



CITY OF CARMEL-BY-THE-SEA CITY COUNCIL AGENDA

Mayor Dale Byrne, Councilmembers Jeff Baron, Hans Buder, Bob Delves, and Alissandra Dramov
Contact: 831.620.2000 www.ci.carmel.ca.us

All meetings are held in the City Council Chambers
East Side of Monte Verde Street
Between Ocean and 7th Avenues

CITY COUNCIL SPECIAL MEETING Monday, March 24, 2025 4:30 PM

HYBRID MEETING ATTENDANCE OPTIONS

This meeting will be held in person and via teleconference ("hybrid"). The public is welcome to attend the meeting in person or remotely via Zoom, however, the meeting will proceed as normal even if there are technical difficulties accessing Zoom. The City will do its best to resolve any technical issues as quickly as possible. To view or listen to the meeting from home, you may also watch the live stream on the City's YouTube page at: <https://www.youtube.com/@CityofCarmelbytheSea/streams>. To participate in the meeting via Zoom, copy and paste the link below into your browser.

<https://ci-carmel-ca-us.zoom.us/j/83942193825> Webinar ID: 839 4219 3825 Passcode: 049296 Dial in: (253) 215-8782

HOW TO OFFER PUBLIC COMMENT

The public may give public comment at this meeting in person, or using the Zoom teleconference module, provided that there is access to Zoom during the meeting. Zoom comments will be taken after the in-person comments. The public can also email comments to cityclerk@ci.carmel.ca.us. Comments must be received at least 2 hours before the meeting in order to be provided to the legislative body. Comments received after that time and up to the beginning of the meeting will be made part of the record.

CALL TO ORDER AND ROLL CALL 4:30 PM

ORDERS OF BUSINESS

Orders of Business are agenda items that require City Council, Board or Commission discussion, debate, direction to staff, and/or action.

1. Receive a recap of the February Council Priorities Workshop and Provide Direction on the Project List
2. Receive a presentation on the Five Year Financial Forecast and provide direction to staff
3. Receive a presentation on the proposed Fiscal Year 2025/26 Capital Improvement Program and Five-Year Capital Improvement Plan, and provide direction to staff

4. Receive a presentation on revisions to the Financial Policies

PUBLIC COMMENT GUIDELINES FOR SPECIAL MEETINGS - During Special City Council Meetings, public comments are permitted for items listed on the agenda. After each item on the agenda is introduced, the Mayor will invite public comment on that item. Each speaker has 3 minutes to speak unless otherwise adjusted by the Mayor. While stating your name is optional, it helps to identify speakers in the meeting minutes. Remote or in-person participants who do not comply with the requirements of the Brown Act will be muted.

ADJOURNMENT

1. Correspondence Received After Agenda Posting

This agenda was posted at City Hall, Monte Verde Street between Ocean Avenue and 7th Avenue, Harrison Memorial Library, located on the NE corner of Ocean Avenue and Lincoln Street, the Carmel-by-the-Sea Post Office, 5th Avenue between Dolores Street and San Carlos Street, and the City's webpage <http://www.ci.carmel.ca.us> in accordance with applicable legal requirements.

SUPPLEMENTAL MATERIAL RECEIVED AFTER THE POSTING OF THE AGENDA

Any supplemental writings or documents distributed to a majority of the City Council regarding any item on this agenda, received after the posting of the agenda will be available for public review at City Hall located on Monte Verde Street between Ocean and Seventh Avenues during regular business hours.

SPECIAL NOTICES TO PUBLIC

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at 831-620-2000 at least 48 hours prior to the meeting to ensure that reasonable arrangements can be made to provide accessibility to the meeting (28CFR 35.102-35.104 ADA Title II).



CITY OF CARMEL-BY-THE-SEA CITY COUNCIL Staff Report

March 24, 2025
ORDERS OF BUSINESS

TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Brandon Swanson, Assistant City Administrator
APPROVED BY:	Chip Rerig, City Administrator
SUBJECT:	Receive a recap of the February Council Priorities Workshop and Provide Direction on the Project List

RECOMMENDATION:

Receive a recap of the February Council Priorities Workshop and Provide Direction on the Project List

BACKGROUND/SUMMARY:

Summary

Staff is returning to the City Council following the February Strategic Priorities Workshop to present three key lists for Council review and consideration. These lists are designed to clarify, compare, and integrate both Council's original priorities and staff's recommendations, as discussed during the workshop. The purpose of this report is to seek Council's direction on finalizing the City Council-approved list of priority projects.

Background

In February, the City Council engaged in a Strategic Priorities Workshop to evaluate and refine the City's priority projects. The workshop was well attended by members of the public, who provided valuable input into the process and contributed to the discussions regarding the City's strategic direction.

During the workshop, staff also presented a series of recommended updates to the priorities, including modifications to project descriptions and strategic category names, in order to better align with current goals and available resources.

The recommended staff list was created with the intention of making the project descriptions more actionable and easier to determine when a project is complete. This approach helps ensure that project scopes are clearly defined, measurable, and outcome-oriented, allowing both staff and stakeholders to track progress and completion more effectively.

Due to time constraints, Council and staff were not able to complete the discussion regarding which items from Council's list and "staff's list" should be blended together, nor were they able to discuss proposed

changes to the strategic category names.

To support the next steps, staff has prepared the following three lists to organize the information discussed at the workshop:

1. **Original Council-Approved Priority List (Reformatted):**

This list reflects the original set of City Council-approved priorities, reformatted to incorporate the results and specific outcomes of the February workshop discussions. **(Attachment 1)**

2. **Staff-Recommended Priority List (Presented at Workshop):**

Prior to the workshop, staff was asked to prepare a staff-recommended list of priority projects based on their understanding of the most critical and important tasks that needed to be accomplished throughout the City. This list contains those staff-proposed priorities, which also include modifications to project descriptions and strategic category names, as initially presented during the workshop. **(Attachment 2)**

3. **Staff-Recommended Blended Priority List:**

This third list represents staff's recommendation for how to merge and balance the Council's original priorities with staff's refinements, creating a comprehensive and unified list that incorporates the input from both perspectives, as well as feedback received from the public. It should be noted that nearly all of the original Council Priorities remained on the "blended" list, but the names were slightly changed to make the project title read as more actionable. **(Attachment 3)**

Council Direction and Next Steps

Staff is requesting that the City Council review the three provided priority lists and consider whether the Staff-Recommended Blended Priority List should become the new City Council-approved list of priority projects, or if Council wished to retain the original approved list in its entirety, or propose a different combination of priorities that better reflects their direction.

Once the Council finalizes which list or combination of lists should serve as the official set of priorities, staff will return at a near future meeting to present a proposed method for ranking and scoring the approved projects as requested at the workshop. This process will ensure clarity regarding which projects should take top priority and establish a clear order for implementation moving forward.

FISCAL IMPACT:

PRIOR CITY COUNCIL ACTION:

ATTACHMENTS:

Attachment 1 - Existing Council Priorities

Attachment 2 - Staff Proposed Priorities From Workshop

Attachment 3 - Recommended Blended Priority List

Exiting Council Priorities and Category Names - Following February Strategic Meeting

Financial Stability

Review Opportunities for Enhanced Fire/Ambulance Service

Review/Reformulate Approach to Reserves/Update Financial Policies (FSW)

Natural Environment/Village Character

Coastal Engineering Study

Climate Committee Implementation of Climate Action Plan

Explore Street Addresses

Explore opportunities for alternate affordable housing sites and amend Housing Element to move units from City-Owned Sites

Housing Element Implementation

Develop Accessory Dwelling Unit (ADU) Ordinance

Update Zoning Code and Design Guidelines (residential & commercial) AND Explore Reinstatement of the Design Review Board (DRB)

Carmel Area Wastewater District (CAWD) Bridge to Everywhere Project

Develop Carmel Forest Management Plan

Infrastructure

Police/Public Works Building Project

Community Engagement

Business Environment

Explore Parking and Traffic Management Program

Routine/"Hygiene"

Board and Commissioner Training

Develop and Implement Social Media Plan

Develop a plan to ensure that the City's natural areas, as well as private property, are properly maintained to reduce fire risk

Exiting Council Priorities and Category Names - Following February Strategic Meeting

Parking Lot

Transient Occupancy Tax (TOT) Increase

Explore Opportunities for Flanders Mansion

Explore Opportunities for Permanent Outdoor Dining/Downtown Master Plan

Outdoor Wine Tasting Ordinance

Explore Opportunities for Scout House

Undergrounding Power Lines separate from Rule 20A

Done

Review Barriers to Construction of Affordable Housing (Housing Element Adoption)

Underground Utilities Rule 20A

Stormwater Ordinances Update

Staff Recommended Priorities and Category Names from February Strategic Workshop

Financial Sustainability, Accountability & Transparency

- Refine financial policies
- Better position the City for bonds or other financing
- Tune-up investment portfolio
- Continue the Financial Stewardship Workgroup
- Find revenue enhancements
- Implement new HR and Payroll management system

Stewarding the Natural Environment

- Beach infrastructure repairs
- Ramp
- 4th Ave. Outfall
- Stairs
- Revetments
- Wildfire mitigation and prevention
- Complete Urban Forest Management Plan – Consistent with CWPP

Maintaining Public Safety and Infrastructure

- Conduct assessment of all buildings and get current on maintenance
- Conduct assessment of all city sidewalks (incl. tree wells) and get current on repairs and ADA improvements
- Make Police/PW Building safe
- Complete ambulance merger with Monterey Fire
- Implement a parking and traffic management program
- Build city-owned conduit system for data (currently Comcast owned)
- Formalize a street address program
- Develop a formal IT Strategic Plan, including cyber-security

Staff Recommended Priorities and Category Names from February Strategic Workshop

Preserving the Village Character

Complete the Design Traditions 1.5 Project

Re-establish the Design Review Board (DRB)

Implement the Housing Element

Complete amendment to move units from City lots

Establish Objective Design Guidelines for affordable units

Providing Effective, Reliable, Responsive and Friendly Government Services

Research and implement new permitting software, with focus on integrating Artificial Intelligence

Scan and digitize ALL historic city records to make available online (resolutions, ordinances, etc.)

