



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

Mayor Dave Potter, Councilmembers Jeff Baron,
Alissandra Dramov, Karen Ferlito, and Bobby
Richards
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 - WORKSHOP Tuesday, May 21, 2024

Councilmember Ferlito will be attending this meeting remotely under California Gov. Code 54953(b) at the following location: 220 Madison Avenue, 3-O, New York, NY, 10016. The agenda will be posted at the location and will be open to the public.

HYBRID MEETING ATTENDANCE OPTIONS

Members of the public are entitled to speak on matters of municipal concern not on the agenda during Public Appearances. Each person's comments shall be limited to 3 minutes, or as otherwise established by the Chair. Matters not appearing on the agenda will not receive action at this meeting and may be referred to staff. Persons are not required to provide their names, and it is helpful for speakers to state their names so they may be identified in the minutes of the meeting.

<https://ci-carmel-ca-us.zoom.us/j/81292482891> Webinar ID: 812 9248 2891 Passcode: 778926 Dial in: (253) 215-8782

HOW TO OFFER PUBLIC COMMENT

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

Tour Time - 3:45 PM

TOUR OF INSPECTION

Prior to calling the meeting to order, the Board/Commission will conduct an on-site tour of inspection of the properties listed on the agenda and the public is welcome to join. After the tour is complete, the Board/Commission will begin the meeting in the City Council Chambers no earlier than the time noted on the agenda.

- A.** Mission Trail Nature Preserve, Rio Road Entrance, across the street from 3100 Rio Road, Carmel

**OPEN SESSION
4:30 PM**

CALL TO ORDER AND ROLL CALL

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 2024-2025 Budget, conduct a public workshop, and provide direction to staff

PUBLIC APPEARANCES - Limited to items on the agenda

Members of the public are entitled to speak on matters of municipal concern not on the agenda during Public Appearances. Each person's comments shall be limited to 3 minutes, or as otherwise established by the Chair. Persons are not required to provide their names, however, it is helpful for speakers to state their names so they may be identified in the minutes of the meeting. Under the Brown Act, public comment for matters on the agenda must relate to that agenda item and public comments for matters not on the agenda must relate to the subject matter jurisdiction of this legislative body. If a member of the public attending the meeting remotely violates the Brown Act by failing to comply with these requirements of the Brown Act, then that speaker will be muted.

ADJOURNMENT

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

SUPPLEMENTAL MATERIAL RECEIVED AFTER THE POSTING OF THE AGENDA

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

SPECIAL NOTICES TO PUBLIC

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



CITY OF CARMEL-BY-THE-SEA

CITY COUNCIL

Staff Report

May 21, 2024
ORDERS OF BUSINESS

TO: Honorable Mayor and City Council Members

SUBMITTED BY: Jane Hogan, Accountant

APPROVED BY: Chip Rerig, City Administrator

SUBJECT: Receive a presentation on the Fiscal Year 2024-2025 Budget, conduct a public workshop, and provide direction to staff

RECOMMENDATION:

Receive a presentation on the Fiscal Year 2024-2025 Budget, conduct a public workshop, and provide direction to staff.

BACKGROUND/SUMMARY:

In accordance with Carmel Municipal Code Section 3.06.020, prior to the beginning of each fiscal year, the City Administrator shall prepare and submit to the City Council a proposed operating and capital budget for the forthcoming fiscal year (**Attachment 1**). The proposed budget, referred to as the Fiscal Year 2024-2025 (FY 24-25) Recommended Budget of \$43.9 million is submitted for Council's consideration. The proposed expenditures totaling \$43.9 million, include the General Fund operating budget (\$28.2 million), debt service (\$519,100), pension unfunded liability (\$2.4 million), capital budget (\$12.6 million), and workers compensation (\$127,000). The proposed revenues totaling \$31.4 million include property taxes (\$8.6 million), sales tax (\$9.8 million), transient occupancy tax (\$7.5 million), and other revenue (\$5.5 million). The FY 24-25 Recommended Budget requires the use of \$12.4 million in prior years' savings ("fund balance") in order to balance, unless additional reductions are made.

FY 24-25 Recommended Revenues	\$31,431,249
General Fund Operating Expenditures	28,286,593
Debt Service Expenditures	519,100
Pension Unfunded Liability Mitigation Expenditures	2,375,351
Capital Outlay Expenditures	12,579,000
Workers Compensation Expenditures	127,000
FY 24-25 Total Recommended Expenditures	\$43,887,044
Use of Fund Balance for Capital Projects	\$12,455,795
Funded Full Time Equivalent (FTE) positions	97.25

Since the May 7, 2024 Council Meeting, the Recommended budget has been adjusted per direction of Council to add \$6,000 to Community Promotions. Additionally, staff has adjusted Liability Insurance

Premiums \$31,000 higher based upon updated figures from PRISM received May 16, 2024.

The total fund balance is estimated to end the FY 23-24 at \$37.3 million which includes all restricted, reserves and unassigned funds. City Council has the authority to tap into the unassigned fund balance (\$15M).

As the economy remains unpredictable, the City remains cautious and anticipates a conservative increase in revenues for FY 24-25. Conversely, the City also expects its expenditures to grow in FY 24-25, primarily related to increased staffing, pension costs, general operating costs, and a robust Capital Improvement Plan. Highlights of the budget include:

- Salary and benefit costs of approximately \$16 million with minimal changes to FTE over prior FY (97.25 FTE total).
- Pension costs of approximately \$2.4 million for the City's annual unfunded accrued liability ("UAL") payment to CalPERS. Additionally, the City will restrict \$1 million by transferring funds into the City's established Section 115 Trust.
- Services and supplies costs of approximately \$12.4 million to fund contractual services, fuel and vehicle maintenance, supplies and materials, utilities, fire services, insurance premiums, Sunset Center, staff training, marketing and other operational costs.
- \$12.6 million for capital projects and vehicle and equipment purchases in the following categories: public safety (\$3.4 million), streets/sidewalks (\$4.0 million), facilities (\$1.1 million), drainage (\$1.7 million), green infrastructure (\$275,000), environment (\$1.1M), IT/Planning (\$300,000), fleet (\$150,000), libraries (\$145,000) and CIP Contingency (\$400,000).
- \$519,100 for debt service payments and \$127,000 for workers compensation claim administration, potential claims and costs associated with the implementation of preventive measures.

Staff provided a brief overview of the budget as part of the May 7, 2024 Council meeting. At the May 21, 2024 budget workshop, staff will present a detailed review of the budget as well as present responses to any questions that staff have received (**Attachment 2**) Staff will receive direction from Council on the budget and this direction will be incorporated into the FY 24-25 Recommended Budget, which will be considered for adoption by Council on June 4, 2024.

Capital Improvement Program

At the March 5, 2024 Council meeting, the Public Works Director presented the First Review of the FY 2024/25 Capital Improvement Program (CIP) which included:

- 15 capital improvements and 14 operating budget projects completed in FY 2023/24.
- 4 projects recommended to be cancelled or modified.
- 15 projects funded in (or prior to) FY 2023/24 that were recommended to be carried over, with remaining funds, into FY 2024/25.
- 6 (of the 15) carry-over paving, drainage, and facility renovation projects that require supplemental funding of \$1.7M for construction.
- 6 potential new projects funded by the Vehicle and Equipment Fund.
- 13 potential new projects funded by the Capital Improvement Fund.
- An introduction of the 5-year Capital Improvement Plan (FY 2024/25 through 2028/29). An updated 5-Year CIP is included in **Attachment 4**, and is also available for review on the City Website under the Public Works homepage.

At the Special Council meeting on March 26, 2024, the Public Works Director presented the Second Review of the CIP for FY 2024/25 which included:

- Responses to questions received at the March 5th meeting (**Attachment 3**).
- 5 new or revised projects that changed since the March 5th meeting.

At that meeting, Council tentatively approved:

- 4 projects to cancel or modify.
- Carry over of 15 projects funded in (or prior to) FY 2023/24 with remaining funds, into FY 2024/25.
- Supplemental funding for 6 carry-over paving, drainage, and facility renovation projects for construction.
- 6 new vehicle and IT projects funded by the Vehicle and Equipment Fund.
- Tentatively 12 of 13 new projects funded by the Capital Improvement Fund, although several projects require additional review and consideration.

Based on Council direction at the March 26th meeting, the CIP was included in the “Fiscal Year 2024-2025 Recommended Budget Book” (pages 52-68) and introduced at the May 7, 2024 Council meeting.

Questions regarding the CIP asked at the March 26th Special meeting and their responses, are provided in **Attachment 3**

While the draft CIP for FY 2024/25 is now substantially complete (**Attachment 4**), there are still concerns expressed from Council, the public, and staff, regarding the \$12M+ cost for all projects listed, as well as the current CIP backlog, staff’s current workload, and the ability to execute approximately 34 projects while at the same time, trying to reduce the reliance on the City’s three project management consultants. As noted in the response to CIP Question 18,

“Without any new capital improvement projects assigned for FY 2024/25, the current backlog of work from the 15 Carry-Over Project funded in, or prior to, FY 2023/24 would take staff plus our three Project Management consultants approximately one more full year to complete. As reference, the City completed 14 projects in FY 23 and 15 projects in FY 24 with one in-house Project Manager plus three Project Management consultants.

Currently, the tentative list of 6 new Vehicle and Equipment Funded projects plus 13 new Capital Fund Projects, will add a full year of workload to the existing backlog. In addition, the Public Works Department, for example, is also involved in 11 Strategic Priority Projects (several of which are capital projects), in addition to ongoing streets and facilities maintenance, forestry and environmental programs, and service requests.

Staff does not recommend eliminating all 19 new projects since many are time-sensitive and should begin soon as possible. Hiring a second in-house Project Manager would be part of the solution in reducing the backlog and phasing out project management consultants. However, the scale and cost of the proposed new FY 24/25 CIP projects should be further reviewed. For example, at the March 26th meeting, Council directed staff to defer the construction phase of the Sunset Center Portico. At the May 21, 2024 Budget Workshop, staff will identify four additional, important, but non-urgent projects which Council may consider to defer.”

At the May 21, 2024 Budget Workshop, staff will recommend that Council consider not proceeding with the following four CIP projects in the next Fiscal Year for the following reasons:

1. Doolittle Bridge and Pathway Realignment– Environmental Permitting and Design, \$175,000. Clearly a worthwhile project included as the fourth of eight improvements along the Mission Trail Nature Preserve stream, it is not time sensitive. Further, at the May 7th meeting, Council approved a construction contract in the amount of

\$433,818 for construction of MTNP 3 Stream/Drainage Improvement Projects.

Staff suggests that the Doolittle Bridge Project be deferred for one or more years.

2. Junipero Bypass Drainage Project – Design, \$175,000. Although this may be the most critical, high priority project identified in the Storm Drain Master Plan Update, it is a large-scale project with a subsequent construction cost estimated at \$1M. It must be done. However, the Drainage Repairs Project, which includes 3 high priority repairs from the SDMP, will be under construction next FY upon approval of a supplemental budget increase included in the CIP Budget. Deferring the Junipero Bypass design out one year would allow staff to focus on constructing the Drainage Repairs, and then begin the design the following year.

Staff suggests that the Junipero Bypass Drainage Project Design be deferred for one year.

3. Park Branch Library Windows and Dry Rot, \$45,000. An alternative to implementing this project at one time, (which would be more cost-efficient in the long run), would be to make these repairs over the next two fiscal years using funding from the Facilities Maintenance Budget. For example, in FY 2024/25, the dry rot can be repaired, and the 18+ windows could be replaced over the subsequent fiscal year.

Staff suggests that the Park Branch Library Windows and Dry Rot Project be undertaken as facility maintenance budgeted projects over the next two years.

4. Ocean Avenue, Carpenter to Highway 1, \$500,000, funded by Monterey County. Another worthwhile project would be to reconstruct the deteriorated pavement, and provide drainage and street improvements along Ocean Avenue; however, this is in the jurisdiction of Monterey County. While there would be no direct costs to the City if we enter into a full cost recovery Agreement with the County, this will be a significant impact on staff time. As noted in the CIP Project description,

“Ocean Avenue, between the east City limits near Carpenter Street and Highway 1, is currently inundated with potholes and pavement distress. The pavement condition has deteriorated to the point that a minor paving resurfacing treatment would be insufficient, and the roadway may need to be reconstructed in some areas followed by an asphalt overlay. While located in the jurisdiction of Monterey County, Ocean Avenue is a primary arterial entryway from Highway 1 into the central downtown core of the City of Carmel.

Numerous calls have come in over the years requesting the City to repair these potholes, until the callers are notified that this is the responsibility of the County. Public Works has contacted the County’s Public Works Department numerous times to alert them to potholes. While the County is typically very responsive to the City’s requests, repairs can be delayed at times, particularly following storms.

This new CIP project for FY 24-25 would allow the City to launch this major street improvement project on behalf of, but at the full cost of, the County. The first step in this process would be to enter into a funding agreement, to be approved by the County Board of Supervisors and City Council, outlining the work to be performed by the City and its consultants and contractors, payment or reimbursement of all direct costs by the County, and a mechanism to allow the City to terminate the agreement at any time.

While these necessary roadway improvements would clearly benefit citizens of Carmel and the County alike, this project does pose risks. For example, the required Encroachment Permit from CalTrans could potentially trigger intersection improvements at Highway 1, such as modified turn movement and/or signalization updates. The roadway design must include drainage improvements, repairs and/or additions to sidewalks along both sides of the street, and accessibility ramps. Additional project

implementation and construction issues that must be addressed include CEQA documentation, environmental permits, community outreach, and reconciliation of design and contracting standards between the County and City.

The City does not currently have the capacity to implement this project. Therefore, one of the City's Project Management consultants would be needed for this project. Next, a third-party engineering/environmental firm must be retained for engineering design, permitting, and bid phase and construction engineering support. While the vast majority of the work would be performed by consultants and contractors, all at the expense of the County, the impact to City staff cannot be understated.

The County provided an initial cost estimate of \$500,000 for the paving portion of the project. Preliminarily, it appears that the full cost for project management, design, and construction, including drainage, sidewalks, ADA improvements, and traffic control, will be substantially higher."

Staff suggests that the Ocean Avenue, Carpenter to Highway 1 Project remain the responsibility with the County. The City could offer to support their project by such things as serving on consultant selection committees, attending progress meetings, supporting outreach efforts, assisting with checking plans and specifications, etc.

Additional Correspondence

On May 17, 2024, the City received a letter from Amy Herzog, Executive Director of Visit Carmel, which was intended to offer additional information related to the City of Carmel-by-the-Sea's contract with Visit Carmel. This letter has been included at **Attachment 5**.

FISCAL IMPACT:

The FY 24-25 Recommended Budget totals \$43.9 million. There is no fiscal impact associated with receiving a presentation on the FY 24-25 Recommended Budget. However, direction provided by Council will have an impact on the budget and planned expenditures for the upcoming fiscal year.

PRIOR CITY COUNCIL ACTION:

Council received presentations regarding the Capital Improvement Plan on March 5, 2024 and March 26, 2024.

Council received a presentation regarding the FY 24-25 Recommended Budget, inclusive of the Capital budget, on May 7, 2024.

Council direct staff to add \$6,000 to the City Council's Community Promotions for two additional discretionary grants at the May 7, 2024 Council Meeting.

ATTACHMENTS:

- Attachment 1) FY24-25 Recommended Budget Book
- Attachment 2) Recommended Budget Questions and Answers
- Attachment 3) CIP Questions and Answers
- Attachment 4) Updated 5 Year Capital Improvement Plan
- Attachment 5) Visit Carmel Letter



Fiscal Year 2024-2025

RECOMMENDED BUDGET

CITY OF CARMEL-BY-THE-SEA



CITY COUNCIL



DAVE POTTER,
MAYOR



BOBBY RICHARDS,
MAYOR PRO TEMPORE



JEFF BARON,
COUNCILMEMBER



KAREN FERLITO,
COUNCILMEMBER



ALISSANDRA DRAMOV,
COUNCILMEMBER

CHIP RERIG, CITY ADMINISTRATOR

CITY OF CARMEL-BY-THE-SEA
P.O. BOX CC
CARMEL-BY-THE-SEA, CA 93921
T: (831) 620-2000
www.ci.carmel.ca.us

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INTRODUCTION

RECOMMENDED BUDGET MESSAGE

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

The Fiscal Year 2024-2025 (“FY 24-25”) recommended budget is submitted for your consideration and tentative adoption on June 4, 2023. This budget continues to be structurally balanced and maintain service levels from last fiscal year, all in an effort to continue to build organizational resiliency. The City has risen to a magnitude of challenges over the last year including another season of severe winter storms that absorbed a profound amount of our capacity, and several high interest community projects such as the General Plan Housing Element, and the Police Station Project. Throughout, the City’s dedicated staff, volunteer groups and the community at large worked together to serve and take the best actions under challenging circumstances. Please allow me to reinforce that we have a strong and dedicated workforce, and unparalleled leadership from the City Council combined with an impassioned and solutions-oriented citizenry.

The adopted Operating Budget serves as a policy document, financial plan, operations guide, and communications device. It is a living document that reflects the City Council’s strategic goals and objectives and provides a framework to meet future challenges such as rising operational costs and limited growth in revenues.

As we move forward and plan the Fiscal Year 24-25 operating budget for the upcoming year, it is important to take into consideration the various factors that impact our financial health at the global, national, State, and local levels.

At the global level, we continue to face economic uncertainty and instability due to high interest rates, changes in leisure travel patterns, market distress, and volatility in financial markets. Although far from our backyard, the two major wars currently being fought overseas factor into the overall economic picture. These variables have resulted in a decrease in revenue for many businesses and organizations, and we would be wise to anticipate and prepare for potential impacts on our own financial situation.

At the national level, we have continued to see declines in personal savings which fell from roughly 4.8% in June of 2023 to 3.2% at the time of this report. This trend could add to a greater sell-off of investments and potentially steep market declines. Going on fifteen years, the current economic cycle is likely the longest in US history, so there is also uncertainty around how long [soon] it will be before we see a major change, especially given all of the financial “levers” that have been pulled over the last year by the FED in efforts to affect the economy.

At the state level, California faces its own set of challenges. The state has a large and diverse economy, but it also has a high cost of living and a significant homeless population. The state's budget is also impacted by various factors such as natural disasters, healthcare costs, and public education funding. Very recently, the Governor has signaled the need to make cuts to the State Budget, which could impact grant funding anticipated to be received by local governments like ours.

At the local level, Monterey County is no exception to these challenges. We must also consider factors such as our aging infrastructure, affordable housing shortage, and rising healthcare costs. Additionally, our County-wide tourism industry continues to recover from the pandemic, resulting in a decrease in revenue for our county. The City's three major sources (Property Tax, Sales and Use Tax and Transient Occupancy Tax) of General Fund revenue continue to increase, but only slightly as the trend of "revenge spending" that was seen coming out of the pandemic continues to flatten. This trend has led to decreased occupancy in our hotels and a remaining uncertainty about travel patterns, impacting two of these three major revenue pillars. It is also worth noting that as Highway 1 through Big Sur seems to have some sort of annual disaster event, we will continue to see less visitor trade and traffic coming up along the coast from the L.A. area and bringing important visitor dollars to the peninsula.

As I said, the factors identified above may reflect a monetary tightening that could impact the City's revenue pillars into the future. As such, we approached our budget planning with an understanding of these factors and their potential impacts on our financial health. This budget is a thoughtful representation working together internally and with the community to identify areas where we can maintain costs at status quo, and where there may be room to cautiously spend budgetary dollars to enhance services for the Village. Given trends though, it is likely the City will soon need to begin to explore the need for additional sources of revenue to maintain our financial stability, or adopt a position of significantly reducing costs in future fiscal years.

The recommended budget is not operationally balanced, meaning the total projected incoming revenue does not compensate for our projected expenditures. The recommended budget is, however, structurally balanced – balanced by strategically using unrestricted fund balance (revenue saved over past fiscal years) to address past and current direction of Council. That direction is to maintain core services and invest heavily in deferred infrastructure maintenance, natural resource management, community character and of course the Police Building Project. We are fortunate to have an available fund balance, accumulated through the prudent budgeting in past years, to close the gap in revenue that we are forecasting. In total, the funds needed to structurally balance the budget is approximately \$12,500,000. Using this amount will virtually eliminate our current fund balance.

STAFFING

After no increase in the previous Fiscal Year, I am proposing an increase in the number of City staff. This includes a restructuring of some existing positions to meet the changing operational needs of the City and to respond to the City Council and Community's desires for additional services. At face value in the FY24-25 budget, it appears that only 1 FTE is being added to the entire workforce, but this number does not reflect the full story, which is the addition of approximately 6 new FTE staff members. In the Library, a total of 1.25 new Library Assistant FTEs are proposed, which will allow for additional weekend hours; In Community Planning and Building, 1 Principal Planner FTE is proposed, which will allow for implementation of the General Plan Housing Element; and in Public Works total of the following 4 new FTEs: 1 Maintenance Worker, which will increase capacity to complete deferred maintenance around the Village, 1 Project Manager, which will help with accomplishing more CIP projects without contractors, 1 Assistant City Forester, which will help with response time for development plan review and implementation of the forthcoming Urban Forest Management Plan, and 1 Tree Permit Technician, which will help with processing tree permits and inspection requests.

These new positions are offset in the total count of FTEs by a few things: 1) reallocation of some existing vacant positions which no longer support operational needs such as the Library Circulation Supervisor, and the Public Works Natural Resource Manager; 2) The removal of 4 Police Department positions still listed on the City roster which should have been removed after the major restructuring that took place in FY22-23.

CAPITAL IMPROVEMENT AND MAINTENANCE

On March 4, 2024 and, again on March 26, 2024, the City Council reviewed the FY 24-25 Capital Improvement Program. Comprised of 27 projects, the combined total CIP investment for carry-over plus new projects would be \$12,579,000 – a figure that includes both internal and external funding. Capital projects included in the recommended budget consist of rehabilitation of City facilities, sidewalk and street improvements, enhanced public safety, Citywide ADA improvements, and protection and preservation of the natural environment. More generally speaking, the FY 24-25 budget recognizes the importance of investing in our “green” infrastructure (Mission Trails Nature Preserve, Carmel Beach and Coastline, etc.), and includes funding for continuation of the Police Building project, Library Master planning, and improvements at Sunset Center and other City facilities.

Vehicle & Equipment Fund

The total vehicle acquisition costs for FY 24-25 are budgeted at \$570,000 and the City's 10% replacement reserve target is approximately \$500,000. Currently, the Vehicle & Equipment Fund balance is estimated at \$1,060,000 for FY 23-24 and will be utilized for FY 24-25 acquisitions. The City will continue to maintain the Vehicle & Equipment replacement

reserve at 10% of the estimated replacement value of the City's vehicles and equipment, adjusted annually based on CPI.

FISCAL YEAR 24/25 BUDGET AT A GLANCE

FY 24-25 Recommended Revenues	\$31,431,249
General Fund Operating Expenditures	28,249,593
Debt Service Expenditures	519,100
Pension Unfunded Liability Mitigation Expenditures	2,375,351
Capital Outlay Expenditures	12,579,000
Workers Compensation Expenditures	127,000
FY 24-25 Total Recommended Expenditures	\$43,850,044
Use of Fund Balance for Capital Projects	\$12,418,795
Funded Full Time Equivalent (FTE) positions	97.25

Many of you know the level of respect I have for the lessons one can learn by studying the past. And while much of my message may seem dour, history teaches us that economic cycles are intrinsic to local government. Consequently, as clear as I can be about the likelihood of an unavoidable down cycle in two of our three major revenue pillars, I am equally as confident about the inevitable upcycle to follow. The budget I am presenting is not intended to be irrepressibly contrarian; it is meant to be cautious and realistic. In the long term, I remain very bullish, and indeed optimistic about our future.

My profound thanks to my department heads, and especially our Finance Division team, for developing a budget that is realistic given the realities that we are facing. I look forward to Council's leadership and guidance as we balance fiscal sustainability with the need to fund projects and services for our community.

Respectfully submitted,

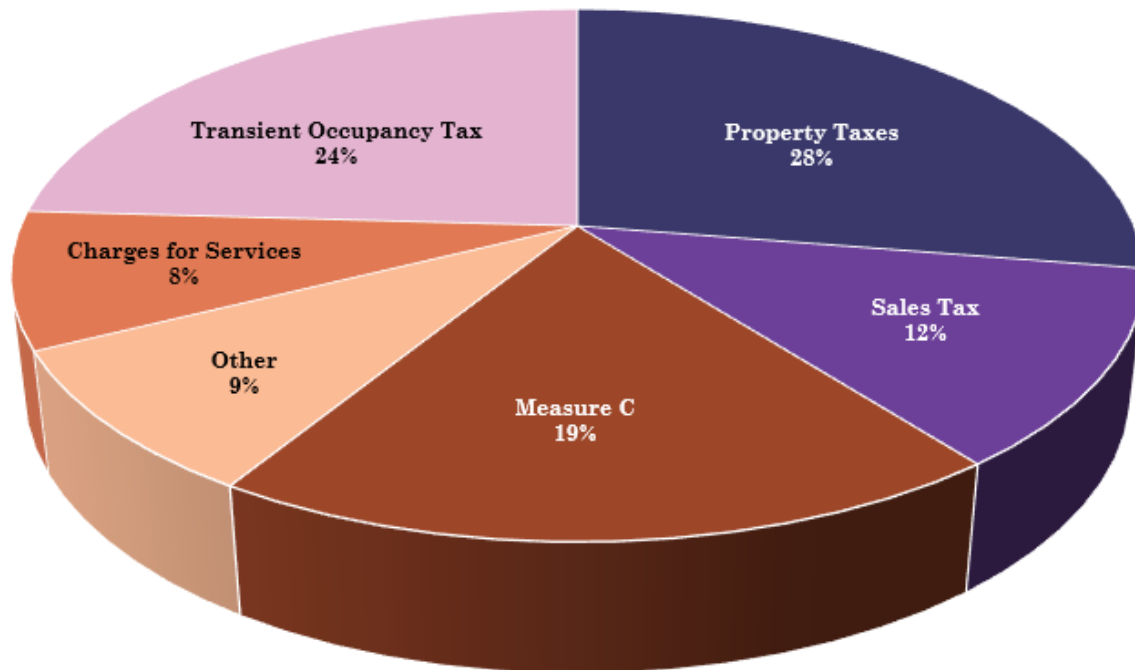
Chip Rerig
City Administrator



REVENUE

The FY 24-25 Recommended Budget includes \$31.4 million in estimated new revenue. As illustrated in the chart below, statewide sales tax (Sales Tax) and local Measure C district tax (Measure C), contribute 31% and is the largest City revenue source. This reveals the importance and impact of the voter approved of Measure C in 2020. Property Tax reflects its customary stable growth accounting for 28% of the budgeted revenue. Hotel Tax (TOT) increases 2% over last fiscal year to 24% of budgeted revenue, followed by Other revenues and Charges for Services combined at 17%, a 2% decrease over prior FY 23-24.

FY 24-25 Citywide Revenue Sources



Source	Budget
Property Taxes	\$8,634,384
Sales Tax	3,738,511
Measure C	6,045,063
Other	2,920,028
Charges for Services	2,550,029
Transient Occupancy Tax	7,543,234
Total	\$31,431,249

Property taxes are estimated at \$8.6 million, reflecting a 2% projected growth over the previous year's adopted budget. The City's portion of the Sales Tax is \$3.7 million and Measure C \$6 million, which remains at 12% and 19% of revenue respectively. The significance of the March 2020 Carmel voter approval of Measure C, at a renewed rate of 1.5%, cannot be understated. Amid COVID-19, Measure C provided a financial lifeline allowing for the continuance of core City services and still plays significantly in funding both operational and capital needs. Sales Tax has also fared well. This FY 24-25 Recommended Budget projects a continuation of status quo in Measure C and Sales Tax trends as consumers remain cautious of inflation and overall price increases of goods and services.

Transient Occupancy Tax ("TOT") is levied at 10% of the rent charged by a hostelry operator within the City. TOT has slowed over the FY 22-23 high. Recommended at \$7.5 million, TOT accounts for 24% of revenues, a 2% increase over FY 23-24. Charges for Services are fees collected from a specific user of a service, such as plan review, building inspection and ambulance transports and account for \$2.6 million, or 8% of the budget. The category of "Other" 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.

Table 1: Estimated Performance and Recommended Budget for Major Revenue Sources

Key Revenues	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Estimated Actual	FY 24-25 Budget
Property Taxes	\$7,389,656	\$7,694,722	\$8,136,928	\$8,481,385	\$8,634,384
Sales Tax	\$3,020,937	\$3,626,263	\$3,469,412	\$3,665,207	\$3,738,511
Measure C	\$4,007,104	\$5,970,464	\$5,868,695	\$6,147,450	\$6,045,063
TOT	\$5,339,285	\$7,787,643	\$8,455,742	\$7,531,004	\$7,543,234

The City's three major sources of revenue include Property Tax, Sales and Use Tax, and Transient Occupancy Tax. As shown on the Table 1 above entitled "Estimated Performance and Recommended Budget for Major Revenue Sources", property taxes had historically been a strong component to the City's financial health. Each tax represents about 1/3 of the City's total revenues. Revenue generated from sales and use taxes have become increasingly important to the City, especially after the passage of a local 1% sales tax measure by Carmel voters in 2012 and the subsequent approval of a new 1.5% sales tax for 20 years in March 2020. Transient occupancy taxes ("TOT") have also significantly contributed to the City's revenues, eclipsing nearly \$7 million in fiscal year 2018-2019,

rebounding to approximately \$7.7 million in FY 21-22 returning to pre-COVID levels, and exceeding \$8.4 million in FY 22-23.

