

OTHER FUNDS



OTHER FUNDS

Compensated Absences Fund (Finance Department): This fund accumulates money to pay future employee benefit costs such as vacation and sick leave payouts for termination or retirements. Funding levels necessary to assure that these obligations can be met are policy matters within the City Council's discretion.

Emergency Reserves (Finance Department): The Reserve Fund accumulates money designated by the City Council to meet future unanticipated needs. The City of Capitola Administrative Policy III-3, Financial Management Policy, adopted June 8, 2000, specifically states in regards to emergency reserves:

“To protect against significant one-time costs which may arise from major unpredictable emergency events, in addition to the Contingency Appropriations the City shall maintain a funded emergency reserve equal to five percent (5%) of General Fund budgeted expenditures.”

Contingency Reserve (Finance Department): For each fiscal year, the final adopted General Fund budget shall contain a funded Contingency Appropriation equal to ten percent (10%) of General Fund expenditures. The Contingency Appropriation “will provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements.”

Open Space Purchase (City Manager Department): This fund accumulates money for the future purchase of open space.

◆ *Compensated Absences* ◆

FINANCE

This fund was established to accumulate reserves to pay for employee cash-outs, such as accumulated sick leave and vacation, which are due to employees upon termination or retirement. Following is an itemized description of the various liabilities to this fund.

Police Captain Cashable Sick Leave – Refer to contract.

Vacation > 504 hours -- In accordance with the standard memorandum of understanding between the all employee bargaining groups and the City of Capitola, Sub-Section 12.C. states that an employee who has accumulated more than 504 hours as of the last pay period in April of any year shall be paid in cash at a rate equal to 100% of his/her current hourly pay rate for all hours in excess of 504 except that such payment shall not exceed the employee's annual vacation accrual amount.

The Captain, Community Development Director and the City Manager have different cashable amounts, refer to individual MOU and contract.

Vacation - Voluntary Cash Out-- In accordance with various memoranda of understanding between the employee bargaining groups and the City of Capitola, employees may elect to voluntarily cash out between 40 hours to 80 hours of vacation hours. For budget purpose, it assumes that 5 employees cash out 80 hours per year.

Final Pay -- Upon resignation, employees are eligible for various cash outs, dependent upon his/her memorandum of understanding with the City of Capitola.

◆ *Compensated Absences* ◆

Retirement Program: Due to the economic status of the City, the Council authorized an early retirement package to 4 employees. Those positions will not be filled, resulting in a net savings to the City. The Compensated Absences Fund was used to fund the retirement packages. To keep this budget at adequate funding level, \$150,000 was transferred into the fund in April 2009.

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

City Manager	12 months	Finance Director	4 months
Public Works Director	4 months	Police Chief	4 months
Comm. Dev. Director	4 months		

Compensated Absence Liability -- Governmental Accounting Standards Board Statement No. 16 identifies that 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 benefit through cash payments conditioned on the employee's termination or retirement. As of June 30, 2009, the vested benefits, payable in accordance with various collective bargaining agreements totaled \$716,701 (source: Capitola Comprehensive Annual Financial Reports for fiscal year ended June 30, 2009).

	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
SOURCE OF FUNDS:					
Fund Balance @ 7/1	354,100	63,500	105,500	193,500	164,200
Transfer from Other Funds		150,000		-	
Transfer from General Fund					
Target is 1.5% of staffing budget	57,700	57,700	112,700	112,700	120,000
TOTAL SOURCE OF FUNDS	411,800	271,200	218,200	306,200	284,200
USE OF FUNDS:					
Cash Out Payments					
Cash Outs :					
City Manager - Adm Leave	8,800	9,400	10,000		
POA Sick Leave - 1995 List			-	-	-
Capt Sick Leave to Deferred Comp	42,300	-	-	-	-
Misc. Employee - Sick Leave	20,000	-	-	-	-
Vacation > 504 hours	24,400	74,000	30,000	30,000	
Vacation - Voluntary	6,800	40,000	20,000	32,600	50,000
Final Pay	-		25,000		
Retirement Cash-Out	27,700	100,000	-	79,400	108,000
Notes Payable	18,300	-	-	-	-
Transfer to Debt Service - POB (\$1M)	200,000	-	-	-	-
TOTAL USE OF FUNDS	348,300	223,400	85,000	142,000	158,000
FUND BALANCE @ 6/30	63,500	47,800	133,200	164,200	126,200

◆ *Emergency Reserves* ◆

The City of Capitola Administrative Policy III-3, Financial Management Policy, adopted June 8, 2000, specifically states in regards to emergency reserves: "To protect against significant one-time costs which may arise from major unpredictable emergency events, in addition to the Contingency Appropriations the City shall maintain a funded emergency reserve equal to five percent (5%) of General Fund budgeted expenditures."

During fiscal years 2004-05 through 2006-07, the City Council made assertive efforts to fund the Emergency reserve and as a result, the Emergency Reserve met/maintains its 5% target since FY05-06. For FY10-11, the fund also meets this requirement, with a surplus of \$46,100.