Expand public Wi-Fi network to cover all parks and key public areas

Part of “Smart Village” plan

Implement new technologies across all City functions to support routine staff tasks and free up time for enhanced customer service

Recommended Council Strategic Priority List - New Category Titles and Staff Recommended Projects

Financial Sustainability, Accountability & Transparency

Refine financial policies
Better position the City for bonds or other financing
Tune-up investment portfolio
Find revenue enhancements
Implement new HR and Payroll management system

Stewarding the Natural Environment

Coastal Engineering Study Phase 2 - LCP Amendment
8th Ave. sand ramp repair
4th Ave. Outfall repair/replace
Beach stair repair/replace (10th and 12th Ave)
Bluff revetments repairs
Develop more wildfire mitigation and prevention measures
Complete Carmel Forest Management Plan

Maintaining Public Safety and Infrastructure

Conduct assessment of all city buildings and get current on maintenance
Conduct assessment of all city sidewalks (incl. tree wells) and get current on repairs and ADA improvements
Make Police/PW Building safe
Complete ambulance merger with Monterey Fire
Formalize a street address program
Develop a formal IT Strategic Plan, including cyber-security

Preserving the Village Character

Complete the Design Traditions 1.5 Project
Re-establish the Design Review Board (DRB)
Implement the Housing Element
Complete Accessory Dwelling Unit (ADU) Ordinance
Complete amendment to shift units from City lots
Establish Objective Design Guidelines for affordable units
Explore the shrinking population of the City

Recommended Council Strategic Priority List - New Category Titles and Staff Recommended Projects

Providing Effective, Reliable, Responsive and Friendly Government Services

Research and implement new permitting software, with focus on integrating Artificial Intelligence

Scan and digitize ALL historic city records to make available online (resolutions, ordinances, etc.)

Expand public Wi-Fi network to cover all parks and key public areas

Implement new technologies across all City functions to support routine staff tasks and free up time for enhanced customer service

Routine/"Hygiene"

Board and Commissioner Training

Develop and Implement Social Media Plan

Develop a plan to ensure that the City's natural areas, as well as private property, are properly maintained to reduce fire risk

Continue the Financial Stewardship Workgroup

Parking Lot

Transient Occupancy Tax (TOT) Increase

Explore Opportunities for Flanders Mansion

Explore Opportunities for Permanent Outdoor Dining/Downtown Master Plan

Outdoor Wine Tasting Ordinance

Explore Opportunities for Scout House

Undergrounding Power Lines separate from Rule 20A

Climate Committee Implementation of Climate Action Plan

Carmel Area Wastewater District (CAWD) Bridge to Everywhere Project

Build city-owned conduit system for data (currently Comcast owned)

Implement a parking and traffic management program

Done

Review Barriers to Construction of Affordable Housing (Housing Element Adoption)

Underground Utilities Rule 20A

Stormwater Ordinances Update

Recommended Council Strategic Priority List - New Category Titles and Staff Recommended Projects

Dropped Council Priority "Project Names" Because They Were Duplicative

Review/Reformulate Approach to Reserves/Update Financial Policies (FSW)

Develop Carmel Forest Management Plan

Police/Public Works Building Project

Review Opportunities for Enhanced Fire/Ambulance Service

Explore Street Addresses

Update Zoning Code and Design Guidelines (residential & commercial) AND Explore Reinstatement of the Design Review Board (DRB)

Housing Element Implementation

Explore opportunities for alternate affordable housing sites and amend Housing Element to move units from City-Owned Sites

Exiting Council Priorities and Category Names - Following February Strategic Meeting

Financial Stability

Review Opportunities for Enhanced Fire/Ambulance Service
Review/Reformulate Approach to Reserves/Update Financial Policies (FSW)

Natural Environment/Village Character

Coastal Engineering Study
Climate Committee Implementation of Climate Action Plan
Explore Street Addresses
Explore opportunities for alternate affordable housing sites and amend Housing Element to move units from City-Owned Sites
Housing Element Implementation
Develop Accessory Dwelling Unit (ADU) Ordinance
Update Zoning Code and Design Guidelines (residential & commercial) AND Explore Reinstatement of the Design Review Board (DRB)
Carmel Area Wastewater District (CAWD) Bridge to Everywhere Project
Develop Carmel Forest Management Plan

Infrastructure

Police/Public Works Building Project

Community Engagement

Business Environment

Explore Parking and Traffic Management Program

Routine/"Hygiene"

Board and Commissioner Training
Develop and Implement Social Media Plan
Develop a plan to ensure that the City's natural areas, as well as private property, are properly maintained to reduce fire risk

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Staff Recommended Priorities and Category Names from February Strategic Workshop

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- Find revenue enhancements
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Stewarding the Natural Environment

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Staff Recommended Priorities and Category Names from February Strategic Workshop

Preserving the Village Character

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Expand public Wi-Fi network to cover all parks and key public areas

Part of “Smart Village” plan

Implement new technologies across all City functions to support routine staff tasks and free up time for enhanced customer service



CITY OF CARMEL-BY-THE-SEA CITY COUNCIL Staff Report

March 24, 2025
ORDERS OF BUSINESS

TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Jayne Fields, Finance Manager
APPROVED BY:	Chip Rerig, City Administrator
SUBJECT:	Receive a presentation on the Five Year Financial Forecast and provide direction to staff

RECOMMENDATION:

Receive a presentation on the Five Year Financial Forecast and provide direction to staff.

BACKGROUND/SUMMARY:

The purpose of this agenda item is to present a high-level financial forecast that highlights the fiscal environment facing the City in the next five years. A financial forecast is a long-range financial planning tool to provide awareness of future challenges and opportunities and intended to assist decision-makers in weighing the longer-term financial consequences of short-term decisions. The forecast is intended to assess whether the City is likely to have a surplus or deficit in the fiscal year based upon projected revenues and anticipated expenditures. The consideration of the financial horizon is particularly relevant as staff embark on the development of the Fiscal Year 2025-2026 ("FY 25-26") operating and capital budget.

As shown within **Attachment 1**, "Five Year Financial Forecast FYE 2026-2030", expenditures are projected to outpace revenues, resulting in a budgetary deficit for fiscal years 2025-26 through fiscal years 2029-30. The forecast is based upon the following assumptions and any change in these factors would impact the projected deficit:

1. Maintaining staffing levels at the full-time equivalent positions contained within the Fiscal Year 2024-25 Adopted Budget.
2. No change in debt payments resulting from refinancing and/or incurring new debt.
3. Capital outlay expenses based upon 5-year Capital Improvement Plan.
4. Additional funding to address pension mitigation ceases after its fifth year of contributions, fiscal year 2025-26.

Revenue Assumptions

In looking at Fiscal Year 2025-2026 and beyond, the model assumes continued modest growth in property taxes and sales tax over the next few years. Based on current industry expectations, transient occupancy tax is forecast to decrease initially, then realize modest growth thereafter. The assumptions are based upon economic literature, forecasts developed for the tourism industry and in consultation with the City's sales tax consultant. The assumptions reflected within the attached forecast include:

- **Property Tax:** FY 25-26 property tax revenue assumes a 2% growth over the FY 24-25 Adopted Budget and 2% annual growth thereafter.
- **Sales Tax:** Based upon local business trends and the December 2024 Consensus Forecast received from industry consultants, Bradley Burns and Measure C assumes small economic growth in FY 25-26 of 1.5% and 1.2% respectively. After, Bradley Burns is projected to grow 2.7% each year through FY 29-30 and Measure C is projected to grow 2.8% year over year.
- **Transient Occupancy Taxes:** Reflects 3% decrease over the FY 24-25 Adopted Budget, and 1.3% annual growth thereafter based on industry expectations, economic indicators and anticipated room inventory.
- **Charges for Services:** Charges for services are based upon consumer demand for a variety of services, including planning and building, ambulance transport and special events, and are thus more challenging to predict. The forecast builds upon the FY 24-25 Adopted Budget and assumes an annual increase of 2.4% for inflation.
- **Other Revenues:** This category includes revenues such as business license taxes, franchise fees, and intergovernmental revenue. The forecast builds upon the FY 24-25 Adopted Budget and assumes an annual increase of 2.4% for inflation each year.

Expenditure Assumptions

Fiscal Year 2024- 2025 is likely to end with a surplus due to a combination of stronger than anticipated revenue and lower than anticipated operating and capital expenditures. Expenditures include the General Fund operating budget, capital budget, and debt service. The forecast is based upon the following assumptions:

- **Salary and Benefits:** In keeping with the City's current MOU salary contract commitments, FY 25-26 reflects 4% growth over the FY 24-25 Adopted Budget. Thereafter, a 2% annual growth rate over each prior year's budget reflects potential increases in salaries and other benefits, such as healthcare. FY 25- 26 and each year thereafter is based upon the same staffing level as FY 24-25, thus any changes in staffing levels and/or negotiated salary and benefit cost increases greater than 4% and 2% will impact the projected expenses.
- **CalPERS Unfunded Pension Liability:** The forecast is based upon the City's FY 24-25 authorized positions using a pension forecasting model which assumes a 6.8% CalPERS's investment return.
- **Services and supplies:** FY 25-26 and thereafter assume a 2.4% annual inflationary increase over the FY 24-25 Adopted Budget.