PROPERTY TAXES

The desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock, contribute to a strong local real estate market. Property tax revenue has been increasing on average by 6% over the past 9 years, reaching \$8.14 million in fiscal year 2022-2023.

The State median home price is expected to rise 6.2% to \$860,300 in 2024, after dropping 1.5% to \$810,000 in 2023 from \$822,300 in 2022. The City has budgeted Property Tax revenue at 2% over last fiscal year's adopted budget, as done in prior years. This budget conservatively projects growth yet remains confident in the stability of Carmel's property tax performance.

SALES AND USE TAXES

The majority of the City's sales and use taxes are attributed to businesses within the categories known as general consumer goods and restaurants. The City receives a portion (1%) of the statewide sales tax, known as Bradley- Burns tax, as well as revenue from a local sales tax. On March 3, 2020, the Carmel electorate voted and approved Measure C to increase the sales tax rate to 1.5%. The timing of Measure C helped minimize the effects of reduced sales tax revenue suffered during the pandemic, allowing the City to survive and recover to pre-pandemic levels by fiscal year 2020-2021. In fiscal year 2021-2022, the City of Carmel-by-the- Sea experienced a peak increase in sales and use tax revenue, a reflection of the revenge consumer spending and relief from consumer goods shortages and logistic headaches brought out during COVID-19. Fiscal year 2022- 2023 sales and use tax revenue finished slightly under the prior year's high of \$9.6 million at \$9.3 million, a -2.69% decrease.

The City remains conservative and vigilant to the current trends, as we are aware geopolitical tensions, inflation concerns, and interest rates drive consumer spending patterns. Consumer spending for certain goods and services remain high, particularly for online shopping and dining. General consumer goods spending slowed by the end of FY 22-23, hitting outlets, galleries and gift shops the hardest. We project stagnant sales tax activity in FY 24-25 coming in at \$3.7 million and \$6.0 million in line with the current year's estimates based on Statewide sales tax trends.

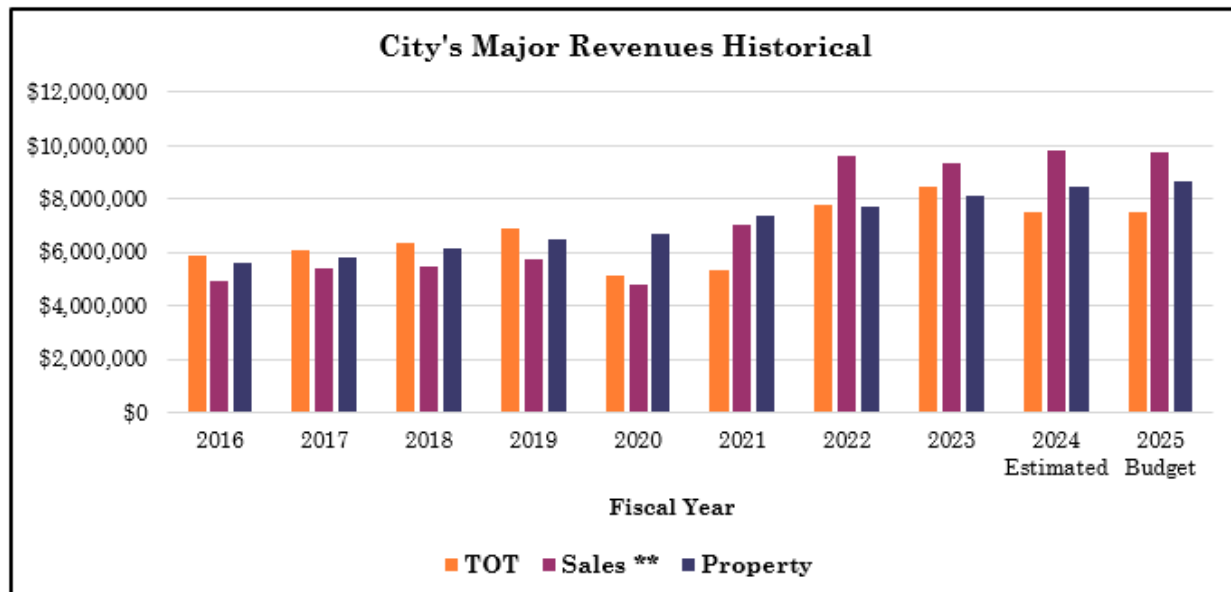
TRANSIENT OCCUPANCY TAX

The FY 24-25 Recommended Budget for TOT is \$7.5 million, which assumes continued occupancy at the current fiscal year's rate. In FY 23-24, daily occupancy rates have been lower while the daily room rate are higher over prior fiscal year. For the reasons noted

above under Sales and Use Taxes, as well as Highway 1 Big Sur closures, we remain guarded by consumer travel trends in our TOT revenue projections.

As the City looks forward to its future revenues that fund services, capital 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.

Fiscal Year *	TOT	Sales **	Property
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
2021	\$5,339,285	\$7,028,041	\$7,389,656
2022	\$7,787,643	\$9,596,727	\$7,694,722
2023	\$8,455,742	\$9,338,107	\$8,136,928
2024 Estimated	\$7,531,004	\$9,812,657	\$8,481,385
2025 Budget	\$7,543,234	\$9,783,574	\$8,634,384
*ending June 30th			
** Combination of Bradley Burns & Measure C 1.5%			



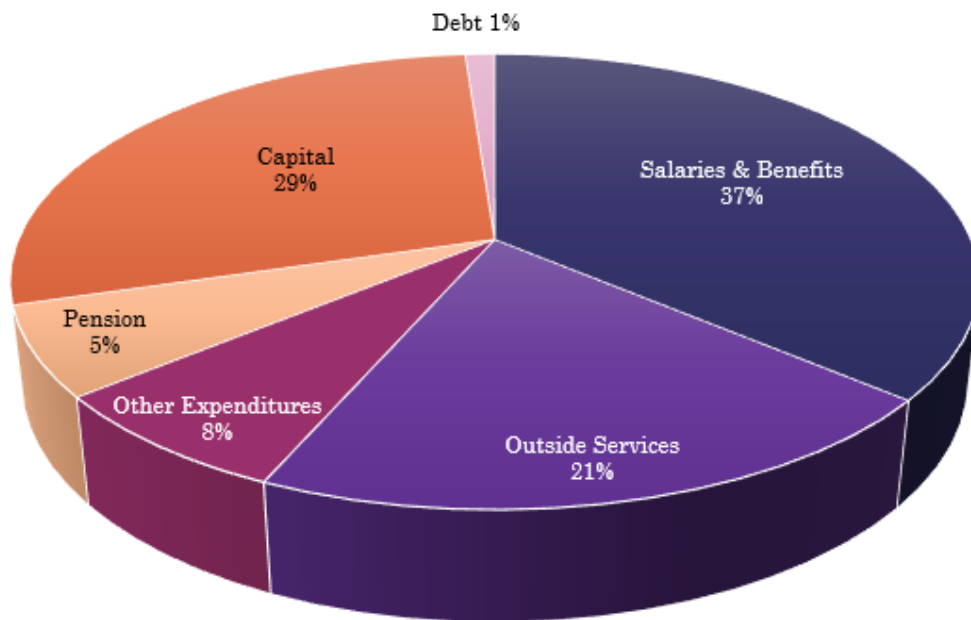
EXPENDITURES

The FY 24-25 Recommended Budget totals \$43.9 million, which consists of the following:

- Operating Budget, or General Fund, totals \$30.7 million, or 71%, of the citywide budget
- Debt service totals \$519,100, or 1% of the citywide budget
- Capital outlay, including Capital Improvement Projects (\$12,009,000) and Vehicles and Equipment (\$580,000), makes up 29% of the recommended budget

The Operating Budget consists of the City's 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 24-25 Expenditure by Type*, the FY 24-25 Budget includes the Operating Budget and Debt Service. The Operating Budget is further categorized by types of expenditure including salaries and benefits, outside services, and other expenditures as explained below.

FY 24-25 Expenditure by Type



Type of Expenditure	Budget
Salaries & Benefits	\$16,016,392
Outside Services	9,044,941
Other Expenditures	3,315,260
Pension	2,375,351
Capital Outlay	12,579,000
Debt Service	519,100
Total	\$43,850,044

The City's largest expenditure is related to the cost of personnel. Salaries and benefits total \$16 million and account for 36% of the citywide budget. Capital Outlay is the second largest type of expenditure at \$12.6 million, or 29% of the budget. The third largest type of expenditure is Outside Services. 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 (\$3.3 million); support for the operations of the Sunset Center and other marketing activities (\$1.2 million); legal services (\$517,000); tree care and landscape maintenance (\$1.5 million) and janitorial service (\$280,000).

Other expenditures total \$3.3 million and account for 8% 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 (\$1.1 million) 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 \$2.4 million, or 5%, of the budget and only include the annual required unfunded pension liability (\$2.4 million). The City will also make its annual funding transfer to the City's Section 115 trust (\$1.0 million) for pension mitigation.

The citywide budget is rounded out with Debt Service (\$519,100) accounting for 1% of the citywide budget.



Another way to view operating expenditures is by function, as depicted in the *FY 24-25 Expenditures by Function* illustration. Capital Outlay makes up 29% of operating expenditures. The public safety functions of Ambulance, Fire and Police make up 24% of the budget. The Public Works Department is the next largest operating expenditure at 15% followed by Citywide at 9% of the budget, as it includes the City's unfunded actuarial liability. In total, Administration, Council, Planning, Legal, Marketing, the Sunset Center, and Library and Community Activities represent the remaining 23% of the Operating Budget.

FY 24-25 Expenditures by Function



Expenditures	Budget	Percentage
Administration	\$ 3,409,232	8%
Citywide	4,084,351	9%
Council	246,934	2%
Legal	517,000	1%
Planning	2,211,584	5%
Ambulance	1,755,492	4%
Fire	3,441,874	8%
Police	5,377,455	12%
Marketing	406,297	1%
Sunset Center	750,000	2%
Library	1,886,724	4%
Public Works	6,538,001	15%
Operating Budget	30,624,944	70%
Debt	519,100	1%
Capital	12,579,000	29%
Workers Comp	127,000	0%
Total	\$ 43,850,044	100%

FY 24-25 AUTHORIZED POSITIONS

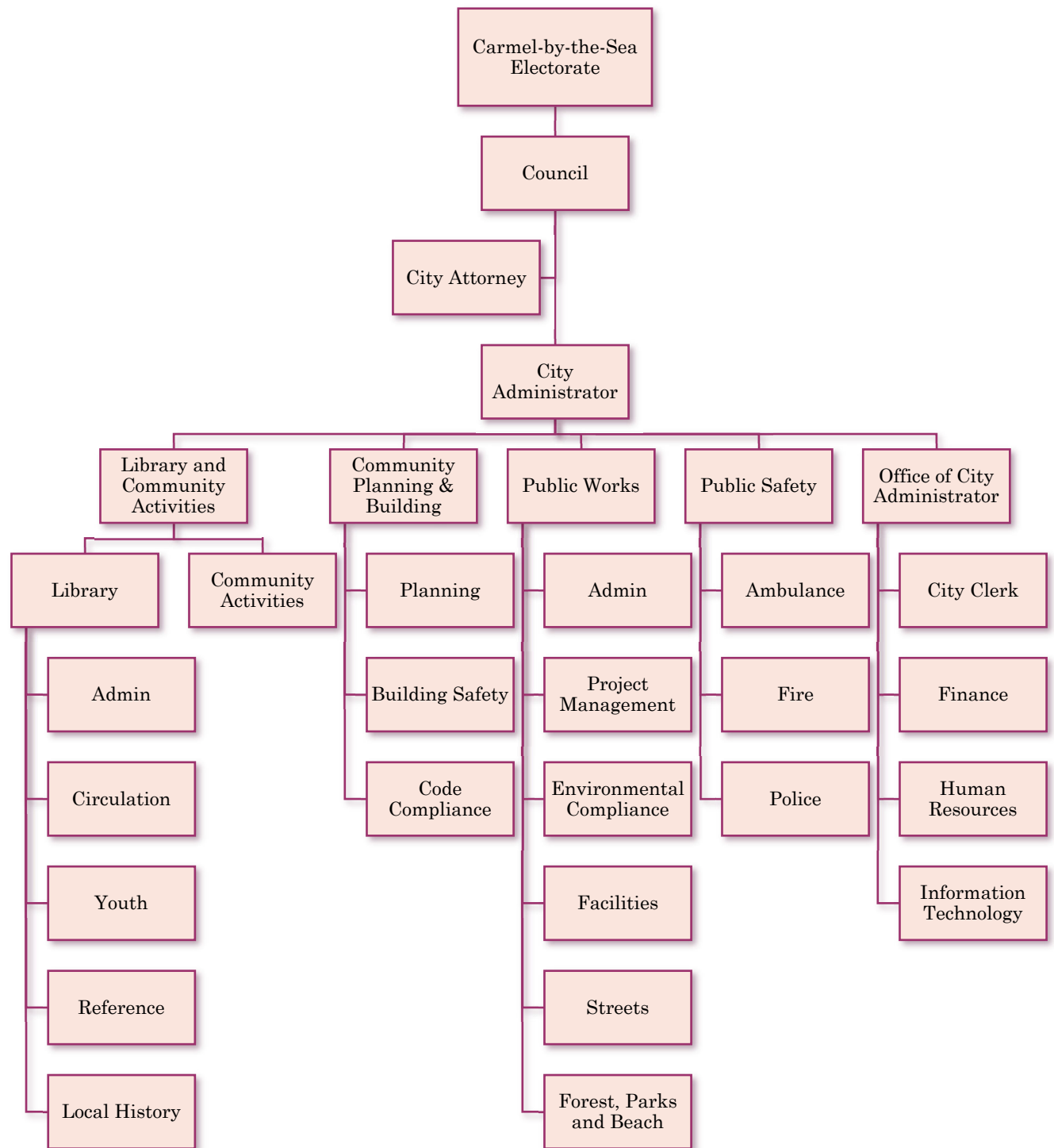
Department and Title	FY 23/24 Adopted	FY 24/25 Recommended	FY 24/25 Change
Council			
Councilmember	4.00	4.00	0.00
Mayor	1.00	1.00	0.00
City Council Total	5.00	5.00	0.00
Administration			
City Administrator	1.00	1.00	0.00
Assistant City Administrator	1.00	1.00	0.00
Administrative Coordinator	0.50	1.00	0.50
Administrative Analyst	1.00	1.00	0.00
City Clerk	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	1.00	1.00	0.00
Finance Specialist	1.50	1.00	-0.50
Accountant	1.00	1.00	0.00
Retired Annuitant - Extra help (480 hrs)	0.23	0.00	-0.23
Finance Analyst	1.00	1.00	0.00
Administration Total	12.23	12.00	-0.23
Community Activities			
Community Services Assistant	1.00	1.00	0.00
Executive Assistant	0.50	0.50	0.00
Community Activities Total	1.50	1.50	0.00
Library			
Circulation Supervisor	1.00	0.00	-1.00
Director of Library and Community Services	1.00	1.00	0.00
Hourly Librarian I	1.00	1.00	0.00
Librarian I	1.00	1.00	0.00
Librarian II	2.00	2.00	0.00
Librarian II (Local History)	1.00	1.00	0.00
Library Assistant (full-time)	3.00	4.00	1.00
Hourly Library Assistant	2.00	3.25	1.25
Executive Assistant	0.50	0.50	0.00
Library Total	12.50	13.75	1.25
Community Planning & Building			
Administrative Coordinator	1.00	1.00	0.00
Assistant Planner	1.00	1.00	0.00
Associate Planner	2.00	2.00	0.00
Building Inspector	1.00	1.00	0.00
Building Official	1.00	1.00	0.00
Code Compliance Coordinator	2.00	2.00	0.00
Permit Technician	1.00	1.00	0.00
Planning & Building Services Director	1.00	1.00	0.00
Principal Planner	1.00	2.00	1.00
Community Planning & Building Total	11.00	12.00	1.00

Department and Title	FY 23/24 Adopted	FY 24/25 Recommended	FY 24/25 Change
Public Works			
Administrative Coordinator	1.00	1.00	0.00
Director of Public Works	1.00	1.00	0.00
Environmental Compliance Manager	1.00	1.00	0.00
Maintenance Worker I/II	7.00	8.00	1.00
Public Works Superintendent	1.00	1.00	0.00
Maintenance Worker III	2.00	2.00	0.00
Street Supervisor	1.00	1.00	0.00
Project Manager	1.00	2.00	1.00
Facilities Maintenance Supervisor	1.00	1.00	0.00
Facilities Maintenance Specialist	1.00	1.00	0.00
Natural Resources Manager	1.00	0.00	-1.00
Assistant City Forester	0.00	1.00	1.00
City Forester	1.00	1.00	0.00
Administrative Analyst	2.00	2.00	0.00
Tree Permit Technician	0.00	1.00	1.00
Tree Climber & Care Specialist	1.00	1.00	0.00
Public Works Total	22.00	25.00	3.00
Police			
Community Services Officer	1.00	1.00	0.00
Community Services Officer/Animal Control	1.00	1.00	0.00
Community Services Officer - 2 year limited term*	2.00	0.00	-2.00
Corporal	2.00	0.00	-2.00
Police Commander	1.00	1.00	0.00
Police Officer	5.00	5.00	0.00
Police Officer/Detective	1.00	1.00	0.00
Police Officer/FTO	2.00	2.00	0.00
Police Services Supervisor	0.00	1.00	1.00
Police Services Officer	6.00	6.00	0.00
Police/Patrol Officer	1.00	1.00	0.00
Police Officer - 2 year limited term*	1.00	0.00	-1.00
Public Safety Director	1.00	1.00	0.00
Sergeant	2.00	2.00	0.00
Police Total	26.00	22.00	-4.00
Ambulance			
Paramedic/Firefighters	6.00	6.00	0.00
Ambulance Total	6.00	6.00	0.00
Citywide Total Funded Positions	96.23	97.25	1.02

* 2 year limited terms end June 30, 2024



ORGANIZATIONAL CHART



OPERATING BUDGET

GENERAL FUND - 101
(CITY DEPARTMENTS AND SERVICES)

CITY COUNCIL

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.

2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Develop Telecommunication Ordinance consistent with federal law
- Stormwater Ordinance Update
- Car Week Safety and Impacts
- Review barriers to construction of affordable housing (Housing Element Adoption)

2024-2025 PRIORITIES

- Continued oversight of the implementation of the strategic plan and updating of City priorities to include some of the following: plan for natural areas, reduce fire risk, review opportunities for enhanced fire/ambulance service; develop forest management plan and update tree ordinance; update zoning code & design guidelines; ADU ordinance; wireless ordinance; increase beautification effort; review barriers to affordable housing; explore street addresses, develop a facilities master plan; underground utilities rule 20A; explore reinstatement of design review board; explore opportunities for Flanders Mansion and Scout House.
- 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 \$30,000 for the Council discretionary grant program, \$3,000 for United Way 211, \$3,000 for the Monterey County Film Commission, and \$86,600 for the cost of courier service for the mail delivery program for a total budget of \$122,600.

City Council				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-110-00-41008	Salaries -Elected	\$9,600	\$9,600	\$9,600
101-110-00-41101	Retirement	80	80	88
101-110-00-41104	Health Insurance	36,210	36,210	52,517
101-110-00-41105	Social Security	484	484	484
101-110-00-41106	Medicare	139	139	139
101-110-00-41108	Worker's Comp	133	133	160
Salaries & Benefits Subtotal		\$46,646	\$46,646	\$62,988
101-110-00-42005	Community Promotions	\$105,793	\$105,796	\$122,600
101-110-00-42007	Regional Memberships	48,996	48,996	50,546
101-110-00-42101	Office Supplies	450	0	450
101-110-00-42302	Conferences & Meetings	8,350	7,100	10,350
Services & Supplies Subtotal		\$163,589	\$161,892	\$183,946
Total		\$210,235	\$208,538	\$246,934

Regional Memberships				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-110-00-42007	Transportation Agency of Monterey County	\$1,295	\$1,295	\$1,295
101-110-00-42007	Association of Monterey Bay Area Governments	3,950	3,950	3,950
101-110-00-42007	Monterey Peninsula Chamber of Commerce	900	900	900
101-110-00-42007	Monterey County Mayors Association	1,575	1,575	1,575
101-110-00-42007	Monterey County Business Council	500	500	500
101-110-00-42007	MBUAPCA (Air Pollution Control District)	1,900	1,900	1,900
101-110-00-42007	League of CA Cities	3,380	3,380	3,380
101-110-00-42007	League of CA Cities- Monterey Bay Division	300	300	300
101-110-00-42007	LAFCo	16,796	16,796	16,796
101-110-00-42007	Community Human Services	17,625	17,625	19,175
101-110-00-42007	CoastWalks/Coastal Trail Association	300	300	300
101-110-00-42007	Carmel Chamber of Commerce	475	475	475
Total		\$48,996	\$48,996	\$50,546



ASSOCIATION OF
MONTEREY BAY AREA
GOVERNMENTS



CITY ATTORNEY

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; investigates and resolves claims against the City; defends the City in litigation and administrative actions; initiates and prosecutes litigation on behalf of the City; and drafts and reviews legal documents and agenda items.

BUDGET SUMMARY AND SERVICE IMPACTS

- The FY 24-54 contract services budget totals \$442,000 and consists of \$360,000 for general legal services and \$75,000 for other specialized legal assistance from the City's attorney office, including labor negotiations and personnel. The budget also includes \$7,000 for the City's attorney's annual performance evaluation. There are no changes from FY 23-24 adopted budget.
- \$75,000 is budgeted for supplementary specialized legal costs, such as wireless communications.

City Attorney				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-112-00-42001	Contract Services	\$442,000	\$442,000	\$442,000
101-112-00-42004	Legal Costs	75,000	50,000	75,000
	Total	\$517,000	\$492,000	\$517,000



ADMINISTRATION

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

2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Ensured the execution of Council policy direction, completion of capital projects, hiring of staff and continuity of daily citywide operations to deliver services in an efficient and effective manner
- Pursued collaborative relationships with USPS and the Postmaster and through staff research produced four next step options in exploring street addresses
- Awarded Certificate of Achievement for Excellence in Financial Reporting for the City's Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022
- Continued execution of the City's multi-pronged financial strategy to address pension liability
- Updated the City's Purchasing Policy
- Refreshed the City's website
- Completed public engagement phase through public meetings and outreach for the Parking and Traffic Management Program

2024-2025 PRIORITIES

- Explore Opportunities for Flanders Mansion
- Explore Street Addresses
- Develop and Implement a Social Media Plan
- Explore Parking and Traffic Management Program
- Review and update reserve and financial policies
- Transient Occupancy Tax (TOT) increase: Explore a ballot measure for 2024 election
- Carmel Area Wastewater District (CAWD) Bridge to Everywhere Project
- Board and Commissioner Training



BUDGET SUMMARY AND SERVICE IMPACTS

Office of the City Administrator				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-00-41001	Salaries	\$1,550,992	\$1,364,837	\$1,849,792
101-111-00-41003	Salaries -Part time	36,806	0	0
101-111-00-41005	Overtime	0	486	0
101-111-00-41101	Retirement	95,751	85,547	125,810
101-111-00-41103	Deferred Compensation	45,363	51,773	48,261
101-111-00-41104	Health Insurance	294,986	211,286	363,609
101-111-00-41106	Medicare	25,560	19,839	26,821
101-111-00-41107	LTD/STD/Life	1,823	1,199	1,691
101-111-00-41108	Worker's Comp	34,130	29,762	40,958
101-111-00-41109	Benefits-MOU Obligations	10,400	5,665	10,400
Salaries & Benefits Subtotal		\$2,095,811	\$1,770,394	\$2,467,342
101-111-00-42001	Contract Services	\$512,150	\$360,446	\$213,715
101-111-00-42002	Recruiting Services	41,100	35,000	71,100
101-111-00-42003	Auditing Services	51,650	57,990	87,000
101-111-00-42006	Records Management	6,000	7,333	7,000
101-111-00-42009	Advertising and Legal Notices	22,000	20,932	22,900
101-111-00-42015	Other Services	12,000	26,362	24,800
101-111-00-42101	Office Supplies	8,325	6,775	10,375
101-111-00-42102	Publications & Subscriptions	301,210	302,140	269,480
101-111-00-42106	Small Tools and Equipment	0	0	1,200
101-111-00-42202	Equipment Maintenance	42,500	4,045	24,600
101-111-00-42301	Training & Education	10,700	10,365	10,200
101-111-00-42302	Conferences & Meetings	14,400	14,777	16,125
101-111-00-42304	Dues & Memberships	4,470	3,035	8,550
101-111-00-42305	Mileage Reimbursement	50	0	0
101-111-00-42306	Employee Programs	2,950	2,950	3,000
101-111-00-42307	Employee Appreciation	20,700	16,200	18,500
101-111-00-42403	Printing	14,100	11,107	9,800
101-111-00-42404	Shipping/Postage/Freight	18,700	18,130	24,545
101-111-00-42405	Telephone & Communications	118,000	117,815	80,000
101-111-00-42406	Bank & Merchant Fees	17,500	1,850	4,000
101-111-00-42407	Computer Non Capital	32,000	17,400	32,000
101-111-00-42410	Pre-employment Costs	3,000	1,500	3,000
Services & Supplies Subtotal		\$1,253,505	\$1,036,152	\$941,890
Total		\$3,349,316	\$2,806,546	\$3,409,232

ADMINISTRATION

The Administration Divisional budget includes funding for the City Administrator's performance evaluation within contract services, office supplies, copier fees, and the citywide postage meter.

Administration				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-10-42001	Contract Services	\$115,550	\$37,595	\$60,000
101-111-10-42015	Other Services	12,000	26,362	24,800
101-111-10-42101	Office Supplies	6,375	6,465	6,375
101-111-10-42102	Publications & Subscriptions	650	320	540
101-111-10-42302	Conferences & Meetings	7,400	8,079	5,325
101-111-10-42304	Dues & Memberships	1,350	900	1,350
101-111-10-42307	Employee Appreciation	1,200	1,200	0
101-111-10-42403	Printing	100	0	100
101-111-10-42404	Shipping/Postage/Freight	18,500	18,130	24,545
Services & Supplies Subtotal		\$163,125	\$99,051	\$123,035

CITY CLERK

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

City Clerk				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-11-42001	Contract Services	\$50,600	\$50,600	\$52,300
101-111-11-42006	Records Management	6,000	6,000	7,000
101-111-11-42009	Advertising and Legal Notice	15,000	15,000	15,000
101-111-11-42101	Office Supplies	0	0	1,000
101-111-11-42302	Conferences & Meetings	2,000	1,500	2,000
101-111-11-42304	Dues & Memberships	385	385	500
101-111-11-42403	Printing	11,000	11,000	5,500
Services & Supplies Subtotal		\$84,985	\$84,485	\$83,300

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 including vendor payments, payroll, business license processing and the collection of the transient occupancy tax and the administration of pass-through funding to the hospitality and tourism improvement districts. Provides treasury services, invests revenue, and issues and manages debt.

Finance				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-12-42001	Contract Services	\$227,000	\$216,420	\$47,710
101-111-12-42003	Auditing Services	51,650	57,990	87,000
101-111-12-42102	Publications & Subscriptions	28,315	34,680	21,000
101-111-12-42301	Training & Education	900	695	2,500
101-111-12-42304	Dues & Memberships	635	0	600
101-111-12-42305	Mileage Reimbursement	50	0	0
101-111-12-42403	Printing	2,600	2,262	3,800
101-111-12-42406	Bank & Merchant Fees	17,500	1,850	4,000
Services & Supplies Subtotal		\$328,650	\$313,897	\$166,610

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 organization development services efficiently to City departments. Staff is responsible for negotiating Memorandums of Understanding with the City's three bargaining units, subject to Council direction and approval.

The HR divisional budget includes funding for implementing new employee supplemental benefits, managing an updated and expanded citywide Safety Program, and digitizing personnel records using LaserFiche. Funding for the staff appreciation events, such as the annual holiday party, is now separately reflected under Employee Appreciation.

