2003"/>
Principal Amount Authorized	<input type="text" value="1,350,000"/>
Principal Amount Issued	<input type="text" value="1,350,000"/>
Purpose of Issue	<input type="text" value="Purchase 6.5 Blighted Acres of Land - Rispin Property"/>
Maturity Date Beginning Year	<input type="text" value="2003"/>
Maturity Date Ending Year	<input type="text" value="2017"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$1,350,000"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$1,350,000"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US;State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="Deferred Pass-Throughs"/>
Year of Authorization	<input type="text" value="2002"/>
Principal Amount Authorized	<input type="text" value="459,100"/>
Principal Amount Issued	<input type="text" value="459,100"/>
Purpose of Issue	<input type="text" value="Library Fund Years 1- 20 Pass Through Catch-Up"/>
Maturity Date Beginning Year	<input type="text" value="2002"/>
Maturity Date Ending Year	<input type="text" value="2012"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$91,820"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text" value="45,910"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$45,910"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:

Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US;State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="Deferred Pass-Throughs"/>
Year of Authorization	<input type="text" value="2002"/>
Principal Amount Authorized	<input type="text" value="201,200"/>
Principal Amount Issued	<input type="text" value="201,200"/>
Purpose of Issue	<input type="text" value="Special District 20 Year Pass-Thru Catch-Up"/>
Maturity Date Beginning Year	<input type="text" value="2002"/>
Maturity Date Ending Year	<input type="text" value="2012"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$40,232"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text" value="20,116"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$20,116"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="Deferred Pass-Throughs"/>
Year of Authorization	<input type="text" value="2004"/>
Principal Amount Authorized	<input type="text" value="2,640,000"/>
Principal Amount Issued	<input type="text" value="2,640,000"/>
Purpose of Issue	<input type="text" value="Capitola Library deferred pass through"/>
Maturity Date Beginning Year	<input type="text" value="2005"/>
Maturity Date Ending Year	<input type="text" value="2018"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$1,636,794"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text" value="162,900"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$1,473,894"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:
 Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US; State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Agency Long-Term Debt

Fiscal Year

Project Area Name

Forward from Prior Year	<input type="text" value="Yes"/>
Bond Type	<input type="text" value="Loans"/>
Year of Authorization	<input type="text" value="2000"/>
Principal Amount Authorized	<input type="text" value="1,000,000"/>
Principal Amount Issued	<input type="text" value="1,000,000"/>
Purpose of Issue	<input type="text" value="Capitola Projects - Stone & Youngberg"/>
Maturity Date Beginning Year	<input type="text" value="2006"/>
Maturity Date Ending Year	<input type="text" value="2014"/>
Principal Amount Unmatured Beginning of Fiscal Year	<input type="text" value="\$1,000,000"/>
Adjustment Made During Year	<input type="text"/>
Adjustment Explanation	<input type="text"/>
Interest Added to Principal	<input type="text"/>
Principal Amount Issued During Fiscal Year	<input type="text"/>
Principal Amount Matured During Fiscal Year	<input type="text"/>
Principal Amount Defeased During Fiscal Year	<input type="text"/>
Principal Amount Unmatured End of Fiscal Year	<input type="text" value="\$1,000,000"/>
Principal Amount In Default	<input type="text"/>
Interest In Default	<input type="text"/>

Bond Types Allowed:

Tax Allocation Bonds; Revenue Bonds; Certificates of Participation; Tax Allocation Notes; Financing Authority Bonds; City/County Debt; US;State; Loans; Lease Obligations; Notes; Deferred Pass-Throughs; Deferred Compensation; Other

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Revenues

Fiscal Year

Project Area Name

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Tax Increment Gross <i>(Include All Apportionments)</i>		2,451,649			\$2,451,649
Special Supplemental Subvention					\$0
Property Assessments					\$0
Sales and Use Tax					\$0
Transient Occupancy Tax					\$0
Interest Income		10,996	2,347		\$13,343
Rental Income					\$0
Lease Income					\$0
Sale of Real Estate					\$0
Gain on Land Held for Resale					\$0
Federal Grants					\$0
Grants from Other Agencies					\$0
Bond Administrative Fees					\$0
Other Revenues					\$0
Total Revenues	\$0	\$2,462,645	\$2,347	\$0	\$2,464,992

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year

Project Area Name

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Administration Costs		198,619	312,418		\$511,037
Professional Services		60,618	34,251		\$94,869
Planning, Survey, and Design		68,534			\$68,534
Real Estate Purchases					\$0
Acquisition Expense					\$0
Operation of Acquired Property		0			\$0
Relocation Costs					\$0
Relocation Payments					\$0
Site Clearance Costs					\$0
Project Improvement / Construction Costs		106,535			\$106,535
Disposal Costs					\$0
Loss on Disposition of Land Held for Resale					\$0

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Expenditures

Fiscal Year 2011

Project Area Name Capitola Project Area

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Decline in Value of Land Held for Resale					\$0
Rehabilitation Costs					\$0
Rehabilitation Grants					\$0
Interest Expense		200,020			\$200,020
Fixed Asset Acquisitions					\$0
Subsidies to Low and Moderate Income Housing			131,542		\$131,542
Debt Issuance Costs					\$0
Other Expenditures Including Pass- Through Payment(s)		1,765,128	49,200		\$1,814,328
Debt Principal Payments:					
Tax Allocation Bonds and Notes					\$0
Revenue Bonds, Certificates of Participation, Financing Authority Bonds					\$0
City/County Advances and Loans					\$0
All Other Long-Term Debt		228,926			\$228,926
Total Expenditures	\$0	\$2,628,380	\$527,411	\$0	\$3,155,791
Excess (Deficiency) Revenues over (under) Expenditures	\$0	(\$165,735)	(\$525,064)	\$0	(\$690,799)

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year

2011

Project Area Name

Capitola Project Area

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Proceeds of Long-Term Debt					\$0
Proceeds of Refunding Bonds					\$0
Payment to Refunded Bond Escrow Agent					\$0
Advances from City/County					\$0
Sale of Fixed Assets					\$0
Miscellaneous Financing Sources (Uses)					\$0
Operating Transfers In					\$0
Tax Increment Transfers In			490,330		\$490,330
Operating Transfers Out					\$0
Tax Increment Transfers Out		490,330			\$490,330
<i>(To the Low and Moderate Income Housing Fund)</i>					
Total Other Financing Sources (Uses)	\$0	(\$490,330)	\$490,330	\$0	\$0

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Other Financing Sources

Fiscal Year

2011

Project Area Name

Capitola Project Area

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing	Special Revenue/Other	Total
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$0	(\$656,065)	(\$34,734)	\$0	(\$690,799)
Equity, Beginning of Period	\$0	\$3,066,970	\$920,570	\$0	\$3,987,540
Prior Period Adjustments					\$0
Residual Equity Transfers					\$0
Equity, End of Period	\$0	\$2,410,905	\$885,836	\$0	\$3,296,741

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Assets and Other Debits

Fiscal Year 2011	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long- Term Debt	General Fixed Assets	Total
Assets and Other Debits							
Cash and Imprest Cash		2,297,665	890,796				\$3,188,461
Cash with Fiscal Agent							\$0
Tax Increments Receivable		160,024					\$160,024
Accounts Receivable							\$0
Accrued Interest Receivable		14,598	2,447				\$17,045
Loans Receivable			2,167,879				\$2,167,879
Contracts Receivable							\$0
Lease Payments Receivable							\$0
Unearned Finance Charge							\$0
Due from Capital Projects Fund							\$0
Due from Debt Service Fund							\$0
Due from Low/Moderate Income Housing Fund							\$0
Due from Special Revenue/Other Funds							\$0

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Assets and Other Debits

Fiscal Year	2011	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long- Term Debt	General Fixed Assets	Total
Investments								\$0
Other Assets								\$0
Investments: Land Held for Resale								\$0
Allowance for Decline In Value of Land Held for Resale								\$0
Fixed Assets: Land, Structures, and Improvements							1,038,880	\$1,038,880
Equipment								\$0
Amount Available In Debt Service Fund								\$0
Amount to be Provided for Payment of Long-Term Debt						4,507,948		\$4,507,948
Total Assets and Other Debits		\$0	\$2,472,287	\$3,061,122	\$0	\$4,507,948	\$1,038,880	\$11,080,237

*(Must Equal Total Liabilities,
Other Credits, and Equities)*

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Liabilities and Other Credits

Fiscal Year	2011	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long- Term Debt	General Fixed Assets	Total
Liabilities and Other Credits								
Accounts Payable			61,382	7,407				\$68,789
Interest Payable								\$0
Tax Anticipation Notes Payable								\$0
Loans Payable				2,167,879				\$2,167,879
Other Liabilities								\$0
Due to Capital Projects Fund								\$0
Due to Debt Service Fund								\$0
Due to Low/Moderate Income Housing Fund								\$0
Due to Special Revenue/Other Funds								\$0
Tax Allocation Bonds Payable								\$0
Lease Revenue, Certificates of Participation Payable, Financing Authority Bonds								\$0
All Other Long-Term Debt						4,507,948		\$4,507,948
Total Liabilities and Other Credits		\$0	\$61,382	\$2,175,286	\$0	\$4,507,948		\$6,744,616

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Balance Sheet - Liabilities and Other Credits