- **Debt:** The debt payment is based on debt repayment schedules and reflects the reduced payments in FY 25-26 through FY 29-30 for the Sunset Center. Maturation of the Sunset Center bond is anticipated in FY 31-32. The forecast assumes no additional debt either through the issuance of new bonds, the refinancing of existing bonds or the use of lease financing for capital projects and/or vehicle purchases.
- **Pension Mitigation:** In Fiscal Year 21-22, Council authorized the City Administrator to set aside \$1 million annually for pension mitigation in each of the next five years. The City has included the fifth and final authorized unfunded pension liability set-aside in FY 25-26. The forecast assumes no additional pension mitigation options thereafter.
- **Capital Outlay:** The forecast is based upon the City's Five-Year Capital Improvement Plan.

Policy Discussion and Options

The financial forecast is intended as a planning tool to assist in both short and long-term decision-making. It is developed by staff based upon historical data, year-to-date actuals, and economic and industry literature and attempts to capture various external factors that impact the City's revenues and expenses. It should be considered a guide that is fluid and able to be updated as new factors emerge, especially considering the changing economic environment. Based upon the current projections, staff anticipates an annual deficit whereby planned expenditures outpace anticipated revenues, primarily due to the economic slowing of some of the City's major revenues and growing operating and capital expenditures.

The purpose of the special meeting is to receive preliminary direction from Council regarding capital expenditures. In particular, as part of the next agenda item, Council will receive a presentation regarding the proposed capital projects for the upcoming fiscal year and will be asked to provide preliminary direction regarding the prioritization of identified projects as well as any additional projects to be included within the Capital Improvement Plan.

Currently, the forecast allocates approximately \$9,800,000 for capital outlay in FY 25-26. The \$9,800,000 represents 30.1% of projected revenue, consistent with financial policy recommendations. Council has the discretion to change the amount allocated for capital projects. However, should the capital budget be increased it should be considered in light of other factors that will impact the forecast, namely service levels and pension liability.

First, the forecast for the City's largest expenditure, salaries and benefits associated with staffing, assumes the same authorized staffing level as FY 24-25 and a 4% growth in costs over FY 24-25 Adopted Budget, and 2% annual growth thereafter. The City typically renegotiates MOU salary contracts every two years, therefore any newly negotiated salary schedules will impact future projected salary expenditures.

Second, the operating budget assumes an increase of 2.4% over the FY 24-25 Adopted Budget in services and supplies for FY 25-26. However, it is likely that many of the contractual services necessary to provide critical services to the community as well as necessary costs associated with daily operations ("cost of doing business") will experience increases greater than 2.4%. Depending on the magnitude of the increase in some of these services, it may not be possible to absorb the impact through further reductions in other areas of the budget without impacting service levels and/or the efficiency of departmental operations.

Third, the forecast also sets aside funding to address pension liability. The City's Unfunded Accrued

Liability Payment (“UAL”) is estimated at \$29.2 million as of June 30, 2024. The City’s annual UAL payment is expected to increase from \$2.3 million in FY 24-25 to \$3.3 million in FY 29-30. However, it is possible that the payments may increase if CalPERS either does not achieve its goal of a 7% return on its investments or reduces the discount rate. The forecast includes \$1 million to be used for pension mitigation options in FY25-26 only. Council has the discretion to allocate additional funding for pension mitigation strategies.

FISCAL IMPACT:

There is no direct fiscal impact associated with receiving this report. Direction received by Council will help guide the development of the Fiscal Year 2025-2026 budget.

PRIOR CITY COUNCIL ACTION:

Not applicable

ATTACHMENTS:

Attachment 1) Five Year Financial Forecast FY 2026 - 2030

Five Year Financial Forecast

	FY 21-22 Adopted Budget	FY 21-22 Actual	FY 22-23 Adopted Budget	FY 22-23 Actual	FY 23-24 Adopted Budget	FY 23-24 Actual	FY 24-25 Adopted Budget	FY 24-25 Estimated Actual	FY 25-26 Projection	FY 26-27 Projection	FY 27-28 Projection	FY 28-29 Projection	FY 29-30 Projection
Revenues													
Property	8,041,368	7,681,714	8,299,100	8,152,163	8,479,296	8,770,848	8,648,882	8,916,193	9,094,517	9,276,407	9,461,935	9,651,174	9,844,198
Sales tax - Bradley Burns	2,966,109	3,611,423	3,190,300	3,469,442	3,665,207	3,692,470	3,738,511	3,753,350	3,794,589	3,897,043	4,002,263	4,110,324	4,221,303
Sales tax - Local Meas. C	4,706,660	5,970,464	5,721,000	5,868,695	5,926,532	6,386,122	6,045,063	6,045,063	6,117,604	6,288,897	6,464,986	6,646,005	6,832,094
Transient Occupancy Tax (TOT)	6,568,562	7,787,643	6,667,000	8,455,742	6,801,007	8,579,344	7,543,234	7,932,702	7,694,721	7,794,752	7,896,084	7,998,733	8,102,717
Charges for Services	2,129,702	2,485,797	2,169,500	2,500,112	2,535,516	2,871,504	2,550,029	2,900,477	2,611,230	2,673,899	2,738,073	2,803,787	2,871,077
Other Revenues *	4,034,829	3,308,607	4,284,600	4,445,838	3,519,944	4,556,572	2,905,530	4,520,046	3,275,263	3,053,869	3,127,162	3,202,214	3,279,067
Revenue Total	28,447,230	30,845,650	30,331,500	32,891,990	30,927,502	34,856,860	31,431,249	34,067,831	32,587,923	32,984,867	33,690,503	34,412,237	35,150,455
Expenditures													
Salaries/Benefits	11,371,134	10,259,176	13,636,852	11,784,776	15,152,109	12,628,934	16,143,392	13,841,739	16,789,128	17,124,910	17,467,408	17,816,757	18,173,092
CalPERS Unfunded Accrued Liability Payment	1,833,526	1,772,536	2,082,464	2,013,193	3,007,732	1,942,765	2,375,351	2,298,486	2,708,156	2,856,655	2,975,681	3,240,151	3,278,149
Services/Supplies	8,900,889	8,952,087	9,800,223	10,249,694	11,249,342	11,137,823	12,239,201	10,631,395	12,532,942	12,833,732	13,141,742	13,457,144	13,780,115
General Fund Operating Total	21,989,391	19,983,799	25,371,379	23,047,663	29,332,583	24,709,522	29,757,944	25,771,619	31,030,225	32,815,297	33,584,832	34,514,051	35,231,356
Revenue Net of Operating Costs	6,457,839	10,861,850	4,960,121	9,844,327	1,594,919	10,147,338	1,673,305	8,296,211	1,557,698	169,570	105,671	(101,814)	(80,901)
<i>Debt Service Total</i>	882,656	859,211	878,303	874,942	528,044	520,042	519,100	518,673	509,600	519,400	517,960	517,960	517,960
<i>Additional Pension Mitigation</i>	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000				
<i>Capital Outlay</i>	4,439,580	149,873	5,972,327	1,199,076	10,916,100	3,041,379	12,579,000	5,335,000	9,800,000	18,800,000	15,710,000	12,815,000	5,250,000
Expenses Total	28,311,627	21,992,884	33,222,009	26,121,681	41,776,727	29,270,943	43,856,044	32,625,293	42,339,825	52,134,697	49,812,792	47,847,011	40,999,316
Surplus/(Deficit)	135,603	8,852,766	(2,890,509)	6,770,310	(10,849,225)	5,585,917	(12,424,795)	1,442,538	(9,751,902)	(19,149,830)	(16,122,289)	(13,434,774)	(5,848,861)
Available Resources						33,411,152	20,986,357	34,853,690	25,101,788	5,951,958	(10,170,331)	(23,605,106)	(29,453,967)

Surplus = adds to fund balance; (Deficit) = use of fund balance
 * FY 24-25 Actuals include a number of one-time grants and reimbursements.

Projection Assumptions	% Change
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Based on current trends in home prices	2.00%
Based on industry projections	1.50%
Based on industry projections	1.20%
Based on industry expectation of 3% decrease next year	-3.00%
CPI	2.40%
CPI	2.40%
	3.68%

Based on industry forecasts (after next year's contract commitments)	2.00%
Per Forecasting Modules based on CalPERAs Assumed 6.8% return	17.82%
CPI	2.40%
	4.28%
	-6.91%

FY25-26 marks the 5th year	
Per 5-year CIP Plan	
	-3.46%



CITY OF CARMEL-BY-THE-SEA CITY COUNCIL Staff Report

March 24, 2025
ORDERS OF BUSINESS

TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Mary Bilse, Environmental Programs Manager
APPROVED BY:	Chip Rerig, City Administrator
SUBJECT:	Receive a presentation on the proposed Fiscal Year 2025/26 Capital Improvement Program and Five-Year Capital Improvement Plan, and provide direction to staff

RECOMMENDATION:

1. Receive a report regarding:
 - Capital improvements projects completed or scheduled for completion in Fiscal Year (FY) 2024/25
 - Projects recommended for cancellation
 - Capital projects funded in (or prior to) FY 2024/25 that are recommended to be carried over, into FY 2025/26: Conglomerate Paving, Police/Public Works Building Project, Ambulance, Design for Shoreline Infrastructure Repair, Coastal Engineering, and Library Master Plan.
 - Potential new capital improvement projects for FY 2025/26:
 - Potential new projects funded by the Vehicle and Equipment Fund
 - Potential new projects funded by the Capital Improvement Fund
 - Introduction of the Updated 5-year Capital Improvement Plan (FY 2025/26 through 2029/30)
2. Provide guidance regarding:
 - Total number of FY 2025/26 projects to be funded
 - Funding priorities for future Capital Improvement Projects

BACKGROUND/SUMMARY:

Executive Summary

This report outlines 25 capital improvement projects completed or anticipated to be completed in FY 2024/25, as well as one project (Scout House Relocation) recommended for cancellation. Additionally, six ongoing FY 2024/25 projects, with a remaining balance of approximately \$2,110,000, are proposed to be carried over into FY 2025/26 (this amount does not include the budget for the Police/Public Works Building).

