



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

Mayor Dave Potter, Council Members Jeff Baron,
Karen Ferlito, Bobby Richards, and Carrie Theis
Contact: 831.620.2000 www.ci.carmel.ca.us

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

CITY COUNCIL SPECIAL MEETING Tuesday, May 18, 2021 4:30 PM

Governor Newsom's Executive Order N-29-20 has allowed local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. Also, see the Order by the Monterey County Public Health Officer issued March 17, 2020. The health and well-being of our residents is the top priority for the City of Carmel-by-the-Sea. To that end, this meeting will be held via teleconference and web-streamed on the City's website ONLY.

To attend via Zoom click [here](https://zoom.us/j/92419775033?)(or copy and paste the link into your browser); <https://zoom.us/j/92419775033?>, Meeting ID (if needed): 924 1977 5033, Passcode (if needed): 927702; or to attend via telephone, dial 1-669-900-9128

The public can also email comments to cityclerk@ci.carmel.ca.us. Comments must be received 2 hours before the meeting in order to be provided to the legislative body. Comments received after that time and up to the beginning of the meeting will be added to the agenda and made part of the record.

CALL TO ORDER AND ROLL CALL

PUBLIC APPEARANCES

Members of the Public are invited to speak on any item that does not appear on the Agenda and that is within the subject matter jurisdiction of the City Council. The exception is a Closed Session agenda, where speakers may address the Council on those items before the Closed Session begins. Speakers are usually given three (3) minutes to speak on any item; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Applicants and appellants in land use matters are usually given more time to speak. If an individual wishes to submit written information, he or she may give it to the City Clerk. Speakers and any other members of the public will not approach the dais at any time without prior consent from the Chair of the meeting.

ORDERS OF BUSINESS

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

1. Receive a presentation on the Fiscal Year 2021-2022 Recommended Budget and

provide direction to staff

ADJOURNMENT

This agenda was posted at City Hall, Monte Verde Street between Ocean Avenue and 7th Avenue, outside the Park Branch Library, NE corner of Mission Street and 6th Avenue, the Carmel-by-the-Sea Post Office, 5th Avenue between Dolores Street and San Carlos Street, and the City's webpage <http://www.ci.carmel.ca.us> in accordance with applicable legal requirements.

SUPPLEMENTAL MATERIAL RECEIVED AFTER THE POSTING OF THE AGENDA

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

SPECIAL NOTICES TO PUBLIC

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



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

May 18, 2021
ORDERS OF BUSINESS

TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Sharon Friedrichsen - Director, Contracts and Budgets
APPROVED BY:	Chip Rerig, City Administrator
SUBJECT:	Receive a presentation on the Fiscal Year 2021-2022 Recommended Budget and provide direction to staff

RECOMMENDATION:

Receive a presentation on the Fiscal Year 2021-2022 Recommended Budget and provide direction to staff.

BACKGROUND/SUMMARY:

The Fiscal Year 2021-2022 ("FY 21-22") Recommended Budget of \$25.3 million is submitted for Council's consideration. Proposed expenditures total \$25.3 million, which includes the General Fund operating budget (\$22.0 million), capital budget (\$2.3 million) and funding for debt service (\$883,000) and workers compensation (\$116,000). The FY 21-22 Recommended Budget is balanced, meaning that revenues are equal to expenditures. There is no planned use of General Fund prior years' savings (fund balance) to meet new expenditures.

The General Fund Operating Budget funds City departments, services and functions. With a budget of \$22.0 million, the General Fund accounts for 87% of the total citywide budget. The largest type of expenditure is related to staffing. Salary and benefits are approximately \$11.0 million, or 50% of the \$22.0 million operating budget. Salary and benefit costs include funding for an additional 7.73 full-time equivalent (FTE) positions compared to FY 20-21 to support daily citywide operations, capital projects and a phased reopening of City facilities (80.21 FTE total). Pension-related expenses are budgeted at \$2.8 million, or 13% of the General Fund, and include \$1.8 million for the City's annual unfunded accrued liability ("UAL") payment to CalPERS and \$1.0 million to implement pension mitigation strategies, such as funding a Section 115 Trust and/or making an additional payment to CalPERS. Together, these costs total 63% of the Operating Budget.

Another way to look at General Fund expenses is by department and function. Public Safety expenditures (Police, Fire and Ambulance) total \$8.6 million, or 39% of the Operating Budget, followed by Public Works with a budget of \$2.9 million, or 13% of the General Fund. Citywide expenditures total \$4.1 million, which includes \$2.8 million for pension as previously indicated, and other required operational expenses such as utilities, water and sewer assessments and property and general liability insurance. This represents 18% of the General Fund. Administration (\$2.1 million), Community Planning and Building (\$1.6 million) and Library (\$952,000) represent 10%, 7% and 4% of the General Fund budget respectively.

In addition, the FY 21-22 Recommended Budget includes \$2.3 million for capital projects and vehicle and equipment purchases, which represents 9% of the citywide budget. Capital outlay includes the following projects:

- Purchase of an ambulance and a police vehicle;
- Installation of a police radio antenna;
- The first year of a multi-year lease for police radios;
- Purchase of a generator for the Park Branch Library;
- Upgrade to computer servers;
- Sunset Center materials testing and window replacement;
- Annual paving project;
- Sidewalk repairs;
- Drainage repairs;
- Installation of wayfinding signs;
- Accessibility upgrades to City facilities;
- Library Master Plan;
- The first phase of digitization of property files for public access;
- North Dunes Habitat Restoration;
- Scenic Pathway Barrier Rails;
- Beach Sand Survey and Wall Inspections;
- Design of the Mission Trail Nature Preserve Stream Stability project; and
- Mission Trail Nature Preserve Well Decommissioning and Tank Removal.

The budget also includes \$883,000 for debt service payments on the City's three existing bonds and \$116,000 for workers compensation claim administration, potential claims and costs associated with the implementation of preventive measures.

As part of the May 18, 2021 meeting, staff will provide a detailed presentation regarding the operating budget by department and function, the capital budget and other expenditures and responses to any questions that staff may receive in advance of the meeting. The public is encouraged to submit questions pertaining to the budget to City staff by May 14, 2021.

The FY 21-22 Recommended Budget is balanced; however, additional operating and/or capital expenses will impact the budget. In particular, there are three policy options for Council to consider as part of the May 18, 2021 budget meeting, including:

1. Changes to service levels and staffing: In light of the pandemic, City staff have developed alternative methods to deliver services while adhering to COVID-19 related safety protocols. As various City facilities re-open to the public, the manner in which some services are currently delivered would also change. As such, Council may provide direction regarding the delivery of services and proposed hours of operations at City facilities, which may impact proposed staffing levels.
2. Changes to capital projects: Based upon the capital projects recommended for funding, City staff have developed the attached proposed FY 21-22 Capital Improvement Plan (CIP) Work Plan to help prioritize projects based upon current and proposed resources. While the FY 21-22 Recommended Budget includes funding for a capital projects manager, it will take time to recruit and hire for this position. This means that many of the proposed projects will be managed by existing City staff and other projects will be on hold until this position is filled. An increase in the total number of projects funded may result in some of the projects not being started in FY 21-22 and carried over to the next fiscal year based upon staff capacity as well as the potential complexity of the individual project.
3. Changes to other operating expenses: Any additional changes to the operating budgets of the

various City departments and functions would also impact the status of the budget.

FISCAL IMPACT:

The FY 21-22 Recommended Budget totals \$25.3 million. There is no fiscal impact associated with receiving a presentation on the FY 21-22 Recommended Budget. However, direction provided by Council may have an impact on the budget and planned expenditures for the upcoming fiscal year.

PRIOR CITY COUNCIL ACTION:

Council received presentations regarding the Five-Year Financial Forecast and Five-Year Capital Improvement Plan (CIP) on March 16, 2021. Council received a presentation regarding the FY 21-22 proposed capital projects on April 6, 2021 and the FY 21-22 Recommended Budget, inclusive of the capital budget, on May 4, 2021.

ATTACHMENTS:

Attachment #1- Budget Questions and Responses

Attachment #2-Budget Question #1- OPEB

Attachment #3-Budget Question #5- Library MOA

Attachment #4- FY 21-22 Recommended Budget

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1. **Question/Comment:** Please provide additional information related to Other Post Employment Benefits (OPEB) including the City's OPEB Reserve Fund.

Response: A short synopsis of the City's annual and long-term OPEB liabilities as well as information related to the City's OPEB Reserve Fund is attached for reference.

2. **Question/Comment:** The City Council may wish to consider budgeting for the cost of a grant writer within the Fiscal Year 2021-2022 operating budget.

Response: The City previously contracted with a grant writer in 2016 and paid \$75 an hour for assistance with grant writing, tracking the progress of grants in process and researching grant opportunities. Hourly rates for a grant writer can be much greater and in the range of \$100-200 an hour depending on the individual or firm's qualifications or negotiated as a flat fee per project or assignment.

One of the challenges in applying for grants is finding the appropriate grant opportunity that meets Carmel's needs and demographics. The majority of federal and state grants are intended to assist underserved communities and/or specific geographic locations. Most grants do not fund staffing, operational expenses or maintenance. In addition, many grants have a required match requirement, are reimbursement-based, have extensive reporting and auditing requirements and long-term maintenance and record keeping requirements. This means that the City must be selective in applying for grants and assessing whether the time and cost spent on applying for the grant (be it by staff or a grant writer) is likely to result in the City being awarded the grant, and, if the grant should be awarded, whether the City has the administrative and financial resources to comply with the grant requirements. It is worth noting that in recent years, staff have successfully obtained grants without the assistance of a grant writer for the construction of a beach restroom, Forest Hill Park playground equipment, MTNP Stream Stability project, purchase of recycling beverage containers, affordable housing studies, wildfire reduction work at MTNP, Police body cameras and radio antenna to cite a few examples.

3. **Question/Comment:** What is Carmel's assessed value? What does that translate into what we actually receive from the County?

Response: The assessed value of taxable property in fiscal year 2019-2020 was \$4,474,292,980. The City received \$6,414,384 in secured and unsecured property tax in fiscal year 2019-2020, which is 0.143% of the total assessed value.

4. **Question/Comment:** In thinking more about going forward and respecting the Dunes habitat...The city accepts donations and this is an already approved direction taken by the city, to restore the Dunes. Couldn't it be a supportive action for folks to donate for the purpose of weed abatement in that protected area? Non native plants are, then, weeds! Would thank you acknowledgements be available?

Response: Yes, the public has the opportunity to donate to the City and specify how they wish their donation to be used. City staff provide a donor acknowledgement form for all of the donations that are received.

5. **Question/Comment:** What roles do the Carmel Public Library Foundation (CPLF) and the Library Board of Trustees play in relation to the library and the City?

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Response: The CPLF was established to keep the library open, relevant and thriving and to ensure free library service in perpetuity by providing funding for 100% of the books, materials, programs, equipment and services. The CPLF has provided the library with \$291,000 in funds each fiscal year for the past 4 years for the library's operating budget. This is also supplemented by funds from the Friends of the Library.

The Library Board of Trustees is the governing body for the library charged with management of the library buildings and property, administration of library funds, approval of library policies, and the adoption of the library's annual budget. The Board of Trustees has a Memorandum of Agreement (MOA) with the City of Carmel wherein the City is required to provide a certain level of staffing and maintain the library facilities. The MOA is attached for reference.

6. **Question/Comment:** What is included within the contract line items for Forest, Parks and Beach Division?

Response: The FY 21-22 Recommended Budget includes \$160,000 for contract services as follows: \$5,000 for on call arborist and inventory software subscription; \$10,000 for on call landscaping services; \$20,000 for the Forest Management Plan, \$20,000 for debris removal and \$105,000 for tree-related services (tree and stump removal and tree watering).

7. **Question/Comment:** Does the City assume there will be salary savings due to the timing needed to recruit to fill positions and "budget" these savings?

Response: No, the City already assumes the time needed to recruit and factors this into the budgeted salary and benefit costs. In prior years, there were salary savings due to the number of vacant positions, which were close to 12 positions, that needed to be filled. In addition, during the recruitment process, the savings from the vacant staff position were used to offset the cost of continuing to provide the service, such as an underfill of the vacant position by existing staff, increased overtime by existing staff or the use of contract services in lieu of staff, such as using a private firm for contract building services or contracting with the City of Monterey to backfill ambulance vacancies. Since then, the City has not had such a high number of vacant positions. Rather, the FY 20-21 Adopted Budget decreased staffing levels and the adopted budget for salary and benefit costs included the reduced cost of salary and benefits. The time needed to recruit for any vacant positions were also factored into the overall salary and benefit costs. Similarly, the FY 21-22 Recommended Budget already factors in any savings due to the recruitment time and/or assumes the filling of a position later in the fiscal year in order to balance the budget, such as the two Librarian II positions budgeted for 9 months and the maintenance worker budgeted for 6 months of the fiscal year.

8. **Question/Comment:** How much funding is available within the Vehicle and Equipment Fund (VEF)?

Response: The Vehicle and Equipment Fund balance (available to spend) as of May 5, 2021 is \$171,514. However, this Fund is projected to end the fiscal year with a deficit of approximately \$44,000 based on authorized spending for various public safety and facility projects in April 2021. It is possible that the deficit may be even greater depending on installation costs for the Sunset Center Fire Pump project. The FY 21-22 Recommended Budget includes \$785,000 in new expenditures within this fund; offset by

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\$175,000 in revenue related to a federal grant for the radio antenna. Recognizing the need to replace the street sweeper and fire engine in the upcoming years, the FY 21-22 Budget allocates an additional \$385,000 to the VEF to address the projected shortfall in FY 20-21 and to increase the fund for future years. The Fund is projected to have \$314,322 available to spend for future projects at the end of June 30, 2022. This projection is contingent on the actual amount that will be spent in FY 20-21. The fund balance tables included within the FY 21-22 Recommended Budget have been revised since last year to reflect the amount of funding that is available to spend, rather than the total fund balance including the value of fixed assets.

9. **Question/Comment:** Why are some new projects and initiatives that are proposed to be funded within the operating budget included on the CIP Work Plan, but not all of them? Is there a list of all of the new projects being started by departments in FY 21-22?

Response: The majority of the proposed projects recommended for funding within either the Vehicle and Equipment Fund or the Capital Outlay Fund as part of the FY 21-22 Recommended Budget meet the definition of a capital project, which staff have defined as an asset with any single component or piece of equipment that costs more than \$10,000 and has an expected useful life exceeding 10 years. These projects include the Ambulance, Generator, Police Radio Antenna, Police Patrol Vehicle, Computer Servers, Paving and Sidewalk Project, and Drainage Repairs.

The Government Accounting Standards Board (GASB) also provides guidance regarding considering projects as fixed assets for assets that cost more than \$5,000 and have a useful life of 2 or more years; for building, land improvements and infrastructure that costs more than \$25,000; and for repairs to existing capital assets that extend the useful life of the asset and cost more than \$5,000. The Police Radios, Sunset Center Materials Testing and Windows, Scenic Pathway Barrier and the MTNP Well Decommissioning and Tank Removal projects meet this definition. The Wayfinding Signs may also meet this definition, depending on the cost of the signs. However, it is included as a capital project due to the complexity as it will require approval by the Planning Commission regarding design and location. ADA Upgrades may also meet this definition depending on the type of improvements that are made to City facilities. Portions of the North Dunes Habitat Restoration Project, such as signage and fencing, may also meet this definition while the biological monitoring and reporting is an operational expense. However, for consistency purposes, this multi-year project is included within the Capital Outlay Fund similar to prior years.

Staff have also included plans or studies that will make recommendations for future capital projects and ultimately result in building, land or infrastructure improvements as part of the capital program. These projects include the Library Master Plan, Beach Sand Survey and Wall Inspections and the MTNP Streambed Stability Projects. The Public Access to Digital Files project does not meet the capital projects definition. However, given the magnitude of the cost and workload effort, it is currently included within the Capital Outlay Budget. This project may be moved to the Operating Budget instead.

As part of the FY 21-22 CIP discussion, staff also presented to Council other potential projects and initiatives that did not meet the definition of capital projects. The intent was to provide transparency and receive initial feedback from Council regarding support for

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these projects given the dollar amount of the respective projects as staff began developing the operating budget.

The FY 21-22 Recommended Budget includes funding for several projects and initiatives, many of which are highlighted in the departmental narratives under the 2010-220 Priorities and Budget Summary sections. These include:

- \$12,000 for the retention schedule project (Clerk Division, Administration)
- \$15,000 for the Zoning and Design Guidelines Amendments (Planning)
- \$290,000 for housing planning studies (offset by grants) (Planning)
- \$20,000 for the Forest Management Plan (FPB Division, Public Works)
- \$10,000 for MTNP Tree Removal (Enviro Compliance Division, Public Works)
- \$7,000 for storm water ordinance (Enviro Compliance Division, Public Works)
- \$20,000 for the Wildfire Risk Assessment (Fire)

- 10. Question/Comment:** How much funding is in the current budget and the FY 21-22 Recommended Budget for beautification efforts? Is it possible to use “salary savings” to fund beautification efforts this year?

Response: The current budget does not include funding specifically for beautification efforts. The FY 20-21 Budget assumed a significant loss of revenue due to the economic impacts associated with COVID-19 and curtailed spending on operations and projects, including a reduction in the City's workforce. Operational budgets focused on providing essential public health and safety services. The FY 20-21 Budget reflects a decrease of 19.66 full-time equivalent positions compared to the prior fiscal year and assumed no salary savings as indicated in Question #7 above. There currently is minimal savings from services and supplies being under budget projected for the current fiscal year. If Council wishes to increase funding for beautification efforts this year, staff will need to be directed to prepare a budget amendment to increase the budget for these expenses, which would likely be offset by increasing the revenue projections.