	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
SOURCE OF FUNDS:					
Fund Balance @ 7/1	597,600	614,300	627,100	627,100	627,100
Donation	-	-	-	-	-
Transfer from CDBG #2.950	-	-	-	-	-
Transfer from General Fund	16,700	12,800	-	-	-
TOTAL SOURCE OF FUNDS	614,300	627,100	627,100	627,100	627,100
USE OF FUNDS:					
Interfund Transfer Out	0	0	0	0	0
TOTAL USE OF FUNDS	0	0	0	0	0
FUND BALANCE @ 6/30	614,300	627,100	627,100	627,100	627,100
ok					
CALCULATION OF 5% TARGET:					
Gen. Fund Expense - exclude transfers	11,907,855	12,121,591	11,643,902	11,363,200	11,619,500
Designated @ 5%	5%	5%	5%	5%	5%
Target Balance	595,400	606,100	582,200	568,200	581,000
OVER OR (SHORT) OF TARGET	18,900	21,000	44,900	58,900	46,100

◆ *Contingency Reserves* ◆

For each fiscal year, the final adopted General Fund budget shall contain a funded Contingency Appropriation equal to ten percent (10%) of General Fund expenditures. Per the City Financial management Policies adopted June 8, 2000, the City shall implement a strategy to reach the required funding level in no more than five fiscal years. The Contingency Appropriation “will provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs, and/or to meet short-term cash flow requirements.”

During fiscal years 2004-05 through 2006-07, the City Council made assertive efforts to fund the Contingency reserve, with approximately \$1.3 million of General Fund savings. Beginning with the FY05-06 adopted budget, Council removed the Council department unanticipated events budget (\$100,000) and instead authorized various unanticipated, non-budgeted City expenditures directly from the Contingency reserve. During FY07-08, the unanticipated expenditures totals \$295,000, for the following: Pacific Cove Mobile home Park Retaining Wall, Mobile Home Rent Control Litigation, new parking meters, general litigation matters and debt service for the pension obligation bond.

FY10-11 budget. The Contingency Reserve fund balance is estimated to be \$1,247,100 which above the 10% target by \$85,100 on June 30, 2011.

	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
SOURCE OF FUNDS:					
Fund Balance @ 7/1	1,187,500	1,243,900	1,266,100	1,247,100	1,247,100
Miscellaneous	3,400				
Transfer from Worker's Comp Fund	-	-	-	-	-
Transfer from General Fund	355,000	6,200	-		
TOTAL SOURCE OF FUNDS	1,545,900	1,250,100	1,266,100	1,247,100	1,247,100
USE OF FUNDS:					
CIP - Pcove MHP Retaining Wall	80,000		-		
Stores Fund - Stamp Machine	-				
Transfer Out:					
General Fund - Deficit backfill	172,000			-	-
Debt Service - POB (\$1M)	50,000		-		
TOTAL USE OF FUNDS	302,000	0	0	0	0
FUND BALANCE @ 6/30	1,243,900	1,250,100	1,266,100	1,247,100	1,247,100
CALCULATION OF 5% TARGET:					
Gen. Fund Expense - exclude transfers	11,907,855	12,121,591	11,643,902	11,363,200	11,619,500
Designated @ 10%	10%	10%	10%	10%	10%
Target Balance	1,190,800	1,212,200	1,164,400	1,136,300	1,162,000
OVER OR (SHORT) OF TARGET	53,100	37,900	101,700	110,800	85,100

◆ *Open Space Purchase* ◆

CITY MANAGER

At a joint City Council/Redevelopment Agency meeting on July 24, 2003, the City Council and the Redevelopment Agency Board approved the sale of the Rispin property (assessor's parcel # 035-371-01 and -02) from the City to the Agency in the amount of \$1.35 million. The terms of the promissory note include that the principal sum of the Note shall bear interest at the rate of five (5%) per annum, simple interest from July 24, 2003. On June 22, 2006, the City Council amended this interest rate. Refer to the RDA Debt Service section of this budget for further discussion.

In FY03-04, the City Council directed that this interest be designated for the future purchase of open space, and considered by the Capitola Finance Advisory Committee for a recommendation to the City Council. Due to the State take-away from the City, this designation was not continued since the FY04-05 budget. Instead, the interest income was placed directly into the General Fund and brought directly to the attention of the Council, not the Finance Advisory Committee. In 2003, Council directed that this money be placed into a reserve for recommendation by the Finance Advisory Committee to the Council, which has the final disposition authority.

In FY06-07 and FY07-08, all the remaining funds were spent on (1) grant writer for the considered acquisition of the Galino property and (2) transferred to Debt Service for the \$1M pay down of the City's pension liability.

	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2009-10 Mid-Yr Est	2010-11 Adopted
SOURCE OF FUNDS:					
Fund Balance @ 7/1	63,400	300	19,800	300	300
Donations					
RDA Interest on Rispin Property				-	-
TOTAL SOURCE OF FUNDS	\$ 63,400	\$ 300	\$ 19,800	\$ 300	\$ 300
USE OF FUNDS:					
Contract Services	-		-		
Transfer to Debt Service - POB (\$1M)	43,600		-		
TOTAL USE OF FUNDS	\$ 43,600	\$ -	\$ -	\$ -	\$ -
FUND BALANCE @ 6/30	\$ 19,800	\$ 300	\$ 19,800	\$ 300	\$ 300

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