Fiscal Year	2011	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	General Long- Term Debt	General Fixed Assets	Total
Equities								
Investment In General Fixed Assets							1,038,880	\$1,038,880
Fund Balance Reserved								\$0
Fund Balance Unreserved-Designated			2,410,905	885,836				\$3,296,741
Fund Balance Unreserved-Undesignated								\$0
Total Equities		\$0	\$2,410,905	\$885,836	\$0		\$1,038,880	\$4,335,621
Total Liabilities, Other Credits, and Equities		\$0	\$2,472,287	\$3,061,122	\$0	\$4,507,948	\$1,038,880	\$11,080,237

Redevelopment Agency Of The City Of Capitola

Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures - Summary, Combined Transfers In/Out

Fiscal Year	2011	
Operating Transfers In		\$0
Tax Increment Transfers In		\$490,330
Operating Transfers Out		\$0
Tax Increment Transfers Out		\$490,330

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report

Statement of Income and Expenditures

Revenues - Consolidated

Fiscal Year 2011

	Capital Project Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Tax Increment Gross	\$0	\$2,451,649	\$0	\$0	\$2,451,649
Special Supplemental Subvention	\$0	\$0	\$0	\$0	\$0
Property Assessments	\$0	\$0	\$0	\$0	\$0
Sales and Use Tax	\$0	\$0	\$0	\$0	\$0
Transient Occupancy Tax	\$0	\$0	\$0	\$0	\$0
Interest Income	\$0	\$10,996	\$2,347	\$0	\$13,343
Rental Income	\$0	\$0	\$0	\$0	\$0
Lease Income	\$0	\$0	\$0	\$0	\$0
Sale of Real Estate	\$0	\$0	\$0	\$0	\$0
Gain on Land Held for Resale	\$0	\$0	\$0	\$0	\$0
Federal Grants	\$0	\$0	\$0	\$0	\$0
Grants from Other Agencies	\$0	\$0	\$0	\$0	\$0
Bond Administrative Fees	\$0	\$0	\$0	\$0	\$0
Other Revenues	\$0	\$0	\$0	\$0	\$0
Total Revenues	\$0	\$2,462,645	\$2,347	\$0	\$2,464,992

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures
Expenditures - Consolidated

Fiscal Year 2011

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Administration Costs	\$0	\$198,619	\$312,418	\$0	\$511,037
Professional Services	\$0	\$60,618	\$34,251	\$0	\$94,869
Planning, Survey, and Design	\$0	\$68,534	\$0	\$0	\$68,534
Real Estate Purchases	\$0	\$0	\$0	\$0	\$0
Acquisition Expense	\$0	\$0	\$0	\$0	\$0
Operation of Acquired Property	\$0	\$0	\$0	\$0	\$0
Relocation Costs	\$0	\$0	\$0	\$0	\$0
Relocation Payments	\$0	\$0	\$0	\$0	\$0
Site Clearance Costs	\$0	\$0	\$0	\$0	\$0
Project Improvement / Construction Costs	\$0	\$106,535	\$0	\$0	\$106,535
Disposal Costs	\$0	\$0	\$0	\$0	\$0
Loss on Disposition of Land Held for Resale	\$0	\$0	\$0	\$0	\$0

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures
Expenditures - Consolidated

Fiscal Year 2011

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
	A	B	C	D	E
Decline in Value of Land Held for Resale	\$0	\$0	\$0	\$0	\$0
Rehabilitation Costs	\$0	\$0	\$0	\$0	\$0
Rehabilitation Grants	\$0	\$0	\$0	\$0	\$0
Interest Expense	\$0	\$200,020	\$0	\$0	\$200,020
Fixed Asset Acquisitions	\$0	\$0	\$0	\$0	\$0
Subsidies to Low and Moderate Income Housing Fund	\$0	\$0	\$131,542	\$0	\$131,542
Debt Issuance Costs	\$0	\$0	\$0	\$0	\$0
Other Expenditures Including Pass Through Payment(s)	\$0	\$1,765,128	\$49,200	\$0	\$1,814,328
Debt Principal Payments:					
Tax Allocation Bonds and Notes	\$0	\$0	\$0	\$0	\$0
Revenue Bonds and Certificates of Participation	\$0	\$0	\$0	\$0	\$0
City/County Advances and Loans	\$0	\$0	\$0	\$0	\$0
U.S., State and Other Long-Term Debt	\$0	\$228,926	\$0	\$0	\$228,926
Total Expenditures	\$0	\$2,628,380	\$527,411	\$0	\$3,155,791
Excess (Deficiency) Revenues Over (Under) Expenditures	\$0	(\$165,735)	(\$525,064)	\$0	(\$690,799)

**Redevelopment Agency Of The City Of Capitola
 Redevelopment Agencies Financial Transactions Report
 Statement of Income and Expenditures
 Other Financing Sources (Uses) - Consolidated**

Fiscal Year 2011

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
Proceeds of Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Proceeds of Refunding Bonds	\$0	\$0	\$0	\$0	\$0
Payment to Refunded Bond Escrow Agent	\$0	\$0	\$0	\$0	\$0
Advances from City/County	\$0	\$0	\$0	\$0	\$0
Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0
Miscellaneous Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	\$0	\$0	\$0	\$0	\$0
Tax Increment Transfers In			\$490,330		\$490,330
Operating Transfers Out	\$0	\$0	\$0	\$0	\$0
Tax Increment Transfers Out <i>(To the Low and Moderate Income Housing Fund)</i>	\$0	\$490,330			\$490,330
Total Other Financing Sources (Uses)	\$0	(\$490,330)	\$490,330	\$0	\$0

Redevelopment Agency Of The City Of Capitola
Redevelopment Agencies Financial Transactions Report
Statement of Income and Expenditures
Other Financing Sources (Uses) - Consolidated

	Capital Projects Funds	Debt Service Funds	Low/Moderate Income Housing Funds	Special Revenue/Other Funds	Total
	A	B	C	D	E
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	\$0	(\$656,065)	(\$34,734)	\$0	(\$690,799)
Equity Beginning of Period	\$0	\$3,066,970	\$920,570	\$0	\$3,987,540
Prior Year Adjustments	\$0	\$0	\$0	\$0	\$0
Residual Equity Transfers	\$0	\$0	\$0	\$0	\$0
Other (Explain)	\$0	\$0	\$0	\$0	\$0
Equity, End of Period	\$0	\$2,410,905	\$885,836	\$0	\$3,296,741

Total Redevelopment Agency of the City of Capitola (a)
 Capitola Redevelopment Project Area (a)

		Source of data
A.) Tax Allocation Bond Debt	\$ -	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Revenue Bonds	\$ -	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Other Long Term Debt	\$ 1,130,600	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
City/County Debt	\$ 18,583,306	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Low and Moderate Income Housing Fund	\$ 12,468,700	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Other Long Term Debt	\$ 10,039,776	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Total	\$ 42,222,382	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
B.) Gross Tax Increment, incl. all apportionments	\$ 2,451,649	RDA Financial Transactions Report 2011, Statement of Income and Expenditures - Revenue
C.) Tax Increment to agencies other than schools or community colleges (b)		
Santa Cruz County	\$ 570,982	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Central Fire Protection District	\$ 335,779	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Santa Cruz County Library District	\$ 66,440	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
City of Capitola (gross)	\$ 200,915	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Santa Cruz County Flood Control District #4	\$ 5,148	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Santa Cruz County Flood Control District #5	\$ 19,613	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Santa Cruz County Flood Control - General	\$ 4,413	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Capitola RDA Low/Moderate Housing Fund Set Aside	\$ 490,330	RDA Financial Transactions Report 2011, Statement of Income and Expenditures - Other Financing Sources
Total	\$ 1,693,620	
D.) See attached State Controller's Office Redevelopment Agency Annual Financial Transactions Report (Item 9, State Controller's 2011-12 submission)	See attached	
E.) Allocation to School or Community College Districts (b)		
School	\$ 998,514	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
College	\$ 145,515	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
Total	\$ 1,144,029	RDA Financial Transactions Report 2011, Pass-Through / School District Assistance
F.) Capitola Redevelopment Project Area total existing indebtedness	\$ 42,222,382	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
Capitola Redevelopment Project Area total payments required on existing debt	\$ 5,363,970	Capitola RDA Statement of Indebtedness for Tax Year 2011-12, Form A
G.) Capitola Redevelopment Project Area jobs created	-	
Total	-	

(a) The Redevelopment Agency of the City of Capitola has a single project area, "Capitola Redevelopment Project Area".

(b) The Redevelopment Agency of the City of Capitola receives net tax increment from Santa Cruz County. Figures shown include increment physically paid by the County on behalf of the Capitola RDA and grossed up and recorded on the Capitola RDA financial records.



CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: FINANCE DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: TREASURER'S REPORT FOR THE MONTH ENDED NOVEMBER 30, 2011
(UNAUDITED)

RECOMMENDED ACTION: By motion, that the City Council accept the City Treasurer's Report for the month ended November 30, 2011 (unaudited) for the City of Capitola.

BACKGROUND

California Government Code Section 41004 requires that the City Treasurer submit to the City Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances.

The attachment provides various financial data and analysis for the City of Capitola funds, and the State Treasurer's Office (Local Agency Investment Fund) "LAIF" interest rates.

DISCUSSION - EXECUTIVE SUMMARY AT NOVEMBER 30, 2011

The City Cash Position at November 30, 2011 totals \$3,069,400. LAIF deposits include \$2,205,400 of City and Assessment District Funds. The LAIF investment return as of November 30, 2011 was .401%.