The FY 21-22 Recommended Budget begins to restore service levels and does not include funding specifically for beautification efforts. As noted within Question #6, the Forest, Park and Beach Division budget includes \$10,000 for on-call landscaping, which is intended for mass weed whacking, urgent irrigation repairs, split rail fencing, and other maintenance activities. The Division's budget also includes \$24,000 for materials and supplies for such items as new trees, plants and shrubs, soil amendments, seed, fertilizer, and irrigation repairs/parts. Some of this funding may be used for small-scale beautification in areas where other work is being performed. The Capital Budget includes \$50,000 for the Scenic Pathway Barrier project, which would address safety as well as aesthetics regarding the railings and the appearance of the Pathway. Council will need to provide direction on whether to include funding for beautification and the amount and staff will provide options regarding how to fund this potential increase to the budget as part of the workshop.

- 11. Question/Comment:** Is the Fire Department able to enter private property for inspections regarding fire hazard abatement? Is there an opportunity to work with homeowners near the MTNP for fuel reduction activities as part of the wildfire resilience grant?

Response: The Fire department can only enter private property if there is an actual emergency or if the homeowner consents to them entering onto the property. In this

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Attachment 1

case, the Department would need an invitation or consent from a property owner to do the inspections. Yes, there are opportunities to work with the fire department to conduct inspections and residents can reach out directly to the fire department to schedule on site fuel reduction inspections. The fire department is constantly looking for grant opportunities to help mitigate the expense of fire services and the wildfire resilience grant is one of those options to help us achieve our goals of fuel load reduction in the City.

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Question #1 - Other Post Employment Benefits (OPEB) Synopsis

The purpose of this OPEB Synopsis is to provide an overview of the healthcare benefit the City provides to its retirees as well as a summary of the Other Post Employment Benefits (OPEB Fund) including its current and allowable uses.

Similar to other governmental entities, the City of Carmel-by-the-Sea offers benefits to its employees in an effort to attract and retain a quality workforce. Some of these benefits are utilized once an employee retires. First, the City provides a defined pension plan through the California Public Employees' Retirement System (CalPERS) for all full-time employees as part of their total compensation package. Second, the City offers access to lifetime healthcare to eligible employees (and their dependents) after retirement. According to the Government Accounting Standards Board (GASB), Other Post Employment Benefits (OPEB) are benefits, *other than pension*, that governments provide to their retired employees, which may include healthcare, life insurance, disability and other services.

City employees are eligible to retire and to receive City-paid healthcare benefits based upon age and years of service. Specifically, an employee is eligible to retire at age 50 (or age 52 for Miscellaneous PEPRA employees) and with 5 years of service. The City is considered to be a single-employer defined benefit healthcare plan. A defined benefit plan specifies the benefits that employees will receive after employment, as compared to a defined contribution plan that states the amount that is required to be contributed to an active employee's account each year.

Retirees and their surviving spouses are eligible to enroll within the same medical plans as the City's active employees. The City does not provide dental or vision benefits to its retirees. However, once a retiree becomes eligible for Medicare, the retiree must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

The City contributes toward the cost of medical plans for its current active employees, as well as toward the cost of medical plans for its retirees. Retiree medical benefits are provided through the California Public Employees' Retirement System Healthcare program (PEMHCA). Contributions toward retiree health benefits are determined under the "equal contribution method" under PEMHCA, whereby the contribution is 100% of the City's statutory minimum contribution for active employees.

Currently, there are 41 retirees that receive healthcare benefits. In calendar year 2021, the minimum contribution is \$143 per enrolled retiree per month. The minimum contribution changes on January 1 of each year with the average increase being \$3 per enrolled retiree per month. The payment is made to CalPERS by the 10th of each month, along with the payment for active employees.

Annual retiree healthcare costs are included within the City's adopted operating budget. The Fiscal Year 2021-2022 Recommended Budget includes \$79,980 within the General Fund line item account entitled "Retiree Health Share" located within the Citywide (Non-Department) function (page 29 of FY 21-22 Recommended Budget book). This amount is \$7,500, or 10%, more than the Fiscal Year 2020-2021 Adopted Budget due to an increase in the contribution amount and additional retiree enrollment. This expense is funded by general purpose revenues.

In order to provide transparency on the resources needed to meet a governmental entity's OPEB commitments, GASB has issued various statements over the years on this subject. This guidance includes a requirement that governments report their financial obligation for these benefits as a liability within their annual financial statements. Thus, the City's financial statement includes both the annual cost of retiree healthcare contributions as well as a

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calculator on its long-term OPEB obligations. Similar to pension liability, the OPEB liability is calculated based upon certain actuarial assumptions as explained within more detail on pages 79-82 of the City's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2020. The City's OPEB liability as of June 30, 2020 is calculated at \$4.6 million.

However, unlike the City's pension liability in which an annual unfunded accrued liability (UAL) payment is made to CalPERS, there are no annual payments required to be made toward the OPEB liability. Nor is there any statutory requirement to fund OPEB liability. Moreover, the question on whether OPEB should be represented as a liability within a government's financial statement has been subject to debate. On one hand, some governments contend that they have the ability to stop providing these benefits; the benefits may not be legally binding or contractual obligations; and/or the benefits or an employee's eligibility to receive the benefits are subject to change. Conversely, from GASB's perspective, if a commitment to provide OPEB was in place as of the date of the financial statement, then a government has an OPEB obligation that constitutes a liability in terms of financial reporting.

In 2007 the City Council established the OPEB Reserve Fund to provide a reserve for post employment benefit liability exposure. It was funded with an initial \$1 million and has since grown to approximately \$1.4 million, due to accumulated interest since the fund was first established.¹ The annual cost of retiree healthcare is an eligible use of the OPEB Fund. However, there has not been an activity within this Fund since its inception.

Similar to the current discussions by Council regarding pension, there may have been a desire by prior Council to establish an OPEB Trust. In 2007, CalPERS launched the California Employers' Retiree Benefit Trust (CERBT) to pre-fund OPEB. Currently there are approximately 580 public employers participating in the CERBT program. Since then, some governmental entities have established trusts to fund pension liabilities or have expanded the scope of existing OPEB trusts to fund both OPEB and pension liabilities.

In accordance with Council direction provided on March 2, 2021, the Fiscal Year 2021-2022 Recommended Budget includes \$1 million for pension mitigation strategies. This funding is included within the General Fund Operating Budget within the line item account "PERS Unfunded Accrued Liability Payment" (labeled as "Pension Mitigation Options" within the budget book display) housed within the Citywide (Non-Department) function (page 29 of FY 21-22 Recommended Budget book). However, the \$1 million for pension mitigation may be transferred into either the existing OPEB Reserve Fund or into a newly created pension liability reserve fund.

Council has the option to expand the use of the OPEB Reserve Fund to include pension liabilities by adopting a resolution that modifies the name and purpose of the OPEB Reserve Fund. Alternatively, Council may adopt a resolution that creates a new and separate pension liability fund (PERS Reserve Fund) and decide to use all, some or none of the current OPEB Fund balance toward the PERS Reserve Fund. Under this scenario, the City would then have two internal funds; one to be used for OPEB liabilities and the second to be used for pension liabilities. As there are no requirement payments to be made toward the unfunded OPEB liability, Council may use the current OPEB funds to pay annual retiree healthcare costs, to

¹ The OPEB Reserve Fund also includes \$416,000 specifically set-aside to address liabilities associated with the payment of employee sick leave upon termination, and accumulated employee sick leave and vacation upon retirement. This is known as the Benefit Liability Fund, which was created in 1994. There is no minimum reserve requirement for the Benefit Liability Fund.

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establish an OPEB Trust, or to hold the funds internally to be used in the future, as is the current practice. These options are not mutually exclusive. If the existing OPEB Reserve is modified to include pension liabilities, then the existing funding, in addition to the proposed \$1 million in new funding, may be used in total, or in part, to establish a Section 115 trust, to make additional payments to CalPERS to buy down the unfunded accrued liability payment; or to hold internally for future use to address these liabilities. Again, these options are not mutually exclusive.

**MEMORANDUM OF AGREEMENT
BETWEEN HARRISON MEMORIAL LIBRARY BOARD OF TRUSTEES
AND THE CITY OF CARMEL-BY-THE-SEA**

The parties seek to solidify their longstanding and mutually beneficial relationship by entering into this Memorandum of Agreement ("Agreement") which supersedes the agreement between the parties dated June 2, 1987 and amended April 9, 1992. The Harrison Memorial Library Board of Trustees ("HML") and the City Council of the City of Carmel-by-the-Sea ("City") agree to the following:

1. **PURPOSE.** The purpose of this Agreement is to define the respective powers and duties of the parties with respect to the control, operation and funding of the Harrison Memorial Library main building and Park Branch, in light of the provisions of Chapter 5, Part 11, Division 1, Title 1 of the California Education Code.

2. **POWERS AND DUTIES OF THE PARTIES.** Except to the extent this Agreement explicitly assigns specific powers and duties to HML or the City, each party shall have those powers and duties assigned to it by Education Code § 18900 - 18965. Provided, however, the parties further agree as follows:

A. Capital Improvement, Maintenance. City shall continue to pay for reasonable and necessary maintenance services and capital improvement funding for the Harrison Memorial Library main building and Park Branch. For the purposes of this sub-section "maintenance" shall include custodial and grounds-keeping services and the provision of necessary supplies for on-going operation of the library.

Capital improvements and maintenance for the library facilities will be budgeted and paid for by City as needed as part of the annual City budget. An estimate of these needs includes:

1. Painting, exterior and interior, every ten years;
2. Carpets, replace every ten years, and repair/clean as needed;
3. Wooden furniture, refinish every ten years, and repair/clean as needed;
4. Upholstered furniture, recover every ten years, and repair/clean as needed;
5. Equipment (e.g., air conditioning, furnace, lights, and other fixed assets) and supplies intended for ongoing consumption such as janitorial and restroom supplies; and the like, to be provided on an as needed basis.

B. Personnel Costs. The parties acknowledge that all Library personnel are employees of City. The City shall continue to fund all personnel costs associated with operating the libraries at service levels which meet the public use needs of the libraries as defined by HML ("service level needs"). Personnel costs include salaries, benefits, cost-of-

living and union negotiated increases. The parties agree that current service level needs are:

1. Eight full time positions, four of which require Masters of Library Science (defined as one Library Director and three Librarian II positions);
2. Seven part time positions, three of which require Masters of Library Science (defined as Librarian I positions); and
3. Six on-call Library Assistants to cover for illness and vacations.

C. Service Level Determination. If HML determines that the service level needs of the libraries require additional positions beyond those described above and if City has funds available to pay for such positions, City shall fund the additional positions. If City does not have funds available to pay for such additional positions, HML may develop private funding sources for same, and provide restricted funds to City for use solely to add the personnel positions required by HML. Such private funds shall only be used to pay for additional library personnel and shall not be used by City for any other purpose. It is understood that such private funds shall only be used to augment City funding and shall not be applied to cover personnel costs that City is obligated to pay pursuant to the service level needs agreed to above.

D. Additional Funding from Non-public Sources. HML shall continue to use its reasonable best efforts to develop funding through charitable donations, whether from the Carmel Public Library Foundation or other sources. As set forth in Section 2C, above, such additional funding shall supplement, not replace, funding provided by City for capital improvements, maintenance, and operational needs of the libraries including personnel costs, and City shall not decrease or withdraw its funding as a consequence of the development of private funding.

3. **FINANCIAL EMERGENCIES**. The parties understand that fiscal emergency situations may arise which require the City to lay off City employees and cut services. Should such a fiscal emergency occur which requires the City to lay off City employees and cut services, the impact upon library services of such lay-offs and cuts shall be no more severe, in kind and quantity, than upon any other City service not involving police or fire suppression. In such circumstance, HML may provide private funding, on a temporary basis, by providing restricted funds to City to be used solely for the purposes specified by HML in connection with library operations. If private funding is provided it shall not relieve City of its obligations to properly staff and maintain library services and buildings as set forth in Section 2, above, and shall only be provided by HML to maintain library service levels during fiscal emergency situations.

4. **LIBRARY PROPERTY**. The HML Park Branch building and all land surrounding it, including landscaping, driveways, reserved library staff parking (four (4) marked spaces), walkways, etc., will be preserved for library uses, under the management, supervision and control of HML. HML acknowledges that the current nineteen marked public parking spaces and travel lanes to the nineteen designated spaces shall continue to be used for public parking purposes.

5. **RESERVED LIBRARY STAFF PARKING.** Four (4) parking spaces at the HML Park Branch shall be reserved for use by library staff. If possible, City shall also set aside six (6) reserved parking spaces for patrons and three (3) reserved parking spaces for library staff that are conveniently located for use by library patrons and staff near the Harrison Memorial Library main building.

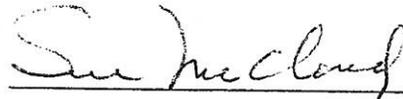
6. **TERM.** This Agreement shall remain in full force and effect so long as City has public libraries pursuant to Chapter 5, Part 11, Division 1, Title 1 of the Education Code; provided, however, that each three years hereafter the parties shall meet and confer regarding the need (if any) to amend this Agreement.



President, Board of Trustees
Harrison Memorial Library

April 23, 2008

Date



Mayor
City of Carmel-by-the Sea

April 18, 2008

Date

CITY OF CARMEL-BY-THE-SEA
CITY COUNCIL

RESOLUTION NO. 2008-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE
SEA ENTERING INTO A NEW MEMORANDUM OF AGREEMENT WITH THE
HARRISON MEMORIAL LIBRARY BOARD OF TRUSTEES

WHEREAS, in 1992 the City Council and the Harrison Memorial Library Board of Trustees entered into a Memorandum of Agreement regarding maintenance, operation and capital improvement costs; and

WHEREAS, the parties seek to revise said Agreement and to make it current with actual practice and conditions and to include provisions for developing private funding to augment current service levels;

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA DOES:

1. Approve the attached Memorandum of Agreement.
2. Authorize the Mayor, on behalf of the City, to execute the Memorandum of Agreement

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA this 3rd day of April, 2008, by the following roll call vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS

SIGNED:

SUE McCLOUD, MAYOR
City of Carmel-by-the-Sea

ATTEST:

Heidi Burch
City Clerk

2021/2022

Attachment 4

RECOMMENDED BUDGET

CARMEL-BY-THE-SEA



**CITY OF CARMEL-BY-THE-SEA
P.O. BOX CC
CARMEL-BY-THE-SEA, CA 93921
TELEPHONE: 831.620.2000
WWW.CI.CARMEL.CA.US**

CITY COUNCIL

DAVE POTTER, MAYOR
BOBBY RICHARDS, MAYOR PRO TEMPORE
CARRIE THEIS, COUNCILMEMBER
JEFF BARON, COUNCILMEMBER
KAREN FERLITO, COUNCILMEMBER

CITY ADMINISTRATOR
CHIP RERIG

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INTRODUCTION

30 April 2021

Honorable Mayor Dave Potter,
City Councilmembers and
Community Members

In accordance with Carmel Municipal Code Section 3.06.020, I present the proposed operating and capital budget for the upcoming fiscal year to the City Council and community. The Fiscal Year 2021-2022 Recommended Budget balances and limits planned expenses (uses) to meet proposed revenues (sources). This represents my seventh budget as the City Administrator and, one year after the emergency of the coronavirus pandemic, continues my ongoing commitment to rebuilding the foundation of our City and enterprise.

Over the course of the last several years, we have enhanced services, strengthened internal operations and achieved progress toward investing in our critical infrastructure, addressing deferred facility maintenance needs and supporting multi-year funding to protect and preserve our natural resources. With the support of the community, we ensured the sustainability of one of our economic pillars through the passage of Measure C, which guarantees a local 1.5% sales tax for the next twenty-years. Much of our collective good work came to a stop when the coronavirus pandemic emerged and affected the City financially.

However, City services, while greatly diminished through the loss of staff, continued. Over the past year, City staff have worked tirelessly and collaboratively to protect the public health and safety of the community while supporting its economic and social vitality. The pandemic required staff to find alternative ways to deliver services, to respond to constituent issues and to engage the community with decreased resources and in accordance with COVID-19 protocols. In addition to responding to the pandemic, City staff also provided extraordinary service in responding to other community emergencies and implemented many Council-directed projects, as illustrated within the departmental pages of the budget book. The City is fortunate that community members donated their time and money to assist the City during the pandemic through such efforts as maintaining median islands, caring for the Scenic Pathway landscaping and undertaking projects at the Forest Theater, Devendorf Park and Vista Lobos. Long-standing partnerships with City support groups continued to flourish, and a unique public/private partnership with Carmel Cares blossomed.

While the coronavirus and its associated impacts to City finances and operations are ongoing, the FY 21-22 Budget begins to rebuild staffing to support daily operations, to phase-in the re-opening of City facilities and to oversee capital projects. To maintain continuity of operations, staff utilized technology and developed other solutions to conduct virtual meetings, to respond to community needs remotely and to allow curbside pick-up of library books and materials. The embracing of technology, use of the 'virtual' environment, and the re-examining of service delivery methods pre-pandemic to increase efficiencies and customer service, are central components of the budget.

FY 21-22 Recommended Budget at a Glance

<i>FY 21-22 Recommended Revenues</i>	<i>\$25,319,177</i>
FY 21-22 General Fund Operating Expenditures	\$21,995,783
FY 21-22 Capital Outlay Expenditures	\$2,324,580
FY 21-22 Debt Service	\$882,656
FY 21-22 Workers Compensation	\$116,158
<i>FY 21-22 Total Expenditures</i>	<i>\$25,319,177</i>

The FY 21-22 Recommended Budget totals \$25.3 million in planned expenses, which consists of \$22.0 million for the General Fund Operating Budget. In comparison, the FY 20-21 Adopted Operating Budget totaled \$18.4 million. The primary reasons for the proposed increase of \$3.5 million include:

- Staffing cost increase of \$1.4 million due to negotiated salary adjustments and other step increases for existing staff, increased healthcare, retirement and other benefits and funding for 7.73 restored full-time equivalent positions for a total of 80.21 FTE
- Pension mitigation funding of \$1 million as well as a \$235,000 increase in the City's required unfunded actuarial liability payment to CalPERS
- Services and supplies increases of \$900,000, which includes a new one-time expense for consultants for grant-funded affordable housing studies (\$290,000) as well as increased costs for fire services (\$178,000), Sunset Center (\$173,000), and legal (\$100,000) services. The budget also includes funding for supplemental facility maintenance (\$45,000), tree management (\$30,000), forest management planning (\$20,000), wildfire risk assessment (\$20,000), the retention schedule project (\$12,000) and an update to our storm water ordinance (\$7,000).

Staffing and Service Levels:

Of the \$22 million in expenses, approximately \$11 million, or 50%, pays for staff salary and benefits. Personnel costs include the restoration of 7.73 full-time equivalent (FTE) positions. The positions include:

- 1.23 FTE restored within City Administration for increased IT part-time assistance needed to support virtual meetings, remote IT capabilities and other requests; increased part-time support for payroll and other financial activities to strengthen internal controls and continuity of operations and increased counter and other customer service support related to the re-opening of City Hall. The latter position will also provide administrative support to the Police Department (0.25 FTE) and Public Works (0.25 FTE) and is an example of a centralized shared resource to achieve cost savings.
- 2.0 FTE restored in Public Works, including the restoration of a capital projects manager and a maintenance worker while Police staffing includes the restoration of 1.0 FTE police services officer.
- 3.0 FTEs restored in Library to facilitate the continuation of the curbside pickup program as well as to support the gradual re-opening of library branches, estimated at approximately 20 hours a week for each branch library.

Pension Mitigation

The California Public Employees' Retirement System ("CalPERS") is the largest pension fund in the country and manages investments for nearly 2 million members on behalf of the State, schools and various public agencies. The City is a public agency member of CalPERS and has two primary CalPERS plans, one for its miscellaneous members and one for safety. Together the City's plans represent approximately 260 covered members, which includes approximately 74 active members, based upon the most recent actuarial data.

As a member agency, the City makes two types of payment to CalPERS: (1) the annual cost for current employees ("normal cost") and (2) the unfunded accrued liability ("UAL"). The UAL is the actuarial liability less the actuarial value of the assets. In other words, the UAL is the difference between the amount CalPERS needs in order to pay for retirement benefits when people retire compared to the amount that CalPERS currently has on hand to pay for the estimated costs of the retirement benefits. Ideally, this ratio is 100%; however, the current funded status is 67.4% for safety and 71.5% for miscellaneous members. *As a result, the City's projected UAL is \$24.7 million as of 6/30/2021.*

Over the last decade, the City has used a combination of strategies to help mitigate the costs associated with pension liability. These strategies have included the issuance of pension obligation bonds; negotiating employee contributions toward the employer's cost of pensions; and prepaying the annual UAL payment to reduce the amount of interest paid to CalPERS. More recently, City Council has been exploring additional strategies to address rising pension costs including using cash reserves to *either* fund a Pension Rate Stabilization Program (e.g. Section 115 Trust) dedicated to pension and/or other post-employment benefit costs *and/or* making a lump sum payment to CalPERS to pay down the UAL.

The Recommended Budget includes \$1.8 million for the City's required fiscal year 2021-2022 UAL payment. Based upon Council direction from the March 2, 2021 City Council meeting, the budget includes \$1.0 million to implement pension mitigation strategies. At this time, the \$1.0 million is included within the General Fund, although transferring the funding to a designated reserve fund is also an option that will be part of the forthcoming budget adoption hearing.

Capital Outlay

The FY 21-22 Recommended Budget includes \$2.3 million for Capital Outlay. It prioritizes public safety response capabilities through enhanced radio communications. The budget funds the purchase of a new ambulance and Police patrol car. In addition, it allocates funding of \$111,000 in total for both an IT infrastructure to help ensure continuity of citywide operations and for the first phase of a Planning-led project for public access to property files to improve customer service and operational efficiency.

Recognizing the deferred capital needs of our facilities, the budget includes funding for facilities, including window repairs at the Sunset Center and the development of a Library Master Plan. The budget recommends investing in both the City's hardscape of streets, sidewalks and storm drains as well as our "green" infrastructure. These projects include both the Mission Trail Nature Preserve (MTNP) Stream Stability project and the Well Decommissioning and Tank Removal project. In terms of the beach and shoreline, the budget recommends funding for Carmel Beach sand surveys and shoreline armoring inspections, North Dunes Habitat Restoration and the Scenic Pathway barriers project.

The Scenic Pathway in particular is one of the Village's endearing assets, in terms of both its natural beauty and its ability to promote community involvement and partnership between the City and its residents whom have volunteered time and money to be stewards of this resource. Likewise, many other volunteers, support groups and organizations are instrumental in caring for the North Dunes, the Carmel Beach and the MTNP through such efforts as beach cleanup days, weed pulls and invasive plant eradication efforts.

Other Expenditures

The FY 21-22 Recommended Budget also includes \$883,000 for Debt Service and \$116,000 for the Workers Compensation Fund. Debt service includes funding for the Countywide Monterey County Next Generation Radio project (NGEN), the Sunset Center 2020 Refunding Lease Bond and the 2012 Pension Obligation Bond. The FY 21-22 Budget reflects temporary savings associated with making the interest only payment on the Sunset Center bond for fiscal year 2021-2022. The payment for the bond will increase to approximately \$500,000 in future years until the bond matures in 2032. Debt service also includes payment for the pension obligation bond (POB). In 2013, Council authorized the issuance of the POB to refinance the City's outstanding pension liabilities. The bond matures on June 1, 2023. While the City incurs costs associated with workers compensation, these expenses typically are included within the General Fund. The FY 21-22 Budget utilizes the City's existing fund structure and allocates \$116,000 to the workers compensation fund as a way to better align expenses and to budget for the cost of potential claims. The budget also includes funding for preventive measures, such as ergonomic equipment and evaluations.

Policy Options and Balancing Short and Long-term Needs

The ability to bring back services and provide them in a similar manner as prior to the pandemic is possible due to the projected recovery of the City's major revenue sources. However, we must be cautious as we develop plans to phase in the re-opening of City facilities, re-think services and re-invest in capital projects.

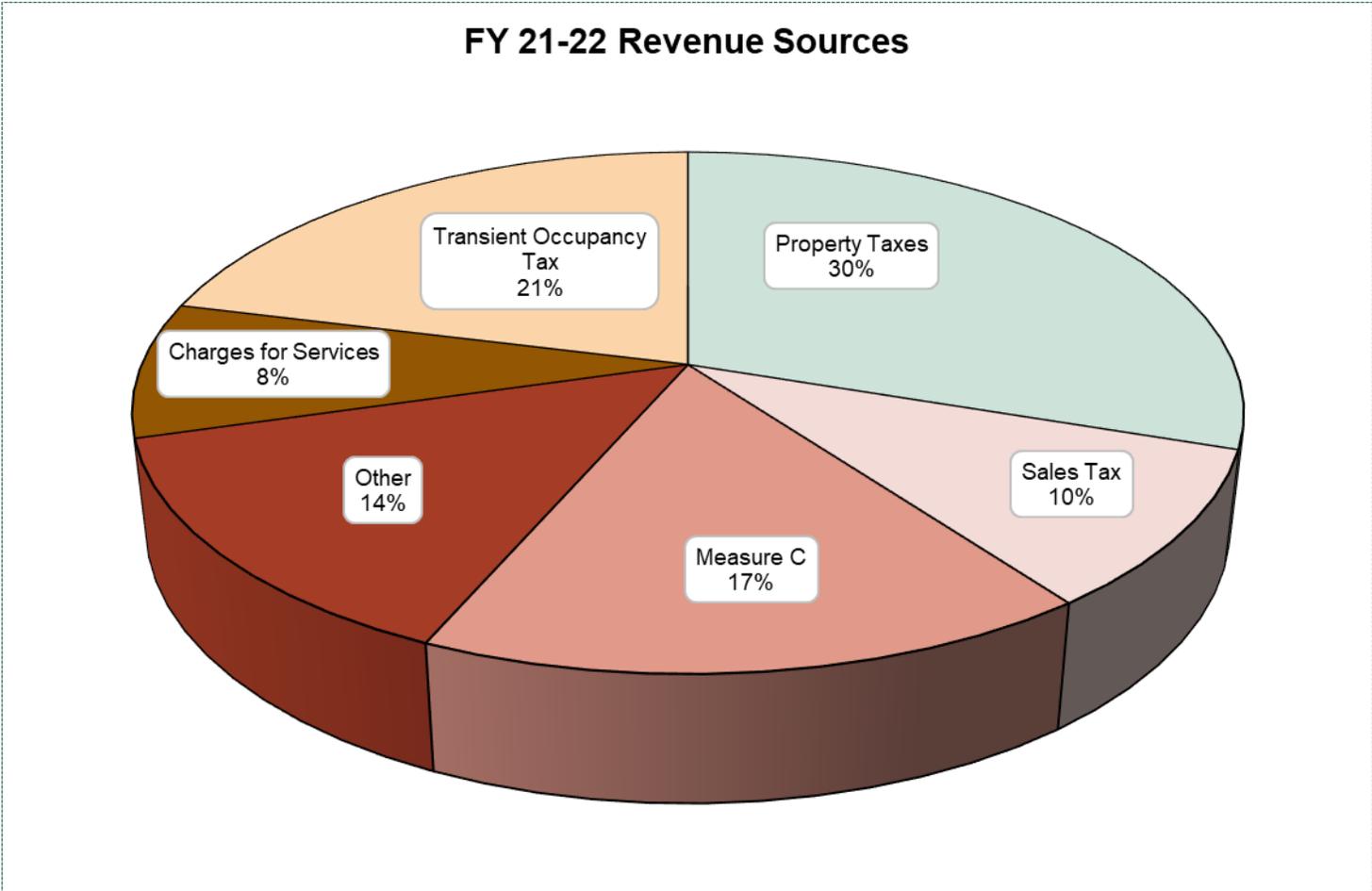
Although we are anticipating ending the current fiscal year with a surplus, the pandemic illustrated the criticality of having sufficient reserves to buffer against the unexpected. For example, our projected fiscal year-end surplus of \$1.6 million is largely due to transient occupancy tax outperforming our budgetary expectations. We anticipate the FY 20-21 TOT revenue will be \$1.5 million more than budgeted; interestingly the FY 19-20 TOT revenue was \$1.7 million less than planned due to the pandemic, again demonstrating the need to have adequate savings on hand. In addition, the FY 21-22 budget assumes that our sales tax and transient occupancy tax start to rebound. However, the financial forecast indicated that it would take several years for these revenues to return to pre-pandemic levels of performance. While the return of revenues is uncertain, there is a greater degree of certainty with the City's expenditures, including its unfunded pension liability. The UAL payment of \$1.4 million in FY 19-20 increases to \$2.5 million in FY 25-26, illustrating the significance of this liability. One strategy to address this increase is to re-direct revenues from services and projects to the UAL payment on an annual budgetary basis. An alternative option sets aside funds now for future pension needs. Based on Council direction, this budget recognizes the difficult choice of making short-term funding decisions regarding services and projects, and includes funding for pension mitigation to help address the City's long-term financial stability.

As we [again] begin to rebuild our organization, I wish to acknowledge the collaboration by my department heads in putting forth pragmatic budgets to prioritize limited resources and develop alternative ways to best serve our community. I also extend my appreciation to my Finance team for stewarding the budgeting process. I look forward to Council's guidance and leadership as we work to adopt a budget that funds services and projects for our community while also balancing fiscal sustainability.

Respectfully submitted,

Chip Rerig
City Administrator

The FY 21-22 Recommended Budget includes \$25.3 million in new revenue. As illustrated in the chart below, *FY 21-22 Revenue Sources*, property taxes are the leading source of revenue, accounting for 30% of the budgeted revenue. With an expected increase in visitors, transient occupancy tax represents 21% of budgeted revenue, as compared to 13% in FY 20-21. Sales tax, including the local Measure C, contributes 27% followed by other miscellaneous revenues (14%) and charges for services (8%).



Source	Budget
Property Taxes	\$ 7,629,510
Sales Tax	\$ 2,466,109
Measure C	\$ 4,206,660
Other	\$ 3,555,716
Charges for Services	\$ 2,127,620
Transient Occupancy Tax	\$ 5,333,562
Total	\$25,319,177

Property taxes are budgeted at \$7.6 million, or 30% of total revenues. The City’s portion of the statewide sales tax (“Bradley Burns”), Proposition 172 public safety sales tax and the local sales tax (Measure C) account for \$6.7 million, or 27% of revenue. On March 3, 2020, Carmel voters approved a new local sales tax of 1.5% referred to as Measure C. This replaced the prior 1% local sales tax known as Measure D. Revenue projections assume a gradual return to pre-COVID levels for sales and use tax as well as transient occupancy tax (TOT). With a budget of \$5.3 million, TOT, which is a “hotel tax” of 10% of the rent charged by a hostelry operator, accounts for 21% of revenues, as compared to 13% in FY 20-21 and 28% in FY 19-20. Charges for services are fees collected from a specific user of a service, for such services as plan review, building inspection and ambulance transports and account for \$2.1 million, or 8% of the budget. The category of “Other” revenue

REVENUE

includes General Fund revenues from business license tax, franchise fee and other intergovernmental revenue as well as restricted revenue for Community Oriented Policing Services (COPS), road maintenance and transportation-related projects and federal and State grants for planning, parks and radio communications.

Table1: Estimated Performance and Recommended Budget for Major Revenue Sources

Revenue	FY 19-20 Adopted Budget	FY 19-20 Estimated Actual	FY 19-20 Audited Actual	FY 20-21 Adopted Budget	FY 20-21 Estimated Actual	FY 21-22 Recommended Budget
Property Taxes	\$6,573,376	\$6,623,596	\$6,690,948	\$6,822,304	\$7,250,053	\$7,629,510
Statewide Sales Tax- Bradley Burns	2,606,100	2,134,416	2,154,960	1,886,796	2,044,800	2,454,109
Local Sales Tax- Measure C/D	3,023,000	2,504,000	2,611,802	3,050,000	3,713,170	4,206,660
Transient Occupancy Taxes (TOT)	6,842,900	4,523,996	5,115,271	2,488,198	4,000,409	5,333,562

As shown in Table 1, *Estimated Performance and Recommended Budget for Major Revenue Sources*, the City’s major revenue sources are beginning to rebound from the economic impacts of COVID-19. After experiencing a significant decline in the latter part of Fiscal Year 2019-2020, sales tax and transient occupancy taxes are currently outperforming budget expectations. Consumer preferences and spending patterns have varied since the pandemic; however, the projected loss to sales tax statewide in FY 20-21 is less than expected. While sales and use tax is significantly less than in FY 18-19, spending in certain sectors, including automobiles, building and construction that includes home improvement stores, food and drug that includes grocery, convenience and liquor stores, certain types of retail, and online purchases, bolstered overall growth. From a timing perspective, the State’s implementation for collection of taxes from out-of-state vendors and online sales coincided with the emergency of COVID-19 and helped buffer the loss of sales tax revenues. Moreover, the pandemic shifted consumer spending from services to goods, the latter is more likely to be subject to taxes. Restaurants and general consumer goods (retail) are the City’s leading drivers of sales and use tax revenue. These sectors continue to face economic challenges in FY 20-21 due to shelter-in-place restrictions and other COVID-19 protocols that affect seating capacity at dining establishments and limit retail customers. However, the number of visitors within the Village exceeded expectations given travel restrictions, the allowance for outdoor dining and the permitted sale of food “to go” are three factors that influence sales tax revenues. Projections indicate the City’s share of the statewide sales tax (Bradley Burns) will generate \$2.0 million in FY 20-21, or \$158,000 more than budgeted while local sales tax will raise \$3.7 million or \$663,000 over the adopted budget.

Budget projections assume the lifting of statewide restrictions in June 2021, the successful deployment of vaccines, increased foot traffic and demand for dining and retail, especially heading toward summer 2021. FY 21-22 anticipated \$2.5 million from the City’s share of the statewide sales tax, which is an increase of \$567,000, or 30%, over the FY 20-21 Adopted Budget. In FY 20-21, the City started to receive an additional 0.5% of local sales tax (1.5% in total) from the State based upon the passage of a voter-approved sales tax measure in March 2020. The impact of the local sales tax on the City’s overall revenues is significant, especially as the economy rebounds. Prior to COVID-19, the local sales tax generated \$3.1 million. The FY 21-22 budget of \$4.2 million is an increase of \$1.2 million, or 38%, over the FY 20-21 Adopted Budget. Similar to sales tax, the City’s receipt of transient occupancy tax (TOT) thus far is greater than expected. The timing of COVID-19 in March 2020 coincided with the spring and early summer season for the City’s hotel

establishments, resulting in an estimated loss of \$2.3 million in FY 19-20 budgeted TOT revenue. Budget preparations for FY 20-21 occurred during this same time, and faced with unknown certainties regarding the ongoing economic impact associated with an unprecedented global pandemic, the FY 20-21 TOT revenue was conservatively budgeted at \$2.8 million. While the majority of FY 20-21 included economic losses, travel restrictions and reports of new variants of the coronavirus, the consumer's desire to travel remained strong. Based upon receipts to date, the FY 20-21 projected Estimated Actual is \$4.0 million.

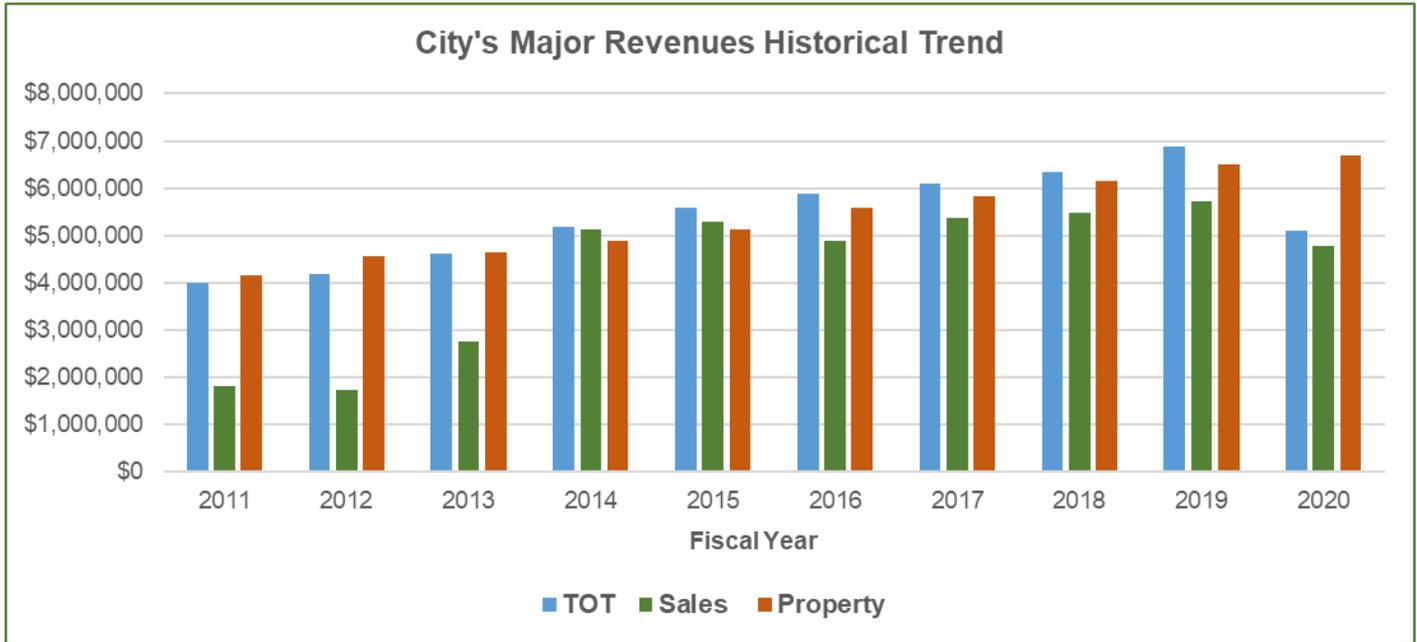
FY 20-21 shows Carmel's resiliency related to travel and leisure spending. However, the FY 21-22 budget assumes a continued phased recovery before reaching receipts similar to FY 18-19. While vaccine deployment is underway and various travel restrictions are lifted, variants of the pandemic are also emerging and have the ability to impact travel and leisure spending. The FY 21-22 Recommended Budget for TOT revenue is \$5.3 million, which is approximately 78% of the FY 18-19 Actual. Staff researched industry-specific literature, which indicated recovery to pre-pandemic levels for domestic travel spending and international travel in 2024 and 2025, consulted with other similar jurisdictions and reviewed forecasts by local marketing entities to develop the budget target.

Unlike, sales tax and transient occupancy tax, the FY 20-21 budget assumes that COVID-19 does not affect property taxes. In actuality, the performance of the real estate market improved during the pandemic. The Economic Outlook contained within the Governor's 21-22 Budget discusses the strong housing market despite the COVID-19 recession and the ability of high-income households to purchase homes. The State median home price averaged over \$600,000 in March through May, set new record highs from June to September 2020 and reached a record high of \$712,430 in September 2020. The California median home sales price through November 2020 reflected a 9.2% increase, on average, compared to the same period in 2019. This real estate phenomenon affects Carmel, which has a consistently strong property tax base.

Property tax revenue includes secured, unsecured, unitary and property transfer tax. Together, property taxes are budgeted at \$7.6 million in FY 21-22, which includes \$7.0 million, or 92%, for secured property taxes. The budget reflects an increase of \$379,000 or 5% over the FY 20-21 Estimated Actual. Based upon performance to date, the FY 20-21 Estimated Actual of \$7.2 million is \$428,000, or 6%, more than the FY 20-21 Adopted Budget. However, staff do not believe this level of performance is sustainable and have conservatively budgeted 3% growth. Historically, the annual increase in property taxes over the last ten years averages 5.1%.

Revenue assumptions drive the FY 21-22 Recommended Budget, including an outlook that phases in an economic recovery of the City's two major revenues sources over several years. As the City looks forward to its future revenues that are available to fund services, projects and other initiatives, stepping back and reviewing the City's historic performance is of value. The chart below depicts the performance of the City's three major revenue sources over the last 10 years. Property taxes generated \$4.1 million in 2011, increasing to \$5.1 million in 2015, to \$6.1 million in 2018 and projected at \$7.6 million in FY 21-22. Sales tax revenue of \$1.8 million in 2011 increased after the passage of Measure D, the 1% local sales tax in 2013, eclipsing \$5 million in 2015. Sales tax, inclusive of the voter-approved Measure D in March 2020, represents 27% of citywide revenues in FY 21-22 at \$6.6 million. TOT generated \$4.1 million in 2011, increasing to \$6.1 million in 2017 and nearly reached \$7 million in FY 18-19. With the emergency of the coronavirus, TOT decreased to \$5.1 million in 2020, with a projected recovery of \$4.0 million in 2021 and \$5.3 million in 2022.

REVENUE



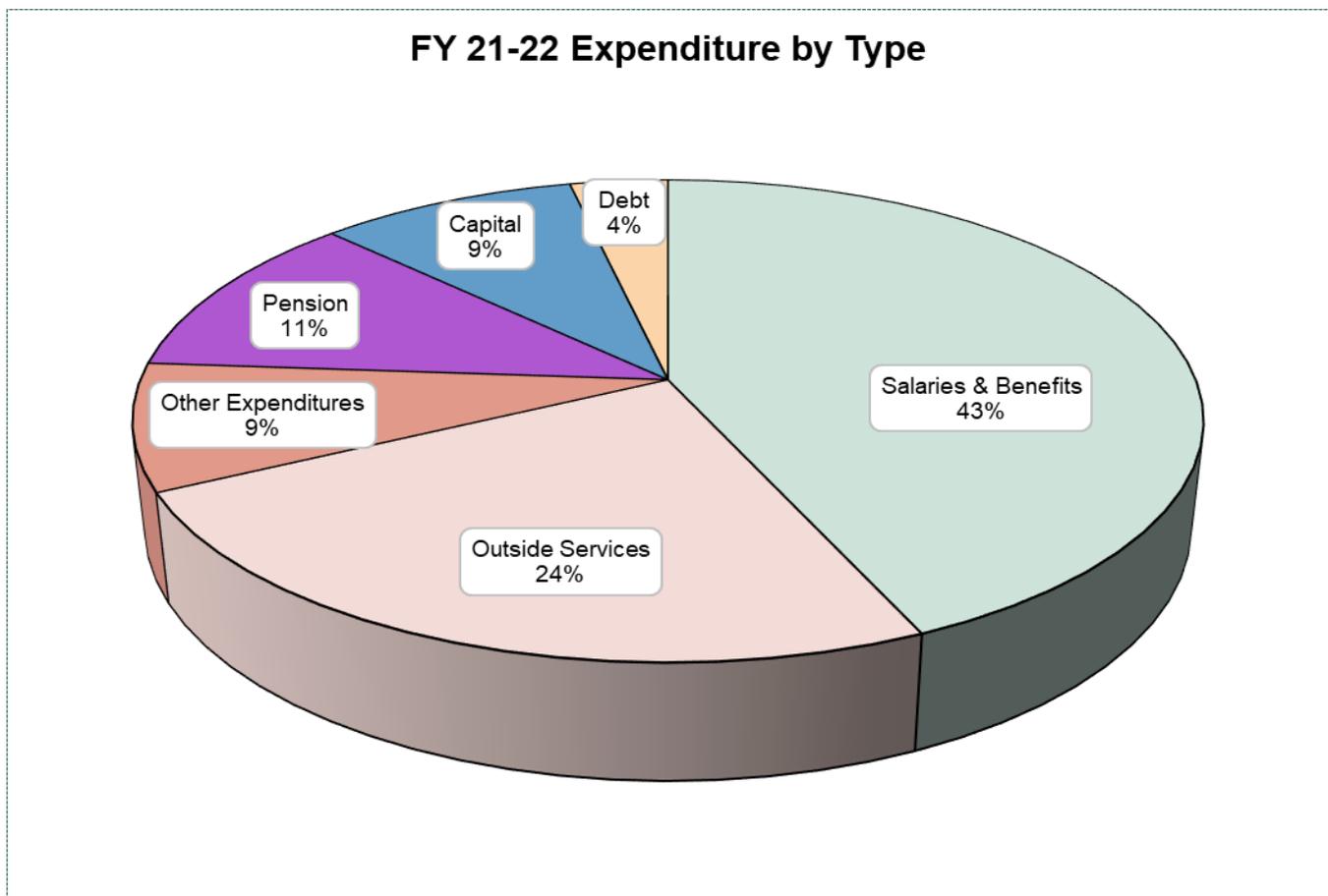
Fiscal Year Ending June 30	TOT	Sales	Property
2011	\$4,002,509	\$1,805,000	\$4,158,000
2012	\$4,179,900	\$1,743,748	\$4,571,481
2013	\$4,615,598	\$2,760,414	\$4,652,176
2014	\$5,185,880	\$5,115,880	\$4,881,534
2015	\$5,593,689	\$5,280,418	\$5,127,974
2016	\$5,890,538	\$4,897,325	\$5,598,743
2017	\$6,112,347	\$5,373,800	\$5,825,889
2018	\$6,329,074	\$5,476,123	\$6,163,959
2019	\$6,882,015	\$5,719,521	\$6,496,558
2020	\$5,115,277	\$4,766,313	\$6,690,948

EXPENDITURES

The FY 21-22 Recommended Budget totals \$25.3 million, which consists of the:

- Operating Budget, or General Fund, totals \$22.0 million, or 87%, of the citywide budget;
- Debt service totals \$883,000, or 4%, of the citywide budget;
- Capital totals \$2.3 million, or 9% 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 21-22 Expenditure by Type*, the FY 21-22 Budget includes the Operating Budget and Debt Service. The Operating Budget is further categorized by type of expenditure including salaries and benefits, outside services, and other expenditures as explained below.



Type of Expenditure	Budget
Salaries & Benefits	\$10,976,388
Outside Services	\$6,151,304
Other Expenditures	\$2,150,723
Pension	\$2,833,526
Capital Outlay	\$2,324,580
Debt Service	\$882,656
Total	\$25,319,177

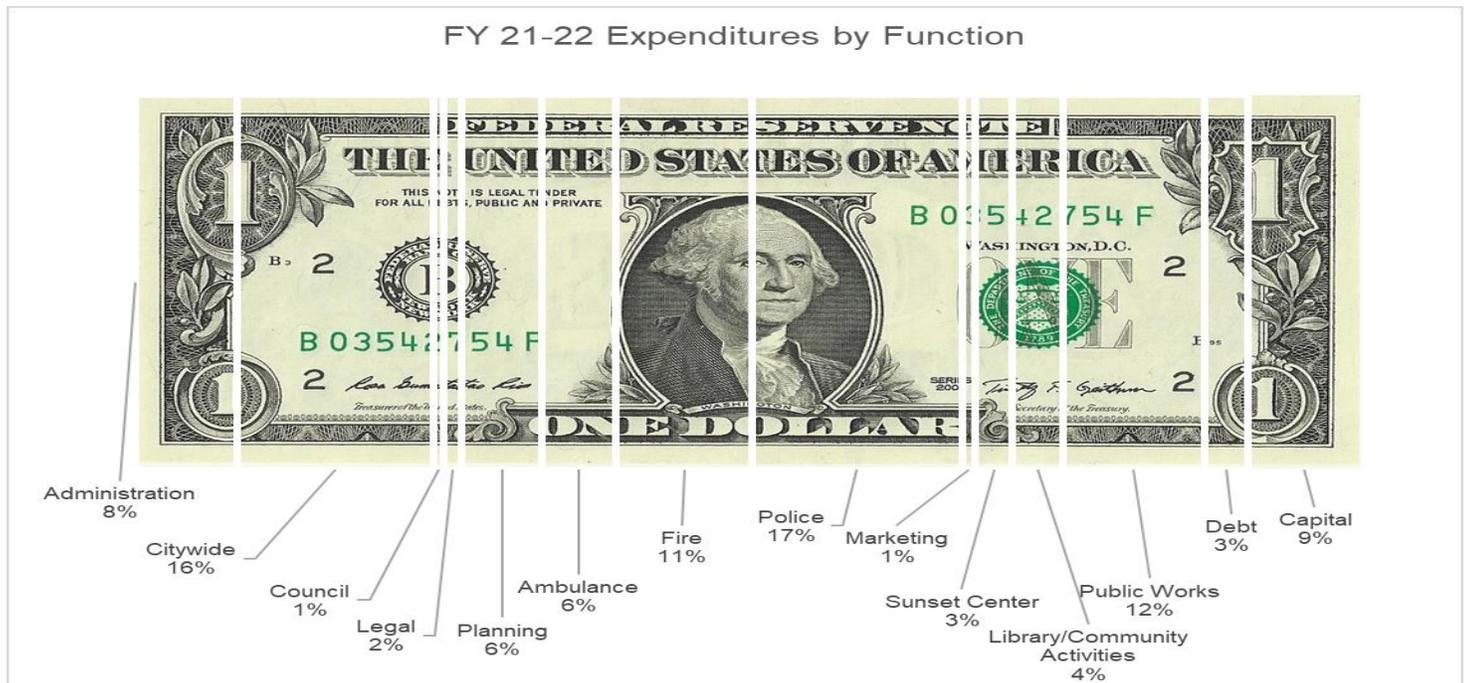
The City's largest expenditure is related to the cost of personnel. Salaries and benefits total \$11.0 million and account for 43% of the citywide budget. Outside services is the second largest type of expenditure at \$6.2 million, or 24% of the budget. This category includes various line item accounts, 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 expenses such as fire service provided by the City of Monterey (\$2.7 million); support for the operations of the Sunset Center and other marketing activities (\$1.0 million); legal services (\$385,00); tree care and landscape maintenance (\$160,000) and janitorial service (\$225,000).

Other expenditures total \$2.2 million and account for 9% of the citywide budget. This category includes various line item accounts such as, retiree healthcare and citywide operational expenses like property tax assessments and utilities. Also included here are the City's general liability and property insurance premiums (\$690,000) and expenses such as public works materials and supplies, telecommunications, fuel, training and conferences, vehicle maintenance, medical and safety supplies and printing and postage.

Pension expenses total \$2.8 million, or 11%, of the budget and include the annual required unfunded pension liability (\$1.8 million). Based upon Council direction, the budget includes an additional \$1.0 million for pension mitigation to address the City's long-term UAL planning, such as funding a Section 115 trust and/or making additional payments to CalPERS.

The citywide budget is rounded out with Capital Outlay (\$2.3 million) accounting for 9% and Debt Service (\$883,000) accounting for 4% of the citywide budget.

Another way to view expenditures is by function as depicted in the “FY 21-22 Expenditures by Function” illustration. Together the public safety functions of Ambulance, Fire and Police make up 34% of the budget. Citywide is the next largest expenditure at 16% as it includes the City’s unfunded actuarial liability, followed by the Public Works Department at 12% 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	\$ 2,086,281	8%
Citywide	\$ 4,035,914	16%
Council	\$ 206,921	1%
Legal	\$ 385,000	2%
Planning	\$ 1,628,804	6%
Ambulance	\$ 1,543,899	6%
Fire	\$ 2,804,146	11%
Police	\$ 4,310,440	17%
Marketing	\$ 275,807	1%
Sunset Center	\$ 757,500	3%
Library/Community Activities	\$ 1,043,665	4%
Public Works	\$ 2,917,406	12%
Operating Budget	\$ 21,995,783	87%
Debt	\$ 882,656	3%
Capital	\$ 2,324,580	9%
Workers Comp	\$ 116,158	0%
Total	\$ 25,319,177	100%

POSITIONS

FY 2021-2022 RECOMMENDED FUNDED POSITIONS

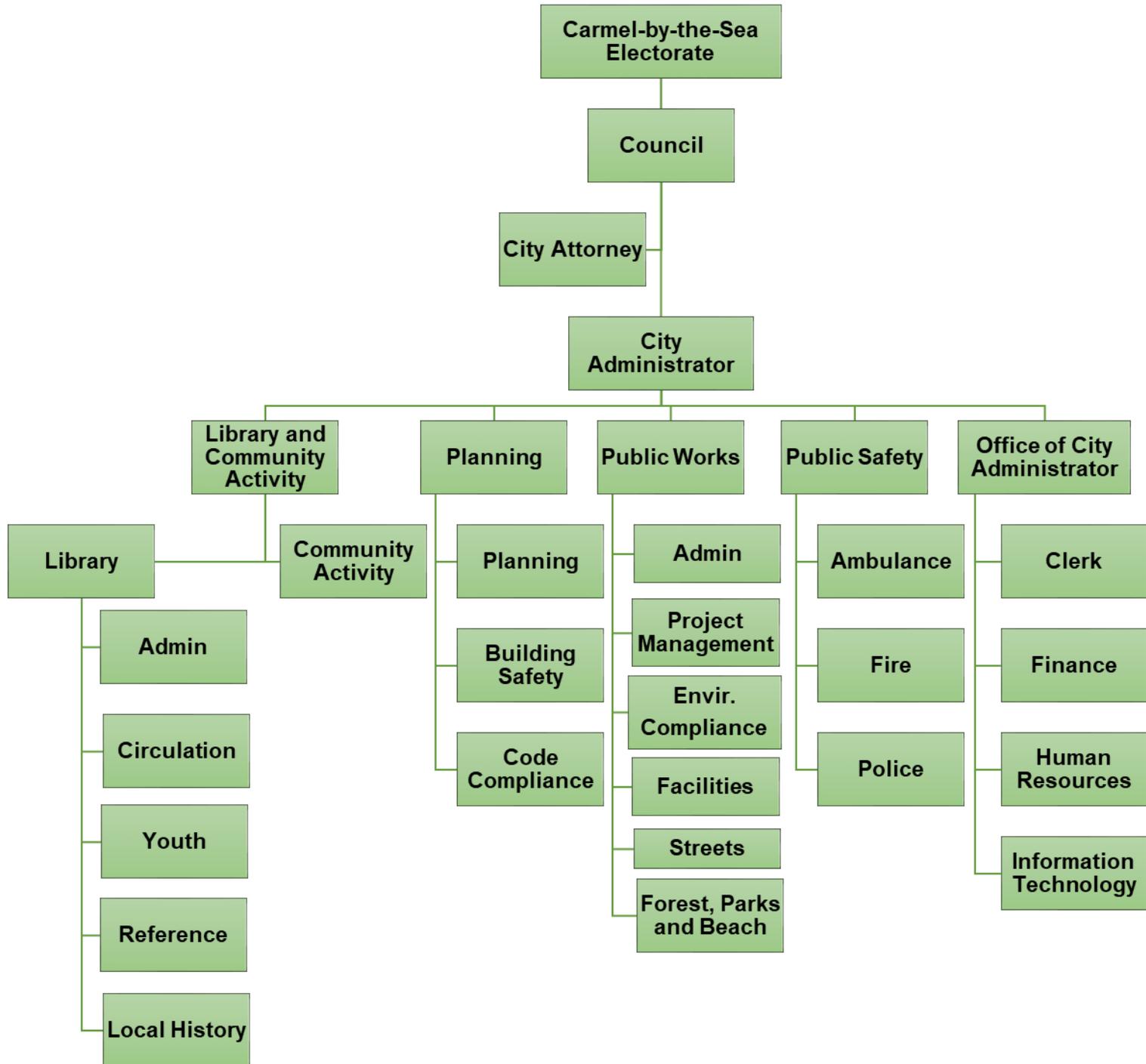
Attachment 4

Department and Position Title	FY 20/21 Adopted	FY 21/22 Recommended	FY 21/22 Change
Council			
Councilmember	4.00	4.00	0.00
Mayor	1.00	1.00	0.00
City Council Total	5.00	5.00	0.00
Administration			
City Administrator	1.00	1.00	0.00
Assistant Administrator	1.00	1.00	0.00
Administrative Coordinator	0.00	0.50	0.50
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	0.00	0.00	0.00
Hourly Help Desk Technician (1,000 hours)	0.25	0.48	0.23
Finance Specialist	1.00	1.50	0.50
Office Assistant/ Public Records Act Clerk	0.00	0.00	0.00
Retired Annuitant (480 hrs.)	0.23	0.23	0.00
Hourly Office Assistant (400 hrs.)	0.00	0.00	0.00
Administration Total	8.48	9.71	1.23
Community Activities			
Community Services Assistant	0.00	0.00	0.00
Executive Assistant	0.50	0.50	0.00
Community Activities Total	0.50	0.50	0.00
Library			
Circulation Supervisor	1.00	1.00	0.00
Director of Library and Community Services	1.00	1.00	0.00
Hourly Librarian I	0.00	1.00	1.00
Librarian I	1.00	1.00	0.00
Librarian II	1.00	2.00	1.00
Librarian II (Local History)	1.00	1.00	0.00
Library Assistant (full-time)	1.00	1.00	0.00
Library Assistant (part-time)	0.00	0.00	0.00
Hourly Library Assistant	0.00	1.00	1.00
Executive Assistant	0.50	0.50	0.00
Library Total	6.50	9.50	3.00
Community Planning & Building			
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
Community Planning & Building Total	9.00	9.00	0.00

FY 2021-2022 RECOMMENDED FUNDED POSITIONS

Attachment 4

Department and Title	FY 20/21 Adopted	FY 21/22 Recommended	FY 21/22 Change
Public Works			
Administrative Coordinator	0.00	0.25	0.25
Director of Public Works	1.00	1.00	0.00
Environmental Compliance Manager	1.00	1.00	0.00
Maintenance Worker	2.00	3.00	1.00
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
Project Manager	0.00	1.00	1.00
Facilities Maintenance Supervisor	1.00	1.00	0.00
Senior Maintenance Worker (Facilities)	1.00	1.00	0.00
City Forester	1.00	1.00	0.00
Senior Maintenance Worker	1.00	1.00	0.00
Maintenance Worker/Gardener	1.00	1.00	0.00
Tree Care Specialist	1.00	1.00	0.00
Public Works Total	15.00	17.25	2.25
Police			
Community Services Officer	1.0	1.0	0.0
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	5.0	6.0	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
Administrative Coordinator	0.00	0.25	0.25
Office Assistant	0.0	0.0	0.0
Police Total	22.0	23.25	1.25
Ambulance			
Paramedic/Firefighters	6.00	6.00	0.00
Ambulance Total	6.00	6.00	0.00
	FY 20/21 Adopted	FY 21/22 Recommended	FY 21/22 Change
Citywide Total Funded Positions	72.48	80.21	7.73
	FY 20/21 Adopted	FY 21/22 Recommended	FY 21/22 Change
Citywide Total Authorized Positions: available to be filled as funding allows	93.14	93.14	0.00



**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.

2020-2021 Initiatives and Accomplishments

- Provided direction to refinance the City's Sunset Center Lease Revenue Bond to take advantage of low interest rates and maximize cash flow savings pertaining to debt service.
- Provided direction on options to address the City's pension liability, including setting aside \$1 million in proposed funding as part of the Fiscal Year 2021-2022 budget for pension mitigation.
- Oversight of the City's response to the coronavirus pandemic, including declaration of a local emergency, prohibiting tenant evictions, addressing public access to the Carmel Beach and providing direction regarding outdoor dining and the establishment of "parklets" to help support the local economy while also ensuring public safety and the adherence to COVID-19 protocols.

2021-2022 Priorities

- Continued oversight of the City's implementation of COVID-19 protocols to ensure the safe reopening of City facilities and the continuity of services. Continued regional collaboration and advocating for federal and state assistance in addressing the ongoing economic impacts of COVID-19.
- Update the City's strategic plan and establish City objectives for the upcoming fiscal year, including funding service and capital projects while balancing the City's long-term fiscal stability needs.
- Continue to respond to any forthcoming State legislation that undermines local control, especially as it relates to local land-use decisions.

Budget Summary and Service Impacts

- Community Promotions includes \$20,000 for the Council discretionary grant program and \$81,000 for the cost of courier service for the mail delivery program for a total budget of \$101,000.

City Council				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-110-00-41008	Salaries -Elected	\$9,600	\$9,600	\$9,600
101-110-00-41101	Retirement	\$85	\$85	\$83
101-110-00-41104	Health Insurance	\$33,254	\$32,122	\$39,710
101-110-00-41105	Social Security	\$484	\$376	\$484
101-110-00-41106	Medicare	\$139	\$114	\$139
101-110-00-41108	Worker's Comp	\$1,281	\$1,128	\$700
Salaries & Benefits Subtotal		\$44,843	\$43,425	\$50,716
101-110-00-42001	Contract Services	\$0	\$0	\$0
101-110-00-42005	Community Promotions	\$103,900	\$101,400	\$101,000
101-110-00-42007	Regional Memberships	\$49,032	\$46,708	\$46,405
101-110-00-42101	Office Supplies	\$475	\$0	\$450
101-110-00-42301	Training & Education	\$0	\$0	\$0
101-110-00-42302	Conferences & Meetings	\$4,550	\$75	\$8,350
Services & Supplies Subtotal		\$157,957	\$148,183	\$156,205
Total		\$202,800	\$191,608	\$206,921

Regional Memberships				
Account Number	Account Description	FY19-20 Amended Budget	FY19-20 Estimated Actual	FY20-21 Recommended
101-110-00-42007	Transportation Agency of Monterey County Association of Monterey Bay Area	\$1,329	\$1,225	\$1,295
101-110-00-42007	Governments Monterey Peninsula Chamber of Commerce	\$4,184	\$3,795	\$3,825
101-110-00-42007	Monterey County Mayors Association	\$788	\$500	\$775
101-110-00-42007	Monterey County Business Council	\$1,575	\$1,500	\$1,575
101-110-00-42007	MBUAPCA (Air Pollution Control District)	\$578	\$578	\$500
101-110-00-42007	League of CA Cities	\$1,822	\$1,856	\$1,900
101-110-00-42007	League of CA Cities- Monterey Bay Division	\$2,705	\$2,876	\$2,850
101-110-00-42007	LAFCo	\$158	\$350	\$165
101-110-00-42007	Community Human Services	\$18,900	\$17,183	\$16,375
101-110-00-42007	CoastWalks/Coastal Trail Association	\$16,100	\$16,100	\$16,375
101-110-00-42007	Carmel Chamber of Commerce	\$315	\$300	\$300
101-110-00-42007		\$578	\$445	\$470
Total		\$49,032	\$46,708	\$46,405

Description

The City Council appoints the City Attorney. The City Attorney legally represents the City and provides legal advice and/or training to the City Council, City Administrator, boards, commissions, and departments. The City Attorney assists City staff in drafting ordinances, resolutions, contracts and staff reports. The City Attorney investigates and resolves claims against the City; defends the City in litigation and administrative actions; and initiates and prosecutes litigation on behalf of the City.

Budget Summary and Service Impacts

- The FY 21-22 Budget of \$385,000 includes \$325,000 for general legal services and \$60,000 for other specialized legal assistance, including labor negotiations and personnel.
- Prior to COVID-19, general legal services was budgeted at \$360,000. Due to the economic impact associated with the pandemic, the City Attorney voluntarily reduced the legal budget down to \$285,000, a reduction of \$75,000, and deferred the hourly rate increase scheduled for July 1, 2020. The FY 21-22 Budget reflects an increase of \$40,000 for general legal services to \$325,000 and phases in a return to the pre-pandemic legal budget of \$360,000 proposed for FY 22-23.

City Attorney				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-112-00-42001	Contract Services	\$285,000	\$295,000	\$385,000
Total		\$285,000	\$295,000	\$385,000

Description

The City Administrator is appointed by the City Council and is responsible for the enforcement of City laws and ordinances, managing day-to-day citywide operations and implementing policies as directed by the City Council. 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.

2020-2021 Initiatives and Accomplishments

- Oversight of the City's response to COVID-19: Ensuring the continuity of services and operations, including providing IT support for remote operations and virtual meetings. Using the Friday newsletter and video blog to provide updates regarding the pandemic to the public. Supporting the local economy by facilitating outdoor dining in the public right-of-way. Developing options to balance public safety and public coastal access. Monitoring daily finances and cash flow and complying with reporting requirements pertaining to the use of federal and State COVID-19 relief funds.
- Oversight of the Sunset Center Lease Revenue Bond refinancing process to generate \$1 million in savings and to minimize debt service payments in Fiscal Years 2020-2021 and 2021-2022.
- In tandem with the County of Monterey, administered the November 2020 City Council election and ensured the filing of candidate forms.

2021-2022 Priorities

- Continue to oversee the City's response to COVID-19 including the safe re-opening of City facilities and the adherence to State and County protocols by employees, residents, businesses and visitors.
- Explore service delivery alternatives to minimize expenses and seek options to enhance revenue, including paid parking, as directed by Council. Monitor federal and state legislation, including any potential climate resiliency and economic stimulus funding, to support the City's capital needs.
- Continue to work with Council to implement options to mitigate the City's unfunded pension liability and to update the City's financial policies to reflect a commitment to fund pension efforts.

Budget Summary and Service Impacts

- The FY 21-22 Budget includes funding for 1.23 full-time equivalent positions for increased IT assistance needed to support meetings, remote IT capabilities and other requests; increased support for payroll and other financial activities to strengthen internal controls and continuity of operations and increased counter and other customer service support related to the re-opening of City Hall.
- The Administration Divisional Budget includes funding for the City Administrator's performance evaluation within contract services, office supplies, copier, and the citywide postage meter.

ADMINISTRATION

Office the City Administrator				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-00-41001	Salaries	\$1,028,254	\$1,107,608	\$1,155,670
101-111-00-41003	Salaries -Part time	\$82,847	\$63,208	\$119,192
101-111-00-41101	Retirement	\$62,287	\$67,772	\$70,006
101-111-00-41103	Deferred Compensation	\$16,800	\$30,056	\$48,380
101-111-00-41104	Health Insurance	\$131,417	\$135,625	\$151,068
101-111-00-41105	Social Security	\$2,905	\$2,073	\$2,905
101-111-00-41106	Medicare	\$15,670	\$16,344	\$17,958
101-111-00-41107	LTD/STD/Life	\$1,198	\$1,172	\$1,261
101-111-00-41108	Worker's Comp	\$29,120	\$28,958	\$21,386
101-111-00-41109	Benefits-MOU Obligations	\$2,080	\$2,080	\$3,120
Salaries & Benefits Subtotal		\$1,372,578	\$1,454,896	\$1,590,946
101-111-00-42001	Contract Services	\$116,840	\$106,931	\$118,290
101-111-00-42002	Recruiting Services	\$19,385	\$8,550	\$18,385
101-111-00-42003	Auditing Services	\$37,000	\$42,127	\$48,500
101-111-00-42006	Records Management	\$5,000	\$3,675	\$5,000
101-111-00-42009	Advertising and Legal Notices	\$15,000	\$12,151	\$15,000
101-111-00-42015	Other Services	\$11,080	\$11,256	\$12,000
101-111-00-42101	Office Supplies	\$9,300	\$4,000	\$9,750
101-111-00-42102	Publications & Subscriptions	\$77,373	\$98,930	\$78,690
101-111-00-42106	Small Tools and Equipment	\$350	\$0	\$350
101-111-00-42202	Equipment Maintenance	\$8,500	\$2,670	\$8,500
101-111-00-42301	Training & Education	\$4,366	\$500	\$10,750
101-111-00-42302	Conferences & Meetings	\$4,720	\$4,102	\$5,845
101-111-00-42304	Dues & Memberships	\$2,555	\$2,055	\$3,175
101-111-00-42305	Mileage Reimbursement	\$50	\$0	\$50
101-111-00-42306	Employee Programs	\$5,950	\$4,950	\$20,450
101-111-00-42403	Printing	\$10,900	\$675	\$5,900
101-111-00-42404	Shipping/Postage/Freight	\$10,950	\$8,781	\$11,700
101-111-00-42405	Telephone & Communications	\$73,912	\$73,912	\$80,000
101-111-00-42406	Bank & Merchant Fees	\$18,000	\$21,751	\$19,000
101-111-00-42407	Computer Non Capital	\$5,000	\$6,200	\$15,000
101-111-00-42410	Pre-employment Costs	\$8,000	\$0	\$9,000
Services & Supplies Subtotal		\$444,231	\$413,214	\$495,335
Total		\$1,816,809	\$1,868,110	\$2,086,281

ADMINISTRATION

Administration				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-10-42001	Contract Services	\$8,200	\$8,200	\$10,850
101-111-10-42015	Other Services	\$11,080	\$11,256	\$12,000
101-111-10-42101	Office Supplies	\$4,800	\$3,000	\$5,250
101-111-10-42102	Publications & Subscriptions	\$150	\$150	\$150
101-111-10-42302	Conferences & Meetings	\$1,200	\$1,587	\$1,200
101-111-10-42304	Dues & Memberships	\$900	\$900	\$1,350
101-111-10-42403	Printing	\$100	\$100	\$100
101-111-10-42404	Shipping/Postage/Freight	\$10,500	\$8,531	\$11,250
Services & Supplies Subtotal		\$36,930	\$33,724	\$42,150

Clerk: The City Clerk provides timely and accessible service in response to all inquiries and requests for public information and records. The position records the City’s legislative history through approved minutes and by maintaining City Ordinances and the Municipal Code. The Clerk is responsible for the administration of elections; the coordination of Statements of Economic Interest and other campaign and other financial disclosure related filings; public records requests processing; records management; and the legislative process.

City Clerk				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-11-42001	Contract Services	\$54,480	\$54,440	\$46,080
101-111-11-42006	Records Management	\$5,000	\$3,675	\$5,000
101-111-11-42009	Advertising and Legal Notice	\$15,000	\$12,151	\$15,000
101-111-11-42302	Conferences & Meetings	\$925	\$925	\$1,550
101-111-11-42304	Dues & Memberships	\$260	\$260	\$260
101-111-11-42403	Printing	\$10,000	\$0	\$5,000
Services & Supplies Subtotal		\$85,665	\$71,450	\$72,890

Budget Summary and Service Impacts

- Clerk Contract services includes costs associated with Council and other public meetings, such as agenda management, video streaming and virtual meeting technology (\$16,000), as well as costs for Municipal Code updates, e-filing software, records management software (\$18,000) and funding (\$12,000) to continue the retention schedule project that started in FY 20-21.
- Finance, on the following chart, includes bond compliance reporting, sales tax analysis and other financial consulting services (contract services), audits of the City’s financial statements, Measure X and actuarial studies (auditing), financial systems (publications and subscriptions) and bank fees.

ADMINISTRATION

Finance: 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 include vendor payments, payroll, business license processing and the collection of the transient occupancy tax and the administration of pass-through funding to the hospitality, restaurant and tourism improvement districts. Provides treasury services and manages debt.

Finance				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-12-42001	Contract Services	\$22,700	\$22,700	\$25,500
101-111-12-42003	Auditing Services	\$37,000	\$42,127	\$48,500
101-111-12-42101	Office Supplies	\$300	\$300	\$300
101-111-12-42102	Publications & Subscriptions	\$26,173	\$25,702	\$27,490
101-111-12-42301	Training & Education	\$500	\$500	\$750
101-111-12-42302	Conferences & Meetings	\$0	\$0	\$0
101-111-12-42304	Dues & Memberships	\$465	\$465	\$635
101-111-12-42305	Mileage Reimbursement	\$50	\$0	\$50
101-111-12-42403	Printing	\$500	\$500	\$500
101-111-12-42406	Bank & Merchant Fees	\$18,000	\$21,751	\$19,000
Services & Supplies Subtotal		\$105,688	\$114,044	\$122,725

Human Resources: 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 negotiating Memorandums of Understanding with the City's three bargaining units, subject to Council direction and approval.

HR				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-13-42001	Contract Services	\$6,460	\$7,883	\$2,460
101-111-13-42002	Recruiting Services	\$19,385	\$8,550	\$18,385
101-111-13-42101	Office Supplies	\$700	\$700	\$700
101-111-13-42102	Publications & Subscriptions	\$3,050	\$1,078	\$3,050
101-111-13-42301	Training & Education	\$3,866	\$0	\$9,500
101-111-13-42302	Conferences & Meetings	\$2,595	\$1,590	\$2,595
101-111-13-42304	Dues & Memberships	\$800	\$300	\$800
101-111-13-42306	Employee Programs	\$5,950	\$4,950	\$20,450
101-111-13-42403	Printing	\$300	\$75	\$300
101-111-13-42404	Shipping/Freight/Postage	\$200	\$0	\$200
101-111-13-42410	Pre-employment Costs	\$8,000	\$0	\$9,000
Services & Supplies Subtotal		\$51,306	\$25,125	\$67,440

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	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-111-14-42001	Contract Services	\$25,000	\$13,709	\$33,400
101-111-14-42101	Office Supplies	\$3,500	\$0	\$3,500
101-111-14-42102	Publications & Subscriptions	\$48,000	\$72,000	\$48,000
101-111-14-42105	Materials and Supplies	\$0	\$0	\$0
101-111-14-42106	Small Tools and Equipment	\$350	\$0	\$350
101-111-14-42202	Equipment Maintenance	\$8,500	\$2,670	\$8,500
101-111-14-42301	Training & Education	\$0	\$0	\$500
101-111-14-42302	Conferences & Meetings	\$0	\$0	\$500
101-111-14-42304	Dues & Memberships	\$130	\$130	\$130
101-111-14-42404	Shipping/Postage/Freight	\$250	\$250	\$250
101-111-14-42405	Telephone and Communications	\$73,912	\$73,912	\$80,000
101-111-14-42407	Computer Non capital	\$5,000	\$6,200	\$15,000
Services & Supplies Subtotal		\$164,642	\$168,871	\$190,130

Budget Summary and Service Impacts

- The HR budget includes costs for recruitment, citywide training, and employee programs, which includes employee appreciation expenses, flu clinics and service awards.
- The IT budget includes required licensing for Microsoft products, G-Suite and security monitoring (Publications and Subscriptions). Citywide telephone, cable and Internet service increases by \$6,000, or 8%, in FY 21-22. Computer purchases increase by \$10,000 in FY 21-22 due to the computer replacement schedule and increased purchases of laptops and other remote capacity technologies.

Description

Citywide, or non-departmental costs, are expenses that span across the entire organization. These items include required operational expenses such as the City’s insurance premiums for general liability and property insurance, utilities and property tax assessments for water and sewer services. Costs associated with retired City personnel are also included within this account, including the City’s annual payment to CalPERS for pension, the unfunded actuarial liability, and the City’s share of costs toward retiree healthcare. Other operational expenses include 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 \$235,000, or 15%, in FY 21-22 compared to the FY 20-21 Adopted Budget. In FY 20-21, the City was unable to make the annual lump sum payment, resulting in a loss of interest savings. Due to improvements in cash flow projections based upon anticipated increases in revenue receipts, the City will pay the annual lump sum UAL in July, which will result in approximately \$61,000 of interest savings. Based upon Council direction, the budget includes \$1,000,000 for pension mitigation to address the City’s long-term UAL planning, such as funding a Section 115 trust and/or making additional payments to CalPERS.

- The required contribution to retiree healthcare increases by 10%, or \$7,500, in FY 21-22 due to additional retiree enrollment.

Non-Departmental				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-130-00-42501	Liability Insurance Premium	\$712,283	\$574,662	\$689,500
101-130-00-42503	PERS Unfunded Accrued Liability Payment	\$1,598,574	\$1,598,574	\$1,833,526
101-130-00-42503	Pension Mitigation Options			\$1,000,000
101-130-00-42504	Insurance Claims Paid	\$14,400	\$14,400	\$30,000
101-130-00-42505	Utilities	\$235,000	\$261,964	\$235,000
101-130-00-42506	Property Tax Assessments	\$76,260	\$80,501	\$82,115
101-130-00-42508	Unemployment Costs	\$15,000	\$27,367	\$15,000
101-130-00-42510	Retiree Health Share	\$72,438	\$72,078	\$79,980
101-130-00-42511	County Property Tax Admin Fees	\$67,422	\$67,422	\$70,793
Total		\$2,791,377	\$2,696,967	\$4,035,914

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 is currently soliciting proposals from qualified persons and organizations to enter into a lease agreement for theatrical programming and facility management of the Forest Theater.

Additionally, 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 and develops targeted and seasonal marketing campaigns to encourage visitors to stay overnight, dine and shop in town. While General Fund revenues support these marketing efforts and organizations, the City also collects an assessment from its lodging establishments on behalf of the County and remits these pass-thru funds to MCCVB on a bi-monthly basis. Similarly, the City also collects an assessment on lodging located within the City as part of 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. On January 1, 2019, the City began collecting an assessment from full-service restaurants on behalf of the Carmel Restaurant Improvement District. The City remits these funds to Visit Carmel for marketing efforts to increase food and beverage sales within the City.

The Carmel Chamber of Commerce is also a partnering agency included within the City's marketing and economic development budget. In addition to operating a visitor center in town, the Chamber publishes a comprehensive visitor guide and assists businesses by 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". The assistance to business is even more important as businesses respond to the pandemic and its associated economic impact.

Budget Summary and Service Impacts

- The FY 21-22 budget increases by \$209,000, or 25%, from the FY 20-21 Adopted Budget, largely due to the anticipated reopening of Sunset Center (\$173,000) and increased funding to marketing partners (\$45,000). Funding to MCCVB (\$160,000) equates to 3% of the FY 21-22 budget of \$5.3 million for transient occupancy tax revenue while funding to Visit Carmel (\$101,000) reflects a 5% increase over the FY 20-21 Adopted Budget.
- The FY 21-22 Budget includes placeholder funding of \$7,500 for month-to-month management of the Forest Theater by the Sunset Center through October 2021 while the City reviews proposals for a new lease agreement for theatrical programming and facility management of the Forest Theater.

ECONOMIC DEVELOPMENT

Marketing & Economic Development					
Account Number	Account Description	Details	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-20 Recommended
101-122-00-42005	Community Promotions	Monterey County Film Commission	\$0	\$0	\$0
101-122-00-42008	Marketing & Economic Dev	SCC- Sunset Center Operating Grant	\$577,500	\$577,500	\$750,000
101-122-00-42008	Marketing & Economic Dev	SCC- Forest Theater Operating Grant	\$16,000	\$0	\$7,500
101-122-00-42008	Marketing & Economic Dev	Monterey County Convention & Visitors Bureau	\$120,000	\$120,000	\$160,007
101-122-00-42008	Marketing & Economic Dev	Visit Carmel	\$96,000	\$96,000	\$100,800
101-122-00-42008	Marketing & Economic Dev	Carmel Chamber of Commerce	\$15,000	\$15,000	\$15,000
Total			\$824,500	\$808,500	\$1,033,307

Description

Library

The Library is an efficient medium for the free and equitable distribution and exchange of books, information, and ideas; and a recognized social center providing the community with a place to learn, interact and gather. The Library aspires to be a welcoming place, in-person and virtually, where reading, learning and imagination thrive; a recognized leader and respected voice in our community; and a model library in our industry.

A five-member Board of Trustees appointed by the City Council governs the Library. 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 sustain the vital and 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.

2020-2021 Workload Indicators / Performance Measures

- 13,579 reference and information questions were answered
- 241 items were loaned to other libraries across the United States
- 1,224 library cards were issued
- 84,810 library items were circulated
- 5,254 people attended library programs
- 5,433 people used the library's public computers
- 27,079 digital items (e-books, audios, magazines, films, music) were accessed

2020-2021 Initiatives and Accomplishments

- In response to the pandemic pivoted library services to provide reference and tech help via phone, email, and text, and implemented a new curbside pick-up system.
- Completed the Main Library Gathering Place project.

2021-2022 Priorities

- Focus on safely restoring in building library services.
- Continue the implementation of the Library's Strategic Plan.

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 other donations.

LIBRARY AND COMMUNITY ACTIVITIES Attachment 4

Library				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-120-00-41001	Salaries	\$474,961	\$491,975	\$643,426
101-120-00-41003	Salaries -Part time	\$0	\$9,011	\$131,934
101-120-00-41005	Overtime	\$0	\$0	\$0
101-120-00-41101	Retirement	\$30,366	\$29,889	\$38,541
101-120-00-41103	Deferred Compensation	\$6,450	\$6,484	\$7,350
101-120-00-41104	Health Insurance	\$68,512	\$55,756	\$77,984
101-120-00-41105	Social Security	\$0	\$0	\$8,180
101-120-00-41106	Medicare	\$6,887	\$6,987	\$11,240
101-120-00-41107	LTD/STD/Life	\$923	\$792	\$1,062
101-120-00-41108	Worker's Comp	\$74,255	\$45,284	\$15,658
101-120-00-41109	Benefits-MOU Obligations	\$10,400	\$8,683	\$13,520
Salaries & Benefits Subtotal		\$672,754	\$654,861	\$948,895
101-120-00-42001	Contract Services	\$3,500	\$3,500	\$3,500
101-120-00-42301	Training & Education	\$0	\$0	\$0
Services & Supplies Subtotal		\$3,500	\$3,500	\$3,500
Total		\$676,254	\$658,361	\$952,395

Community Activities

The Community Activities department and Commission encourage and support the interaction of neighbors, friends, families and visitors through the shared experience of special events, programs, and gatherings which bring the community together virtually and in-person safely on the City's streets and in its parks and create opportunities to interact, celebrate, enrich people's lives, and promote inclusiveness.

The Community Activities department facilitates the weekly Farmers' Market, permitting for special events, beach events, and filming, the City's annual special events, and manages the Vista Lobos Community Room and the Scout House.

2020-2021 Workload Indicators/Performance Measures

- Planned and facilitated seven City special events
- An estimated 5,000 people attended City Special Events
- Issued 11 event and film permits

2020-2021 Initiatives and Accomplishments

- In lieu of traditional gatherings during the pandemic year, the Community Activities Commission developed the "Pumpkins on Parade" and "Lights-by-the-Sea" campaigns to encourage residents and business owners to decorate the village and encourage community connection through socially distanced joyful celebration.
- Began conducting outreach at the Farmer's Market and encouraging other community groups to use the Farmer's Market as a venue for soliciting community input on various topics
- Completed a new Strategic Plan (May 2021)

2021-2022 Priorities

- Begin implementing the new strategic plan that includes goals to maximize communication opportunities, embrace opportunities for community connections – whatever the form, engaging in environmentally sustainable practices, and to put our community spaces to their best use.
- Continue to streamline processes for special event permit applications.

Budget Summary and Service Impacts

- Community Activities department expenses include costs for advertising, banners and signage, event and office supplies for City events, equipment replacements, Community Activities Commission initiatives, and the Farmers' Market. Contractual Services includes the cost of holiday tree decorating and audio for the annual holiday tree lighting.

LIBRARY AND COMMUNITY ACTIVITIES Attachment 4

Community Activities				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-121-00-41001	Salaries	\$42,000	\$48,287	\$42,000
101-121-00-41101	Retirement	\$3,373	\$4,101	\$3,310
101-121-00-41103	Deferred Compensation	\$150	\$216	\$150
101-121-00-41104	Health Insurance	\$5,039	\$5,897	\$5,660
101-121-00-41106	Medicare	\$609	\$707	\$609
101-121-00-41107	LTD/STD/Life	\$65	\$80	\$65
101-121-00-41108	Worker's Comp	\$9,468	\$4,394	\$5,176
101-121-00-41109	Benefits-MOU Obligations	\$0	\$173	\$0
Salaries & Benefits Subtotal		\$60,704	\$63,855	\$56,970
101-121-00-42001	Contract Services	\$12,950	\$12,950	\$9,000
101-121-00-42005	Community Promotions	\$14,136	\$14,136	\$19,500
101-121-00-42009	Advertising and Legal Notice	\$2,000	\$2,000	\$3,000
101-121-00-42101	Office Supplies	\$200	\$100	\$300
101-121-00-42301	Training & Education	\$0	\$0	\$0
101-121-00-42403	Printing	\$500	\$500	\$2,500
Services & Supplies Subtotal		\$29,786	\$29,686	\$34,300
Total		\$90,490	\$93,541	\$91,270

Description

The Community Planning and Building Department (CPB) 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.

2020-2021 Initiatives and Accomplishments

- Updated the Title 15 Building and Construction Code
- Responded to County-issued COVID-19 protocols pertaining to construction activities by ensuring on-site compliance during inspections
- Continued planning review and other land use permit processing services while adhering to shelter in place protocols, including holding virtual Planning Commission and Historic Resources Board meetings.
- Implementation of Council direction regarding beach fires, short-term rentals within the commercial district, and adoption of a permanent Street Vending program
- Successful implementation and continued oversight of the temporary encroachment permit program for “parklets” in the public right of way

2021-2022 Priorities

- Continued response to County-issued COVID-19 protocols for construction, restaurants, retail and hospitality, including reopening CPB offices to the greatest extent possible
- Continued implementation of the CPB 2019 strategic plan, with a focus on customer service, technology, and streamlining processes
- Select and hire consultant to begin work on housing planning study in accordance with State “SB 2”, local “LEAP”, regional “REAP” grants
- Finalize the Historic Context Statement update
- Adoption of: (1) updated Accessory Dwelling Unit Ordinance; (2) updated Wireless Ordinance; and (3) updated City Zoning Code, Residential and Commercial Design Guidelines
- Scan/digitize historic property files for online public access

Budget Summary and Service Impacts

- Contract services include \$290,000 in FY 21-22 representing State, local and regional grants for affordable housing and \$15,000 for 3rd party review of Zoning and Design Guideline amendments.
- As part of the Capital Improvement Plan, CPB is contracting to scan and upload historic property files for online access via the City’s GIS mapping tool by the public. The estimated cost to implement this project is \$132,500, with the first phase of funding included within the FY 21-22 Recommended Budget.

COMMUNITY PLANNING AND BUILDING Attachment 4

Community Planning & Building				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-115-20-41001	Salaries	\$661,984	\$706,444	\$950,401
101-115-20-41005	Overtime	\$0	\$99	\$0
101-115-20-41101	Retirement	\$38,847	\$35,945	\$51,592
101-115-20-41103	Deferred Compensation	\$7,200	\$4,800	\$7,200
101-115-20-41104	Health Insurance	\$134,650	\$108,562	\$165,529
101-115-20-41106	Medicare	\$11,049	\$9,581	\$13,781
101-115-20-41107	LTD/STD/Life	\$1,273	\$1,023	\$1,273
101-115-20-41108	Worker's Comp	\$28,935	\$21,436	\$15,818
101-115-20-41109	Benefits-MOU Obligations	\$14,560	\$14,581	\$14,560
Salaries & Benefits Subtotal		\$898,498	\$902,471	\$1,220,154
101-115-20-42001	Contract Services	\$298,950	\$123,607	\$383,350
101-115-20-42009	Advertising and Legal Notice	\$500	\$500	\$500
101-115-20-42015	Other Services	\$0	\$0	\$0
101-115-20-42101	Office Supplies	\$4,450	\$2,500	\$3,650
101-115-20-42102	Publications & Subscriptions	\$775	\$350	\$775
101-115-20-42104	Safety Equipment and Supplies	\$0	\$0	\$800
101-115-21-42106	Small Tools and Equipment	\$0	\$0	\$0
101-115-20-42107	Gas and Oil	\$1,560	\$960	\$1,560
101-115-20-42115	Other Supplies	\$1,000	\$800	\$600
101-115-20-42301	Training & Education	\$3,835	\$620	\$4,085
101-115-20-42302	Conferences & Meetings	\$6,650	\$675	\$5,450
101-115-20-42304	Dues & Memberships	\$4,580	\$3,300	\$4,580
101-115-20-42305	Mileage Reimbursement	\$300	\$0	\$300
101-115-20-42403	Printing	\$3,000	\$1,000	\$3,000
Services & Supplies Subtotal		\$325,600	\$134,312	\$408,650
Total		\$1,224,098	\$1,036,783	\$1,628,804

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.

2020-2021 Initiatives and Accomplishments

- Established a unique, public/private partnership with Carmel Cares, who are volunteering to restore the Scenic Pathway, Forest Theater, and Devendorf and Vista Lobos Parks, and donated a multi-purpose truck for watering, various maintenance tools, and a sidewalk scrubber machine.
- Completed the Scout House Roof Replacement and Sunset Center Boiler Replacement CIP Projects.
- Made notable progress on the Climate Committee and the Climate Action and Adaptation Project.
- Coordinated with the Friends of Mission Trail Nature Preserve (MTNP) to remove additional dead and invasive trees, weeds, and fire fuel, while completing the renovation of Doolittle Trail.
- In the North Dunes, removed a significant quantity of weeds and invasive plants, removed and pruned non-native trees, installed post and cable railing, and presented progress to Council and Commissions.
- Installed 25 dual trash/recycling, metal ribbon cans in downtown, all paid by a Cal Recycle grant.
- Resumed basic vehicle maintenance tasks in-house for the first time since the 1990s.
- Installed three more dual electric vehicle chargers in the Sunset Center north parking lot.
- Resumed landscape maintenance services in-house, versus by contractor, to save funds and a position.
- Obtained rigging equipment enabling crews to remove mid-sized dead or diseased trees in-house.
- Cleared tree limbs, debris, and drainage channels following winter storms.

2021-2022 Priorities

- Re-commence Capital Improvement Program projects, halted due to economic impacts of COVID-19.
- Support the Climate Committee by completing the Vulnerability and Greenhouse Gas Emissions Studies.
- Continue to guide Carmel Cares, Friends of MTNP, and other volunteer organizations who are supplementing staff with landscaping, aesthetic improvements, repairs, and donations.
- Issue an RFP for Citywide janitorial services for the next three fiscal years.
- Resume the annual traffic striping and markings program, on hold due to the pandemic.
- Update Coastal Development Permits for the North Dunes and MTNP.
- Update the Carmel Municipal Code relative to trees, organics recycling, and storm water quality.
- Decrease the backlog of dead tree and stump removals, and plant many new trees.

PUBLIC WORKS

Public Works Department Total				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-119-00-41001	Salaries	\$1,312,435	\$1,336,024	\$1,521,663
101-119-00-41005	Overtime	\$8,800	\$441	\$8,800
101-119-00-41101	Retirement	\$81,189	\$79,167	\$88,011
101-119-00-41103	Deferred Compensation	\$10,380	\$12,011	\$12,612
101-119-00-41104	Health Insurance	\$234,625	\$243,927	\$278,844
101-119-00-41106	Medicare	\$18,574	\$18,639	\$22,064
101-119-00-41107	LTD/STD/Life	\$2,055	\$2,264	\$2,423
101-119-00-41108	Worker's Comp	\$95,738	\$92,142	\$67,744
101-119-00-41109	Benefits-MOU Obligations	\$27,040	\$26,864	\$28,600
Salaries & Benefits Subtotal		\$1,790,836	\$1,811,479	\$2,030,761
101-119-00-42001	Contract Services*	\$539,213	\$498,804	\$663,385
101-119-00-42009	Advertising and Legal Notice	\$1,000	\$0	\$1,000
101-119-00-42101	Office Supplies	\$2,500	\$1,042	\$2,500
101-119-00-42102	Publications & Subscriptions	\$3,860	\$5,500	\$6,860
101-119-00-42104	Safety Equipment and Supplies	\$8,000	\$8,000	\$8,000
101-119-00-42105	Materials and Supplies	\$214,030	\$251,506	\$110,500
101-119-00-42106	Small Tools and Equipment	\$10,309	\$10,309	\$750
101-119-00-42107	Gas and Oil	\$21,000	\$22,004	\$24,000
101-119-00-42201	Building Maintenance*	\$13,280	\$13,280	\$0
101-119-00-42202	Equipment Maintenance	\$5,500	\$5,500	\$10,000
101-119-00-42203	Vehicle Maintenance	\$46,000	\$46,000	\$41,000
101-119-00-42301	Training & Education	\$2,215	\$600	\$5,000
101-119-00-42304	Dues & Memberships	\$1,150	\$1,000	\$1,500
101-119-00-42403	Printing	\$400	\$0	\$400
101-119-00-42408	Permits and Licenses	\$9,500	\$9,500	\$9,500
101-119-00-42409	Rentals	\$2,250	\$2,250	\$2,250
Services & Supplies Subtotal		\$880,207	\$875,294	\$886,645
101-119-00-43002	Buildings & Improvements*	\$7,034	\$7,034	\$0
101-119-00-43004	Machinery & Equipment*	\$10,380	\$10,380	\$0
101-119-00-43005	Vehicles & Fire Trucks*	\$22,450	\$22,450	\$0
101-119-00-43006	Other Assets*	\$5,000	\$5,000	\$0
Capital Assets Subtotal		\$44,864	\$44,864	\$0
Total		\$2,715,907	\$2,731,638	\$2,917,406

*Per accounting principles, the value of donated items is included.

PUBLIC WORKS

PW Administration				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-119-40-42001	Contract Services	\$36,164	\$36,164	\$15,900
101-119-40-42009	Advertising and Legal Notice	\$1,000	\$0	\$1,000
101-119-40-42101	Office Supplies	\$2,500	\$1,042	\$2,500
101-119-40-42102	Publications & Subscriptions	\$3,860	\$5,500	\$6,860
101-119-40-42104	Safety Equipment and Supplies	\$8,000	\$8,000	\$8,000
101-119-40-42105	Materials and Supplies*	\$63,750	\$63,500	\$51,500
101-119-40-42106	Small Tools and Equipment*	\$7,978	\$7,978	\$750
101-119-40-42107	Gas and Oil	\$21,000	\$22,004	\$24,000
101-119-40-42202	Equipment Maintenance	\$5,500	\$5,500	\$10,000
101-119-40-42203	Vehicle Maintenance	\$46,000	\$46,000	\$41,000
101-119-40-42301	Training & Education	\$2,215	\$600	\$5,000
101-119-40-42304	Dues & Memberships	\$1,150	\$1,000	\$1,500
101-119-40-42403	Printing	\$400	\$0	\$400
101-119-40-42409	Rentals	\$2,250	\$2,250	\$2,250
Services & Supplies Subtotal		\$201,767	\$199,538	\$170,660
101-119-40-43002	Buildings & Improvements*	\$7,034	\$7,034	\$0
Capital Assets Subtotal		\$7,034	\$7,034	\$0

PW Streets				
101-119-41-43004	Machinery & Equipment*	\$10,380	\$10,380	\$0
Capital Assets Subtotal		\$10,380	\$10,380	\$0

PW Facilities				
101-119-42-42001	Contract Services	\$268,949	\$259,499	\$362,720
101-119-42-42105	Materials and Supplies*	\$45,000	\$91,316	\$35,000
101-119-42-42106	Small Tools and Equipment*	\$2,331	\$2,331	\$0
101-119-42-42201	Building Maintenance*	\$13,280	\$13,280	\$0
Services & Supplies Subtotal		\$329,560	\$366,427	\$397,720
101-119-42-43006	Other Assets*	\$5,000	\$5,000	\$0
Capital Assets Subtotal		\$5,000	\$5,000	\$0

PW Environmental Compliance				
101-119-43-42001	Contract Services	\$109,100	\$115,275	\$124,765
101-119-43-42105	Materials and Supplies	\$80,280	\$75,889	\$0
101-119-43-42408	Permits and Licenses	\$9,500	\$9,500	\$9,500
Services & Supplies Subtotal		\$198,880	\$200,664	\$134,265

PW Forest & Beach				
101-119-45-42001	Contract Services*	\$125,000	\$87,865	\$160,000
101-119-45-42105	Materials and Supplies*	\$25,000	\$20,801	\$24,000
Services & Supplies Subtotal		\$150,000	\$108,666	\$184,000
101-119-45-43005	Vehicles & Fire Trucks*	\$22,450	\$22,450	\$0
Capital Assets Subtotal		\$22,450	\$22,450	\$0

*Per accounting principles, the value of donated items is included.

Budget Summary and Service Impacts

- The Administration division has budgeted for higher costs in roadway materials, vehicle maintenance and resuming training opportunities that were put on hold due to COVID-19.
- The Facilities division reflects an increase in costs to complete building maintenance repairs that were put on hold due to COVID-19.
- The Environmental Compliance division reflects an increase in costs for the contracted services of required environmental testing.
- The Forestry division reflects an increase in costs for the use of tree removal contract services to assist in maintaining the health of Carmel’s forest.

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. Ambulance staffing includes 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.

2020-2021 Initiatives and Accomplishments

- Managed pandemic-related challenges including emergency ordinances, closures and re-opening.
- Managed multiple protests resulting from police incidents that occurred nationally.
- Began an investigation of a resident attack at Scenic and 13th in May 2020. With witness statements and the City's surveillance camera system, the suspect was identified within 48 hours and placed in custody in 4 days.
- In August, assisted Cal Fire and the Monterey County Sheriff's Department with the evacuation order of multiple residents in Carmel valley.
- In January 2021, utilized police officers and Community Emergency Response Team (CERT) members to assist the Monterey County Sheriff's Department with flood evacuation orders at Carmel Point.
- Increased the number of volunteer group and CERT members and utilized their services on multiple occasions to include assistance with evacuations, beach closures and vaccination clinics.

2021-2022 Priorities

- Fill vacancies, including Firefighter/Paramedic, Police Officer, Dispatchers, and Police Commander.
- Develop new contract language for Fire Services with the City of Monterey.
- Improve radio communications and complete the radio transition from analog to digital for police services.
- Continue to align policies and procedures with federal and State legislation regarding police tactics.
- Work with City Staff and Council on the implementation of paid parking in the City.
- Increase commitment to service in the Village through police programs to include increased bicycle patrols, community camera sharing, and use of volunteer groups like CERT.

Budget Summary and Service Impacts

Ambulance

- The FY 21-22 Budget increases by \$42,000 primarily due to anticipated training and equipment costs by filling a vacancy. Contract services include station coverage by the City of Monterey as needed (\$170,000), ambulance billing (\$40,000), Monterey Fire management of Ambulance personnel (\$21,000), narcotics management (\$11,000). Other major expenses include medical supplies (\$39,000), fuel and vehicle maintenance (\$17,000), safety equipment (\$11,000) and required training to maintain credentials (\$13,000).

Ambulance				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-118-00-41002	Salaries -Safety	\$640,288	\$706,593	\$709,018
101-118-00-41006	Overtime -Safety	\$160,000	\$80,307	\$160,000
101-118-00-41009	Holiday in Lieu	\$58,460	\$55,234	\$64,574
101-118-00-41102	Retirement -Safety	\$88,642	\$82,996	\$99,761
101-118-00-41103	Deferred Compensation	\$4,350	\$4,200	\$4,500
101-118-00-41104	Health Insurance	\$112,013	\$65,923	\$81,349
101-118-00-41106	Medicare	\$12,500	\$11,928	\$13,589
101-118-00-41107	LTD/STD/Life	\$780	\$702	\$858
101-118-00-41108	Worker's Comp	\$49,641	\$46,858	\$52,072
101-118-00-41111	Uniform Allowance	\$3,300	\$3,000	\$3,600
Salaries & Benefits Subtotal		\$1,129,974	\$1,057,741	\$1,189,321
101-118-00-42001	Contract Services	\$259,600	\$203,796	\$261,528
101-118-00-42101	Office Supplies	\$1,100	\$0	\$1,100
101-118-00-42103	Medical Supplies	\$39,150	\$30,485	\$39,150
101-118-00-42104	Safety Equipment and Supplies	\$10,000	\$10,000	\$11,000
101-118-00-42107	Gas and Oil	\$7,000	\$9,864	\$7,000
101-118-00-42201	Building Maintenance	\$1,500	\$4,000	\$1,500
101-118-00-42202	Equipment Maintenance	\$3,500	\$1,500	\$3,500
101-118-00-42203	Vehicle Maintenance	\$42,000	\$42,000	\$17,000
101-118-00-42301	Training & Education	\$7,800	\$3,675	\$12,800
101-118-00-42302	Conferences & Meetings	\$0	\$0	\$0
Services & Supplies Subtotal		\$371,650	\$305,320	\$354,578
Total		\$1,501,624	\$1,363,061	\$1,543,899

Fire

- The FY 21-22 Budget increases by \$128,700 over the FY 20-21 Adopted Budget. Contract services include fire services provided to the Village by the City of Monterey (\$2,670,900) and dispatch services (\$30,000). Funding for a wildfire risk assessment is also included within the budget (\$20,000).
- The FY 21-22 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.

Fire				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-117-00-42001	Contract Services	\$2,611,495	\$2,611,495	\$2,740,196
101-117-00-42005	Community Promotions	\$500	\$500	\$500
101-117-00-42103	Medical Supplies	\$3,000	\$3,000	\$3,000
101-117-00-42104	Safety Equipment and Supplies	\$7,000	\$7,000	\$7,000
101-117-00-42107	Gas and Oil	\$14,000	\$14,000	\$14,000
101-117-00-42202	Equipment Maintenance	\$4,450	\$4,450	\$4,450
101-117-00-42203	Vehicle Maintenance	\$35,000	\$35,000	\$35,000
Total		\$2,675,445	\$2,675,445	\$2,804,146

Police

- The FY 21-22 Budget increases by \$363,000 over the FY 20-21 Adopted Budget, primarily due to salary and benefits being budgeted for filling positions that were frozen during the FY20-21 year. The Department will continue to focus on patrol and responding to public safety needs. The Department continues to look for opportunities to reduce overtime through reduced staffing and using both virtual and hosted training to minimize costs.
- The FY 21-22 Budget reflects an increase of \$5,700 in services and supplies over FY 20-21. The increase is primarily the result of equipment, training and supplies needed to fill vacant positions. Training expenses increase to add Critical Incident Training, De-escalation and Racial Bias Training for all department members. 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.

PUBLIC SAFETY

Police				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
101-116-00-41001	Salaries	\$517,156	\$526,278	\$619,434
101-116-00-41002	Salaries -Safety	\$1,717,710	\$1,738,694	\$1,931,512
101-116-00-41006	Overtime -Safety	\$185,000	\$98,161	\$185,000
101-116-00-41009	Holiday in Lieu	\$128,289	\$122,635	\$141,270
101-116-00-41101	Retirement	\$38,636	\$39,471	\$42,945
101-116-00-41102	Retirement -Safety	\$293,267	\$295,578	\$327,515
101-116-00-41103	Deferred Compensation	\$16,440	\$13,225	\$21,294
101-116-00-41104	Health Insurance	\$383,078	\$351,720	\$441,847
101-116-00-41106	Medicare	\$37,398	\$36,044	\$42,201
101-116-00-41107	LTD/STD/Life	\$3,203	\$3,152	\$3,469
101-116-00-41108	Worker's Comp	\$180,179	\$135,886	\$98,498
101-116-00-41109	Benefits-MOU Obligations	\$0	\$0	\$520
101-116-00-41111	Uniform Allowance	\$30,960	\$29,840	\$33,120
Salaries & Benefits Subtotal		\$3,531,316	\$3,390,684	\$3,888,625
101-116-00-42001	Contract Services	\$245,500	\$159,136	\$268,800
101-116-00-42005	Community Promotions	\$2,050	\$2,050	\$1,000
101-116-00-42101	Office Supplies	\$7,500	\$3,504	\$7,500
101-116-00-42102	Publications & Subscriptions	\$915	\$748	\$915
101-116-00-42104	Safety Equipment and Supplies	\$8,950	\$11,320	\$9,450
101-116-00-42106	Small Tools and Equipment	\$17,000	\$14,202	\$0
101-116-00-42107	Gas and Oil	\$32,500	\$30,008	\$32,500
101-116-00-42201	Building Maintenance	\$1,000	\$1,650	\$1,000
101-116-00-42202	Equipment Maintenance	\$49,774	\$78,357	\$42,300
101-116-00-42203	Vehicle Maintenance	\$23,000	\$22,267	\$23,000
101-116-00-42301	Training & Education	\$6,750	\$6,750	\$14,250
101-116-00-42304	Dues & Memberships	\$1,450	\$750	\$1,400
101-116-00-42403	Printing	\$4,700	\$2,777	\$4,700
101-116-00-42404	Shipping/Postage/Freight	\$500	\$503	\$500
101-116-00-42405	Telephone and Communications	\$8,500	\$12,000	\$8,500
101-116-00-42415	Other Expenditures	\$6,000	\$1,955	\$6,000
Services & Supplies Subtotal		\$416,089	\$347,977	\$421,815
Total		\$3,947,405	\$3,738,661	\$4,310,440

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 \$882,656 as shown in Table 1, *FY 21-22 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. A recent radio count by the County indicated that the City has 29 less radios than previously billed (41 radios in total), resulting in a reduction in the debt service payment for FY 21-22.

2020 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 2010 Refunding Lease Revenue Bond). The COP of approximately \$7.6 million included a maturity date of November 1, 2031. On September 3, 2020, the Public Improvement Authority and City Council determined that a refunding of the 2010 Bond was in the City's best interest to take advantage of historically low interest rates and to achieve cash flow savings in light of the economic impact of COVID-19 on the City's revenues. The 2020 Refunding Lease Revenue Bond of approximately \$3.9 million matures on November 1, 2032. As part of the refinancing, the City will make significantly lower interest only payments in FY 21-22; however, payments will increase to approximately \$500,000 annually beginning in FY 23-24.

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 that the pension liabilities of the City's two pension plans exceeded the plans' assets by approximately \$6 million. CalPERS sought to realign assets with liabilities and created the "side fund." On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's side fund obligations to CalPERS, The COP of approximately \$6.3 million matures on June 1, 2023.

Table 1: FY 21-22 City Total Debt Service

Debt Service				
Account Number	Account Description	FY20-21 Amended Budget	FY20-21 Estimated Actual	FY21-22 Recommended
401-411-00-44001	Principal	\$1,003,770	\$662,896	\$677,110
401-411-00-44002	Interest	\$237,565	\$130,311	\$200,546
401-411-00-44003	Administrative Fees	\$3,180	\$3,913	\$5,000
Total		\$1,244,515	\$797,120	\$882,656

Table 2: FY 21-22 Debt Service by Bond

Debt Service: by Bond				
Bond	Principal	Interest	Admin. Fee	Total
NGEN Radio	\$17,110	\$0	\$0	\$17,110
Sunset Center	\$0	\$160,128	\$2,500	\$162,628
Pension Obligation	\$660,000	\$40,418	\$2,500	\$702,918
Total	\$677,110	\$200,546	\$5,000	\$882,656

Funding Sources

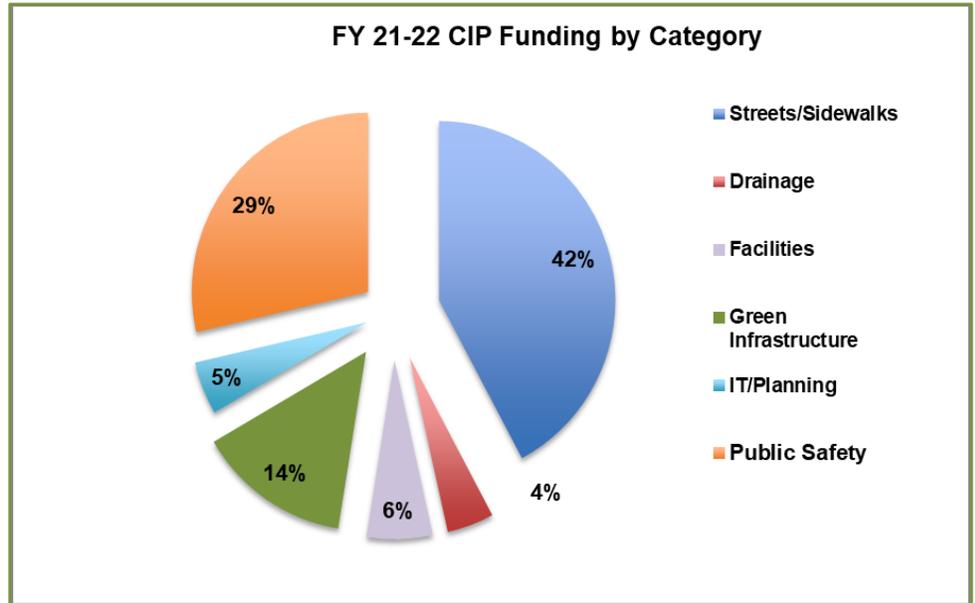
General Fund revenues are the source of funding for debt service payments. The General Fund (Fund 101) will transfer \$883,000 to Debt Service (Fund 401) in FY 21-22.

**CAPITAL
IMPROVEMENT
PLAN (CIP)**

Description

The FY 21-22 Recommended Budget includes \$2.3 million for capital projects. Capital spending represents 9% of the total citywide budget of \$25.3 million. As the economy starts to rebound from the economic impact of the pandemic, sales tax revenue generated by Measure C, the City’s local sales tax, will increase and provide a funding source for the City’s capital needs. In FY 21-22, Measure C funds the purchase of vehicles, equipment, and capital projects, as described in more detail below.

Capital Outlay funds several types of projects as depicted to the right in the “FY 21-22 CIP Funding by Category” chart. Streets and sidewalks account for 42% of capital expense, with a proposed budget of \$981,000, largely due to the revenues the City receives specifically for street maintenance and other transportation-related projects. Funding prioritizes public safety response capabilities, including enhanced radio communications and the purchase of new vehicles. Public safety is \$665,000, or 29%, of the Capital budget. The FY 21-22 Budget recognizes the importance of also investing in our “green” infrastructure and includes \$327,250, or 14%, of the capital budget for projects pertaining to the Mission Trail Nature Preserve, the Carmel Beach, North Dunes and the Scenic Pathway. The Scenic Pathway in particular is one of the Village’s endearing assets, in terms of both its natural beauty and its ability to promote community involvement and partnership between the City and its residents whom have volunteered time and money to be stewards of this resource. Likewise, many other volunteers, support groups and organizations are instrumental in caring for the North Dunes, the Carmel Beach and the Mission Trail Nature Preserve through such efforts as beach cleanup days, weed pulls and invasive plant eradication efforts. The FY 21-22 Budget also allocates funding of \$111,000, or 5%, for IT infrastructure to help ensure continuity of citywide operations and for a Planning-led project for public access to property files to improve customer service and operational efficiency.



Capital outlay includes \$785,000 for the projects listed in Table 1, FY 21-22 Recommended Vehicle and Equipment Acquisitions and Funding Source.

Table 1: FY 21-22 Recommended Vehicle and Equipment Acquisitions and Funding Source

Vehicle and Equipment Fund			
Account Number	Account Description	FY 21-22 Recommended	Funding Source
503-513-00-43002	Sunset Center Windows	\$60,000	Measure C FY 21-22 revenue
503-513-00-43003	Police Radio Antenna	\$200,000	Measure C FY 21-22 revenue
503-513-00-43003	Police Radio Antenna	\$175,000	Federal Grant
503-513-00-43004	Park Branch Library Generator	\$15,000	Measure C FY 21-22 revenue
503-513-00-43005	Ambulance	\$200,000	Measure C FY 21-22 revenue
503-513-00-43005	Police Patrol Vehicle	\$60,000	Measure C FY 21-22 revenue
503-513-00-43006	Police Radios Lease (Year 1 of 6)	\$30,000	Measure C FY 21-22 revenue
503-513-00-43007	Servers (Resilience Computer Equipment)	\$45,000	Measure C FY 21-22 revenue
Total		\$785,000	

Projects:

- **Sunset Center Materials testing and Windows:** This is the first phase of the project and includes testing, asbestos and lead paint remediation around the windows of the Sunset Center buildings as needed, and window repair. The second phase is to complete exterior repairs and paint the exterior walls.
- **Police Radio Antenna:** This antenna will meet 2013 Federal Communications Commission (FCC) requirements for digital radio usage. The City anticipates receiving an Urban Areas Security Initiative grant for \$175,000 to offset the cost of the installation.
- **Park Branch Library Backup Generator:** The backup generator at the Park Branch Library is past its useful life. If the generator should fail during a storm, it is likely to cause flooding in the library basement.
- **Ambulance:** This purchase replaces the 22-year-old back up ambulance, which has far exceeded its life expectancy and is no longer a reliable resource. In addition, 11-year-old ambulance recently experienced an engine failure due to the vehicle’s age, high miles and accumulated engine hours.
- **Police Vehicle:** The patrol car has exceeded its useful life and a new vehicle contributes to the Department’s ability to respond to incidents.
- **Police Radios:** The existing hand-held radios, previously purchased in 2009, are past their useful life. At \$8,200 each, the new 22 radios cost \$180,400. Funding pays the first year of a six-year lease for the radios.
- **Servers:** This project reconfigures the City server system to a hybrid-cloud model system to improve redundancy and disaster recovery services.

In addition to the Vehicle and Equipment Fund, approximately \$1.5 million is budgeted within the Capital Projects Fund to pay for other capital projects. These projects include:

- **FY 2019-20 Citywide Annual Paving Project:** The design of this paving project, coupled with the San Carlos Street Bike Route and San Carlos Street Median Islands, (three CIP Projects) is nearly complete. (Approximately 90% of the final design occurred last spring and construction halted due to the economic impact of COVID-19). Based on the Pavement Management System’s Pavement Condition Index ratings, this project includes resurfacing pavement along Junipero Street, between Third and Ocean Avenues, San Antonio Avenue between Fourth and Eighth Avenues, and introducing micro-surfacing technology along San Carlos Street between Eighth and Thirteenth Avenues.

Funding for the paving projects includes transportation-related revenues generated through State gas tax and vehicle registration fees. In addition, the City received an allocation of local sales tax (Measure X) administered by the Transportation Agency for Monterey County (TAMC). As the City placed the FY 19-20 paving project on hold in the spring of 2020 and has not undertaken a paving project in the current fiscal year, there are prior years’ revenues available for use in FY 21-22. In order to receive this funding, the City is required to contribute general fund monies for road maintenance and other eligible projects. This “Maintenance of Effort” funding helps ensure a funding commitment to road maintenance and rehabilitation and that these specific revenues do not replace, or supplant, local funding for roads.

VEHICLE AND EQUIPMENT FUND

The FY 21-22 Recommended Budget uses \$175,000 from a federal grant and \$610,000 of Measure C revenue to fund the projects, listed on the left of this page, for a total cost of \$785,000.

In light of the City’s need to purchase vehicles, such as the street sweeper and fire engine, in the near future, the FY 21-22 Recommended Budget also allocates \$358,000 of Measure C revenue to the Vehicle and Equipment Fund. With this infusion of funding, the projected FY 21-22 Vehicle and Equipment Fund Balance is \$314,000 as shown on the fund balance tables located within this budget document.

- **Mission Street Sidewalk Repairs:** This project removes and replaces the entire 720 square feet of uneven sidewalk on the west side of Mission Street, between Fifth and Sixth Avenues. Partial funding includes the City's allocation of Regional Transportation Improvement Program (RSTIP) through TAMC.
- **Sidewalk Repairs:** Sidewalk repairs at San Carlos and Fourth Avenue and Dolores and Sixth Avenue.
- **Wayfinding Signs:** As approved at the March 2, 2021 Council meeting, TAMC will reimburse the City up to \$18,500 for approximately 15 wooden signs. These signs will provide directions to various Carmel area points of interest, especially for bicyclists, pedestrians, and visitors. Staff will seek Planning Commission and Council approval regarding the design and locations.
- **Drainage System Repairs:** The Drainage Master Plan identified numerous spot repairs needed for the existing underground storm drain pipes, as well as significant "bottlenecks" in the drainage system that result in excess surface runoff flowing down streets and potentially onto private properties during heavy storms. This is the first phase of a multi-year project. The estimated cost to fix the two most critical bottlenecks is \$4 million.
- **ADA Upgrades, Year 4:** This funds various facility improvements based on the results of the City's 2018 Americans with Disabilities Act Transition Plan.
- **Public Access to Digital Property Files- Phase 1:** The budget provides funding to begin scanning and electronically digitizing of all property files and utilize the City's existing, interactive GIS map tool on the website to create a link to these property-specific digital records. This will allow the public the ability to go online at any time and from anywhere, click on any lot in the City, and receive a link to all public documents in the current physical property file. This project will provide better customer service, free up staff time for productivity, and utilize technology to make operations more efficient.
- **Library Master Plan:** This complements the Library's Strategic Plan objective to develop facility plans for the Harrison Memorial and Park Branch library buildings. The plan will identify opportunities for improvements within the buildings, including accessibility, shelving, modular furniture and improved catalog access.
- **North Dunes Habitat Restoration Project:** The budget includes funding to continue the multi-year effort pertaining to the North Dunes habitat restoration. Funding continues biological monitoring and reporting of endangered and sensitive species, as well as other enhancements, such as new interpretive signage and/or split rail border fencing.
- **Beach Sand Survey and Wall Inspections:** This project involves collecting and reviewing existing data and aerial imagery to determine rates of beach sand loss. Next, the project establishes a series of beach profile transects to facilitate long-term beach sand monitoring. In addition, this project funds the initial, non-destructive inspection by a coastal engineer of the shoreline armoring structures during low sand levels to determine priorities and phasing for anticipated repairs.
- **Scenic Pathway Barriers:** Constructed in the 1980s, the existing barriers between the Scenic Pathway and the top of the Dunes consist of different wooden configurations, posts and cable railings. Most of the wooden structures have deteriorated due to age, exposure to the elements and limited preventative maintenance. This project replaces the most heavily deteriorating railings along the Scenic Pathway.
- **Mission Trails Nature Preserve Well Decommission and Tank Removal:** This project involves the proper regulatory decommissioning of the water well located within the Mission Trail Nature Preserve and the physical removal of the elevated tank.
- **Mission Trails Nature Preserve (MTNP) Stream Stability Projects:** The FY 21-22 Budget includes initial funding to retain an engineering and environmental consultant to design and obtain environmental permits for the first (3 out of 8) stream restoration and erosion control measures for MTNP, as recommended in the 2019 MTNP Stream Stability Report. The California Department of Parks and Recreation Per Capita Grant of \$187,000 funds the majority of the design, environmental permit acquisitions, and construction costs. A City match of 20% is required.

Table 2, labeled the FY 21-22 Recommended Capital Projects and Funding Source, as shown below illustrates the funding source for various capital projects. Sources include the City’s local sales tax (Measure C), Monterey County local sales tax (Measure X), State gas taxes, Regional Transportation Improvement Program (RSTIP), funding from the Transportation Agency for Monterey County and a California Department of Parks and Recreation grant.

Table 2: FY 21-22 Recommended Capital Projects and Funding Source

Capital Projects Fund		
Account Number 301-311-00-43008		
Description	FY 21-22 Recommended	Funding Source
Paving Project includes San Carlos Bike Route & Medians	\$227,000	General Fund
Paving Project	\$319,352	Transportation Safety Fund
Paving Project	\$306,567	Gas Tax & RMRHA
Mission Street Sidewalk	\$15,311	RSTIP
Mission Street Sidewalk	\$21,000	General Fund
Sidewalk Repair: San Carlos/4th & Dolores/6th	\$73,000	General Fund
Paving and Sidewalk	\$962,230	
Wayfinding Signs	\$18,850	TAMC
Drainage Repair	\$100,000	Measure C
ADA Upgrades (Year 4)	\$15,000	Measure C
Library Master Plan	\$50,000	Measure C
Digital Property Files- Phase 1	\$66,250	Measure C
North Dunes Habitat Restoration	\$12,250	Measure C
Beach Sand Survey and Wall Inspections	\$25,000	Measure C
Scenic Pathway Phase 2 Barrier Rails	\$50,000	Measure C
MTNP Well Decommissioning & Tank Removal	\$150,000	Measure C
MTNP Stream Stability Design	\$70,000	CA State Park Per Capita grant
MTNP Stream Stability Design	\$20,000	Measure C (Required Match)
MTNP Stream Stability Design	\$90,000	
Total	\$1,539,580	

Five-Year CIP Summary

The estimated cost of the Five-Year Capital Improvement Plan is \$19.8 million as follows:

- \$4.8M for roadway improvement projects, including paving, sidewalks, and bicycle facilities
- \$4.6M for facility repairs and upgrades, including \$1.4M for the Police Building Renovation Project
- \$3.6M for libraries, including the \$2.5M Sixth Avenue/Devendorf Park Community Improvement Project
- \$2.0 M for equipment and fleet acquisitions, including a fire engine and street sweeper
- \$1.7M to repair broken drainage pipes and eliminate critical drainage system bottlenecks
- \$1.3M for environmental resilience from climate change and beach stabilization
- \$1.0M for forestry and park projects including \$0.7M for upgrades in the Mission Trail Nature Preserve
- \$0.8M for IT systems, including records management and hardware upgrades

With an identified cost of \$2.5 to \$4 million for each of the four fiscal years subsequent to FY 21-22, the City’s infrastructure needs far exceed the anticipated budget available for capital projects for all five years.

OTHER 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.

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 20-21 and FY 21-22.

General Fund

The General Fund is estimated to start FY 21-22 with a fund balance of \$7.7 million and end with \$7.7 million on June 30, 2022 due to the General Fund budget being balanced with the use of estimated new revenue and transfers in from other funds, such as the Hostelry Fund. 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

FY 21-22 assumes \$5.3 million in new revenue that will be transferred to the General Fund to support citywide operations.

Gas Tax (Fund 201)

Revenue of \$180,591 is anticipated in FY 21-22. The funds, along with \$125,976 of fund balance, will be transferred to Capital Projects for street paving.

Transportation Safety (Fund 202)

Revenue of \$196,212 is anticipated in FY 21-22. The funds, along with \$123,140 of fund balance, will be transferred to Capital Projects for street paving.

COPS Grant

Revenue of \$158,000 is anticipated in FY 21-22 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 21-22.

Asset Seizure (Fund 205)

There is no activity budgeted in this fund for FY21-22.

Measure C Sales Tax (Fund 206)

Measure C has a projected fund balance of \$1.3 million as of 7/1/21. The FY 21-22 projected revenue of \$4.2 million will be transferred to the General Fund (\$2.7 million), Capital Improvement Projects (\$510,000), and Vehicle & Equipment Replacement (\$968,000). There is no reserve requirement for Measure C.

Capital Projects (Fund 301)

This fund is projected to start and end FY 21-22 with \$454,000 due to anticipated activity being covered by new revenue and transfers in.

Debt Service (Fund 401)

The FY 21-22 debt service activity is \$883,000. 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)

The anticipated costs of claims payments and third party administrator services are reflected in this fund. Previously, these expenses were accounted for in the General Fund. Based upon the auditor recommendation, they will be accounted for in this fund.

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 21-22.

Vehicle and Equipment Replacement Fund

The planned activity in this fund for FY 21-22 in the amount of \$785,000 will be covered by new revenue and transfers in.

PROJECTED REVENUE BALANCE

Projected Fund Balance as of June 30, 2021

Fund	Description	Audited Fund Balance June 2020	Revenue and Transfers In	Expenditures and Transfers Out	Estimated Fund Balance June 2021
101	General Fund	7,748,874.70	18,198,133.00	18,237,115.00	7,709,892.70
102	Hostelry	1,009,271.52	4,000,409.00	2,488,198.00	2,521,482.52
201	Gas Tax	51,425.61	164,846.00	-	216,271.61
202	Transportation Safety	36,452.37	184,794.00	-	221,246.37
203	COPS	58,971.09	156,727.00	160,000.00	55,698.09
204	Parking in Lieu	734,766.95	-	-	734,766.95
205	Asset Seizure	5,437.44	-	-	5,437.44
206	Local Measure Sales Tax	678,802.09	3,713,170.00	3,050,000.00	1,341,972.09
301	Capital Projects	571,656.53	22,250.00	140,014.00	453,892.53
401	Debt Service	323,191.60	1,244,515.00	797,120.00	770,586.60
501	Worker's Comp	0.19	79,440.00	78,975.00	465.19
502	OPEB Reserve	1,839,428.64	-	-	1,839,428.64
503	Veh & Eq Replacement	200,451.87	-	244,420.63	(43,968.76)
		13,258,730.60	27,764,284.00	25,195,842.63	15,827,171.97

PROJECTED REVENUE BALANCE

Projected Fund Balance as of June 30, 2022

Fund	Description	Estimated Fund Balance June 2021	Revenue and Transfers In	Expenditures and Transfers Out	Proposed Fund Balance June 2022
101	General Fund	7,709,892.70	23,309,908.00	23,309,908.00	7,709,892.70
102	Hostelry	2,521,482.52	5,333,562.00	5,333,562.00	2,521,482.52
201	Gas Tax	216,271.61	180,591.00	306,567.00	90,295.61
202	Transportation Safety	221,246.37	196,212.00	319,352.00	98,106.37
203	COPS	55,698.09	158,000.00	213,698.00	0.09
204	Parking in Lieu	734,766.95	-	-	734,766.95
205	Asset Seizure	5,437.44	-	-	5,437.44
206	Local Measure Sales Tax	1,341,972.09	4,206,660.00	4,206,660.00	1,341,972.09
301	Capital Projects	453,892.53	1,539,580.00	1,539,580.00	453,892.53
401	Debt Service	770,586.60	882,656.00	882,656.00	770,586.60
501	Worker's Comp	465.19	116,158.00	116,158.00	465.19
502	OPEB Reserve	1,839,428.64	-	-	1,839,428.64
503	Veh & Eq Replacement*	(43,968.76)	1,143,291.00	785,000.00	314,322.24
		15,827,171.97	37,066,618.00	37,013,141.00	15,880,648.97

