

2020/2021

# RECOMMENDED BUDGET

CARMEL-BY-THE-SEA





# Fiscal Year 2020-2021 Recommended Budget

## City Council

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Carrie Theis, Councilmember

Jan Reimers, Councilmember

Jeff Baron, Councilmember

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# INTRODUCTION

June 2, 2020

Honorable Mayor Dave Potter,  
City Councilmembers and  
Residents of Carmel-by-the-Sea

The Fiscal Year 2020-2021 (“FY 20-21”) Recommended Budget is submitted herein for your consideration and adoption. As shown in the table below, “FY 20-21 Recommended Budget at a Glance,” planned expenditures total \$19.7 million. These expenses will be funded through a combination of anticipated revenue of \$18.7 million and \$1.0 million of fund balance. While the FY 20-21 Recommended Budget is balanced from a fiscal perspective, this equilibrium is achieved by significantly curtailing expenditures and using prior years’ savings to mitigate a structural deficit induced by the unprecedented economic impacts of the coronavirus (“COVID-19”). This approach results in workforce reductions, changes in service delivery, and the postponement of capital projects and vehicle and equipment replacement.

***FY 20-21 Recommended Budget at a Glance***

<b><i>FY 20-21 Recommended Revenues</i></b>	<b><i>\$18,670,783</i></b>
FY 20-21 General Fund Operating Expenditures	\$18,489,395
FY 20-21 Debt Service	\$1,244,515
<b><i>FY 20-21 Total Expenditures</i></b>	<b><i>\$19,733,910</i></b>
<b><i>Use of Fund Balance</i></b>	<b><i>\$1,063,127</i></b>

On February 4, 2020, City Council adopted the FY 20-21 budget calendar and staff began working on the development of the budget for the upcoming fiscal year. The initial budget framework included a positive financial forecast in both the short and long term bolstered by the recent passage of Measure C on March 3, 2020. This initiative replaces the existing 1% local sales tax (Measure D), increasing the sales tax to 1.5% for 20 years effective on July 1, 2020.

Based upon projected increases in sales tax revenue, I anticipated bringing forth a budget that maintained services and continued funding for capital improvements. Additionally, I planned on allocating funding specifically for pension mitigation strategies in accordance with Council direction. Similar to efforts outlined within the Governor Proposed Budget that was released in January 2020, I was anticipating recommending increasing the City’s reserves to prepare for a moderate recession in the near future.

However, the anticipated “rainy day” scenario came in “like a lion” in March, but is not expected to “go out like a lamb”, to quote another weather-related idiom. The City’s economic forecast

quickly began to change as news surrounding the coronavirus emerged. While the initial news focused on the spread of the virus internationally, the associated economic effects were already beginning to materialize locally. First, our hotels experienced an immediate decline in occupancy due to travel restrictions. This was followed by a loss of visitors due to a cancellation of a conference at the Sunset Center. As a result of a shelter in place (“SIP”) order issued by Monterey County on March 17, 2020, and subsequently, a statewide SIP issued by Governor Newsom on March 19, 2020, hotels faced a near absolute shut down with little to no guests.

In addition to the hotels, inns and other lodging providers, restaurants and other eating establishments and commercial retail experienced economic distress due to social distancing protocols and the overall loss of customers, despite efforts by many restaurateurs to offer “to go” service through pick-up orders or delivery. While, as we go to print on the budget book, the City, in tandem with Monterey County, is moving toward implementation of the next stage in the Governor’s Resilience Roadmap, I am not optimistic about a quick rebound to our revenues.

The SIP requirements became effective in mid-March and have not yet been fully lifted. This coincides with one of the City’s busier periods for tourism in May and June. Consequently, transient occupancy tax revenue is expected to generate \$4.5 million in FY 19-20, which is \$2.3 million, or 34%, less than the Adopted Budget. In addition, sales and use tax revenues are projected to decline 18%, or \$989,000, for the rest of the fiscal year. Charges for services are also assumed to finish under the budget target by 18% or \$444,000. Overall, FY 19-20 is likely to end with revenues totaling \$20.4 million, which is \$3.8 million, or 16%, less than expected.

In order to mitigate the anticipated loss of revenue, the City immediately initiated efforts to curtail spending such as implementing a hiring freeze for vacant positions, eliminating travel expenses related to training, reducing spending in professional and contractual services, materials and supplies and postponing the start of any new capital projects. These efforts, in tandem with savings that materialized throughout the fiscal year from vacant positions, are expected to result in General Fund expenditures being approximately \$2.1 million less than budgeted. However, as previously noted, revenues are also projected to be significantly under budget and the General Fund faces a projected shortfall on June 30, 2020.

At fiscal year-end, various technical adjustments will be made. In particular, fund balance within the Hostelry Fund will be transferred to the General Fund to mitigate the expected decrease in transient occupancy tax revenue projected for FY 19-20. Transient occupancy tax (“TOT”) is housed in a separate fund known as the Hostelry Fund and transferred to the General Fund to support citywide operations. The Hostelry Fund includes savings from prior years when TOT performed better than expected and/or when the General Fund required less TOT revenue to meet expenditure requirements. It is anticipated that approximately \$2.0 million of the \$2.4 million in fund balance will be used in FY 19-20. This means that very little fund balance remains to address any projected budget shortfall in FY 20-21 or thereafter.

In addition to General Fund expenditures, the City incurs expenses related to debt, workers compensation claims, capital projects and vehicle and equipment purchases. These expenses are housed within various funds and overall the citywide fund balance for FY 19-20 is expected to decrease by \$1.4 million as illustrated in the Projected Fund Balance tables located within this budget document.

The remaining months of FY 19-20 will experience significant revenue shortfalls and a substantial amount of prior years' savings, or fund balance, will be used at fiscal year-end to keep the General Fund intact. As the extent of the economic impact of COVID-19 is unknown in terms of its magnitude and duration, the FY 20-21 Recommended Budget is based upon conservative revenue projections, largely modeled on revenue performance for the last quarter of FY 19-20. These assumptions reflect significant declines in the City's sales and use and transient occupancy taxes due to limited travel; decreased consumer spending, particularly in leisure-related spending; and the implementation of social distancing protocols for restaurants that impact seating capacity. The FY 20-21 revenues total \$18.7 million, which reflects a \$5.5 million, or 23%, decrease compared to the FY 19-20 Adopted Budget of \$24.2 million.

With the loss of revenue, the City faces a structural deficit whereby projected expenses outpace anticipated revenues. Consequently, the City is unable to sustain its operational expenses and drastic reductions are required to lower citywide expenses. The FY 20-21 Recommended Budget includes \$19.7 million in expenditures, which includes \$18.5 million in General Fund, or daily operations, and \$1.2 million in required debt service payments.

Although the City has made substantial progress in recent years toward investing in critical infrastructure, modernizing its fleet and other equipment, addressing deferred building maintenance and protecting its natural resources, the FY 20-21 Recommended Budget eliminates funding for capital projects and planned vehicle and equipment replacement. The deferral of \$1.5 million in proposed funding for projects will result in greater maintenance costs for facilities and hardscape, postponing building upgrades such as the Police Department Renovation and temporarily suspending multi-year efforts related to habitat restoration and tree removal and other improvements at the Mission Trail Nature Preserve.

However, the proposed reduction in capital outlay is not sufficient to close the budget deficit. Local government offers a variety of services to residents, businesses and visitors and the majority of these services are directly provided by government employees and the City of Carmel-by-the-Sea is no exception. In FY 19-20, salaries and benefits accounted for \$11.5 million, or 48%, of the Adopted Budget expenses. These costs were expected to increase in the upcoming fiscal year due to annual merit or step adjustments, negotiated salary and benefit increases, and rising retirement (pension) contributions and health insurance premiums.

In FY 20-21, salaries and benefits costs are still the leading driver of Citywide expenses representing 48% of budgeted expenditures. However, this cost is budgeted at \$9.5 million, which is \$2 million, or 17%, less than the FY 19-20 Adopted Budget. These savings are

attributed to defunding the full-time equivalent (FTE) of 11.5 vacant positions and implementing reductions in the City's workforce of 11.73 FTE.

A reduction in workforce is an option that I do not take lightly or recommend if not financially necessary for the fiscal health of the organization. Based upon the intensity of the projected loss of revenue in FY 20-21, and likely several years thereafter, the City must decrease its expenses, especially its personnel-related costs that make up the majority of Citywide expenditures. The basis for the workforce reductions include: (1) Emphasizing public health and safety services; (2) Providing other essential services as defined by Governor Newsom within Executive Order N-33-20 issued on March 19, 2020 that pertain to the continuity of government and mandated activities; and (3) Retooling government functions to deliver services with limited financial resources while implementing shelter in place and social distancing protocols.

While the City will continue to prioritize public health and safety and utilize technology to the extent possible to deliver services virtually and with reduced costs, it will not financially be able to deliver the same level of services as rendered in the past. This is due to a reduction in staffing resources as well as other operational cuts as summarized below. Given the unprecedented economic impacts associated with COVID-19 and the ongoing implementation of social distancing protocols, I respectfully ask for community patience and understanding as City staff work diligently to provide services as responsively as possible under this new paradigm.

Although reductions in other operational expenditures alone will not generate the amount of savings needed to balance the budget, department directors were instructed to decrease their respective operational budgets by 20% as feasible without jeopardizing public health or safety or hindering mandated functions. The expenditure category of services and supplies total approximately \$9.0 million, or 45% of the FY 20-21 Recommended Budget. This represents a net decrease of \$708,000 over the FY 19-20 Adopted Budget, after factoring in an increase of \$152,000 for pension costs related to the City's unfunded actuarial liability.

Some of the largest expenses within the services and supplies budget includes fire service provided by the City of Monterey (\$2.5 million); the unfunded actuarial liability (\$1.6 million), marketing expenses including the contractual obligation the Sunset Center (\$847,000) and the City's general liability and property insurance premiums (\$713,000). Together, these expenses account for \$5.7 million, or 63% of the services and supplies budget in FY 20-21.

The remaining 37% of the services and supplies budget is derived from a multitude of various departmental expenses. In an effort to reduce expenditures, departments enacted cuts in areas such as contract services, training, and materials and supplies. The reductions are included within the departmental summary pages of this budget document and a few examples are also summarized in this transmittal so that Council and the community are aware of service impacts.

While Carmel Beach is a priority, especially with the heightened use during COVID-19, funding for beach patrol assistance has been reduced within the Police Department's budget in FY 20-21. The Village forest remains a priority and tree care and prevention work will be performed in-house to the extent possible. Funding for contract services within Public Works has been substantially reduced, meaning there will be no sidewalk cleaning; landscape maintenance will focus on fire fuel reduction and basic health and safety as compared to beautification; and contract tree-services will prioritize response due to storms and other emergencies as compared to stump removal and grinding. Traffic painting, marking and striping will occur every other year and other supplies will be reduced so that the funds may be allocated toward facility maintenance and tree-planting efforts instead.

Although COVID-19 has proven that it is impossible to predict all the challenges that face our community, I have allocated funding for a wildfire risk assessment study to be developed in collaboration with the City of Monterey in an effort to address some of our known vulnerabilities. In total, this funding amounts to \$20,000; yet, these dollars contribute much more in terms of identifying our community needs and developing a long-range plan to enhance Village safety. Similarly, the FY 20-21 Recommended Budget includes \$16,000 in funding for the ongoing implementation of accessibility upgrades and enhancements to City facilities as continuing our efforts regarding this federal mandate is paramount. While the City's needs are far greater than this, the budgetary constraints prevent any additional funding to new studies or projects.

Even with the workforce reductions and other cuts within the operational budget, the FY 20-21 Recommended Budget is balanced only by using nearly \$1.1 million of prior years' savings, or fund balance. This represents 14% of the General Fund Estimated Fund Balance as of June 30, 2020. The use of fund balance underscores the precarious nature of the FY 20-21 Budget as, despite being based upon conservative revenue projections, the status of the budget is contingent upon the performance of the economy. A re-emergency of a second wave of the coronavirus or other factors that cause a protracted recovery will result in further reductions in operations and service levels, including additional adjustments to the City's workforce. In addition, the ongoing use of fund balance is not sustainable as this is a finite resource and will only be replenished over time when revenues rebound and outpace expenditures.

As this budget book goes to print, we are seeing positive momentum and the re-opening of the economy and counties, such as Monterey, moving toward the next stage of the Governor's Resilience Roadmap. However, we are also witnessing the aftermath of a prolonged shelter in place and lackluster economy, resulting in a recent wave of vandalism and theft in commercial districts to the north and south of us. In order to safeguard against further economic turmoil, to the extent possible, I am promulgating a three-fold strategy for the upcoming fiscal year: (1) limited use of fund balance in FY 20-21; (2) examination of service delivery and options to reduce costs with minimal community impacts, particularly as it relate to public safety and bond refinancing and (3) exploration of options to diversify our revenues, including a review of possible new revenues such as paid parking in selected areas.

With nearly 9 months of the fiscal year elapsed, and prior to the emergency of COVID-19, capital projects were being finished, City staff were implementing Council direction on land use matters and we were executing other aspects of the Council strategic plan and related objectives. While I cannot underscore the severity of COVID-19, I am optimistic about the community's ability to recover with time, with an open mind and attitude, and with adherence to the strategy we have outlined. COVID-19 will require us to prioritize and make difficult decisions regarding services. Yet, it is also an opportunity to examine service delivery options and the adage of "because we always did it that way"; tap into our collective creative energies to rethink providing services while also protecting City employees, residents, businesses and guests in adherence with COVID-related protocols; and solidify our agency and industry partnerships.

To this end, I am committed to bringing monthly financial updates to Council on the status of the budget and leading my Executive Team in pursuing financial options that will allow us to maintain, and even restore, services and capital projects without jeopardizing the immediate and long-term fiscal health of the City. I wish to extend my appreciation to the Mayor and City Council for their leadership, especially in this dynamic environment that requires difficult decisions to be made, and look forward to a continued positive relationship as we rebuild our community. I also extend thanks and admiration to the Executive Team for their professional dedication and acumen; we are all grateful for your service.