The General Fund Balance Sheet consists of:

Total Assets	\$2,322,300 (includes Rispin receivable of \$1,350,000)
Total Liabilities	\$2,461,400
Total Fund Balance	(\$ 139,000) (includes Rispin receivable of \$1,350,000)

Fund Balance

General Fund	\$ (139,000)
Designated Reserves:	525,400
Capital Improv. Projects	855,300
Special Revenues:	1,306,800
Debt Service	68,000
Internal Services:	1,181,400
Total	\$ 3,797,900

FISCAL IMPACT: None.

ATTACHMENTS:

1. November 30, 2011 City Treasurer's Report
2. LAIF rates

Report Prepared By:
Lisa Saldana
Supervising Accountant

**Reviewed and Forwarded
By City Manager:**



Treasurer's Report for Month Ended November 30, 2011 (UNAUDITED)

BACKGROUND

California government code section 41004 requires that the City Treasurer submit to the City Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. Additionally with the passage of Chapter 687, Statutes of 2000 (AB 943 Dutra), effective January 1, 2001 cities are now required to forward copies of their second and fourth quarter calendar year investment portfolio reports to the California Debt and Investment Advisory Commission (CDIAC) within 60 days.

The CDIAC will use the report as an additional opportunity to examine public investment practices in a more consistent basis than before.

Cities, such as the City of Capitola, that are 100 percent invested in the Local Agency Investment Fund (LAIF) are exempt from the new investment portfolio reporting requirements and are only required to send a letter to CDIAC indicating the total and composition of their investments. This Treasurer's Report will satisfy our reporting requirement to the CDIAC.

The following pages provide various financial data and analysis for the City of Capitola's Funds collectively as well as specifically for the City's General (Operating) Fund, with an attachment from the State Treasurer's Office of quarterly LAIF rates from the 1st quarter of 1977 to present.

DISCUSSION

The following information is for the month ended November 30, 2011. Such information is unaudited.

CASH BALANCE BY FUND

As of November 30, 2011, the LAIF deposits include \$2,205,400 of City and Assessment District funds. The LAIF investment return as of November 30, 2011 was .401%. The following summarizes the City's total cash balance of \$3,069,400 at November 30, 2011 amongst the funds:

		November 30, 2011
<u>General Fund</u>		113,200
<u>Special Revenues</u>	S L E S F	50,900
	SCC NARCOTICS ENFORCEMENT TEAM	(6,200)
	GAS TAX	1,100
	WHARF FUND	71,600
	DEVELOPMENT FEES FUND	3,400
	PEG CABLE TV ACCESS FUND	64,400
	CAPITOLA VILLAGE & WHARF BIA	33,800
	GREEN BUILDING	93,100
	PARIING RESERVE FUND	(10,000)
	TECHNOLOGY FEE FUND	19,300
	CDBG - GRANTS	1,100
	CDBG PROGRAM INCOME	(16,900)
	CDBG PROGRAM INCOME 07-08 RLF	-
	HOUSING PROGRAM LOAN FUND	1,000
	HOME GRANT FUND	5,200
	AFFORDABLE HOUSING TRUST FUND	166,800
	BEGIN GRANT FUND	60,000
	PUBLIC ART FUND	404,200
	OPEN SPACE PURCHASE	300
	GENERAL PLAN UPDATE	381,900
<u>Internal Service</u>		
	WORKER'S COMPENSATION	91,700
	SELF INSURANCE	35,900
	STORES	9,900
	INFORMATION TECHNOLOGY	43,300
	EQUIPMENT REPLACEMENT	61,700
	PUBLIC EMPLOYEE RETIREMENT	251,000
<u>Reserves</u>		
	EMERGENCY RESERVES	77,800
	CONTINGENCY RESERVES	100,000
	COMPENSATED ABSENCES	32,100
<u>Capital Projects</u>		
	VARIOUS CAPITAL PROJECTS	857,500
<u>Debt Service</u>		
	DEBT SERVICE FUND	70,300
TOTAL ALL FUNDS		<u><u>3,069,400</u></u>
General Fund		113,200
Internal Services		493,500
Reserves		<u><u>209,900</u></u>
		<u><u>816,600</u></u>

GENERAL FUND SUMMARY BALANCE SHEET

The following is the General Fund summary balance sheet:

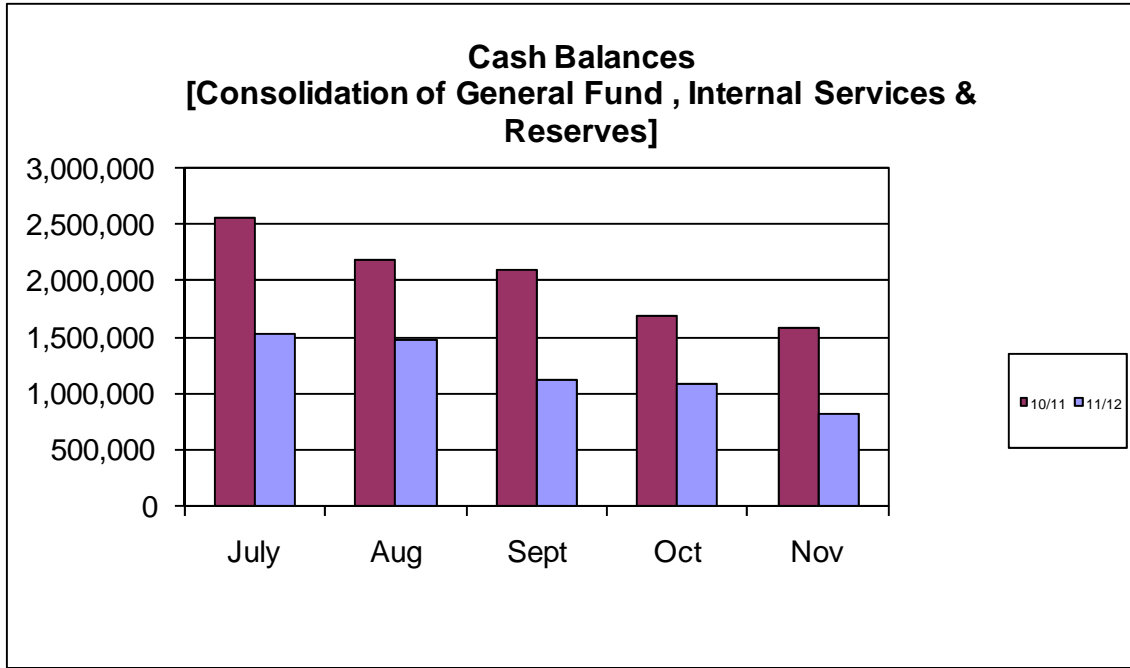
General Fund: Summary Balance Sheet	6/30/2011	Incr/Decr	11/30/2011
Cash	(240,500)	353,700	113,200
Prepaid Expenditures	3,800	(100)	3,700
Accounts Receivable	59,200	(34,300)	24,900
Accounts Receivable - Intergovernmental ¹	1,140,500	(928,000)	212,500
Accounts Receivable - RDA (Rispin)	1,350,000	-	1,350,000
Short Term Loans - RDA	-	-	-
Long Term Loans - RDA	618,000	-	618,000
TOTAL ASSETS	\$ 2,931,000	\$ (608,700)	\$ 2,322,300
Accounts Payable	261,200	(118,600)	142,600
Payroll Related Liabilities	335,800	(388,800)	(53,000)
Other Deposits and Other Liabilities	243,800	(11,800)	232,000
Deferred Revenue -- RDA	618,000	-	618,000
Deferred Revenue	368,700	(151,800)	216,900
Due to Other Funds	-	1,304,900	1,304,900
TOTAL LIABILITIES	\$ 1,827,500	\$ 633,900	\$ 2,461,400
FUND BALANCE ²			
Rispin Mansion Transaction	1,350,000	-	1,350,000
Fund Balance Reserves	12,600	-	12,600
Available Fund Balance:			
Prior Year Fund Balance	-	-	(219,900)
Current Year Operating Results	-	(1,281,700)	(1,281,700)
Net, Available Fund Balance	\$ (258,700)	\$ (1,281,700)	\$ (1,501,600)
TOTAL FUND BALANCE	\$ 1,103,500	\$ (1,281,700)	\$ (139,000)

¹ A/R-Intergovernmental is primarily for State Mandated Cost Reimbursements.