Key messages/recommendations to highlight in the introduction of the FY 2025/26 CIP:

- Six carry-over projects (Conglomerate Paving, Police/Public Works Building, Ambulance, Shoreline Infrastructure Repairs Design, Coastal Engineering, and Library Master Plan Administration) require supplemental funding of \$2,110,000 to complete (this amount does not include the budget for the Police/Public Works Building).
- Eight new vehicle and equipment funded projects, valued at \$530,000, are identified for consideration in FY 2025/26. If sufficient funding is available, all of these projects should be prioritized, as acquiring vehicles and equipment typically requires less time and resources compared to multi-year infrastructure projects, which involve engineering, environmental permitting, public bidding, and construction.
- 27 potential new capital projects, valued at \$9,800,000, have also been identified for FY 2025/26. While staff recognizes the merit of all these projects, the total cost exceeds the available funding.

Capital Project Definition

To ensure clarity when reviewing capital projects, it's useful to have a shared understanding of what constitutes a "Capital Project." The Governmental Accounting Standards Board (GASB) defines capital assets as "land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, historical treasures, infrastructure, and other tangible or intangible assets used in operations with useful lives extending beyond a single reporting period."

For the City of Carmel-by-the-Sea, staff recommends defining a Capital Project (or Capital Outlay) as an asset with a single component or piece of equipment that costs more than \$10,000 and has an expected useful life of more than 10 years.

Some of the projects listed below, such as reports and plans, may not fall under the true definition of a capital project. However, these reports may include recommendations for future capital projects. For example, the Coastal Engineering Study has identified numerous physical improvements along the shoreline to be made over the next several years. Additionally, some projects are one-time special initiatives designed to meet regulatory requirements, address community public safety needs, and enhance operational effectiveness.

Infrastructure Needs

A preliminary 5-year Capital Improvement Plan (CIP) is included in **Attachment 1**. This framework provides information on necessary infrastructure for the upcoming fiscal year and forecasts for the following four years. Many of these needs have been identified through assessments and plans for City assets, including:

- 2013 Carmel Facilities Assessments
- 2018 ADA Transition Plan
- 2018 MTNP Stream Stability Study
- 2020 Storm Drain Master Plan and 2023 Master Plan Update
- 2022 Climate Action and Climate Adaptation Plans
- 2023 Street Saver Pavement Management Plan/Update
- 2023 Electrical Panel Studies (City Hall, Fire Station, Vista Lobos)
- 2023 Facility Condition Assessments (City Hall, Fire Station, Public Works, Vista Lobos)
- 2023 Police Building Condition Assessment
- 2023-2024 Coastal Engineering Study, Phase I
- City Council Strategic Priorities list

This CIP provides a framework for the Council to allocate funding for the most critical projects over time.

1. Projects Completed in Fiscal Year 2024/25

Twenty-Five capital improvement projects, with a total value of approximately \$11,614,000, were completed or are anticipated to be substantially completed by June 30, 2025. These projects are listed below:

FY 24/25 Capital Improvement Plan		
Complete now -		= 11 Projects
Complete by end of FY24/25 -		= 7 Projects
Started, complete in 25/26 -		= 5 Projects
Completion date unknown		= 2 Projects
		25 Total Projects
Vehicle and Equipment Fund		
Description	Budget	Status
Public Works Dump Truck	\$150,000	DONE
Police EV Patrol Vehicle	\$90,000	DONE
Police Radios Lease (Year 4 of 6)	\$30,000	DONE
Council Chamber AV Upgrade	\$70,000	Contract Approved. Complete by end of FY 24/25.
Core Networks	\$50,000	Contract Approved. Complete by end of FY 24/25.
Network Firewalls	\$180,000	95% Complete. Done by end of FY 24/25
Capital Projects		
Description	Budget	Status
Conglomerate Paving Project	\$2,810,000	Engineering and Design 95% Complete. Construction starts in summer FY24/25 and complete in summer FY25/26. Delayed for agreement with County for Ocean Ave.
San Antonio Pathway Reconstruction	\$550,000	DONE
Sunset Center Retaining Wall	\$550,000	Design Complete. Construction on hold pending analysis of scope and need.
Lincoln/Fourth Trestle Bridge Assessment	\$40,000	DONE
MTNP 3 Stream Drainage Project	\$335,000	DONE
Drainage System Repairs	\$1,218,000	Complete by end of FY24/25.
Police/PW Building Project	\$3,239,000	Immediate repairs ongoing and complete by end of FY24/25. Scope of larger project in flux.
ADA Upgrades Year 7	\$20,000	50% complete, fully complete by end of FY 24/25
Norton Court Garage Security Access	\$15,000	DONE
Sunset Center North Lot Electrical Panel	\$100,000	DONE
Vista Lobos 3 EV Charging Stations and Building Electrical Panel	\$460,000	Complete by end of FY24/25.
Facility Renovations (City Hall Roof and SC Cottage Windows)	\$527,000	DONE
Scenic Pathways – Hardscape Reno	\$100,000	DONE
Coastal Engineering Study – Phase 2	\$500,000	50% Complete by end of FY24/25. Remainder of Design to be completed in FY25/26
Shoreline Infrastructure Repairs	\$400,000	Design Contract Approved by CC in February. Design work 50% complete by end of FY24/25. Remainder of Design in early FY25/26. Construction to begin spring FY25/26
Shoreline Wall: Fourth Avenue Outfall	\$250,000	Design Contract Approved by CC in February. Design work 50% complete by end of FY24/25. Remainder of Design to be completed in early FY25/26. Construction to begin spring FY25/26
PG&E Rule 20A Undergrounding District		DONE
Library Master Plan – Phases II - IV (Outreach, Concept Design and Plans)	\$100,000	Working with CPLF to complete agreements. Community Outreach and Concepts complete FY24/25. Construction Drawings complete FY25/26.
CIP Contingency	\$400,000	Used on multiple CIP projects (San Antonio Pathway, Drainage System Improvements, Acacia Drainage, Misc. Paving). Will continue to spend through the end of FY24/25.

Ongoing, maintenance-oriented projects have been included in the applicable department's operating budget

rather than the Capital Improvement Program, even if the budget for these maintenance projects exceeds \$10,000.

2. Prior Projects Recommended for Cancellation

One project is recommended for cancellation:

- Scout House Relocation

3. Projects Funded in (or prior to) FY 2024/25 that are recommended to be carried over to FY 2025/26

The following six capital improvement projects, funded in or prior to Fiscal Year 2024/25 but not fully completed, are recommended to be carried over into FY 2025/26. The total budget for these projects in FY 2024/25 was \$7,709,000, and an estimated balance of \$2,110,000 is proposed to be carried over into FY 2025/26 (this amount does not include the budget for the Police/Public Works Building). The exact carry-over amount will not be known until the end of the current fiscal year.

Carry-Over Capital Improvement Projects

Description	Budget
Conglomerate Paving Project	\$1,400,000
Police/Public Works Building Project	TBD
Ambulance – Balance of \$410k	\$85,000
Shoreline Infrastructure Repairs Design	\$325,000
Coastal Engineering Study – Phase 2	\$250,000
Library Master Plan Administration	\$50,000
Total	\$2,110,000

4. Introduction of the Updated 5-Year Capital Improvement Plan

The updated 5-year CIP Exhibit is provided in **Attachment 1**. While only the first fiscal year (2025/26) will be funded as part of the City Budget, the remaining four years serve as a planning tool to identify anticipated future projects. Below is a brief overview of the potential new vehicle and equipment fund projects:

Potential New Vehicle and Equipment Fund Projects:

- **Radios Lease, Year 5 (\$30,000):** The City of Carmel initiated a lease for twenty-two (22) police radios in FY 2021/2022 to replace outdated hand-held radios. These radios are being leased/purchased at a cost of \$30,000 per year over six (6) years, funded by the Vehicle and Equipment Fund. FY 2025/26 is the fifth year of this lease.
- **Public Works Compact Track Loader (\$125,000):** The purchase of a compact track loader will significantly improve the City's beach maintenance operations. Currently, the lack of a dedicated equipment ramp for beach access makes transporting machinery onto the beach difficult and inefficient. This purchase will enhance our ability to perform essential tasks such as sand redistribution and erosion control on the Del Mar and Volleyball Dunes. These areas are crucial for both recreational use and ecological health, and proactive maintenance is vital for their preservation. The compact track loader will provide the necessary

mobility and power to navigate the sandy terrain effectively. We are requesting the inclusion of a flail mower and a street broom as attachments to further broaden the machine's utility. The flail mower will assist in vegetation management throughout the City, and the street broom will be used for debris removal and maintaining cleanliness in the Del Mar parking lot. This proactive approach will save time and resources by preventing more significant issues from developing.