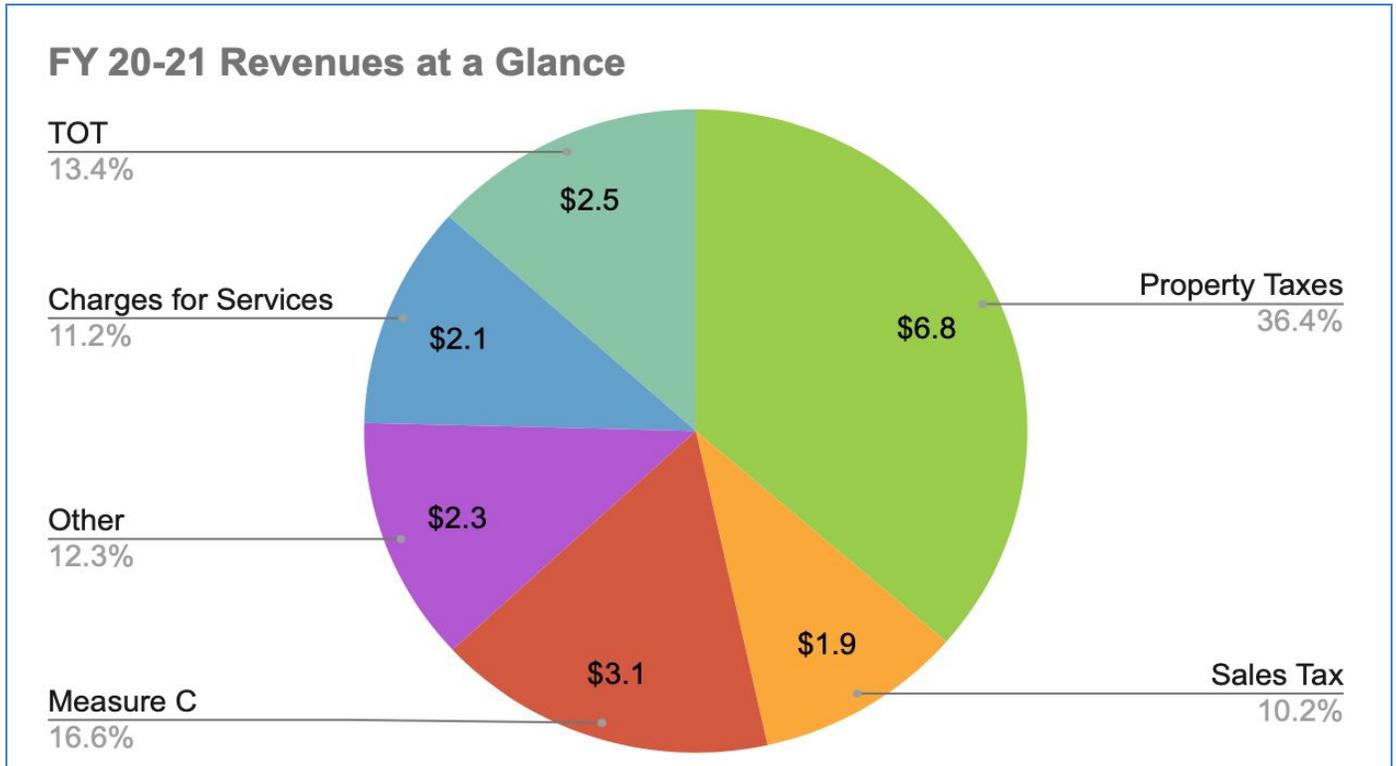
Now, more than ever, I conclude with my trademark.

Take good care,

Chip Rerig  
City Administrator

# REVENUE

The FY 20-21 Recommended Budget includes \$18.7 million in new revenue. As illustrated in the chart below, *FY 20-21 Recommended Revenues*, property taxes are the leading source of revenue, accounting for 37% of the budgeted revenue. Sales tax, including the local Measure C, contributes 27% followed by transient occupancy tax (13%) other miscellaneous revenues (12%) and charges for services (11%).



Property taxes, including secured, unsecured, unitary taxes and transfer taxes, are budgeted at \$6.8 million. The City's portion of the statewide sales tax ("Bradley Burns") and Proposition 172 public safety sales tax will generate \$1.9 million. On March 3, 2020, Carmel voters approved a new local sales tax of 1.5% referred to as Measure C. Measure C is estimated at \$3.1 million, making it the second largest source of revenue after property taxes. Ongoing economic impacts associated with COVID-19 are projected to significantly impact transient occupancy taxes (TOT), which is a "hotel tax" of 10% of the rent charged by a hostelry operator. With a FY 20-21 budget of \$2.5 million, TOT accounts for 13% of revenues, far less than the 28% it previously contributed in prior fiscal years. Charges for services are fees collected from a specific user of a service, such as administering business licenses, issuing planning, building, tree removal and special event permits, and ambulance transports. In total, charges for services are budgeted at \$2.1 million. The category of "Other" totals \$2.3 million and includes General Fund revenues of business license tax (\$506,000); franchise fees imposed on utilities (\$654,000); parking permits and other licenses (\$102,000); fines and forfeitures (\$9,000); revenue from other government (\$734,000), including motor vehicle in lieu (\$475,000) and an affordable housing planning grant (\$160,000); and interest and investments (\$159,000). The City also receives restricted revenue for Police from the COPS grant (\$160,000). Due to revenue shortfalls, the City will not be funding capital projects at this time. Anticipated funding from State Gas Tax (\$146,000) and Measure X local sales taxes (\$183,000) will be budgeted in their respective funds and transferred to Capital Projects at a later time if City funding becomes available for street paving or other eligible transportation safety projects.

# REVENUE

## Property Taxes

### Overview

Property tax is imposed on land and permanently attached improvements such as buildings (real property) and tangible personal property (movable property) based upon the property value of the land, building or other personal property. Under Proposition 13, passed by the California voters in 1978, the ad valorem property tax rate is capped at 1% of full cash value of the real property at the time of purchase. Future increases in assessed value are limited to either the annual inflation factor or 2%, depending on which factor is lower, until the property is sold. When property changes ownership, it is re-assessed based upon market value and, once re-assessed, becomes subject to the 2% maximum annual inflation rate.

Property is assessed by the Monterey County Assessor, the Monterey County Auditor Controller calculates the property taxes due and the Monterey County Treasurer-Tax Collector administers the billing, collection and reporting of property tax revenues. The 1% ad valorem property tax that is collected is shared among all local government agencies within a county, including a county, all cities located within a county, schools and community college districts, successor agencies (formerly redevelopment agencies), county service areas and special districts. In Monterey County, agencies receive a percentage of the \$1 levied, which, on average, includes school agencies (61% in total), Monterey County (15%), County library (1%), cities (6% in total for all 12 cities), successor agencies (8%), special districts (9%), county service areas (less than 1% in total) and the Monterey County Resources Water Agency (less than 1%).

### Budget Performance and Assumptions

The City budgets for the receipt of property taxes as part of its projected revenue, which includes secured property tax, unsecured tax, unitary tax and property transfer tax. Secured property taxes account for the majority of this revenue category, contributing \$6.0 million, or 92%, of the \$6.6 million of expected Fiscal Year 2019-2020 property tax revenue. Anticipated secured property tax performance for both the current and upcoming fiscal years is summarized in the table below, *Secured Property Tax Estimated Performance and Recommended Budget*.

Table 1: Secured Property Tax Estimated Performance and Recommended Budget

Property Taxes	FY 18-19 Estimated Actual	FY 18-19 Audited Actual	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 20-21 Recommended Budget
Secured	\$5,814,892	\$5,998,685	\$6,047,488	\$6,118,658	\$6,302,218

The Fiscal Year 2019-2020 Adopted Budget assumed a 4% increase over the Fiscal Year 2018-2019 Estimated Actual for a budget target of \$6.0 million. Based upon current year-to-date-performance, staff anticipates secured property taxes to slightly exceed the budget projection by \$71,000, or 1.2%. The Fiscal Year 2020-2021 Recommended Budget of \$6.3 million is based upon an increase of 3% over the Fiscal Year 2019-2020 Estimated Actual.

Data from the California Association of Realtors notes that statewide sales were down 30% in April 2020 compared to April 2019. However, the median home price in April 2020 increased by 2% from March 2020 and

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by 0.6% from April 2019. Sales within Monterey County decreased by 43% in one year from April 2020 compared to April 2019, yet the price increased by 10%.

While the real estate market has experienced significant economic impacts due to COVID-19 as noted above, property tax revenue is usually more resilient to economic conditions in terms of timing and sensitivity to other fiscal indicators. For example, while real estate data indicated sales were down, property tax payments for existing homes met, and even slightly exceeded, the City's budget projections. The Fiscal Year 2020-2021 Recommended Budget for property taxes is based upon the current demand for planning and building permits; the City's limited housing stock; and the desirability of Carmel-by-the-Sea as a place to live, including its proximity to San Francisco and the Bay Area. The City's historic data also suggests modest growth is feasible as secured property tax has averaged an increase of 5.6% over the past five years. While COVID-19 is unparalleled, economic literature often compares the economic impact to the Great Recession and to the decline in economic activity after the September 11, 2001 terrorist attacks. In Fiscal Year 2001-2002, which included September 11, the City's overall property tax increased by 11% over the prior fiscal year.

Property tax growth projections are consistent with models used by the State and other forecasting. The May Revise to the Governor's 2020-2021 Budget adjusted property tax growth downward from 5.7% to 3.5% for the upcoming fiscal year. The Legislative Analyst's Office (LAO) California Spring Fiscal Outlook includes two forecasting models, with one predicting median home prices to increase by 2% while the more conservative economic forecast expects prices to decrease by 1.2%. Beacon Economics also projects an increase in the median home price statewide from \$532,00 to \$565,000, in the HdL Companies California Forecast Sales Tax Trends and Economic Drivers April 2020 Revised.

## Sales and Use Taxes

### *Overview*

Sales tax is imposed on retailers for selling tangible personal property within the State while a use tax is imposed on the use of a product purchased out-of-state and delivered for use in California. The City receives a portion of the statewide sales and use tax, which is referred to as Bradley Burns. In addition to the statewide sales tax, the City also receives a district, or local, sales tax for purchases that either physically occur within the Village or purchases made online and delivered to Carmel residents and businesses.

Carmel voters approved a 1% local sales tax, Measure D, on November 6, 2012. Measure D had a sunset date of March 2023. On March 3, 2020, the City's electorate approved a new sales tax initiative referred to as Measure C. Measure C replaces the prior Measure D, increases the local sales tax to 1.5% and becomes effective on July 1, 2020.

### *Budget Performance and Assumptions*

As illustrated in the table below entitled *Sales and Use Taxes Estimated Performance and Recommended Budget*, projections for Fiscal Year 2019-2020 assumed a slight decrease in sales and use tax revenue compared to the prior fiscal year. The Fiscal Year 2019-2020 Adopted Budget reflects a 0.1% decrease over the Fiscal Year 2018-2019 Estimated Actual for Bradley Burns and a 1% decline in local Measure D sales tax.

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Fiscal Year 2019-2020 year-to-date performance aligned with budget targets until March 2020 when the economic implications of COVID-19 quickly materialized with one quarter of the fiscal year remaining. The Fiscal Year 2019-2020 Estimated Actual for sales tax is \$989,000, or 18%, less than budgeted. Ongoing economic impacts are projected for Fiscal Year 2020-2021.

The Fiscal Year 2020-2021 Recommended Budget for Bradley Burns is \$1.9 million, which is a decrease of \$719,000, or 28%, compared to the Fiscal Year 2019-2020 Adopted Budget. For comparison, the May Revise to the Governor's 2020-2021 Budget also projects a decrease of 27% in sales tax revenues. However, sales taxes paid to the State include a combination of taxes from consumer spending and capital investments.

On July 1, 2020, the local sales tax rate will increase to 1.5% and this additional 0.5% will buffer some of the expected decline in revenue for the upcoming fiscal year. The Fiscal Year 2020-2021 Recommended Budget of approximately \$3.1 million is \$27,000, or just under 1%, more than the Fiscal Year 2019-2020 Adopted Budget. For comparison, absent the passage of Measure C, the Fiscal Year 2020-2021 budget target based upon a 1% local sales tax rate is \$2,405,000, meaning the increased sales tax rate will generate \$645,000 more in revenue for the upcoming fiscal year.

*Table 2: Sales and Use Taxes Estimated Performance and Recommended Budget*

Sales and Use Taxes	FY 18-19 Estimated Actual	FY 18-19 Audited Actual	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 20-21 Recommended Budget
Bradley Burns	\$2,609,000	\$2,550,650	\$2,606,100	\$2,136,416	\$1,886,796
Local	\$3,050,000	\$2,964,870	\$3,023,000	\$2,504,000	\$3,050,000

The City consulted with HdL Companies to develop its sales tax projections given the firm's expertise in sales tax analysis for governmental clients and the unprecedented nature of the economic impacts of COVID-19. HdL, in consultation with Beacon Economics, used models of the Great Recession, studied existing sales tax data and conferred with industry specific experts to develop its statewide forecast, which was then customized for Carmel. In developing a forecast, there are many unknown variables, such as when consumer spending will increase, especially for leisure travel, dining and other areas of discretionary spending; changing consumer preferences for online shopping and delivery; the extent to which businesses rebound and whether the coronavirus returns and warrants a second wave of shelter in place restrictions. However, the forecast does assume shelter in place restrictions through May 2020 and the impact of ongoing social distancing protocols on retail and restaurants. While consumer spending in general has been halted due to high unemployment, stock market volatility, and shelter in place restrictions, the demand, and hence prices, for certain goods and services has increased, online spending is on the rise and there have been temporary spending spikes due to the receipt of federal stimulus checks for instance. As a result, the sales tax projections are based upon different assumptions related to spending patterns for various goods and services.

Overall, various sectors are expected to experience a significant decline, most notably in the second and third quarters of 2020, followed by incremental growth in the first and second quarters of 2021. As reported in HdL

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Companies' *California Forecast Sales Tax Trends and Economic Drivers April 2020 Revised*, many sectors are projected to sustain losses in the second quarter of 2020 including restaurants/hotels (-60%), auto/transportation (-55%), fuel/service stations (-50%), general consumer goods (-45%), building and construction (-40%) and business/industry (-30%). There are two areas with growth, including the category of food/drug as grocery and drug stores remain open during the pandemic and consumers continued to purchase household items reflected in growth of 5% for the second quarter of 2020. The other sector that shows resilience is known as State and County pools, which includes sales and use taxes generated online. Prior to COVID-19, the State began collecting taxes from out-of-state vendors and online sales, resulting in additional new revenue for State and local governments. In addition, online sales surged in March and remain strong, resulting in a projected growth of 10% for the second quarter of 2020.

However, with shelter in place restrictions lifted and the re-opening of businesses, performance is expected to improve over the remaining quarters. With the return of economic activity, sectors are projected to rebound for 2020-2021 as follows: auto/transportation (-6.3%), building/construction (-0.1%), business/industry that includes gains in demands for food processing, medical supplies, telecommunications equipment (-5.4%), fuel/service stations (0%), general consumer goods (-2.5%) and restaurants (-6.5%). Modest growth is expected to continue for food/drug (2%) and State and County pools (7.3%). HdL has customized its sales tax projection for Carmel. In general, the City's sales tax for most of these categories is expected to mirror statewide trends, with slightly more growth expected from State and County pools (12%). It is the categories of general consumer goods and restaurants/hotels that are the most salient. These two categories are expected to decrease 18% for Fiscal Year 2020-2021, far more than the statewide trend. This decline is attributed to projected decreases of 74% and 40% in the third and fourth quarters respectively due to decreased travel and spending and social distancing protocols that will limit the seating capacity of dining establishments.