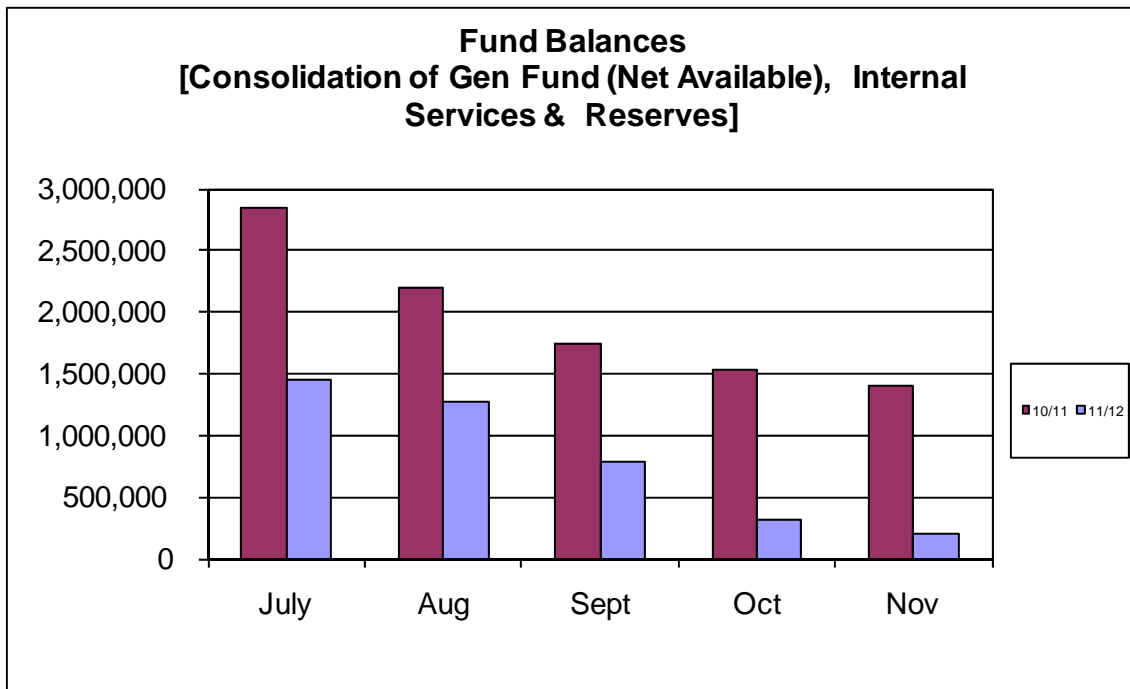
² Fund Balance is segregated for the amounts related to the Rispin Mansion Note Payable to the City and amount available.

CASH BALANCE & FUND BALANCE

The following graphs compare the monthly Cash and Fund Balance totals in the consolidated General Fund, Internal Service Funds, and Reserves for FY 10/11 and FY 11/12.



November 30, 2011 Total= \$816,600: Gen Fund= \$113,200, Internal Service= \$493,500, Reserves= \$209,900



November 30, 2011 Total= \$205,200: Gen Fund= (\$1,501,600), Internal Service= \$1,181,400, Reserves= \$525,400

CHANGES IN TOTAL FUND BALANCE

This table presents the ending Fund Balances for the City's major fund types. (It excludes agency funds where the City acts merely as a third party custodian of an outside party's funds.)

	Beginning Fund Balance: 7/01/11	Incr/(Decr) July-Oct	Revenue	Expenditure	Interfund Transfers	Unaudited Fund Balance: 11/30/11
General Fund: Rispin	1,350,000	-		-	-	1,350,000
General Fund: Reserved	12,600	-		-	-	12,600
General Fund: Available	(219,900)	(1,322,500)	719,900	(679,100)	-	(1,501,600)
Designated Reserves:	-					-
Emergency Reserves @ 5%	134,700	(440,100)	100,000	(6,200)	-	(211,600)
Compensated Absences	64,700	(29,700)	0	(2,900)	-	32,100
Contingency Reserves @10%	934,900	(130,000)	0	(100,000)	-	704,900
	-					-
Capital Improv. Projects:	1,053,900	(185,100)	0	(13,800)	-	855,000
Open Space Purchase	300	-	0	0	-	300
Special Revenues:	-					-
Gas Tax	-	(40,400)	46,100	(17,500)	-	(11,800)
Law Enforcement Grants	9,900	(2,000)	46,700	(5,700)	-	48,900
PEG Cable TV Access	77,500	(11,000)	4,700	(6,900)	-	64,300
Capitola & Wharf BIA	5,500	33,100	(100)	(4,200)	-	34,300
Development Fees	2,000	-	0	0	-	2,000
Wharf Fund	46,400	18,900	8,000	(2,100)	-	71,200
Green Building	48,700	8,200	36,200	0	-	93,100
Parking Reserve Fund	180,700	(173,900)	0	(16,800)	-	(10,000)
Technology Fee Fund	11,300	4,100	4,000	0	-	19,400
CDBG-Grants (Reimburseme	(4,100)	28,600	0	(15,300)	-	9,200
CDBG - Program Income	(15,500)	(1,500)	0	0	-	(17,000)
CDBG - Prog Inc 07-08 RLF	-	-	0	0	-	-
HOME Program Re-Use	5,100	(5,200)	1,000	0	-	900
HOME Grant Fund	5,200	-	0	0	-	5,200
Affordable Housing Trust	343,100	(176,300)	0	0	-	166,800
Begin Grant Fund	60,000	-	0	0	-	60,000
Public Art Program	127,700	131,600	144,800	0	-	404,100
General Plan Maintenance	303,300	24,900	88,400	(50,400)	-	366,200
	-					-
Debt Service:POB	252,900	(219,100)	34,200	0	-	68,000
Internal Services:	-	-				-
Equipment Replacement	305,900	25,800	5,000	-	-	336,700
Information Technology	173,200	1,300	0	(6,800)	-	167,700
Public Employee Retirement	473,700	(232,100)	110,600	(113,900)	-	238,300
Self-Insurance Liability	277,400	(38,500)	0	(1,200)	-	237,700
Stores	14,300	(3,300)	0	(1,700)	-	9,300
Worker's Compensation	174,800	16,900	0	0	-	191,700
	-					-
	-					-
TOTAL CITY	6,210,200	(2,717,300)	1,349,500	(1,044,500)	-	3,797,900

General Fund Balance: Fund Balance is segregated for: the amounts related to the Rispin Mansion Note Payable to the City, the amount reserved for disabled parking, and amount available.

General Fund Revenues: For the month ending November 30, 2011, total revenues were \$719,900 which included Sales Tax of \$345,100 (48%), Charges for Services of \$90,300 (13%), Transient Occupancy Tax of \$68,100 (9%), and Fines and Forfeitures of \$79,300 (11%).

General Fund Expenditures: For the month ending November 30, 2011, total expenditures were \$679,100 which includes Staffing for (2) pay periods of \$542,000 (80%), and Contract Services of \$86,300, (13%).

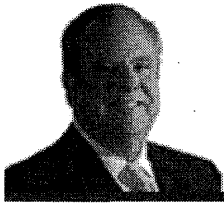
CDBG Grant Fund: This fund operates on a reimbursement basis. Therefore the balance will be negative as expenditures are incurred prior to reimbursement.

Internal Services: Internal Service Fund transactions consist of quarterly General Fund transfers and budgeted expenditures.

Reviewed By:

Jacques Bertrand, City Treasurer

ATTACHMENT 2



Bill Lockyer
California State Treasurer

**Pooled Money Investment Account
PMIA Average Monthly Effective Yields**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1977	5.770	5.660	5.660	5.650	5.760	5.850	5.930	6.050	6.090	6.090	6.610	6.730
1978	6.920	7.050	7.140	7.270	7.386	7.569	7.652	7.821	7.871	8.110	8.286	8.769
1979	8.777	8.904	8.820	9.082	9.046	9.224	9.202	9.528	9.259	9.814	10.223	10.218
1980	10.980	11.251	11.490	11.480	12.017	11.798	10.206	9.870	9.945	10.056	10.426	10.961
1981	10.987	11.686	11.130	11.475	12.179	11.442	12.346	12.844	12.059	12.397	11.887	11.484
1982	11.683	12.044	11.835	11.773	12.270	11.994	12.235	11.909	11.151	11.111	10.704	10.401
1983	10.251	9.887	9.688	9.868	9.527	9.600	9.879	10.076	10.202	10.182	10.164	10.227
1984	10.312	10.280	10.382	10.594	10.843	11.119	11.355	11.557	11.597	11.681	11.474	11.024
1985	10.579	10.289	10.118	10.025	10.180	9.743	9.656	9.417	9.572	9.482	9.488	9.371
1986	9.252	9.090	8.958	8.621	8.369	8.225	8.141	7.844	7.512	7.586	7.432	7.439
1987	7.365	7.157	7.205	7.044	7.294	7.289	7.464	7.562	7.712	7.825	8.121	8.071
1988	8.078	8.050	7.945	7.940	7.815	7.929	8.089	8.245	8.341	8.397	8.467	8.563
1989	8.698	8.770	8.870	8.992	9.227	9.204	9.056	8.833	8.801	8.771	8.685	8.645
1990	8.571	8.538	8.506	8.497	8.531	8.538	8.517	8.382	8.333	8.321	8.269	8.279
1991	8.164	8.002	7.775	7.666	7.374	7.169	7.098	7.072	6.859	6.719	6.591	6.318
1992	6.122	5.863	5.680	5.692	5.379	5.323	5.235	4.958	4.760	4.730	4.659	4.647
1993	4.678	4.649	4.624	4.605	4.427	4.554	4.438	4.472	4.430	4.380	4.365	4.384
1994	4.359	4.176	4.248	4.333	4.434	4.623	4.823	4.989	5.106	5.243	5.380	5.528
1995	5.612	5.779	5.934	5.960	6.008	5.997	5.972	5.910	5.832	5.784	5.805	5.748
1996	5.698	5.643	5.557	5.538	5.502	5.548	5.587	5.566	5.601	5.601	5.599	5.574
1997	5.583	5.575	5.580	5.612	5.634	5.667	5.679	5.690	5.707	5.705	5.715	5.744
1998	5.742	5.720	5.680	5.672	5.673	5.671	5.652	5.652	5.639	5.557	5.492	5.374
1999	5.265	5.210	5.136	5.119	5.086	5.095	5.178	5.225	5.274	5.391	5.484	5.639
2000	5.760	5.824	5.851	6.014	6.190	6.349	6.443	6.505	6.502	6.517	6.538	6.535
2001	6.372	6.169	5.976	5.760	5.328	4.958	4.635	4.502	4.288	3.785	3.526	3.261
2002	3.068	2.967	2.861	2.845	2.740	2.687	2.714	2.594	2.604	2.487	2.301	2.201
2003	2.103	1.945	1.904	1.858	1.769	1.697	1.653	1.632	1.635	1.596	1.572	1.545
2004	1.528	1.440	1.474	1.445	1.426	1.469	1.604	1.672	1.771	1.890	2.003	2.134
2005	2.264	2.368	2.542	2.724	2.856	2.967	3.083	3.179	3.324	3.458	3.636	3.808
2006	3.955	4.043	4.142	4.305	4.563	4.700	4.849	4.946	5.023	5.098	5.125	5.129
2007	5.156	5.181	5.214	5.222	5.248	5.250	5.255	5.253	5.231	5.137	4.962	4.801
2008	4.620	4.161	3.777	3.400	3.072	2.894	2.787	2.779	2.774	2.709	2.568	2.353
2009	2.046	1.869	1.822	1.607	1.530	1.377	1.035	0.925	0.750	0.646	0.611	0.569
2010	0.558	0.577	0.547	0.588	0.560	0.528	0.531	0.513	0.500	0.480	0.454	0.462
2011	0.538	0.512	0.500	0.588	0.413	0.448	0.381	0.408	0.378	0.385	0.401	