- **Public Works EV Trucks (2) (\$150,000):** The Public Works Department plans to replace a 2000 Dodge Dakota and a 2013 Ford F-150 by acquiring two Electric Vehicle (EV) trucks. These EV trucks will be used across all divisions of the Public Works Department. Given the department's heavy reliance on its fleet of trucks for routine maintenance, repairs, equipment transportation, and emergency response, the transition to EV trucks will reduce the City's carbon footprint and lower fuel and maintenance expenses. Additionally, acquiring these EV trucks aligns with the State's mandate for increasing EV adoption in municipal fleets. By proactively transitioning to electric vehicles, the City demonstrates its commitment to environmental sustainability and compliance with state regulations. This initiative will position the City of Carmel as a leader in adopting clean energy solutions and contribute to a healthier environment for our community.
- **Fire Vehicle EV (\$75,000):** The Fire Department plans to replace a 2010 fire vehicle by acquiring an EV vehicle.
- **Ambulance Heart Monitor (\$35,000):** This project involves the purchase new monitors to improve emergency medical care by enabling real-time cardiac assessment during transport, ensuring faster, more effective treatment for patients with heart-related conditions.
- **Police Motorcycle EV (\$30,000):** The Police Department plans to replace a 2008 motorcycle with an EV police motorcycle.

Potential New Capital Improvement Fund Projects:

The City is evaluating a series of potential Capital Improvement Fund projects aimed at addressing key infrastructure and facility needs. These projects are designed to improve the functionality, safety, and sustainability of city assets, while also supporting long-term growth and enhancing public services.

- **Junipero Bypass Pipe - Design (\$175,000):** The design improvements aim to address capacity issues along Junipero and Ocean, including the installation of a parallel 30-inch pipe on Junipero Street between Fifth and Seventh Avenues and a parallel 24-inch pipe near Fifth Avenue and Torres Street. These upgrades will enhance flow and reduce hydraulic grade line (HGL) peaks. Coordination with the Mission Street Bypass and Fifth Avenue projects may also be considered during the design phase.
- **Resurface Parking Lots (CL, SC) (\$300,000):** The allocated funding will be used for the required asphalt pavement maintenance at the Children's Library and the Sunset Center Main Lot. This work will address necessary repairs and improvements to maintain the safety and functionality of the parking lots. The funding will cover resurfacing, patching, and other asphalt-related maintenance tasks.
- **Sidewalks (\$500,000):** Funding will be used for sidewalk repairs in areas that pose trip hazards, ensuring safer pedestrian access throughout the city. This will involve identifying and repairing damaged or uneven sections of sidewalk to prevent accidents and improve walkability. The repairs will focus on high-traffic areas and locations with the most significant safety concerns.
- **ADA Updates – Year 8 (\$20,000):** A \$20,000 budget has been allocated for ADA upgrades within the city, aimed at improving accessibility for individuals with disabilities. The funds will be used to address areas in need of compliance, enhancing public spaces and facilities to ensure they meet ADA standards. Specific

upgrade areas will be determined based on the city's infrastructure needs.

- **Sunset Center Retaining Walls - Construction (\$400,000):** Funding will be used for the construction of one structural retaining wall in the Sunset Center North Lot located on the north side adjacent to Eighth Avenue, which poses a hazard to the public. This wall has already been designed in the current year's CIP and requires funding for construction.
- **Fire Station Upgrades (\$140,000):** Funding to be used for upgrades to the Fire Station to accommodate a newly purchased fire truck. These upgrades will include modifications to the station's bays, ensuring they are large enough to house the new equipment safely and efficiently.
- **Design Repairs – CH, FS per Facilities Conditions Assessment (\$150,000):** Funding to be used for repairs to City facilities as recommended in the Facilities Conditions Assessment prepared by Bureau Veritas. These repairs are necessary to address maintenance issues, ensuring the safety, functionality, and efficiency of city buildings. The improvements will help prevent further deterioration and reduce long-term repair costs.
- **Fire Backflows to Code (3 Buildings) (\$200,000):** Funding to be used for fire backflow improvements at three locations: City Hall, HML Library, and Park Branch Library, to bring them into compliance with current code requirements. These upgrades are essential to ensure the safety and effectiveness of the fire suppression systems at each facility. The improvements will address existing deficiencies and help meet regulatory standards.
- **Sunset Center Painting, Phase 2 (\$250,000):** Funding will be used for Phase 2 of painting the Sunset Center. This phase will complete the painting of areas not addressed in the previously completed work, enhancing the facility's appearance and protecting surfaces from wear and damage.
- **Police/Public Works Building Project (TBD):** Project to be determined.
- **Picadilly Restroom Expansion Design (\$70,000):** Funding will be allocated for the design of an expansion to the Picadilly restroom, one of the City's most heavily used facilities. During peak summer months, the line for this single-toilet restroom often extends to the sidewalk, highlighting the need for increased capacity.
- **Sunset Center Yoga Center Reroof (\$100,000):** Funding will be used for the roof replacement at the Sunset Center Yoga Center, which is over 30 years old and requires frequent maintenance. The new roof will address ongoing issues and provide long-term durability. This replacement will ensure the facility remains safe and protected from weather-related damage.
- **Park Branch Library Window Repairs (\$50,000):** Funding will be used for window repairs at Park Branch Library, which includes replacing 18 deteriorated double-pane windows. These windows have lost their insulation, resulting in a persistent steamy appearance, and the wood trim is also deteriorating. Once replaced, the windows will be restored, and the trim will undergo necessary painting.
- **Sunset Center Elevator Power Unit (\$120,000):** Funding will be used for the replacement of the Sunset Center's power unit, including the hydraulic valves. The existing system has reached the end of its useful life and requires an upgrade to ensure continued reliable operation.
- **City Hall Exterior Shingles (\$70,000):** Funding will be used for the repair and restoration of wood shingles on the exterior walls of City Hall, as they need maintenance and some may require replacement. This work will address areas of wear and deterioration, helping to preserve the building's exterior. The

project will ensure the structure remains protected and visually appealing.

- **MTNP Stream Projects 5-6 Design (\$125,000):** Funding will be used for Projects 5-6 as identified in the stream stability survey performed by Dudek. These projects include addressing bank erosion along Serra Trail and replacing a bridge over the tributary channel, as well as implementing bio-remediation measures. These efforts aim to improve stream stability, enhance environmental health, and ensure the safety of the affected areas.
- **Reconstruction of the Fourth Avenue Outfall – Construction (\$900,000):** Funding will be used for construction work to replace the outfall structure at 4th Avenue, which is showing significant structural deficiencies and is in a high level of disrepair. The existing structure is at risk of further deterioration, impacting the surrounding area. Design work for the replacement is being initiated in the current fiscal year, with construction aimed at restoring the outfall's functionality, preventing further erosion, and ensuring the long-term stability of the area.
- **Sand Ramp at Eighth Avenue (\$250,000):** Funding will be used for the reconstruction of the access sand ramp near Eighth Avenue, which has been repeatedly damaged by winter storms and the impacts of sea level rise. The ramp no longer exists in its current location due to extensive damage. Design work for the new ramp will begin in the current fiscal year, with reconstruction aimed at ensuring safe and reliable access while addressing future environmental challenges.
- **Shoreline Repairs Stairs – Construction (\$500,000):** Construction (\$500,000): Funding will be used for construction work to reconstruct stairs damaged by winter storms and the effects of sea level rise. The stairs located north of 10th Avenue and on Twelfth Avenue have sustained deterioration and damage from these storms. Design work for the reconstruction will begin in the current fiscal year, with the goal of restoring safe access while addressing future environmental conditions.
- **IT Network Refresh (\$60,000) –** Funding will be used to upgrade and modernize the City's existing network infrastructure to enhance performance, reliability, and security. The City would replace outdated hardware, implement faster and more scalable solutions, and seamless connectivity for all departments and services. The project will focus on improving cybersecurity measures.
- **Wireless Access Point (\$50,000) –** Funding will be used to purchase and install new Wireless Access Points (WAPs) throughout city facilities to enhance wireless connectivity and ensure reliable, high-speed internet access for employees and city operations. The project will upgrade outdated or insufficient wireless infrastructure, providing better coverage, faster speeds, and improved security across public buildings and departments. These upgrades will also support the growing demand for mobile devices.
- **Library Master Plan Administration (\$50,000) –** Funding will be used to oversee and administer the interior renovations of the Harrison Memorial Library. This project will be a private-public partnership between the Carmel Public Library Foundation and the City of Carmel-by-the-Sea. The library requires essential upgrades to meet modern standards, including improvements to plumbing, electrical systems, and ADA compliance.
- **CIP Contingency Fund (\$500,000):** The CIP Contingency Fund, set at 5% of the total budget for current year (CY) projects, is reserved to cover unforeseen costs during the execution of capital projects. It addresses unexpected expenses such as material cost increases, design changes, or unforeseen site conditions. This fund ensures financial flexibility, preventing project delays or scope reductions and helping to keep projects on track and within budget.

5. Council Guidance

Staff is seeking direction from the Council on the following issues. Please note that this is the first review and screening of potential projects. Staff will return at a future meeting to refine the list of potential projects based on feedback received on March 24, 2025.

- Acceptance of the capital improvement projects completed or anticipated to be completed in FY 2024/25, as listed in Section 1 above.
- Confirmation to cancel the one project described in Section 2 above.
- Confirmation to carry over six projects from FY 2024/25, including their remaining project funds, into FY 2025/26, as described in Section 3 above.
- Review potential projects for the FY 2025/26 CIP in the Vehicle and Equipment and Capital Improvement Funds as listed in Section 4 above.
- Review the preliminary 5-Year CIP, **Attachment 1**, including the preliminary list of identified projects for Years 2 - 5.
- Add, delete, or modify identified projects based on public comments and Council's input. Direct staff to return at a future meeting to refine the list of proposed projects for a second review.

Upon Council's tentative approval, the CIP document will be presented to the Planning Commission for a General consistency review, as required by State law and the City's Municipal Code.

FISCAL IMPACT:

The preliminary amount of CIP project funding available to be carried over into FY 25/26 is approximately \$2,110,000. This amount will be refined during the remainder of the current FY 24/25.

Six carry-over capital improvement projects are recommended to be carried over into FY 2025/26, with an estimated remaining budget of \$2,110,000.