HR				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-13-42001	Contract Services	\$8,000	\$8,000	\$8,100
101-111-13-42002	Recruiting Services	41,100	35,000	71,100
101-111-13-42009	Advertising & Legal Notice	7,000	7,000	7,900
101-111-13-42101	Office Supplies	450	310	500
101-111-13-42102	Publications & Subscriptions	6,000	1,200	1,700
101-111-13-42301	Training & Education	9,500	9,500	1,500
101-111-13-42302	Conferences & Meetings	4,800	4,800	8,800
101-111-13-42304	Dues & Memberships	1,600	1,400	6,100
101-111-13-42306	Employee Programs	2,950	2,950	3,000
101-111-13-42307	Employee Appreciation	19,500	15,000	18,500
101-111-13-42403	Printing	400	400	400
101-111-13-42404	Shipping/Freight/Postage	200	0	0
101-111-13-42410	Pre-employment Costs	3,000	1,500	3,000
Services & Supplies Subtotal		\$104,500	\$87,060	\$130,600

INFORMATION TECHNOLOGY

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	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-111-14-42001	Contract Services	\$111,000	\$62,825	\$45,605
101-111-14-42101	Office Supplies	1,500	0	2,500
101-111-14-42102	Publications & Subscriptions	266,245	265,940	246,240
101-111-14-42106	Small Tools and Equipment	0	0	1,200
101-111-14-42202	Equipment Maintenance	42,500	4,045	24,600
101-111-14-42301	Training & Education	300	170	6,200
101-111-14-42302	Conferences & Meetings	200	132	0
101-111-14-42304	Dues & Memberships	500	400	0
101-111-14-42405	Telephone and Communications	118,000	117,815	80,000
101-111-14-42407	Computer Non capital	32,000	17,400	32,000
Services & Supplies Subtotal		\$572,245	\$468,727	\$438,345



CITYWIDE (NON-DEPARTMENTAL)

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

BUDGET SUMMARY AND SERVICE IMPACTS

- In addition to the employer contribution toward retirement for City employees, the City also is responsible for pension obligations for the unfunded actuarial liability ("UAL"). This amount increases by \$432,584, or 22%, in FY 24-25 compared to the FY 23-24 originally Adopted Budget. The FY23-24 lump sum payment was paid in July 2023 for a savings of \$65,000 and those savings were transferred to other budget line items during the fiscal year.
- The City will pay the annual lump sum UAL in July, which will result in approximately \$75,000 of interest savings. Those savings would then be available for other line item expenses.
- On September 7, 2021, Council authorized the adoption of a Section 115 Trust known as the Public Agencies Post Employment Benefits Trust administered by the Public Agency Retirement Service (PARS). Since, City staff has deposited three \$1 million annual contributions into the Trust, which are to be made over the next five years. The City will be contributing the fourth annual \$1 million tranche into the Section 115 Trust in FY 24-25. As this is a transfer to restrict funds for pension obligations, it is not included in the FY 24-25 recommended budget.
- The City's liability insurance premiums are budgeted to increase by \$125,490, or 13%.
- The utility expenses for the Forest Theater are separated out for tracking purposes, as required by the lease.

Non-Departmental				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-130-00-42501	Liability Insurance Premium	\$946,965	\$946,010	\$1,071,500
101-130-00-42503	PERS Unfunded Accrued Liability Payment	2,942,767	1,942,767	2,375,351
101-130-00-42504	Insurance Claims Paid	30,000	42,500	50,000
101-130-00-42505	Utilities	245,000	307,003	269,500
101-130-00-42506	Property Tax Assessments	91,755	90,910	100,000
101-130-00-42508	Unemployment Costs	15,000	5,000	15,000
101-130-00-42510	Retiree Health Share	84,980	84,850	95,000
101-130-00-42511	County Property Tax Admin Fees	89,335	89,335	98,000
101-130-00-42512	Forest Theater Utilities	10,000	-	10,000
Total		\$4,455,802	\$3,508,375	\$4,084,351

ECONOMIC DEVELOPMENT

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. In 2021, Sunset Cultural Center, Inc.'s management of the Forest Theater ended. The annual grant for management of only Sunset Center remains in the budget.

In 2021, the City entered into a lease agreement with Pac Rep Theater for the management of the Forest Theater. This new lease does not require an operational grant payment. Rather, the City pays for a portion of utilities and repairs, which are budgeted in the Citywide (Non-Departmental) and Public Works budgets, respectively.

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

In addition to supporting these organizations with General Fund revenues, the City also collects a tourism improvement district assessment from its lodging establishments on behalf of the County and remits these pass-thru funds to MCCVB on a bi-monthly basis. The City also collects an assessment on lodging through the Carmel Hospitality Improvement District and remits these funds to Visit Carmel for the marketing of overnight stays within the Village during mid-week and the non-peak season. As of January 1, 2019, the City also began collecting an assessment from full-service restaurants on behalf of the Carmel Restaurant Improvement District (CRID) and remits these funds to Visit Carmel for marketing efforts to increase food and beverage sales within the City. An ordinance of the City Council renewed the CRID for a term of nine years and six months beginning January 1, 2024 and ending on June 30, 2033.

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

BUDGET SUMMARY AND SERVICE IMPACTS

Visit Carmel has been budgeted funding in the amount of \$120,000 annually. Funding to MCCVB is \$226,297 equates to 3% of the FY 24-25 transient occupancy tax revenue budget of \$7,453,000.

Marketing & Economic Development				
Account Number	Details	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-122-00-42008	SCC- Sunset Center Operating Grant	\$750,000	\$750,000	\$750,000
101-122-00-42008	MCCVB	204,030	204,030	226,297
101-122-00-42008	Visit Carmel	120,000	120,000	120,000
101-122-00-42008	Carmel Chamber of Commerce	60,000	60,000	60,000
		\$1,134,030	\$1,134,030	\$1,156,297



LIBRARY AND COMMUNITY ACTIVITIES

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.



2023-2024 WORKLOAD INDICATORS / PERFORMANCE MEASURES

- 15,722 reference and information questions were answered.
- 2,088 library cards were issued.
- 85,223 library items were circulated.
- 5,006 people attended library programs.
- 120,194 visits were made to the library.
- 9,390 log-ins were made to library wi-fi.
- 84,485 digital items (e-books, audios, magazines, films, music) were accessed.
- 5 new oral history interviews were captured.

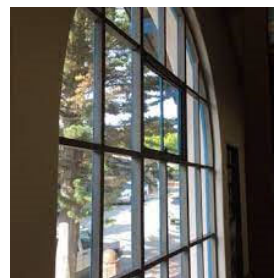
2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Worked with the Community Activities Department, Police Department, and Carmel CERT to launch the Carmel Prepares initiative to communicate with the community on a regular basis on regional agency preparedness efforts and to encourage citizens to be prepared for disasters and emergencies.

- With funds from the Harrison Memorial Library Board of Trustees purchased equipment to turn the Park Branch Library into a charging station for the community during power outages.
- Created a space in the Park Branch Library for ongoing Friends of the Library book sales.
- Began working with the Carmel-by-the-Sea Rotary to launch Dolly Parton Imagination Library countywide to provide free books to children ages 5 and under.

2024-2025 PRIORITIES

- Restore Saturday hours.
- Complete a new Library's Strategic Plan.
- Continue to work on moving the Library Facilities Master Plan project forward.



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				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-120-00-41001	Salaries	\$796,461	\$842,840	\$920,168
101-120-00-41003	Salaries -Part time	228,106	88,985	301,662
101-120-00-41101	Retirement	46,077	52,706	58,669
101-120-00-41103	Deferred Compensation	15,000	6,885	15,600
101-120-00-41104	Health Insurance	129,079	126,000	158,212
101-120-00-41105	Social Security	11,142	5,294	18,703
101-120-00-41106	Medicare	14,856	13,395	17,716
101-120-00-41107	LTD/STD/Life	1,311	1,200	1,205
101-120-00-41108	Worker's Comp	25,204	22,032	30,324
101-120-00-41109	Benefits-MOU Obligations	16,640	16,904	16,640
Salaries & Benefits Subtotal		\$1,283,876	\$1,176,241	\$1,538,899
101-120-00-42001	Contract Services	\$5,530	\$4,884	\$6,530
Services & Supplies Subtotal		\$5,530	\$4,884	\$6,530
Total		\$1,289,406	\$1,181,125	\$1,545,429



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 special events, beach events, and filming, in addition to organizing the City's annual special events (Memorial Day, 4th of July, Sandcastle Contest, Pumpkin Roll, Halloween Parade, Veteran's Day, Homecrafters' Marketplace, and Holiday Menorah and Tree-lighting).



2023-2024 WORKLOAD INDICATORS / PERFORMANCE MEASURES

- Planned and facilitated twelve City special events.
- An estimated 6,000 people attended City Special Events.
- Issued 46 event, beach, and film permits.



2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Worked with the Library, Police Department, and Carmel CERT to launch the Carmel Prepares initiative to communicate with the community on a regular basis on regional agency preparedness efforts and to encourage citizens to be prepared for disasters and emergencies, which will be a biannual event going forward.
- Collaborated with Public Works on a combined Community, Earth, and Arbor Day celebration, in addition to the annual Community Day event in the Fall.

- Continue to work with Car Week event organizers to build Car Week in Carmel back to something like it was pre-pandemic.

2024-2025 PRIORITIES

- Holding beloved annual special events and always looking for ways to make them safer and more fun.
- Building and sustaining community partnerships for current special events and future smaller events.
- Soliciting community input on new small community-oriented events and initiatives through surveys, Farmers' Market outreach, and work with community partners.
- Continuing to facilitate community gatherings and special events, and ensure that processes are streamlined and conducive to encouraging events within the bounds of current city regulations.
- Continue to keep the Council informed on new initiatives and provide report outs on items like Car Week and the Farmers' Market.



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.

Community Activities				
Account Number	Account Description	FY23-24 Amended	FY23-24 Estimated	FY24-25 Recommended
101-121-00-41001	Salaries	\$143,756	\$46,680	\$154,116
101-121-00-41101	Retirement	11,314	3,290	14,672
101-121-00-41103	Deferred Compensation	2,100	0	2,100
101-121-00-41104	Health Insurance	33,257	3,700	35,379
101-121-00-41106	Medicare	2,084	650	2,235
101-121-00-41107	LTD/STD/Life	195	60	205
101-121-00-41108	Worker's Comp	8,269	7,228	9,948
101-121-00-41109	Benefits-MOU Obligations	2,080	0	2,080
Salaries & Benefits Subtotal		\$203,055	\$61,608	\$220,735
101-121-00-42001	Contract Services	\$35,975	\$34,169	\$88,245
101-121-00-42005	Community Promotions	56,567	56,567	23,465
101-121-00-42009	Advertising and Legal Notice	7,350	7,350	8,300
101-121-00-42101	Office Supplies	300	200	250
101-121-00-42403	Printing	1,050	1,012	300
Services & Supplies Subtotal		\$101,242	\$99,298	\$120,560
Total		\$304,297	\$160,906	\$341,295

COMMUNITY PLANNING AND BUILDING

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.

PLANNING

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.

BUILDING SAFETY

The Building Safety division is responsible for plans examination and inspections of City and private development projects to ensure compliance with building codes.

CODE COMPLIANCE

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.



2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Began work on Phase 2 update of the City's Historic Context Statement.
- Adopted and certified an update to the City's General Plan Housing Element for the 6th Cycle of the Regional Housing Needs Allocation (RHNA).
- Adopted a full update to the City's Wireless Ordinance, including robust public participation and complete redraft to all existing regulations.
- Implemented several measures in line with the CPB 2019 strategic plan's customer service, technology, and streamlining goals including but not limited to: expanding the online payment system, simplifying CPB's website portal, refreshing SOPs for the Building and Planning processes.
- Certified an update to the City's Timeshare Ordinance with the California Coastal Commission.
- Multiple community workshops and meetings for the Design Traditions 1.5 Project, following the release of a first draft update to the Commercial and Residential Guidelines.
- Conducted citywide code compliance effort to bring excess outdoor seating/guest amenities still remaining from the Covid-19 emergency proclamation into conformity or to gain the required permits.
- Conducted complete fee study on department wide permit fees, adjusted amounts, and implemented new fees.
- Completed first draft of ADU ordinance, held public workshop with Planning Commission, and worked with Coastal Commission and HCD staff to refine policy language.
- Purchased and rolled-out of two (2) electric bicycles for Planning, Building, and Code Compliance inspections.

2024-2025 PRIORITIES

- Continued implementation of the CPB 2019 strategic plan, with a focus on customer service, technology, and streamlining processes.
- Begin year one of eight to implement the General Plan Housing Element and utilize State grant funding through the Regional Early Action Planning (REAP) 2.0 program.
- Adopt the General plan Safety Element updates by December, 2024.
- Adopt Phase 2 (final phase) of the Historic Context Statement update.
- Adoption of: (1) updated Accessory Dwelling Unit Ordinance; (2) updated Beach Fire Ordinance.
- Formalize a Long Range Planning work plan to help with planning and tracking ordinance related tasks.
- Update the City's Mills Act Policy and bring it to City Council for Consideration.

- Complete the scanning/digitizing of rolled building plans currently in storage at Vista Lobos.
- Adoption of updated Design Guidelines and Zoning Code through the Design Traditions 1.5 Project.
- Complete a successful recruitment to install a new Director of Community Planning and Building
- Engage staff to participate in more training opportunities to continue the professionalization and growth of the Community Planning and Building Department.

BUDGET SUMMARY AND SERVICE IMPACTS

Community Planning & Building				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-115-00-41001	Salaries	\$1,298,806	\$1,042,408	\$1,408,426
101-115-00-41005	Overtime	3,452	9,025	3,623
101-115-00-41101	Retirement	63,654	51,025	81,116
101-115-00-41103	Deferred Compensation	9,900	7,748	10,200
101-115-00-41104	Health Insurance	276,527	215,812	348,542
101-115-00-41106	Medicare	18,832	14,751	20,423
101-115-00-41107	LTD/STD/Life	1,613	1,124	1,664
101-115-00-41108	Worker's Comp	25,245	22,032	30,330
101-115-00-41109	Benefits-MOU Obligations	18,720	14,335	20,800
	Salaries & Benefits Subtotal	\$1,716,749	\$1,378,260	\$1,925,124
101-115-00-42001	Contract Services	\$468,400	\$437,600	\$241,900
101-115-00-42009	Advertising and Legal Notice	500	500	500
101-115-00-42101	Office Supplies	6,400	6,400	6,400
101-115-00-42102	Publications & Subscriptions	1,425	1,425	1,425
101-115-00-42104	Safety Equipment and Supplies	800	200	2,700
101-115-00-42107	Gas and Oil	250	100	250
101-115-00-42115	Other Supplies	2,900	2,900	3,950
101-115-00-42301	Training & Education	9,805	5,500	11,305
101-115-00-42302	Conferences & Meetings	8,350	2,500	8,350
101-115-00-42304	Dues & Memberships	7,980	2,600	8,680
101-115-00-42403	Printing	1,000	1,000	1,000
	Services & Supplies Subtotal	\$507,810	\$460,725	\$286,460
	Total	\$2,224,559	\$1,838,985	\$2,211,584

Planning contract services (\$136,010 total) includes items such as \$82,500 for General Plan Housing Element implementation and Safety Element updates; \$40,000 for scanning rolled plans stored at Vista Lobos, and \$40,000 for the completion of Phase 2 update of the Historic Context Statement. The City will receive a total of \$82,500 in various State grant awards to offset some of the contract services associated with the Housing Element and the Historic Context Statement Update.

The State has signaled that potential housing program budget cuts will be made to balance the overall State budget. Due to this, it is likely that the previously awarded REAP 2.0

Grant from last fiscal year (\$85,000), will be reduced by 50% to \$42,500 in this coming fiscal year. This reduction has been reflected in the FY 2024/24 budget. The REAP 2.0 Grant funds are used for Housing Element implementation.

In an effort to continue professionalizing and growing the Board and Commission members along with the Community Planning and Building Department staff, the overall budget for training and education has been increased to include training for boards and commissions.

The Planning Department is seeking to add one new position, which would effectively be the Housing Element Implementation Planner. This position would be created at the Principal Planner level. With the 6th Cycle Housing Element now adopted, the task at hand is an 8-year implementation plan. This complex and detailed plan will require a full time effort, that will be undertaken and managed by this new position. The addition of this new Planning Position will also greatly reduce the need for utilizing costly contract support for the implementation of the Housing Element.

PLANNING

Community Planning & Building: Planning				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-115-20-42001	Contract Services	\$367,600	\$367,600	\$136,100
101-115-20-42009	Advertising and Legal Notice	500	500	500
101-115-20-42101	Office Supplies	6,400	6,400	6,400
101-115-20-42102	Publications & Subscriptions	1,425	1,425	1,425
101-115-20-42104	Safety Equipment and Supplies	800	200	2,700
101-115-20-42115	Other Supplies	2,900	2,900	1,750
101-115-20-42301	Training & Education	5,325	3,000	6,825
101-115-20-42302	Conferences & Meetings	4,000	1,000	4,000
101-115-20-42305	Mileage Reimbursement	0	0	0
101-115-20-42403	Printing	1,000	1,000	1,000
Services & Supplies Subtotal		\$393,050	\$385,625	\$164,500

BUILDING SAFETY

Community Planning & Building: Building				
101-115-21-42001	Contract Services	\$90,800	\$60,000	\$90,800
101-115-21-42107	Gas and Oil	250	100	250
101-115-21-42115	Other Supplies	0	0	2,200
101-115-21-42301	Training & Education	4,480	2,500	4,480
101-115-21-42302	Conferences & Meetings	3,350	1,500	3,350
101-115-21-42304	Dues & Memberships	2,080	1,000	2,080
Services & Supplies Subtotal		\$100,960	\$65,100	\$103,160

CODE COMPLIANCE

Community Planning & Building: Code Compliance				
101-115-22-42001	Contract Services	\$10,000	\$10,000	\$15,000
101-115-22-42301	Training & Education	1,000	0	1,000
101-115-22-42302	Conferences & Meetings	2,800	0	2,800
Services & Supplies Subtotal		\$13,800	\$10,000	\$18,800

PUBLIC WORKS

The mission of the Public Works Department is to plan, design, construct, operate, and maintain public infrastructure, streets, sidewalks, storm drains, building facilities, the urban forest, parks, and beach that contribute to the health, safety, and well-being of the Village. Public Works consists of an administrative unit and five operating divisions with responsibilities as follows:

ADMINISTRATION

Prepares Council agenda reports, monthly status reports, and annual 5-year Capital Improvement Plan, make presentations, serves as Executive Team liaison to the Forest and Beach Commission and on the TAMC TAC and Traffic Safety Committees, liaison to volunteer groups throughout the City, performs engineering services, and provides administrative support, budgeting, scheduling, and performance oversight of the operating divisions.



STREET MAINTENANCE

Supervises Public Works field personnel, prioritizes and allocates equipment, tools, and material resources, repairs streets, potholes, sidewalks, curbs, fencing, storm drainage system, berms, traffic signs, striping, and pavement markings, performs street sweeping, provides fleet maintenance services, reviews utility and encroachment permit applications, supports City events, and provides emergency response.

FACILITIES MAINTENANCE

Maintains and repairs 20 City-owned buildings and facilities with 137,000 square feet, including 8 historic buildings nearly 100 years old, supports facility renovation capital improvements, oversees janitorial contract, obtains quotes and manages building trade contractors, implements ADA projects, and performs annual fire safety apparatus, generators, and backflow inspections.

ENVIRONMENTAL COMPLIANCE

Enforces State storm water quality and waste reduction/recycling regulations, oversees the City's waste hauler contract, implements Climate Action and Adaptation Plan projects, serves on ReGen Monterey and Monterey Regional Stormwater Management Program TAC committees, manages sensitive projects in the North Dunes and Mission Trail Nature Preserve (MTNP), evaluates energy reduction initiatives, and coordinates with partners on resiliency, environmental, and sustainability-focused projects.



FORESTRY, PARKS AND BEACH

Performs tree management for 10,000+ City trees, including planting, pruning, and removal services, prepares reports and presentations for Forest & Beach Commission meetings, maintains eight City parks, Carmel Beach, open spaces, and landscaped islands, collaborates with volunteer organizations, processes tree removal/pruning permits, reviews private development applications, manages multiple on-call tree care and landscape maintenance service contractors, and provides emergency response during storms.



PROJECT MANAGEMENT

Implements planning, engineering, design, public bidding, and construction- of capital improvement projects, including transportation, drainage, and facility renovation projects, performs condition assessments, manages consultants and contractors, coordinates with utilities and other City departments, prepares special conditions of approval for major encroachment permits, checks technical reports and plans, obtains permits, and prepares specifications, contract documents, and cost estimates.

2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Facilitated community volunteer organizations in obtaining permits for projects such as Leadership Carmel's Forest Hill Park "Nature Play" project and Carmel Cares' Scenic Road Barrier Rails
- Continued developing the Urban Forest Master Plan and completed technical studies
- Planted new trees following removal of dozens of dead, diseased, and hazardous trees that were removed via task orders by our on-call tree services contractors
- Coordinated emergency response and clean up of tree incidents from February 2024 storms
- Established 48 sites which receive ongoing landscaping maintenance by our on-call landscaping contractor
- Updated the City's Stormwater Ordinances
- Issued two Emergency Coastal Development Permits to repair six beach access stairways



- Completed Phase I of the Coastal Engineering Study, including the Shoreline Assessment and Beach Change Analysis, Erosion Exposure Modeling, Coastal Hazards, and Sea Level Rise Vulnerability Assessment
- Awarded a \$500,000 Coastal Commission Local Coastal Program Grant to perform Phase 2
- Held the 2nd-Annual Earth Day/Arbor Day celebration
- Installed new split rail fencing at Forest Hill Park and the North Dunes Habitat Restoration area
- Implemented waste management compliance with organics and recycling regulations, and implemented a new waiver application process
- Installed new dual, ribbon style, trash and recycling cans throughout downtown and residential areas
- Supported the re-formed Climate Committee
- Remodeled the Police Dispatch Office
- At Sunset Center, installed new bollards, a recirculating fire pump system, and replaced the heater for Carpenter Hall
- Completed other Facility Renovation Projects: Fire Station back patio resurfacing, Police evidence locker installation, and Park Branch Library dumbwaiter decommissioning
- Updated the “StreetSaver” Pavement Management System database
- Used 30 tons of asphalt to fill potholes and street repairs and 70 gallons of traffic paint to update pavement markings
- As a Public Works team building project, rebuilt a foot bridge in MTNP and installed new roadway surfacing and new gate at the Preserve entrance at Eleventh Avenue
- Began using the all-electric Street Sweeper and received a \$250,000 rebate from 3CE
- Auctioned 7 surplus vehicles for a total of \$36,000
- Completed construction of the following Capital Improvement Projects:
 - City Hall Retaining Wall Repair Project
 - MTNP – Well Abandonment, and Removal of Tank and Pump House
 - Completed construction of the FY 22 Paving Project, which included the City’s first application of micro-surfacing and establishment of the first official bike route along San Carlos Street
 - Hazardous materials remediation and painting the exterior of Sunset Center and Harrison Memorial Libraries
- Electrical panel assessments at four sites: Public Works, City Hall, and Fire Station, and Ocean Avenue median



- Completed engineering, design, and environmental review of the following Capital Projects:
 - MTNP – 3 Drainage Improvements for Stream Stability
 - Four Drainage System repairs and bottlenecks
 - FY 23 Concrete Street Repair Project
 - FY 23-24 Street Resurfacing Project
 - San Antonio Pathway Repairs (Second to Fourth Avenues)
 - Sunset Center Retaining Wall Repairs
 - Electrical Panel Upgrade at Vista Lobos
 - Police Building - completed building condition assessment and Police Department space needs
 - Developed a conceptual design for Sunset Center Portico

2024-2025 PRIORITIES

- Adopt and implement the Urban Forest Master Plan, which will kick off a 3-year “catch up” plan with the goal of resolving the backlog of Stump Removals and Tree Removals for dead, dying, or diseased trees. The backlog is anticipated to be reduced by 1/3 by the end of FY 24-25. A “catch up” plan will also be implemented to plant trees equal to the number of trees which fell in recent years’ storms, all the while continuing to replant 1-for-1 for non-storm removals. All progress on these efforts will be reported monthly at Forest & Beach Commission meetings.
- Establish an Underground Utility District utilizing PG&E Rule 20A funds.
- Develop adaptation strategies and launch public outreach for Coastal Engineering Study, Phase 2
- Continue North Dunes Restoration Improvements and Reporting Implement updates to the Monterey Regional StormWater Management Program and Reporting
- Construct the FY 24 Street Resurfacing Project, including 4 bid additives from the FY 22 paving project and the San Antonio/Ocean Avenues intersection reconstruction from the FY 23 concrete streets project
- Construct four Drainage System repairs and bottleneck improvements
- Complete construction of the MTNP – 3 Drainage Improvements for Stream Stability
- Construct the Electrical Panel Upgrade and EV Chargers at Vista Lobos
- Implement beautification projects, notably the re-landscaping of the Ocean Avenue Medians
- Construct the City Hall Roof Replacement and Sunset Center Cottage Window Repairs
- Reconstruct the San Antonio Pathway
- Repair retaining walls at Sunset Center
- Remove and replace 167 trees and remove 200 stumps

BUDGET SUMMARY AND SERVICE IMPACTS

Public Works Department Total				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-00-41001	Salaries	\$2,285,627	\$1,928,611	\$2,702,652
101-119-00-41101	Retirement	127,616	125,586	174,564
101-119-00-41103	Deferred Compensation	23,223	18,433	26,523
101-119-00-41104	Health Insurance	437,009	364,480	631,333
101-119-00-41106	Medicare	34,189	27,845	39,190
101-119-00-41107	LTD/STD/Life	3,201	2,395	3,287
101-119-00-41108	Worker's Comp	108,118	94,697	130,340
101-119-00-41109	Benefits-MOU Obligations	33,280	30,452	39,520
Salaries & Benefits Subtotal		\$3,067,263	\$2,609,865	\$3,762,409
101-119-00-42001	Contract Services	\$2,216,450	\$1,395,427	\$2,369,162
101-119-00-42009	Advertising and Legal Notice	2,500	67	5,000
101-119-00-42101	Office Supplies	5,000	2,317	3,000
101-119-00-42102	Publications & Subscriptions	6,500	7,670	5,000
101-119-00-42104	Safety Equipment and Supplies	10,000	8,487	10,000
101-119-00-42105	Materials and Supplies	242,000	124,241	247,550
101-119-00-42106	Small Tools and Equipment	2,000	1,063	14,500
101-119-00-42107	Gas and Oil	48,000	23,477	30,000
101-119-00-42202	Equipment Maintenance	20,000	6,775	10,000
101-119-00-42203	Vehicle Maintenance	27,000	25,424	38,000
101-119-00-42301	Training & Education	12,000	10,712	15,000
101-119-00-42304	Dues & Memberships	3,500	475	3,180
101-119-00-42403	Printing	2,000	250	2,000
101-119-00-42408	Permits and Licenses	13,000	10,884	13,200
101-119-00-42409	Rentals	9,200	5,732	10,000
Services & Supplies Subtotal		\$2,619,150	\$1,623,001	\$2,775,592
Total		\$5,686,413	\$4,232,866	\$6,538,001

ADMINISTRATION

The Administration Unit budget includes funding for Contract Services (\$32,200), including uniforms and software contracts, training (\$15,000), subscriptions (\$5,000), and office supplies (\$3,000). Line item increases reflect all field positions being filled.

PW Administration				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-40-42001	Contract Services	\$22,500	\$19,124	\$32,200
101-119-40-42009	Advertising and Legal Notice	2,500	67	5,000
101-119-40-42101	Office Supplies	5,000	2,317	3,000
101-119-40-42102	Publications & Subscriptions	6,500	7,670	5,000
101-119-40-42104	Safety Equipment and Supplies	10,000	8,487	10,000
101-119-40-42301	Training & Education	12,000	10,712	15,000
101-119-40-42304	Dues & Memberships	3,500	475	3,180
101-119-40-42403	Printing	2,000	250	2,000
Services & Supplies Subtotal		\$64,000	\$49,102	\$75,380

STREET MAINTENANCE

The Street Division budget includes funding for Materials and Supplies (\$71,000) for black and pick mutt mitts (\$30,000), asphalt, sidewalk pavers, and traffic paint, Equipment and Vehicle Maintenance (\$10,000), Fuel (\$30,000), and Contract Services (\$46,200) including reconstruction of the San Antonio Pathway, between Second and Fourth Avenues damaged by January storms and subject to FEMA reimbursement.

PW Street				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-41-42001	Contract Services	\$78,000	\$24,845	\$46,200
101-119-41-42105	Materials and Supplies	67,000	33,993	71,000
101-119-41-42106	Small Tools and Equipment	2,000	1,063	14,500
101-119-41-42107	Gas and Oil	48,000	23,477	30,000
101-119-41-42202	Equipment Maintenance	20,000	6,775	10,000
101-119-41-42203	Vehicle Maintenance	27,000	25,424	38,000
101-119-41-42409	Rentals	9,200	5,732	10,000
Services & Supplies Subtotal		\$251,200	\$121,309	\$219,700

FACILITIES MAINTENANCE

The budget for the Facilities Maintenance Division includes funding for Contract Services (\$571,762) including janitorial (\$280,412), alarm monitoring, and generator services, HVAC, plumbing, roofing, and electrical repairs, and Materials & Supplies (\$94,350) for doors, hardware, lighting, filters, plumbing, and first aid supplies.

PW Facilities				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-42-42001	Contract Services	\$615,000	\$442,536	\$571,762
101-119-42-42105	Materials and Supplies	109,000	63,140	94,350
Services & Supplies Subtotal		\$724,000	\$505,676	\$666,112

ENVIRONMENTAL COMPLIANCE

The Environmental Compliance Division budget includes funding for Contract Services (\$292,800), including SB1383 implementation, recycling containers, and waste hauler oversight (\$8,000), stormwater quality enforcement and watershed monitoring (\$26,000). Cleaning of storm drains, on-call environmental consultants, and climate change initiatives, and Permits and Licenses (\$13,200) for stormwater and Air Resources District permits and MTNP invasive removals and North Dunes habitat monitoring services.

PW Environmental Compliance				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-43-42001	Contract Services	\$272,250	\$108,956	\$292,800
101-119-43-42408	Permits and Licenses	13,000	10,884	13,200
Services & Supplies Subtotal		\$285,250	\$119,840	\$306,000

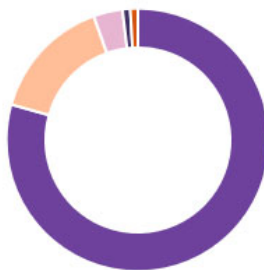
FORESTRY, PARKS AND BEACH

The Forestry, Parks, and Beach Division budget includes funding for Contract Services (\$1,426,200), including tree contractors for removals, pruning, stump grinding, MTNP tree work, beautification projects (\$25,000), landscape maintenance contract (\$179,200), and Materials and Supplies (\$82,200) for trees, landscaping and irrigation supplies. Tree contract budget increased to reflect numerous dead/unsafe tree removals and the backlog of stumps, all part of a 3-year tree maintenance catch-up plan.

PW Forest & Beach				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-119-45-42001	Contract Services	\$1,228,700	\$799,966	\$1,426,200
101-119-45-42105	Materials and Supplies	66,000	27,108	82,200
Services & Supplies Subtotal		\$1,294,700	\$827,074	\$1,508,400

FY 24-25 FORESTRY, PARKS & BEACH EXPENDITURE DETAIL

■ Tree Related Services 79% ■ Landscaping Services 15% ■ New trees/plants 4% ■ Equipment 1% ■ Landscaping & Irrigation Materials 1%



Type of Expenditure	Budget	Percentage
Tree Related Services	\$ 1,197,000	79%
Landscaping Services	229,200	15%
New trees/plants	54,000	4%
Equipment	14,200	1%
Landscaping & Irrigation Materials	14,000	1%
Total	\$ 1,508,400	100%

PUBLIC SAFETY

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

POLICE DEPARTMENT

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.



FIRE DEPARTMENT

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

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.

2023-2024 INITIATIVES AND ACCOMPLISHMENTS

- Vacancies were filled to include, (1) Police Chief/Director of Public Safety, (1) Police Officer, and (2) Dispatchers. Recruitments to fill the vacant Police Officer position continue.
- In the process of developing new contract language for Fire services with the City of Monterey.
- A new radio tower was purchased in conjunction with Monterey County and a grant through the Bay Area Urban Areas Security Initiative (UASI). The installation of the

tower is in its final stages and should allow the police department the ability to transition to the digital network used by all county law enforcement agencies.

- A new Ambulance and Fire Engine were ordered to replace aging vehicles.
- The police department is working to convert a majority of its fleet to fully electric vehicles. The department purchased two fully electric vehicles, one administrative vehicle and an electric pick-up, which will be used for patrol operations.
- Volunteer groups like (VIPS) volunteers in policing and (CERT) Community Emergency Response Team were utilized during essential situations such as storms and flooding.
- In January 2024, in Conjunction with City Departments, including Fire, Public Works, Library, Forestry, VIP's, CERT, and County Agencies including, Monterey County Department of Emergency Management and CalFire, began a planned series of educational forums for the public called Carmel Prepares. The series will include bi-annual training for our village on how to prepare for emergencies in our village.
- The Volunteer in Policing (V.I.P.) program is composed of people who give freely of their time. They enjoy the satisfaction of providing worthwhile contributions to departmental personnel and the Community of Carmel. They are motivated by their interest in a higher quality of life for Carmel. The VIP's provide a variety of services for the village, including acting as ambassadors for the village by helping to direct and educate visitors. Our VIP's play an important role during emergencies, including traffic control and operating and maintaining our Temporary Assistance Center.
- Our Carmel CERT (Community Emergency Response Team) was also integral to our safety in the community and was activated multiple times during the storm emergencies to help with power outages, contacting residents, and assisting in life saving measures alongside police, fire, and ambulance services. Our CERT Team is made up of 30 dedicated volunteers who support our village as well as provide mutual aid to our neighboring communities. During emergencies or disasters, both self-reliance and the use of volunteers under professional direction will be necessary. CERT provides community members with disaster related know how. They need to be self-sufficient and support others until further help can arrive.



2024-2025 PRIORITIES

- Continue recruitments to fill additional Police Officer positions and be fully staffed.
- Continue work towards the completion of the Police Department Remodel Project.
- Upgrade outdated computer equipment in police vehicles and parking scooters.
- Increase efforts in retention of police officers through positive leadership and training in preparation for promotional advancement and growth.

- Increase transparency and education of the use and placement of the Flock camera system.

BUDGET SUMMARY AND SERVICE IMPACTS

POLICE DEPARTMENT

- The FY 24-25 Budget decreases by \$404,964 over the FY 23-24 Amended Budget. The Department will continue to focus on patrol and responding to public safety needs.
- The FY 24-25 Budget reflects an increase of \$21,023 in services and supplies over FY 23-24. The increase is primarily the result of upgrading aging equipment, and an increase in ammunition prices, providing CERT team uniforms and equipment, and training and supplies needed to fill vacant positions. Training expenses were increased 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; tasers, body and surveillance cameras and associated software and maintenance costs.

Police				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-116-00-41001	Salaries	\$841,462	\$556,210	\$706,786
101-116-00-41002	Salaries -Safety	2,488,403	1,752,210	2,173,856
101-116-00-41006	Overtime -Safety	205,000	386,000	205,000
101-116-00-41009	Holiday in Lieu	188,251	158,800	160,018
101-116-00-41101	Retirement	53,829	39,830	56,159
101-116-00-41102	Retirement -Safety	373,000	289,300	364,915
101-116-00-41103	Deferred Compensation	141,617	164,800	176,051
101-116-00-41104	Health Insurance	519,944	354,900	531,906
101-116-00-41106	Medicare	54,507	42,700	47,397
101-116-00-41107	LTD/STD/Life	4,108	2,475	3,117
101-116-00-41108	Worker's Comp	156,971	137,214	188,860
101-116-00-41111	Uniform Allowance	36,000	28,800	23,040
	Salaries & Benefits Subtotal	\$5,063,092	\$3,913,239	\$4,637,105
101-116-00-42001	Contract Services	\$411,707	\$350,000	\$416,555
101-116-00-42005	Community Promotions	1,500	1,200	4,500
101-116-00-42101	Office Supplies	8,800	7,700	8,800
101-116-00-42102	Publications & Subscriptions	420	130	420
101-116-00-42104	Safety Equipment and Supplies	114,000	79,000	101,000
101-116-00-42107	Gas and Oil	50,000	45,600	45,000
101-116-00-42201	Building Maintenance	15,000	320	2,000
101-116-00-42202	Equipment Maintenance	31,675	32,500	81,200
101-116-00-42203	Vehicle Maintenance	28,000	20,120	25,000
101-116-00-42301	Training & Education	30,550	18,500	28,000
101-116-00-42304	Dues & Memberships	1,775	1,200	1,475
101-116-00-42403	Printing	7,300	5,300	6,300
101-116-00-42404	Shipping/Postage/Freight	600	500	600
101-116-00-42405	Telephone and Communications	9,000	4,000	9,500
101-116-00-42415	Other Expenditures	9,000	8,400	10,000
	Services & Supplies Subtotal	\$719,327	\$574,470	\$740,350
	Total	\$5,782,419	\$4,487,709	\$5,377,455



FIRE DEPARTMENT

- The FY 24-25 Budget increases by \$235,815 over the FY 23-24 Amended Budget. Contract services include fire services provided to the Village by the City of Monterey (\$3,253,597).
- The FY 24-25 Budget also includes funding for fuel (\$19,000) and vehicle maintenance (\$40,000) as Carmel is responsible for vehicle repair and replacement under the contract with Monterey.

Fire				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-117-00-42001	Contract Services	\$3,078,609	\$3,078,609	\$3,346,924
101-117-00-42005	Community Promotions	1,000	0	1,000
101-117-00-42103	Medical Supplies	3,000	0	3,000
101-117-00-42104	Safety Equipment and Supplies	27,500	2,000	27,500
101-117-00-42107	Gas and Oil	19,000	10,000	19,000
101-117-00-42202	Equipment Maintenance	6,950	2,700	4,450
101-117-00-42203	Vehicle Maintenance	70,000	70,000	40,000
Total		\$3,206,059	\$3,163,309	\$3,441,874

CARMEL FIRE AMBULANCE

- The FY 24-25 Budget decreases by \$36,108 over the FY 23-24 Amended Budget. Overtime reflects an anticipated decrease from FY 23-24 Estimated Actual due to being fully staffed. Contract services include station coverage by the City of Monterey as needed (\$85,000), ambulance billing (\$48,000), Monterey Fire management of Ambulance personnel (\$27,222). Other major expenses include medical supplies (\$48,150), fuel and vehicle maintenance (\$21,000 and \$37,000 respectively), safety equipment (\$17,500) and required training to maintain credentials (\$19,150).

Ambulance				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
101-118-00-41002	Salaries -Safety	\$826,109	\$677,292	\$828,493
101-118-00-41006	Overtime -Safety	140,000	231,533	140,000
101-118-00-41009	Holiday in Lieu	75,401	74,040	53,920
101-118-00-41102	Retirement -Safety	107,640	80,654	118,036
101-118-00-41103	Deferred Compensation	5,400	5,100	5,400
101-118-00-41104	Health Insurance	93,642	75,265	133,767
101-118-00-41106	Medicare	15,154	14,056	14,903
101-118-00-41107	LTD/STD/Life	858	644	791
101-118-00-41108	Worker's Comp	84,013	73,438	101,080
101-118-00-41111	Uniform Allowance	3,600	3,000	5,400
Salaries & Benefits Subtotal		\$1,351,817	\$1,235,022	\$1,401,790
101-118-00-42001	Contract Services	\$275,483	\$180,000	\$195,902
101-118-00-42101	Office Supplies	1,000	0	1,000
101-118-00-42103	Medical Supplies	48,150	27,400	48,150
101-118-00-42104	Safety Equipment and Supplies	37,000	18,600	17,500
101-118-00-42107	Gas and Oil	21,000	11,000	21,000
101-118-00-42201	Building Maintenance	7,000	1,600	10,000
101-118-00-42202	Equipment Maintenance	4,000	850	4,000
101-118-00-42203	Vehicle Maintenance	27,000	2,600	37,000
101-118-00-42301	Training & Education	19,150	480	19,150
Services & Supplies Subtotal		\$439,783	\$242,530	\$353,702
Total		\$1,791,600	\$1,477,552	\$1,755,492



CAPITAL IMPROVEMENT PLAN (CIP)

CAPITAL IMPROVEMENT PLAN

VEHICLE AND EQUIPMENT FUND

Table 1: FY 24-25 Recommended Vehicle and Equipment Acquisitions and Funding Source

Vehicle and Equipment Fund			
Account Number	Account Description	FY24-25	
		Recommended	Funding Source
503-513-00-43005	Public Works Dump Truck	\$150,000	V&E Fund Balance
503-513-00-43005	Police EV Patrol Vehicle	90,000	V&E Fund Balance
503-513-00-43006	Police Radios Lease (Year 4 of 6)	30,000	V&E Fund Balance
503-513-00-43007	Council Chambers AV Upgrade	70,000	V&E Fund Balance
503-513-00-43007	Core Networks	50,000	V&E Fund Balance
503-513-00-43007	Network Firewalls	180,000	V&E Fund Balance
Total		\$570,000	

Funding prioritizes public safety response capabilities, including enhanced communications and the purchase of new vehicles. A focus on environmentally friendly vehicles is evident in this year's spending plan.

Ambulance

A contract to build the new ambulance and furnish equipment for \$410,000 was executed last year. Delivery is anticipated in late 2025. Funding of \$275,000 from the Vehicle and Equipment Fund and a \$50,000 donation will be carried forward into FY 24-25 until the invoice is due. The estimated \$85,000 balance for the ambulance will be programmed in FY 25-26.

Fire Engine

In October 2022, Council appropriated \$880,000 and added the fire engine into the Fiscal Year (FY) 22-23 Capital Improvement Program (CIP). The Pierce Manufacturer Enforcer diesel fire engine has been ordered with delivery anticipated by late 2025. Although the purchase is complete, the project is being carried forward until delivery of the fire engine.

Public Works Dump Truck

In October 2022, Public Works' 5-yard dump truck, a 1995 F700, broke down on Highway 1 with a seized transmission and had to be towed to the Vista Lobos parking lot where it still resides. Due to the age of the truck and the unavailability of a new transmission, despite an exhaustive search, staff recommended its replacement. In the interim, dump trucks have been rented periodically for certain tasks, but this approach is not sustainable.

A dump truck is needed year-round by all divisions in the Public Works Department. The dump truck is often used for hauling materials such as debris, wood chips, tree-rounds, logs, sand, gravel, decomposed granite, and asphalt.

The estimated cost for a new 2024 or 2025 Ford F650 chassis (or similar) and a 5-yard dump bed is \$150,000. Preliminary research has not yet resulted in a cost-effective electric vehicle alternative of the capacity we need, but additional research is warranted. With proper maintenance, a new truck should have a life expectancy of another 20+ years.

Police EV Patrol Vehicle

The Police EV Patrol Vehicle will replace a gas-powered 2017 Dodge Charger that has reached the end of its useful life. This vehicle continues to have mechanical issues, which require increasingly expensive repairs, and it is no longer reliable for emergency response.

The estimated cost of \$90,000 includes the purchase of the vehicle and outfitting it for Police use. Electric Vehicle grants from 3CE will be pursued for all new electric vehicles. While the amount of any grants is unknown at this time, staff estimates that up to \$15,000 in rebates or incentives may be funded by 3CE. The existing gas-powered vehicle will ultimately be sold at a public auction.

Police Radios Lease (Years 4 of 6)

Twenty-two (22) radios were purchased in 2021 with a payment schedule of \$30,000 per year for six years, with funding from the Vehicle and Equipment Fund.

Council Chambers AV Upgrade

In 2017, the Council Chambers' Audio Visual (A/V) system upgraded from standard to high definition. However, some of the equipment has reached the end of its useful life, and IT staff and vendors have determined that it needs to be replaced to be functional.

Upgrades are crucial to ensure smooth facilitation of hybrid meetings, accommodating both in-person and remote participation, especially via Zoom. Reliable audio and video systems are essential for seamless remote engagement and comprehensive meeting recordings. Therefore, allocating resources for timely A/V infrastructure upgrades aligns with modern communication demands and demonstrates the City's commitment to inclusive civic engagement. The estimated cost is \$70,000.

Core Networks

The existing Arista switches that connect our computer server locations together were purchased in November 2016 and have reached the end of their useful life. The manufacturer no longer provides updates or support for these switches. The budget for new core networks is \$50,000.

Network Firewalls

Purchased in April 2017, the existing network firewalls have reached the end of their useful life and must be replaced as soon as possible. The budget for new network firewalls is \$180,000.

CAPITAL PROJECTS FUND

Table2: FY 24-25 Recommended Capital Projects and Funding Source

Capital Projects Fund				
Fund 301 Account 43008				
Strategic Priority	Category	Description	FY 24/25 Recommended	Funding Source
Grants	Streets	Conglomerate Paving Project FY 24-25	1,373,306	UA Fund Balance/RSTIP
Grants	Streets	Conglomerate Paving Project FY 24-25	1,436,694	TAMC: Gas Tax, RMRHA
		Grants Streets	2,810,000	
Resilience	Streets	San Antonio Pathway Reconstruction	550,000	Unassigned Fund Balance
Resilience	Streets	Sunset Center Retaining Wall	550,000	Unassigned Fund Balance
Resilience	Streets	Lincoln/Fourth Trestle Bridge	40,000	Unassigned Fund Balance
Resilience	Streets	Ocean Avenue, Carpenter to Highway 1- Monterey County Project	-	Monterey County
Grants	Drainage	MTNP 3 Stream/Drainage Projects	335,000	UA Fund Balance /Grant
CIP Planning	Drainage	Drainage System Repairs	1,218,000	Unassigned Fund Balance
CIP Planning	Drainage	Junipero Bypass Drainage Project - Design	175,000	Unassigned Fund Balance
Public Safety	Facilities	Police Building Project	3,239,000	Unassigned Fund Balance
Public Safety	Facilities	ADA Upgrades Year 7	20,000	Unassigned Fund Balance
Resilience	Facilities	Norton Court Garage Security Access	15,000	Unassigned Fund Balance
Resilience	Facilities	Sunset Center - North Lot Electrical Panel	100,000	Unassigned Fund Balance
Resilience	Facilities	Vista Lobos: 3 EV Charging Stations and Building Electrical Panel	460,000	UA Fund Balance /Grant
Deferred Maint	Facilities	Facility Renovations	527,000	Unassigned Fund Balance
Resilience	Frst/Parks/Bch	MTNP Doolittle Bridge	175,000	Unassigned Fund Balance
Resilience	Frst/Parks/Bch	Scenic Pathways - Hardscape Renovations	100,000	Unassigned Fund Balance
Resilience	Environmental	Coastal Engineering Study - Phase II	500,000	UA Fund Balance /Grant
Resilience	Environmental	Shoreline Infrastructure Repairs	400,000	UA Fund Balance /Grant
Resilience	Environmental	Shoreline Wall: Fourth Avenue Outfall	250,000	Unassigned Fund Balance
Resilience	Environmental	PG&E Rule 20A Undergrounding	-	PG&E
Resilience	Libraries	Library Master Plan - Phases II-IV	100,000	Unassigned Fund Balance
Resilience	Libraries	Park Branch - Windows and Dry Rot Treatment	45,000	Unassigned Fund Balance
CIP Planning	Contingency	CIP Contingency	400,000	Unassigned Fund Balance
		Total	\$ 12,009,000	

STREETS

Paving Project : Conglomerate Paving Project FY 24-25

Annual Paving Project, FY 23-24: In April 2023, Council adopted a list of streets to be included in the FY 23-24 Annual Paving Project. The City's annual Maintenance of Effort funding (\$674,000 for FY 24-25) leverages external funds via TAMC from

Measure X, Gas Tax, SB 1 - the Road Maintenance and Rehabilitation Account (RMRHA), and the Regional Surface Transportation Program (RSTIP). This project includes design and construction of asphalt pavement overlays of five roadway segments, including Upper Ocean Avenue and Santa Lucia Avenue, between Dolores Street and Rio Road, removal of failed pavement sections and providing a slurry seal treatment on 21 road segments predominately in residential neighborhoods, and replacing broken sidewalks with permeable pavers along five road segments in the downtown area.

All of these improvements, which have a construction cost estimate of \$1.68 million, will be included in the Conglomerate Paving Project for FY 2024-25; however, several of the most expensive roadways may be included in the construction bid documents as additive bids and awarded if sufficient funding is available upon receiving the bid proposals.

Annual Paving Project, FY 21-22: Construction of this Project is substantially complete. This project included paving overlays along Junipero Street, between Third and Fourth Avenues, at the Junipero-Camino del Monte intersection, and along Santa Fe Street between Fifth and Sixth and Avenues. Also, the City's first application of a micro-surfacing pavement treatment was completed along Junipero Street, between Fourth and Ocean Avenues, and along San Carlos Street, between Eighth and Thirteenth Avenues. Four large downtown sidewalk repairs were also completed. No budget remains from this project.



Due to higher than anticipated construction bids received for this Annual Paving Project for FY 21-22, four additive bid items were not awarded for the construction contract. The bid items were for paving overlays along San Antonio Avenue, between Fourth and Ocean Avenues, San Antonio, between Ocean and Eighth Avenues, Monte Verde Street, between Fourth and Ocean Avenues, and along Torres Street, from Third to Fifth Avenues. All four of these bid additives, which have a construction cost estimate of \$835,000, will be merged into the Conglomerate Paving Project FY 24-25.

Concrete Street Repairs, FY 22-23: The design of this project is complete and "shovel ready" for construction; however, this construction cost estimate is nearly \$3 million. Therefore, the majority of this project will be shelved until future capital funding becomes available. The project includes repairs and resurfacing of concrete intersections at Ocean-San Antonio, San Carlos-Fifth, San Carlos- Sixth, and ADA

ramps and bulb out improvements at the Junipero-Seventh intersection. Also, structural repairs and resurfacing are included along Ocean Avenue, between Monte Verde and San Antonio, as well as the three intermittent side streets, up to the sidewalks, on both sides of Ocean Avenue. In addition, the project includes repairs and resurfacing of San Carlos Street between Fifth and Sixth Avenues.

The project balance of \$792,000 is being reallocated into the Conglomerate Paving Project for FY 24-25. Only one portion of this project will be included in the Conglomerate Paving Project – Reconstruction of the San Antonio-Ocean Avenue intersection – which has a cost estimate of \$293,000.

San Antonio Pathway Reconstruction

The San Antonio Avenue Pathway, located on the west side between Second and Fourth Avenues, was damaged by winter storms in early 2023. FEMA funding was promptly applied for reconstruction costs, but this effort was not successful.

Funded out of the Public Works/Streets and Forestry operating budgets for FY 23-24, a structural engineering firm designed the repairs to restore the pathway. The design process revealed that the original construction was deficient in that while the original buried concrete piers were fine, the wooden lagging supporting the pathway did not accommodate proper drainage, and the connection of the wooden posts supporting the grape stake fencing were not properly connected to the piers. Consequently, stormwater traveled along the west edge of the fencing, rotting the lagging and the bottom of the posts, and resulted in the fence falling down.

The repair involves excavating around 44 concrete piers, constructing concrete pier caps to support new column posts, replacing the wood lagging, installing a drainage facility, restoring the Pathway, and installing grape stake fence to appear as the original fence. The FY 24-25 budget of \$550,000 will cover the cost of construction and construction management.

Sunset Center Retaining Wall Repairs

Sunset Center initially requested this project. In FY 23-24, \$40,000 was allocated to the project to prepare structural engineering evaluations and repair plans for deteriorated walls surrounding Sunset Center. The design was completed for five retaining walls. In the north lot, a 100-foot long, Carmel stone wall along Eighth Avenue is leaning, and there are significant cracks in the wall along Mission Street. In the south parking lot off of Tenth Avenue, there is a rotted wooden wall on top of a granite retaining wall. These and other walls require various structural repairs, restoration treatments, and replacement of fencing and railings. The FY 24-25 budget for construction and project management oversight is \$550,000.

Lincoln/Fourth Trestle Bridge

Originally built in the 1930s, the Lincoln Street/Fourth Avenue wooden trestle bridge was last formally inspected in 1998 when the footbridge was modified to provide parking for two homes adjacent to the bridge. Since then, Public Works crews have made numerous repairs to damaged boards, posts, and railings. Currently, there are some rotten deck boards, loose posts, and noticeable settling of concrete pier blocks on the east side of the bridge.

This project consists of hiring a structural engineering firm to assess the condition of the bridge, identify needed repairs and their urgency, and prepare cost estimates. The budget is \$40,000. Depending on the condition findings, the design plans, CEQA review, and construction of the repairs would be programmed in subsequent fiscal year CIP budgets.

Ocean Avenue, Carpenter Street to Highway 1 – Monterey County Project

Ocean Avenue, between the east City limits near Carpenter Street and Highway 1, is currently inundated with potholes and pavement distress. The pavement condition has deteriorated to the point that a minor paving resurfacing treatment would be insufficient, and the roadway may need to be reconstructed in some areas followed by an asphalt overlay. While located in the jurisdiction of Monterey County, Ocean Avenue is a primary arterial entryway from Highway 1 into the central downtown core of the City of Carmel.

Numerous calls have come in over the years requesting the City to repair these potholes, until the callers are notified that this is the responsibility of the County. Public Works has contacted the County's Public Works Department numerous times to alert them to potholes. While the County is typically very responsive to the City's requests, repairs can be delayed at times, particularly following storms.

This new CIP project for FY 24-25 would allow the City to launch this major street improvement project on behalf of, but at the full cost of, the County. The first step in this process would be to enter into a funding agreement, to be approved by the County Board of Supervisors and City Council, outlining the work to be performed by the City and its consultants and contractors, payment or reimbursement of all direct costs by the County, and a mechanism to allow the City to terminate the agreement at any time.

While these necessary roadway improvements would clearly benefit citizens of Carmel and the County alike, this project does pose risks. For example, the required Encroachment Permit from CalTrans could potentially trigger intersection improvements at Highway 1, such as modified turn movement and/or signalization updates. The roadway design must include drainage improvements, repairs and/or additions to sidewalks along both sides of the street, and accessibility ramps. Additional project implementation and construction issues that must be addressed include CEQA documentation, environmental permits, community outreach, and reconciliation of design and contracting standards between the County and City.

The City does not currently have the capacity to implement this project. Therefore, one of the City's Project Management consultants would be needed for this project. Next, a third-party engineering/environmental firm must be retained for engineering design, permitting, and bid phase and construction engineering support. While the vast majority of the work would be performed by consultants and contractors, all at the expense of the County, the impact to City staff cannot be understated.

The County provided an initial cost estimate of \$500,000 for the paving portion of the project. Preliminarily, it appears that the full cost for project management, design, and construction, including drainage, sidewalks, ADA improvements, and traffic control, will be substantially higher.

DRAINAGE

Mission Trail Nature Preserve 3 Stream/Drainage Projects

This carry-over project consists of the first three of eight stream restoration and drainage improvements recommended in the 2019 MTNP Stream Stability Study. Acquisition of environmental permits from the U.S. Army Corps of Engineers, California Department of Fish and Wildlife Service, and Water Quality Control Board delayed the project for one year. The remaining funding of approximately \$60,000 will be carried over into FY 24-25 for construction.

Construction includes three projects: 1) Drainage improvements along the Doolittle Trail, 2) swale reconstruction on the Willow Trail: and 3) an elevated boardwalk on the Willow Trail. A construction contract was awarded in May 2024 in the amount of \$394,380. Funding is available from a \$178,000 California State Parks Per Capita Grant, the remaining balance of \$163,169 from the FY 23-24 CIP Contingency Fund account, and \$67,599 from FY 24-25 CIP funds. Construction is scheduled to be completed by late 2024.

Drainage System Repairs

The 2023 City-wide Drainage Master Plan Update identified numerous spot repairs needed for our existing underground storm drainpipes, as well as reconfigurations to eliminate significant "bottlenecks" in the drainage system. The Master Plan divided these repairs into 6 high priority repairs valued at \$3.7M, 9 medium priority improvements at \$7.7M, and 8 low priority projects at \$3.3M. This Project, and subsequent projects programmed in the 5-year CIP, are intended to address these high priority issues.

In July 2023, Neill Engineers was issued a \$159,100 Amendment to their Professional Services Agreement to design four of these high priority drainage system repairs at: 1) Eleventh Avenue (Carmelo to San Antonio Streets), 2) along Lincoln Street, from First to Second Avenues, and along Second Avenue, from Lincoln to Monte Verde Streets, 3) along Santa Fe Street from Eighth Avenue south to the MTNP outfall, and 4) a new headwall at Acacia Way/Flanders Way. The design plans are substantially complete, as are the required

CEQA documents for two locations, and the acquisition of one small drainage easement is in progress.

The remaining FY 23-24 funding of approximately \$414,000 will be carried over into FY 24-25. However, the revised construction cost for all four drainage projects is \$1.052M, and supplemental funding of \$638,000 is required to complete this project.

Junipero Bypass Drainage Project - Design

As noted in the project description above for Drainage System Repairs, the 2023 Storm Drain Master Plan Update divided identified drainage concerns into high, medium, and low priorities. Modeling results indicated significant hydraulic inadequacies in the storm drain in the vicinity of Junipero and Mission Streets between Seventh and Ninth Avenues. Currently, stormwater from the north and eastern portions of the City's watershed is channeled along Junipero between Fifth and Seventh Avenues. However, the pipeline then is inefficiently routed west to Mission Street, south to Ninth Avenue, and east back to Junipero Street. This jog is referred to as the Bypass.

The objective of this high priority project is to install a continuous, 36-inch drainage pipeline along Junipero, between Seventh and Ninth Avenues, to eliminate the bypass bottleneck. The upstream pipeline along Junipero, between Fifth and Seventh Avenues, is a medium priority project requiring a 30-inch parallel pipeline; however, it is most cost-effective and efficient to combine these two adjacent segments for design.

This new FY 24-25 project allocates \$175,000 for design of both pipeline segments. The cost of construction would be on the magnitude of \$2.5M. Consequently, construction may need to be split to accommodate future funding availability.

FACILITIES

Police Building Project This is a carry-over project advancing approximately \$2.6M into the FY 23-24 CIP Budget. In 2023, Council formed an Ad Hoc Committee and awarded a \$300,000 Professional Services Agreement to an architectural firm. In FY 23-24, the architectural team and their engineering consultants prepared a Condition Assessment Report of the Police Building which is available on the City's website. The architect also developed a Police space programming needs assessment to accommodate modern police operations and standards.

In January 2024, the results of these tasks were introduced to Council. Preliminary discussion was introduced to consider advancing the project only into the schematic design phase to obtain more information to



consider the possibility of significantly renovating the Police/Public Works building at the existing site, completely reconstructing the building at the existing site, or constructing a new Police Building at a different site and subsequently renovating and repurposing the existing building. Prior to consideration for advancing the program into schematic design, Council held a series of public meetings to solicit public input, and tours were conducted of the Carmel station and a new police station in Salinas.

Throughout this major project, a number of urgent safety repairs were completed in the Police Building, including electrical panels, steel doors, security systems, lighting, evidence lockers, dispatch room renovation, and others. These repairs are also funded by this CIP project.

The FY 23-24 project balance of approximately \$2.6M will be carried over into FY 24-25 to cover remaining costs for schematic design, cost estimating, and potentially commencing design development of a selected alternative. Funding should also be earmarked to continue with a consultant project management firm, as well as to continue to make necessary safety repairs in the building. Additional public outreach will also continue.

ADA Upgrade, Year 7

This project would continue the City's annual program of modifying public facilities, as identified in the City's 2018 Americans with Disabilities Act Transition Plan, to improve access to the disabled. Last year, the City increased its annual allocation from \$15,000 to \$20,000 to continue to demonstrate good faith efforts to implement these improvements and to reflect higher costs due to inflation.

As has been the case in the past, the project will be managed, and improvements will be installed, by the Facilities Maintenance Division supplemented by vendors as needed. Tentative projects will include installing ADA-compliant railings, drinking fountains, restroom facilities, and signage.

Norton Court Garage Security Access System

The Norton Court parking garage access control system provides security for the underground parking garage. The outdated system no longer has the ability to program new access cards and is in disrepair. The new system will have the ability to be programmed by staff, rather than only by the vendor, and includes replacing two card readers at the pedestrian access points into the garage. The cost estimate is \$15,000.

Sunset Center – North Lot Electrical Panel

In July 2023, Council awarded a Professional Services Agreement to an electrical engineering consultant for three projects, including this project for a fee of \$18,240. Based on the 60% design plans and consultations with PG&E and Sunset Center, this project will allow the City to install additional EV charging stations to cover the entire west wall of the parking lot.

A two-pronged approach is being pursued. First, the existing, undersized electric panel along the Eighth Avenue ramp will be relocated down into the parking lot and rebuilt. This relocated panel will contain a new commercial service meter for the parking lot lights and a separate meter for the existing and future EV chargers. A new PG&E transformer, which will be installed by PG&E at no cost to the City, will provide power to all of the EV charging stations at discounted energy rates.

This project was initially funded at \$100,000 in the FY 23-24 CIP, and remaining funds will be rolled over into the FY 24-25 CIP. It is anticipated that 3CE will provide a rebate or other incentives for EV charging stations, but for an amount currently unknown.

Vista Lobos 3 EV Charging Stations and Building Electrical Panel

This is a follow-on project to the \$75,000 Electrical Panel Assessments at Four Buildings Project which was funded and completed in FY 23-24.

In July 2023, Council awarded a Professional Services Agreement to an electrical engineering consultant for three projects, including this project, for a fee of \$24,110. The design is currently 90% complete. This “new” \$400,000 project for FY 24-25 will cover the cost for construction of a new electrical system to allow for the expansion of three more EV charging stations along the south wall of the Vista Lobos parking lot, tying into a new transformer to be set by PG&E at no cost to the City. Funding will also cover the cost to reconstruct and upsize the electrical service at a new electrical panel located on the south wall of the Vista Lobos building.

One of the three new EV stations will be high capacity to charge the City’s electric street sweeper. The other stations will be available to the public. Rebates from 3CE are anticipated to partially cover the cost of the EV charging stations. Staff anticipates up to \$60,000 from 3CE, but the actual amount is unknown at this time.

Facility Renovation Projects

Two carry-over facility renovation projects remain in the Capital Improvement Plan: The City Hall Roof Replacement Project and the Sunset Center Cottage Window Repairs Project.

- **City Hall Roof Replacement:** The City Hall roof was last replaced in 1984 and is 16 years past its warranty. Several roof leaks have been repaired by contractors and staff over the past few years as the roof progressively deteriorates. Contract documents for this project were extracted from a larger, bundled facilities renovation project which resulted in very high bids which were subsequently rejected by Council. This “shovel ready” project is anticipated to be constructed by Fall 2024. The cost estimate has increased to \$350,000, and supplemental funding is being programmed to cover the construction shortfall in FY 24-25.

- Sunset Center Cottage Window Repairs:** The Cottage Window Repairs will be advertised for bids following the City Hall Roof Replacement. Contract documents for this project have also been extracted from the larger facility renovation projects. Unlike the original bidding documents in which all work had to be done at the jobsite, this time, the contractor will have the option of physically removing affected windows, performing hazardous materials remediation, wood framing repairs, and painting at their own shop, and replacing them at the site. The cost estimate has increased to \$200,000, and supplemental funding is being programmed to cover the construction shortfall in FY 24-25.

FOREST, PARKS AND BEACH

MTNP Doolittle Footbridge and Path Realignment

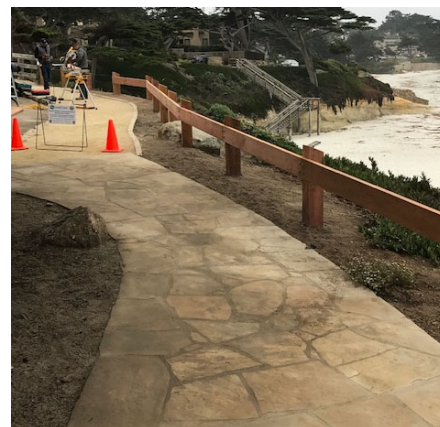
The Friends of Mission Trail Nature Preserve have expressed an interest in donating labor and materials to ultimately construct a new footbridge in the Redwood Grove at the northern end of Doolittle Trail in the MTNP. This footbridge was previously referred to as the Laiolo Bridge.

The proposed footbridge would provide safer creek crossings for pedestrians who currently cross over an often-wet concrete ford. This project was also included in the 2019 MTNP Stream Stability Report as the fourth of eight recommended projects along the MTNP creek bed.

The FY 24-25 budget for this new project is \$175,000. These funds would be used for structural and civil engineering designs for construction of a new bridge, removal of a portion of the concrete ford in the creek, and minor realignment and regrading along the Doolittle Trail. However, a portion of the ford must remain within the easement used by the Carmel Area Wastewater District. Environmental permitting for the project may include approvals and permits from the US Army Corps of Engineers, California Department of Fish and Wildlife Service, Coastal Commission, and/or the Regional Water Quality Control Board. Construction funding would be programmed in a subsequent CIP budget.

Scenic Pathway Hardscape Renovations

In FY 23-24, the City appropriated \$100,000, and City support group Carmel Cares committed to matching these funds, to continue to improve the Scenic Pathway. City expenses to date from this fund in FY 23-24 has been minimal and includes additional lumber and hardware for barrier rail and pathway widening improvements. Remaining funds will be carried over into FY 24-25.



Proposed additional improvements along the Pathway include: signage, irrigation repairs, pathway trim edging, decomposed granite repairs, barrier rail extensions, and other hardscape amenities. Also, Council requested the project team to develop a holistic game plan to cover the complete renovation of the Pathway; however, certain contracting methods may trigger State public works contracting regulations, and these issues are currently under review.

ENVIRONMENTAL

Coastal Engineering Study, Phase II

This Study was identified in the City Council-adopted Climate Adaptation Plan as a critical document for sea level rise resilience planning to ensure the City has the tools necessary to make decisions related to the long-term maintenance of coastal resources. All five primary tasks in Phase I are complete, including the Shoreline Infrastructure Condition Evaluation, Shoreline and Beach Exposure Modeling, Coastal Hazard and Sea Level Rise Vulnerability Assessment, and Policy Review. Key findings were presented to the Forest and Beach Commission, Climate Committee, and City Council in 2023 and 2024.

Phase II is a carry-over project that is now underway, and will focus on hazards policy review and revisions, public outreach and engagement, socio-economic analysis, adaptation strategies, pathway development, and development of the City's Local Coastal Program Amendment. This project is fully funded under a recently-executed, \$500,000 Local Coastal Program Grant Agreement by the California Coastal Commission.

Shoreline Infrastructure Repairs

The first phase of the Coastal Engineering Study included a Shoreline Infrastructure Condition Assessment. The Assessment concluded that 2-4 existing seawalls need repairs, with the highest priority repair being the Fourth Avenue Outfall. Eleven coastal access stairs were assessed with 9 stairs needing repairs, and two stairs are currently closed due to structural damage resulting from winter storms. In addition, of the 6 rock revetments, 4 are high priority in need of repair; one in its entirety and others in some portions. The total cost for engineering design, environmental permits, and construction for all of these repairs will likely exceed \$2 million over the next few years, as outlined in the 5-Year CIP.



This Shoreline Infrastructure Repair Project will initiate the engineering and design of the highest priority repairs, as well as to repair the damaged beach access stairs with similar materials as a maintenance project. This approach is expected to streamline the regulatory approval process. This initial project will also allow the City to better estimate costs and phasing to complete future shoreline infrastructure repairs. A Request for Proposal has been prepared to retain a consultant with expertise in environmental permitting, coastal and structural engineering, and cost estimating.

Project funding for FY 23-24 was initially set at \$250,000. An additional \$100,000 previously budgeted for the Coastal Engineering Study, Phase 2 was reallocated to the Shoreline Infrastructure Project, and a FEMA grant of approximately \$50,000 was received for beach stair repairs. All funds will be carried over into FY 24-25.

Shoreline Wall- Fourth Avenue Outfall

The Fourth Avenue Outfall is located on Carmel Beach west of the North Dunes Habitat Restoration site and north of Ocean Avenue. This seawall was identified as the highest priority seawall repair in the 2023 Carmel Beach Coastal Infrastructure Condition Assessment Report, prepared as part of the Coastal Engineering Study, Phase I. The seawall foundation is partially undermined, there are a number of significant structural cracks, and reinforcing steel bars have been exposed by spalling concrete and are corroded. The seawall is at the end of its service life and poses a potential risk to beach users, particularly during a major storm or a seismic event. The Report recommended complete reconstruction of the seawall including the drainage box culvert outfall.

This is a new FY 24-25 project with an initial budget of \$250,000 for engineering design and environmental permitting. For efficiency and cost-effectiveness, the design and environmental review are proposed to be completed in conjunction with the Shoreline Infrastructure Repairs Project described above. Construction of the project is currently estimated at \$900,000 and is included in the 5-Year CIP for FY 25-26.

PG&E Rule 20A Undergrounding

In 1967, in response to local government interest in enhancing the aesthetics of their communities, the California Public Utilities Commission (CPUC) established electric tariff Rule 20 which includes various programs for undergrounding existing overhead utility lines. Rule 20A is the primary program for municipalities to underground utilities in urban areas that meet certain criteria. Since Rule 20A funding is primarily from ratepayer electric bills, proposed undergrounding projects must provide a benefit to the public at large.

Currently, the City is inactive in the program but has a work credit balance of \$667,639. As the Rule 20A program phases out from aesthetic-based projects to wildfire risk-based programs, a portion of the City's credits have already been reallocated to shovel ready projects in other cities. In order to freeze the remaining credits, the City would need to formally establish an Underground Utility District(s) by December 31, 2024.

Two potential undergrounding projects/districts have been proposed by staff and considered by the City Council as follows:



- North side of Ocean Avenue, from San Antonio Avenue extending 800 feet west to the end of the Del Mar Parking Lot.
- In the Mission Trails Nature Preserve and along the west side of the Willow Trail extending 1,100 feet south from the entrance gate at Eleventh Avenue.

Both districts would ultimately result in the removal of up to 10 power poles and associated overhead electric, telephone, and cable tv lines. Both districts also would require 7-8 property owners to convert their homes from overhead to underground services at the time the utility lines are undergrounded. Upon Council's adoption of a Resolution selecting a District(s), a formal application is submitted to PG&E to commence the design, utility coordination, and easements, environmental permits, and funding agreement processes. Currently, PG&E estimates a 10-year lead time until actual construction would begin.

This has long been a carry-over project as funds have accumulated over many years. The project is listed in the FY 24-25 CIP since adoption of the Underground Utility District for Rule 20A in this fiscal year would upgrade the City's program from inactive to active status – the first key milestone for this long range project.

LIBRARIES

Library Master Plan – Phases II-IV

This project complements the Library's Strategic Plan objective to develop facility plans for the Harrison Memorial and Park Branch library buildings. In January 2023, Council awarded a \$55,000 Professional Services Agreement to Jayson Architecture to prepare the Master Plan. The Master Plan was completed in mid-2023 and presented to the Library Board of Trustees and City Council in early 2024.

The Harrison Memorial Library is 96 years old, and the Park Branch Library was last significantly remodeled 35 years ago. Phases II-IV will encompass community outreach, conceptual designs, and construction documents for the renovation of the first building – tentatively the Harrison Memorial Library. Renovations to the facilities are intended to ensure that both library facilities are able to continue to serve the community well into the future. A Request for Proposals is being prepared to retain an architect to design the proposed renovations. The Carmel Public Library Foundation will be embarking on a significant fundraising campaign to support proposed renovations to both library buildings.

In FY 23-24, \$100,000 was allocated for this Project and will be carried over into the FY 24-25 CIP.



Park Branch Library – Windows and Dry Rot Treatment

Throughout the Park Branch Library, there are a number of windows which are well over 30 years old that need to be replaced. These windows have become unsealed or have cracks, and the loss of integrity in the seals contributes to heat loss in the building during the colder months. This detracts from the City's efforts to be as carbon neutral as possible with regards to energy usage.

In addition, the front of the building (south facing) is showing significant signs of dry rot around the windows, including peeling paint and framing detaching from the building. Repair costs will be approximately \$45,000.

CIP PLANNING

CIP Contingency Fund

In FY 23-24, a \$500,000 Contingency Fund was established. This account was used during the fiscal year as follows: \$262,779 to award the construction contract for the FY 21/22 Paving Project, \$163,169 to award the contract for the MTNP 3 Stream/Drainage Project, \$42,378 to award the contract for the MTNP Tank and Pump House Removal and Well Decommissioning Project, \$17,860 for the Urban Forest Master Plan to cover unanticipated funding shortfalls from the CalFire Grant, and final payment of \$13,814 for the electric Street Sweeper following the 3CE rebate. This was the first year for this contingency fund account and has proven to be successful to complete the above-named projects.

Similarly, for FY 24-25, \$400,000 will be budgeted to cover any shortfalls to award construction contracts or to close out projects. Any balance should be carried over into FY 25-26.

KEY PROJECTS AND FUNDING NEEDS FOR THE SUBSEQUENT FOUR (4) FISCAL YEARS OF THE 5-YEAR CAPITAL IMPROVEMENT PLAN (CIP)

The 5-year CIP has been updated and is available on the City's website. Although only the first Fiscal Year 24-25 would be funded as part of the City Budget, the remaining four years serve as a planning tool to identify in advance anticipated future projects.

The 5-year CIP is a "snapshot" in time of anticipated needs for future infrastructure revitalization funding in the outer years. As a dynamic planning document, the CIP for Years 2-5 is subject to change as updated information becomes available. A multi-year plan also accommodates scheduling larger projects into multiple years to allow more projects to be underway concurrently, and to allocate construction funding only when those funds are needed.

Note that the needs for infrastructure renewal and facility repairs far exceed the anticipated revenue over the subsequent four years as well.

The following are key projects, by asset category and preliminary budget estimates, for Years 2-5 only:

Drainage: Includes highest priority drainage repairs and upsizing for 20-year storm events as identified in the 2023 Storm Drain Master Plan Update, bottleneck reconfigurations, and CDS reconstruction = **\$3.33M**.

Streets: Annual paving MOE and TAMC match funding for Years 2 and 3 are earmarked for the FY 23 Concrete Street Repair Projects. For Years 4 and 5, traditional paving overlays, micro-surfacing treatments, slurry seals, sidewalk repairs, parking lot resurfacing, and a bicycle master plan are proposed = **\$4.1M City plus \$1.7M external funds via TAMC**.

Facilities: As a placeholder, a total allocation of \$22M is included to cover final design and construction of a Police Building Project (whether a new station or renovation of the existing building) plus launching the design of the Public Works building renovations. This major project will obviously require a dedicated funding source once a project concept is approved, and these "plug in" numbers need to be adjusted as more information and scheduling becomes available.

Additional facility renovation projects include relocation and renovation of the Scout House wherein the sale of the existing parcel may offset the costs for renovation, critical repairs and Building Code corrections to City Hall and the Fire Station, the Sunset Center Portico, repairs to park restrooms, and facility condition assessments, painting, and railing repairs = **\$25.9M**.

Forestry Parks, and Beach: Design and construction of the remaining 5 MTNP stream stability projects should continue during this time. Funding for construction of the MTNP Doolittle Bridge was proposed in Year 2, for a total of = **\$1.50M**.

Fleet and Equipment: Replace aging Police, Fire, and Public Works vehicles with Electric Vehicles whenever possible. Replace broken and outdated heavy equipment, including Street's asphalt patch truck, Forestry's bucket truck and water truck, Police's speed radar trailer and animal control vehicle, and other vehicles and equipment nearing the end of their useful lives. Complete funding for the Police radios lease and the ambulance purchase = **\$1.48M plus \$0.12M 3CE rebates**.

Environmental and Climate Change: Shoreline infrastructure repairs, notably reconstruction of the Fourth Avenue outfall/wall, as well as for repairs to structurally-damaged beach access stairs and revetments, and climate action projects and energy upgrade initiatives = **\$3.85M**

IT: Equipment replacements, security upgrades, Police records management system, and GIS applications expansion = **\$0.58M**.



Library: It is difficult to estimate costs for the library as major renovations proposed under the Library Master Plan are largely subject to donor funding. As a placeholder, for Years 2-5, the 5-Year CIP plan assumes the design and construction of the first major renovation project with a cost to the City of \$800,000, supplemented by significant private donations, = **\$0.8M plus donations of millions of dollars**. These “plug in” numbers need to be adjusted as more information and scheduling becomes available.

Years 2 - 5 Needs Summary

The total estimated investment of City funds identified for Years 2-5 is **\$42M**. This amount exceeds anticipated CIP fund revenues over those four years plus any ending fund balance that may be available in those future years. However, without proper investment, the City's infrastructure will further decline into worsening conditions with more costly deferred repairs. Therefore, additional revenue sources should be considered.

DEBT SERVICE

FUND 401

DEBT SERVICE – FUND 401

Debt Service includes payments for the 2020 Refunding Lease Revenue Bonds. These payments total \$519,100 as shown in Table 1, *FY 24-25 Debt Service*, below.

2020 Refunding Lease Revenue Bonds

On September 10, 2010, City Council approved issuance and sale of certificates to finance improvements and 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 the pandemic on the City's revenues. The 2020 Refunding Lease Revenue Bond of approximately \$3.9 million matures on November 1, 2032. The City made its first principal payment in FY 23-24 after two years of interest only payments.

Funding Sources

General Fund revenue is the source of funding for debt service obligations. The General Fund (Fund 101) will transfer \$519,100 to Debt Service (Fund 401) in FY 24-25.

Table 1: FY 24-25 City Total Debt Service

Debt Service: Total				
Account Number	Account Description	FY23-24 Amended Budget	FY23-24 Estimated Actual	FY24-25 Recommended
401-411-00-44001	Principal	\$369,744	\$370,033	\$375,000
401-411-00-44002	Interest	155,800	155,800	141,600
401-411-00-44003	Administrative Fees	2,500	2,035	2,500
Total		\$528,044	\$527,868	\$519,100

Table 2: FY 24-25 Debt Service by Bond

Debt Service: by Bond				
Bond	Principal	Interest	Admin. Fee	Total
Sunset Center	375,000	141,600	2,500	519,100
Total	375,000	141,600	2,500	519,100

OTHER FUNDS

OTHER FUNDS OVERVIEW

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 and City policy recommends a 15% Reserve.

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)

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.

RESTRICTED FUNDS

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.

CAPITAL PROJECTS FUND

Capital Projects (Fund 301)

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

DEBT SERVICE FUND

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.

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.

AGENCY FUNDS

Refundable Deposits

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



PROJECTED FUND BALANCE

PROJECTED FUND BALANCE AS OF JUNE 30, 2024

Projected Fund Balances						
Projected Fund Balance June 30, 2024						
Fund	Description	Audited Fund Balance June 2023	Revenue & Transfers In	Expenditures & Transfers Out	Estimated Fund Balance June 2024	Change in Fund Balance
101	General Fund	7,538,207	30,641,138	31,501,490	6,677,855	(860,352)
101	General Fund Reserve	6,994,965	3,066,671	2,596,535	7,465,102	470,137
101	General Fund Total	14,533,172	33,707,809	34,098,025	14,142,957	(390,215)
102	Hostelry	7,211,328	7,531,004	10,023,245	4,719,085	(2,492,241)
102	Hostelry Reserve	656,858	23,245	0	680,101	23,245
102	Hostelry Total	7,868,182	7,554,249	10,023,245	5,399,186	(2,468,996)
201	Gas Tax	536,346	179,934	179,934	536,346	0
202	Transportation Safety	856,226	231,779	302,757	785,248	(70,978)
203	COPS	10,817	144,492	155,309	0	(10,817)
204	Parking in Lieu	738,592	0	0	738,592	0
205	Asset Seizure	5,466	0	0	5,466	0
206	Local Measure Sales Tax	1,911,499	6,147,450	6,145,082	1,913,867	2,368
301	Capital Projects	3,676,973	8,890,335	1,973,367	10,593,941	6,916,968
401	Debt Service	26,805	528,044	527,868	26,981	176
501	Worker's Comp	259,716	59,219	33,643	285,292	25,576
502	OPEB Reserve	1,768,710	0	0	1,768,710	0
503	Veh & Eq Replacement	462,820	1,343,660	747,306	1,059,174	596,354
		32,655,324	58,786,971	54,186,536	37,255,759	4,600,435

PROJECTED FUND BALANCE AS OF JUNE 30, 2025

Projected Fund Balances						
Projected Fund Balance June 30, 2025						
Fund	Description	Estimated Fund Balance June 2024	Revenue & Transfers In	Expenditures & Transfers Out	Estimated Fund Balance June 2025	Change in Fund Balance
101	General Fund	6,677,855	25,184,836	31,144,044	718,647	(5,959,208)
101	General Fund Reserve	7,465,102	1,195,311	0	8,660,413	1,195,311
101	General Fund Total	14,142,957	26,380,147	31,144,044	9,379,060	(4,763,897)
102	Hostelry	4,719,085	7,543,234	11,456,298	806,021	(3,913,064)
102	Hostelry Reserve	680,101	74,222	0	754,323	74,222
102	Hostelry Total	5,399,186	7,617,456	11,456,298	1,560,344	(3,838,842)
201	Gas Tax	536,346	169,695	574,678	131,363	(404,983)
202	Transportation Safety	785,248	238,421	862,016	161,653	(623,595)
203	COPS	0	158,000	158,000	0	0
204	Parking in Lieu	738,592	0	0	738,592	0
205	Asset Seizure	5,466	0	0	5,466	0
206	Local Measure Sales Tax	1,913,867	6,045,063	7,000,000	958,930	(954,937)
301	Capital Projects	10,593,941	10,873,459	12,009,000	9,458,400	(1,135,541)
401	Debt Service	26,981	519,100	519,100	26,981	0
501	Worker's Comp	285,292	0	127,000	158,292	(127,000)
502	OPEB Reserve	1,768,710	0	0	1,768,710	0
503	Veh & Eq Replacement	1,059,174	0	570,000	489,174	(570,000)
		37,255,759	52,001,341	64,420,136	24,836,964	(12,418,795)

FINANCIAL POLICIES

BUDGET POLICIES AND PROCEDURES

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

The goal of the City Administrator is to present a balanced budget to the City Council for review and adoption. A balanced budget is a budget in which sources meet or exceed use. Available funding sources shall be at least equal to recommended appropriations. As a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing operations.

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

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

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

FINANCIAL POLICIES AND PROCEDURES

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

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

CAPITAL BUDGET POLICY

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

Annual operating budgets should provide adequate funds for maintenance of the City's buildings and maintenance and replacement of the City's capital equipment. The City will make all capital improvements in accordance with an adopted and funded capital

improvement program. Prior to ratification of the capital budget for the forthcoming year by the City Council, the Planning Commission shall review the capital improvement plan and shall advise the City Council as to its recommendations regarding the proposed capital projects in accordance with the Government Code.

Capital expenditures shall be effectively planned and controlled.

Guidelines:

1. The level of capital improvement expenditures, excluding road maintenance program expenditures and lease payments, is established at three and one-half percent (3.5%) of total revenues.
2. Funding for the road maintenance program should improve the pavement condition index.
3. The City shall maintain a Five-Year Capital Improvement Program (CIP), which shall be updated at least annually as part of the budget review process.
4. The City shall annually establish a phasing calendar for capital improvement expenditures.
5. At least ten percent (10%) of the unrestricted funds designated for capital project expenditures shall be set aside for unanticipated expenditures.
6. The City shall conduct periodic reviews of property and facilities to determine the appropriate use and disposition of said property and facilities.
7. The City shall consider the ongoing impact of operations and maintenance expenses before undertaking any capital improvement expenditure.
8. The City shall maintain a capital reserve policy as described in the Reserve Policy.
9. Public participation in the Capital Improvement Program is a priority concern for the City.
10. All projects included in the Capital Improvement Plan shall be consistent with the City's General Plan.
11. Capital projects that are not encumbered or completed during the fiscal year are required to be rebudgeted to the next fiscal year and subsequently approved by the City Council. All rebudgeted capital projects should be so noted in the proposed budget

OPERATING MANAGEMENT POLICY

Operating revenues shall exceed operating expenditures.

Guidelines:

1. The annual operating budget shall contain a current surplus (or "revenue buffer") of at least five percent (5%) of projected expenditures.

2. A balanced budget is a budget in which total funding sources meet or exceed uses.
3. An appropriated City Discretionary Account of at least one-half of one percent (0.5%) of total projected General Fund expenditures shall be maintained.
4. Ongoing expenses shall not be funded with one-time revenues.
5. The City shall establish internal service funds for the repair, operation, and replacement of rolling stock and data processing equipment.
6. The level of capital outlay expenditures is established at three percent (3%) of total revenues.
7. The City shall annually establish a phasing calendar for capital outlay expenditures.
8. The City shall develop a five-year forecast of operating revenue and expenditures.
9. The City shall establish salary adjustments in conjunction with the budget process.
10. The City shall review the relationship between fees/charges and the cost of providing services at least every three years.
11. The City's fees and charges for services shall be adjusted annually, based upon the San Francisco-Oakland Consumer Price Index.
12. The City will seek to comply with suggested criteria of the Government Finance Officer's Association in producing a budget document that meets the Distinguished Budget Presentation criteria.

FUND BALANCE POLICY

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

Guidelines:

1. General Fund and Hostelry Fund reserves shall be maintained at no less than ten percent (10%) of their annual projected revenues.
2. The City shall maintain prudent reserves for identified liabilities.

3. A Vehicle Replacement reserve will be maintained sufficient to replace vehicles and heavy equipment at the end of their useful lives, with the target being 10% of the total City fleet replacement value.
4. Technology equipment replacement reserves will be maintained sufficient to repair covered equipment and for replacement at the end of its useful life.
5. The City will maintain a long-term budget stability reserve consisting of any unassigned General Fund balance. When available, the year-end General Fund operating surplus will be dedicated to the long-term budget stability reserve.
6. A general capital reserve fund will be maintained with a targeted balance of 20% of the estimated total five-year capital improvement plan project expenditure. Net proceeds from the sale of City owned property will be dedicated to the general capital reserve. Funds in the general capital reserve will be allocated through the budget process for capital projects.
7. Reserves shall be used only for established purposes.
8. Depleted reserves shall be restored as soon as possible.
9. A minimum level for each of the reserve funds shall be established (see chart below).
10. The City shall maintain reserves required by law, ordinance and/or bond covenants.

DEBT POLICY

The City considers the use of debt financing for one-time capital improvements that benefit the residents of Carmel-by-the-Sea when the term of the financing is no longer than the project life, and when specific resources are found to be sufficient to provide for the debt. Use of long-term debt is limited to capital projects or special projects or obligations that cannot be financed from current revenues. The City has traditionally kept annual debt service payments to less than 5% of the budget.

Use of Long-Term Debt Policy

The City recognizes that it may need to enter into long-term financial obligations to meet the demands of providing a high quality level of government services to our community. The following long-term debt policy sets the considerations for issuing debt and provides guidance in the timing and structuring of long-term debt commitments by the City.

General Practices:

1. The City will strive to maintain good relations with credit rating agencies, investors of the City's long-term financial obligations and those in the financial community that participate in the City's financings and demonstrate City officials are following a prescribed financial plan. The City also will strive to maintain and, if possible, improve its current AA+ bond rating in order to

- minimize borrowing costs and preserve access to credit. The City will follow a policy of full disclosure by communicating with bond rating agencies to inform them of the City's financial condition.
2. Bond issue proposals are to be accompanied by an analysis defining how the new issue, combined with current debt, impacts the City's debt capacity and conformance with City debt policies. Such analysis shall include identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the City's credit rating, if any.
 3. City Council must review such analysis, including existing debt level, ability to pay debt service, impact on City services, and make a finding that use of debt is appropriate.
 4. Debt service costs (COP, Lease Purchase Agreements and other contractual debt that are backed by General Fund Operating Revenues) are not to exceed 25% of the City's General Fund operating revenues.
 5. The City recognizes that it is of the utmost importance that elected and appointed City officials, and all others associated with the issuance of City debt, not only avoid the reality of a conflict of interest, but the appearance thereof as well. City officials must conduct themselves in a fashion consistent with the best interests of the City and taxpayers.
 6. Bonds will be sold on a competitive basis unless it is in the best interest of the City to conduct a negotiated sale. Competitive sales will be the preferred method. Negotiated sales may occur when selling bonds for a defeasance of existing debt, for current or advanced refunding of debt, or for other appropriate reasons.

The City will consider the issuance of long-term obligations under the following conditions:

1. The City will use debt financing for one-time capital improvement projects and specific nonrecurring equipment purchases or refunding of existing liabilities, and only under the following circumstances:
 - a. When the project is included in the City's adopted five-year capital improvement program (CIP) and is in conformance with the City's adopted General Plan.
 - b. When the project is not included in the City's adopted five-year capital improvement program (CIP), but the project is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated by State or Federal requirements.
 - c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.

- d. When there are designated General Fund revenues sufficient to service the debt, whether from project revenues, other specified and/or reserved resources, or infrastructure cost-sharing revenues.
 - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The City will follow all State and Federal regulations and requirements related to bonds and debt financing instruments regarding bond provisions, issuance, taxation and disclosure.
 3. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriter's discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.
 4. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations.
 5. The City shall continually review outstanding obligations for opportunities to achieve debt service savings through refunding and shall pursue refinancing when economically feasible and advantageous.

Debt Limit

The City will keep outstanding debt within the limits prescribed by State of California statutes and at levels consistent with credit objectives. California Government Code provides that “a city may incur indebtedness for any municipal improvement requiring an expenditure greater than the amount allowed for it by the annual tax levy” (43602). A “city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section “indebtedness” means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city” (43605). The limit is relative to the principal amount of bonds sold and delivered (43606). The City of Carmel-by-the-Sea, Policy No C94-01 establishes “the City’s debt shall not exceed predetermined levels.” The guideline in that policy is that “the City’s debt service level shall not exceed eight and one-fourth percent (8.25%) of total expenditures.

INVESTMENT POLICY

The City will maintain adequate cash availability and yield on invested idle funds while insuring that invested moneys are protected. Municipal moneys not required for immediate expenditure will be invested. The Carmel Municipal Code requires the City Administrator to prepare investment policies and guidelines for adoption by the City Council. The adopted investment policy follows.

Policy

In accordance with the Municipal Code of the City of Carmel-by-the-Sea and under authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Treasury.

The investment of the City of Carmel-by-the-Sea funds is directed to the goals of safety, liquidity and yield, in that order. The authority governing investments for municipal government is set forth in the California Government Code, Sections 53601 through 53659.

The primary objective of the investment policy of the City of Carmel-by-the-Sea is SAFETY OF PRINCIPAL. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The City's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis, and as a result the balance between the various investments and maturities may change in order to give the City of Carmel-by-the-Sea the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

Scope

The investment policy applies to all financial assets of the City of Carmel-by-the-Sea as accounted for in the Annual Financial Report. Policy statements outlined in this document focus on the City of Carmel-by-the-Sea's pooled funds, but will also apply to all funds under the City Treasurer's control unless specifically exempted by statute or ordinance.

Prudence

The standard to be used by investment officials shall be that of a "prudent person" and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

It is the City's full intent, at the time of purchase, to hold all investments until maturity to insure the return of all invested principal dollars.

Safety

Safety of principal is the foremost objective of the City. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or from erosion of the market value.

Liquidity

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

Yield

The investment portfolio should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified within the financial statements.

Performance Evaluation

Investment performance is continually monitored and evaluated by the City Treasurer. Investment performance statistics and activity reports are generated on a monthly basis for presentation to the City Administrator and City Council.

Delegation of Authority

For short-term investments, the Administrative Services Director has authority to make transfers to and from the City's Local Agency Investment Funds (LAIF) account in order to maximize interest earned and meet cash flow requirements. The transfers are made to and from the City's general checking account to the LAIF account, with a minimum balance maintained in the general checking account to meet daily cash requirements.

The City Treasurer is responsible for investment of all unexpended City funds as per California Government Code section 41000 et seq. The City Treasurer makes long-term investments after review and approval by the Administrative Services Director and the City Administrator.

Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with the proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally, the City Treasurer and the members of the investment committee are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

Safekeeping of Securities

To protect against fraud, embezzlement, or losses caused by a collapse of an individual securities dealer, all securities owned by the City shall be held in safekeeping by a third party bank trust department, acting as an agent of the City under the terms of a custody agreement or PSA agreement (repurchase agreement collateral). The third party bank trust department must have safe keeping as a professional business line with expertise in this

particular service area. All trades executed by a dealer will settle Delivery vs. Payment (DVP) through the City's safekeeping agent. Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings. All exceptions to this safekeeping policy must be approved by the City Treasurer in written form and included in quarterly reporting to the City Council.

Internal Control

Separation of functions between the City Treasurer's Office and the Administrative Services Department would be an ideal situation. Time and necessity, however, dictate a different approach. Due to the lack of personnel dedicated to the investment function alone, a proper balance must be maintained between Treasury activities and Administrative Services Department functions. The City Treasurer will make the appropriate arrangements to buy and sell securities that are deemed permissible by the Laws of the State of California as time permits. The Administrative Services Director and/or City Administrator will have the power as granted under the section titled Delegation of Authority in the absence of the City Treasurer. The City Administrator will have the authority to enter into agreements on securities so long as written policies set by the City Treasurer and State Legislature are followed.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Administrative Services Director on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with government policies and procedures.

Reporting

The City Treasurer shall review and render monthly reports to the City Administrator and the City Council, which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, and the current value and accrued interest to date due for all securities.

Qualified Broker/Dealers

The City shall transact business only with banks and broker/dealers that are properly licensed and in good standing. The Administrative Services Director and the City Treasurer shall investigate dealers who wish to do business with the City to determine if they are adequately capitalized and if they market securities appropriate to the City's needs.

The City Treasurer shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the City. Confirmation of receipt of the City's policy by the broker/dealer shall be considered evidence that the broker/dealer understands the City's investment policies and intends to sell the City only appropriate investments authorized by this investment policy.

Collateral Requirements

Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

In order to conform with the provisions of the Federal Bankruptcy Code that provide for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible banker's acceptances, medium term notes or securities that are the direct obligations of, or are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

Authorized Investments

Investment of City funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized as further limited herein:

- 1) United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable but current market conditions and interest rate projections may call for shorter terms.
- 2) Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, may be used up to the maximum permitted by the California State Law. LAIF is a demand account so no maturity limitation is required.

Investments detailed in items 3) are further restricted to percentage of the cost value of the portfolio in any one-issuer name to a maximum percentage of 15%. The total value invested in any one issuer shall not exceed 5% of the issuer's net worth. Again, a five-year maximum maturity is applicable unless further restricted by current policy. Market conditions should be evaluated as an important consideration and may indicate a shorter maturity.

- 3) Negotiable certificates of deposit issued by nationally or state chartered bank or state or federal savings institutions. Negotiable certificates of deposit shall be rated in a category of "A" or its equivalent or better by two Nationally Recognized Statistical Rating Organizations. Purchases of negotiable certificates of deposit may not exceed 30% of the total portfolio. A maturity limitation of up to five years is applicable after considered evaluation of the financial markets.

Ineligible investments are those that are not described herein, including, but not limited to, common stocks and long term (over five years maturity) notes, bonds, and time deposits,

unless specifically allowed both by state law and City Council approval. It is noted that special circumstances may arise where these methods of investment may become necessary. When this becomes necessary, the City Council will be asked to take the appropriate action to ratify the means of investment necessary, provided that it is allowable by California Code.

Legislative Changes

Any State of California legislative actions that further restrict allowable maturities, investment type, or percentage allocations will supersede any of the material presented herein. In this case, the applicable law will become part and parcel of this investment policy.

Interest Earnings

All moneys earned and collected from investments authorized in this policy shall be allocated monthly to the General Fund and various special funds of the City that legally require interest proration or when City Council action dictates such proration. This distribution will be based on the cash balance in the fund as a percentage of the entire pooled portfolio.

Policy Review

The City of Carmel-by-the-Sea's investment policy shall be approved by resolution of the City Council. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy, other than State and Federal laws that automatically supersede the relevant sections shall be forwarded to the City Council for approval by resolution.





**City of Carmel-by-the-Sea
FY24-25 Recommended Budget Questions
and Responses
May 21, 2024**

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

The following questions represent those received at the May 7th, 2024 City Council Meeting from Councilmembers and the general public. Also included, are questions received since May 7th via email, phone, or other means of communication. This list of questions and answers will continue to be expanded through the May 21st, 2024 budget workshop, up to the budget adoption hearing on June 4th, 2024. The questions are answered in the order that they were received during this timeframe.

- 1. Question/Comment:** Every one of our boxes has a telephone and communications. It seems when it is all added up it gets pretty expensive. Is there a way to streamline the telephone and communications category?

Response: The short answer is, yes, if the Council is comfortable assuming more risk to the City's IT infrastructure. Our communications budget has grown in the past to add resiliency and redundancy to our network infrastructure, which has made the system more guarded against threats. On average, hackers are ransoming between 5%-10% of a City's general fund to restore data and confidential information from hacked city sites.
- 2. Question/Comment:** We have a lot of money in the bank. It seems like banks should be happy to have us as customers and they shouldn't be charging us fees. I'd like to look into that.

Response: The bank fees that are included in the Recommended Budget are specific to the credit card processing fees charged at the City's Administration counter. Administration must collect the 2.5% directly from the customer when the credit card is processed. The credit card fees represented as "bank fees" in the budget are offset by the 2.5% processing fee revenue charged at the Administration counter. In other words, this bank fee is effectively a pass-through expense that is offset directly by revenue.
- 3. Question/Comment:** I'd like to look into City credit cards to make sure we are getting points or money back, whatever it takes to take advantage of those banking opportunities.

Response: The City currently receives a rebate on its credit card purchases. The City is enrolled in the State's CAL-Card program, which is at no cost to the City (no fees). The CAL-Card program pays out quarterly rebates at 1.35%, that on average is \$500 per quarter, which is recognized as revenue in the budget.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

- 4. Question/Comment:** The recruiting fees: I know we need to have recruiters but is there a possibility we could get that cost lower?

Response: The recruitment fee for the FY 24-25 budget includes the assumption that the City will be utilizing a secondary executive recruitment firm to help search for a new Public Works Director. These types of recruitments are typically in the \$25K range, and drive up the overall recruitment costs. If Council desired, the budget for recruitment could be reduced marginally by utilizing our regular contract support less from Traffic Patterns (recruitment company). This would result in fewer recruitments being undertaken to bring on general employees such as planners, maintenance workers, librarians, forestry staff.

- 5. Question/Comment:** I would consider raising the rate we spend on advertising and legal notice. There has been an outcry for more communication through the newspapers and different things and maybe we could bump that number up so we can take up a continuous ad in the papers or whatever it takes to make sure the citizens of the community know what is happening.

Response: The City Council, Boards, and Commissions utilize the legal section of The Pine Cone for all required public and legal notices, and routinely publish notices of special meetings/workshops that are not legally required to be noticed in the newspaper. Staff will continue to do so for added transparency and public engagement. The Pine Cone does not enter into agreements with cities to reduce legal notice costs, however, they have maintained the same prices for 9-10 years without any increases, and they offer a slight discount for multi-week notices. The City could utilize other regional newspapers to print duplicates of the notices that are going out now, but that may not reach residents. Staff will look at expanding communication tools that may be underutilized at the time such as the Friday Letter, the city's email listserv for various topics, the City website and others.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

- 6. Question/Comment:** Under completed projects, it lists Engineering Design and Environmental Review for the San Antonio Pathway. Under Priorities FY24-25, it says we can construct the pathway. When is that actually going to happen?

Response: We are currently at 90% design for this project. Assuming the CIP budget for the San Antonio Pathway is approved, we anticipate going out to bid for the work by July. So, the project could be under construction as early as this Fall.

- 7. Question/Comment:** Do we have any projections, out several decades, of what our pension costs with this level of staffing will be? I ask that we somehow make a projection to see where we are out in the future.

Response: Based on the current data available through CalPERS, the City can project its UAL through FY29-30. The projections assume staffing at 80.0 FTE and 6.8% return on investment for FY23-24 forward. The projected UAL employer contributions are estimated to grow on average 8% fiscal year over fiscal year. To note, FY23-24 staffing is currently 81.0 FTE. If the projections hold, it is anticipated that the contributions in FY 29/30 will be approximately \$3.2M. **See Exhibit A** for a chart that outlines the City's UAL contributions from FY20-21 and projecting FY25-26 through FY29-30.

- 8. Question/Comment:** Recommended Budget Book, Pages 5-6, Chip talked about the Revenue and sources and the possible need to adopt a position of significantly reducing costs in future fiscal years. And yet the proposed budget, you're burning through the \$12M surplus. To make the budget balance, you are going to eat all of that up. I don't think that is prudent. Coming down the pipe you have two big projects on board with the Police Station and Public Works that you are proposing and some of the \$12M surplus could be designated towards those things. Without the surplus, you will need to do bond measures to generate funds to do those expenditures.

Response: As of June 30, 2023, the City has an Unassigned Fund Balance of \$15.5M. The Unassigned Fund Balance is funds that are neither Restricted, Reserved, Committed, nor Assigned. The FY 24-25 Recommended Budget has proposed tapping into the Unassigned Fund Balance to the tune of \$12.4M in order to support the \$12.6M in budgeted capital expenditures. There is no plan to tap into any of the Reserve or Restricted Funds.

City of Carmel-by-the-Sea

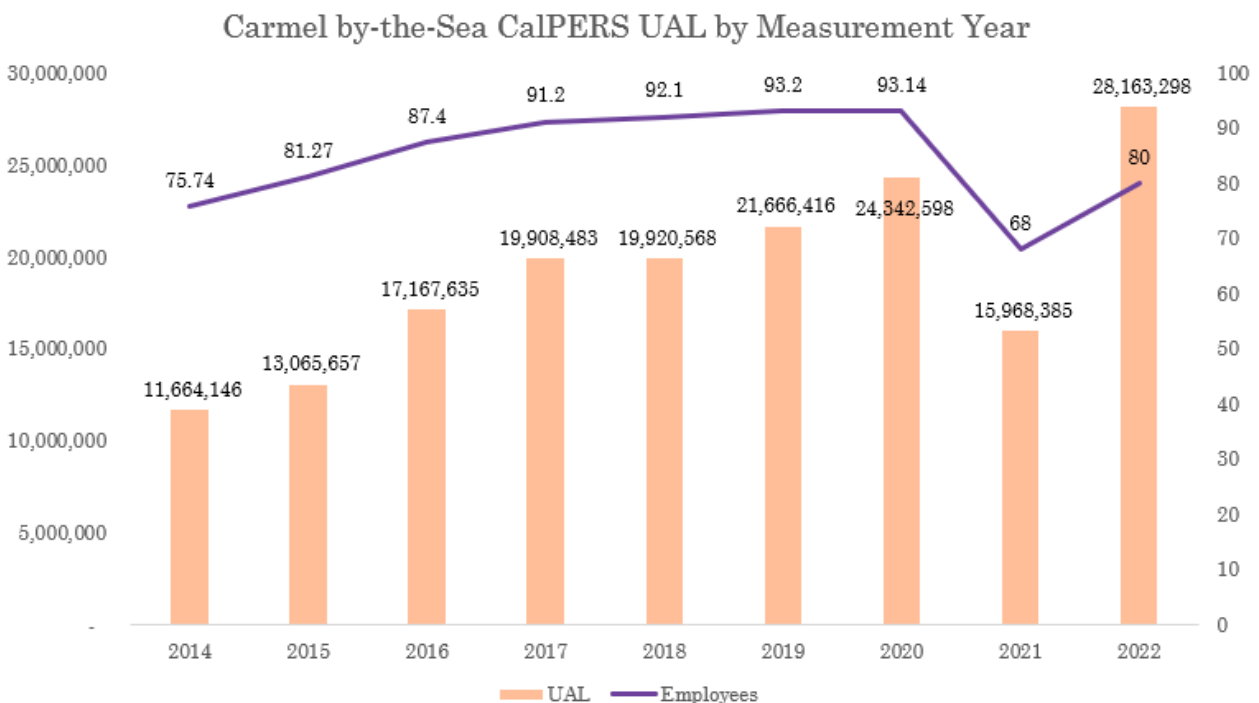
FY24-25 Recommended Budget Questions and Responses

9. Question/Comment: It always frustrates me to look at CalPERS and hear about the unfunded liabilities and I don't know what to make of it; where that all fits; how much of it is current employees, retired people, previous employees, and so forth. I think this is a big question and needs better definition.

Response: As part of the City's Annual Comprehensive Financial Report (ACFR), the City provides a valuation of its California Public Employees' Retirement System (CalPERS) unfunded accrued liability (UAL), measured as of the prior year. You can find the FY22-23 ACFR as well as prior years' reporting on the City's website. <https://ci.carmel.ca.us/budget>

Annually, the City makes a payment to CalPERS that consists of (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, it is the difference between what CalPERS needs in order to pay for retirement benefits when people retire as compared to the amount that CalPERS currently has on hand to pay for the estimated costs of the retirement benefits. As such, the City's UAL can vary each year based on staffing levels and the pension's investment performance.

As shown here, the City's most recent UAL evaluation was measured on June 30, 2022, and was estimated at \$28.2 million:



City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

10. Question/Comment: With respect to raising new revenue sources, I've heard talk about the TOT and bumping that up. We are currently at 10%. Pebble Beach and Monterey are at 12%. If we went to 12%, that would be a 20% bump which would generate \$1.5M without putting us out of line with them. If you end up going that direction, it makes sense and is reasonable.

Response: At the May 7, 2024 City Council Meeting, Council voted not to pursue an increase to the City's 10% transient occupancy tax rate at this time.

11. Question/Comment: TOT comes from the Hotels, and like Restaurant operations, not everybody pays their bills. So, within that TOT collection, are all hotels current, and if they aren't, what steps do you take to get them current: penalties, file lawsuits, etc.?

Response: Chapter 3.32, *Transient Occupancy Tax*, of the City's Municipal Code lays out the timing of TOT collections, as well as the penalties and interest imposed on delinquent payments. See link below.
<https://www.codepublishing.com/CA/CarmelbytheSea/#!/html/Carmel03/Carmel0332.html>

In short, TOT filings are due on or before the last day of the month following the close of the bi-monthly reporting period. Any operator who fails to pay timely is required to pay a 10% penalty of the amount of the tax, in addition to the amount of tax. If another 30 days pass without payment, a second penalty of 10% of the amount of the tax in addition to the amount of the tax and 10% penalty first imposed. Interest is also imposed from the date on which the remittance first became delinquent until paid.

Additional details for steps taken for Failure to Collect and Report Tax or Fraud can be found in the link above. At this time the City audits three hotels annually to ensure accurate TOT payments.

At this time, all hostelry operators are current on their TOT remittance.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

12. Question/Comment: What is the City Attorney line item of \$7K for annual performance evaluation, I don't quite understand that so I would like some clarification on that.

Response: The City Council conducts a thorough performance evaluation of the City Attorney on an annual basis. This effort is led by an outside consultant rather than the City's HR department to ensure the neutrality of the process.

13. Question/Comment: A \$43M budget to me is not safe nor prudent. Virtually spending the whole \$12M reserve is not fiscally smart. We must, like any household, live within our means. Distasteful as it is, we must run a tight ship. Freeze wages and bonuses, other than contractually obligated increases. Take a hard look at the organizational chart and find places where you can eliminate department heads and combine job responsibilities. There are too many chiefs.

Response: The \$12.4M use of Unassigned Fund Balance needed to fund the recommended capital projects does not impact the City's reserve balances. In preparing the "Projected Fund Balances", the City captures the reserve balances in the Estimated Fund Balance June 2025 columns. The City Fund Balance policy states "a general capital reserve fund will be maintained with a targeted balance of 20% of the estimated total five-year capital improvement plan project expenditure". Based upon B. Harary's 5-year Capital Improvement Plan, the City's costs are estimated to be \$47.2M, making the 20% target reserve balance \$9.45M. This is the same amount represented on the Projected Fund Balance ending June 30, 2025 chart in the Fund 301 Capital Projects line item. The City anticipates ending FY24-25 with \$9.48M in Capital Project Reserves.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

14. Question/Comment: Two major issues in this budget that we should all be concerned about: Salaries and Consultant Fees. We need to trim some of this budget back. We need to be looking much more carefully at what we are spending. It's totally unconscionable that in two years we have wiped out our reserve funds. I don't think that's fiscally responsible in this community in these times. You want five new employees, have you shown in the budget how that will extrapolate over the years. We seem to be adding an awful lot in terms of salaries over the past few years and we can always hire new people. But I think its about time we tighten our belt a little bit.

Response: The \$12.4M use of Unassigned Fund Balance needed to fund the recommended capital projects does not impact the City's Reserve Balances.

15. Question/Comment: Nobody has answered how we plan on raising the money for the two major projects we are looking at. And I think it is about time to discuss that in an open public meeting and invite the residents to attend that meeting.

Response: None of the upcoming major projects (e.g.: Police Building Project) are far enough along to understand their total fiscal impact/need, as they are still early in the concept phase. As these projects become more refined, there will be public meetings that include a discussion about funding mechanisms.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

16. Question/Comment: We have tried to do an awful lot in one year in this town.

We have way too many projects going and not enough public input and too much money wasted on consultants. I think we need to take a hard look at projects that we decide we are going to try to deal with. If we made a list of them, I think the people in the Community would be even more shocked than they are now. We simply do not have the capacity to do all the big wishlists that the Council seems to think is necessary for this little Community. So these comments I offer to you at a time when I think that we have huge projects facing us, some of the biggest projects we have had in the Community's history, I think we need to start looking at how much we are spending.

Response: The City puts forth annually an updated 5-year Capital Improvement Plan, that lists all of the capital improvement projects (CIP) planned and their estimated cost to the City. The most recent iteration was presented at the March 5, 2024 City Council Meeting. Citizens are encouraged to review the current list of proposed FY 24-25 CIP projects in the Recommended Budget Book, as well as the 5-year Capital Improvement Plan. Both the Recommended Budget Book and the 5-year Capital Improvement Plan are available electronically on the City's website:

<https://ci.carmel.ca.us/budget>

17. Question/Comment: I would really appreciate it if the Council can look at and get creative and find ways to save money here and there and be more efficient rather than finding a way to feed the monster.

Response: The recommended budget put forward by staff was compiled through numerous working sessions with department heads to refine costs. One of the purposes of the May 21st budget workshop is for Council to consider ways to potentially further refine these costs to ensure the best balance between providing services to the residents and saving money for the future.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

18. Question/Comment: 1% debt sounds very nice until you consider the millions and millions of dollars of deferred maintenance the City has, and to me that is our debt. We have not kept up with the maintenance. We still don't have programs that keep up the maintenance and I am very concerned about that. I am hoping we can take a real hard look at how to save money rather than where we can get more money.

Response: Generally speaking, Carmel's infrastructure, like that of most cities in California, has been deteriorating at a greater rate than funding and resources have been available to perform best practices of preventative maintenance and to make ongoing repairs. This reality could lead to undesirable practices of making repairs based on comments and concerns.

Over the past decade, the City has compiled numerous condition assessments to scientifically gauge the true needs, most with cost estimates and priority recommendations. Many of these assessments can be found on the Public Works Webpage: <https://ci.carmel.ca.us/public-works>, with many more available to the public by request.

(Also refer to CIP Questions #1 for facility maintenance needs, and #3 for pavement condition trends.)

These documents then serve as primary, objective sources of information in which to identify the highest priority repairs for funding during development of the annual Capital Improvement Plans.

Other soft infrastructure, particularly beach and landscape maintenance, is measured by "Levels of Service." In Carmel, the citizens expect, and deserve, superior levels of service in the Village's landscaping care. However, with a total of 138 acres consisting of 10 parks, Carmel Beach, greenbelts, medians, and other open space, plus 10,000+ City-owned trees, the sheer volume of work required to maintain superior levels of services for all areas at all times far exceeds the capacity of the City's staff resources and funding available for contracted services. Thus, efforts by the City support groups and volunteers play a big role in improving the overall level of service in this community.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

19. Question/Comment: Please provide clarification about the number of full-time employees. Even though we are adding positions, we are effectively only adding one to the overall budget. Is that correct?

Response: Yes. That is correct. The total change over prior fiscal year budgeted positions is 1.02 FTE (full-time equivalent). We had in the FY23-24 position control list, and effectively in our budget, two Police positions that should have been removed from the budget after the last Police MOU negotiation cycle. The Recommended Budget corrects this error and helps offset the additional positions added in the FY24-25 Recommended Budget. The approach for adding new positions also includes reclassifying some existing positions to better serve the community and the overall service vision of City Council.

The following chart shows the proposed changes to FTEs in the FY 24-25 budget:

Administration			
Retired Annuitant - Extra help (480 hrs)	0.23	0.00	-0.23
Administrative Coordinator	0.50	1.00	0.50
Finance Specialist	1.50	1.00	-0.50
Library			
Circulation Supervisor	1.00	0.00	-1.00
Library Assistant (full-time)	3.00	4.00	1.00
Hourly Library Assistant	2.00	3.25	1.25
Community Planning & Building			
Principal Planner	1.00	2.00	1.00
Public Works			
Maintenance Worker I/II	7.00	8.00	1.00
Project Manager	1.00	2.00	1.00
Natural Resources Manager	1.00	0.00	-1.00
Assistant City Forester	0.00	1.00	1.00
Tree Permit Technician	0.00	1.00	1.00
Police			
Community Services Officer - 2 year limited term*	2.00	0.00	-2.00
Corporal	2.00	0.00	-2.00
Police Services Supervisor	0.00	1.00	1.00
Police Officer - 2 year limited term*	1.00	0.00	-1.00
Total Change			1.02

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

20. Question/Comment: Are we still in the position where of making up the two years from COVID we did no capital projects?

Response: Yes, we are still in catch-up mode.

21. Question/Comment: We have savings in a Section 115 Trust, and we have been putting money into it for quite some time. To me, that's savings and it's money the City can use. It doesn't show up on these Projected Fund Balances charts in the Recommended Budget Book. At this point we have some number of millions of dollars Council has squirreled away for the future. And perhaps we can find a way so when we look at the Projected Fund Balances chart, and gain an understanding how this fund is doing financially.

Response: At Council's direction, the City has been making \$1M annual contributions to a Section 115 Trust since FY 21-22. A Section 115 Trust is a tax-exempt investment vehicle authorized by the Internal Revenue Service to prefund government expenses, such as retirement plan benefits. Funds placed within the trust can remain within the trust until such a time that the City chooses to draw on its assets to pay an annual benefit obligation (i.e. make either an annual and/or additional payment to CalPERS) or seek reimbursement for a pension-related expense.

As of April 30, 2024, the City has contributed three annual contributions over each of the past three fiscal years, with a balance of \$3,022,198. Staff will highlight these funds in the budget book.

22. Question/Comment: We speak to the UAL a lot, hanging over the City's head. There is a big budget item in here to pay off this year's UAL portion. That is an important number to me when I think about how well the City is doing. I didn't see anything in the budget book relating to that. My preference is that there is a place in the budget book for some discussion of that and include the complicated line graphs from the State in the discussion.

Response: The City's annual UAL payment is briefly discussed within the Operating Budget section under Citywide (Non-Departmental), on page 28 of the Recommended Budget Book. A more analytical look at the City's UAL is taken in the City's Annual Comprehensive Financial Report. Please refer to Question 9 Response above for more information.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

23. Question/Comment: It would be helpful to have some projections. Is it doable to have projected fund balances out into the future? To the point that we are dipping into our fund balances, it might be helpful to see what the projected fund balances a year are out, so we can understand if the path we are on is sustainable. It would be a tool the Council could use.

Response: Based on projections, it appears that fund balance will no longer be able to balance the budget as early as FY 2027-28 (**See chart for details - Exhibit B**). This conclusion, represented in Exhibit B, is based on the following FY25-26 through FY28-29 Projections and Assumptions:

Revenues:

- Property Tax: Assumes 3.537% annual growth.
- Bradley Burns and Measure C are projected based on 3-year average growth, which are 0.496% and 0.988%, respectively.
- TOT assumes a 1% annual growth.
- Charges for Services assume 1.971% growth, which is the average annual growth over the past three years.
- Other revenue growth is estimated at 2%.

Expenditures:

- General Fund Operating: Salaries and Benefits based on static staffing level (FY 23-24 FTE) with 4% annual growth from actual.
- PERS based upon CalPERS June 30, 2023 Actuarial Valuation reports assumes 6.8% investment return with no other changes to FY22-23 staffing.
- Pension Mitigation: Reflects direction provided by Council on 3/2/21 to set aside funding for pension mitigation options for five years.
- Services and supplies assume 2.6% annual inflationary growth.
- Debt: Based on debt schedules.
- Capital: Costs are taken directly from the 5-Year Capital Improvement Plan at full value. This is the most conservative approach, as the historic trend has been for the actual CIP expenditures in a Fiscal Year to be significantly less than forecasted.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

24. Question/Comment: Maybe a discussion in the budget book “What is Fund Balance” will help people know the difference between Reserves and Fund Balance and how that works?

Response: Staff will add a discussion/explanation about the difference between Fund Balance and Reserves in the Budget Book before it returns for adoption in June.

At a basic level, Fund Balance is money in a Fiscal Year that was budgeted for something, and didn't get spent. That money goes into “Fund Balance” which then can be used in the next fiscal year. Fund Balance is much more liquid, like the money that we all keep in a savings account. On the other hand, Reserve Funds are monies that are intentionally set aside each year and placed into a fund that is meant to be a long term strategic reserve or a sort of fiscal “safety net” for the City. These reserve funds have only ever been tapped into one time to balance the City's budget, and that was during the Covid-19 Pandemic.

At a more detailed level, staff have provided a detailed breakdown of the City's Fund Balance, which is split between Unassigned, Reserved, and Restricted (**See chart for details - Exhibit C**). The City starts by calculating its Reserve balances, as laid out in the far left column of the worksheet. After determining the City's reserve balances, the City then carves out Restricted balances from this larger number, or balances that can only be used for very specific purposes. For example, the Restricted balance within the General Fund (Fund 101) represents the Section 115 PARS balance, which can only be used to fund pension obligations. The remaining fund balance, after removing the Reserved and Restricted balances, is the Unassigned fund balance. This is the amount that is referred to as “Fund Balance” which can be used for the next Fiscal Year. As of June 2024, we estimate an Unassigned fund balance of \$15M. If we were to adopt the FY 24-25 Recommended Budget, which includes utilizing \$12.5M of Fund Balance to offset CIP projects, we would then estimate ending FY 24-25 with \$2.5M in Unassigned Fund Balance.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

25. Question/Comment: Last year, someone in the Public requested that in addition to the list of employees from each department, that we have their salaries listed. There was some discussion of not doing so because of their privacy. I really think that would be helpful. That information is available if anyone wants to search it on the internet. So I think that would be helpful to have that listed and I would like to request that be one of the items listed when we have our workshop.

Response: True, every City employee's salary is public information, and available on the internet. Historically, this is not information that has been included as part of the Budget Book. If the majority of Council gives direction at the May 21st workshop to include this information in the final draft of the Budget Book.

26. Question/Comment: We need to reduce spending significantly. One way to do that would be to implement a budget-wide 10% reduction.

Response: This is a policy decision that the City Council could consider at the May 21st workshop, and provide direction to staff on whether or not to incorporate into the final draft budget considered at the June hearing for adoption.

27. Question/Comment: Are we allowed to include surcharges as part of our fees? I thought the law changed and no longer allows surcharges.

Response: The City Attorney is still reviewing this question. We anticipate having an answer prior to the May 21st budget workshop. However, as a general rule, City fees must be based on the City's costs to provide a service.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

28. Question/Comment: I'd like to understand more details on the recommended shift from contractors v hiring FTEs. I believe this decision and recommendation is wise, I'd just like to see more than was covered on May 7th.

Response: For the past two fiscal years, the City retained three (3) project management firms to advance the following projects:

- 4 Leaf, (\$198k total): Includes Police Building Project, FY 22 Paving Project specifications, and technical support for resilience and electrical panel assessment projects.
- Ausonio, Inc., (\$250k total): Includes City Hall retaining wall repair, Sunset Center and Harrison Memorial Library exterior painting projects, City Hall roof replacement, Cottage Windows repairs, 4 facility condition assessments, design concepts for Sunset Center's portico, design of Sunset Center retaining walls repairs and San Antonio pathway structural repairs, and Park Branch Library dumbwaiter decommissioning.
- Wallace Group, (\$350k total): Includes Mission Trail Nature Preserve tank/pump house/well removal design, oversight of FY 23 Concrete Streets Project and the Storm Drain Master Plan Update, planning for wayfinding signs, planning for shoreline infrastructure repairs, and engineering and design of the FY 24 Paving Project.

This \$800k investment over the past two years allowed the City to advance 20 capital improvement projects.

The fully-burdened cost (salary plus benefits) for a City Project Manager is roughly \$196,000. A Project Manager can support an average of eight to ten projects at a time. Thus, hiring a second City Project Manager on staff would ultimately reduce outside consultant fees, but continuing to retain project management consultants is still a prudent strategy until the current backlog of projects can be reduced. In addition, consultants will still be required for their technical expertise.

The second City Project Manager position is included in the Recommended Budget for FY 2024/25.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

29. Question/Comment: There is at least the Police Station, Beach

Reinforcements, undergrounding desires, Library updates/upgrades (I know I've left another one off this list and there are maybe others?) that are potential considerations for large and needed expenditures. Some dollars come from room rate income or are delayed and others need special funding considerations. Is there going to be an opportunity to talk this big picture through?

Response: None of the upcoming major projects are far enough along to understand their total fiscal impact/need, as they are still early in the concept phase. As these projects become more refined, there will be public meetings that include a discussion about funding mechanisms.

30. Question/Comment: How much of the \$12,579,000 in capital projects is carry over?

Response: The term "carry over" refers to funding allocated from capital projects in prior fiscal years that are not yet expended. With Council's approval of the carry-over projects, these funds are then forwarded for the same projects in the new fiscal year. The estimated total carry-over amount into FY 2024/25 is \$6.81M of City Funds plus \$2.43M of external funds.

For information only, in terms of new funding (not carry over funding) for the new FY 2024/25, the total amount of supplemental funding for construction of six "shovel ready" projects (\$1,667,000), plus six proposed new Vehicle and Equipment Fund projects (\$545,000), and 13 proposed Capital Improvement Fund projects (\$3,030,000) which equals \$5,242,000 of City funds plus \$515,000 of external funds.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

31. Question/Comment: Are the additional FTE's in Public Works enough to complete the deferred maintenance this next fiscal year? How are they to be used, and are they project catch up folks or sustaining team members?

Response: Only one of the proposed FTE employees recommended for Public Works would be focused on capital improvement projects. This would allow the City to reduce the current dependency of using project management consultants at higher costs. It would help us to catch up on projects, but over time, not over just one year.

The three other proposed FTE employees to be added to Public Works would be allocated to Forestry: an Assistant City Forester (this position was defunded at the time of the Pandemic), a FTE Permit Technician, and one FTE Forestry Maintenance Worker who would help reduce the current backload of removing 400 dead/potentially dangerous trees and nearly 900 stumps.

32. Question/Comment: Is the cost of courier service for the mail delivery program (\$86,600) growing? If so, what accounts for this (increased unit cost, volume, or both)?

Response: Peninsula Messenger, LLC charges per individual residence that they deliver to. As of April 2024, there are 82 City residences that receive U.S. mail service from Peninsula Messenger, LLC at a monthly rate of \$88 each. Annualized, this cost is \$86,600, which is the budgeted amount for FY24-25.

An increase in Peninsula Messenger, LLC's per residence cost accounts for the rise in total cost for courier services. The average number of users has fallen each year since FY21-22, dropping from 100 to 90 in FY22-23, and now down to 82 in FY23-24. However, since FY21-22 the per residence cost has more than doubled from \$41 to \$88.

33. Question/Comment: Please provide the expense trend for courier service for the mail delivery program over the last three years.

Response: Please see **Exhibit D** for Courier Costs Trend Analysis.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

34. Question/Comment: What types of resources or programs do we have for managing our Worker's Compensation expenses?

Response: We have a robust injury/illness prevention program in place that includes regularly scheduled injury prevention training for our public works employees and an internal communication system for reporting safety hazards. Our Police Department has in-house certified trainers that conduct injury prevention training for our officers. We also have a Wellness program that promotes health and wellness through gym membership reimbursement.

35. Question/Comment: What types of resources or programs do we have to support staff retention?

Response: On the whole, our employee salaries and benefits continue to be in the mid to top of the range when compared to those of surrounding and comparable agencies, helping us to be competitive. A longevity incentive program was implemented 2 years ago for those over 10 years of continuous service with the City. We have two annual employee appreciation events that include employee recognition awards. In addition to these appreciation events, there are also a handful of seasonal employee events such as gingerbread house making, and pumpkin carving contests. Each department's operating budget includes money for professional training, which is highly encouraged by each department head. This focus on professional development and enrichment also helps with retention. The City strives to maintain a safe, supportive, and welcoming work environment and it's that reputation that attracted our most recent recruitments.

36. Question/Comment: What accounts for the increase in recruitment services?

Response: The recent vacancy of our Community Planning and Building Director created the need for professional recruitment services that comes at a relatively steep price per recruitment. The City is not immune to the challenges of attraction and retention of highly qualified employees of recent years.

City of Carmel-by-the-Sea

FY24-25 Recommended Budget Questions and Responses

37. Question/Comment: What accounts for the increase in auditing services?

Response: The City has increased the frequency in sales tax, transaction tax, and TOT tax audits to ensure that the correct amounts are being collected. The funds recovered through this extra effort help offset any costs. Additionally, the City anticipates higher financial statement auditing costs, as the current contract expires on 6/30/2024, and will likely see rates increase.

38. Question/Comment: What projects/programs are candidates for extraordinary funding and what are the options for funding? These items to us include: affordable housing, undergrounding, police station, library, beach erosion, roads, drainage....And what are the options for funding: a bond, state or Fed \$'s, donations, operational \$'s, grants public/private? And how do they work, what timelines are needed? A summary of this to educate the citizens is needed.

Response: All of the projects mentioned in the question are potential projects that could require additional funding outside what our normal revenue streams can cover. As these and other projects become more refined, the City will have a better understanding of exactly how much additional funding is needed. At that point, there will absolutely be a conversation with Council and the community about the different funding mechanisms.

Exhibits:

Exhibit A - Projected UAL Employer Contributions

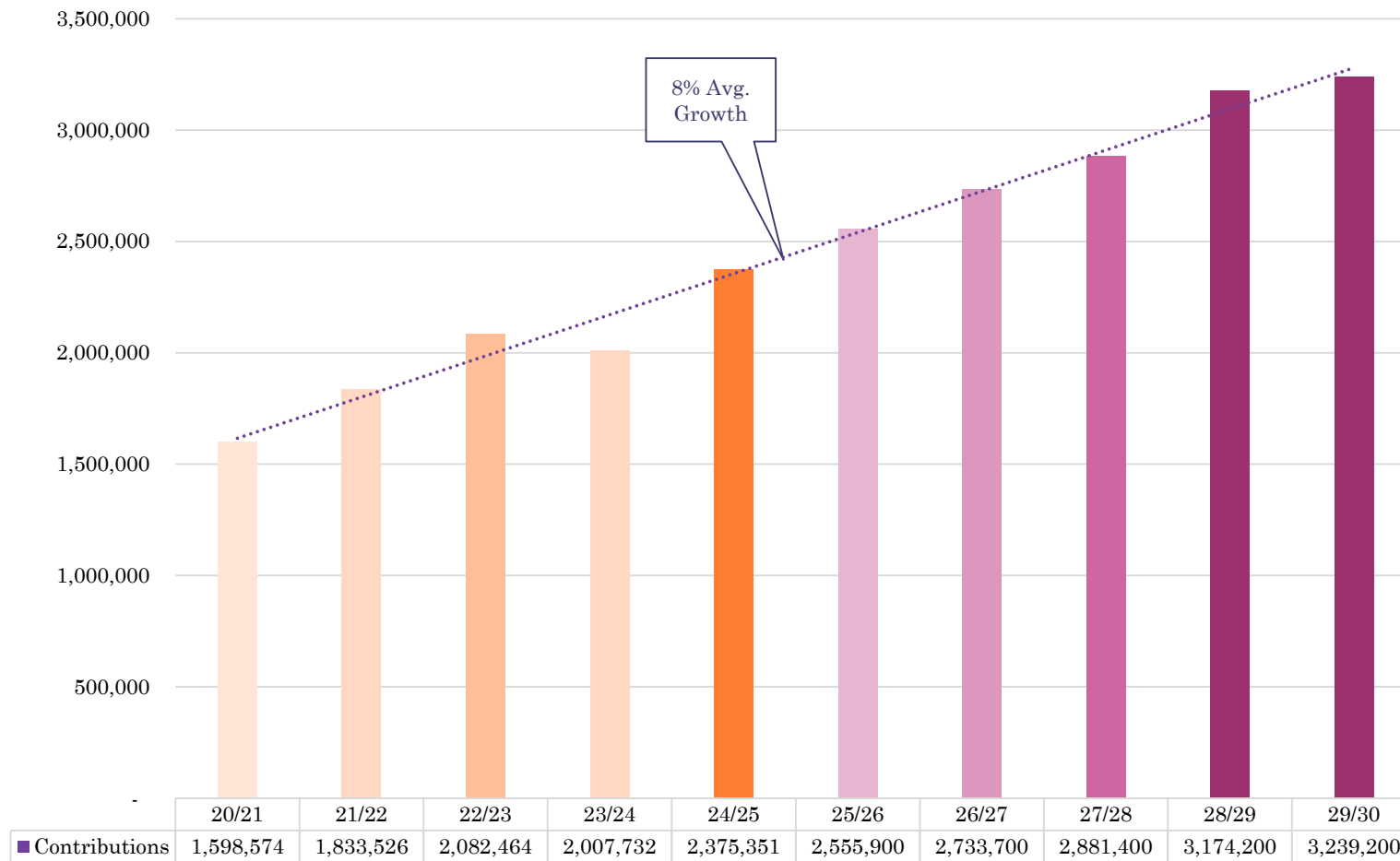
Exhibit B - Five Year Financial Forecast with Fund Balance

Exhibit C - Projected Fund Balance 2023-2025

Exhibit D - Courier Cost Trend Analysis

Exhibit A

Projected UAL Employer Contributions*



*Projected contributions assume that all actuarial assumptions will be realized and that no further changes to the assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 22-23 is assumed to be 6.8% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown above. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

Exhibit B

Five Year Financial Forecast FY24-25

Expenditures: General Fund Operating: Salaries and Benefits based on static staffing level (FY 23-24 FTE) with 4% annual growth from actual. PERS based upon CalPERS June 30, 2023 Actuarial Valuation reports assumes 6.8% investment return with no other changes to FY22-23 staffing. Pension Mitigation: Reflects direction provided by Council on 3/2/21 to set aside funding for pension mitigation options for five years. Services and supplies assume 2.6% annual inflationary growth. Debt: Based on debt schedules. Capital: Costs are from the 5-Year Capital Improvement Plan.

Exhibit C

PROJECTED FUND BALANCE

Projected Fund Balance June 30, 2024

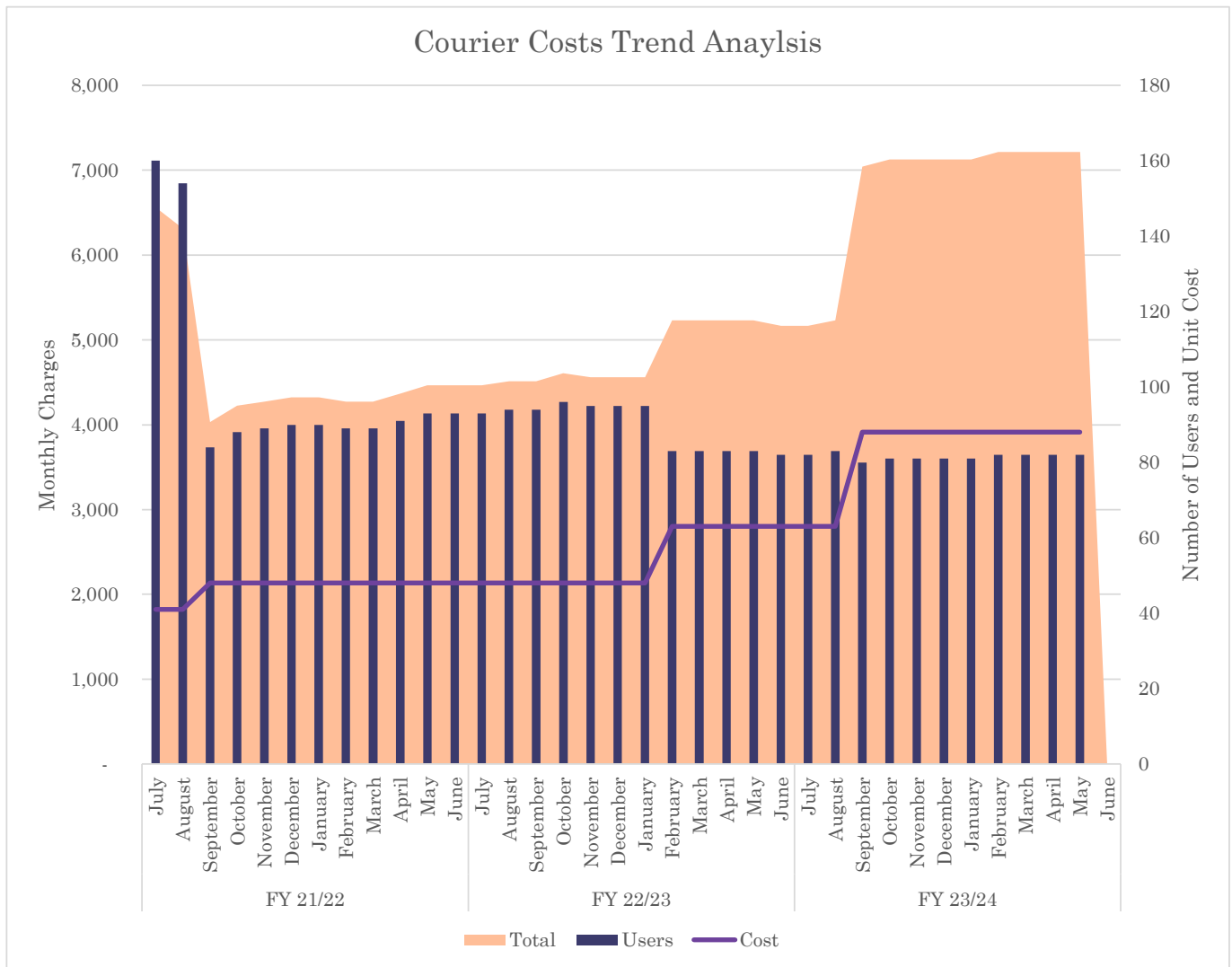
		FY 23-24							
		Estimated Fund	Budgeted Revenue	Estimated Fund					
Fund	Description	Balance June 2023	& Expenditures	Balance June 2024	Fund	Unassigned	Reserved	Restricted	Reserve Calculations
101	General Fund	7,538,207	(860,352)	6,677,855	101	6,677,855			29,322,870 15% Budgeted
101	General Fund Reserve	6,994,965	470,137	7,465,102	101		4,398,431	3,066,670	4,398,431 Expenditures
101	General Fund Total	14,533,172	(390,215)	14,142,957	101				
102	Hostelry	7,211,326	(2,492,241)	4,719,085	102	4,719,085			6,801,007 10% Hostelry
102	Hostelry Reserve	656,856	23,245	680,101	102		680,101		680,101 Budgeted Revenue
102	Hostelry Total	7,868,182	(2,468,996)	5,399,185	102				
201	Gas Tax	536,346	0	536,346	201			536,346	
202	Transportation Safety	856,226	(70,978)	785,248	202			785,248	
203	COPS	10,817	(10,817)	0	203			0	
204	Parking in Lieu	738,592	0	738,592	204			738,592	
205	Asset Seizure	5,466	0	5,466	205			5,466	
206	Local Measure Sales Tax	1,911,499	2,368	1,913,867	206	1,913,867			47,292,000 Reserve estimated at
301	Capital Projects	3,676,973	6,916,968	10,593,941	301	1,135,541	9,458,400		9,458,400 20% 5-year
401	Debt Service	26,805	176	26,981	401			26,981	
501	Worker's Comp	259,716	25,576	285,292	501			285,292	
502	OPEB Reserve	1,768,710	0	1,768,710	502			1,768,710	5,102,298 Total Replacement
503	Veh & Eq Replacement	462,820	596,354	1,059,174	503	548,944	510,230		510,230 based on CPI YOY
Total Fund Balance		32,655,324	4,600,435	37,255,759		14,995,292	15,047,161	7,213,305	
							37,255,759		

Projected Fund Balance June 30, 2025

		FY 24-25							
		Estimated Fund	Budgeted Revenue	Estimated Fund					
Fund	Description	Balance June 2024	& Expenditures	Balance June 2025	Fund	Unassigned	Reserved	Restricted	Reserve Calculations
101	General Fund	6,677,855	(5,996,208)	681,647	101	681,647			30,624,944 15% Budgeted
101	General Fund Reserve	7,465,102	1,195,311	8,660,413	101		4,593,742	4,066,670	4,593,742 Expenditures
101	General Fund Total	14,142,957	(4,769,897)	9,373,060	101	681,647	4,593,742	4,066,670	
102	Hostelry	4,719,085	(3,913,064)	806,021	102	806,021			7,543,234 10% Hostelry
102	Hostelry Reserve	680,101	74,222	754,323	102		754,323		754,323 Budgeted Revenue
102	Hostelry Total	5,399,186	(3,838,842)	1,560,344	102	806,021	754,323		
201	Gas Tax	536,346	(404,983)	131,363	201			131,363	
202	Transportation Safety	785,248	(623,595)	161,653	202			161,653	
203	COPS	0	0	0	203			0	
204	Parking in Lieu	738,592	0	738,592	204			738,592	
205	Asset Seizure	5,466	0	5,466	205			5,466	
206	Local Measure Sales Tax	1,913,867	(954,937)	958,930	206	958,930			47,292,000 Reserve estimated at
301	Capital Projects	10,593,941	(1,135,541)	9,458,400	301		9,458,400		9,458,400 20% 5-year
401	Debt Service	26,981	0	26,981	401			26,981	
501	Worker's Comp	285,292	(127,000)	158,292	501			158,292	
502	OPEB Reserve	1,768,710	0	1,768,710	502			1,768,710	5,102,298 Total Replacement
503	Veh & Eq Replacement	1,059,174	(570,000)	489,174	503		489,174		510,230 based on CPI YOY
Total Fund Balance		37,255,759	(12,455,795)	24,799,964		2,446,598	15,295,639	7,057,727	
							24,799,964		

Exhibit D

Exhibit D





City of Carmel-by-the-Sea
FY 2024/25 Proposed Capital
Improvement Plan (CIP) Questions and
Responses
May 21, 2024

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

The following CIP questions represent those received from both Councilmembers and the general public. This list of questions and answers will continue to be expanded through the May 21st, 2024 budget workshop, up to the budget adoption hearing on June 4th, 2024. The questions are answered in the order that they were received during this timeframe.

Section I) - From March 5, 2024 Council Meeting - 1st Review of the CIP

1. What buildings does the City own, and what are the estimated deferred maintenance costs for each?

Response:

No.	Building	Year Built	Square Feet	Condition Assessed (Firm/Year)	Estimated Repairs/ Renovations
1	City Hall	1913	6,572	BV 2023	\$2.1M
2	Fire Station	1937	3,375	BV 2023	\$1.5M
3	Vista Lobos	1954	6,000	BV 2023	\$0.6M
4	Police Station	1966	7,500	Indigo 2023	\$11 - \$20M
5	Public Works	1966	15,614	BV 2023	Pending PD
6	HM Library	1927	7,466	Jayson 2023	\$10M LMP
7	PB Library	1971	8,310	Jayson 2023	\$15M LMP
8	Flanders Mansion	1925	5,380	2018 RFP	
9	Scout House	1931	3,820	2023 RFP	\$1M
10	First Murphy House	1902	760	H&A 2013	
11	Forest Theater	1939+	12,350	H&A 2013	Renov. 2015
12	Sunset Center	1925-31	45,634	H&A 2013	Renov. 2001
13	Norton Garage	1989	10,500		
14-20	7 Public Restrooms		3,500	Proposed FY27	
Totals			136,781		

□

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

2. What is the estimated total carry-over amount and the new FY 2024/25 proposed amounts? What is the forecast for funding next year?

Response: The estimated total carry-over amount into FY 2024/25 is \$6.81M of City Funds plus \$2.43M of external funds (now including PG&E Rule 20A). The total amount of the supplemental funding for six “shovel ready” projects (\$1,667,000), plus six proposed new Vehicle and Equipment Fund projects (\$545,000), and the 13 proposed Capital Improvement Fund projects (\$3,030,000) would be \$5,242,000 of City funds plus \$515,000 of external funds.

While the forecasted funds for FY 2024/25 are not yet available, Council is requested to review and defer projects that may not be urgent or which exceed available funding.

3. Our roads are badly cracked. Can we add more funding to improve the streets?

Response: According to our “StreetSaver” Pavement Management Program, the City’s overall Pavement Condition Index (PCI) has been slowly deteriorating over the past five years as indicated in the chart below. In 2019, the PCI of 78 was the highest of any agency in Monterey County. Since then, a three-year gap in paving projects caused by the Pandemic has reduced the PCI down to 71, as was anticipated.

With the proposed \$2.8M street improvement project for FY 2024/25 and ongoing annual investments (local plus external funding) of \$1.1M, our pavement condition is expected to be maintained in the 70s, at least for the next five years. Increasing investment for streets must be weighed against other significant infrastructure needs such as for priority drainage projects, shoreline infrastructure, and City building repairs.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

4. Why are we spending so much for consultants?

Response: The City relies on consultants to provide professional services for two primary reasons. First, City staff does not possess the wide range of technical expertise needed for many projects, such as in the following service areas: Architecture, coastal engineering, electrical engineering, geotechnical engineering, hazardous materials testing, landscape architecture, mechanical engineering, structural engineering, surveying, and traffic engineering.

The other primary reason is that while staff does have the needed technical expertise, the quantity of projects requires the City to supplement staff, such as for the following service areas: Arboricultural services, Building Code plan checking, civil engineering, construction management, environmental services, historic preservation, planning services, and project management.

Per state law, consultants are hired on the basis of demonstrated competency, qualifications, and experience, not on lowest price. Also refer to Question 11 below.

5. Can the proposed landscaping on the Ocean Avenue median island include an irrigation connection to facilitate watering plants and flowers around the WWI Memorial Arch?

Response: Yes, that infrastructure was recently installed.

6. Why wasn't the PG&E Rule 20A Undergrounding funds included in the CIP?

Response: The Rule 20A Undergrounding Project was included in the current FY 2023/24 budget and shown in the 5-year CIP spreadsheet. However, on March 5th, this should have been included as a carryover project with external funding. This has been corrected.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

7. Does the City have a plan to ultimately replace the new ambulance and fire engine?

Response: Yes. Public Works and Public Safety maintain a list of all vehicles and equipment in the City's fleet. This list is updated each year as part of the CIP programming process, and projects 15 years out. The incoming ambulance and fire engine are not yet in the City's fleet; however, once they arrive, they will be added.

Our current Fire/Ambulance services operate with two fire engines and two ambulances. One vehicle for each serves as a back-up for the primary. When we replace a fire engine or ambulance, we are essentially replacing the back-up. The new vehicle becomes the primary, and the old one moves to the back-up role.

8. Carmel Cares suggests fundraising to donate a bobcat or tractor to Public Works to help sand movement on Carmel Beach.

Response: The City would greatly appreciate such a donation. Currently Public Works has to rent this equipment.

9. Can the City increase the transfer tax to provide additional revenue?

Response: No. Under California law, only a charter city may enact or increase a real property transfer tax that is a general tax. Therefore, the real property transfer tax would have to be approved by a majority of the voters.

10. What is the cost estimate to fix the roadway along Ocean Avenue in the County's jurisdiction, between Carpenter Street and Highway 1?

Response: Monterey County Public Works officials have informed a local resident that the cost estimate to repair Ocean Avenue in the County's jurisdiction would be \$500,000. City staff believes that this cost estimate is overly optimistic and may not include the full cost considering traffic detours, drainage, sidewalks, required ADA ramps, CalTrans permitting, etc.

With Council's direction, Staff could begin to discuss the possibility of entering into an Interagency Agreement with Monterey County such that the City would oversee a program management consultant who would in turn oversee the development of design plans, CEQA documentation, bidding, and construction of the proposed project, all at the expense of the County.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

11. What are our costs for consultant project management services? What is the cost if we were to add a second project manager position in-house?

Response: For the past two fiscal years, the City retained three project management firms for the total fees to advance the following projects:

- 4 Leaf, \$198k: Includes Police Building Project, FY 22 Paving Project specifications, and technical support for resilience and electrical panel assessment projects.
- Ausonio, Inc., \$250k: Includes City Hall retaining wall repair, Sunset Center and Harrison Memorial Library exterior painting projects, City Hall roof replacement, Cottage Windows repairs, 4 facility condition assessments, design concepts for Sunset Center's portico, design of Sunset Center retaining walls repairs and San Antonio pathway structural repairs, and Park Branch Library dumbwaiter decommissioning.
- Wallace Group, \$350k: Includes Mission Trail Nature Preserve tank/pump house/well removal design, oversight of FY 23 Concrete Streets Project and the Storm Drain Master Plan Update, planning for wayfinding signs, planning for shoreline infrastructure repairs, and engineering and design of the FY 24 Paving Project.

This \$800k investment over the past two years allowed the City to advance 20 capital improvement projects.

The fully-burdened cost (salary plus benefits) for a City Project Manager is roughly \$196,000. A Project Manager can support an average of eight to ten projects at a time. Thus, hiring a second Project Manager on staff would ultimately reduce outside consultant fees, but continuing to retain project management consultants is still a prudent strategy until the current backlog of projects can be reduced. In addition, consultants will still be required for their technical expertise as described in Question 4 above.

12. The failed fencing along the San Antonio pathway, between Second and Fourth Avenues, was originally a joint project with Pebble Beach. Pebble Beach appears to have a similar problem with the fencing north of the Pebble Beach gate. Does Pebble Beach have a plan for repairs and would they be willing to participate in funding?

Response: The Pebble Beach Community Services District advised staff to reach out to representatives of the Pebble Beach Company. While the fence inside Pebble Beach appears to be similar to the fence along San Antonio Avenue, it is not yet clear if the same, or alternative foundation design, was used there. More information is forthcoming.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

13. What is the total cost to implement all of the priority drainage repairs identified in the 2023 Storm Drain Master Plan (SDMP) Update?

Response: The 23 priority projects identified in the SDMP Update are estimated to cost \$14.7M. Three of the six highest priority repairs will be “shovel ready” for construction pending supplemental funding of \$638,000 proposed in FY 2024/25. The design of one additional high priority project, the Junipero Bypass, is a proposed new project valued at \$175,000 for FY 2024/25.

The draft 5-year CIP includes an additional \$2.8M in Years 2-5 towards completion of these top six projects. The nine medium priority projects included in the SDMP Update, valued at \$7.7M, would take another 7 to 10 years to complete at current funding levels.

14. Council requests a presentation about the status of the Library Master Plan.

Response: The Library Master Plan was presented to the Harrison Memorial Library (HML) Board of Trustees on March 20, 2024 and was presented to Council at their April 2, 2024 meeting.

15. Can we dissect the San Antonio/Ocean Avenue intersection improvements included in the FY23 Concrete Streets project into the proposed, modified paving project to be constructed in FY 2024/25?

Response: Yes. This is one of the proposed project changes described in Section B of the March 26, 2024 Staff Report.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

Section II) - From March 26, 2024 Special Council Meeting - 2nd Review of the CIP

16. *Explain what the Trestle Foot Bridge is on Lincoln & Fourth Avenue.*

Response: There is a 90-year old wooden pedestrian bridge along the Lincoln Street alignment extending north from Fourth Avenue and ending at the end of Lincoln Street, south of Third Avenue. While Public Works routinely makes minor repairs to handrails, posts, and other elements, the overall structure is showing its age and may become unstable. The proposed project will allow for a structural engineer to assess the integrity of the bridge and determine the extent of repairs that are needed to ensure safety.

17. *Sunset Center Portico – how did this project come about?*

Response: Sunset Center requested this project last year. There used to be an open trellis-type of portico structure in front of the entry doors on the west side of the main building, just south of the snack stand. The old trellis rotted out and was removed approximately 7-8 years ago. A couple of rotted out columns still remain. This project would ultimately replace the portico with a new structure.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

18. Concerned about City Staff workload. Hypothetically, what if we put a pause on the City's backlog – what impacts would occur?

Response: Without any new capital improvement projects assigned for FY 2024/25, the current backlog of work from the 15 Carry-Over Project funded in, or prior to, FY 2023/24 would take staff plus our three Project Management consultants approximately one more full year to complete. As reference, the City completed 14 projects in FY 23 and 15 projects in FY 24 with one in-house Project Manager plus three Project Management consultants.

Currently, the tentative list of 6 new Vehicle and Equipment Funded projects plus 13 new Capital Fund Projects, will add a full year of workload to the existing backlog. In addition, the Public Works Department, for example, is also involved in 11 Strategic Priority Projects (several of which are capital projects), in addition to ongoing streets and facilities maintenance, forestry and environmental programs, and service requests.

Staff does not recommend eliminating all 19 new projects since many are time-sensitive and should begin soon as possible. Hiring a second in-house Project Manager would be part of the solution in reducing the backlog and phasing out project management consultants. However, the scale and cost of the proposed new FY 24/25 CIP projects should be further reviewed. For example, at the March 26th meeting, Council directed staff to defer the construction phase of the Sunset Center Portico.

At the May 21, 2024 Budget Workshop, staff will identify four (4) additional, important, but non-urgent projects which Council may consider to defer.

19. What is the potential cost of not doing a project?

Response: All infrastructure, such as pavement, sidewalks, drainage pipes, buildings, etc., decays over time. It is significantly less expensive to perform preventative maintenance and make repairs as soon as the infrastructure begins to slip into accelerated deterioration before the infrastructure completely fails and has to be completely replaced at much higher cost.

If funding is delayed for making needed repairs to deteriorating infrastructure, typically, the repair will be more costly in the long run. Further, the infrastructure may fail and be unusable for public use.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

20. *How long are the construction bids actually good for?*

Response: Per the City's standard construction contract documents, bids are valid for 90 days from the date of the bid opening.

21. *Under the 13 Potential Projects, are the Lincoln & Fourth Avenue trestle footbridge repairs taken out of the operating budget?*

Response: The proposed project will be included in the CIP Budget, rather than in the operating budget, with an allocation of \$40,000 for the structural evaluation.

22. *Ocean Avenue should be representative of a First Class community. Ocean Avenue is in really bad shape, and the City should fix it as it is the entrance to our City and many people travel on it daily. Can we work with the County, Caltrans, or private groups to be reimbursed for payment?*

Response: This project has been included in the proposed CIP for FY 2024/25. The Project description is included in the draft Recommended Budget book.

23. *Carmel Cares requests \$100K for additional work on Scenic Pathway Project such as for barriers, erosion control, and landscaping.*

Response: There is an FY 2023/24 carry-over project, entitled "Scenic Pathway Hardscape Renovations," with an initial allocation of \$100,000 from the City plus matching funds from Carmel Cares. Only a small portion of the City funds have been expended to date on materials. Plans for the next phase of improvements were approved at the May meeting of the Forest and Beach Commission.

Although construction of these improvements is anticipated to begin this summer, staff recommends that no additional funding be allocated to this project at this time. Once the allocated funds are depleted, additional funding could be requested at the FY 2024/25 Mid-Year Budget or with next year's Capital Improvement Program.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

24. How do we measure a Consultant's work?

Response: The City enters into a professional services agreement with every consultant. These agreements establish the scope of services, fees, and schedules that the consultants are required to perform and the standards that they must follow. City staff reviews the consultant's reports, plans, specifications, or other documents that are to be submitted to the City per the agreement. If the consultant services are substandard or late, the City may require the consultant to redo the work product at no additional cost to the City or require them to provide a schedule to catch up on the required timeline if possible.

Some of the City's consultant agreements include an on-call, as-needed task which allows for the City to quickly assign smaller, add-on tasks if funding is available. Consultants who provide high quality, timely, and cost-effective services are more likely to be assigned these add-on tasks than consultants who do not provide best services.

25. How long will the San Antonio Walkway Project take? Can we get the project done faster?

Response: Currently, the design is 90% complete and in building permit readiness review. Subject to construction funding in FY 24/25, the project will be advertised for construction bids in early July, and a contract could be awarded in September. Construction will take approximately 3 months to complete from issuance of the Notice to Proceed; thus, construction could be substantially complete by the end of 2024. This is a high priority project.

26. We need to put political pressure on Pebble Beach Company to fix the San Antonio Walkway/Structures.

Response: Mayor Potter and City Administrator Rerig have taken this responsibility on.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

27. What is the progress on undergrounding the Power Poles along San Antonio? Can we do the undergrounding project and the pathway project as a joint project?

Response: City staff has been working with Carmel Cares and their consultant on planning for the undergrounding of overhead utility lines along the San Antonio Pathway, between Second and Fourth Avenues. To prevent any conflicts between the privately-funded undergrounding project and the City-funded Pathway Reconstruction Project, the undergrounding alignment has been shifted to be under the San Antonio roadway rather than along the Pathway. Staff recommends that these remain two separate projects because the reconstruction project involves concrete, steel, and wood structural work in 44 pits along the Pathway, and the other involves horizontal trenching and relocating electrical, cable TV, and telephone cables underground below the street, repaving, and removing the power poles. There is one proposed utility transformer that needs to be installed on the Pathway, but it will be set back so as not to conflict with the reconstructed pathway and fence.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

28. Should we continue with concrete streets knowing the expensive cost to repair them? Are concrete streets noisier? Should we keep concrete streets only along Ocean Avenue?

Response: It is extremely expensive to remove existing concrete streets and replace them with asphalt streets. While concrete streets are considerably more durable than asphalt, their use should be limited to highways, bridges, and major arterial streets with high truck counts, not along Village roads. Concrete streets are also more expensive to construct, repair, and to install utility lines under them.

The design work is complete on the FY 2022/23 Concrete Streets Repair Project, which included Ocean Avenue, from San Antonio to Monte Verde Street, along San Carlos Street, from Fifth to Sixth Avenues, three adjacent intersections, and improvements at the Junipero and Seventh Avenue intersection. The consultant evaluated several options for repairs, and the least expensive alternative will be to cut out squares with heavily cracked or damaged concrete, replace the squares with new concrete, grind down the concrete edges, place a geotextile fabric placed over the concrete, and pave an asphalt overlay on top. This approach is far less expensive than completely removing the concrete streets and reconstructing them as asphalt pavement streets.

Only \$792,000 remains available for this \$2.5M project; consequently, the funding is being reallocated to the Conglomerate Paving Project for FY 25 to allow the City to pave 25+ asphalt streets, rather than a few concrete streets. Future year budgets will need to be captured for the eventual repairs of the concrete streets.

Concrete streets are typically a little noisier with rubber tire vehicles as compared to asphalt pavement.

29. Ocean Ave and San Antonio intersection is concrete – should we continue with concrete?

Response: The existing intersection of Ocean and San Antonio Avenues is mostly asphalt, and various portions of the intersection were repaired multiple times. The intersection is significantly deteriorated and deformed. The Conglomerate Paving Project for FY 25 will completely reconstruct this intersection with a new asphalt pavement section.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

30. What is the cost of fixing all the Storm Drain Plan projects with inflation? What is the risk of delaying the Storm Drain Master Plan projects?

Response: As noted in Question 13 above, the 23 priority projects identified in the SDMP Update are estimated to cost \$14.7M. Three of the six highest priority repairs will be “shovel ready” for construction pending supplemental funding of \$638,000 proposed in FY 2024/25. The design of one additional high priority project, the Junipero Bypass, is a proposed new project valued at \$175,000 for FY 2024/25.

The draft 5-year CIP includes an additional \$2.8M in Years 2-5 towards completion of these top six projects. The nine medium priority projects included in the SDMP Update, valued at \$7.7M, would take another 7 to 10 years to complete at current funding levels.

The impacts of future inflation are unknown; however, it is reasonable to assume that construction costs will only increase over time. All six of the high priority projects in the SDMP Update are necessary to prevent potential flooding onto private properties, collapsed drain pipes, and to eliminate a significant bottleneck in the main drainage line along Junipero. Once all six high priority projects are completed, say by 2030, then the City should reassess the urgency of proceeding with the moderate and lower priority projects listed in the SDMP Update.

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

31. *Who bid on the City Hall roof and Cottage Windows project? What is so complicated about fixing the windows at the Cottage or the City Hall roof? Why is it so expensive?*

Response: At the September 12, 2023 meeting, Council adopted Resolution 2023-082, rejecting both bids received for four facility renovation projects that were bundled into one construction package. The bids, which were nearly twice the project team's cost estimate, for these two projects are listed below:

	Pro-Ex Construction	Commercial Solutions Group
City Hall Roof Replacement	\$365,970	\$631,171
Sunset Center Cottage Window Repairs	213,345	145,393
Total Bid (with Sunset Center and HML Painting projects)	\$1,274,017	\$1,321,250

The accompanying staff report to that Resolution noted a number of factors that likely led to unreasonable price escalations in the bids, as follows:

- *The project was bid in the summer. Contractors in our region are already very busy and may not be aggressively seeking more jobs.*
- *There is a construction labor shortage in California. Contractors are paying increasingly higher wages to retain crews.*
- *Material prices continue to escalate due to inflation and supply chain issues.*
- *While there were many subcontractors at the pre-bid meeting, a majority were painters. Only three general contractors attended the pre-bid, and two submitted bids.*
- *The City Hall roof bid was based on upgraded, cedar shingles with bid alternates to compare with less-costly composition shingles. However, the bidders still did not provide reasonable cost reductions for the composition roof, and, in fact, one bidder actually increased their bid using the less costly roofing materials.*
- *During the pre-bid meeting, several contractors expressed concerns that all of the buildings were historic and would be occupied during the work.*
- *Bid documents included hazardous materials testing and reporting duties. Therefore, the contractors had to hire a qualified consultant for this work and included markups.*

FY 2024/25 Proposed Capital Improvement Plan (CIP) Questions and Responses

32. *When will we spend the money in the budget for the Sunset Center projects?*

Response: The Sunset Center Retaining Walls Repair Project is scheduled to be constructed by late 2024/early 2025. The Sunset Center North Lot Electrical Panel Replacement Project schedule largely depends on the schedule for transformer installation by PG&E (at no cost to the City); however, tentatively, construction is anticipated in FY 2025/26. The Sunset Center Portico design concepts have been completed; but construction funding has been deferred to FY 2025/26 in the 5-Year CIP exhibit.

33. *Do people leave their cars at the EV charging station at Vista Lobos all day?*

Response: The existing EV charging station is used very frequently on a daily basis. After their car is fully charged, the patron gets charged a fee of \$10 per hour for leaving the charger on, with a maximum fee of \$50. It is staff's opinion that this has become a less frequent problem once patrons realize this.

34. *Can we go on a field trip to the MTNP Laiolo Bridge and Pathway Realignment Project in May and decide on this project after the field trip?*

Response: There will be a Tour of Inspection of the proposed Doolittle (formerly Laiolo) Bridge and Pathway Realignment Project prior to the May 21, 2024 Council Budget Workshop at 3:45pm.

City of Carmel-by-the-Sea																
5-Year Capital Improvement Plan																
Excluding Operating Budget Projects																
For May 21, 2024 Council Meeting																
		EXTERNAL FUNDING		5/13/24												
Category		Last Fiscal Year	FY 23/24		Year 1	Year 1	Year 2	Year 2	Year 3	Year 3	Year 4	Year 4	Year 5	Year 5		
		FY 2023/24	Budget	Status	FY 2024/25	Estimate	FY 2025/26	Estimate	FY 2026/27	Estimate	FY 2027/28	Estimate	FY 2028/29	Estimate		
Contingency		CIP Contingency	500	Done	CIP Contingency	400	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250	CIP Contingency	250		
\$1,900			\$ 500			\$ 400		\$ 250		\$ 250		\$ 250		\$ 250		
Drainage		Drainage System Repairs (4)	580	Carry Over	Drainage Repairs 4 - Suppl. \$	638	Junipero Bypass Construct Ph 1	750	Junipero Bypass Construct, Ph 2	1,000	Drainage Repairs - Design	250	Drainage Repairs Construct	800		
					Junipero Bypass Pipe - Design	175			4th Ave CDS - Design	75	4th Ave CDS - Construction	450				
\$4,718			\$ 580			\$ 813		\$ 750		\$ 1,075		\$ 700		\$ 800		
		FY 22 Paving Overlay/Micro Surf	543	Done	FY25 Conglomerate Paving (FY24)	692	FY26 Allocate to Concrete Streets	700	FY27Allocate to Concrete Streets	710	FY28 Paving, Bike, S/W	720	FY29 Paving, Bike, S/W	730		
Streets		TAMC: SB1, X, HUTA, RSTP	335	Done	TAMC: SB1, X, RSTIP, HUTA	408	TAMC: SB1, X, RSTIP, HUTA	410	TAMC: SB1, X, RSTIP, HUTA	420	TAMC: SB1, X, RSTIP, HUTA	430	TAMC: SB1, X, RSTIP, HUTA	440		
		SC - Retaining Walls - Design	40	Done	San Antonio/Ocean Intersection	293	Resurface Parking Lots	300	Bicycle Master Plan	70	Resurface Parking Lots	300				
		FY 23 Concrete Street Repairs	564	Carry Over	FY 22 - 4 Bid Additives	835			Pavement Survey Update	30						
		TAMC: SB1, X, RSTIP, HUTA	441	Carry Over	FY 23 Concrete Streets (\$ to FY22, 24)	-										
		FY24 Paving Overlay, Slurry, S/W	657	Carry Over	SC Retaining Walls - Construction	550	Lincoln.4th trestle bridge - Const	500								
		TAMC: SB1, X, RSTIP, HUTA	439	Carry Over	San Antonio Pathway - Reconstruction	550										
					Lincoln/4th Trestle Bridge - Evaluate	40										
					Ocean Ave, Carpenter-Hwy 1 (County)	500										
\$12,647			\$ 3,019			\$ 3,868		\$ 1,910		\$ 1,230		\$ 1,450		\$ 1,170		
		ADA Updates - Year 6	20	Done	ADA Updates - Year 7	20	ADA Updates - Year 8	20	ADA Updates - Year 9	20	ADA Updates - Year 10	20	ADA Updates - Year 11	25		
Facilities		City Hall Retaining Wall Repair	170	Done			Scout House Relocate-PM, Env, Des	250	Scout House Relocation	350	Scout House Renovation	500				
		Elect Panels (CH, FS, VL, Ocean)	75	Done	Vista Lobos: EV Chargers & E Panel	400	Facility Assessment (Flanders, RRs)	85	Sell Scout House Property	TBD						
		Sunset Center Ext Painting	250	Done	3CE EV Chargers & Electrical	60	Fire Station Painting	100	Flanders Structural Shoring	250						
		Sunset Center - 8 Bollards	20	Done	Norton Garage - Secure Access	15	Design Repairs - CH, FS per FCA	150	CH FCA: Fire, Doors, Lighting	400	FS FCA: Roof, Windows, Alarm	500				
		SC - Carpenter Hall Heater	45	Done			Fire Backflows to Code (3 bldgs)	150	Park Restroom Repairs	150	Sunset Center Railings	225				
		Sunset Center- Portico Concepts	40	Done			Sunset Ctr Painting, Ph 2	250								
		Police Building Project	3,239	Carry Over			Police Building Project - Design	1,000	Police Building - Construction	10,000	Police Building Construction	10,000	PW Building Reno - Design	1,000		
		Resilience Infr. Pilot Design	85	Merge w/PD			Police Building, Fed Appropriation	TBD								
		City Hall Roof Replacement	160	Carry Over	City Hall Roof - Supplemental \$	167										
		Sunset Ctr Cottage Windows	100	Carry Over	Sunset Ctr Cottage Windows-Suppl \$	100	Sunset Center Portico Design, Const	475								
		Sunset Center - N Lot Electrical	100	Carry Over												
\$30,986			\$ 4,304			\$ 762		\$ 2,480		\$ 11,170		\$ 11,245		\$ 1,025		
		MTNP Tank & Well Demo	121	Done	MTNP Doolittle Bridge - Env, Design	175	MTNP Doolittle Bridge Construct	125								
Forestry,		Urban Forest Master Plan	75	Done												
Parks & Beach		Urban Forest MP CalFire Grant	150	Done												
		N Dunes Split Rail + Signage	25	Fence Done			MTNP Stream Projects 5-6 Design	125	MTNP - Stream 5-6 Construct	500	MTNP-Stream 7-8-Design	150	MTNP-Stream 7-8-Construct	600		
		MTNP - Stream 3 Drainage	85	Carry Over	MTNP - 3 Drainage Supplemental \$	68										
		MTNP - Stream 3 Drainage Grant	178	Carry Over											-	
		Scenic Pathway Hardscape	100	Carry Over											-	
		Scenic Pathway Hardscape (CC)	100	Carry Over												
\$2,577			\$ 834			\$ 243		\$ 250		\$ 500		\$ 150		\$ 600		
		Radios Lease, Year 3	30	Done	Radios Lease, Year 4	30	Radios Lease, Year 5	30	Radios Lease, Year 6 (Last)	30						
Fleet &		2 Forestry & 2 PD Vehicles	220	Done	PW Dump Truck (1995)	150	Forestry Bucket Truck (1995)	225	Facilities Truck EV (2007)	85	Streets Pickup EV (2005)	75	Streets Pickup EV (2012)	75		
Equipment		EV Vehicles - 3CE Grants	25	TBD	Police EV Patrol (2017)	75	Fire Vehicle EV (2010)	75	Fire Inspector Vehcile EV (2012)	75	Forestry Water Truck (1994)	120	PD Detective Veh EV (2017)	75		
(Vehicle &		Ambulance & Equipment/AED	275	Carry Over	EV Vehicles - 3CE Grants	15	Ambulance - Balance of \$410k	85	PD Admin Vehicle EV (2013)	75	Streets Patch Truck (1999)	100	PD Patrol Vehicle EV (2020)	75		
Equipment Fund)		Ambulance (Donation)	50	Carry Over			Ambulance Heart Monitor	35	PD Animal Control Veh (2009)	75	PD Patrol Vehicle EV (2019)	75				
		Fire Engine (Prepaid \$880k)	0	Carry Over			PD Motorcycle EV (2008)	30	PD Radar Trailer (2009)	25	PD Parking Vehicle EV (2014)	45				
							EV Vehicles - 3CE Grants	20	EV Vehicles - 3CE Grants	30	EV Vehicles - 3CE Grants	30	EV Vehicles - 3CE Grants	35		
\$2,470			\$ 600		\$ -	\$ 270	\$ -	\$ 500		\$ 395		\$ 445		\$ 260		
		Coastal Engineering Study, Ph I	133	Done			Climate Action Plan Projects	50	Climate Action Plan Projects	50	Climate Action Plan Projects	50	Climate Action Plan Projects	50		
Environmental		Coastal Engineering Study, Ph 2	500	Carry Over			Energy Upgrades	50	Energy Upgrades	50	Energy Upgrades	50	Energy Upgrades	50		
& Climate Change		Rule 20A Undergr. Utility Dist.	667	Carry Over												
		Shoreline Inf Repairs, Stairs	350	Carry Over	4th Ave. Outfall Wall - Env, Design	250	Reconst. 4th Outfall - Const	900								
		Shoreline Inf Repairs, FEMA \$	50	Carry Over			Shoreline Inf Repairs (3rd) - Const	750	Shoreline Inf Repairs - Const 4	750	Shoreline Inf Repairs - Const 5	750				
							Shoreline Inf Repairs (4th) - Design	150	Shoreline Inf Repairs - Design 5	150						
\$5,800			\$ 1,700		\$ -	\$ 250	\$ -	\$ 1,900		\$ 1,000		\$ 850		\$ 100		
		HML Generator	-	Cancel	Core Networks	50	IT Network Refresh	60	IT Equipment	75	IT Equipment	80	IT Equipment	85		
IT		IT Servers	50	Done	Network Firewalls	180	Wireless Access Point	50	GIS Upgrades	30						
(Vehicle &					Council Chambers AV Upgrade	60	PD Records Management	200								
Equipment Fund)																
\$920			\$ 50		\$ -	\$ 290	\$ -	\$ 310		\$ 105		\$ 80		\$ 85		
		HML Carpet	-	Cancel	PBL - Windows, Dry Rot	45										
Library		HML Exterior + Part Interior Paint	140	Done			MP Project #1 - Construction	200	MP Project #2 - Design	200	MP Project #2 - Construction	200	MP Project #2 - Construction	200		
		Library Master Plan - Phases 2-4	100	Carry Over			MP Project #1 - Donations - TBD	800	MP Project #2 - Donations TBD	800	MP Project #2 - Donations	800	MP Project #2 - Donations	800		
\$4,285			\$ 240			\$ 45		\$ 1,000		\$ 1,000		\$ 1,000		\$ 1,000		
Grand Totals	\$66,303		\$11,827			\$6,941		\$9,350		\$16,725		\$16,170		\$5,290		
City Funding	\$57,593		\$9,115			\$5,958		\$8,120		\$15,475		\$14,910		\$4,015		

May 17, 2024

RE: CITY CONTRACT WITH VISIT CARMEL FOR DESTINATION MARKETING SERVICES

Dear Mayor Potter, Council Members Ferlito, Baron, Richards and Dramov, and Administrator Rerig,

As we approach the Budget Workshop on May 21, 2024, I wanted to offer additional insights into the City of Carmel's contract with Visit Carmel.

As a reminder, prior to 2018, the City engaged an external marketing agency to serve its marketing needs – mostly branding, communications and other visitor-marketing related projects. However, with the establishment of Visit Carmel, a non-profit destination marketing organization, significant synergies and cost efficiencies emerged. Consequently, the City transitioned to contracting with Visit Carmel for its marketing needs. Our current agreement, signed in June 2021 for a three-year term, is set to expire next month. We are seeking a 5-year renewal, with the annual investment subject to Council approval as part of the City's budget review process.

The Carmel Hospitality Improvement District (CHID) and the Carmel Restaurant Improvement District (CRID) mandate that marketing programs funded by these assessments prioritize hotels and restaurants. Consequently, our efforts focus on driving overnight stays during off-peak periods and enhancing marketing initiatives for restaurants. Fortunately, these programs indirectly benefit the City through increased transient occupancy tax (TOT) and sales tax revenue.

The City's annual payment of \$120,000 to Visit Carmel serves as both an investment in our largest economic driver, tourism, and a contract for marketing services. It ensures the City has a voice on our Board by maintaining a Board seat. And it enables Visit Carmel to support not only the City but also other visitor-serving businesses (retail, art galleries) and cultural assets (Sunset Center, Pac Rep, Outdoor Forest Theater, and special events).

For example, these include projects such as:

- **Destination Website** CarmelCalifornia.com – Branding, design, maintenance of listings of all visitor-serving businesses and calendar of events/performances.
- **Official City Guide and Maps** – Design, production, distribution and fulfillment of printed City guide/brochure and display maps placed throughout the Village.
- **Visitor Center Support** – Visit Carmel is now providing financial support to Carmel Chamber to continue and possibly expand its visitor management services via its Visitor Center.
- **Destination Stewardship Initiative** – Campaign development, in-marketing banners and signs, paid digital and print ad support, coordination with local groups.
- **Retail Stakeholder Support** – Monthly communications with all visitor-serving stakeholders; Create marketing content, public relations and social media support for shopping/retail in general, with then additional projects for:
 - **Art Galleries** - Marketing support for Meet the Makers, Carmel Art Festival, the Carmel Art Walk, and Carmel art galleries and artists, among other initiatives, to support the local artist community/art gallery owner.
 - **Wine Tasting Rooms** - Creation, implementation and marketing support for Carmel Wine Walk which supports the retail wine tasting rooms (and walkable nature of the experience indirectly benefits all retail)
- **Performing Arts** – Work in partnership to promote performances and events at Sunset Cultural Center, as well as Pac Rep/Outdoor Forest Theater productions.

- **PR and Social media** – Visit Carmel handles (and contracts with an agency) to target media outlets for coverage, responds to media inquiries, implements social media campaigns on behalf of the entire destination (including retail, art, events, etc).
- **Crisis Communications** – Visit Carmel coordinates with City of Carmel staff, See Monterey and other local agencies as needed to provide timely and essential information when there is an issue (road slides, weather, flooding, fire, beach damage, etc) that affects our visitor-serving businesses and our visitors. This includes maintaining [Travel Alerts](#) to communicating directly with hotel stakeholders so that they can advise their incoming guests to posting on social media for locals and visitors.

To be clear, the \$120,000 is assigned to cover actual hard costs (printing, paid advertising, outside contractors) for projects that can be classified as “City Marketing” expenses. Those funds do not go toward paying for overall destination marketing or restaurant marketing programs. Neither do they fund professional time (mine, Jeff’s, graphic design/creative work), public relations, social media, or any administrative costs. For example:

Planned FY 24-25 Hard Cost Expenditures for “City-oriented” Marketing Projects

Destination Website Digital Media	\$ 83,100
Website Hosting and Tech Support	\$ 9,200
Chamber Visitor Center Support	\$ 30,000
Carmel City Guide and Map Brochure Printing and Distribution	\$ 24,063
Destination Stewardship Digital ads and programs	\$ 26,750
Meet the Makers event (Supports Art Galleries and Wine Tasting Rooms)	\$ 20,554
Carmel Wine Walk Marketing and Brochure Printing	\$ 22,462
Carmel Art Walk Brochure Printing (not including design and distribution)	\$ 2,502
Carmel Car Week Brochure Printing (not including design and distribution)	\$ 1,428
Carmel Art Festival Ad	\$ 550
	<u>\$220,609</u>

Visit Carmel recently launched a new *A Storybook Kind of Place* campaign highlighting the artistic heritage of our Village and it is featured on our destination [website](#). I encourage you to explore it. Additionally, for a detailed overview of Visit Carmel’s mission and projects, I recommend reviewing our [Annual Report and Marketing Plan](#).

Your participation and support are invaluable to our programs. City representation at the board level guides our overall marketing direction, as well as the complex set of sub-programs under the Visit Carmel umbrella.

I hope this provides clarity regarding the City's budget allocation. Please don't hesitate to reach out with any questions.

Sincerely,


Amy Hertzog
Executive Director

Visit Carmel
831.238.1849