Item #: 4.G.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: POLICE DEPARTMENT

DATE: JANUARY 6, 2012

SUBJECT: ADOPT RESOLUTION TO ACCEPT STATE SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND (SLESF) SPECIAL REVENUE OF \$100,000 AND AUTHORIZE BUDGET EXPENDITURES OF \$100,000 FOR FISCAL YEAR 2011-2012.

RECOMMENDED ACTION: By motion and roll call vote, adopt resolution to amend the Fiscal Year 2011-2012 SLESF fund budget to accept SLESF special revenue and increase expenditures by \$100,000.

BACKGROUND:

The California Legislature passed the "State Supplemental Law Enforcement Services Fund" (SLESF) bill. This bill is also known as the "Citizens Option for Public Safety" (COPS). Funds from the grant are to be exclusively used for supporting front line law enforcement and cannot be used to supplant existing funding. Funds from this program must be used for personnel and/or equipment. The Police Department was granted \$100,000 in the 2011-2012 Fiscal Year.

DISCUSSION:

To support our front line law enforcement efforts, the Police Department intends to use \$60,000 of the grant funds for upgrading outdated Mobile Data Communication equipment for patrol vehicles and purchasing P-25 compliant (narrowband) portable radios, and the remaining \$40,000 for overtime costs.

FISCAL IMPACT:

Amend the Fiscal Year 2011-2012 SLESF fund budget to accept \$100,000 in special revenue and increase expenditures by \$100,000.

ATTACHMENT:

1. Draft Resolution.

Prepared by: Tom Held
Police Captain

Reviewed and Forwarded
By City Manager: 

RESOLUTION NO.

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
AMENDING THE BUDGET TO ACCEPT SLESF SPECIAL REVENUE OF \$100,000 AND
AUTHORIZING BUDGET EXPENDITURES OF \$100,000 FOR THE 2011-2012 FISCAL YEAR**

WHEREAS, the Capitola Police Department is a recipient of State Supplemental Law Enforcement Services Fund (SLESF); and

WHEREAS, a budget amendment must be enacted before funds can be accepted and expended for their intended and legally mandated purposes.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2011-2012 budget is amended as follows:

1. Accept \$100,000 in SLESF grant funds for Fiscal Year 2011-2012;
2. Authorize expenditures of \$100,000.

BE IT FURTHER RESOLVED that the Finance Department shall record these changes into the City's accounting records in accordance with appropriate accounting practices.

BE IT FURTHER RESOLVED that these grants will be expended pursuant to the conditions of the grant program.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the City Council of the City of Capitola at its regular meeting held on the 12th day of January, 2012, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

_____, CMC
Susan Sneddon, City Clerk



Item #: 4.H.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: CITY MANAGER'S DEPARTMENT
DATE: JANUARY 6, 2012
SUBJECT: FINANCE DIRECTOR EMPLOYMENT AGREEMENT WITH TORI HANNAH

RECOMMENDED ACTION: By motion and roll call vote, approve the Employment Agreement with Tori Hannah for the position of Finance Director, effective February 6, 2012.

BACKGROUND

The position of Finance Director has been vacant for a number of years. With the current director vacancies in both the Finance and Community Development, the City prioritized the retention of a full time Finance Director at a hearing on October 27, 2011; with plans to bring a full time Community Development Director on staff during summer 2012.

To fill the Finance Director vacancy a statewide search was undertaken, a comprehensive assessment process of the four top candidates was conducted, and a thorough background review was completed on the finalist. Ms. Hannah has an exemplary background in financial management with significant local government experience. She has worked for the City of Santa Cruz for seven years in various positions, including Finance Manager; and previously worked for County of Monterey as a Management Analyst. Ms. Hannah has a Bachelor's Degree in Business Administration with a Concentration in Accounting from California State University Bakersfield; and she is currently pursuing a MBA Degree at San Jose State University. She is an active and contributing member of the California Society of Municipal Finance Officer association.

DISCUSSION:

As Department Heads are exempt from the City's personnel policies employment standards and conditions are set forth in the proposed contract, including:

1. Salary begins at \$120,000/year.
2. Sick leave consistent with miscellaneous employee groups;
 - a. 12 days/year.
3. Vacation accrual consistent with miscellaneous employee groups.
 - a. Rate begins at 17 days/year.
 - b. Soft cap of 360 hours.
4. No voluntary cash out of vacation time.
5. 10 days of administrative leave per year.
6. Flexible Spending Credit consistent with miscellaneous employee groups.
7. PERS cap consistent with miscellaneous employee groups.

FISCAL IMPACT:

Funding for the Finance Director position is included in the Fiscal Year 2011/12 adopted budget.

ATTACHMENTS:

1. Employment Agreement, Finance Director

Report Prepared By: Jamie Goldstein
City Manager

Reviewed and Forwarded
By City Manager:

**EMPLOYMENT AGREEMENT
FINANCE DIRECTOR**

THIS AGREEMENT entered into on the date last below executed, by and between the CITY OF CAPITOLA, a municipal corporation (hereinafter referred to as "CITY") and TORI HANNAH, an individual (hereinafter referred to as "EMPLOYEE").

WHEREAS, the CITY desires to employ the services of EMPLOYEE as Finance Director for the CITY; and

WHEREAS, EMPLOYEE desires to serve as the Finance Director for the CITY beginning, Feb. 6, 2012; and

WHEREAS, the CITY and EMPLOYEE desire to agree in writing to the terms and condition of EMPLOYEE's employment as Finance Director; and

WHEREAS, EMPLOYEE and CITY agree and acknowledge that EMPLOYEE's employment as Finance Director is their sole and exclusive employment with CITY; and that their employment relationship is governed solely and exclusively by this Agreement.

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, the parties mutually agree as follows:

1. Duties

(a) EMPLOYEE shall perform the duties set forth in Exhibit A and other related legally permissible duties and functions as may be assigned from time to time by the City Manager.

(b) EMPLOYEE shall perform their duties to the best of their ability in accordance with the highest professional and ethical standards of the profession and shall comply with all general rules and regulations established by the CITY and applicable state codes.

(c) EMPLOYEE shall not engage in any activity, which is or may become a conflict of interest, prohibited by contract, or which may create an incompatibility of office as defined under California Law. EMPLOYEE shall comply fully with their reporting and disclosure obligations under regulations promulgated by the Fair Political Practices Commission (FPPC) and CITY.

(d) EMPLOYEE agrees to remain in the exclusive employ of the CITY during the term of this Agreement. EMPLOYEE shall dedicate their full energies and qualifications to their employment as Finance Director, and shall not engage in any other employment except as may be specifically approved in writing in advance by the City Manager.

2. Term.

The term of the Agreement shall be from the date last below executed until terminated by either party in accordance with the provisions set forth in Paragraph 6 or until terminated by the event of retirement, death or permanent disability of EMPLOYEE.

3. Salary.

(a) CITY agrees that EMPLOYEE's initial pay will be \$10,000 per month, as salary for their services, payable in installments at the same time as other employees of the CITY are paid and subject to customary withholding. Six months after the hire date, EMPLOYEE shall be scheduled for a performance review, at which time EMPLOYEE may be granted a 3% salary increase, subject to achieving a "satisfactory," or better rating. 18 months after the hire date, EMPLOYEE may be granted an additional 3% salary increase, subject to achieving a "satisfactory," or better rating.

(b) With the exception of the salary increases outlined above, pay increases for this position are not automatic and are at the discretion of the City Council upon recommendation by the City Manager.

6. Resignation and Termination.

(a) EMPLOYEE may resign at any time and agrees to give CITY at least 30 days' advance written notice of the effective date of their resignation.