## Transient Occupancy Tax

### Overview

The transient occupancy tax ("TOT") is often referred to as a "hotel tax". The City's TOT is 10% of the rent charged by an operator imposed on persons staying 30 days or less in a hotel or similar lodging. There are currently 46 lodging establishments (hotels/inns/motels) and 20 short-term rentals within the commercial district that collect this tax on behalf of the City.

### Budget Performance and Assumption

As shown below in Table 3, *Transient Occupancy Taxes Estimated Performance and Recommended Budget*, the Fiscal Year 2019-2020 Adopted Budget assumed an increase of 3% over the Fiscal Year 2018-2019 Estimated Actual. The timing of COVID-19 coincided with the spring and early summer season for the City's hotel establishments. As such, the Fiscal Year 2019-2020 Estimated Actual of \$4.5 million is based upon year-to-date performance with little to no revenue received from March to June. This represents a loss of \$2.3 million in budgeted revenue, or a decrease of 34%, compared to the Fiscal Year 2019-2020 Adopted Budget.

*Table 3: Transient Occupancy Taxes Estimated Performance and Recommended Budget*

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Transient Occupancy Tax	FY 18-19 Estimated Actual	FY 18-19 Audited Actual	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 20-21 Recommended Budget
TOT	\$6,650,000	\$6,882,015	\$6,842,900	\$4,523,996	\$2,488,198

Projecting a budget target for TOT revenue for Fiscal Year 2020-2021 is challenging as it is first based upon an individual's ability and willingness to travel and second on the amount a person will pay to travel, both of which impact hotel occupancy and room rate. The Fiscal Year 2020-2021 Recommended Budget of \$2.5 million reflects a continued decline in revenue, representing a loss of \$2.0 million, or 45%, over the Fiscal Year 2019-2020 Estimated Actual. It is \$4.4 million, or 64%, less than the Fiscal Year 2019-2020 Adopted Budget based on conservative assumptions regarding travel and hotel revenues.

While there is no precise model, staff reviewed historical trends, researched industry specific literature, and consulted with peer organizations and the City's auditor on plausible scenarios in deriving the Fiscal Year 2020-2021 budget target. Various models project revenue in line with the recommended target of \$2.5 million as highlighted below:

- A model that assumes no revenue from July-October followed by a typical (based upon 4 year average) November to June would generate \$3.6 million. One that anticipates no revenue from July- October and 50% of a typical November-June would generate \$1.7 million. The average of the two is \$2.7 million.
- A model of 30% of FY 19-20 revenue for July-August, followed by 25% of FY 19-20 revenue for September-October, followed by 15% of FY 19-20 for November-December followed by 15% of FY 18-19 for January- April and 50% of FY 18-19 for May-June would generate \$2.4 million.
- FY 01-02 TOT was \$3.6 million and reflected a 27% decrease from the prior fiscal year due to the economic impacts of 911. The FY 20-21 Budget reflects a 45% decrease from the FY 19-20 Estimated Actual and a 64% decline from the FY 18-19 Actual.

## Charges for Services

### Overview

The City provides a variety of services that benefit specific customers, such as the administration of business licenses, police response to false alarms and the issuance of planning and building, encroachment and tree removal and special event permits. These are considered personal choice services as the user has a choice on whether to use the service or not. In accordance with State law, the City is legally allowed to charge a fee to the user to recover the City's cost of providing the service.

### Budget Performance and Assumption

The Fiscal Year 2019-2020 Adopted Budget assumed a consistent demand for services as in the prior year and a 4.5% increase in fees due to inflation. The Fiscal Year 2019-2020 Estimated Actual reflects a decrease in anticipated revenue for services primarily within the Planning and Building Department, which were under budget prior to COVID-19. The current estimate projects that Planning and Building staff are able to provide services virtually and by accommodating social distancing protocols through June 30 and expects that the demand for other services is curtailed due to COVID-19. This results in a potential loss of \$361,959, or 15%, from the Fiscal Year 2019-2020 Adopted Budget. In Fiscal Year 2020-2021, the budget declines by about 2%,

# REVENUE

or \$45,317. While the demand for planning and building services continues, decreased special event fees, primarily for Car Week, have a negative impact on charges for services in the Fiscal Year 2020-2021 budget.

*Table 4: Charges for Services Estimated Performance and Recommended Budget*

Charges for Services	FY 18-19 Estimated Actual	FY 18-19 Audited Actual	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 20-21 Recommended Budget
Charges	\$2,537,272	\$2,531,960	\$2,487,435	\$2,125,476	\$2,080,159

## Other Revenues

The General Fund also includes a variety of other types of revenue including franchise fees imposed on utilities for the use of public streets and roadways; business license tax; parking permits and other licenses; fines and forfeitures and intergovernmental revenue. Funding received from the federal Community Oriented Policing (COPS) grant is transferred into the General Fund to support the Police Department. Other restricted revenue for street maintenance and paving is also received from State gas taxes and local sales taxes administered by the Transportation Agency of Monterey County.

### *Budget Assumptions*

While there is expected decreases in transportation funding due to declining fuel and sales taxes, other revenues are tracking with their respective budget targets and overall this category is expected to finish the fiscal year \$138,000, or 5%, less than the Fiscal Year 2019-2020 Adopted Budget. Fiscal Year 2020-2021 assumes a decrease of \$173,182, or 7%, from the Fiscal Year 2019-2020 Adopted Budget, reflecting a decrease in business license tax, COPS transfer and one time revenues, offset by an increase in anticipated grant funding.

*Table 5: Other Revenue Estimated Performance and Recommended Budget*

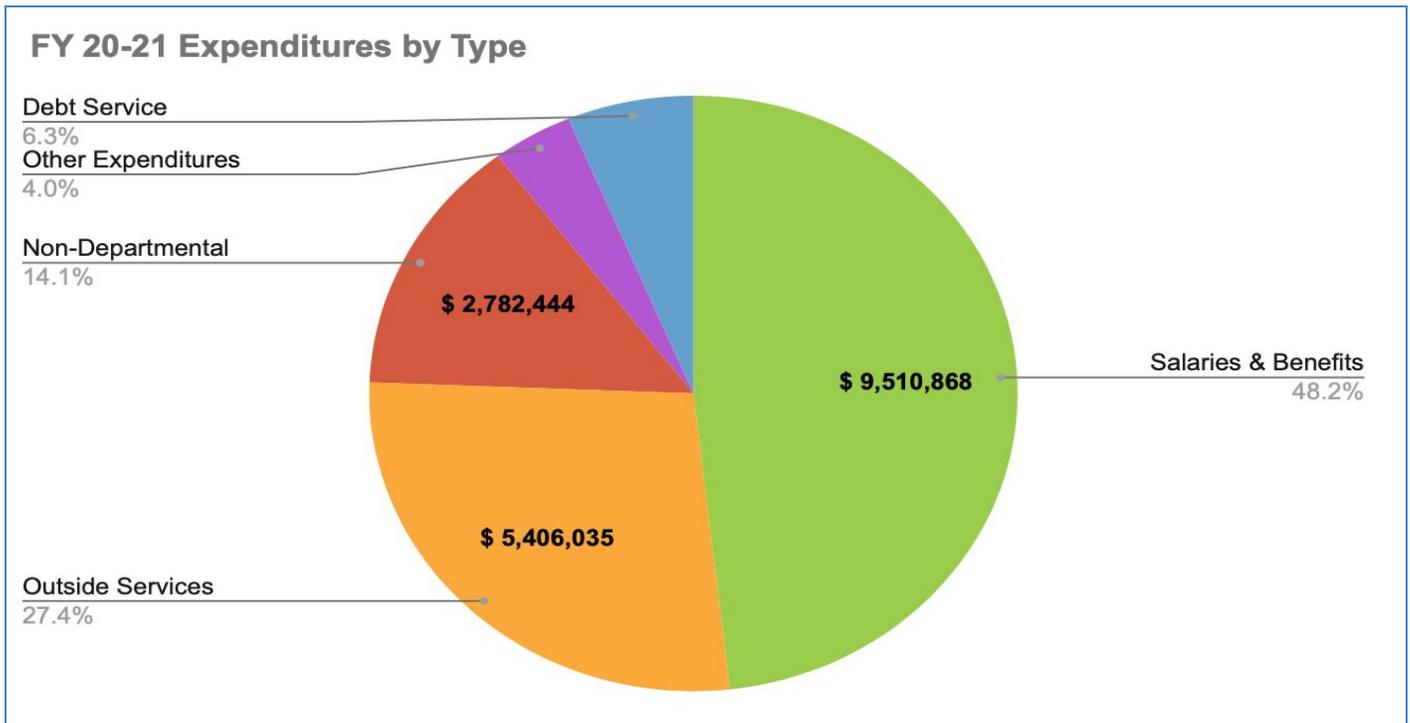
Other	FY 18-19 Estimated Actual	FY 18-19 Audited Actual	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 20-21 Recommended Budget
Other	\$2,469,860	2,469,860	\$2,506,508	\$2,450,676	\$2,333,326

# EXPENDITURES

The FY 20-21 Recommended Budget totals \$19.7 million, which consists of the:

- Operating Budget, or General Fund, totals \$18.5 million, or 94%, of the citywide budget;
- Debt service totals \$1.2 million, or 6%, of the citywide budget.

The Operating Budget consists of the City departments and services. Debt is based upon required payments toward various bonds issued by the City or by other governmental agencies on behalf of the City. As shown in the chart below, *FY 20-21 Expenditure by Type*, the FY 20-21 Budget includes the Operating Budget and Debt Service. The Operating Budget is further categorized by type of expenditure including salaries and benefits, outside services, non-departmental and other expenditures as explained below.

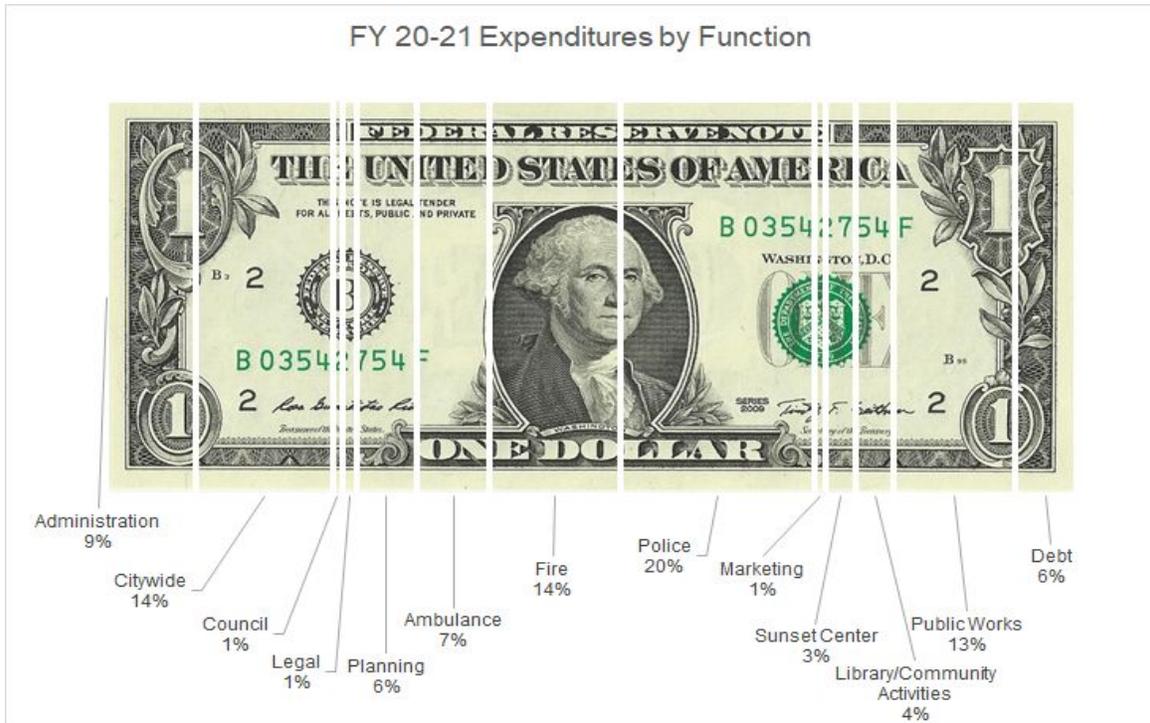


The City's largest expenditure is related to the cost of personnel. Salaries and benefits total \$9.5 million and account for 48% of the citywide budget. Outside services is the second largest type of expenditure at \$5.4 million, or 27% of the budget. This category includes various line item accounts, such as advertising and noticing, contract services and community promotions. Contract services are used as an alternative to City staff directly providing the service due to cost savings or the specialized nature of the work being performed and include funding for expense such as fire service provided by the City of Monterey (\$2.5 million); support for the operations of the Sunset Center and other marketing activities (\$847,000); legal services (\$285,000); tree care and landscape maintenance (\$200,000) and janitorial service (\$192,000).

Non-department expenses total \$2.8 million, or 14%, of the budget and include the unfunded pension liability, retiree health care and citywide operational expenses like property tax assessments and utilities. The largest expenditures within this category include the unfunded actuarial liability (\$1.6 million) and the City's general liability and property insurance premiums (\$713,000). Other expenditures total \$790,000, or 4%, of the FY 20-21 Recommended Budget. These expenses include items such as public works materials and supplies (\$101,000), telecommunications (\$82,000), fuel (\$80,000), training and conferences (\$59,000), vehicle maintenance (\$49,000), medical and safety supplies (\$46,000) and printing and postage (\$37,000).

# EXPENDITURES

Another way to view expenditures is by function as depicted in the “FY 20-21 Expenditures by Function” illustration. Together the public safety functions of Ambulance, Fire and Police make up 41% of the budget. Citywide is the next largest expenditure at 14% as it includes the City’s unfunded actuarial liability, followed by the Public Works Department at 13% of the budget. In total, Administration, Council, Planning, Legal, Marketing, the Sunset Center, and Library and Community Activities represent the remaining 25% of the Operating Budget.



Expenditures	Budget	Percentage
Administration	\$ 1,816,808	9%
Citywide	\$ 2,782,444	14%
Council	\$ 202,168	1%
Legal	\$ 285,000	1%
Planning	\$ 1,224,098	6%
Ambulance	\$ 1,476,624	7%
Fire	\$ 2,675,445	14%
Police	\$ 3,930,405	20%
Marketing	\$ 231,000	1%
Sunset Center	\$ 616,000	3%
Library/Community Activities	\$ 766,744	4%
Public Works	\$ 2,482,660	13%
<b>Operating Budget</b>	<b>\$ 18,489,396</b>	<b>94%</b>
<b>Debt</b>	<b>\$ 1,244,515</b>	<b>6%</b>
<b>Total</b>	<b>\$ 19,733,911</b>	<b>100%</b>

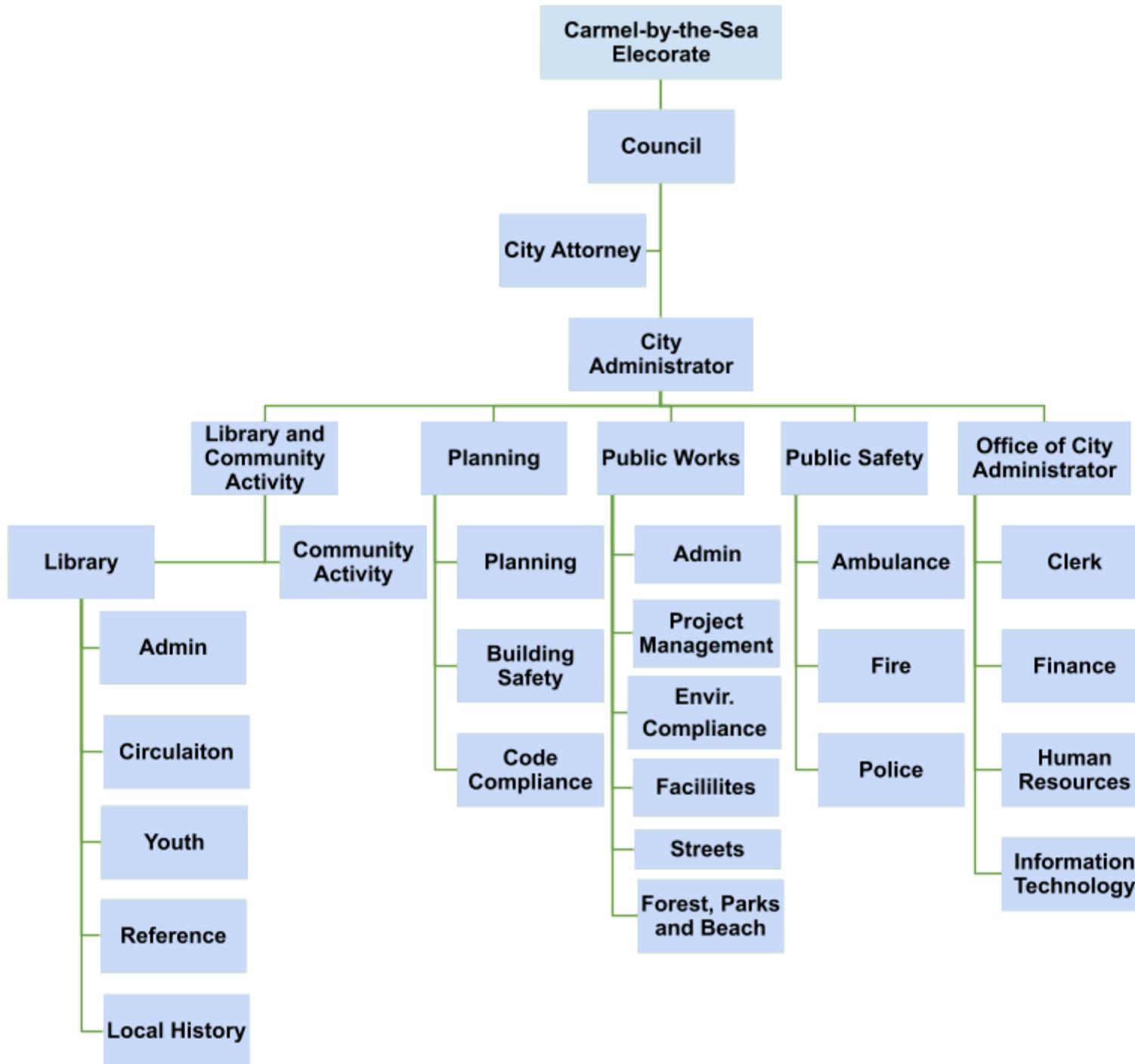
**POSITIONS**

# FY 2020-2021 PROPOSED AUTHORIZED POSITIONS

Department and Title	FY 19/20 Adopted	FY 20/21 Recommended	FY 20/21 Change
<b>Council</b>			
Councilmember	4.00	4.00	0.00
Mayor	1.00	1.00	0.00
<b>City Council Total</b>	<b>5.00</b>	<b>5.00</b>	<b>0.00</b>
<b>Administration</b>			
City Administrator	1.00	1.00	0.00
Assistant Administrator	1.00	1.00	0.00
City Clerk	1.00	1.00	0.00
Director of Budgets and Contracts	1.00	1.00	0.00
Finance Manager	1.00	1.00	0.00
Senior Human Resources Analyst	1.00	1.00	0.00
Information Services / Network Manager	1.00	1.00	0.00
IT Help Desk/Technician	0.75	0.00	(0.75)
Hourly HelpDesk Technician (525 hours)	0.00	0.25	0.25
Finance Specialist	1.50	1.00	(0.50)
Office Assistant/ Public Records Act Clerk	0.75	0.00	(0.75)
Retired Annuitant (480 hrs)	0.46	0.23	(0.23)
Hourly Office Assistant (400 hrs)	0.20	0.00	(0.20)
<b>Administration Total</b>	<b>10.66</b>	<b>8.48</b>	<b>(2.18)</b>
<b>Community Activities</b>			
Community Services Assistant	1.00	0.00	(1.00)
Executive Assistant	0.50	0.50	0.00
<b>Community Activities Total</b>	<b>1.50</b>	<b>0.50</b>	<b>(1.00)</b>
<b>Library</b>			
Circulation Supervisor	1.00	1.00	0.00
Director of Library and Community Services	1.00	1.00	0.00
Hourly Librarian I (3 positions)	1.10	0.00	(1.10)
Librarian I	1.00	1.00	0.00
Librarian II	2.00	1.00	(1.00)
Librarian II (Local History)	1.00	1.00	0.00
Library Assistant (full-time)	3.00	1.00	(2.00)
Library Assistant (part-time)	0.75	0.00	(0.75)
Hourly Library Assistant	2.63	0.00	(2.63)
Executive Assistant	0.50	0.50	0.00
<b>Library Total</b>	<b>13.98</b>	<b>6.50</b>	<b>(7.48)</b>
<b>Community Planning &amp; Building</b>			
Administrative Coordinator	1.00	1.00	0.00
Assistant Planner	1.00	1.00	0.00
Associate Planner	1.00	1.00	0.00
Building Inspector	1.00	1.00	0.00
Building Official	1.00	1.00	0.00
Code Compliance Coordinator	1.00	1.00	0.00
Permit Technician	1.00	1.00	0.00
Planning & Building Services Director	1.00	1.00	0.00
Senior Planner	1.00	1.00	0.00
<b>Community Planning &amp; Building Total</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>

# FY 2020-2021 PROPOSED AUTHORIZED POSITIONS

Department and Title	FY 19/20 Adopted	FY 20/21 Recommended	FY 20/21 Change
<b>Public Works</b>			
Administrative Coordinator	1.00	0.00	(1.00)
Director of Public Works	1.00	1.00	0.00
Environmental Compliance Manager	1.00	1.00	0.00
Maintenance Worker	4.00	2.00	(2.00)
Public Works Superintendent	1.00	1.00	0.00
Senior Maintenance Worker	3.00	3.00	0.00
Street Supervisor	1.00	1.00	0.00
Facilities Maintenance Supervisor	1.00	1.00	0.00
Senior Maintenance Worker (Facilities)	1.00	1.00	0.00
Project Manager	2.00	0.00	(2.00)
City Forester	1.00	1.00	0.00
Senior Maintenance Worker	1.00	1.00	0.00
Maintenance Worker/Gardener	1.00	0.00	(1.00)
Tree Care Specialist	2.00	1.00	(1.00)
<b>Public Works Total</b>	<b>21.00</b>	<b>14.00</b>	<b>(7.00)</b>
<b>Police</b>			
Community Services Officer	3.0	1.0	(2.0)
Community Services Officer/Animal Control	1.0	1.0	0.0
Corporal	2.0	2.0	0.0
Police Commander	1.0	1.0	0.0
Police Officer	5.0	5.0	0.0
Police Officer/Detective	1.0	1.0	0.0
Police Officer/FTO	2.0	2.0	0.0
Police Services Officer	6.0	5.0	(1.0)
Police/Patrol Officer	1.0	1.0	0.0
Public Safety Director	1.0	1.0	0.0
Sergeant	2.0	2.0	0.0
Office Assistant	1.0	0.0	(1.0)
<b>Police Total</b>	<b>26.0</b>	<b>22.00</b>	<b>(4.00)</b>
<b>Ambulance</b>			
Paramedic/Firefighters	6.00	6.00	0.00
<b>Ambulance Total</b>	<b>6.00</b>	<b>6.00</b>	<b>0.00</b>
	<b>FY 19/20 Adopted</b>	<b>FY 20/21 Recommended</b>	<b>FY 20/21 Change</b>
<b>Citywide Total Funded Positions</b>	<b>92.14</b>	<b>71.48</b>	<b>(20.66)</b>
	<b>FY 19/20 Adopted</b>	<b>FY 20/21 Recommended</b>	<b>FY 20/21 Change</b>
<b>Citywide Total Authorized Positions: available to be filled as funding allows</b>	<b>93.14</b>	<b>93.14</b>	<b>0.00</b>



**OPERATING BUDGET  
(CITY DEPARTMENTS  
AND SERVICES)**

## Description

The City Council consists of the Mayor and four Councilmembers, elected at large by the citizens of Carmel-by-the-Sea on a non-partisan basis. The City Council is the policy making legislative body of the City. The Council adopts the annual budget, enacts ordinances, and approves major contracts, acquisitions and leases. With the advice and assistance of the City Administrator and City Attorney, the City Council reviews proposals to meet the community's needs, initiates action for new policies, and allocates resources.

## 2019-2020 Initiatives and Accomplishments

- Adopted a strategic plan including a vision, mission statement, values, priorities and objectives.
- Placed a sales tax replacement measure on the March 3, 2020 ballot that was approved by the voters.
- Provided direction on options to address the City's pension liability.
- Responded to land use issues such as beach fires, wireless communications and short-term rentals.
- Established a subcommittee to develop the Climate Change and Resiliency Plan.
- Oversight of the City's response to the coronavirus, including declaration of a local emergency and prohibiting tenant evictions.

## 2020-2021 Priorities

- Continued oversight of the City's implementation of COVID-19 protocols to ensure the safe reopening of the local economy, including collaboration with Monterey County and regional cities, and advocating for federal and state economic assistance in addressing the economic impacts of COVID-19.
- Continued oversight of the implementation of the strategic plan and updating of City priorities.
- Continue to respond to any forthcoming State legislation that undermines local control.

## Budget Summary and Service Impacts

- Community Promotions is \$19,000 less in FY 20-21 due to reductions in Council discretionary grants (\$10,000) and home mail delivery service (\$9,000). The City received \$22,000 in funding requests from outside organizations; however, due to budgetary constraints, the City is unable to fulfill all of these requests. The FY 20-21 Budget includes funding for the Casa de Noche Nueva emergency shelter for women and families (\$4,000), United Way 211 information and referral service (\$2,500) and after school programs at the Carmel Youth Center (\$2,500).
- In addition to \$9,000 in grant funding, Community Promotions also includes \$59,000 for the home mail delivery program. The FY 20-21 Budget reflects an increase in the courier service rates offset by a projected 30% decrease in participation (from a current base of 170) due to shelter in place restrictions being lifted and newly established eligibility criteria being incorporated into the program.
- Both the line item accounts of Regional Memberships and Conference and Meetings reflect a savings of \$6,000 each for FY 20-21, with the latter assuming travel savings due to more virtual conferences.

**City Council**

<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-110-00-41008	Salaries -Elected	\$9,600	\$9,600	\$9,600
101-110-00-41101	Retirement	\$72	\$48	\$85
101-110-00-41104	Health Insurance	\$33,254	\$26,636	\$33,254
101-110-00-41105	Social Security	\$484	\$376	\$484
101-110-00-41106	Medicare	\$139	\$114	\$139
101-110-00-41108	Worker's Comp	\$1,732	\$1,417	\$1,281
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$45,281</b>	<b>\$38,190</b>	<b>\$44,843</b>
101-110-00-42001	Contract Services	\$0	\$10,770	\$0
101-110-00-42005	Community Promotions	\$86,880	\$85,374	\$68,040
101-110-00-42007	Regional Memberships	\$90,586	\$78,324	\$84,260
101-110-00-42101	Office Supplies	\$775	\$100	\$475
101-110-00-42301	Training & Education	\$0	\$0	\$0
101-110-00-42302	Conferences & Meetings	\$10,975	\$6,399	\$4,550
	<b>Services &amp; Supplies Subtotal</b>	<b>\$189,216</b>	<b>\$180,967</b>	<b>\$157,325</b>
	<b>Total</b>	<b>\$234,497</b>	<b>\$219,157</b>	<b>\$202,168</b>

**Regional Memberships**

<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-110-00-42007	Transportation Agency of Monterey County	\$1,266	\$1,266	\$1,329
101-110-00-42007	TAMC Pavement Study	\$10,000	\$15,086	\$0
101-110-00-42007	Association of Monterey Bay Area Governments	\$3,985	\$3,782	\$4,184
101-110-00-42007	MPRWA (Water)	\$18,850	\$4,469	\$19,793
101-110-00-42007	Monterey Peninsula Chamber of Commerce	\$750	\$0	\$788
101-110-00-42007	Monterey County Mayors Association	\$1,500	\$1,500	\$1,575
101-110-00-42007	Monterey County Business Council	\$500	\$0	\$578
101-110-00-42007	MBUAPCA (Air Pollution Control District)	\$1,735	\$1,874	\$1,822
101-110-00-42007	League of CA Cities	\$2,550	\$2,626	\$2,705
101-110-00-42007	League of CA Cities- Monterey Bay Division	\$150	\$350	\$158
101-110-00-42007	LAFCo	\$18,000	\$16,926	\$18,900
101-110-00-42007	Fort Ord Reuse Authority	\$14,700	\$14,000	\$15,435
101-110-00-42007	Community Human Services	\$15,750	\$15,700	\$16,100
101-110-00-42007	CoastWalks/Coastal Trail Association	\$300	\$300	\$315
101-110-00-42007	Carmel Chamber of Commerce	\$550	\$445	\$578
	<b>Total</b>	<b>\$90,586</b>	<b>\$78,324</b>	<b>\$84,260</b>

# CITY ATTORNEY

## Description

The City Attorney is appointed by the City Council. The City Attorney legally represents the City and provides legal advice and/or training to the City Council, City Administrator, boards, commissions, and departments; investigates and resolves claims against the City; defends the City in litigation and administrative actions; initiates and prosecutes litigation on behalf of the City; and drafts and reviews legal documents and agenda items.

## Budget Summary and Service Impacts

- The FY 20-21 Budget of \$285,000 decreases by \$75,000 over the FY 19-20 Adopted Budget.

<b>City Attorney</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-112-00-42001	Contract Services	\$360,000	\$362,190	\$285,000
	<b>Total</b>	<b>\$360,000</b>	<b>\$362,190</b>	<b>\$285,000</b>

# ADMINISTRATION

## Description

The City Administrator is appointed by the City Council and responsible for the enforcement of City laws and ordinances; ensuring that the orders of the City Council are executed; preparing the budget and monitoring City finances; and managing day-to-day operations. In addition to overseeing City departments, the Administrator also serves as the director of the centralized administrative functions pertaining to the City Clerk, Finance, Human Resources and Information Technology.

## 2019-2020 Initiatives and Accomplishments

- Ensured the execution of Council policy direction, completion of capital projects, hiring of staff and continuity of daily citywide operations to deliver services in an efficient and effective manner.
- Oversaw the placement of the sales tax measure on the March 3, 2020 ballot, resulting in passage of a new sales tax of 1.5% for 20 years. Developed options to mitigate pension liability costs.
- Implemented new record storage protocols, resulting in cost savings and more secure storage of records; continued efforts for digital storage of records, processed more than 250 requests for records.
- Oversaw the City's response to COVID-19, including providing IT support for virtual operations and creating video messages with the Public Safety Director to inform the public.

## 2020-2021 Priorities

- Continue to oversee the City's response to COVID-19 to ensure the delivery of essential City services, the adherence to State and County protocols by employees, residents, businesses and visitors, the recovery of City COVID-19 related expenses and monitoring of the economic impacts to City finances.
- Oversee the filing of candidate forms and administering the November 2020 City Council election.
- Explore service delivery alternatives and other options to enhance revenue as directed by Council.
- Implement the distribution of electronic Council packets in order to save printing costs and encourage compliance with CalRecycle waste diversion and recycling mandates.

## Budget Summary and Service Impacts

- The FY 20-21 Budget decreases by \$420,000 compared to the FY 19-20 Adopted Budget due to voluntary reductions in compensation, defunding vacant positions and decreasing staff hours (\$215,000) and savings within the services and supplies budget (\$205,000). This includes decreases in contractual services for IT and finance for one-time special projects; reductions in recruitment, employee programs and pre-employment expenses and curtailing spending on computers.
- There will likely be a longer response time for general inquiries received by phone or in-person, the immediate processing of payments upon request at the City Hall counter, and the issuing high heel permits will likely be curtailed due to staffing reductions and the prioritization of finance functions.

# ADMINISTRATION

## Office the City Administrator

Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-111-00-41001	Salaries	\$1,132,813	\$1,069,085	\$1,033,820
101-111-00-41003	Salaries -Part time	\$124,962	\$100,795	\$46,847
101-111-00-41101	Retirement	\$65,280	\$60,292	\$61,087
101-111-00-41103	Deferred Compensation	\$33,700	\$42,233	\$32,800
101-111-00-41104	Health Insurance	\$146,704	\$125,120	\$131,417
101-111-00-41105	Social Security	\$3,100	\$1,787	\$2,905
101-111-00-41106	Medicare	\$18,846	\$16,444	\$15,670
101-111-00-41107	LTD/STD/Life	\$1,482	\$1,171	\$1,198
101-111-00-41108	Worker's Comp	\$52,875	\$43,245	\$39,120
101-111-00-41109	Benefits-MOU Obligations	\$2,080	\$2,080	\$2,080
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$1,581,842</b>	<b>\$1,462,253</b>	<b>\$1,366,944</b>
101-111-00-42001	Contract Services	\$217,824	\$147,128	\$113,640
101-111-00-42002	Recruiting Services	\$40,000	\$37,070	\$19,385
101-111-00-42003	Auditing Services	\$44,000	\$43,066	\$37,000
101-111-00-42006	Records Management	\$9,700	\$10,290	\$5,000
101-111-00-42009	Advertising and Legal Notices	\$15,000	\$14,751	\$15,000
101-111-00-42015	Other Services	\$11,080	\$9,878	\$11,080
101-111-00-42101	Office Supplies	\$14,700	\$6,791	\$12,500
101-111-00-42102	Publications & Subscriptions	\$97,605	\$87,012	\$77,373
101-111-00-42106	Small Tools and Equipment	\$350	\$350	\$350
101-111-00-42202	Equipment Maintenance	\$8,500	\$2,000	\$8,500
101-111-00-42301	Training & Education	\$14,500	\$1,255	\$10,000
101-111-00-42302	Conferences & Meetings	\$14,770	\$6,946	\$4,720
101-111-00-42304	Dues & Memberships	\$3,845	\$3,484	\$2,555
101-111-00-42305	Mileage Reimbursement	\$250	\$49	\$50
101-111-00-42306	Employee Programs	\$16,000	\$15,700	\$5,950
101-111-00-42403	Printing	\$12,000	\$8,422	\$10,900
101-111-00-42404	Shipping/Postage/Freight	\$10,950	\$14,332	\$10,950
101-111-00-42405	Telephone & Communications	\$73,912	\$104,680	\$73,912
101-111-00-42406	Bank & Merchant Fees	\$20,000	\$15,000	\$18,000
101-111-00-42407	Computer Non Capital	\$17,000	\$25,000	\$5,000
101-111-00-42410	Pre-employment Costs	\$13,000	\$27	\$8,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$654,986</b>	<b>\$553,231</b>	<b>\$449,865</b>
	<b>Total</b>	<b>\$2,236,828</b>	<b>\$2,015,485</b>	<b>\$1,816,809</b>

# ADMINISTRATION

<b>Administration</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-111-10-42001	Contract Services	\$30,000	\$17,091	\$5,000
101-111-10-42015	Other Services	\$11,080	\$9,878	\$11,080
101-111-10-42101	Office Supplies	\$10,000	\$5,941	\$8,000
101-111-10-42102	Publications & Subscriptions	\$650	\$262	\$150
101-111-10-42302	Conferences & Meetings	\$4,000	\$1,040	\$1,200
101-111-10-42304	Dues & Memberships	\$2,200	\$2,655	\$900
101-111-10-42403	Printing	\$700	\$60	\$100
101-111-10-42404	Shipping/Postage/Freight	\$10,500	\$14,277	\$10,500
	<b>Services &amp; Supplies Subtotal</b>	<b>\$69,130</b>	<b>\$51,206</b>	<b>\$36,930</b>

## Clerk Description

The City Clerk provides timely and accessible service in response to all inquiries and requests for public information and records, and is responsible for the administration of elections, public records requests processing, records management, and the legislative process. Records the City's legislative history through approved minutes and maintaining City Ordinances and the Municipal Code; facilitates applications for appointments to boards and commissions and coordinates Statements of Economic Interest as well as campaign and other financial disclosure related filings.

<b>City Clerk</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-111-11-42001	Contract Services	\$62,164	\$24,514	\$54,480
101-111-11-42006	Records Management	\$9,700	\$10,290	\$5,000
101-111-11-42009	Advertising and Legal Notice	\$15,000	\$14,751	\$15,000
101-111-11-42302	Conferences & Meetings	\$1,520	\$3,864	\$925
101-111-11-42304	Dues & Memberships	\$250	\$200	\$260
101-111-11-42403	Printing	\$10,000	\$7,734	\$10,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$98,634</b>	<b>\$61,353</b>	<b>\$85,665</b>

## Budget Summary

- Contract services expenses include the November 2020 election administered by Monterey County (\$21,000), the City's website (\$8,000), and agenda management and video streaming (\$14,000).
- Promoting the electronic distribution of Council agenda packets and charging for copies upon request would help achieve savings in the printing budget, which is currently \$10,000 for FY 20-21.

# ADMINISTRATION

## Finance Description

Finance provides financial analysis, management and reporting through the development of the annual budget, ongoing financial monitoring and reporting of revenues and expenditures. Routine financial duties including vendor payments, payroll, business license processing and the collection of the transient occupancy tax and the administration of pass-through funding to the hospitality and tourism improvement districts. Provides treasury services and invests revenue and issues and manages debt.

<b>Finance</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-111-12-42001	Contract Services	\$53,200	\$53,200	\$22,700
101-111-12-42003	Auditing Services	\$44,000	\$43,066	\$37,000
101-111-12-42101	Office Supplies	\$500	\$400	\$300
101-111-12-42102	Publications & Subscriptions	\$28,355	\$31,187	\$26,173
101-111-12-42301	Training & Education	\$500	\$26	\$500
101-111-12-42302	Conferences & Meetings	\$250	\$0	\$0
101-111-12-42304	Dues & Memberships	\$465	\$310	\$465
101-111-12-42305	Mileage Reimbursement	\$250	\$49	\$50
101-111-12-42403	Printing	\$1,000	\$628	\$500
101-111-12-42406	Bank & Merchant Fees	\$20,000	\$15,000	\$18,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$148,520</b>	<b>\$143,866</b>	<b>\$105,688</b>

## Finance Budget Summary

- Contract services are reduced by \$31,00 in FY 20-21 due to the completion of one-time special projects and the elimination of funding for temporary office assistance. State law mandates that the City has an independent firm review its basic financial statements and thus auditing services is a required expense.
- Publications and subscriptions include the annual maintenance costs for the City's financial systems, and this cost will be decreasing in FY 22-22 as the City phases out its legacy system.

# ADMINISTRATION

## HR Description

Human Resources recruits, develops, and retains a diverse, well-qualified workforce that reflects the high standards of the community, and leads the City departments in positive employee relations, talent management, succession planning, and employee engagement. Services include employee orientation, recruitment, performance assessment, compensation and job classification assessments, safety and wellness programs; and organization development services efficiently to City departments. Staff is responsible for negotiating Memorandums of Understanding with the City's three bargaining units, subject to Council direction and approval.

HR				
Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-111-13-42001	Contract Services	\$7,460	\$7,322	\$6,460
101-111-13-42002	Recruiting Services	\$40,000	\$37,070	\$19,385
101-111-13-42101	Office Supplies	\$700	\$0	\$700
101-111-13-42102	Publications & Subscriptions	\$5,000	\$5,563	\$3,050
101-111-13-42301	Training & Education	\$9,500	\$1,167	\$9,500
101-111-13-42302	Conferences & Meetings	\$5,000	\$1,193	\$2,595
101-111-13-42304	Dues & Memberships	\$800	\$189	\$800
101-111-13-42306	Employee Programs	\$16,000	\$15,700	\$5,950
101-111-13-42403	Printing	\$300	\$0	\$300
101-111-13-42404	Shipping/Freight/Postage	\$200	\$0	\$200
101-111-13-42410	Pre-employment Costs	\$13,000	\$27	\$8,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$97,960</b>	<b>\$68,231</b>	<b>\$56,940</b>

## HR Budget Summary

- The HR divisional budget decreases by \$41,000 in FY 20-21 due to reductions in recruiting services, employee programs and pre-employment costs.

# ADMINISTRATION

## Description

Information Technology (IT) provides innovative and secure technology solutions that support City departments in delivering quality services to the community. The purpose of IT is to provide a broad range of high-quality technology-related solutions to employees, departments, council members, and the community; and to support and continuously improve essential technology infrastructure for enabling day-to-day operations of the City.

IT				
Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-111-14-42001	Contract Services	\$65,000	\$45,000	\$25,000
101-111-14-42101	Office Supplies	\$3,500	\$450	\$3,500
101-111-14-42102	Publications & Subscriptions	\$63,600	\$50,000	\$48,000
101-111-14-42105	Materials and Supplies	\$0	\$0	\$0
101-111-14-42106	Small Tools and Equipment	\$350	\$350	\$350
101-111-14-42202	Equipment Maintenance	\$8,500	\$2,000	\$8,500
101-111-14-42301	Training & Education	\$4,500	\$62	\$0
101-111-14-42302	Conferences & Meetings	\$4,000	\$849	\$0
101-111-14-42304	Dues & Memberships	\$130	\$130	\$130
101-111-14-42404	Shipping/Postage/Freight Telephone and	\$250	\$55	\$250
101-111-14-42405	Communications	\$73,912	\$104,680	\$73,912
101-111-14-42407	Computer Non capital	\$17,000	\$25,000	\$5,000
<b>Services &amp; Supplies Subtotal</b>		<b>\$240,742</b>	<b>\$228,576</b>	<b>\$164,642</b>

## IT Budget Summary

- The IT Division Budget decreased by \$76,000 in FY 20-21. Contract services decrease by \$40,000 in FY 19-20. Publications and Subscriptions include required licensing for Microsoft products, G-Suite and security monitoring (\$48,000). Citywide telephone, cable and Internet service is expected to remain on par with FY 19-20 (\$74,000).

# CITYWIDE (NON-DEPARTMENTAL)

## Description

Citywide, or non-departmental costs, are expenses that are spread across the entire organization. These items include the unfunded pension liability, the City's premiums insurance for general liability and property insurance and the City's share of costs toward retiree healthcare. Other operational expenses include utilities, property tax assessments and the administrative fee charged by Monterey County for property tax collection.

## Budget Summary and Service Impacts

- In addition to the employer contribution toward retirement for City employees, the City also is responsible for pension obligations for the unfunded actuarial liability ("UAL"). This amount increases by \$164,000, or 11%, in FY 20-21 compared to the FY 19-20 Adopted Budget. In FY 19-20, the City made a lump sum payment, resulting in interest savings. Due to cash flow projections based upon anticipated declines in revenue receipts, the City will be paying the UAL throughout the year instead.
- The City's required contribution to retiree health care increases by 5%, or \$4,000, in FY 20-21.

<b>Non-Departmental</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-130-00-42501	Liability Insurance Premium	\$704,935	\$663,250	\$712,950
101-130-00-42503	PERS Unfunded Liability	\$1,434,476	\$1,351,531	\$1,598,574
101-130-00-42504	Insurance Claims Paid	\$14,400	\$15,345	\$14,400
101-130-00-42505	Utilities	\$235,000	\$227,145	\$235,000
101-130-00-42506	Property Tax Assessments	\$74,765	\$79,081	\$76,260
101-130-00-42508	Unemployment Costs	\$5,400	\$5,400	\$5,400
101-130-00-42510	Retiree Health Share	\$68,880	\$66,557	\$72,438
101-130-00-42511	County Property Tax Admin Fees	\$72,525	\$66,066	\$67,422
	<b>Total</b>	<b>\$2,610,381</b>	<b>\$2,474,376</b>	<b>\$2,782,444</b>

# ECONOMIC DEVELOPMENT

## Description

Two of the City's unique facilities include the performing arts venue known as the Sunset Community and Cultural Center and the Forest Theater, an outdoor amphitheater. These locations support musical performances, lectures and other cultural activities that enhance the quality of life for residents and promote the City and the Monterey Peninsula as an artistic and cultural destination. In 2017, the City entered into a lease agreement with the Sunset Cultural Center, Inc. (SCC) for the management of these facilities and the terms of the lease require the City to make an annual grant to SCC to support operations.

The City funds the Monterey County Convention and Visitors Bureau (MCCVB) and Visit Carmel to manage visitors. Visit Carmel maintains the City's official travel website ([www.carmelcalifornia.com](http://www.carmelcalifornia.com)) and develops targeted and seasonal marketing campaigns to encourage visitors to stay overnight, dine and shop within the Village.

In addition to supporting these organizations with General Fund revenues, the City also collects a tourism improvement district assessment from its lodging establishments on behalf of the County and remits these pass-thru funds to MCCVB on a bi-monthly basis. The City also collects an assessment on lodging through the Carmel Hospitality Improvement District and remits these funds to Visit Carmel for the marketing of overnight stays within the Village during mid-week and the non-peak season. As of January 1, 2019, the City also began collecting an assessment from full-service restaurants on behalf of the Carmel Restaurant Improvement District and remits these funds to Visit Carmel for marketing efforts to increase food and beverage sales within the City.

Another partner agency is the Carmel Chamber of Commerce, which operates a visitor center in town, publishes a comprehensive visitor guide, and assists businesses. The Chamber also supports small businesses and provides services to assist its members, including listing businesses on the Chamber website, providing educational programs, conducting outreach with businesses via weekly business walks with City elected officials and staff and marketing opportunities to "shop locally".

## Budget Summary and Service Impacts

- The FY 20-21 budget decreases by \$273,000, or 24%, from the FY 19-20 Adopted Budget.
- Funding is allocated to marketing partners to assist in efforts to stimulate the local economy given the importance of transient occupancy and sales and use taxes to the City's fiscal stability.

# ECONOMIC DEVELOPMENT

Marketing & Economic Development					
Account Number	Account Description	Details	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-122-00-42005	Community Promotions	Monterey County Film Commission	\$1,750	\$1,750	\$0
101-122-00-42008	Mktg & Economic Dev	SCC- Sunset Center Operating Grant	\$750,000	\$750,000	\$600,000
101-122-00-42008	Mktg & Economic Dev	SCC- Forest Theater Operating Grant	\$20,000	\$20,000	\$16,000
101-122-00-42008	Mktg & Economic Dev	MCCVB	\$189,347	\$189,347	\$120,000
101-122-00-42008	Mktg & Economic Dev	Visit Carmel	\$120,000	\$120,000	\$96,000
101-122-00-42008	Mktg & Economic Dev	Carmel Chamber of Commerce	\$39,000	\$25,445	\$15,000
<b>Total</b>			<b>\$1,120,097</b>	<b>\$1,106,542</b>	<b>\$847,000</b>

# LIBRARY AND COMMUNITY ACTIVITIES

## Description

### Library

The Library Department provides programs, materials, and reference services to cardholders and visitors of all ages, and offers an outreach program that delivers books to the homebound in the Carmel area. The print and online collections include books, e-books, audio books, movies, recorded books, and large print materials whose emphases include the history of Carmel-by-the-Sea, travel, art and medical reference.

The Library is governed by a five-member Board of Trustees appointed by the City Council. The Harrison Memorial Library Board of Trustees, the Carmel Public Library Foundation, Harrison Memorial Library Friends of the Library, and the City work together in partnership to ensure that the Harrison Memorial Library continues to be an important, integral and vital part of our community. The goal of this partnership is to sustain the historic tradition of providing free public library service of excellent quality for the residents and visitors of the City of Carmel and the Monterey Peninsula.

### Workload Indicators / Performance Measures

- Answered 15,789 reference and information questions
- Loaned 304 items to other libraries across the United States
- Issued 989 library cards
- 104,456 library items were circulated
- 5,792 people attended library programs
- 7,599 people used the library's public computers
- The library's digital content was accessed 16,155 times

### 2019-2020 Initiatives and Accomplishments

- Library: Developed a new 3-year Strategic Plan.

### 2020-2021 Priorities

- Library: Continue implementation of the Library's Strategic Plan and complete the Main Library Meeting Space Project.

### Budget Summary and Service Impacts

- The City funds the personnel and building maintenance costs for operating the Main and Park Branch libraries. The sources of funding for library materials, programs and services are the Carmel Public Library Foundation, the Friends of the Library, and library fines and fees.

# LIBRARY AND COMMUNITY ACTIVITIES

<b>Library</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-120-00-41001	Salaries	\$704,943	\$645,661	\$474,961
101-120-00-41003	Salaries -Part time	\$187,193	\$178,196	\$0
101-120-00-41005	Overtime	\$0	\$447	\$0
101-120-00-41101	Retirement	\$44,979	\$43,836	\$30,366
101-120-00-41103	Deferred Compensation	\$8,250	\$8,533	\$6,450
101-120-00-41104	Health Insurance	\$93,664	\$97,798	\$68,512
101-120-00-41105	Social Security	\$10,360	\$7,189	\$0
101-120-00-41106	Medicare	\$12,936	\$11,583	\$6,887
101-120-00-41107	LTD/STD/Life	\$1,366	\$1,358	\$923
101-120-00-41108	Worker's Comp	\$100,364	\$82,085	\$74,255
101-120-00-41109	Benefits-MOU Obligations	\$16,120	\$16,120	\$10,400
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$1,180,175</b>	<b>\$1,092,807</b>	<b>\$672,754</b>
101-120-00-42001	Contract Services	\$3,500	\$3,500	\$3,500
101-120-00-42301	Training & Education	\$0	\$0	\$0
	<b>Services &amp; Supplies Subtotal</b>	<b>\$3,500</b>	<b>\$3,500</b>	<b>\$3,500</b>
	<b>Total</b>	<b>\$1,183,675</b>	<b>\$1,096,307</b>	<b>\$676,254</b>

## Community Activities

The Community Activities department facilitates special event permitting, executes the City's annual special events, and manages the Vista Lobos facility. In addition, the Community Activities Department works with the Community Activities Commission to fulfill its duties and responsibilities, as well as work to fulfill the goals and objectives identified in the Community Activities 3-year Strategic Plan.

## Workload Indicators/Performance Measures

- Planned and facilitated eight City-sponsored special events
- An estimated 5,000 people attended City Special Events
- Issued 35 special event permits

## 2019-2020 Initiatives and Accomplishments

- Community Activities: Continues to work to accomplish the 3-year Community Activities Strategic Plan adopted in 2018.

## 2020-2021 Priorities

- Community Activities: Continue to streamline processes for special event permit applications and work with the Community Activities and Cultural Commission to explore possibilities for building community relationships.

## Budget Summary and Service Impacts

- Community Activities department expenses include costs for advertising; banners and signage; event and office supplies. Contractual Services includes the cost of renting portable toilets (\$10,000) to support City events, as well as the costs for audio and tree decorating. Community Promotions expenses are the costs incurred for City events such as health permits, tents, decorations, food and beverages, flowers and other supplies.

# LIBRARY AND COMMUNITY ACTIVITIES

## Community Activities

Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-121-00-41001	Salaries	\$127,377	\$121,190	\$42,000
101-121-00-41101	Retirement	\$9,198	\$8,541	\$3,373
101-121-00-41103	Deferred Compensation	\$750	\$733	\$150
101-121-00-41104	Health Insurance	\$12,771	\$12,405	\$5,039
101-121-00-41106	Medicare	\$1,847	\$1,678	\$609
101-121-00-41107	LTD/STD/Life	\$195	\$187	\$65
101-121-00-41108	Worker's Comp	\$12,797	\$10,466	\$9,468
101-121-00-41109	Benefits-MOU Obligations	\$2,080	\$2,080	\$0
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$167,015</b>	<b>\$157,281</b>	<b>\$60,704</b>
101-121-00-42001	Contract Services	\$38,700	\$25,000	\$12,950
101-121-00-42005	Community Promotions	\$21,934	\$20,000	\$14,136
101-121-00-42009	Advertising and Legal Notice	\$8,000	\$1,600	\$2,000
101-121-00-42101	Office Supplies	\$300	\$106	\$200
101-121-00-42301	Training & Education	\$2,500	\$1,688	\$0
101-121-00-42403	Printing	\$8,000	\$100	\$500
	<b>Services &amp; Supplies Subtotal</b>	<b>\$79,434</b>	<b>\$48,494</b>	<b>\$29,786</b>
	<b>Total</b>	<b>\$246,449</b>	<b>\$205,775</b>	<b>\$90,490</b>

# COMMUNITY PLANNING AND BUILDING

## Description

The Community Planning and Building Department includes the Planning, Building and Code Compliance Divisions and is responsible for preserving community character while fostering a vibrant community and a high quality of life for its residents, businesses and visitors.

- The **Planning Division** processes current development applications, maintains the General Plan, and ensures that capital programs, zoning and other activities of the City are consistent with the goals and policies of the Plan.
- The **Building Safety Division** is responsible for plans examination and inspections of City and private development projects to ensure compliance with building codes.
- The **Code Compliance Division** ensures compliance with the City Municipal Code. This function includes public education and outreach on existing laws and resolving code violations.

## 2019-2020 Initiatives and Accomplishments

- Updated the Title 15 Building and Construction Code
- Responded to County-issued COVID-19 protocols pertaining to construction activities
- Provided planning review and other services while adhering to shelter in place protocols
- Implementation of Council direction regarding beach fires, wireless communications, short-term rentals within the commercial district and parking in-lieu fees

## 2020-2021 Priorities

- Continued response to County-issued COVID-19 protocols for construction, restaurants, retail and hospitality
- Continued implementation of the Department's strategic plan
- Oversee affordable housing planning study in accordance with State SB 2 grant
- Finalize the Historic Context Statement update
- Adoption of: (1) an amended Accessory Dwelling Unit Ordinance; (2) a permanent Street Vending program and (3) residential and commercial zoning code amendments

## Budget Summary and Service Impacts

- Contract services will increase by \$149,000 in FY 20-21 due to the receipt of a \$160,000 State grant for affordable housing offset by other consulting services reductions such as the historic context statement.

# COMMUNITY PLANNING AND BUILDING

## Community Planning & Building

Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-115-20-41001	Salaries	\$836,636	\$831,233	\$761,984
101-115-20-41005	Overtime	\$0	\$367	\$0
101-115-20-41101	Retirement	\$40,923	\$37,650	\$38,847
101-115-20-41103	Deferred Compensation	\$7,200	\$6,400	\$7,200
101-115-20-41104	Health Insurance	\$112,684	\$116,829	\$134,650
101-115-20-41106	Medicare	\$12,213	\$11,547	\$11,049
101-115-20-41107	LTD/STD/Life	\$1,273	\$1,221	\$1,273
101-115-20-41108	Worker's Comp	\$39,109	\$31,966	\$28,935
101-115-20-41109	Benefits-MOU Obligations	\$14,560	\$14,561	\$14,560
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$1,064,598</b>	<b>\$1,051,773</b>	<b>\$998,498</b>
101-115-20-42001	Contract Services	\$49,816	\$44,025	\$198,950
101-115-20-42009	Advertising and Legal Notice	\$484	\$480	\$500
101-115-20-42015	Other Services	\$0	\$0	\$0
101-115-20-42101	Office Supplies	\$4,250	\$2,064	\$4,450
101-115-20-42102	Publications & Subscriptions	\$2,100	\$1,750	\$775
101-115-21-42106	Small Tools and Equipment	\$0	\$0	\$0
101-115-20-42107	Gas and Oil	\$1,200	\$867	\$1,560
101-115-20-42115	Other Supplies	\$687	\$687	\$1,000
101-115-20-42301	Training & Education	\$2,530	\$139	\$3,835
101-115-20-42302	Conferences & Meetings	\$10,315	\$8,177	\$6,650
101-115-20-42304	Dues & Memberships	\$4,263	\$3,950	\$4,580
101-115-20-42305	Mileage Reimbursement	\$150	\$0	\$300
101-115-20-42403	Printing	\$3,960	\$2,073	\$3,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$79,755</b>	<b>\$64,212</b>	<b>\$225,600</b>
	<b>Total</b>	<b>\$1,144,353</b>	<b>\$1,115,985</b>	<b>\$1,224,098</b>

# PUBLIC WORKS

## Description

The mission of the Public Works Department is to plan, design, construct, operate, and maintain public infrastructure, facilities, urban forest, and equipment that contribute to the health, safety, and well-being of the community, and do so in an efficient, cost-effective manner without detrimental effects on the environment. Public Works consists of five operating divisions with responsibilities as follows:

- **Administration Unit:** prepare Council reports and presentations, perform City engineering services, serve on the Traffic Safety Committee, and provide daily oversight of the five operating divisions.
- **Environmental Compliance:** enforce storm water quality state regulations, promote trash diversion goals, review development plans, inspect businesses and construction sites, coordinate with regional agencies, provide training, manage special environmental projects and provide public outreach.
- **Facilities Maintenance:** maintenance and repair of 20 City-owned buildings with 149,050 square feet, support capital projects, oversee janitorial contract and implement small construction projects.
- **Forestry, Parks and Beach:** staff the Forest & Beach Commission, maintain 8 municipal parks, Carmel Beach, shoreline pathway, and landscaped islands, manage 9,000 City trees, process tree removal and pruning permits, and oversee landscape maintenance services.
- **Project Management:** implement the Capital Improvement Plan, perform condition assessments and cost estimates, plan, design, inspect, and manage construction of capital projects, administer the public bidding process, and coordinate with consultants, contractors, utilities, and other departments.
- **Streets Maintenance:** maintain streets, sidewalks, and curbs, repair potholes, maintain storm drainage system, traffic signs, striping and pavement markings, provide street sweeping, coordinate repairs of City fleet, review encroachment permit applications, support City events, and emergency response.

## 2019-2020 Initiatives and Accomplishments

- Managed the design, bidding, and construction phases of the donor-funded, \$250,000 Harrison Memorial Library Meeting Room Project.
- Developed the City's first Storm Drain Master Plan, identifying bottlenecks and broken segments in the underground drainage system, and prioritizing repairs and future improvements.
- Coordinated the installation/conversion of 800 energy-efficient LED light fixtures in 7 City buildings, plus 17 LED safety streetlights, all at no cost to the City.
- Reconstructed Junipero Street, between Ninth and Twelfth Avenues, and slurry sealed 17 residential streets.
- Installed, with in-house resources, tree up-lighting and upgraded electrical systems along 5 Ocean Avenue median islands, as well as safety pathway lighting at the Sunset Center.

## 2020-2021 Priorities

- Update the City's Trash Ordinance, provide outreach on composting, and complete installation of 25 new trash and recycling cans in City parks plus 25 decorative metal trash and recycling cans in the downtown area, all funded by a \$120,000 CalRecycle grant.
- Complete the Facility Maintenance Plan for all City-owned buildings and facilities.
- Paint the exterior of the Harrison Memorial Library using in-house resources.
- Significantly reduce the dependence on outside tree service contractors by removing dead/diseased/infected trees, dead wood, stumps, pruning, watering, and other services using in-house resources.
- Update and streamline the Encroachment Permit process.

# PUBLIC WORKS

<b>Public Works Department Total</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-119-00-41001	Salaries	\$1,736,527	\$1,349,151	\$1,225,825
101-119-00-41005	Overtime	\$11,800	\$7,336	\$8,800
101-119-00-41101	Retirement	\$89,589	\$70,381	\$76,715
101-119-00-41103	Deferred Compensation	\$13,980	\$12,447	\$10,080
101-119-00-41104	Health Insurance	\$220,150	\$194,826	\$215,705
101-119-00-41106	Medicare	\$25,179	\$18,978	\$17,774
101-119-00-41107	LTD/STD/Life	\$2,909	\$2,410	\$2,055
101-119-00-41108	Worker's Comp	\$167,495	\$136,989	\$123,922
101-119-00-41109	Benefits-MOU Obligations	\$35,360	\$27,607	\$24,960
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$2,302,989</b>	<b>\$1,820,124</b>	<b>\$1,705,836</b>
101-119-00-42001	Contract Services	\$1,003,350	\$731,923	\$568,449
101-119-00-42009	Advertising and Legal Notice	\$1,000	\$435	\$1,000
101-119-00-42101	Office Supplies	\$10,000	\$1,673	\$6,000
101-119-00-42102	Publications & Subscriptions	\$2,500	\$1,540	\$2,825
101-119-00-42104	Safety Equipment and Supplies	\$8,000	\$7,450	\$8,000
101-119-00-42105	Materials and Supplies	\$217,864	\$128,142	\$100,500
101-119-00-42106	Small Tools and Equipment	\$2,500	\$856	\$750
101-119-00-42107	Gas and Oil	\$25,000	\$23,345	\$25,000
101-119-00-42202	Equipment Maintenance	\$5,000	\$3,637	\$5,500
101-119-00-42203	Vehicle Maintenance	\$46,000	\$26,097	\$41,000
101-119-00-42301	Training & Education	\$7,000	\$4,857	\$4,500
101-119-00-42304	Dues & Memberships	\$775	\$1,046	\$1,150
101-119-00-42403	Printing	\$500	\$0	\$400
101-119-00-42408	Permits and Licenses	\$9,500	\$9,501	\$9,500
101-119-00-42409	Rentals	\$2,350	\$1,353	\$2,250
	<b>Services &amp; Supplies Subtotal</b>	<b>\$1,341,339</b>	<b>\$941,856</b>	<b>\$776,824</b>
	<b>Total</b>	<b>\$3,644,328</b>	<b>\$2,761,980</b>	<b>\$2,482,660</b>

## Budget Summary and Service Impacts

- The number of service calls and online requests will not change, but staffing to address those requests will be reduced, resulting in less timely response.
- Contract services are reduced by \$434,000, or 43%, primarily due to tree maintenance being performed in-house, with less funding for contracts for tree services, except for emergencies and stump removal. Landscape services will focus on fire fuel reduction and health and safety as compared to beautification.
- In FY 20-21 materials and supplies were reduced by \$117,000 In FY 20-21 due to the completion of a grant for public litter containers. Traffic painting, marking and striping will occur every other year and purchases of pet waste disposal bags will be reduced and phased out by 50% in FY 20-21, allowing funding for tree planting materials.
- While the Climate Action Committee will continue, with support staffing by Public Works, there is no funding for a consultant to develop a vulnerability study for climate adaptation.

# PUBLIC WORKS

<b>PW Administration</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-119-40-42001	Contract Services	\$23,700	\$18,541	\$10,400
101-119-40-42009	Advertising and Legal Notice	\$1,000	\$435	\$1,000
101-119-40-42101	Office Supplies	\$10,000	\$1,673	\$6,000
101-119-40-42102	Publications & Subscriptions	\$2,500	\$1,540	\$2,825
101-119-40-42104	Safety Equipment and Supplies	\$8,000	\$7,450	\$8,000
101-119-40-42105	Materials and Supplies	\$217,864	\$128,142	\$41,500
101-119-40-42106	Small Tools and Equipment	\$2,500	\$856	\$750
101-119-40-42107	Gas and Oil	\$25,000	\$23,345	\$25,000
101-119-40-42202	Equipment Maintenance	\$5,000	\$3,637	\$5,500
101-119-40-42203	Vehicle Maintenance	\$46,000	\$26,097	\$41,000
101-119-40-42301	Training & Education	\$7,000	\$4,857	\$4,500
101-119-40-42304	Dues & Memberships	\$775	\$1,046	\$1,150
101-119-40-42403	Printing	\$500	\$0	\$400
101-119-40-42408	Permits and Licenses	\$9,500	\$9,501	\$0
101-119-40-42409	Rentals	\$2,350	\$1,353	\$2,250
	<b>Services &amp; Supplies Subtotal</b>	<b>\$361,689</b>	<b>\$228,475</b>	<b>\$150,275</b>
<b>PW Facilities</b>				
101-119-42-42001	Contract Services	\$342,100	\$309,380	\$268,949
101-119-42-42105	Materials and Supplies	\$0	\$0	\$35,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$342,100</b>	<b>\$309,380</b>	<b>\$303,949</b>
<b>PW Environmental Compliance</b>				
101-119-43-42001	Contract Services	\$ 148,900	\$ 48,492	\$ 89,100
101-119-43-42408	Permits and Licenses	\$ -	\$ -	\$ 9,500
	<b>Services &amp; Supplies Subtotal</b>	<b>\$ 148,900</b>	<b>\$ 48,492</b>	<b>\$ 98,600</b>
<b>PW Forest &amp; Beach</b>				
101-119-45-42001	Contract Services	\$488,650	\$355,510	\$200,000
101-119-45-42105	Materials and Supplies	\$0	\$0	\$24,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$488,650</b>	<b>\$355,510</b>	<b>\$224,000</b>

## Budget Summary and Service Impacts

- Contract services include funding for uniforms, janitorial services, facility repairs, water sampling and testing for stormwater compliance, tree services and landscape maintenance.
- Materials and supplies support facility maintenance, street and sidewalk repair and tree planting efforts.
- The budget for fuel and vehicle maintenance is \$66,000, on par with FY 19-20.

## Description

The Director of Public Safety/Police Chief manages the Public Safety Department and three distinct functions:

- The **Police Department** is responsible for law enforcement and crime prevention within the City. The mission of the Department is to protect and serve, with the primary responsibility of ensuring the rights of citizens and visitors to live in peace and safety. It also oversees the management and operation of the Emergency Operations Center; the Volunteers in Policing Program that assists with daily clerical activities, errands, public outreach and special events and the City Community Emergency Response Team of volunteers ready to assist the community during an emergency situation.
- The **Fire Department** is primarily responsible for saving lives and protecting property through the prevention and control of fires. The Fire Department has operated under a contract with the City of Monterey since 2012. The Public Safety Department manages the contract with the City of Monterey and is responsible for oversight of needed equipment and supplies.
- **Carmel Fire Ambulance** provides advanced life support ambulance service to the residents of Carmel-by-the-Sea. The ambulance is staffed by paramedic-firefighters and emergency medical technician-firefighters to provide front line medical emergency response and all-hazard response as a key component of the City's public safety services. The City of Monterey also provides administrative oversight of this function through a contractual agreement managed by the Public Safety Department.

## 2019-20120 Initiatives and Accomplishments

- In tandem with Public Works and IT, installed the security police cameras within the Village.
- Continued work on radio transition to digital with multiple testing and modifications to the system.
- Managed the fuel run/exotic vehicles that attempted to take over downtown during Car Week.
- Responded to a bomb scare at the Sunset Center during the Bach Festival, resulting the evacuation of 100's of people, the search of the premise and notification of surrounding residents.
- Completed the grant application for a CalOES grant to purchase an emergency generator.

## 2020-2021 Priorities

- Continue to assist the City Administrator with the implementation, monitoring and enforcement of COVID-19 protocols. Recover City COVID-19 expenses through federal and state resources.
- Review of public safety services and options to reduce costs with minimum impact to the community.
- Review of revenue generating options such as paid parking.

# PUBLIC SAFETY

## Budget Summary and Service Impacts

### Ambulance

- The FY 20-21 Budget decreases by \$102,00 due to partial staff vacancy and reductions in overtime and workers compensation insurance premiums. Contract services include station coverage by the City of Monterey as needed (\$170,000), ambulance billing (\$40,000) and regulatory oversight (\$55,000). Other major expenses include medical supplies (\$39,000), fuel and vehicle maintenance (\$24,000), safety equipment (\$10,000) and required training to maintain credentials (\$8,000).

<b>Ambulance</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-118-00-41002	Salaries -Safety	\$678,446	\$598,329	\$640,288
101-118-00-41006	Overtime -Safety	\$220,000	\$177,597	\$160,000
101-118-00-41007	Paid Call Firefighter	\$20,000	\$0	\$0
101-118-00-41009	Holiday in Lieu	\$61,906	\$63,744	\$58,460
101-118-00-41102	Retirement -Safety	\$89,154	\$76,393	\$88,642
101-118-00-41103	Deferred Compensation	\$1,800	\$2,933	\$4,350
101-118-00-41104	Health Insurance	\$80,855	\$64,044	\$112,013
101-118-00-41105	Social Security	\$0	\$233	\$0
101-118-00-41106	Medicare	\$13,107	\$11,950	\$12,500
101-118-00-41107	LTD/STD/Life	\$858	\$702	\$780
101-118-00-41108	Worker's Comp	\$67,095	\$54,875	\$49,641
101-118-00-41111	Uniform Allowance	\$3,600	\$3,000	\$3,300
<b>Salaries &amp; Benefits Subtotal</b>		<b>\$1,236,821</b>	<b>\$1,053,799</b>	<b>\$1,129,974</b>
101-118-00-42001	Contract Services	\$246,100	\$218,618	\$259,600
101-118-00-42101	Office Supplies	\$1,100	\$0	\$1,100
101-118-00-42103	Medical Supplies	\$39,150	\$30,517	\$39,150
101-118-00-42104	Safety Equipment and Supplies	\$10,000	\$4,956	\$10,000
101-118-00-42107	Gas and Oil	\$7,000	\$0	\$7,000
101-118-00-42201	Building Maintenance	\$5,000	\$0	\$1,500
101-118-00-42202	Equipment Maintenance	\$7,000	\$0	\$3,500
101-118-00-42203	Vehicle Maintenance	\$17,000	\$11,924	\$17,000
101-118-00-42301	Training & Education	\$7,800	\$1,455	\$7,800
101-118-00-42302	Conferences & Meetings	\$2,000	\$0	\$0
<b>Services &amp; Supplies Subtotal</b>		<b>\$342,150</b>	<b>\$267,470</b>	<b>\$346,650</b>
<b>Total</b>		<b>\$1,578,971</b>	<b>\$1,321,269</b>	<b>\$1,476,624</b>

# PUBLIC SAFETY

## Fire

- The FY 20-21 Budget increases by \$22,500 over the FY 19-20 Adopted Budget. Contract services include fire services provided to the Village by the City of Monterey (\$2.5 million) and dispatch services (\$30,000). It also includes a contingency as part of the fire “true up” with the City of Monterey for the cost of services rendered in FY 19-20 (\$49,000). Funding for a wildfire risk assessment is also included within the budget (\$20,000).
- The FY 20-21 Budget also includes funding for fuel (\$14,000) and vehicle maintenance (\$35,000) as Carmel is responsible for vehicle repair and replacement under the contract with Monterey.

<b>Fire</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-117-00-42001	Contract Services	\$2,586,495	\$2,625,282	\$2,611,495
101-117-00-42005	Community Promotions	\$500	\$0	\$500
101-117-00-42103	Medical Supplies	\$3,000	\$2	\$3,000
101-117-00-42104	Safety Equipment and Supplies	\$7,000	\$6,998	\$7,000
101-117-00-42107	Gas and Oil	\$14,000	\$15,780	\$14,000
101-117-00-42202	Equipment Maintenance	\$6,950	\$2,770	\$4,450
101-117-00-42203	Vehicle Maintenance	\$35,000	\$35,020	\$35,000
	<b>Total</b>	<b>\$2,652,945</b>	<b>\$2,685,853</b>	<b>\$2,675,445</b>

## Police

- The FY 20-21 Budget decreases by \$373,000 over the FY 19-20 Adopted Budget, primarily due to salary and benefit savings from defunding vacant positions (\$340,000). The Department will continue to focus on patrol and responding to public safety needs; however, tour bus and parking enforcement will be more challenging with vacant positions. The Department will be managing overtime with vacant positions, including exploring local and virtual training opportunities and decreasing participation in the regional violence and narcotics prevention team activities.
- The FY 20-21 Budget reflects a savings of \$34,000 in services and supplies over FY 19-20. Contract services include expenses critical to operations including dispatch, jail booking and animal services provided by Monterey County; body and surveillance cameras and associated software and maintenance costs and software for the license plate readers that are equipped within the patrol cars. Although there is a great deal of activity at the beach, the FY 20-21 Budget reduces funding for beach patrol assistance due to budgetary constraints.

# PUBLIC SAFETY

<b>Police</b>				
<b>Account Number</b>	<b>Account Description</b>	<b>FY19-20 Amended Budget</b>	<b>FY19-20 Estimated Actual</b>	<b>FY20-21 Recommended</b>
101-116-00-41001	Salaries	\$772,433	\$672,907	\$517,156
101-116-00-41002	Salaries -Safety	\$1,734,345	\$1,624,010	\$1,717,710
101-116-00-41006	Overtime -Safety	\$185,000	\$143,449	\$185,000
101-116-00-41009	Holiday in Lieu	\$137,714	\$117,027	\$128,289
101-116-00-41101	Retirement	\$45,088	\$35,695	\$38,636
101-116-00-41102	Retirement -Safety	\$279,868	\$265,608	\$293,267
101-116-00-41103	Deferred Compensation	\$12,240	\$14,190	\$16,440
101-116-00-41104	Health Insurance	\$377,682	\$361,136	\$383,078
101-116-00-41106	Medicare	\$41,571	\$41,703	\$37,398
101-116-00-41107	LTD/STD/Life	\$3,772	\$3,430	\$3,203
101-116-00-41108	Worker's Comp	\$243,533	\$199,178	\$180,179
101-116-00-41111	Uniform Allowance	\$37,440	\$32,320	\$30,960
	<b>Salaries &amp; Benefits Subtotal</b>	<b>\$3,870,686</b>	<b>\$3,510,652</b>	<b>\$3,531,316</b>
101-116-00-42001	Contract Services	\$259,800	\$257,954	\$245,500
101-116-00-42005	Community Promotions	\$2,050	\$987	\$2,050
101-116-00-42101	Office Supplies	\$8,300	\$4,733	\$7,500
101-116-00-42102	Publications & Subscriptions	\$915	\$915	\$915
101-116-00-42104	Safety Equipment and Supplies	\$13,350	\$10,501	\$8,950
101-116-00-42107	Gas and Oil	\$32,500	\$37,688	\$32,500
101-116-00-42201	Building Maintenance	\$5,000	\$109	\$1,000
101-116-00-42202	Equipment Maintenance	\$46,703	\$5,001	\$49,774
101-116-00-42203	Vehicle Maintenance	\$23,000	\$19,914	\$23,000
101-116-00-42301	Training & Education	\$14,450	\$15,566	\$1,750
101-116-00-42303	POST Training	\$600	\$600	\$5,000
101-116-00-42304	Dues & Memberships	\$2,400	\$835	\$1,450
101-116-00-42403	Printing	\$4,500	\$2,567	\$4,700
101-116-00-42404	Shipping/Postage/Freight	\$500	\$0	\$500
101-116-00-42405	Telephone and Communications	\$8,500	\$8,762	\$8,500
101-116-00-42415	Other Expenditures	\$10,000	\$1,537	\$6,000
	<b>Services &amp; Supplies Subtotal</b>	<b>\$432,568</b>	<b>\$367,667</b>	<b>\$399,089</b>
	<b>Total</b>	<b>\$4,303,254</b>	<b>\$3,878,318</b>	<b>\$3,930,405</b>

**DEBT SERVICE**

# DEBT SERVICE

## Description: Fund 401

Debt service includes payments for the Next Generation Radio Project, the Sunset Center, and the Pension Obligation bonds. These payments total \$1.2 million as shown in Table 1, *FY 20-21 Debt Service*, below.

**Countywide Radio Project:** On April 7, 2009, City Council authorized the City's participation in the Countywide Monterey County Next Generation Radio project (NGEN), including approving a pro-rata share of infrastructure costs and debt financing. The purpose of the project was to enhance communication among public safety agencies. The Certificate of Participation (COP), issued for \$381,440, matures on June 30, 2023.

**2010 Refunding Lease Revenue Bonds:** On September 10, 2010, City Council approved the issuance and sale of certificates to finance improvements at the Sunset Center (the Sunset Theater Project), including the refinancing of the City's lease payment obligation related to the preliminary financing of the Sunset Center. The COP was issued for approximately \$7.6 million and matures on November 1, 2031.

**2012 Taxable Pension Obligation Bonds:** In 2003, the City's pension plans were pooled with other small cities and agencies and the California Public Employees Retirement System (CalPERS) estimated the pension liabilities of the City's two pension plans exceeded assets by about \$6 million. CalPERS sought to realign assets with liabilities and created what was known as the "side fund." On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's outstanding side fund obligations to CalPERS, and subsequently, on November 15, 2012, authorized the sale of the COP. The COP was issued for approximately \$6.3 million and matures on June 1, 2023.

**Table 1: FY 20-21 City Total Debt Service**

Debt Service					
Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended	
401-411-00-44001	Principal	\$978,770	\$978,770	\$1,003,770	
401-411-00-44002	Interest	\$262,777	\$262,777	\$237,565	
401-411-00-44003	Administrative Fees	\$3,180	\$3,178	\$3,180	
<b>Total</b>		<b>\$1,244,727</b>	<b>\$1,244,725</b>	<b>\$1,244,515</b>	

**Table 2: FY 20-21 Debt Service by Bond**

FY 20-21 Debt Service				
Bond	Principal	Interest	Admin. Fee	Total
NGEN Radio	\$28,770	\$8,204	\$0	\$36,974
Sunset Center	\$335,000	\$171,663	\$2,015	\$508,678
Pension Obligation	\$640,000	\$57,698	\$1,165	\$698,863
<b>Total</b>	<b>\$1,003,770</b>	<b>\$237,565</b>	<b>\$3,180</b>	<b>\$1,244,515</b>

### Funding Sources

Measure C is projected to generate \$3.1 million in revenue in FY 20-21. From this anticipated revenue, \$1.2 million will be transferred to Debt Service to pay the service on these three bonds.

**OTHER FUNDS**

# FUNDS

## Description

The City uses a fund accounting structure, which is an accounting structure to record and track resources that are limited in use by law or governing agency. The major governmental funds are the General Fund, Measure D and Capital Projects. The first set of funds listed below are discretionary, meaning there are no legal or policy-related restrictions on their use and can be used at the discretion of Council for services and projects.

### **General Fund (Fund 101)**

Most of the City's revenues and the expenditure budgets for City services and daily governmental operations are housed within the General Fund (Fund 101) and this is where the majority of the City's financial activity occurs. The major revenue sources associated with the General Fund include property tax, the City's share of the statewide sales and use tax, charges for services, franchise fees, business tax, and intergovernmental revenue. These revenues are considered to be general in nature. Throughout this budget document the General Fund is also referred to as the Operating Budget.

### **Hostelry Fund (102)**

This fund is used to account for the transient occupancy tax and is intended to fund the portion of the municipal budget covering community and cultural and recreation activities including but not limited to Sunset Center and the Forest Theater, parks, public facilities and municipal structures, and parking lots; acquisition and improvement of parks, recreation land and other municipal purposes as determined from time to time by the City Council; provided, that all such uses shall be in accordance with the General Plan of the City and General Fund for usual and current expenses. City financial policy recommends a reserve of 10% of revenues.

### **Measure C Sales Tax (Fund 206) (Formerly Measure D)**

Carmel voters approved a temporary (10 year) 1% increase in the transactions and use tax in 2012 known as Measure D. On March 3, 2020, voters approved Measure C, which increases the tax to 1.5% for 20 years. Measure C may be used for debt service, capital projects and general City services.

The next set of funds are restricted as there are requirements prescribed by the local, state or federal governmental agencies regarding how these funds may be used.

### **Gas Tax (Fund 201)**

This fund is used to account for revenues collected in accordance with California Streets and Highway Code.

### **Transportation Safety (Fund 202)**

Measure X, a 30 year 3/8 of one-percent transactions and use tax, was passed by the voters in November 2016 to fund transportation safety and mobility projects in Monterey County. This fund accounts for the expenditures for eligible transportation safety projects.

### **COPS Grant**

This fund accounts for the expenditures for the Department of Justice Community Oriented Policing Services (COPS) grant for public safety. This fund transfers into the General Fund for the Police Department budget.

### **Parking in Lieu (Fund 204)**

This fund is used to account for activities associated with parking in-lieu fees as prescribed by Carmel Municipal Code Section 17.38.040.

### **Asset Seizure (Fund 205)**

This fund accounts for expenditures related to asset seizures.

# FUNDS

The next two funds pertain to certain types of expenditures.

## **Capital Projects (Fund 301)**

This fund accounts for resources utilized, committed, assigned or restricted for capital projects.

## **Debt Service (Fund 401)**

This fund accounts for activities related to the repayment of the Certificate of Participation, Pension Obligation Bond and capital lease obligations.

The next set of funds are considered to be internal service funds.

## **Workers Compensation (Fund 501)**

This fund accounts for workers' compensation insurance provided to departments on a cost reimbursement basis.

## **Other Post-Employment Benefits (OPEB) Liability Reserve Fund**

This fund accounts for other post-employment benefits.

## **Vehicle and Equipment Replacement Fund**

This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

There is one agency fund.

## **Refundable Deposits**

This fund accounts for monies received that are unearned and required to be returned by the City.

The accompanying tables depicts the Projected Fund Balance for FY 19-20 and FY 20-21.

## **General Fund**

The General Fund is estimated to start FY 20-21 with a fund balance of \$7.7 million, decreasing to \$6.7 million on June 30, 2021 due to the budgeted use of \$1.1 million in fund balance for operating expenditures. Fund balance is the accumulation of prior years' savings and may also be considered a "rainy day fund". Carmel Municipal Code Section 3.06.040 states that the City shall maintain a General Fund balance equivalent to at least 10% of the General Fund budget in each fiscal year and this is referred to as the reserve. A reserve may be considered as a minimum amount of savings that the City has available for emergency or other purposes.

## **Hostelry Fund**

The majority of the fund balance is anticipated to be used in FY 19-20, leaving about \$420,000 in the fund consistent with City financial policies that 10% of budgeted revenue be kept in reserves. FY 20-21 assumes \$2.5 million in new revenue will be transferred to the General Fund to support citywide operations.

## **Gas Tax (Fund 201)**

Revenue of \$146,000 is anticipated in FY 20-21. However, the funds will not be transferred to Capital Projects for street paving as capital projects are on hold in FY 20-21 due to budgetary constraints.

## **Transportation Safety (Fund 202)**

Revenue of \$183,000 is anticipated in FY 20-21. However, the funds will not be transferred to Capital Projects for street paving as capital projects are on hold in FY 20-21 due to budgetary constraints.

# FUNDS

## **COPS Grant**

Revenue of \$160,000 is anticipated in FY 20-21 and will be transferred to the General Fund for Police Department salaries for eligible positions.

## **Parking in Lieu (Fund 204)**

There is no activity budgeted in this fund for FY 20-21.

## **Asset Seizure (Fund 205)**

There is no activity budgeted in this fund for FY20-21.

## **Measure D Sales Tax (Fund 206)**

Measure D has a projected fund balance of \$225,000 as of 7/1/20. The FY 20-21 projected revenue of \$3.1 million will be transferred to the General Fund (\$1.9 million), and Debt Service (\$1.2 million). There is no reserve requirement for Measure C.

## **Capital Projects (Fund 301)**

Due to the timing associated with the completion of projects, as well as the curtailment of spending in March 2020, this fund is projected to start FY 20-21 with approximately \$374,000. No activity is budgeted in this fund for FY 20-21 due to budgetary constraints as the City is unable to meet the maintenance of effort requirement from its General Fund revenues toward street paving projects.

## **Debt Service (Fund 401)**

The FY 20-21 debt service is \$1.2 million. Additional details on the bonds is found within the debt service section of this document. This fund includes a reserve required by the Sunset Center bond.

## **Workers Compensation (Fund 501)**

Carmel Municipal Code Section 3.080.050 requires a reserve of \$250,000. There is currently \$605,000 in assets in this account. However, based upon the auditor recommendation, the potential claims are a liability and the net balance between the assets and liabilities is -\$61,000 as shown on the fund balance table., due to recent claims.

## **Other Post-Employment Benefits (OPEB) Liability Reserve Fund**

This fund was created by Council resolution to set aside funding to address OPEB liabilities. There is no reserve requirement. There is \$1.8 million in the fund and no planned activity for FY 20-21..

## **Vehicle and Equipment Replacement Fund**

Assets are capitalized within this fund and thus the fund balance reflects the net capital assets. Once the net assets are deducted from the projected fund balance, the available fund balance for use is closer to \$169,000. However, this is no planned activity in this fund for FY 20-21 due to budgetary constraints.

# PROJECTED REVENUE BALANCE

## Projected Fund Balance as of June 30, 2020

Fund	Description	<u>Audited Beginning Balance</u>	<u>Estimated Actual Revenue and Transfers In</u>	<u>Estimated Actual Expenditures and Transfers Out</u>	<u>Estimated Fund Balance June 2020</u>	<i>Change in Fund Balance</i>
101	General Fund	6,878,909.36	20,833,189.00	19,969,570.00	7,742,528.36 *	863,619.00
102	Hostelry	2,371,220.25	4,523,996.00	6,477,220.00	417,996.25 **	(1,953,224.00)
201	Gas Tax	926.08	143,367.00	106,558.00	37,735.08	36,809.00
	Transportation					
202	Safety	30,072.78	182,897.00	199,854.00	13,115.78	(16,957.00)
203	COPS	144,386.41	155,947.00	242,762.00	57,571.41	(86,815.00)
204	Parking in Lieu	725,828.00	-	-	725,828.00	-
205	Asset Seizure	920.77	-	-	920.77	-
206	Measure D	180,786.90	2,504,000.00	2,459,928.00	224,858.90	44,072.00
301	Capital Projects	362,034.18	1,040,780.00	1,028,934.00	373,880.18	11,846.00
401	Debt Service	301,703.43	1,244,727.00	1,244,725.00	301,705.43	2.00
501	Worker's Comp	31,332.82	-	92,567.00	(61,234.18)	(92,567.00)
502	OPEB Reserve	1,817,050.71	-	-	1,817,050.71	-
	Veh & Eq					
503	Replacement	<u>1,148,792.56</u>	<u>197,500.00</u>	<u>400,236.00</u>	<u>946,056.56</u> ***	<u>(202,736.00)</u>
	<b>Total</b>	<b>13,993,964.25</b>	<b>30,826,403.00</b>	<b>32,222,354.00</b>	<b>12,598,013.25</b>	<b>(1,395,951.00)</b>

\*General Fund includes \$2,118,623 Reserved Fund Balance (10% of GF budget per Municipal Code)

\*\*TOT Transfer out reduced to maintain fund balance (10% of revenue)

\*\*\*Veh & Equip includes \$780,145 of net fixed assets. Available funds total \$165,912.

# PROJECTED REVENUE BALANCE

## Projected Fund Balance as of June 30, 2021

Fund	Description	Estimated Fund Balance June 2020	Revenues and Transfers In	Expenditures and Transfers Out	Estimated Fund Balance June 2021
101	General Fund	7,742,528.36	17,426,268.00	18,489,395.00	6,679,401.36 *
102	Hostelry	417,996.25	2,488,198.00	2,488,198.00	417,996.25 **
201	Gas Tax	37,735.08	146,214.00	-	183,949.08
202	Transportation Safety	13,115.78	183,000.00	-	196,115.78
203	COPS	57,571.41	160,000.00	160,000.00	57,571.41
204	Parking in Lieu	725,828.00	-	-	725,828.00
205	Asset Seizure	920.77	-	-	920.77
206	Measure C	224,858.90	3,050,000.00	3,050,000.00	224,858.90
301	Capital Projects	373,880.18	-	-	373,880.18
401	Debt Service	301,705.43	1,244,515.00	1,244,515.00	301,705.43
501	Worker's Comp	(61,234.18)	-	-	(61,234.18)
502	OPEB Reserve	1,817,050.71	-	-	1,817,050.71
	Veh & Eq				
503	Replacement	<u>946,056.56</u>	=	=	<u>946,056.56</u> ***
<b>Total</b>		<b>12,598,013.25</b>	<b>24,698,195.00</b>	<b>25,432,108.00</b>	<b>11,864,100.25</b>

\*General Fund includes \$2,118,623 Reserved Fund Balance (10% of GF budget per Municipal Code)

\*\*TOT Transfer out reduced to maintain fund balance (10% of revenue)

\*\*\*Veh & Equip includes \$780,145 of net fixed assets. Available funds total \$165,912.