Potential New Projects – Vehicle and Equipment Fund: 6 new vehicle and equipment projects are proposed at an estimated cost of \$530,000.

Potential New Projects – Capital Improvement Fund: 16 additional projects were listed above with a total estimated cost of \$7,285,000. Staff recommends that this list be slimmed down to fit within the available budget.

PRIOR CITY COUNCIL ACTION:

None for Fiscal Year 2025/26.

ATTACHMENTS:

Attachment #1 - Preliminary 5-Year Capital Improvement Plan

City of Carmel-by-the-Sea										
5-Year Capital Improvement Plan										
Excluding Operating Budget Projects										
As of : 3/12/25										
Category	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3	Year 4	Year 4	Year 5	Year 5
	FY 2025/26	Estimate	FY 2026/27	Estimate	FY 2027/28	Estimate	FY 2028/29	Estimate	FY 2028/29	Estimate
	Junipero Bypass Pipe - Design	175	Junipero Bypass Construct Ph 1	750	Drainage Repairs - Design	250	Drainage Repairs Construct	800		
			4th Ave CDS - Design	75	4th Ave CDS - Construction	450				
Drainage					Junipero Bypass Construct, Ph	1,000				
\$3,500		\$ 175		\$ 825		\$ 1,700		\$ 800		\$ -
	FY26 Allocate to Concrete Streets???		FY 27 Paving, Bike, S/W	1,000	FY28 Paving, Bike, S/W	720	FY29 Paving, Bike, S/W	730	FY30 Paving, Bike, S/W	
	TAMC: SB1, X, RSTIP, HUTA		TAMC: SB1, X, RSTIP, HUTA	- 700	TAMC: SB1, X, RSTIP, HUTA	- 430	TAMC: SB1, X, RSTIP, HUTA	- 440		
	Resurface Parking Lots (CL, SC)	300	Bicycle Master Plan	70	Resurface Parking Lots	300				
	Sidewalks	500	Sidewalks	500						
	Conglomerate Paving Project	1,400	Lincoln 4th trestle bridge - Design	150						
			Pavement Survey Update	30						
Streets										
\$5,700		\$ 2,200		\$ 1,750		\$ 1,020		\$ 730		\$ -
	ADA Updates - Year 8	20	ADA Updates - Year 9	20	ADA Updates - Year 10	20	ADA Updates - Year 11	25		
	SC Retaining Walls - Construction	400	SC Retaining Walls - Construction	900						
	Scout House Relocate-PM, Env, Des		Scout House Relocation	350	Scout House Renovation	500				
			Sell Scout House Property	TBD						
	Fire Station Upgrades	140	Flanders Structural Shoring	250						
	Design Repairs - CH, FS per Facilities Conditions Assessment	150	CH FCA: Fire, Doors, Lighting	400	FS FCA: Roof, Windows, Alarm	500				
	Fire Backflows to Code (3 bldgs)	200	Park Restroom Repairs	150	Sunset Center Railings	225				
	Sunset Ctr Painting, Ph 2	250	Facility Assessment (Flanders, RRs)	85						
	Police/Public Works Building Project	2,000	Police Building - Construction	10,000	Police Building Construction	10,000	Police Building - Construction	10,000	Police Building - Constru	5,000
	Police Building, Fed Appropriation	TBD	Devendorf Bathroom RR	50						
	Picadilly restroom expansion design	70	Picadilly restroom expansion construc	TBD						
	SC Yoga Center ReRoof	100	Sunset Center Portico Design, Const	475						
	PBL Window Repairs	50								
	SC elevator power unit	120								
	City Hall Shingles	70								
Facilities										
\$42,520		\$ 3,570		\$ 12,680		\$ 11,245		\$ 10,025		\$ 5,000
			MTNP Doolittle Bridge Construct	125						
	MTNP Stream Projects 5-6 Design	125	MTNP - Stream 5-6 Construct	500	MTNP-Stream 7-8-Design	150	MTNP-Stream 7-8-Construct	600		
Forestry,										
Parks & Beach										
\$1,500		\$ 125		\$ 625		\$ 150		\$ 600		\$ -
	Radios Lease, Year 5	30	Radios Lease, Year 6 (Last)	30						
	PW Compact Track Loader (Priority)	125	Facilities Truck EV (2007)	85	Streets Pickup EV (2005)	75	Streets Pickup EV (2012)	75		
	PW EV Truck (2012 Ford F150) *	75	Fire Inspector Vehicle EV (2012)	75	Forestry Water Truck (1994)	120	PD Detective Veh EV (2017)	75		
	PW EV Truck (2000 Dakota) *	75	PD Admin Vehicle EV (2013)	75	Streets Patch Truck (1999)	100	PD Patrol Vehicle EV (2020)	75		
	Fire Vehicle EV (2010) *	75	PD Animal Control Veh (2009)	75	PD Patrol Vehicle EV (2019)	75				
	Ambulance - Balance of \$410k *	400								
	Ambulance Heart Monitor *	35								
Fleet &	PD Motorcycle EV (2008) *	30	PD Radar Trailer (2009)	25	PD Parking Vehicle EV (2014)	45				
Equipment	EV Vehicles - 3CE Grants	- 20	EV Vehicles - 3CE Grants	- 30	EV Vehicles - 3CE Grants	- 30	EV Vehicles - 3CE Grants	- 35		

Category	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3	Year 4	Year 4	Year 5	Year 5
	FY 2025/26	Estimate	FY 2026/27	Estimate	FY 2027/28	Estimate	FY 2028/29	Estimate	FY 2028/29	Estimate
(Vehicle & Equipment Fund)										
\$1,850		\$ 845		\$ 365		\$ 415		\$ 225		\$ -
			Climate Action Plan Projects	50	Climate Action Plan Projects	50	Climate Action Plan Projects	50		
			Energy Upgrades	50	Energy Upgrades	50	Energy Upgrades	50		
			SC EV Parking	1,000						
			SC EV Parking reimbursement	TBD						
	Reconst. 4th Outfall - Const	900	Shoreline Inf Repairs - Const 4	750	Shoreline Inf Repairs - Const 5	750				
	Sand Ramp at 8th Avenue	250								
	Shoreline Repairs Stairs (2) - Const	500								
	Complete Design Work for Shoreline Inf Repair	325								
Environmental & Climate Change	Coastal Engineering Phase 2	250	Shoreline Inf Repairs - Design 5	150						
\$5,175		\$ 2,225		\$ 2,000		\$ 850		\$ 100		\$ -
	IT Network Refresh	60	IT Equipment	75	IT Equipment	80	IT Equipment	85		
	Wireless Access Point	50								
IT			GIS Upgrades	30						
(Vehicle & Equipment Fund)			PD Records Management	200						
\$580		\$ -		\$ 305		\$ 80		\$ 85		\$ -
	MP Administration	50								
	MP Project #1 - Construction		MP Project #2 - Design		MP Project #2 - Construction		MP Project #2 - Construction			
	MP Project #1 - Donations	same as above	MP Project #2 - Donations	same as above	MP Project #2 - Donations	same as above	MP Project #2 - Donations	same as above		
Library										
\$50		\$ 50		\$ -		\$ -		\$ -		\$ -
Contingency	CIP Contingency - 5% of CY projects	500	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250
\$1,500		\$ 500		\$ 250		\$ 250		\$ 250		\$ 250
	5-Year Totals:									
Grand Totals (incl. carry over)	\$62,461	\$9,800		\$18,800		\$15,710		\$12,815		\$5,250
City Funding	\$60,690	\$9,780		\$18,070		\$15,250		\$12,340		\$5,250
External Funding	\$1,685	\$20		\$730		\$460		\$475		\$0
	= amount of external funding source									
	* EV Vehicles needed to meet State EV fleet requirements									
"Time Weight" is a way to understand how much project management time a project will take. "5" is a hands on, day-to-day project. "1" is a minimal time project, like a single-vendor delivered or that handled by an interal city department.										