(b) The City Manager may at any time terminate EMPLOYEE upon 30 days' advance written notice.

(c) The parties recognize and affirm that: (1) EMPLOYEE is an "at will" EMPLOYEE whose employment may be terminated by the City Manager, with or without cause, and (2) there is no expressed or implied promise made to EMPLOYEE for any form of continued employment. This Agreement is the sole and exclusive basis for an employment relationship between EMPLOYEE and CITY and its terms supersede any and all rules, regulations, guidelines, or other express or implied terms that would otherwise be applicable to employment by the CITY, including but not limited to any CITY personnel rules.

(d) In recognition of EMPLOYEE's professional status and integrity, EMPLOYEE and the City Manager shall make every effort to prepare a joint public statement when termination is confirmed. This employment relationship is based on the mutual respect between the parties and a desire to maintain the highest degree of professionalism. In communicating with third parties about the parties' employment relationship and the circumstances under which it may have been severed, the parties shall (1) protect and advance their mutual respect and professionalism, and (2) refrain from making statements that would negatively impact either party.

(e) The EMPLOYEE may choose to resign their office instead of being terminated if agreed to by the City Manager. In such an event, the public announcement as provided for in Paragraph 6(d) above will note EMPLOYEE has resigned and Paragraph 7 remains applicable.

7. Severance Pay.

If EMPLOYEE is terminated by the City Manager while still willing and able to perform the duties of Finance Director, CITY agrees to pay EMPLOYEE a cash payment equal to four (4) months salary and the CITY's cost of four (4) months Flex Plan benefits. Additionally, EMPLOYEE shall receive payment for all vacation leave accrued to the date of separation. Said cash payments may be paid, at the option of the EMPLOYEE, in (1) lump sum upon date of termination; (2) lump sum on January 1 of the calendar year following termination; or (3) other payment schedule mutually agreed upon by EMPLOYEE and City Manager. Such payment will release CITY from any further obligations arising out of the employment.

Provided, however, if EMPLOYEE is terminated because of conviction of any criminal offense involving moral turpitude, or discharged "for cause" following administrative due process proceedings, then CITY shall have no obligation to continue the employment of EMPLOYEE or to pay the severance (except accrued vacation leave) set forth in this paragraph.

8. Administrative Leave Accrual

As an exempt employee, the Finance Director is entitled to 10 days per calendar year of administrative leave, except that for the remainder of calendar year 2012 EMPLOYEE will, as of their first day of employment, receive 9 days of administrative leave. Administrative leave is non-cumulative. It may not be converted to cash.

9. Personal Holidays

All regular positions are entitled to three (3) personal holidays per calendar year. Unused Personal Holidays are not cumulative. Employee will be credited with 3 days of personal holidays upon hire.

10. Vacation

Vacation shall accrue at the rate identified for five years of employment as set forth in below. For purposes of vacation accrual only, EMPLOYEE will be deemed to have completed their fourth year of employment with the City upon date of hire, placing EMPLOYEE at the annual accrual rate of 17 vacation days per year. Furthermore, upon employment Employee shall be credited with 80 hours of vacation. However, if EMPLOYEE voluntarily resigns prior to Feb. 6, 2014, EMPLOYEE agrees to refund 80 hours of vacation time to the City, or the cash equivalent value.

Vacation Accrual Rate

Vacation accrues on a prorated basis, based upon a 30-day month. The rates of accrual are as follows:

<u>Years of Employment</u>	<u>Vacation Days</u>
1 and 2	12
3 and 4	14
5 through 9	17

10 through 19	22
20 and higher	27

- (a) Upon termination, Employee shall be paid for all accumulated vacation to their separation date, at a rate equal to 100% of their then current hourly pay rate, subject to the 80 hour refund should voluntary termination occur prior to Feb. 6, 2014.
- (b) Vacation Cap. EMPLOYEE shall be paid in cash at a rate equal to 100% of EMPLOYEE’s current hourly pay rate for all hours in excess of 360 on the last pay period of April of any year.

11. Sick Leave Accrual.

Sick leave shall accrue at the rate of 12 days per calendar year. In addition, EMPLOYEE upon their first day of work shall be credited with 40 hours of sick leave. There is no right to cash out accumulated sick leave at termination of employment or at any other time.

12. Sick Leave-Family Care

Sick leave may be used to care for members of the immediate family in accordance with the FMLA and CFRA, or as approved by the City Manager.

13. Flexible Spending Arrangement Contributions

The City makes a flexible spending arrangement (“Flex Plan”) contribution on behalf of each qualified employee for medical, dental & vision coverage. The contribution, for full-time regular employees is:

Employee Only	\$650 per month
Employee +1	\$799 per month
Employee + 2 or more	\$999 per month

Employees who can verify to the City’s satisfaction that: they have equivalent health coverage for medical (including dental & vision) provided through their spouse, which will remain in effect until the next enrollment date; or who purchase a CalPERS Health Plan and dental and vision coverage, but do not use their entire monthly contribution, may use the remaining funds to purchase benefits other than medical (including dental & vision) coverage or take this amount in cash. (If a cash payment is taken, it is not included in the employee’s compensation for the CalPERS retirement plan.)

The City reserves the option of adding additional programs to the cafeteria plan, as they may become available.

14. PERS

CITY participates in the Public Employees Retirement System (PERS) operated by the State of California. EMPLOYEE shall be entitled to the same PERS benefits as are provided in

the CITY's contract with PERS for miscellaneous members. Currently the CITY Miscellaneous Group has a 2.5% @ 55 program, one year final compensation, credit for unused sick leave option, military service credit as public service and employees cost sharing cost of additional benefits. The provisions of Resolution 3627, regarding employer-paid member contributions and the reporting thereof, are applicable to EMPLOYEE.

Non sworn employees (including the Finance Director) are required to pay any PERS cost amount in excess of the 16.488% cap.

15. Accruals after Date of Separation

An employee's separation date is the last date actually worked, except that an employee who, as of the last day worked, has not used all of his/her yearly allotment of vacation may extend the separation date by the number of days necessary to reach the full yearly allotment. "Yearly allotment" means the amount of vacation that the employee was entitled to accrue in his/her last year of employment. Unless otherwise provided by state law, none of the following accrue after the date of separation: sick leave, vacation, personal holidays, holiday pay, administrative leave, Flex Plan contributions as described in Section 13, or payment of the insurance premiums described in Section 22.

16. Mileage Reimbursement

Employees required to use their personal vehicles while on City business will be reimbursed at the rate set by the Internal Revenue Service.

17. Bereavement Leave

Leave of absence with pay because of death in the immediate family of an employee shall be granted for a period not to exceed three days. Entitlement to leave of absence under this section shall be in addition to any other entitlement for sick leave, or any other leave. For purposes of this section, "immediate family" means mother, step-mother, father, step-father, husband, wife, son, step-son, daughter, step-daughter, brother, sister, foster parent, foster child, brother-in-law, registered domestic partner, sister-in-law, mother-in-law, father-in-law and grandparents, or as required by law.

18. FMLA and CFRA

The City shall follow the provisions provided for family leave as specified in the federal Family & Medical Leave Act of 1993 (FMLA), and the California Family Rights Act (CFRA) as they apply to public employers.

19. Drug Policy

The City is implementing its "Drug Free Workplace Policy."

20. FLSA

This employment is covered by appropriate sections of the Fair Labor Standards Act of 1935, and is specifically subject to Rule No. 54.118 (salaried executive employees are not paid at a higher rate for what might otherwise be labeled "overtime", correspondingly, their salary is not reduced "for any week in which she performs any work without regard to the number of days or hours worked." Accordingly, bi-weekly time sheets will not result in adjustments to the compensation for the period, but merely for yearly evaluation of whether the position is, after factoring in administrative leave, over or under staffed. However, time off for sick leave purposes shall be reported and reflected in the accumulated sick leave calculations. Reasonable time off for family bereavement is expected.

21. Legal Defense

Except as provided in Government Code Section 995.2, CITY shall provide a defense including but not limited to legal counsel in: a) any civil action or proceeding described in Government Code Section 995; b) any administrative action or proceeding described in Section 995.6; or any criminal action or proceeding described in Government Code Section 995.8. "Proceeding" as used in this section is applicable to situations where a claim or action is threatened, but not filed, if a reasonable, prudent person would consult or retain counsel in response to the possibility of actual civil, administrative, or criminal action. If CITY pays for a defense, but a court or tribunal issues a final ruling that would, under Section 995.2, preclude City payments for defense, EMPLOYEE shall immediately reimburse CITY, and if EMPLOYEE fails to do so, CITY may offset any such amounts against compensation otherwise due EMPLOYEE under this contract.

22. Insurance.

CITY, at its expense, will provide the same long term life insurance and disability insurance (paid by CITY) as is generally available to all regular non sworn city employees.

23. Amendment.

This Agreement may be amended, modified, or changed by the parties provided that said amendment, modification or change is in writing and approved by both parties.

24. Notice.

All notices required herein shall be sent first class mail to the parties as follows:

To CITY: City of Capitola
 420 Capitola Avenue
 Capitola, CA 95010

To EMPLOYEE: P.O Box 223
 Marina, CA 93933

Notices shall be deemed effectively served upon deposit in the United States mail.

25. Authority to Work in the United States.

EMPLOYEE represents, under penalty of perjury, that she is authorized to work in the United States. In accordance with Section 274A (8 USC 1324) of the Immigration Reform and Control Act of 1986 before this Agreement can become effective, EMPLOYEE must provide documentary evidence to CITY consistent with the Act, that she is legally entitled to work in the United States, and must execute the verification required by that Act.

26. Entire Agreement.

This Agreement contains the entire agreement between the parties hereto. No promise, representation, warranty, or covenant not included in this Agreement has been or is relied on by any party hereto. This Agreement may only be amended by written instrument signed by EMPLOYEE and the CITY.

27. Severability.

If any provision of this Agreement is invalid or unenforceable, it shall be considered deleted herefrom and the remainder of the provision and of this Agreement shall be unaffected and shall continue in full force and effect.

28. Headings and Captions.

The headings and captions appearing in this Agreement are inserted only as a matter of convenience and in no way limit or affect the substantive terms of the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year written above.

CITY OF CAPITOLA

Date_____

Jamie Goldstein, City Manager

EMPLOYEE

Date_____

Tori Hannah



Item # 5.A.

CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: JANUARY 6, 2011

SUBJECT: DETERMINATION REGARDING SUCCESSOR AGENCY/SUCCESSOR HOUSING
AGENCY DISSOLVING THE CAPITOLA REDEVELOPMENT AGENCY

RECOMMENDED ACTION: City Council adopt the attached resolution, electing to serve as both the Successor Agency and Successor Housing Agency to the former Redevelopment Agency, and directing staff to file the appropriate notification of these elections in accordance with State Law.

BACKGROUND

On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case, finding ABx1 26 (the "Dissolution Act") largely constitutional and AB1x 27 (the "Alternative Redevelopment Program Act") unconstitutional. The Court's bifurcated decision means that all California redevelopment agencies, including the Redevelopment Agency of the City of Capitola (the "Redevelopment Agency"), will be dissolved under the constitutional Dissolution Act, and none will have the opportunity to opt into continued existence under the unconstitutional Alternative Redevelopment Program Act.

As a result, the Capitola Redevelopment Agency will be dissolved on February 1, 2012. The Redevelopment Agency's non-housing funds and assets will then be turned over to a successor agency (the "Successor Agency") charged with the responsibility of paying off the former Redevelopment Agency's existing debts, disposing of the former Redevelopment Agency's properties and assets to help pay off debts and return revenues to the local government entities that receive property taxes (the "Taxing Entities"), and winding up the affairs of the former Redevelopment Agency. The Redevelopment Agency's affordable housing assets, other than its existing housing fund balance, will be turned over to a successor housing agency (the "Successor Housing Agency") to continue performing affordable housing activities. The Successor Housing Agency will not directly receive any housing money. (The former Redevelopment Agency's affordable housing fund balance will be used to repay existing housing fund debts and/or remitted to the County Auditor-Controller for distribution to the Taxing Entities.)

The Dissolution Act provides that the City of Capitola (the "City"), as the community that established the Redevelopment Agency, will be the Successor Agency to the former Redevelopment Agency unless the City elects not to serve as the Successor Agency, in which case the first other Taxing Entity making a proper election will be designated as the Successor Agency. If the City elects **not** to be the Successor Agency, it must adopt a resolution to that effect and notify the County Auditor-Controller by not later than January 13, 2012. Even if it elects to be the Successor Agency, the Agency's special redevelopment counsel recommends that a resolution to that effect and accompanying notice be provided by the County Auditor-Controller in order to

have a clear record of the City's intention.

The Dissolution Act also authorizes the City to elect to become the Successor Housing Agency of the former Redevelopment Agency and to retain the housing assets (other than any existing housing fund balance) and affordable housing functions of the former Redevelopment Agency. If the City does not elect to become the Successor Housing Agency, the local Housing Authority will become the Successor Housing Agency.

DISCUSSION

The Successor Agency and the Successor Housing Agency will play a key day-to-day role in assuring that the existing obligations of the former Redevelopment Agency are properly paid, and that the former Redevelopment Agency's properties and other assets are disposed of in an appropriate manner. While the Successor Agency will be overseen by an "Oversight Board" of seven representatives selected largely by the County and various local education districts, the staff of the Successor Agency will have a strong role in initiating and implementing actions in a way that achieves not only the requirements of the Dissolution Act but also is sensitive to the long-term development needs of the City and local community, and that protects the good name of the City in the financial markets by assuring timely repayment of the former Redevelopment Agency's existing debts.

If the City elects not to serve this role, the Successor Agency will be some other Taxing Entity that is likely to have no experience in redevelopment financial and land disposition matters and that may not necessarily take into account the interests of the City and local community in performing its functions. Similarly, if the City elects not to serve as the Successor Housing Agency, then some other entity outside the City's control will perform various affordable housing functions in the City using affordable housing assets of the former Redevelopment Agency.

The Dissolution Act provides that the liability of the Successor Agency is limited to the funds and assets it receives under the Dissolution Act to perform its functions. Thus, if it takes on the role of Successor Agency (and Successor Housing Agency), the City would not expose its General Fund to liability to discharge the obligations of the former Redevelopment Agency (unless it was found to have mismanaged or misappropriated the funds and assets it does receive under the Dissolution Act). That said, it would be important for the City, if it becomes the Successor Agency (and Successor Housing Agency), to exercise the same care and prudence in the management and protection of the funds and assets that it receives from the former Redevelopment Agency as the City applies with its own funds and assets.

The Capitola Redevelopment Agency was proactive prior to the December Supreme Court decision and has in place a Recognized Obligation Payment Schedule which should assure that the long term obligation in place will continue to be funded through the tax increment collected by the County Auditor. The ability to ensure the continuation of programs such as the housing rental subsidy program make it extremely important for the City to become both the Successor Agency for the Redevelopment Agency and Successor Agency for the housing programs.

Subject to the approval of the Oversight Board and to specified reductions if other funds are available for administration, the Dissolution Act permits the Successor Agency to receive an annual operating budget to defray its administrative costs. The City of Capitola would most likely qualify for an annual amount of \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency). It is possible, but not clear in the currently written Dissolution Act, that the City could use a portion of this amount to perform its functions as the Successor Housing Agency. Otherwise, the City would need to fund its Successor Housing Agency activities from asset-related revenues which the Successor Housing Agency receives (e.g., affordable housing loan

repayments it inherits from the former Redevelopment Agency), or other revenue sources including the City General Fund.

Staff will be returning to the Council at a future date to have the Council make decisions on how to fund programs which can no longer be funded by the Redevelopment Agency. This will include funding for the Capitola Chamber of Commerce, the Santa Cruz County Convention and Visitor Center, and other Redevelopment Agency contracts.

FISCAL IMPACT:

The exact fiscal impacts are not known because issues related to the dissolution of the Redevelopment Agency are not completely clear in the legislation. One major unresolved issues will be the \$1.35 million loan on the Rispin property. Based on staff's estimate it appears the dissolution of the Redevelopment Agency will negatively impact the General Fund by approximately \$100,000 to \$200,000 per year.

ATTACHMENTS:

1. Letter to Office of the Santa Cruz County Auditor-Controller
2. Draft Resolution

Report Prepared By: Susan Westman
Interim Community Development Director/
Deputy Executive Director

Reviewed and Forwarded by
City Manager/Executive Director: 

[on City of Capitola Letterhead]

January 12, 2012

Via Electronic Mail and U.S. Mail

Ms. Mary Jo Walker, Auditor -Controller
Office of the Santa Cruz County Auditor-Controller
701 Ocean Street
Santa Cruz, Ca 95060

Subject: Notification Regarding Successor Agency for the Redevelopment Agency of the City of Capitola

Dear Ms. Walker:

This letter serves as the formal notification that the City of Capitola (the "City") has adopted Resolution No. _____, on January 12, 2012 (the "Resolution"), to accept the designation, and to declare its intent, to serve as the "successor agency" for the Redevelopment Agency of the City of Capitola (the "Agency") in accordance with Health & Safety Code Section 34171(j) and Health & Safety Code Section 34173. In addition, pursuant to the Resolution, the City has elected to retain the housing assets and functions previously performed by the Agency in accordance with Health & Safety Code Section 34176. A copy of the Resolution is attached to this letter.

Thank you for your attention to this matter. Should you have any questions, please contact me.

Sincerely,

Jamie Goldstein
City Manager

RESOLUTION NO. _____

RESOLUTION OF THE CITY OF CAPITOLA TO EXPRESS ITS INTENT TO SERVE AS THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34171(j) AND SECTION 34173, AND TO ELECT TO RETAIN THE HOUSING ASSETS AND FUNCTIONS PREVIOUSLY PERFORMED BY THE REDEVELOPMENT AGENCY OF THE CITY OF CAPITOLA, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34176

WHEREAS, Assembly Bill 1X 26 (the "Dissolution Act") and Assembly Bill 1X 27 (the "Alternative Redevelopment Program Act") were enacted on June 28, 2011, to significantly modify the Community Redevelopment Law (Health & Safety Code §33000, et seq.; the "Redevelopment Law"); and

WHEREAS, on August 11, 2011, the California Supreme Court agreed to review the California Redevelopment Association and League of California Cities' petition challenging the constitutionality of the Redevelopment Restructuring Acts; and

WHEREAS, on December 29, 2011, the California Supreme Court ruled that the Dissolution Act is largely constitutional and the Alternative Redevelopment Program Act is unconstitutional; and

WHEREAS, the Court's decision means that all California redevelopment agencies will dissolve on February 1, 2012 pursuant to the Dissolution Act; and

WHEREAS, the Dissolution Act provides that the city that authorized the creation of the redevelopment agency shall be the "successor agency" to the dissolved redevelopment agency unless the city elects not to serve as the successor agency under Section 34173(d)(1) of the Redevelopment Law; and

WHEREAS, Section 34176(a) of the Redevelopment Law provides that the city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the former redevelopment agency; and

WHEREAS, the City of Capitola (the "City") intends to, and shall serve as, the successor agency for the Redevelopment Agency of the City of Capitola (the "Agency") in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law; and

WHEREAS, the City desires to elect to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law.

NOW, THEREFORE, BE IT RESOLVED, that the City hereby accepts the designation, and hereby declares its intent, to serve as the successor agency for the Agency in accordance with Section 34171(j) and Section 34173 of the Redevelopment Law.

Resolution No. ____
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BE IT FURTHER RESOLVED, the City hereby elects to retain the housing assets and functions previously performed by the Agency in accordance with Section 34176 of the Redevelopment Law.

BE IT FURTHER RESOLVED, that the City Manager, or his designee, is hereby directed to file a copy of this resolution with the County Auditor-Controller.

BE IT FURTHER RESOLVED, that the City Manager, or her designee, is hereby authorized to take such additional actions, and to execute all documents necessary and appropriate, for the City to transfer the assets of the Agency to the City, in its capacity as successor agency to the Agency, pursuant to Sections 34175 and 34176 of the Redevelopment Law.

The above and foregoing Resolution was duly and regularly passed and adopted at a meeting by the City Council of the City of Capitola on the 12th day of January, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Michael Termini, Mayor

ATTEST:

_____, CMC
Susan Sneddon, City Clerk



Item #: 5.B.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: CITY MANAGER'S OFFICE
DATE: JANUARY 6, 2012
SUBJECT: BUDGET CALENDAR FOR THE 2012-2013 FISCAL YEAR

RECOMMENDED ACTION: By motion and voice vote, that the City Council approve the proposed Budget Calendar for FY 2012-13.

BACKGROUND:

The Capitola Municipal Code, Section 3.20.010 Budget Procedure – Timing & Preparation, states, “On or before March 1st of each year, the budget officer should prepare and disseminate a budget calendar specifying the dates of study sessions, hearings, meetings and other significant budget events.”

DISCUSSION:

Staff has prepared a draft Budget Calendar for FY 2012-13. The budget cycle begins with a Special Joint City Council/RDA Meeting on February 16 to establish Budgeting Principles. The budgeting principles serve to guide staff's preparation of the draft budget.

Pursuant to this calendar, the proposed budget will be distributed on Friday, May 11, and the presentation of the City and RDA Budgets is scheduled for a Special Meeting on Wednesday, May 23. This is a tentative schedule that may be changed as necessary by the City Manager and/or Council. Some meetings may be cancelled if they become unnecessary based upon prior sessions.

FISCAL IMPACT: None

ATTACHMENTS

1. Budget Calendar – 2012/2013 Fiscal Year

Report Prepared By: Lisa G. Murphy
Administrative Services Director

Reviewed and Forwarded
By City Manager: 

BUDGET CALENDAR - 2012/2013 FISCAL YEAR

DRAFT

The City Manager and/or the City Council may change this tentative schedule. NOTE: Some meetings may be cancelled if they become unnecessary based on prior sessions.

Meeting Date 2012	Week/Day	Nature of Meeting	Description
January 26	2 nd Thursday	Regular Council/RDA Mtg	Council to determine whether or not to receive new community grant applications for FY12/13
February 16		*Special Joint Council/RDA Mtg	Establish Budgeting Principles
Due date: February 28	Tuesday	N/A	Community Grant Application Deadline
March 13	2 nd Tuesday	Finance Advisory Committee Mtg	Finance Advisory Committee to discuss elements of the budget
April 5	1 st Thursday	Planning Commission	Planning Commission Review of the Capital Improvement Program (CIP)
May 11	2 nd Friday	N/A	Proposed Budget Distribution
May 15	3 rd Tuesday	Finance Advisory Committee Mtg	Finance Advisory Committee to discuss proposed budget and draft presentation with recommendations to Council
May 23	4 th Wednesday	*Special Joint Council/RDA Mtg	Presentation of City, RDA & CIP Budgets
May 24	4 th Thursday	Regular Council/ RDA Mtg	
May 31st	5 th Thursday	*Special Joint Council/RDA Mtg	<ul style="list-style-type: none"> - City Manager Report regarding Community Grant Applications - Community Grant Presentations - Finance Advisory Committee Presentation - Council Deliberation
June 7th	1 st Thursday	*Special Joint Council/RDA Mtg	Council and RDA Budget Deliberations
June 14	2 nd Thursday	Regular Council/RDA Mtg	Reports from Finance: Appropriations Limit Resolution and Investment Policy
June 21	3 rd Thursday	*Special Joint Council/RDA Mtg	Final Council and RDA Budget Deliberations <i>(If necessary)</i>
June 28	4 th Thursday	Regular Council/RDA Mtg	Final Adoption of the City and RDA Budgets and Pertinent Resolutions

NOTE: ***Special** Meetings will begin at 6:00 p.m. Meetings are held in the City Hall Council Chambers and will be televised "Live" on Charter Communications Cable Channel 8.



Item #: 5.C.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: CITY MANAGER'S DEPARTMENT
DATE: JANUARY 6, 2012
SUBJECT: APPROVAL OF 5TH AMENDMENT WITH JFS, INC., DBA CAPITOLA BOAT AND BAIT FOR THE WHARF LEASE AND MOORING CONCESSION AGREEMENT

RECOMMENDED ACTION: By motion and roll call vote, 1) authorize the 5th amendment to the Wharf Lease and Mooring Concession Agreement with JFS, Inc. for one year commencing on January 1, 2012 through December 31, 2012, with an option to renew for one additional year, and 2) Council direction regarding the request from JFS, Inc., to waive rent except utility bills for the months of January, February, and March 2012.

BACKGROUND:

The City has a Wharf Lease and Mooring Concession Agreement with JFS, Inc., to operate the Capitola Boat and Bait shop located on Capitola Wharf. The current lease agreement (5th Amendment to the lease) expired on December 31, 2011.

DISCUSSION:

The City has received a request from Frank Ealy of JFS, Inc., to extend the lease agreement for one additional year to December 31, 2012, with an option to renew for one additional year. Mr. Ealy also requested rent relief for the months of January, February and March 2012. The current lease agreement with JFS, Inc. included a rent waiver for the months of January, February and March of except for the utility bills. JFS, Inc. is requesting that the Council consider implementing a rent waiver for the same months for 2012.

FISCAL IMPACT:

The monthly rent is \$3,021.57. The fiscal impact would be a loss of \$9,064.71 to the general fund.

ATTACHMENT

1. 5th Amendment to Wharf Lease

Report Prepared By: Lisa G. Murphy
Administrative Services Director

Reviewed and Forwarded
By City Manager: 

**5th AMENDMENT TO THE
WHARF LEASE AND MOORING CONCESSION AGREEMENT**

Between

CITY OF CAPITOLA & JFS, INC.

The City of Capitola and JFS, Inc. hereby agree to the following Amendment to the Wharf Lease and Mooring Concession Agreement dated December 1995 and assigned to JFS, Inc. on April 2, 1997 and amended on May 9, 2002, May 26, 2005 and amended again on May 14, 2009:

1) Section 1. (a) regarding Term/Option/Notice Requirements is hereby amended to read as follows:

(a) Lessee exercised its option to renew this lease for a term that ended December 31, 2011. The term of this lease shall be extended for 1 additional year, commencing on January 1, 2012 and ending on December 31, 2012 with a one year option to renew.

(b) For the months of January, February & March of 2012 and 2013 the City of Capitola will waive the rent due except for the utility bills.

All other terms and conditions of the December 1995 Agreement remain in full force and effect.

JFS, INC.

_____ Date: _____
By: John Ealy, President

CITY OF CAPITOLA
_____ Date: _____
By: Jamie Goldstein, City Manager

Approved as to Form:
_____ Date: _____
John G. Barisone, City Attorney



Item #: 5.D.

CITY COUNCIL AGENDA REPORT

MEETING OF JANUARY 12, 2012

FROM: CITY MANAGER'S DEPARTMENT
DATE: JANUARY 6, 2012
SUBJECT: SELECTION OF TWO COUNCIL MEMBERS TO SERVE ON THE POLICE CHIEF RECRUITMENT PANEL

RECOMMENDED ACTION: By motion select two city council members to serve on the Chief of Police interview panel.

BACKGROUND:

The City has retained the services of Bob Murray and Associates to assist in the recruitment and selection process for the next Chief of Police. As part of the selection process, there will be three separate interview panels. The three panels are as follows; community members, staff and council members and finally a professional panel.

DISCUSSION:

The staff and council member panel will consist of department directors and two council members. Staff is requesting the council select the council members to serve on the panel. The interviews are scheduled for Friday, February 3, 2012 from 8am to 5pm.

FISCAL IMPACT:

No fiscal impact.

ATTACHMENT - None

Report Prepared By: Lisa G. Murphy
Administrative Services Director

**Reviewed and Forwarded
By City Manager:** 