City of Carmel-by-the-Sea													
5-Year Capital Improvement Plan													
Excluding Operating Budget Projects													
For March, 2025, Draft Meeting													
	EXTERNAL FUNDING		5/13/24										
Category	Last Fiscal Year	FY 23/24	Status	Year 1	Year 1	Year 2	Year 2	Year 3	Year 3	Year 4	Year 4	Year 5	Year 5
	FY 2023/24	Budget		FY 2024/25	Estimate	FY 2025/26	Estimate	FY 2026/27	Estimate	FY 2027/28	Estimate	FY 2028/29	Estimate
Contingency	CIP Contingency	500	Done	CIP Contingency	400	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250
\$1,900		\$ 500			\$ 400		\$ 250		\$ 250		\$ 250		\$ 250
Drainage	Drainage System Repairs (4)	580	Carry Over	Drainage Repairs 4 - Suppl. \$	638	Junipero Bypass Pipe - Design	175	Junipero Bypass Construct Ph 1	750	Drainage Repairs - Design	250	Drainage Repairs Construct	800
				Junipero Bypass Pipe - Design	175			4th Ave CDS - Design	75	4th Ave CDS - Construction	450		
\$4,893		\$ 580			\$ 813		\$ 175		\$ 825		\$ 1,700		\$ 800
Streets	FY 22 Paving Overlay/Micro Surf	543	Done	FY25 Conglomerate Paving (FY24)	692	FY26 Allocate to Concrete Streets	700	FY27Allocate to Concrete Streets	710	FY28 Paving, Bike, S/W	720	FY29 Paving, Bike, S/W	730
	TAMC: SB1, X, HUTA, RSTP	335	Done	TAMC: SB1, X, RSTIP, HUTA	408	TAMC: SB1, X, RSTIP, HUTA	410	TAMC: SB1, X, RSTIP, HUTA	420	TAMC: SB1, X, RSTIP, HUTA	430	TAMC: SB1, X, RSTIP, HUTA	440
	SC - Retaining Walls - Design	40	Done	San Antonio/Ocean Intersection	293	Resurface Parking Lots (CL, SC)	300	Bicycle Master Plan	70	Resurface Parking Lots	300		
	FY 23 Concrete Street Repairs	564	Carry Over	FY 22 - 4 Bid Additives	835	SC Retaining Walls - Construction	1,300	Pavement Survey Update	30				
	TAMC: SB1, X, RSTIP, HUTA	441	Carry Over	FY 23 Concrete Streets (\$ to FY22, 24)	-								
	FY24 Paving Overlay, Slurry, S/W	657	Carry Over	Lincoln.4th trestle bridge - Const	1,000								
	TAMC: SB1, X, RSTIP, HUTA	439	Carry Over	San Antonio Pathway - Reconstruction	550								
				Lincoln/4th Trestle Bridge - Evaluate	40								
				Ocean Ave, Carpenter-Hwy 1 (County)	500								
\$13,897		\$ 3,019			\$ 3,318		\$ 3,710		\$ 1,230		\$ 1,450		\$ 1,170
Facilities	ADA Updates - Year 6	20	Done	ADA Updates - Year 7	20	ADA Updates - Year 8	20	ADA Updates - Year 9	20	ADA Updates - Year 10	20	ADA Updates - Year 11	25
	City Hall Retaining Wall Repair	170	Done	Scout House Relocate-PM, Env, Des	250	Scout House Relocation	350	Scout House Renovation	500				
	Elect Panels (CH, FS, VL, Ocean)	75	Done	Vista Lobos: EV Chargers & E Panel	400	Facility Assessment (Flanders, RRs)	88	Sell Scout House Property	TBD				
	Sunset Center Ext Painting	250	Done	3CE EV Chargers & Electrical	60	Fire Station Painting	100	Flanders Structural Shoring	250				
	Sunset Center - 8 Bollards	20	Done	Norton Garage - Secure Access	15	Design Repairs - CH, FS per FCA	150	CH FCA: Fire, Doors, Lighting	400	FS FCA: Roof, Windows, Alarm	500		
	SC - Carpenter Hall Heater	45	Done			Fire Backflows to Code (3 bldgs)	200	Park Restroom Repairs	150	Sunset Center Railings	225		
	Sunset Center- Portico Concepts	40	Done			Sunset Ctr Painting, Ph 2	250						
	Police Building Project	3,239	Carry Over			Police Building Project - Design	1,000	Police Building - Construction	10,000	Police Building Construction	10,000	PW Building Reno - Design	1,000
	Resilience Infr. Pilot Design	85	Merge w/DP			Police Building, Fed Appropriation	TBD						
	City Hall Roof Replacement	160	Carry Over	City Hall Roof - Supplemental \$	167	Devendorf Bathroom RR	50						
	Sunset Ctr Cottage Windows	100	Carry Over	Sunset Ctr Cottage Windows-Suppl \$	100	Sunset Center Portico Design, Const	475						
	Sunset Center - N Lot Electrical	100	Carry Over			SC Yoga Center RR	100						
						PBL Window Repairs	TBD						
						City Hall Shingles	70						
\$31,256		\$ 4,304			\$ 762		\$ 2,750		\$ 11,170		\$ 11,245		\$ 1,025
Forestry, Parks & Beach	MTNP Tank & Well Demo	121	Done	MTNP Doolittle Bridge - Env, Design	175	MTNP Doolittle Bridge Construct	125						
	Urban Forest Master Plan	75	Done			Forest Management Plan	200						
	Urban Forest MP CalFire Grant	150	Done										
	N Dunes Split Rail + Signage	25	Fence Done			MTNP Stream Projects 5-6 Design	125	MTNP - Stream 5-6 Construct	500	MTNP-Stream 7-8-Design	150	MTNP-Stream 7-8-Construct	600
	MTNP - Stream 3 Drainage	85	Carry Over	MTNP - 3 Drainage Supplemental \$	68								
	MTNP - Stream 3 Drainage Grant	178	Carry Over										
	Scenic Pathway Hardscape	100	Carry Over										
	Scenic Pathway Hardscape (CC)	100	Carry Over										
\$2,777		\$ 834			\$ 243		\$ 450		\$ 500		\$ 150		\$ 600
Fleet & Equipment	Radios Lease, Year 3	30	Done	Radios Lease, Year 4	30	Radios Lease, Year 5	30	Radios Lease, Year 6 (Last)	30				
	2 Forestry & 2 PD Vehicles	220	Done	PW Dump Truck (1995)	150	PW Compact Track Loader (Priority)	125	Facilities Truck EV (2007)	85	Streets Pickup EV (2005)	75	Streets Pickup EV (2012)	75
	EV Vehicles - 3CE Grants	25	TBD	Police EV Patrol (2017)	75	PW EV Truck (2012 Ford F150)	75	PW Inspector Vehicle EV (2012)	75	Forestry Water Truck (1994)	120	PD Detective Veh EV (2017)	75
	Ambulance & Equipment/AED	275	Carry Over	EV Vehicles - 3CE Grants	15	PW EV Truck (2000 Dakota)	75	PD Admin Vehicle EV (2013)	75	Streets Patch Truck (1999)	100	PD Patrol Vehicle EV (2020)	75
	Ambulance (Donation)	50	Carry Over			Fire Vehicle EV (2010)	75	PD Animal Control Veh (2009)	75	PD Patrol Vehicle EV (2019)	75		
	Fire Engine (Prepaid \$880k)	0	Carry Over			Ambulance - Balance of \$410k	85	PD Radar Trailer (2009)	25	PD Parking Vehicle EV (2014)	45		
						Ambulance Heart Monitor	35	EV Vehicles - 3CE Grants	30	EV Vehicles - 3CE Grants	30	EV Vehicles - 3CE Grants	35
						PD Motorcycle EV (2008)	30						
						EV Vehicles needed to meet State EV fleet requirements							
						EV Vehicles - 3CE Grants	20						
\$2,520		\$ 600			\$ 270		\$ 550		\$ 395		\$ 445		\$ 260
Environmental & Climate Change	Coastal Engineering Study, Ph 1	133	Done			Climate Action Plan Projects	50	Climate Action Plan Projects	50	Climate Action Plan Projects	50	Climate Action Plan Projects	50
	Coastal Engineering Study, Ph 2	500	Carry Over			Energy Upgrades	50	Energy Upgrades	50	Energy Upgrades	50	Energy Upgrades	50
	Rule 20A Undergr. Utility Dist.	667	Carry Over			SC EV Parking	1,000						
	Shoreline Inf Repairs, Stairs	350	Carry Over	4th Ave. Outfall Wall - Env, Design	250	Reconst. 4th Outfall - Const	900						
	Shoreline Inf Repairs, FEMA \$	50	Carry Over			Shoreline Inf Repairs (3rd) - Const	750	Shoreline Inf Repairs - Const 4	750	Shoreline Inf Repairs - Const 5	750		
						Shoreline Inf Repairs (4th) - Design	150	Shoreline Inf Repairs - Design 5	150				
\$6,800		\$ 1,700			\$ 250		\$ 2,900		\$ 1,000		\$ 850		\$ 100
IT	HML Generator	-	Cancel	Core Networks	50	IT Network Refresh	50	IT Equipment	75	IT Equipment	80	IT Equipment	85
	IT Servers	50	Done	Network Firewalls	180	Wireless Access Point	50	GIS Upgrades	30				
				Council Chambers AV Upgrade	60	PD Records Management	200						
\$920		\$ 50			\$ 290		\$ 310		\$ 105		\$ 80		\$ 85
Library	HML Carpet	-	Cancel	PBL - Windows, Dry Rot	45								
	HML Exterior + Part Interior Paint	140	Done			MP Project #1 - Construction	200	MP Project #2 - Design	200	MP Project #2 - Construction	200	MP Project #2 - Construction	200
	Library Master Plan - Phases 2-4	100	Carry Over			MP Project #1 - Donations - TBD	800	MP Project #2 - Donations TBD	800	MP Project #2 - Donations	800	MP Project #2 - Donations	800
\$4,285		\$ 240			\$ 45		\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000
Grand Totals	\$69,248	\$11,827			\$6,391		\$12,095		\$16,475		\$17,170		\$5,290
City Funding	\$60,523	\$9,115			\$5,408		\$10,850		\$15,225		\$15,910		\$4,015



CITY OF CARMEL-BY-THE-SEA CITY COUNCIL Staff Report

March 24, 2025
ORDERS OF BUSINESS

TO: Honorable Mayor and City Council Members

SUBMITTED BY: Jayme Fields, Finance Manager

APPROVED BY: Chip Rerig, City Administrator

SUBJECT: Receive a presentation on revisions to the Financial Policies

RECOMMENDATION:

Receive a presentation on revisions to the Financial Policies and provide direction to staff.

BACKGROUND/SUMMARY:

The purpose of this agenda item is to present a draft of potential revisions to the Financial Policies. These revisions are intended to organize and clarify existing Financial Policies, and to enhance budgeting and fiscal management practices.

Suggested revisions include:

- Separating Budget Policy Guidelines from Fiscal Policies, eliminating duplication between them and clarifying policy names.
- Increasing the minimum amount of budgeted capital project expenditures to be 10% of total revenues.
- Change the Capital Project Policy to allow the budget for capital projects that have not been completed to be carried forward into the subsequent fiscal year. This replaces the current policy which requires all projects that have not been completed to be re-budgeted in the subsequent fiscal year.
- Update the Fund Balance Policy for General and Hostelry Fund reserves to reflect the 15% level established by the City Council.
- Eliminate the Fund Balance Policy requiring a targeted balance of 20% for a general capital reserve, reflecting the fact that the policy for capital project budgeting is being increased, that project specific reserves are being maintained and that the desire is for capital project funds to be expended.

FISCAL IMPACT:

There is no direct fiscal impact associated with receiving this report. Direction received by Council will help

guide the clarification of the Financial Policies.

PRIOR CITY COUNCIL ACTION:

Not applicable

ATTACHMENTS:

Attachment 1) first draft of revisions to Budget and Fiscal Policies

BUDGET POLICIES, PROCEDURES AND GUIDELINES

The budget process for the City of Carmel-by-the-Sea involves the citizens, City Council, and staff. Each person plays a critical role in the development of the budget for the upcoming year. The annual budget and operating plan balances the public service demands of the community with the fiscal resources of the City. It is intended to achieve the goals and objectives established by the City Council.

The goal of the City Administrator is to present a balanced budget to the City Council for review and adoption. A balanced budget is a budget in which revenue sources meet or exceed expected revenue use. Available funding sources shall be at least equal to recommended appropriations. As a general rule, the year-end Undesignated General Fund Balance should only be used for one-time costs, not to fund ongoing operations such as full-time employees.

As set forth in the Carmel Municipal Code, prior to the beginning of each fiscal year the City Council shall adopt a budget for expenditures and anticipated revenues. On or before February 15th of each year, the City Administrator will present to the City Council a proposed budget schedule. The City Administrator prepares and submits to the City Council a proposed operating and capital budget for the forthcoming fiscal year. The City Council shall adopt the budget by July 1st.

The City Administrator shall have the right to approve the transfer of appropriations within a departmental budget; however, no additional positions shall be created without the authorization of the City Council. All transfers of appropriations between departments or in regards to capital items or projects shall be approved by the City Council. The City Administrator shall be charged with the responsibility of controlling the expenditures for all departments in accordance with the approved budget. A report on current year revenues, expenditures and fund balances shall be maintained.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balanced set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. Annually appropriated budgets are legally adopted on a budgetary basis for the governmental fund types (General Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund) and are controlled on a fund and departmental level. These funds are used to account for most of the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified-accrual basis of accounting and budgeting. Expenditures are recognized as encumbrances when a commitment is made. Unencumbered appropriations lapse at year-end.

CAPITAL BUDGET POLICY

The City develops an annual five-year plan for capital improvements; it includes project design, development, implementation, and operating and maintenance costs. Each project in the 5-year Capital Improvement Plan (CIP) shows the estimated capital and on-going maintenance costs, known and potential funding sources and a design/development schedule. As used in the CIP, projects include land acquisition, buildings and facilities construction; these projects do not have a cost threshold. A capital outlay (fixed asset) purchase is any single item or piece of equipment that costs more than \$~~5~~10,000 and has an expected useful life exceeding one year. The development of the CIP is coordinated with the development of the operating budget. The CIP is a planning document; the City Council appropriates funding for capital projects in the annual operating budget. Costs for professional services needed to implement the CIP are to be included in the appropriate year's operating budget.

Annual operating budgets should provide adequate funds for maintenance of the City's buildings and maintenance and replacement of the City's capital equipment. The City will make all capital improvements in accordance with an adopted and funded capital improvement program. Prior to ratification of the capital budget for the forthcoming year by the City Council, the Planning Commission shall review the capital improvement plan and shall advise the City Council as to its recommendations regarding the proposed capital projects conformity with the City's General Plan in accordance with the Government Code.

Capital expenditures shall be effectively planned and controlled.

1. The level of capital improvement expenditures, excluding road maintenance program expenditures and lease payments, is established at a minimum of ~~tenthree-and-one-half~~ percent (3-510%) of total revenues.
2. Funding for the road maintenance program should improve the pavement condition index.
3. The City shall maintain a Five-Year Capital Improvement Program (CIP), which shall be updated at least annually as part of the budget review process.
4. The City shall annually establish a phasing calendar for capital improvement expenditures.
5. At least ten percent (10%) of the unrestricted funds designated for capital project expenditures shall be set aside for unanticipated expenditures.
6. The City shall conduct periodic reviews of property and facilities to determine the appropriate use and disposition of said property and facilities.
7. The City shall consider the ongoing impact of operations and maintenance expenses before undertaking any capital improvement expenditure.
8. The City shall maintain a capital reserve policy as described in the Reserve Capital Project Policy.
9. Public participation in the Capital Improvement Program is a priority concern for the City.
10. All projects included in the Capital Improvement Plan shall be consistent with the City's General Plan.

OPERATING MANAGEMENT BUDGET POLICY

Operating revenues shall exceed operating expenditures.

Guidelines:

1. The annual operating budget shall contain a current surplus (or “revenue buffer”) of at least five percent (5%) of projected expenditures.
2. A balanced budget is a budget in which total funding sources meet or exceed uses.
3. An appropriated City Discretionary Account of at least one-half of one percent (0.5%) of total projected General Fund expenditures shall be maintained.
4. Ongoing expenses shall not be funded with one-time revenues.
5. ~~The City shall establish internal service funds for the repair, operation, and replacement of rolling stock and data processing equipment. [***see Financial below]~~
6. ~~The level of capital outlay expenditures is established at three percent (3%) of total revenues. [***see CIP policies above]~~
7. ~~The City shall annually establish a phasing calendar for capital outlay expenditures. [***see CIP policies above]~~
8. ~~The City shall develop a five year forecast of operating revenue and expenditures. [***see CIP policies above]~~
9. The City shall establish salary adjustments in conjunction with the budget process.
10. The City will seek to comply with suggested criteria of the Government Finance Officer’s Association in producing a budget document that meets the Distinguished Budget Presentation criteria.

FINANCIAL POLICIES AND PROCEDURES

The City of Carmel-by-the-Sea has strong financial policies, based on City Council direction, which guide staff to carry out sound fiscal planning and continued management of fiscal integrity. The financial policies are divided into five categories: Capital Project Budget-Policies, Operating Management Policy, Fund Balance Policy, Debt Policies, and Investment Policies. The City has financial policies that are adopted by the City Council with review every two years during the budget development process. The financial policies help ensure that the City maintains a healthy financial foundation into the future.

The goal of these policies is to promote:

- An extended financial planning horizon to increase awareness of future potential challenges and opportunities;
- Setting aside reserves for contingencies, replacement of capital equipment, and other similar needs;
- Maintaining the effective buying power of fees and charges and increasing cost recovery where directed to do so;
- Accountability for meeting standards for financial management and efficiency in providing services;
- Planning for the capital needs of the City;
- Maintaining manageable levels of debt while furthering quality bond ratings; and,
- Communication to residents and customers on how the community goals are being addressed.

CAPITAL BUDGET-PROJECT POLICY

Capital expenditures shall be effectively planned and controlled. ~~Capital projects that are not encumbered or completed during the fiscal year are required to be re-budgeted to the next fiscal year and subsequently approved by the City Council. All re-budgeted capital projects should be so noted in the proposed budget.~~ Capital projects that have not been completed by the fiscal year-end will be carried over into the subsequent fiscal year. Fund balance equal to the remaining balance of the uncompleted projects will be reserved.

OPERATING MANAGEMENT POLICY

Operating revenues shall exceed operating expenditures.

Guidelines:

1. The City shall establish internal service funds for the repair, operation, and replacement of rolling stock and data processing equipment.
2. The City shall review the relationship between fees/charges and the cost of providing services at least every three years.

3. The City's fees and charges for services shall be adjusted annually, based upon the San Francisco-Oakland Consumer Price Index.

FUND BALANCE POLICY

The Fund Balance Policy is designed to develop standards for setting reserve levels for various, significant City funds. Adequate fund balance and reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength. The City shall maintain reserves at a prudent level and shall use reserves appropriately with a focus on contributing to the reserves in good times and drawing on the reserves in times of difficult budget periods to maintain a consistent level of service and quality operations. Use of reserves is meant to supplement the annual budget.

Guidelines:

1. General Fund and Hostelry Fund reserves shall be maintained at no less than ~~ten-fifteen~~ percent (~~4015~~%) of their annual projected revenues.
2. The City shall maintain prudent reserves for identified liabilities.
3. A Vehicle Replacement reserve will be maintained sufficient to replace vehicles and heavy equipment at the end of their useful lives, with the target being 10% of the total City fleet replacement value.
4. Technology equipment replacement reserves will be maintained sufficient to repair covered equipment and for replacement at the end of its useful life.
5. The City will maintain a long-term budget stability reserve consisting of any Unassigned General Fund Balance. When available, the year-end General Fund operating surplus will be dedicated to the long-term budget stability reserve.
6. ~~A general capital reserve fund will be maintained with a targeted balance of 20% of the estimated total five-year capital improvement plan project expenditure.~~ Net proceeds from the sale of City owned property will be dedicated to the general capital reserve. Funds in the general capital reserve will be allocated through the budget process for capital projects.
7. Reserves shall be used only for established purposes.
8. Depleted reserves shall be restored as soon as possible.
9. A minimum level for each of the reserve funds shall be established (see chart below).
10. The City shall maintain reserves required by law, ordinance and/or bond covenants.



**CITY OF CARMEL-BY-THE-SEA
CITY COUNCIL
Staff Report**

**March 24, 2025
ADJOURNMENT**

TO: Honorable Mayor and City Council Members

SUBMITTED BY: Chip Rerig, City Administrator

APPROVED BY: Chip Rerig, City Administrator

SUBJECT: Correspondence Received After Agenda Posting

RECOMMENDATION:

BACKGROUND/SUMMARY:

FISCAL IMPACT:

PRIOR CITY COUNCIL ACTION:

ATTACHMENTS: