



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 Tuesday, May 16, 2023 4:00 PM

THIS MEETING WILL BE HELD IN PERSON AND VIA TELECONFERENCE. The public is welcome to attend the meeting in person or remotely via Zoom, however, the meeting will proceed as normal even if there are technical difficulties accessing zoom. The City will do its best to resolve any technical issues as quickly as possible. To view or listen to the meeting from home, you may watch the Youtube Live Stream at:

<https://www.youtube.com/@CityofCarmelbytheSea/streams>, or use the link below to view or listen to the meeting via Zoom teleconference:

<https://ci-carmel-ca-us.zoom.us/j/89422203958> Meeting ID: 894 2220 3958 Passcode: 220405 Dial in: (253) 215-8782

HOW TO OFFER PUBLIC COMMENT: Public comment may be given in person at the meeting, 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 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.

The COVID-19 Community Level for Monterey County as of the date of this agenda posting is LOW (mask wearing not required). Seating will be limited and available on a first come first served basis.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC APPEARANCES

Members of the Public are invited to speak on any item that does not appear on the Agenda and that is within the subject matter jurisdiction of the City Council. The exception is a Closed Session agenda, where speakers may address the Council on those items before the Closed Session begins. Speakers are usually given three (3) minutes to speak on any item; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Applicants and appellants in land use matters are usually given more time to speak. If an individual

wishes to submit written information, he or she may give it to the City Clerk. Speakers and any other members of the public will not approach the dais at any time without prior consent from the Chair of the meeting.

ORDERS OF BUSINESS

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

1. Receive a presentation on the Fiscal Year 2023-2024 Budget and provide direction
2. Resolution 2023-057 receiving the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022

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 16, 2023
ORDERS OF BUSINESS

TO: Honorable Mayor and City Council Members

SUBMITTED BY: Maxine Gullo, Ass't. City Administrator

APPROVED BY: Chip Rerig, City Administrator

SUBJECT: Receive a presentation on the Fiscal Year 2023-2024 Budget and provide direction

RECOMMENDATION:

Receive a presentation on the Fiscal Year 2023-2024 Budget and provide direction.

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. The proposed budget, referred to as the Fiscal Year 2023-2024 (FY 23-24) Recommended Budget of \$40.9 million is submitted for Council's consideration. The proposed expenditures totaling \$40.9 million, include the General Fund operating budget (\$26.3 million), debt service (\$528,044), pension mitigation and unfunded liability (\$3.0 million), capital budget (\$10.9 million), and workers compensation (\$90,000). The proposed revenues totaling \$30.9 million include property taxes (\$8.5 million), sales tax (\$9.6 million), transient occupancy tax (\$6.8 million), and other revenue (\$6.0 million). The FY 23-24 Recommended Budget requires the use of \$9.9 million in prior years' savings ("fund balance") specifically to fund deferred Capital projects.

FY23-24 Recommended Revenue	\$30,927,502
General Fund Operating Expenditures	26,311,452
Debt Service	528,044
Pension Mitigation / Unfunded Liability	3,007,732
Capital Outlay	10,916,100
Workers Compensation	90,000
FY23-24 Recommended Expenditures	\$40,853,328
Revenues Over (Under)	(9,925,826)
Use of Fund Balance	\$9,925,826

The City anticipates a nominal increase in revenues for FY 23-24. Additionally, the City also expects its expenditures to grow in FY 23-24, 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 \$15.1 million in funding for maintaining 96.23 full-time equivalent (FTE) positions comprised to support daily citywide operations, Council prioritized projects, and capital projects.
- Pension costs of approximately \$3.0 million, which includes \$2.0 million for the City's annual unfunded accrued liability ("UAL") payment to CalPERS and \$1.0 million investment into the City's established Section 115 Trust.
- Services and supplies costs of approximately \$11.2 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.
- \$10.9 million for capital projects and vehicle and equipment purchases in the following categories: facilities (\$4.4 million), streets/sidewalks (\$3.0 million), fleet (\$1.1 million), drainage (\$665,000), green infrastructure (\$553,100), CIP contingency (\$500,000), environment (\$483,000), libraries (\$100,000), IT/Planning (\$50,000).
- \$528,000 for debt service payments on the City's three existing bonds and \$90,000 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 2, 2023 Council meeting. At the May 16, 2023 budget workshop, staff will present a detailed review of the budget as well as present responses to any questions that staff have received. Staff will receive direction from Council on the budget and this direction will be incorporated into the FY 23-24 Recommended Budget, which will be considered for adoption by Council on June 6, 2023.

FISCAL IMPACT:

The FY 23-24 Recommended Budget totals \$40.9 million. There is no fiscal impact associated with receiving a presentation on the FY 23-24 Recommended Budget. However, direction provided by Council may have an impact on the budget and planned expenditures for the upcoming fiscal year.

PRIOR CITY COUNCIL ACTION:

Council received a presentation regarding the Five-Year Financial Forecast and Five-Year CIP on March 21, 2023. Council received a presentation regarding the FY 23-24 Recommended Budget, inclusive of the Capital budget, on May 2, 2023.

ATTACHMENTS:

- Attachment 1) Carmel Youth Center FY 23-24 funding request
- Attachment 2) Chamber of Commerce FY 23-24 funding request letter
- Attachment 3) MCCVB FY 23-24 funding request letter
- Attachment 4) Recommended Budget FY 23-24
- Attachment 5) Budget Questions

**CITY OF CARMEL PROPOSAL
FOR THE**

CYC

**THANK YOU FOR
YOUR CARE AND
SUPPORT**

CYC

ABOUT US



Bing Crosby founded the Carmel Youth Center while he was living in Pebble Beach, and eventually helped form over two hundred private, non-profit youth centers. The CYC is the last one open today.



Opening in 1949, the CYC has served this community for over 74 years. The CYC would be celebrating its 75th birthday by rebranding and possibly revamping.



REQUESTS

The CYC would benefit from the City of Carmel supporting the growing needs of the building.

The City of Carmel building official would do a walkthrough of the CYC with the CYC facilities chair and architect. A proposal would be completed that outlines all of the work needing done to the building.

WALK THROUGH

We would need estimates on the cost and scope of work to have the HVAC system replaced and the ducting rerun to support the City of Carmel as a warming center.

HVAC

The CYC would need \$50,000 a year from the City of Carmel for a period of 5-years. This would allow the CYC the ability to rebuild, raise money, and reopen with a model that works for the community youth.

FINANCIAL

LEADERSHIP

The City of Carmel could use their sphere of influence and inspire the community to come together and rebuild the Carmel Youth Center. The Carmel Youth Center would have the time to raise money, update the building, and find out how they can serve the community and meet the needs of the local youth through a youth led survey.

The City of Carmel would lead the charge and keep the Carmel Youth Center open for another 74 years or more.

THANK YOU FOR YOUR CARE AND SUPPORT

The logo for the Carmel Youth Center (CYC) is displayed in a stylized, handwritten font. The letters 'C', 'Y', and 'C' are connected, with a horizontal line extending from the bottom of the second 'C'.



April 26, 2023

City of Carmel-by-the-Sea
PO Box CC
Carmel-by-the-Sea, CA 93921

Attention: Mayor Potter, Mayor Pro-Tem Richards
Councilmembers Baron, Ferlito, Dramov, and
City Administrator Rerig

Re: FY 2023-2024 Budget Request – Carmel Chamber of Commerce

Dear Mayor Potter, Mayor Pro-Tem Richards, Councilmember Baron, Councilmember Ferlito, Councilmember Dramov, and City Administrator Rerig:

Thank you for your ongoing support of the Carmel Chamber of Commerce (Chamber). We continue to value our long-term partnership with the City of Carmel-by-the-Sea (City) and its financial support of the Carmel Visitor Center located in the Carmel Plaza. Our organization was founded in 1922 as the Carmel Business Association and in October 2023 we will be proudly celebrating our 101st birthday.

In the City's fiscal year 2022/2023, the Chamber received City funding in the amount of \$60,500 which covered roughly 50% of the operating costs for the Visitor Center at that time. Our organization has remained strong coming out of the Pandemic. During which the Chamber lost more than 20% of its membership as businesses struggled with the financial impact of Covid. In this last year, we have seen a recovery in membership to record numbers. Many of our local businesses are feeling further pressure in 2023 brought on by the fiscal tightening and extreme weather in the first quarter. This has resulted in lower visitor numbers and a reduction in the average spend leaving many of our local businesses in further financial hardship. We expect this to have an impact on 2023 membership renewals as the impact deepens. The Chamber continues to maintain its tight budget built during covid.

Given these challenges our Visitor Center team continues to provide personal concierge services, welcoming visitors in person, fielding calls and emails from potential visitors, and many impacted by the severe weather and power outages these past few months. The Chamber and Visitor Center have received many emails thanking the staff for helping them navigate their impacted plans during this time. An example of this was with one mother, helping her son with his upcoming visit to propose to his girlfriend. The team helped her move locations, navigate a canceled photographer, and worked on rebooking in-town after having their hotel reservation canceled in Big Sur. The proposal was successful, and the mother later wrote to the team thanking them for all the work they did to navigate these challenges and ensure a memorable experience. The team continues to make referrals to local hotels, inns, restaurants, where to shop, and any professional services that a visitor might need while in town.

The Visitor Center has remained open, except for some isolated power outages in the Plaza, continuing to operate within normal business hours to provide a place for visitors to discuss their plans and alternative arrangements. Since post covid restrictions being lifted, we have returned to 7 days a week, 8 hours a day, 361 days a year. The Chamber has successfully built back the number of volunteers to pre-covid levels providing not only coverage to the Visitor Center but supporting many of the non-profit events happening in town (i.e., Art Week, Earth Day). Staff continues to deliver maps, brochures, and other collateral to the community on behalf of Visit Carmel and the Visitor Center. The Chamber staff fill in for the Tourism Director when out on leave, oversee expenses, volunteer schedules, and communication. In 2022 the Chamber lost the CEO and recruitment has been challenging in this competitive environment. We were also without a Membership Director for four months. Inflation has put pressure on the salary expectations to replace roles.

The following is a basic financial breakdown of the current costs to run the VC:

\$ 73,500	Staff Wages (1 FT, 1 PT @100%),
\$ 24,000	Direct Benefits & Payroll Taxes (100%)
\$ 10,000	Other Wages & Benefits for Member Services Dir (5%)
\$ 8,800	Rent for the Visitor Center (20% of total)
\$ 9,700	Shipping, Storage and Distribution of 120,000 <i>Guides to Carmel</i>
\$ 2,000	Volunteer Recognition & Training
\$ 2,000	General Liability Insurance
\$ 3,000	Bookkeeping, Tax Prep, and Professional Services
\$ 3,000	<u>Printing Information Materials, Phone and Utilities</u>
\$135,500	Total – (this cost is similar to last year with no COE in wages)

The Visitor Center is the sole phone contact referenced on Visit Carmel's website, operated by the City's designated destination marketing partner. The Visitor Center is often requested by visitors to send materials ahead of their visit, which is done for no cost to Visit Carmel. The Visitor Center supports the distribution of marketing materials for Visit Carmel, maps, and the wine walk.

The Chamber publishes 120,000 *Guides to Carmel*, free to our community, members, and visitors. The production costs are covered through advertising secured by chamber members at a cost. These guides remain invaluable, yet falling ad revenue, due to local businesses' challenges is putting pressure on the Chamber's ability to continue to produce this important local resource.

In 2022 we again put in place the Shuttle program for AT&T Pebble Beach Pro-Am. With over 2,800 riders and supporting over 100 volunteers between Pebble and Carmel. This service encourages attendees to stay in Carmel and/or brought them through our town to shop and dine.

We have returned to our pre-covid volunteer numbers, thanks to the recruitment efforts of the Director of Tourism and marketing through the weekly Catalyst. The Visitor Center has a goal of reaching 40-50 volunteers over the next few months to continue to meet our visitors where they are and make their stay in Carmel-by-the-Sea that much more enjoyable. These extra volunteers will allow the Chamber to take the Visitor Center to the streets of Carmel-by-the-Sea, as weather and resources permit. The goal is to support visitors on the street with a smile, provide helpful advice, local fun facts, and drive business to members. A pilot of the program began week of April 17th and received positive feedback from visitors, residents, and

businesses.

In addition to Visitor Services the Chamber fields calls from locals and second homeowners looking for services for repairs, tree services, construction, and more. The Chamber maintains an extensive list of City numbers and contacts, local contractors, architects, local services, and more.

In addition, the Chamber is often the first point of call for inquiries into setting up and operating businesses in Carmel-by-the-Sea. The Chamber has funded all these services with minimal costs and maximum benefit to the city. Given the uncertain times and challenging first quarter, it is important, now more than ever, to have a strong Chamber with a strong visitor support structure.

The Chamber has used its marketing communications vehicles during the recent winter storms to communicate travel updates, road closures, evacuation points, and other emergency services. The Chamber has taken on the task of gathering critical information from around the Peninsula for a single voice reaching over 4,000 email subscribers and 8,000 over social media. The Chamber has been commended by many businesses, visitors, and locals for gathering all this data in one place. Carmel Residence Association, Carmel Woman's Club, and other organizations await the chamber's communication ready to reshare to its members. The Chamber has stepped up to support some of the communication needs given that there is not a communications person currently with the City.

This Earth Day in April was Carmel's first, a partnership between the City and the Chamber. The Chamber has been supporting the structure of the event and the communication plan to attract maximum attendance. The Chamber is working on getting state representatives to attend the event raising its profile.

The Leadership Carmel program is subsidized by the Chamber and the Chamber's foundation. This service provides important leadership training opportunities for our community. The current class has a member from both the City and the Carmel Police Dept. The Police have seen such a benefit in this program that they are committed to having an officer in future classes.

The Chamber organizes and runs several events throughout the year, one of the bigger events being "Taste of Carmel". This event brings together locals and attracts visitors, promoting local Carmel-by-the-Sea restaurants and wineries that have tasting rooms in the Carmel-by-the-Sea. Not only does the event drive tourism, but in 2022 it contributed a portion of the proceeds from the "Hearts of Carmel" to the Carmel Foundation. The funds were specifically earmarked for the subsidized meals program for seniors that served over 22,000 meals to older adults in 2022.

Our tourism stats for the first quarter of 2023 were not as bad as we expected considering weather and economic conditions. Walk-ins for the first quarter of 2023 were 2,988 vs 3,297 2022, a drop of approximately 10%.

Phone enquires for the first quarter were roughly 650, flat to last year. This would have likely been a decline if not for the requests due to adverse weather conditions.

As you are aware the Chamber is a 501(c)6 nonprofit organization that operates as a small business. Our services continue to contribute to visitor satisfaction by providing access to helpful volunteers who are local experts that drive spending during the visitors' stay by promoting experiences, restaurant recommendations, and services. Our staff and volunteers are

here to support our guests during their stay. The Visitor Center is a place guests to Carmel-by-the-Sea know they can go to get advice and support. Our staff and volunteers love sharing their lifelong experiences of the city with our guests, helping them feel more like a local than a visitor. These experiences often lead to longer stays and/or repeat visits and help to maximize the investment visitors make in our community during their stay. Our volunteers go on bi-weekly training/on-site visits to local businesses to learn what they offer and experience it first-hand so they can best represent these establishments.

The Chamber is not just an organization that represents the Visitor Center and businesses. It is an organization that is an integral part of the community, a partner to the City of Carmel-by-the-Sea, a source of information in times of need, an investor in leadership, a contributor to local foundations that support our people, and much more. The Carmel Chamber of Commerce was recognized by the Monterey Herald Readers' Choice Award as one of the 2022 winners of the "Best Members Organization for Businesses". The Chamber came in 2nd with the Monterey Peninsula Chamber of Commerce coming in 3rd. A recognition of its readers on the contributions our Chamber makes every day.

For 2023-2024 fiscal year, we propose a service contract between the City of Carmel-by-the-Sea and the Carmel Chamber of Commerce that reflects the contribution and service it provides to our visitors, the City, and our community. We therefore respectfully request \$120,000 for the FY 2023-2024 budget returning the level of funding back to 2016 budget year. This increased level of support will allow the Chamber to maintain the high level of personalized information services our visitors expect and continue its role of giving back.

Thank you for your consideration. We look forward to continued success in our partnership with the City of Carmel-by-the-Sea.

Sincerely,



Sygale R. Lomas
2023 Chair, Board of Directors
Carmel Chamber of Commerce



Lance Wills
Interim Executive Director
Carmel Chamber of Commerce

April 20, 2023

RE: FY2023-2024 Jurisdiction Investment Partnership Proposal

Mr. Chip Rerig, City Administrator
City of Carmel-by-the-Sea
PO Box CC
Carmel, CA 93921

Dear Chip,

Throughout the COVID pandemic, we have worked together in innovative ways to survive the crisis and maintain the tourism economy that supports TOT, sales tax, employment, and overall quality of life for residents. In the coming Fiscal Year, we're poised to look further out and with MCCVB's long-term strategic roadmap, which members of your community participated in, not only to survive but to thrive.

We propose to continue our partnership which will significantly expand in the coming year. The Jurisdiction Investment Partnership in MCCVB's FY2023-24 business development and marketing plans for Carmel-by-the-Sea include but are not limited to:

- *Developing and Implementing Strategic Leisure Marketing* – MCCVB will continue to build awareness and familiarity of Monterey County as a premiere destination with regional and national marketing campaigns that inspire longer stays and generate additional visitor spending **which incrementally increase the City's TOT and sales tax revenues.**
- *Generating Meeting and Conference Business Opportunities* – MCCVB will continue generating and distributing leads for potential group business and dedicating advertising/marketing budget specific to group business.
- *Participation in new destination rebranding program* – MCCVB is conducting a strategic rebrand that will roll out in Fall 2023.
- *Free membership* – for hospitality related businesses in Carmel-by-the-Sea and opportunities for these businesses to participate in MCCVB promotional programs.
- *Responsible / Sustainable travel* – MCCVB will continue to and further emphasize the need for low-impact, respectful travel behavior to protect our destination
- *Inclusion in targeted Public Relations* – MCCVB will generate press releases, coordinate media opportunities with journalists and social media influencers.
- *International Marketing Strategies* – while this visitor segment is the slowest to return, it represents one of the most valuable traveler categories and we're ramping up our initiatives in alignment with the opportunities.
- *Providing Financial, Data Analytics and Research* – MCCVB will provide the City as requested with and collaborate on financial and industry related data analytics that will assist the City in strategic planning and financial forecasting.

For reference on the value of this partnership, I've attached the latest Jurisdiction Investment Report.

As you know, we developed a Strategic Plan that guides our organization's business plans and budget priorities through the next five years and beyond. To support that plan, we respectfully propose that the City be equally strategic and aggressive with its investment in our destination's recovery.

The City's Jurisdiction Investment Partnership level is based on the following:

- Formula of 3% of total TOT collections currently projected at \$8,120,618 for FY2023-24 Fiscal Year which would equate to an investment of approximately \$243,619
- Requesting an invest-as-we-go payment model; this model is being used by several other cities and results in the investment being based on actual TOT revenues as collected.

Your City's Jurisdiction Investment Partnership is leveraged with the investments from other jurisdictions and the Monterey County Tourism Improvement District assessment from the hotel community. Together this creates a robust destination marketing program that is developed collaboratively and implemented with the highest level of integrity and best practices known. Together we can compete for hospitality market share and ensure that the tourism industry in Monterey County remains strong and sustainable.

I hope to speak again soon to finalize the details of our FY2023-24 agreement.

Sincerely,



Rob O'Keefe
President and CEO
Monterey County Conventions & Visitors Bureau

cc: Amy Herzog, MCCVB Board of Directors
Amrish Patel, MCCVB Board Chair Elect



Fiscal Year 2023-2024

RECOMMENDED BUDGET

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

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INTRODUCTION

RECOMMENDED BUDGET MESSAGE

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

The Fiscal Year 2023-2024 (“FY 23-24”) recommended budget is submitted for your consideration and tentative adoption on June 6, 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 been through a magnitude of challenges including a series of severe winter storms that absorbed a profound amount of our capacity. Throughout, the City’s dedicated staff, volunteer groups and the community at large rallied 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 objects 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 23-24 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 rising interest rates, the fallout from the global pandemic, market distress, and volatility in financial markets. This has resulted in a decrease in revenue for many businesses and organizations, and we must be prepared for potential impacts on our own financial situation.

At the national level, we saw the noteworthy second largest bank failure in our Country’s history and other factors that are, in many ways, consistent with what one would expect in a typical economic debt cycle; with credit card debt soaring 19% in the last quarter alone, for example. We have also seen significant declines in personal savings which collapsed following the end of federal stimulus programs which 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. During this period, the nation has benefited from some of the most extraordinary expansionary monetary policy ever conducted, with interest rates held near zero and concurrent investments tracking.

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.

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 tourism industry was impacted by the pandemic, resulting in a decrease in revenue for our county, although the City's three major sources (Property Tax, Sales and Use Tax and Transient Occupancy Tax) of General Fund revenue are flattening with decreased occupancy in our hotels and uncertainty about travel patterns impacting two of these three major revenue pillars.

As I said, the factors identified above may reflect a monetary tightening that could impact the City's revenue pillars. 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 without sacrificing essential services, as well as we begin to explore the need for additional sources of revenue to maintain our financial stability.

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 and community character. We are fortunate to have 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 exceeds \$10,000,000. Using this amount will virtually eliminate our current fund balance.

STAFFING

At this time, I am not proposing any increase in our number of staff. That said, I have considered increasing Library staffing and propose to readdress this issue during mid-year budget review as we get a better sense of potential impacts on our local economic situation. The Library has been and continues to be a treasured community resource, which has been busier than ever, as the pandemic begins to wane. As Library usage and community demands for service continue to increase, including Saturday hours, it is important that staffing be able to match that demand. The Library continues to make judicious use of part-time staff, and an increase in the part-time staff budget at mid-year would ensure that the Library meets community needs, whether that be additional programs, additional hours, or both.

I will continue to carefully consider whether to fill future vacancies, and return to the City Council to discuss operational needs as they may change.

CAPITAL IMPROVEMENTS AND MAINTENANCE

On April 5, 2023 and, again on May 2, 2023, the City Council directed carry-over funding in a total amount of \$8,088,000 for our Capital Improvements Program (CIP).

Council also directed that we proceed with sixteen additional Capital Improvement Projects for FY 23-24 for a total of \$2,828,000.

The combined total CIP investment for carry-over plus new projects would be \$10,916,000 – 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, and protection and preservation of the natural environment. More generally, the FY 23-24 budget recognizes the importance of investing our “green” infrastructure, and includes funding for

renovating our police station, Library Master planning, and improvements at Sunset Center and other City facilities.

Vehicle & Equipment Fund

The total vehicle acquisition costs are approximately \$3,000,000, and the City's 10% reserve target is being implemented beginning in FY 24-25 for \$304,000. Currently, the Vehicle & Equipment Fund balance is \$366,000, and therefore, no additional funds are being budgeted for FY 23-24. We will continue to increase this Fund as vehicles continue to depreciate.

FISCAL YEAR 23/24 BUDGET AT A GLANCE

FY23-24 Recommended Revenue	\$30,509,352
General Fund Operating Expenditures	26,301,739
Debt Service	528,044
Pension Mitigation / Unfunded Liability	3,007,732
Capital Outlay	10,916,100
Workers Compensation	90,000
FY23-24 Recommended Expenditures	\$40,843,615
Revenues Over (Under)	(10,334,263)
Use of Fund Balance	10,334,263

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.

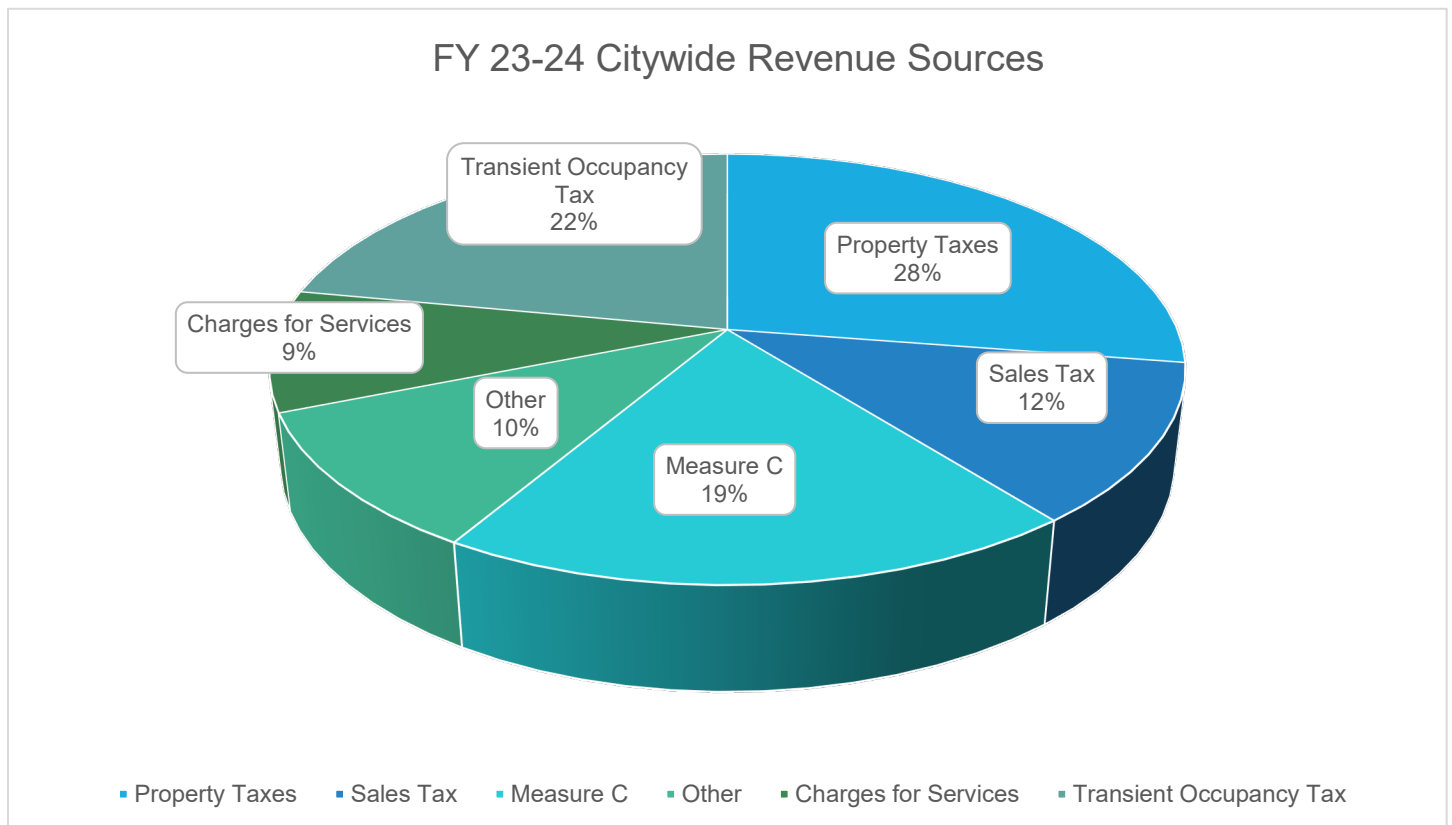
My profound thanks to my department heads, and especially our Finance Division team, for developing a budget that is realistic given the realities that we are facing. I look forward to Council's leadership and guidance as we balance fiscal sustainability with the need to fund projects and services for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

Respectfully submitted,

Chip Rerig
City Administrator

REVENUE

The FY 23-24 Recommended Budget includes \$30.9 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 have overtaken over Property Tax as the largest City revenue source. This shift reveals the importance and impact of the voter approved of Measure C in 2020. With the occurrence of the pandemic, the benefits of the Measure C revenues began to emerge in FY21-22 and mature fully in this budget. Property Tax reflects its customary stable growth accounting for 28% of the budgeted revenue. Coming off of a slower year, Hotel Tax (TOT) holds at 22% of budgeted revenue, followed by Other revenues and Charges for Services at 19%, a decrease over prior FY 21-22.



Source	Recommended Budget
Property Taxes	\$8,493,132
Sales Tax	3,679,421
Measure C	5,926,532
Other	3,210,017
Charges for Services	2,817,393
Transient Occupancy Tax	6,801,007
Total	\$ 30,927,502

REVENUE

Property taxes are estimated at \$8.5 million reflecting a 2% projected growth over prior year amended budget. The City's portion of the Sales Tax is \$3.7 million and Measure C \$5.9 million, or 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. In the midst of COVID-19, it provided a financial lifeline allowing for the continuance of core services. Measure C continues to play significantly in seeding both operational and capital needs. Sales Tax has fared well also. This FY 23-24 Recommended Budget projects slowing of Measure C and Sales Tax trends as consumers are recovering after post-COVID overspending.

Transient Occupancy Tax ("TOT") at 10% of the rent charged by a hostelry operator, has slowed over prior year's high. Recommended at \$6.8 million, TOT accounts for 22% of revenues, unchanged over FY 22-23. 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 \$2.8 million, or 9% 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 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Estimated Actual	FY 23-24 Budget
Property Taxes	\$6,690,947	\$7,389,656	\$7,694,722	\$8,135,188	\$8,493,132
Sales Tax	\$2,154,961	3,020,937	\$3,626,263	\$3,653,760	\$3,679,421
Measure C	\$2,611,802	4,007,104	\$5,970,464	\$5,865,000	\$5,926,532
TOT	\$5,115,271	5,339,285	\$7,787,643	\$8,038,940	\$6,801,007

REVENUE

This time last year, as shown in Table 1, Estimated Performance and Recommended Budget for Major Revenue Sources, the City was enjoying a notable recovery from COVID after seeing a 26% drop in Hotel Tax and 17% drop in Sales Tax. Now that the economy is recovering from overspending, projecting future trends presents challenges.

Over the last few months, slight inflation improvements materialized in various industries, however real change has yet to take hold. Nevertheless, consumer spending remained relatively strong through the holiday season. Experts vary on whether a recession will occur and to what extent. Unemployment does reflect a slowdown in taxable merchandise spending to 0.4% in FY 23-24 as the higher cost of utilities, food and other necessities limit dollars available for discretionary and non-essential items.

As we project Sales Tax and Measure C, we remain conservative and vigilant to the current trends. The dilemma facing us is deciphering if the activity experienced in FY 22-23 as a result of “pent-up demand” will now be replaced with a longer-term change in travel and buying habits as consumers pull back on spending. We remain fully aware that unknowns still exist, whether consumer patterns will settle, and headwinds are in play to be managed. We recognize the economic strains of continued supply chain disruption, rising inflation rates, increased fuel prices and interest rates and their effects on consumer spending patterns. Lastly, geopolitical tensions loom worryingly on our minds. Hence, we have compiled the FY 23-24 Recommended Budget carefully and conservatively. We project a slowing of sales tax activity in the coming year with the City’s Sales Tax coming in at \$3.7 million and Measure C \$5.9 million in line with current year estimates based on Statewide sales tax trends.

TOT is trending at \$8.0 million for FY 22-23, 3% or \$250,000 above the prior year actual collections. Last fiscal year, TOT grew 31% or \$1.6 million. The FY 23-24 Recommended Budget assumes continued slowing as world travel slows to pre-COVID levels. For the reasons noted above, we remain guarded in our projections.

Property taxes, which includes secured, unsecured, unitary and property transfer tax, can be relied on to be stable. At the end of this current fiscal year, we anticipate to reach a level of \$8.4 million.

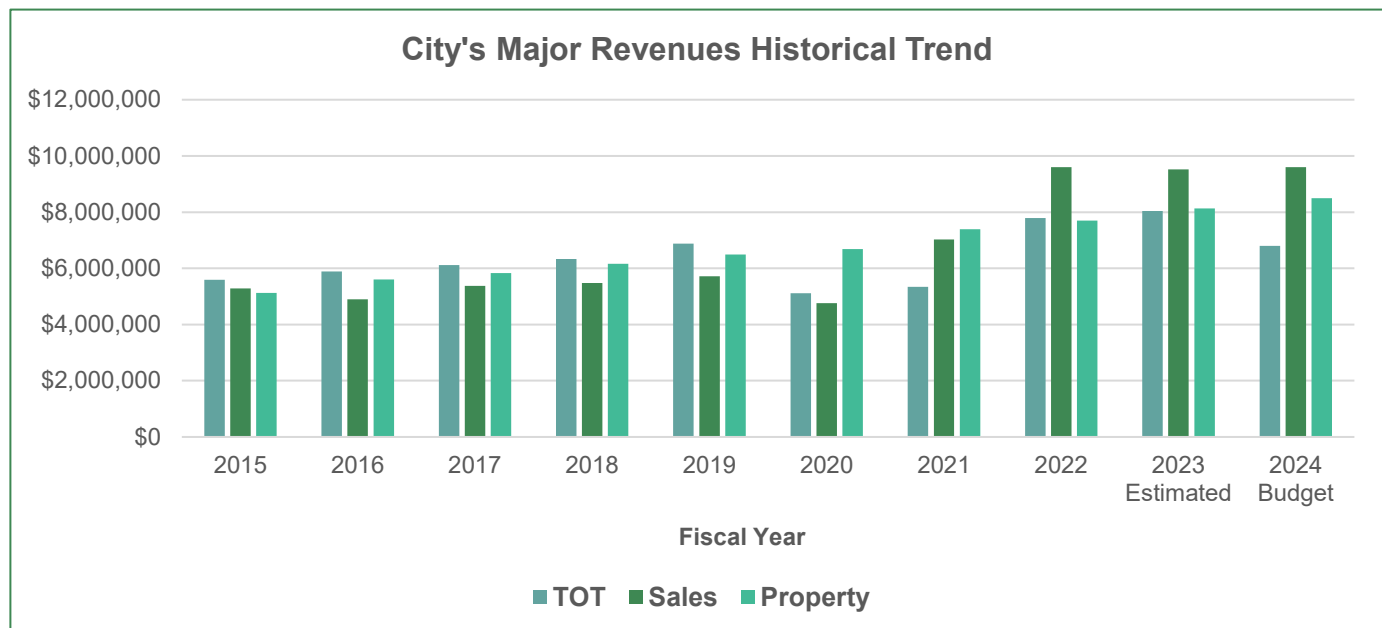
The FY 23-24 Recommended Budget projects Property Tax at a total amount of \$8.4 million, made up primarily of \$7.8 million in secured property tax. National economic reports uniformly indicate that despite the drop-off in sales, housing supply in the state remains constrained. Tight housing supply will have two consequences. First, when interest rates begin to fall, the consequent increase in buyers may again place an upward pressure on housing prices. Second, while prices can and may go lower, there is not enough supply in the market to provide the type of overhang that could lead to acute price declines. This budget conservatively projects growth yet remains confident in the stability of Carmel’s property tax performance.

REVENUE

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
2015	\$5,593,689	\$5,280,418	\$5,127,974
2016	\$5,890,538	\$4,897,325	\$5,598,743
2017	\$6,112,347	\$5,373,800	\$5,825,889
2018	\$6,329,074	\$5,476,123	\$6,163,959
2019	\$6,882,015	\$5,719,521	\$6,496,558
2020	\$5,115,277	\$4,766,313	\$6,690,948
2021	\$5,339,291	\$7,028,041	\$7,389,657
2022	\$7,787,643	\$9,596,727	\$7,694,722
2023 Estimated	\$8,038,940	\$9,518,760	\$8,135,188
2024 Budget	\$6,801,007	\$9,605,953	\$8,493,132

*Combination of Bradley Burns & Measure C 1.5%

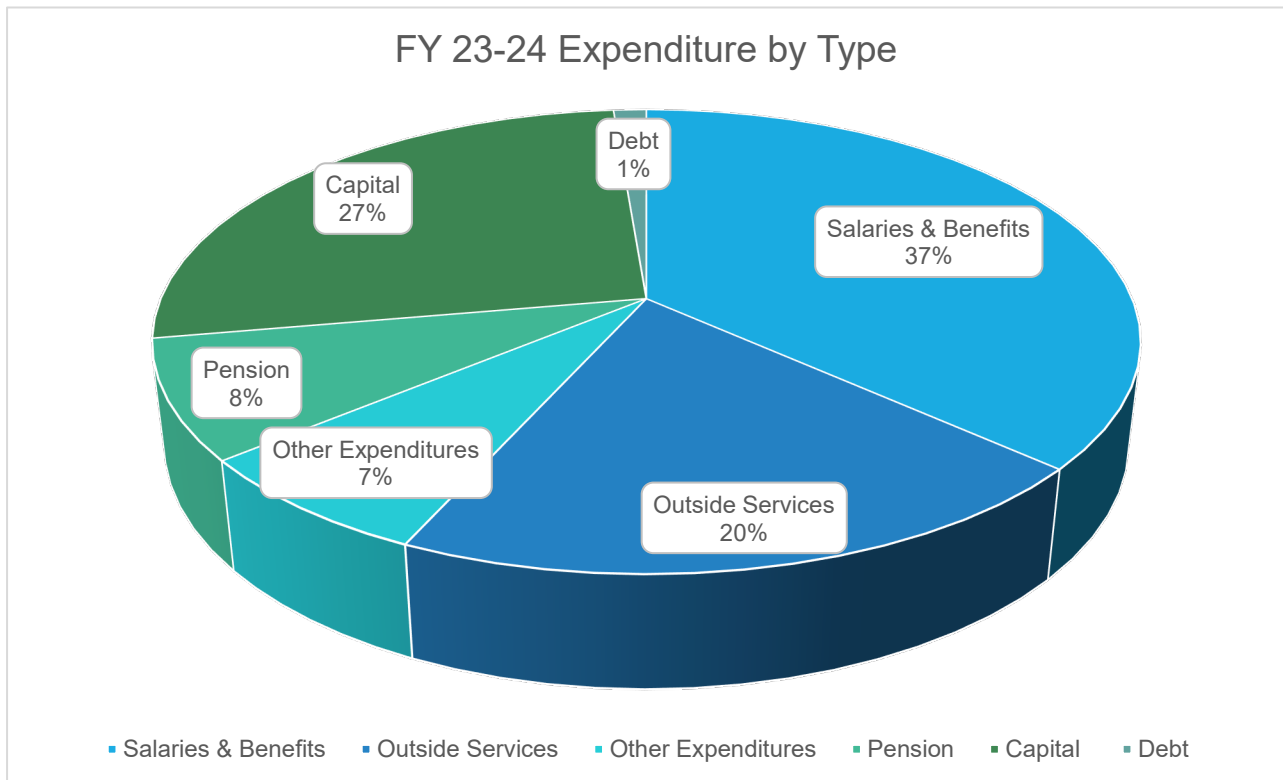


EXPENDITURES

The FY 23-24 Recommended Budget totals \$40.9 million, which consists of the following:

- Operating Budget, or General Fund, totals \$29.4 million, or 72%, of the citywide budget;
- Debt service totals \$528,044, or 1%, of the citywide budget;
- Capital totals \$10.9 million, or 27% of the citywide budget.

The Operating Budget consists of the City departments and services. Debt is based upon required payments toward various bonds issued by the City or by other governmental agencies on behalf of the City. As shown in the chart below, *FY 23-24 Expenditure by Type*, the FY 23-24 Budget includes the Operating Budget and Debt Service. The Operating Budget is further categorized by type of expenditure including salaries and benefits, outside services, and other expenditures as explained below.



Type of Expenditure	Budget	% of Budget
Salaries & Benefits	\$ 15,114,209	37%
Outside Services	\$ 8,308,496	20%
Other Expenditures	\$ 2,978,747	7%
Pension	\$ 3,007,732	8%
Capital Outlay	\$ 10,916,100	27%
Debt Service	\$ 528,044	1%
Total	\$40,853,328	100%

EXPENDITURES

The City's largest expenditure is related to the cost of personnel. Salaries and benefits total \$15.1 million and account for 37% of the citywide budget. Capital Outlay is the second largest type of expenditure at \$10.9 million, or 27% 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 (\$2.9 million); support for the operations of the Sunset Center and other marketing activities (\$1.1 million); legal services (\$517,000); tree care and landscape maintenance (\$798,000) and janitorial service (\$272,000).

Other expenditures total \$3.0 million and account for 7% 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 (\$813,000) and expenses such as public works materials and supplies, telecommunications, fuel, training and conferences, vehicle maintenance, medical and safety supplies and printing and postage.

Pension expenses total \$3.0 million, or 7%, of the budget and include the annual required unfunded pension liability (\$2.0 million) and annual funding of the City's Section 115 trust (\$1.0 million) for pension mitigation.

The citywide budget is rounded out with Capital Outlay (\$10.9 million) accounting for 27% and Debt Service (\$528,044) accounting for 1% of the citywide budget.



EXPENDITURES

Another way to view operating expenditures is by function, as depicted in the “FY 23-24 Expenditures by Function” illustration. Capital Outlay makes up 27% of operating expenditures. The public safety functions of Ambulance, Fire and Police make up 26% of the budget. The Public Works Department is the next largest operating expenditure at 13% followed by Citywide at 11% 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 13% of the Operating Budget.

FY 23-24 Expenditures by Function



Expenditures	Budget	Percentage
Administration	\$ 3,228,316	8%
Citywide	\$ 4,330,403	11%
Council	\$ 197,202	1%
Legal	\$ 517,000	1%
Planning	\$ 2,224,559	5%
Ambulance	\$ 1,791,600	4%
Fire	\$ 3,110,739	8%
Police	\$ 5,782,419	14%
Marketing	\$ 384,030	1%
Sunset Center	\$ 750,000	2%
Library/Community Activities	\$ 1,593,703	4%
Community Activities	\$ -	0%
Public Works	\$ 5,409,213	13%
Operating Budget	\$ 29,319,184	72%
Debt	\$ 528,044	1%
Capital	\$ 10,916,100	27%
Workers Comp	\$ 90,000	0%
Total	\$40,853,328	100%

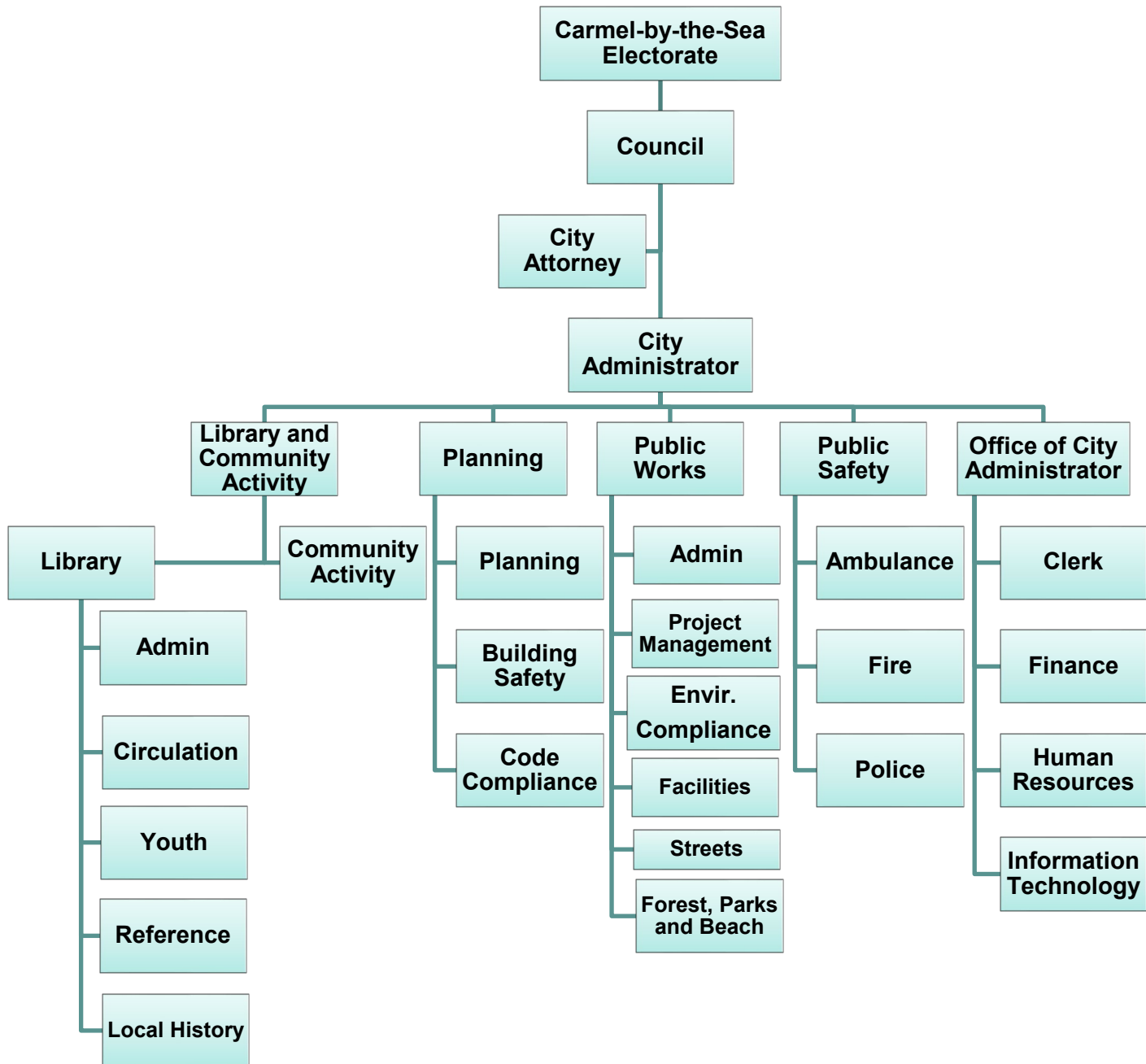
FY 23/24 AUTHORIZED POSITIONS

Department and Title	FY 22/23 Adopted	FY 23/24 Recommended	FY 23/24 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	1.00	0.50	(0.50)
Administrative Analyst	1.00	1.00	0.00
City Clerk	1.00	1.00	0.00
Director of Budgets and Contracts	0.00	0.00	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
Hourly HelpDesk Technician	0.00	0.00	0.00
Finance Specialist	1.00	1.50	0.50
Accountant	1.00	1.00	0.00
Retired Annuitant-Extra Help (480 hrs)	0.23	0.23	0.00
Finance Analyst	1.00	1.00	0.00
Administration Total	12.23	12.23	0.00
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	1.00	0.00
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	3.00	0.00
Hourly Library Assistant	2.00	2.00	0.00
Executive Assistant	0.50	0.50	0.00
Library Total	12.50	12.50	0.00
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	1.00	0.00
Community Planning & Building Total	11.00	11.00	0.00

FY 23/24 AUTHORIZED POSITIONS

Department and Title	FY 22/23 Adopted	FY 23/24 Recommended	FY 23/24 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
Administrative Technician	1.00	0.00	(1.00)
Maintenance Worker I/II	8.00	7.00	(1.00)
Public Works Superintendent	1.00	1.00	0.00
Maintenance Worker III	1.00	2.00	1.00
Street Supervisor	1.00	1.00	0.00
Project Manager	1.00	1.00	0.00
Facilities Maintenance Supervisor	1.00	1.00	0.00
Facility Maintenance Specialist	1.00	1.00	0.00
Natural Resources Manager	1.00	1.00	0.00
City Forester	1.00	1.00	0.00
Administrative Analyst	1.00	2.00	1.00
Tree Climber & Care Specialist	1.00	1.00	0.00
Public Works Total	22.00	22.00	0.00
Police			
Community Services Officer	1.0	1.0	0.0
Community Services Officer/Animal Control	1.0	1.0	0.0
Community Services Officer - 2 year limited term *	2.0	2.0	0.0
Corporal	2.0	2.0	0.0
Police Commander	1.0	1.0	0.0
Police Officer	5.0	5.0	0.0
Police Officer/Detective	1.0	1.0	0.0
Police Officer/FTO	2.0	2.0	0.0
Police Services Officer	6.0	6.0	0.0
Police/Patrol Officer	1.0	1.0	0.0
Police Officer- 2 year limited term*	1.0	1.0	0.0
Public Safety Director	1.0	1.0	0.0
Sergeant	2.0	2.0	0.0
Administrative Coordinator	0.00	0.00	0.00
Police Total	26.00	26.00	0.00
Ambulance			
Paramedic/Firefighters	6.00	6.00	0.00
Ambulance Total	6.00	6.00	0.00
	FY 22/23 Adopted	FY 23/24 Recommended	FY 23/24 Change
Citywide Total Funded Positions	96.23	96.23	0.00
* 2 year limited term ends June 30, 2024			

ORGANIZATIONAL CHART



GENERAL FUND (101)

OPERATING BUDGET
(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 Priorities

- Continued oversight of the implementation of the strategic plan and updating of City priorities.
- Continue to respond to any forthcoming State legislation that undermines local control, especially as it relates to local land-use decisions.

Budget Summary and Service Impacts

- \$30,000 is budgeted as a place holder for the Council discretionary grant program and will be adjusted accordingly, pending Council direction.



CITY COUNCIL

City Council				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-110-00-41008	Salaries -Elected	9,600	9,600	9,600
101-110-00-41101	Retirement	80	81	80
101-110-00-41104	Health Insurance	36,899	36,707	36,210
101-110-00-41105	Social Security	484	446	484
101-110-00-41106	Medicare	139	139	139
101-110-00-41108	Worker's Comp	850	389	133
Salaries & Benefits Subtotal		\$48,052	\$47,363	\$46,646
101-110-00-42005	Community Promotions	78,720	78,720	92,760
101-110-00-42007	Regional Memberships	47,655	47,912	48,996
101-110-00-42101	Office Supplies	450	450	450
101-110-00-42302	Conferences & Meetings	8,350	8,350	8,350
Services & Supplies Subtotal		\$135,175	\$135,432	\$150,556
Total		\$183,227	\$182,795	\$197,202

Regional Memberships				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-110-00-42007	Transportation Agency of Monterey County	\$1,295	\$1,274	\$1,295
101-110-00-42007	Association of Monterey Bay Area Governr	3,825	3,890	3,950
101-110-00-42007	Monterey Peninsula Chamber of Commer	775	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	1,521	1,900
101-110-00-42007	League of CA Cities	3,380	2,786	3,380
101-110-00-42007	League of CA Cities- Monterey Bay Divisio	165	300	300
101-110-00-42007	LAFCo	15,840	16,796	16,796
101-110-00-42007	Community Human Services	17,625	17,625	17,625
101-110-00-42007	CoastWalks/Coastal Trail Association	300	300	300
101-110-00-42007	Carmel Chamber of Commerce	475	445	475
Total		\$47,655	\$47,912	\$48,996

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 23-24 contract services budget totals \$442,000 and consists of \$360,000 for general legal services (a return to pre-pandemic budget level) and \$75,000 for other specialized legal assistance from the City's attorney office, including labor negotiations and personnel. The budget total also includes \$7,000 for the City's attorney's annual performance evaluation.
- \$75,000 is budgeted for supplementary specialized legal costs, such as wireless communications, and will be reflected in a separate line item. This is a change from prior fiscal years and will help isolate legal costs incurred separately from the City Attorney's office.

City Attorney				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-112-00-42001	Contract Services	435,000	181,916	442,000
101-112-00-42004	Legal Costs	75,000	76,513	75,000
Total		\$510,000	\$258,429	\$517,000

ADMINISTRATION

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

2022-2023 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.
- Implemented the newly structured mail home delivery program.
- Implemented digital signatures, continued efforts for digital storage of records, responded to requests for records.

2023-2024 Priorities

- Continue to oversee the City's response to COVID-19 to ensure the safe delivery of City services.
- Explore service delivery alternatives and other options to enhance revenue as directed by Council.
- Continue hiring of staff.

Administration Budget Summary and Service Impacts

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. Funding for the City Administrator's lunches with staff is now separately reflected under Employee Appreciation.



ADMINISTRATION

Office the City Administrator				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-00-41001	Salaries	\$1,616,020	\$1,246,459	\$1,725,992
101-111-00-41003	Salaries -Part time	36,806	11,342	36,806
101-111-00-41005	Overtime	-	3,764	-
101-111-00-41101	Retirement	93,767	70,803	95,751
101-111-00-41103	Deferred Compensation	48,972	40,143	45,363
101-111-00-41104	Health Insurance	257,888	160,027	294,986
101-111-00-41105	Social Security	-	135	-
101-111-00-41106	Medicare	23,966	17,667	25,560
101-111-00-41107	LTD/STD/Life	1,717	1,256	1,823
101-111-00-41108	Worker's Comp	25,935	29,358	34,130
101-111-00-41109	Benefits-MOU Obligations	4,160	6,395	10,400
Salaries & Benefits Subtotal		\$2,109,231	\$1,587,349	\$2,270,811
101-111-00-42001	Contract Services	\$309,330	\$460,808	\$304,650
101-111-00-42002	Recruiting Services	90,210	30,000	41,100
101-111-00-42003	Auditing Services	48,500	48,500	51,650
101-111-00-42006	Records Management	5,000	4,000	6,000
101-111-00-42009	Advertising and Legal Notices	20,000	19,000	22,000
101-111-00-42015	Other Services	12,000	12,000	12,000
101-111-00-42101	Office Supplies	9,750	10,069	9,325
101-111-00-42102	Publications & Subscriptions	148,335	147,447	250,210
101-111-00-42106	Small Tools and Equipment	7,350	7,350	18,000
101-111-00-42202	Equipment Maintenance	8,500	8,500	42,500
101-111-00-42301	Training & Education	11,750	5,400	10,400
101-111-00-42302	Conferences & Meetings	6,395	5,100	9,200
101-111-00-42304	Dues & Memberships	3,175	2,490	3,970
101-111-00-42305	Mileage Reimbursement	50	-	50
101-111-00-42306	Employee Programs	3,950	3,626	2,950
101-111-00-42307	Employee Appreciation	20,700	7,084	20,700
101-111-00-42403	Printing	6,600	8,359	8,100
101-111-00-42404	Shipping/Postage/Freight	11,950	11,800	11,700
101-111-00-42405	Telephone & Communications	80,000	80,000	80,000
101-111-00-42406	Bank & Merchant Fees	19,000	17,004	18,000
101-111-00-42407	Computer Non Capital	25,000	25,000	32,000
101-111-00-42410	Pre-employment Costs	9,000	4,000	3,000
Services & Supplies Subtotal		\$856,545	\$917,537	\$957,505
Total		\$2,965,776	\$2,504,886	\$3,228,316

ADMINISTRATION

Administration				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-10-42001	Contract Services	\$141,550	\$141,550	\$147,050
101-111-10-42015	Other Services	12,000	12,000	12,000
101-111-10-42101	Office Supplies	5,250	5,250	6,375
101-111-10-42102	Publications & Subscriptions	150	150	150
101-111-10-42302	Conferences & Meetings	1,200	1,200	2,400
101-111-10-42304	Dues & Memberships	1,350	1,350	1,350
101-111-10-42307	Employee Appreciation	1,200	2,584	1,200
101-111-10-42403	Printing	100	100	100
101-111-10-42404	Shipping/Postage/Freight	11,500	11,500	11,500
Services & Supplies Subtotal		\$174,300	\$175,684	\$182,125

CLERK DESCRIPTION

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

City Clerk				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-11-42001	Contract Services	\$46,080	\$52,530	\$39,600
101-111-11-42006	Records Management	5,000	4,000	6,000
101-111-11-42009	Advertising and Legal Notice	15,000	14,000	15,000
101-111-11-42101	Office Supplies	-	319	-
101-111-11-42302	Conferences & Meetings	2,000	500	2,000
101-111-11-42304	Dues & Memberships	260	260	385
101-111-11-42403	Printing	5,000	5,000	5,000
Services & Supplies Subtotal		\$73,340	\$76,609	\$67,985

ADMINISTRATION

FINANCE DESCRIPTION

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

Finance				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-12-42001	Contract Services	\$70,500	\$206,188	\$62,000
101-111-12-42003	Auditing Services	48,500	48,500	51,650
101-111-12-42101	Office Supplies	300	300	-
101-111-12-42102	Publications & Subscriptions	28,485	29,297	27,815
101-111-12-42301	Training & Education	750	900	900
101-111-12-42304	Dues & Memberships	635	-	635
101-111-12-42305	Mileage Reimbursement	50	-	50
101-111-12-42403	Printing	1,200	2,859	2,600
101-111-12-42406	Bank & Merchant Fees	19,000	17,004	18,000
Services & Supplies Subtotal		\$169,420	\$305,048	\$163,650

HUMAN RESOURCES DESCRIPTION

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

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.

ADMINISTRATION

HR

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-13-42001	Contract Services	\$6,000	\$15,340	\$8,000
101-111-13-42002	Recruiting Services	90,210	30,000	41,100
101-111-13-42009	Advertising & Legal Notice	5,000	5,000	7,000
101-111-13-42101	Office Supplies	700	700	450
101-111-13-42102	Publications & Subscriptions	6,700	5,000	6,000
101-111-13-42301	Training & Education	9,500	3,000	9,500
101-111-13-42302	Conferences & Meetings	2,595	2,800	4,800
101-111-13-42304	Dues & Memberships	800	750	1,600
101-111-13-42306	Employee Programs	3,950	3,626	2,950
101-111-13-42307	Employee Appreciation	19,500	4,500	19,500
101-111-13-42403	Printing	300	400	400
101-111-13-42404	Shipping/Freight/Postage	200	50	200
101-111-13-42410	Pre-employment Costs	9,000	4,000	3,000
Services & Supplies Subtotal		\$154,455	\$75,166	\$104,500

IT Description

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

IT

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-111-14-42001	Contract Services	\$45,200	\$45,200	\$48,000
101-111-14-42101	Office Supplies	3,500	3,500	2,500
101-111-14-42102	Publications & Subscriptions	113,000	113,000	216,245
101-111-14-42106	Small Tools and Equipment	7,350	7,350	18,000
101-111-14-42202	Equipment Maintenance	8,500	8,500	42,500
101-111-14-42301	Training & Education	1,500	1,500	-
101-111-14-42302	Conferences & Meetings	600	600	-
101-111-14-42304	Dues & Memberships	130	130	-
101-111-14-42404	Shipping/Postage/Freight	250	250	-
101-111-14-42405	Telephone and Communications	80,000	80,000	80,000
101-111-14-42407	Computer Non capital	25,000	25,000	32,000
Services & Supplies Subtotal		\$285,030	\$285,030	\$439,245

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 decreases by \$75,000, or 4%, in FY 23-24 compared to the FY 22-23 originally Adopted Budget. The FY22-23 lump sum payment was paid in July 2022 for a savings of \$69,000 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.
- The City's liability insurance premiums are budgeted to increase by \$50,000.
- The utility expenses for the Forest Theater are separated out for tracking purposes, as required by the new lease.

Non-Departmental			
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual
			FY23-24 Recommended
101-130-00-42501	Liability Insurance Premium	763,000	763,000
101-130-00-42503	PERS Unfunded Accrued Liability Payment	2,082,464	2,082,464
101-130-00-42503	Pension Mitigation Options	1,000,000	1,000,000
101-130-00-42504	Insurance Claims Paid	30,000	-
101-130-00-42505	Utilities	230,000	300,241
101-130-00-42506	Property Tax Assessments	83,755	94,024
101-130-00-42508	Unemployment Costs	15,000	-
101-130-00-42510	Retiree Health Share	79,980	32,343
101-130-00-42511	County Property Tax Admin Fees	74,335	74,335
101-130-00-42512	Forest Theater Utilities	10,000	10,000
Total		\$4,368,534	\$4,356,406
			\$4,343,802

MARKETING & 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 and remits these funds to Visit Carmel for marketing efforts to increase food and beverage sales within the City.

Another partner agency is the Carmel Chamber of Commerce, which operates 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".

ECONOMIC DEVELOPMENT

Budget Summary and Service Impacts

Visit Carmel has been budgeted funding in the amount of \$120,000 annually. Funding to MCCVB is \$204,030 equates to 3% of the FY23-24 transient occupancy tax revenue budget of \$6.8 million.

Marketing & Economic Development					
Account Number	Account Description	Details	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-122-00-42008	Mktg & Economic Dev	SCC- Sunset Center Operating Grant	750,000	750,000	750,000
101-122-00-42008	Mktg & Economic Dev	MCCVB	200,010	200,010	204,030
101-122-00-42008	Mktg & Economic Dev	Visit Carmel Carmel Chamber of Commerce	120,000	120,000	120,000
101-122-00-42008	Mktg & Economic Dev		60,000	60,000	60,000
Total			\$1,130,010	\$1,130,010	\$1,134,030



LIBRARY AND COMMUNITY ACTIVITIES

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

2022-2023 Workload Indicators / Performance Measures

- 13,138 reference and information questions were answered.
- 1,808 library cards were issued.
- 67,388 library items were circulated.
- 4,878 people attended library programs.
- 116,854 visits were made to the library.
- 9,623 log-ins were made to library wi-fi.
- 70,638 digital items (e-books, audios, magazines, films, music) were accessed.



2022-2023 Initiatives and Accomplishments

- Expanded library hours to 5 days a week.
- Completed the conversion of the collection to Radio Frequency Identification (RFID), including purchasing new self-checks to streamline the check-in/out process for both staff and patrons.
- Engaged an architect for the Library Master Plan.
- Began a rebranding project in partnership with the Carmel Public Library Foundation
- Added additional programming for Children of all ages and launched a small program series for adults.

2023-2024 Priorities

- Restore Saturday hours.
- Continue the implementation of the Library's Strategic Plan.

Budget Summary and Service Impacts

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

LIBRARY AND COMMUNITY ACTIVITIES

Library

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-120-00-41001	Salaries	800,482	607,969	796,461
101-120-00-41003	Salaries -Part time	122,007	65,676	228,106
101-120-00-41101	Retirement	43,673	34,470	46,077
101-120-00-41103	Deferred Compensation	8,700	12,399	15,000
101-120-00-41104	Health Insurance	91,987	74,291	129,079
101-120-00-41105	Social Security	7,564	3,986	11,142
101-120-00-41106	Medicare	13,376	9,570	14,856
101-120-00-41107	LTD/STD/Life	1,192	964	1,311
101-120-00-41108	Worker's Comp	18,990	21,656	25,204
101-120-00-41109	Benefits-MOU Obligations	16,120	12,535	16,640
Salaries & Benefits Subtotal		\$1,124,091	\$843,515	\$1,283,876
101-120-00-42001	Contract Services	5,530	5,530	5,530
Services & Supplies Subtotal		\$5,530	\$5,530	\$5,530
Total		\$1,129,621	\$849,045	\$1,289,406



LIBRARY AND COMMUNITY ACTIVITIES

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

The Community Activities department facilitates the weekly Farmers' Market, permitting for special events, beach events, and filming, the City's annual special events (Memorial Day, 4th of July, Sandcastle Contest, Pumpkin Roll, Halloween Parade, Veteran's Day, Homecrafters' Marketplace, and Holiday Menorah and Tree-lighting), and manages the Vista Lobos Community Room and the Scout House.

2022-2023 Workload Indicators/Performance Measures

- Planned and facilitated nine City special events.
- An estimated 5,000 people attended City Special Events.
- Issued 40 event, beach, and film permits.

2022-2023 Initiatives and Accomplishments

- Held first Community Group Fair as part of the Farmers' Market.
- Completed streamlining special event, beach, and film permit process.
- Began beta testing the 3rd Thursday initiative.

2023-2024 Priorities

- Explore ideas for new events.
- As part of the Community Activities Strategic Plan, implement a "Citizens Academy" to educate new community members and others interested in how to participate in the civic process in Carmel and acquaint them with all things City.
- Continue collaborating with local organizations like Sunset Center or the Monterey Pops on special events.

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.

LIBRARY AND COMMUNITY ACTIVITIES

Community Activities				
Account Number	Account Description	FY22-23 Amended	FY22-23 Estimated	FY23-24 Recommended
101-121-00-41001	Salaries	\$131,665	\$129,406	\$143,756
101-121-00-41101	Retirement	10,362	10,185	11,314
101-121-00-41103	Deferred Compensation	1,800	1,901	2,100
101-121-00-41104	Health Insurance	13,964	13,068	33,257
101-121-00-41105	Overtime	-		
101-121-00-41106	Medicare	1,909	1809.84	2,084
101-121-00-41107	LTD/STD/Life	195	173	195
101-121-00-41108	Worker's Comp	6,276	7,122	8,269
101-121-00-41109	Benefits-MOU Obligations	2,080	1964.52	2,080
Salaries & Benefits Subtotal		\$168,251	\$165,629	\$203,055
101-121-00-42001	Contract Services	\$39,220	\$39,220	\$35,975
101-121-00-42005	Community Promotions	19,500	19,500	56,567
101-121-00-42009	Advertising and Legal Notice	8,500	8,500	7,350
101-121-00-42101	Office Supplies	300	300	300
101-121-00-42403	Printing	2,500	2,500	1,050
Services & Supplies Subtotal		\$70,020	\$70,020	\$101,242
Total		\$238,271	\$235,649	\$304,297



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.

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

2022-2023 Initiatives and Accomplishments

- Adopted Phase 1 update of the City's Historic Context Statement to add the period from 1966 through 1986.
- Adopted an ordinance amending the City's regulations on timeshares.
- Completed the scanning/digitizing of physical property files. 100% of parcels have now been digitized and made available for viewing through the City's GIS map.
- Significant progress on an updated Wireless Ordinance, including robust public participation and complete redraft to 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: Implementing a fully online payment system, simplifying CPB's website portal, completing scanning/digitizing files, refreshing SOPs for the Building and Planning processes.
- Multiple community workshops and meetings for the Design Traditions 1.5 Project, culminating in the release of a first draft updates to the Commercial and Residential Guidelines.
- Completed housing feasibility study in accordance with State "SB 2", local "LEAP", regional "REAP" grants and began work in earnest on General Plan Housing Element update for completion by December, 2023.
- Implemented a 7-day per week code compliance program, with an emphasis on construction impacts, unpermitted work, and short-term rental enforcement.
- Purchased and rolled-out of two (2) residential electric vehicles for Planning, Building, and Code Compliance inspections.

COMMUNITY PLANNING AND BUILDING

2023-2024 Priorities

- Continued implementation of the CPB 2019 strategic plan, with a focus on customer service, technology, and streamlining processes.
- Adopt General Plan Housing Element and Safety Element updates by December, 2023 in accordance with State "SB 2", local "LEAP", regional "REAP" grants.
- Adopt Phase 2 (final phase) of the Historic Context Statement update.
- Adoption of: (1) updated Accessory Dwelling Unit Ordinance; (2) updated Wireless Ordinance.
- 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.
- 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

- Contract services include \$247,000 representing State, local and regional grants for housing studies and General Plan updates, \$40,000 for scanning rolled plans stored at Vista Lobos, and \$80,000 for the Phase 2 update of the Historic Context Statement.
- In an effort to continue professionalizing and growing the Community Planning and Building Department, the overall budget for training and education has been increased by approximately 25%.

Community Planning & Building				
Account Number	Account Description	FY22-23 Amended	FY22-23 Estimated	FY23-24 Recommended
101-115-00-41001	Salaries	\$1,220,334	\$1,111,852	\$1,298,806
101-115-00-41005	Overtime	-	5,174	3,452
101-115-00-41101	Retirement	60,815	50,183	63,654
101-115-00-41103	Deferred Compensation	8,100	8,617	9,900
101-115-00-41104	Health Insurance	225,775	216,607	276,527
101-115-00-41106	Medicare	17,694	15,472	18,832
101-115-00-41107	LTD/STD/Life	1,559	1,424	1,613
101-115-00-41108	Worker's Comp	19,183	21,727	25,245
101-115-00-41109	Benefits-MOU Obligations	18,720	17,354	18,720
Salaries & Benefits Subtotal		\$1,572,180	\$1,448,411	\$1,716,749
101-115-00-42001	Contract Services	\$603,400	\$291,702	\$468,400
101-115-00-42009	Advertising and Legal Notice	500	500	500
101-115-00-42101	Office Supplies	3,650	3,716	6,400
101-115-00-42102	Publications & Subscriptions	425	1,125	1,425
101-115-00-42104	Safety Equipment and Supplies	800	800	800
101-115-00-42107	Gas and Oil	480	474	250
101-115-00-42115	Other Supplies	7,600	14,213	2,900
101-115-00-42301	Training & Education	8,015	8,192	9,805
101-115-00-42302	Conferences & Meetings	3,350	1,377	8,350
101-115-00-42304	Dues & Memberships	4,480	2,199	7,980
101-115-00-42305	Mileage Reimbursement	150	-	-
101-115-00-42403	Printing	3,000	1,000	1,000
Services & Supplies Subtotal		\$635,850	\$325,298	\$507,810
Total		\$2,208,030	\$1,773,708	\$2,224,559

COMMUNITY PLANNING AND BUILDING

Community Planning & Building: Planning				
101-115-20-42001	Contract Services	\$489,600	\$196,702	\$367,600
101-115-20-42009	Advertising and Legal Notice	500	500	500
101-115-20-42101	Office Supplies	3,000	3,066	6,400
101-115-20-42102	Publications & Subscriptions	125	125	1,425
101-115-20-42104	Safety Equipment and Supplies	800	800	800
101-115-20-42115	Other Supplies	6,800	7,016	2,900
101-115-20-42301	Training & Education	4,325	4,325	5,325
101-115-20-42302	Conferences & Meetings	2,000	77	4,000
101-115-20-42304	Dues & Memberships	2,400	1,200	3,100
101-115-20-42305	Mileage Reimbursement	100	-	-
101-115-20-42403	Printing	3,000	1,000	1,000
Services & Supplies Subtotal		\$512,650	214,812	\$393,050

Community Planning & Building: Building				
101-115-21-42001	Contract Services	\$102,800	\$85,000	\$90,800
101-115-21-42101	Office Supplies	400	400	-
101-115-21-42102	Publications & Subscriptions	300	1,000	-
101-115-21-42107	Gas and Oil	480	474	250
101-115-21-42115	Other Supplies	500	7,000	-
101-115-21-42301	Training & Education	3,240	3,240	4,480
101-115-21-42302	Conferences & Meetings	350	500	3,350
101-115-21-42304	Dues & Memberships	2,080	599	2,080
101-115-21-42305	Mileage Reimbursement	50	-	-
Services & Supplies Subtotal		\$110,200	\$98,213	\$100,960

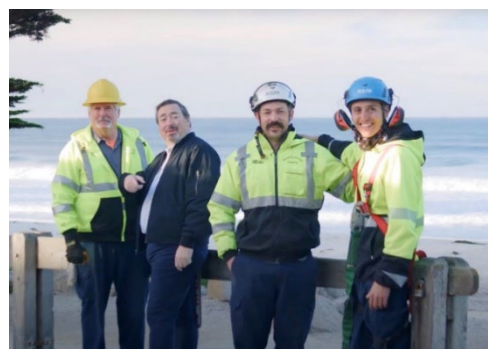
Community Planning & Building: Code Compliance				
101-115-22-42001	Contract Services	\$11,000	\$10,000	\$10,000
101-115-22-42101	Office Supplies	250	250	-
101-115-22-42107	Gas and Oil	300	196	-
101-115-22-42115	Other Supplies	450	627	-
101-115-22-42301	Training & Education	1,000	800	1,000
101-115-22-42302	Conferences & Meetings	-	400	2,800
Services & Supplies Subtotal		\$13,000	\$12,273	\$13,800

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

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 Monterey Regional Stormwater Management Program and ReGen Monterey TAC committees, manages sensitive projects in the North Dunes and MTNP, evaluates energy reduction initiatives, and coordinates with environmental, resiliency, and sustainability-focused partners.



Facilities Maintenance: maintains and repairs 15 City-owned buildings and facilities with 149,050 square feet, including six historic buildings nearly 100 years old, supports facility renovation capital improvement projects, oversees janitorial contract, obtains quotes and manages trade contractors, implements annual ADA project, and performs annual fire safety apparatus, generators, and backflow inspections.

Forestry, Parks and Beach: prepares reports and staffs 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 development applications, manages multiple on-call tree care and landscape maintenance service contractors, performs tree planting, pruning, and dead or unsafe tree removal services, and provides emergency response during storms.

Project Management: supplemented by project management, architectural and engineering consultants, implements planning, engineering, design, public bidding, and construction-oriented capital improvement projects, performs condition assessments, manages contractors, coordinates with utilities and other departments, checks grading, drainage, and street improvement plans, obtains permits, and prepares specifications, contract documents, and cost estimates.

Street Maintenance: supervises Public Works field personnel and allocates equipment and 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.

PUBLIC WORKS

2022-2023 Initiatives and Accomplishments

- Tracked incidents during significant storms in January and March 2023 and cleaned up.
- Launched the Coastal Engineering Study, which included a condition assessment of the shoreline infrastructure - a key Climate Adaptation Plan project.
- Updated Municipal Code Chapter 17 related to storm water requirements.
- For the Police Building renovation, supported the Council Ad Hoc Committee, prepared a Request for Proposal, selected an architect with expertise in police operations, and began a detailed facilities condition assessment and options evaluation.
- Prepared a Request for Proposal, Operations and Maintenance Agreement, and Site Lease for renovation, activities programming, and facility maintenance of the Scout House.
- Carmel Cares installed 800 native plants in the Forest Theater at no cost to the City.
- Awarded three, On-Call Tree Services Contracts covering the next three fiscal years.
- Awarded On-Call Landscape Maintenance Service Contract after a two-year gap.
- Designed, bid, and will complete construction of the City Hall Retaining Wall Repair Project.
- Completed design of 2 Mission Trails Nature Preserve projects: 3 Drainage Improvements for Stream Stability, and Well Abandonment and Tank and Pump House Removals.
- Substantially completed the design of six facility renovation projects for City Hall, Harrison Memorial Library, and Sunset Center.
- Updated the citywide Storm Drain Master Plan to reflect 20-year, rather than 10-year, storm events, to evaluate drainage improvements needed to adapt to climate change.
- Performed Pavement Condition Assessment and updated the StreetSaver Pavement Management System database.
- Performed building condition assessments for City Hall, Fire Station, Public Works, and Vista Lobos facilities.
- Purchased an electric street sweeper utilizing a \$250,000 rebate from 3CE.
- Held the inaugural Earth Day celebration, in conjunction with the annual Arbor Day event.



PUBLIC WORKS

2023-2024 Priorities

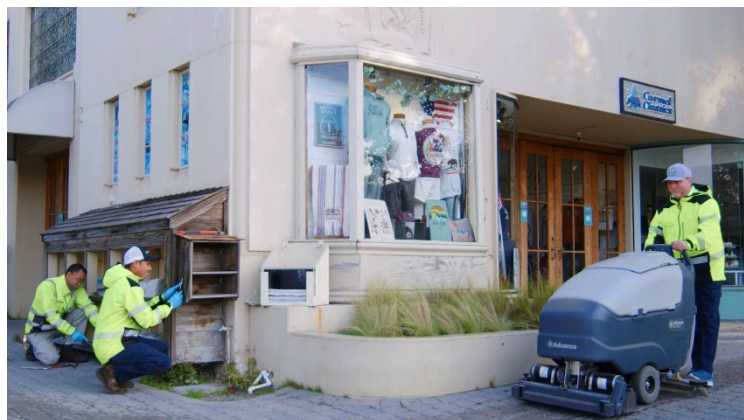
- Complete construction of the following Capital Improvement Projects:
 - MTNP – 3 Drainage Improvements for Stream Stability
 - MTNP – Well Abandonment, and Removal of Tank and Pump House
 - FY 21 Street Paving Project
 - FY 23 Concrete Street Repairs Project
- 4 Facility Renovation Projects: City Hall Roof Replacement, HML Exterior/Interior Painting, Sunset Center Hazardous Materials Remediation and Exterior Painting, and Cottage Window Repairs.
- Complete engineering and design of the following Capital Improvement Projects:
 - FY 24 Street Paving Project
 - City-wide Drainage System Repairs and Bottlenecks
 - Electrical Panel Upgrades at Four Buildings
- For the Coastal Engineering Study, substantially complete the Shoreline and Beach Change Analysis, Erosion Exposure Modeling, and Coastal Hazard and Sea Level Rise Vulnerability, High Priority Adaptation, Identification, and Action Plan.
- For the Police/Public Works Building, complete the condition assessment, reflecting safety concerns, police operations/POST standards, code deficiencies, and deferred maintenance. Begin to implement Council direction in terms of renovations, reconstruction, and/or pursuit of an entirely new public safety facility.
- For the Urban Forest Master Plan, complete technical studies, engage in community outreach, and prepare and present the Master Plan Report.
- For the Scout House, enter into an Operations and Maintenance Agreement and Site Lease with a qualified contractor, complete design, and begin the renovation.
- Establish an Underground Utility District utilizing PG&E Rule 20A funds.
- Plant at least 60 new trees, and reduce the backlog of tree stump removals.
- Implement beautification projects, including landscaping along the Ocean Avenue Median Islands.



PUBLIC WORKS

Budget Summary and Service Impacts

- The Administration Unit budget includes funding for Contract Services (\$22,500), including uniforms, copier lease, and software contracts, training (\$12,000), safety equipment (\$10,000), subscriptions (\$6,500), and office supplies (\$5,000). Deleted \$50,000 for project management consultant fees which are charged to CIP projects. Line item increases reflect filled all field positions.
- The Street Division budget includes funding for Materials and Supplies (\$67,000) for black mutt mitts, asphalt, sidewalk pavers, and traffic paint, Equipment and Vehicle Maintenance (\$37,000), Fuel (\$48,000), and Contract Services (\$65,000) including reconstruction of the San Antonio Pathway, between Second and Fourth Avenues damaged by January storms (not a CIP project) and subject to FEMA reimbursement. Pink Mutt Mitts for all dispensers would increase the budget by \$34,800.
- The Facilities Maintenance Division budget approximates the Amended Budget for FY 22/23, with increases due to deteriorating older buildings, inflation, and reduced contractor availability. The budget includes funding for Contract Services (\$597,000) including janitorial (\$272,000), alarm monitoring, and generator services, dumbwaiter decommissioning, and HVAC, plumbing, roofing, and electrical repairs, and Materials & Supplies (\$109,000) for doors, hardware, lighting, filters, plumbing, and first aid supplies.
- The Environmental Compliance Division budget includes funding for Contract Services (\$252,500), including SB1383 implementation, recycling containers, and waste hauler oversight (\$85,000), stormwater quality enforcement and watershed monitoring (\$51,000). As well as Vactor cleaning of storm drains, on-call environmental consultants, and climate change initiatives, and Permits and Licenses (\$13,000) for stormwater and Air Resources District permits and MTNP invasive removals and North Dune habitat monitoring services.
- The Forestry, Parks, and Beach Division budget includes funding for Contract Services (\$941,500), including tree contractors for removals, pruning, stump grinding, MTNP tree removals, and beautification projects (\$345,000), landscape maintenance contract (\$175,000), storm emergency response (\$125,000), and consulting services (\$100,000), and Materials and Supplies (\$76,000) for trees, landscaping, irrigation supplies, and playground repairs. Tree contract budgets have increased to reflect numerous dead/unsafe tree removals due to drought and severe storms, and the backlog of stumps.



PUBLIC WORKS

Public Works Department Total				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-00-41001	Salaries	\$2,136,494	\$1,743,063	\$2,357,827
101-119-00-41005	Overtime	8,800	25,690	15,000
101-119-00-41101	Retirement	115,821	95,859	127,616
101-119-00-41103	Deferred Compensation	18,612	18,575	23,223
101-119-00-41104	Health Insurance	342,020	295,162	437,009
101-119-00-41106	Medicare	30,980	24,797	34,189
101-119-00-41107	LTD/STD/Life	2,988	2,548	3,201
101-119-00-41108	Worker's Comp	82,157	93,280	108,118
101-119-00-41109	Benefits-MOU Obligations	33,280	30,343	33,280
Salaries & Benefits Subtotal		\$2,771,152	\$2,329,314	\$3,139,463
101-119-00-42001	Contract Services	\$1,577,630	\$1,577,630	\$1,868,250
101-119-00-42009	Advertising and Legal Notice	2,500	2,500	2,500
101-119-00-42101	Office Supplies	5,000	5,000	5,000
101-119-00-42102	Publications & Subscriptions	5,500	5,500	6,500
101-119-00-42104	Safety Equipment and Supplies	8,400	8,400	10,000
101-119-00-42105	Materials and Supplies	239,940	239,934	252,000
101-119-00-42106	Small Tools and Equipment	1,000	1,000	2,000
101-119-00-42107	Gas and Oil	46,000	46,000	48,000
101-119-42-42201	Building Maintenance	8,880	8,880	-
101-119-00-42202	Equipment Maintenance	10,000	10,000	10,000
101-119-00-42203	Vehicle Maintenance	41,500	41,500	27,000
101-119-00-42301	Training & Education	8,000	8,000	12,000
101-119-00-42304	Dues & Memberships	2,875	2,875	3,500
101-119-00-42403	Printing	2,000	2,000	2,000
101-119-00-42408	Permits and Licenses	11,067	11,067	13,000
101-119-00-42409	Rentals	4,000	4,000	8,000
101-119-42-43006	Other Assets	28,791	28,791	-
Services & Supplies Subtotal		\$2,003,083	\$1,974,286	\$2,269,750
Total		\$4,774,235	\$4,303,601	\$5,409,213

PUBLIC WORKS

PW Administration

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-40-42001	Contract Services	\$66,400	\$66,400	\$22,500
101-119-40-42009	Advertising and Legal Notice	2,500	2,500	2,500
101-119-40-42101	Office Supplies	5,000	5,000	5,000
101-119-40-42102	Publications & Subscriptions	5,500	5,500	6,500
101-119-40-42104	Safety Equipment and Supplies	8,400	8,400	10,000
101-119-40-42301	Training & Education	8,000	8,000	12,000
101-119-40-42304	Dues & Memberships	2,875	2,875	3,500
101-119-40-42403	Printing	2,000	2,000	2,000
Services & Supplies Subtotal		\$100,675	\$100,675	\$64,000

PW Street

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-41-42001	Contract Services	\$114,155	\$114,155	\$65,000
101-119-41-42105	Materials and Supplies	\$74,140	\$74,140	\$67,000
101-119-41-42106	Small Tools and Equipment	\$1,000	\$1,000	\$2,000
101-119-41-42107	Gas and Oil	\$46,000	\$46,000	\$48,000
101-119-41-42202	Equipment Maintenance	\$10,000	\$10,000	\$10,000
101-119-41-42203	Vehicle Maintenance	\$41,500	\$41,500	\$27,000
101-119-41-42409	Rentals	\$4,000	\$4,000	\$8,000
Services & Supplies Subtotal		\$290,795	\$290,795	\$227,000

PW Facilities

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-42-42001	Contract Services	571,774	571,774	587,000
101-119-42-42105	Materials and Supplies	90,800	90,800	109,000
101-119-42-42201	Building Maintenance	8,880	8,880	-
101-119-42-43006	Other Assets	28,791	28,791	-
Services & Supplies Subtotal		\$700,245	\$700,245	\$696,000

PUBLIC WORKS

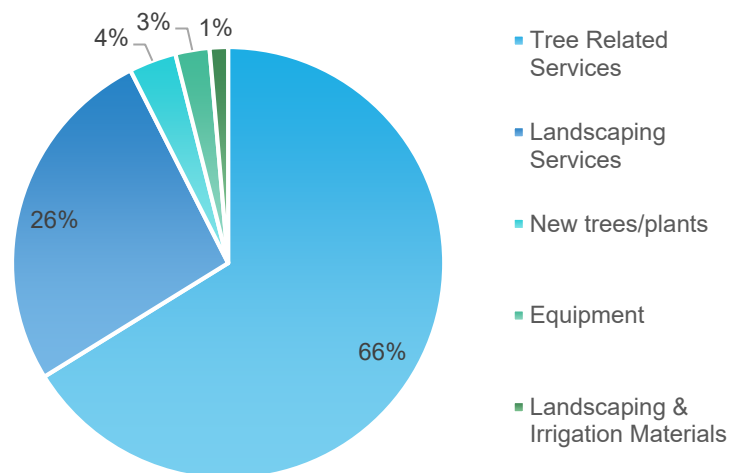
PW Environmental Compliance

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-43-42001	Contract Services	\$215,255	\$215,255	\$252,250
101-119-43-42105	Materials and Supplies	-	-	-
101-119-43-42408	Permits and Licenses	11,067	11,067	13,000
Services & Supplies Subtotal		\$226,322	\$226,322	\$265,250

PW Forest & Beach

Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-119-45-42001	Contract Services	\$610,046	\$610,046	\$941,500
101-119-45-42105	Materials and Supplies	75,000	74,994	76,000
Services & Supplies Subtotal		\$685,046	\$685,040	\$1,017,500

FY23-24 PW F&B Expenditure Detail



Type of Expenditure	Budget	Percentage
Tree Related Services	\$ 673,500	66%
Landscaping Services	268,000	26%
New trees/plants	36,000	4%
Equipment	26,000	3%
Landscaping & Irrigation Materials	14,000	1%
Total	\$ 1,017,500	100%

PUBLIC SAFETY

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

The **Police Department** is responsible for law enforcement and crime prevention within the City. The mission of the Department is to protect and serve, with the primary responsibility of ensuring the rights of citizens and visitors to live in peace and safety. It also oversees the management and operation of the Emergency Operations Center; the Volunteers in Policing Program that assists with daily clerical activities, errands, public outreach and special events and the City Community Emergency Response Team of volunteers ready to assist the community during an emergency situation.

The **Fire Department** is primarily responsible for saving lives and protecting property through the prevention and control of fires. The Fire Department has operated under a contract with the City of Monterey since 2012. The Public Safety Department manages the contract with the City of Monterey and is responsible for oversight of needed equipment and supplies.

Carmel Fire Ambulance provides advanced life support ambulance service to the residents of Carmel-by-the-Sea. Ambulance staffing includes paramedic-firefighters and emergency medical technician-firefighters to provide front line medical emergency response and all-hazard response as a key component of the City's public safety services. The City of Monterey also provides administrative oversight of this function through a contractual agreement managed by the Public Safety Department.



PUBLIC SAFETY

2022-2023 Initiatives and Accomplishments

- Vacancies were filled to include (1) Firefighter/Paramedic, (1) Police Officer, (1) Community Services Officer, and (1) Dispatcher. Continued recruitments to fill Police Officer and Dispatcher positions are ongoing.
- In the process of developing new contract language for Fire services with the City of Monterey.
- New portable radios were purchased to improve radio communications for the transition from analog to digital for police services. A new radio tower was purchased in conjunction with Monterey County and is in the process of being constructed for activation.
- A new parking management software system was implemented for parking/permit issuance. Paid parking is also being explored as part of the parking management system.
- Body worn camera and taser contracts were renewed.
- To enhance public safety within the village, new license plate reader cameras were purchased and installed throughout the city. Additionally, the camera capture program was implemented, and the use of volunteer groups like (VIPS) volunteers in policing and (CERT) Community Emergency Response Team were utilized during essential Situations such as storms and flooding.
- In December 2022, and January 2023 utilized Police Officers, Public Works, City Staff and (CERT) Community Emergency Response Team members along with (VIPS) Volunteers in Policing for countywide emergency flood and storm evacuations/power outages.
- Our VIP (Volunteers in Policing) program had an accumulated almost 269 hours of volunteer time designated to storm preparation and aid during the county wide storm emergency. 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, and their own ability to liberate and officer's time for greater enforcement and investigated impact.
- Our Carmel CERT (Community Emergency Response Team) was also integral to our safety in the community and was activated multiple times during the storm emergency 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 the disaster related know how they need to be self-sufficient and support others until further help can arrive.



PUBLIC SAFETY

2023-2024 Priorities

- Continue recruitments to fill additional Police Officer(s) and Dispatcher(s) positions to become fully staffed.
- Complete Police Department renovation project.
- Continue to work with contracted services for paid parking implementation in the downtown area of the village.
- Upgrade outdated computer equipment in police vehicles and parking scooters.
- Increase training for staff in preparation for promotional advancement and growth.

Fire

- The FY 23-24 Budget increases by \$87,447 over the FY 22-23 Amended Budget. Contract services include fire services provided to the Village by the City of Monterey (\$2,950,700) and dispatch services (\$25,000). Funding for a wildfire risk assessment is also included within the budget (\$20,000).
- The FY 23-24 Budget also includes funding for fuel (\$19,000) and vehicle maintenance (\$35,000) as Carmel is responsible for vehicle repair and replacement under the contract with Monterey.

Fire			
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual
			FY23-24 Recommended
101-117-00-42001	Contract Services	2,905,342	2,905,342
101-117-00-42005	Community Promotions	500	500
101-117-00-42103	Medical Supplies	3,000	0
101-117-00-42104	Safety Equipment and Supplies	7,000	7,000
101-117-00-42107	Gas and Oil	14,000	14,000
101-117-00-42202	Equipment Maintenance	4,450	4,450
101-117-00-42203	Vehicle Maintenance	89,000	89,000
Total		\$3,023,292	\$3,020,292
			\$3,110,739

PUBLIC SAFETY

Ambulance

- The FY 23-24 Budget increases by \$142,377 over the FY 22-23 Amended Budget. Overtime reflects an anticipated decrease due to being fully staffed. Contract services include station coverage by the City of Monterey as needed (\$170,000), ambulance billing (\$48,000), Monterey Fire management of Ambulance personnel (\$24,000). Other major expenses include medical supplies (\$48,150), fuel and vehicle maintenance (\$21,000), safety equipment (\$37,000) and required training to maintain credentials (\$19,000).

Ambulance				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-118-00-41002	Salaries -Safety	770,123	711,010	826,109
101-118-00-41006	Overtime -Safety	140,000	160,165	140,000
101-118-00-41009	Holiday in Lieu	69,740	74,073	75,401
101-118-00-41102	Retirement -Safety	99,905	89,352	107,640
101-118-00-41103	Deferred Compensation	5,400	5,017	5,400
101-118-00-41104	Health Insurance	88,481	76,303	93,642
101-118-00-41106	Medicare	14,550	13,449	15,154
101-118-00-41107	LTD/STD/Life	858	728	858
101-118-00-41108	Worker's Comp	63,153	72,133	84,013
101-118-00-41111	Uniform Allowance	3,600	3,233	3,600
Salaries & Benefits Subtotal		\$1,255,810	\$1,205,463	\$1,351,817
101-118-00-42001	Contract Services	272,163	272,163	275,483
101-118-00-42101	Office Supplies	1,300	1,300	1,000
101-118-00-42103	Medical Supplies	49,150	49,150	48,150
101-118-00-42104	Safety Equipment and Supplies	12,000	12,000	37,000
101-118-00-42107	Gas and Oil	21,000	21,000	21,000
101-118-00-42201	Building Maintenance	4,500	4,500	7,000
101-118-00-42202	Equipment Maintenance	3,500	3,500	4,000
101-118-00-42203	Vehicle Maintenance	17,000	17,000	27,000
101-118-00-42301	Training & Education	12,800	12,800	19,150
Services & Supplies Subtotal		\$393,413	\$393,413	\$439,783
Total		\$1,649,223	\$1,598,876	\$1,791,600

PUBLIC SAFETY

Police

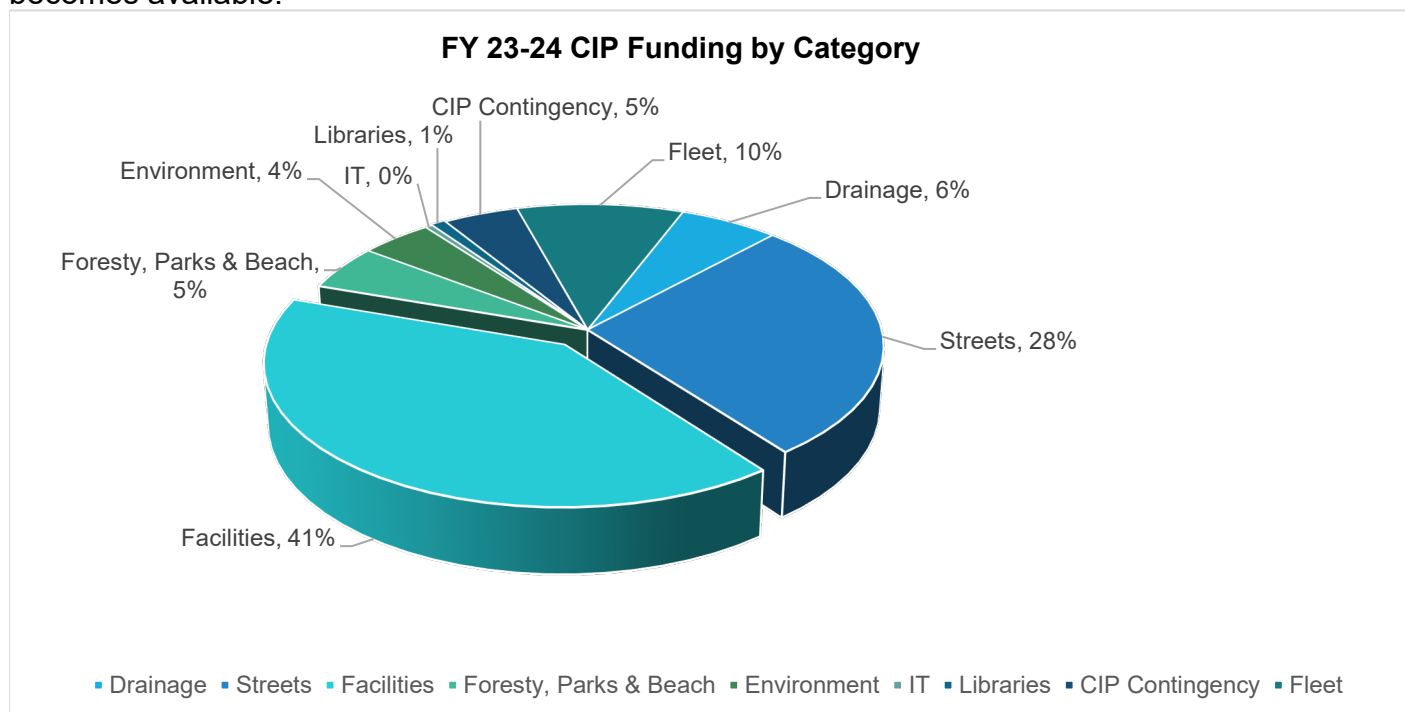
- The FY 23-24 Budget increases by \$231,852 over the FY 22-23 Amended Budget. The Department will continue to focus on patrol and responding to public safety needs.
- The FY 23-24 Budget reflects an increase of \$80,151 in services and supplies over FY 22-23. The increase is primarily the result of 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. Fuel costs are projected to increase as well.

Police				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
101-116-00-41001	Salaries	829,659	569,681	841,462
101-116-00-41002	Salaries -Safety	2,469,702	1,757,353	2,488,403
101-116-00-41006	Overtime -Safety	355,000	348,741	205,000
101-116-00-41009	Holiday in Lieu	171,329	140,479	188,251
101-116-00-41101	Retirement	52,952	35,663	53,829
101-116-00-41102	Retirement -Safety	330,706	261,041	373,000
101-116-00-41103	Deferred Compensation	24,144	95,270	141,617
101-116-00-41104	Health Insurance	461,169	302,630	519,944
101-116-00-41106	Medicare	49,063	39,786	54,507
101-116-00-41107	LTD/STD/Life	3,939	2,544	4,108
101-116-00-41108	Worker's Comp	119,455	135,311	156,971
101-116-00-41109	Benefits-MOU Obligations	0	562	0
101-116-00-41111	Uniform Allowance	34,560	22,747	36,000
Salaries & Benefits Subtotal		\$4,901,678	\$3,711,807	\$5,063,092
101-116-00-42001	Contract Services	339,235	312,235	411,707
101-116-00-42005	Community Promotions	1,000	1,716	1,500
101-116-00-42101	Office Supplies	8,500	8,500	8,800
101-116-00-42102	Publications & Subscriptions	960	960	420
101-116-00-42104	Safety Equipment and Supplies	116,350	116,350	114,000
101-116-00-42106	Small Tools and Equipment	\$0	\$0	\$0
101-116-00-42107	Gas and Oil	48,750	48,750	50,000
101-116-00-42201	Building Maintenance	1,000	1,000	15,000
101-116-00-42202	Equipment Maintenance	38,181	44,812	31,675
101-116-00-42203	Vehicle Maintenance	38,000	38,000	28,000
101-116-00-42301	Training & Education	21,750	21,750	30,550
101-116-00-42304	Dues & Memberships	1,550	1,550	1,775
101-116-00-42403	Printing	5,900	5,900	7,300
101-116-00-42404	Shipping/Postage/Freight	500	500	600
101-116-00-42405	Telephone and Communications	8,500	8,500	9,000
101-116-00-42415	Other Expenditures	9,000	9,000	9,000
Services & Supplies Subtotal		\$639,176	\$619,523	\$719,327
Total		\$5,540,854	\$4,331,330	\$5,782,419

CAPITAL IMPROVEMENT PLAN (CIP)

CAPITAL IMPROVEMENT PLAN

The FY 23-24 Recommended Budget includes \$10.92 million for capital projects. This level of capital spending represents 27% of the total citywide budget of \$40.9 million. As the economy recovers from the economic impact of the pandemic, sales tax revenue generated by Measure C, the City's local sales tax, plays a pivotal role in provide a funding source for the City's capital needs. The presence of state and county gas and transit taxes also provide a consistent base, albeit partial, for much needed street projects. That said the five-year capital plan points out that, as vital as these funding sources are, they cannot cover the full scope of identified improvements in the long term requiring that we attend to the highest needs and deferring others until funding becomes available.



Capital outlay funds several types of projects as depicted above in the “FY 23-24 CIP Funding by Category” chart. Streets account for 28% of capital expense, with a proposed budget of \$3.0 million, largely funded by revenues the City receives specifically for street maintenance and other transportation-related projects. The FY 23-24 Recommended Budget recognizes the importance of facility investments including \$3.2 million budgeted for Police Department renovations. Also included in facilities are deferred facility maintenance items equaling \$819,000 that addresses Sunset center renovations, City Hall roofing and retaining walls.

Forestry, Parks & Beach reach \$803,000, 7% of the CIP budget, and include Urban Forest Master Plan, Scenic Pathways hardscape, and MTNP Streams 3 Construction. Included in this fiscal year's budget is a \$500,000 CIP Contingency to provide funds when needed to award construction contracts that may have outdated cost estimates, such as for carry-over projects, the scope of essential work has increased, and/or when construction bids are competitive, but higher than available funds.

Capital outlay includes \$1,155,000 for the projects listed in Table 1, FY 23-24 Recommended Vehicle and Equipment Acquisitions and Funding Source.

CAPITAL IMPROVEMENT PLAN

Table 1: FY 23-24 Recommended Vehicle and Equipment Acquisitions and Funding Source

Vehicle and Equipment Fund			
Account Number	Account Description	FY23-24 Recommended	Funding Source
503-513-00-43005	Ambulance	275,000	Measure C
503-513-00-43005	Ambulance - Donation	50,000	Donation
503-513-00-43005	2 Forestry Trucks and 1 PD Admin Vehicle	200,000	Measure C /3CE Grant
503-513-00-43005	Electric Sweeper	550,000	Measure C /3CE Grant
503-513-00-43006	Police Radios Lease (Year 3 of 6)	30,000	Measure C
503-513-00-43007	IT Servers - FY23/24	50,000	Measure C
Total		1,155,000	

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. The budget also invests in critical safety equipment related to emergency ambulance services.

Vehicle & Equipment

Ambulance: A contract to build the new ambulance with equipment for \$410,000 will be submitted for Council approval at an upcoming meeting. There is a long lead time for delivery of approximately three years. The total combined funding of \$275,000 from the Vehicle and Equipment Fund, and a \$50,000 donation, will need to be carried forward until the invoice is due. Staff recommends carrying the funding over each fiscal year until needed for payment, and placing the estimated \$85,000 balance for the ambulance into the CIP for Fiscal Year 25/26.

Vehicles (3): The Public Works Forestry Division uses a 2000 Dodge Dakota with 87,100 miles for landscape maintenance. The truck is in poor condition, has an undersized flatbed, and is only capable of carrying tools and hauling a very small load. This vehicle will be replaced with a full-sized electric pickup truck. Forestry also uses a 2002 Dodge Dakota with 62,700 miles for tree services. Despite a slightly larger bed capable of hauling larger debris loads, this truck is also in poor condition. This will also be replaced by a full-sized electric pickup truck. The Police Department's 2006 Ford Fusion Administrative vehicle has 106,500 miles and is used for traveling to court appearances, meetings, training, and conferences. This vehicle will be replaced with an electric sedan. 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 \$25,000 may be funded by 3CE for qualifying vehicles. The existing gas-powered vehicles will ultimately be sold at a public auction.

CAPITAL IMPROVEMENT PLAN

Street Sweeper: In July 2022, Council awarded a \$563,814 purchase of a RAVO SE 5 electric street sweeper, offset by a \$250,000 Central Coast Community Energy grant. This was funded by the Vehicle and Equipment Fund. The sweeper is currently being manufactured overseas and is scheduled to be delivered after the first of the fiscal year.

Police Radios Lease, Year 3: Twenty-two (22) radios were purchased in 2021 with a payment schedule of \$30,000 per year payments for six years, with funding from the Vehicle and Equipment Fund.

IT Servers: This project funding would be used to purchase hardware intended to enable our transition to running a majority of our workload in the cloud. Per the vendor, our existing Nutanix system will be at the end of its useful life by October 2023. This means support and security updates may become unavailable. We will purchase new hardware, software, and retain vendor services to provide a local copy of our critical data to be used in certain emergencies when and if cloud access is interrupted for extended periods. The hardware will also serve as a local cache for our data, making access faster and allowing for local backups to be kept onsite without incurring data charges.

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CAPITAL IMPROVEMENT PLAN

Table 2: FY 23-24 Recommended Capital Projects and Funding Source

Capital Projects Fund					
Fund 301 Account 43008					
Strategic Priority	Category		Description	FY 23/24 Recommended	Funding Source
Grants	Streets	New	Paving Project -FY24 Paving Repairs	\$ 12,286	General Fund/RSTIP
Grants	Streets	New	Paving Project -FY24 Paving Repairs	657,000	General Fund/Hostelry
Grants	Streets	New	Paving Project -FY24 Paving Repairs	426,714	TAMC: Gas Tax, RMRHA
Grants	Streets	Carryover	Paving Project -FY23 Concrete Street Repairs	15,300	General Fund/RSTIP
Grants	Streets	Carryover	Paving Project -FY23 Concrete Street Repairs	564,000	General Fund/Hostelry
Grants	Streets	Carryover	Paving Project -FY23 Concrete Street Repairs	425,700	TAMC: Gas Tax, RMRHA
Grants	Streets	Carryover	Paving Project -FY20 Paving Project	514,000	General Fund/Hostelry
Grants	Streets	Carryover	Paving Project -FY20 Paving Project	364,000	TAMC: Gas Tax, RMRHA
Grants Streets				2,979,000	
CIP Planning	Contingency	New	CIP Contingency	500,000	General Fund
Grants	Frst/Parks/Bch	Carryover	MTNP 3 Stream/Drainage Projects - Construction	85,000	Parks Per Capita Grant
CIP Planning	Drainage	Carryover	Drainage Design for Broken Pipes & Bypass - Design Phase I	80,000	Measure C
CIP Planning	Drainage	Carryover	Drainage Design Bottlenecks & Spot Repairs -Design Phase II	500,000	Measure C
Public Safety	Facilities	Carryover	PD Renovation	1,939,000	Measure C
Public Safety	Facilities	Carryover	Police Facility Renovation - Additional Scope	1,300,000	Measure C
Public Safety	Facilities	New	ADA Upgrades Year 6	20,000	General Fund
Resilience	Streets	New	Sunset Center Retaining Wall Design	40,000	General Fund
Resilience	Facilities	Carryover	Resilience Infrastructure Pilot Design	83,000	Measure C
Resilience	Facilities	Carryover	Electrical Panel Upgrade Design	75,000	Measure C
Resilience	Facilities	New	Sunset Center - 7 Bollards	20,000	General Fund
Resilience	Facilities	New	Sunset Center - Carpenter Hall Heater	45,000	General Fund
Resilience	Facilities	New	Sunset Center - N Lot Electrical	100,000	General Fund
Resilience	Facilities	New	Sunset Center - Portico - Design	40,000	General Fund
Resilience	Frst/Parks/Bch	Carryover	Urban Forest Master Plan	20,000	Measure C
Grant	Frst/Parks/Bch	Carryover	Urban Forest Master Plan - Grant	150,000	Grant
Resilience	Frst/Parks/Bch	Carryover	MTNP Tank & Well Demo	121,000	Measure C
Resilience	Frst/Parks/Bch	Carryover	Coastal Engineering Report	108,000	Measure C
Resilience	Frst/Parks/Bch	New	Coastal Engineering Study - Phase II	100,000	General Fund
Resilience	Frst/Parks/Bch	Carryover	Beach Sand Survey	25,000	Measure C
Resilience	Frst/Parks/Bch	Carryover	North Dunes Restoration/Split Rail Fence/Signage	25,000	Donation
Resilience	Frst/Parks/Bch	New	Scenic Pathways - Hardscape	100,000	General Fund
Resilience	Frst/Parks/Bch	New	Scenic Pathways - Hardscape - Carmel Cares match	100,000	Donation
Resilience	Frst/Parks/Bch	New	Shoreline Inf Repairs - Stairs	250,000	General Fund
Resilience	Frst/Parks/Bch	New	Urban Forest MP- Additional	37,100	General Fund
Resilience	IT/Planning	Carryover	HML Generator	53,000	Measure C
Resilience	Library	New	Library Master Plan - Phases II-IV	100,000	General Fund
Deferred Maint	Facilities	Carryover	HML Exterior and Interior Painting	182,000	Measure C
Deferred Maint	Facilities	Carryover	HML Carpet Replacement	98,000	Measure C
Deferred Maint	Facilities	Carryover	Sunset Center Haz Mat Remediation and Exterior Painting	132,000	Measure C
Deferred Maint	Facilities	Carryover	Sunset Center Cottage Windows	96,000	Measure C
Deferred Maint	Facilities	Carryover	City Hall Roof Replacement	88,000	Measure C
Deferred Maint	Facilities	Carryover	City Hall Retaining Wall Repair	170,000	Measure C
Deferred Maintenance				766,000	
Total				\$ 9,761,100	

CAPITAL IMPROVEMENT PLAN

In addition, funding for various other capital projects total \$9.76 million. The funding sources include MeasureC revenue as well as transportation-related revenues and project specific grants. (See **Table 2**, FY 23-24 Recommended Capital Projects and Funding Source, located on the following page) Project descriptions follow the table explain the nature and background of each.

The Recommended Budget proposes the use of available fund balances that have resulted from prior period savings and the postponements of capital projects during pandemic shutdowns and staffing shortages. Table 2 has identified these projects that have been deferred and remain in need of attention. The tally and identification of these projects is directly related to the budget strategy taken this year in the attempt to “catch- up”. This use of fund balances as proposed in the FY 23-24 Recommended Budget leaves policy reserves intact and is directly related to this one-year extended level of capital spending.

As we look beyond FY 23-24 into the five-year CIP plan, it becomes apparent that the level of CIP expenditures proposed this year cannot be maintained in the long term. Although the five-year plan does its job in articulating the physical project needs it also tells us that the City is faced with more capital needs than it can afford. This is true even if capacity resources are at full strength. Hence, priorities and limits will need to be set in navigating a sound fiscal plan in the longer term.

Streets:

FY 2019/20 Citywide Annual Paving Project: This Project, which includes the bike route and recently-deleted median islands along San Carlos Street, was presented to the City Council at the March 7th meeting. This project is bundled with another prior carryover project called Mission Street Sidewalk Repairs (FY 2021/22). The City was allocated \$15,311 from RSTP funding via TAMC to repair a significantly uneven brick sidewalk on the west side of Mission Street, between Fifth and Sixth Avenues.

FY 2022/23 Concrete Street Repairs: At the January 2023 meeting, Council awarded a \$189,667 Professional Services Agreement to BKF Engineers for design of this project. The project includes repairs and resurfacing of concrete intersections at Ocean/San Antonio, San Carlos/Fifth, San Carlos/Sixth, and along Ocean Avenue, between Monte Verde and San Antonio, and along San Carlos between Fifth and Sixth. An ADA ramp and bulb outs will also be included at the Junipero/Seventh intersection. The total project budget includes \$441,300 in external funds (i.e. Measure X, SB-1) plus the Maintenance of Effort requirement of \$563,700. The project is currently in preliminary design, and final design is anticipated to be substantially completed this summer. The remaining balance should be carried forward into the Fiscal Year 2023/24 CIP for construction.

FY 2023/24 Annual Paving Project: At the April 4, 2023 meeting, Council adopted a list of streets to be included in the FY 2023/24 annual paving project. The City’s Maintenance of Effort (MOE) contribution of \$657,329 would leverage \$438,570 of external funds via TAMC from Measure X, Gas Tax, SB 1, and RSTP. The project will include the 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 on up to 20 road segments predominately in residential neighborhoods, and replacing broken

concrete, asphalt, and brick sidewalks with permeable pavers along seven road segments in the downtown area. The project will be supplemented with ADA ramps, new trees, bike route markings, and other amenities as appropriate.

Sunset Center Retaining Wall Repairs – Design: Sunset Center requested this project. This project would provide funding to hire an engineering firm to design repairs for four retaining walls around Sunset Center. In the north lot, a 100- foot long, Carmel stone wall along Eight 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 50-feet of rotted wooden wall on top of a granite wall. These and other walls require replacements of such as fencing, posts, and railings. Repairs are tentatively programmed in FY 2024/25. The same structural engineering firm will be retained to restore the pathway on the west side of San Antonio Avenue, between Second and Fourth Avenues, which was damaged by the winter storms.

Drainage:

MTNP Stream Stability Projects-Construction: This project, which consists of the first three (3) of eight (8) stream restoration and erosion control measures recommended by the Mission Trail Nature Preserve Stream Stability Study, is largely funded by a California State Parks Per Capita Grant in the amount of \$187,000. The design and environmental permits for the project were listed in the completed projects above. Construction must be substantially completed by December 2023. Remaining funding is carried over to Fiscal Year 2023/24.

Drainage System Repair Design Phase I & Phase II: The City-wide Drainage Master Plan identified numerous spot repairs needed for our existing underground storm drain pipes, as well as significant "bottlenecks" in the drainage system. In October 2022, Council awarded a \$50,000 Professional Services Agreement to Schaaf & Wheeler Consulting Engineers to update their 2020 Drainage Master Plan to reflect recommendations from the Climate Committee to evaluate 20-year storm event impacts to the drainage system, versus 10-year storm events as previously evaluated, and as much of the drainage infrastructure of the City was built. The Updated Master Plan is complete, and highlights will be presented to Council at an upcoming meeting. On a parallel track, Neill Engineers was issued a \$24,999 Professional Services Agreement to design eight to ten specific drainage repairs and bottleneck elimination projects. The design of those improvements is in progress. Remaining funds should be carried-forward into Fiscal Year 2023/24 to complete the design. At least \$4M will be needed to fix the most critical repairs and bottlenecks, and allocations for specific repairs will be recommended in future year CIP plans.

Facilities:

Police Building Renovation Project: At the February 2023 meeting, the Ad Hoc Committee recommended, and Council approved, issuing a Request for Proposal to architects with expertise in police building design, to perform a detailed evaluation of the building, including elements shared with the Public Works Department. In brief, the evaluation will consider building code deficiencies, needed safety repairs, police operational deficiencies and best practices, and the useful life of the facility with such investments. The architect will also consider swing space during construction, develop a rough cost for complete reconstruction within the current building footprint, and a cost for an entirely new building. The RFP was issued, four proposals were received, and negotiations are underway with the highest-ranked firm. A Professional Services Agreement with the selected architect will be presented to Council for award at an upcoming meeting. The project is being managed by a 4 Leaf project manager.

ADA Upgrades, Year 6: 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 provide access to the disabled. For the past few years, the City allocated \$15,000 per year for this initiative. To continue to demonstrate good faith efforts to implement these improvements and to reflect higher costs due to inflation, staff is recommending that this year's allocation be increased to \$20,000. 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 additional ADA-compliant railings and water fountains. Attachment 4

Resilience Infrastructure Pilot Project Planning and Design: As recommended in the Climate Adaptation Plan, this project involves developing plans for sustainable backup power to provide continued operations of critical facilities. Preliminary review to date suggests focusing the project on the Police, Public Works, Vista Lobos, and Youth Center in the event of an extended power outage. The project is currently on hold pending the outcome of the Police Building Evaluation (discussed above).

Electrical Panel Upgrades for City Hall, Public Works, Sunset Center, and Vista Lobos Facilities: Electrical panel upgrades are necessary for these facilities to carry new electric vehicle charging stations, and to provide additional capacity for electric loads since these panels are near or potentially over capacity. Based on the Police Building Project, it is recommended that the Public Works facility of these four panels be incorporated into the Police Building, and that the Fire Station, which is also near capacity be substituted in its place. Note that the electrical switches in the Public Works Garage have been replaced with weatherproof panels. Also, in February 2023, \$35,000 was added to the Public Works Operating Budget for Mid-Year Budget augmentation to support the active electrical work at the Vista Lobos parking lot. A contract was executed with PG&E to install the \$200,000 transformer for 5 new charging stations at Vista Lobos at no cost to the City. Staff is currently negotiating a new Professional Services Agreement with an electrical/mechanical engineering consultant to provide design services for both the 4 Electrical Panel Upgrades and the Vista Lobos EV Charging Station projects.

Sunset Center – 7 Bollards: Our Sunset Center Cultural Center partners requested this project. There are currently 11 vehicle bollards along the edge of the center parking lot in the vicinity of the box office. Over time, these bollards get hit by trucks and cars. Sometimes, staff is able to repair the bollards for continued use; however, several bollards are no longer useable. This budget would be used to replace at least three bollards at this time and keep four in stock and used when bollards are damaged in the future. Each bollard costs between \$2,000 - \$3,000 depending on their specific size and lighting features.

Sunset Center – Carpenter Hall Heater: Sunset Center requested this project. The existing system provides radiant heating from the boiler but is at the end of its useful life. While the outdated system still provides heat, the heat quickly escapes on colder days as soon as the entry doors are open. HVAC technicians were unable to make significant improvements to properly heat the space. The problem was evident at the Council Strategic Initiative Workshop held at Carpenter Hall in January 2023. This project would include hiring a contractor to replace the heating system.

Sunset Center - North Lot Electrical Panel: This project is a supplement to the carry-over project entitled Electrical Panel Upgrades for City Hall, Public Works, Sunset Center, and Vista Lobos. Staff is finalizing a Professional Services Agreement with an electrical/mechanical engineering consultant to evaluate and design these panel upgrades. Since the Public Works panel will be evaluated in conjunction with the Police Building project, this panel upgrade has been switched with the Fire Station panel. The existing funding of \$75,000 appears to be sufficient for the design of all panels and repair certain panels. However, the electrical panel at the Sunset Center North Parking Lot is not only the most expensive to rebuild but also the most urgent because it is already over capacity and has been tagged by the Building Official. Staff has already been coordinating with PG&E to upsize the power conductors to this panel, with Chargepoint for additional EV

charging stations to be installed along the west wall at a later date, and with 3CE for possible grants associated with the EV facilities. The Sunset Center panel also services the north parking lot lighting system and power to the CERT container.

Sunset Center – Portico Design: Sunset Center requested this project. Located at the promenade and concessions exterior, this project would provide for the architectural design of a new portico cover. This project will replace an ornamental garden trellis that was demolished in 2017 and eliminate the remaining columns that are an eyesore and have succumbed to dry rot. The proposed portico may consist of an approximately 1,000 square foot roof structure to provide a functional outdoor concession space, enhance patron experience, eliminate water intrusion into the concession stand, and provide weather protection for wood framed doors and windows at the lobby entrance.

City Hall Retaining Wall Repair: The redwood retaining wall in the south parking lot of City Hall failed due to the lateral loads from the historic City Hall building over to the under-designed wall. With project management services provided by Ausonio, Inc., structural and geotechnical engineers were retained to design a permanent fix. The fix includes removal of the redwood planter area, constructing a large, concrete wall and footing below the existing building footing, particularly below the office of the Planning and Building Director, and replacing the planter

Facility Renovation Projects: The following four (4) facility renovations have been bundled into one design and construction project for cost-effectiveness and efficiency. These projects are being managed by contract project managers with Ausonio, Inc. In February 2023, Council approved a \$78,900 Amendment to the Professional Services Agreement with Ten Over Studio, for architectural and engineering design services for these projects. Preliminary design work is nearly complete, and final design and commencement of construction bidding is likely by the end of Fiscal Year 2022/23; however, remaining funds for these projects will be carried forward for construction in Fiscal Year 2023/24.

- City Hall Roof Replacement
- Harrison Memorial Library Renovations Exterior and Interior Painting
- Sunset Center Cottage Window Repairs
- Sunset Center Hazardous Materials Abatement and Exterior Painting

Urban Forest Master Plan: The Urban Forest Master Plan (UFMP) is one of Council's high priority strategic initiatives. During FY 2021/22, the City was awarded a Cal Fire reimbursement grant of \$150,000 for the UFMP. At the August 2022 meeting, Council awarded a \$150,000 Professional Services Agreement with Davey Resources Group to prepare the Plan. Contractual issues, which delayed the start of the project for several months, have all been resolved. This is an 18-month duration project with the tree inventory and technical studies in progress. An Amendment to the Agreement with Davey is currently being negotiated for additional services that are prudent, and will be forthcoming to Council for approval utilizing the forestry operating budget funds.

Water Well and Tank Removal in MTNP: Regulatory decommissioning of the water well, and physical removal of the elevated tank, stone pump house, and abandoned power pole are needed. Under contract to the City, a Wallace Group project manager completed the design of the project and environmental approvals, including the Coastal Development Permit, have been obtained. The Project is anticipated to be advertised for construction bids by the end of the Fiscal Year 2022/23; however, remaining funds will be carried forward into Fiscal Year 2023/24 for construction.

North Dunes Habitat Restoration Interpretive Signage and Split Rail Fencing: Several organizations, including the North Dunes volleyball players, Rotary Club, and Carmel Cares,

have expressed interest in donating funds and/or volunteer support to design and install^{Attachment 4} interpretive signage and/or install split rail fencing along the Ocean Avenue and San Antonio frontages of the North Dunes site. These projects are in line with the recreation goals of the North Dunes Restoration Plan.

Scenic Pathway Hardscape Renovations: Carmel Cares requested to continue our Scenic Pathway Renovation Project following the upcoming repairs to the barrier rails, for which a Purchase Order for \$50,000 for lumber and materials is expected to be awarded by the City Council on May 2, 2023. The proposed renovations will include Pathway signage, irrigation repairs, pathway trim edging, decomposed granite repairs, and other hardscape improvements. Council requested staff and Carmel Cares to develop a holistic game plan to cover the complete renovation of the Pathway. This game plan will need to be carefully developed over the next year since co-mingling public and private funds on publicly-owned infrastructure triggers state public works contracting regulations. For example, for the Scenic Pathway Barrier Rails, City funds are only being used to provide materials, and Carmel Cares will hire a contractor and pay for the costs for installation, under guidance of the Community Planning & Building and Public Works Departments.

ENVIRONMENTAL:

Coastal Engineering Study Phase I & II and the Beach Sand Survey Project: These projects have been combined. This Study was identified in the 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 and infrastructure. At the November 2022 meeting, Council awarded a \$175,000 Professional Services Agreement to EMC Planning Group, who teamed up with Integral Corporation and Haro Kashunich & Associates, to complete the four key tasks for Phase I of this Project. The results of Task 1, the Coastal Engineering Condition Evaluation, was presented to the Forest and Beach Commission on March 9th and is planned to be presented to the Climate Committee at an upcoming meeting. Remaining funds should be carried over into FY 23-24 to finish Phase I. For Phase II, an Amendment to the Agreement with EMC will be submitted to Council to incorporate the previously- scoped services and negotiated fee into the overall Study. These two phases will then be considered one combined project. Phase II will include three additional tasks focusing on: hazards policy review and revisions, public outreach and engagement, and adaptation monitoring and pathway development. Phase II may be eligible for a California Coastal Conservancy grant of \$100,000, and staff will work with the consultants to develop and submit the grant application.

Shoreline Infrastructure Repairs: As noted in the Coastal Engineering Study above, the first task of Phase 1 was the Shoreline Condition Assessment. The Assessment concluded that of the 11 existing seawalls, 2-4 need repairs, with one (the Fourth Avenue Outfall Wall) as a high priority repair. Similarly, of the 11 beach access stairs, 9 need repairs with 3 considered to be high priority (two of these have been closed due to damage resulting from the winter storms). Finally, of the 6 rock revetments, 4 need repairs, 3 of which are high priority. 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 attached 5-Year CIP spreadsheet; however, this project will initiate the engineering and design of the highest priority repairs, as well as to repair the closed and damaged beach access stairs, with like materials, as a maintenance project which is expected to streamline the regulatory approval process. This starting point will also allow the City to better estimate future costs and phasing to complete all needed shoreline infrastructure repairs.

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.

CIP PLANNING:

CIP Contingency Fund: While used by other municipalities, this fund would be a new tool for Carmel. This proposed “project” would provide contingency funds when needed to award construction contracts that may have outdated cost estimates, such as for carry-over projects, the scope of essential work has increased, and/or when construction bids are competitive, but higher than available funds. For example, at the April 4th meeting, Council appropriated an additional \$113,600 from General Fund End Balance to the CIP Fund to be able to award the City Hall Retaining Wall Emergency Repair Project. The proposed fund may be needed in upcoming construction projects in FY 23-24 including: MTNP 3 Drainage Projects, MTNP Well Abandonment and Tank Removal Project, FY 20-21 Paving Project, Sunset Center Cottage Window Repairs, and/or City Hall Roof Replacement. These funds would be appropriated only by Council authorization at the time construction contracts are awarded, and any remaining balance would carry forward to the subsequent year and used when needed.

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

A preliminary 5-year Capital Improvement Plan has been developed. Although only the first fiscal year (23-24) would be funded as part of the City Budget, the remaining years serve as a planning tool to identify, well in advance, anticipated future projects. The 5-year CIP is a “snap shot” 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. Staff suggests that this year, should this 5-Year CIP be accepted by Council, staff could post this document on the City’s website.

The following are major projects, by asset category, and ballpark budget estimates (including probable grants), for Years 2-5:

Streets: Paving overlays, micro-surfacing treatments, slurry seals, sidewalk repairs, parking lot resurfacing, retaining walls, and bicycle master plan = **\$3.24M City plus \$1.79M external funds.**

Drainage: Includes: drainage pipe repairs and upsizing for 20-year storm events, bottleneck reconfigurations, and CDS reconstruction = **\$2.93M.**

Facilities: ADA upgrades, electrical panel repairs, painting, critical repairs/code corrections to City Hall, Vista Lobos, Fire Station, and park restrooms, Flanders structural repairs, resilience and energy upgrades, and equipment replacements = **\$2.8M.**

Forest, Parks, Beach: Construct MTNP stream stability projects, Scenic Pathway and other Carmel Cares joint projects = **\$0.8M City** plus donations to be determined. Attachment 4

Environmental: Shoreline infrastructure repairs, Coastal Engineering Study, Phase 3, and climate action change initiatives = **\$2.0M** plus \$0.5M grants.

IT: Equipment replacements, security upgrades, Police records management system, and GIS applications expansion = **\$0.63M**.

Libraries: Renovations as prioritized in the Master Plan = **\$1.1M plus \$2.0M donations**. Note: The Library Foundation will be embarking on a fundraising campaign to be able to advance the design and construction of significant improvements to both library buildings based on the Master Planning program.

Fleet: Replace outdated heavy equipment, including dump truck, water truck, asphalt patch truck, speed radar trailer, and other vehicles nearing the end of their useful lives with electric vehicles when possible, and fund balances for Police radios lease and ambulance purchase = **\$1.24M** plus \$0.1M grants.

The grand total estimate of \$31.7 million (the four-year term yr. 2 through yr. 5) clearly exceeds anticipated revenues and fund balance availability for projects in those future years. Since the noted infrastructure above will not repair itself and will simply continue to decline without adequate funding, additional revenue should be evaluated. The Five-Year CIP would significantly draw upon available fund balances assuming the identified level of capital expenditures progress without alternative funding sources. Although important policy reserves would be preserved, the City would deplete its fund balance cushion taking away its ability to be nimble in the face of uncertainty and economic recession or crisis.

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DEBT SERVICE – FUND 401

Debt service includes payments for the Next Generation Radio Project, the Sunset Center, and the Pension Obligation bonds. These payments total \$878,000 as shown in Table 1, *FY 23-24 Debt Service*, below.

Countywide Radio Project: On April 7, 2009, City Council authorized the City's participation in the Countywide Monterey County Next Generation Radio project (NGEN), including approving a pro-rata share of infrastructure costs and debt financing. The purpose of the project was to enhance communication among public safety agencies. The Certificate of Participation (COP), issued for \$381,440, matures on June 30, 2023. Our final payment of \$14,744 will be made FY 23-24.

2020 Refunding Lease Revenue Bonds: On September 10, 2010, City Council approved the issuance and sale of certificates to finance improvements at the Sunset Center (the Sunset Theater Project), including the refinancing of the City's lease payment obligation related to the preliminary financing of the Sunset Center (the 2010 Refunding Lease Revenue Bond). The COP of approximately \$7.6 million included a maturity date of November 1, 2031. On September 3, 2020, the Public Improvement Authority and City Council determined that a refunding of the 2010 Bond was in the City's best interest to take advantage of historically low interest rates and to achieve cash flow savings in light of the economic impact of COVID-19 on the City's revenues. The 2020 Refunding Lease Revenue Bond of approximately \$3.9 million matures on November 1, 2032. As part of the refinancing, the City made significantly lower interest only payments in FY 22-23; however, payments now include principal and have increased the total payment to \$513,300.

Funding Sources

General Fund revenues are the source of funding for debt service payments. The General Fund (Fund 101) will transfer \$528,044 to Debt Service (Fund 401) in FY 23-24.

Table 1: FY 23-24 City Total Debt Service

Debt Service: Total				
Account Number	Account Description	FY22-23 Amended Budget	FY22-23 Estimated Actual	FY23-24 Recommended
401-411-00-44001	Principal	696,423	696,753	369,744
401-411-00-44002	Interest	176,880	176,880	155,800
401-411-00-44003	Administrative Fees	5,000	3,000	2,500
Total		\$878,303	\$876,633	\$528,044

Table 2: FY 23-24 Debt Service by Bond

Debt Service: by Bond				
Bond	Principal	Interest	Admin. Fee	Total
NGEN Radio	14,744	-	-	\$14,744
Sunset Center	355,000	155,800	2,500	513,300
Total	\$369,744	\$155,800	\$2,500	\$528,044

OTHER FUNDS

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.

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.

FUNDS OVERVIEW

Transportation Safety (Fund 202)

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

COPS Grant

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

Parking in Lieu (Fund 204)

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

Asset Seizure (Fund 205)

This fund accounts for expenditures related to asset seizures.

The next two funds pertain to certain types of expenditures.

- **Capital Projects (Fund 301):** This fund accounts for resources utilized, committed, assigned or restricted for capital projects.
- **Debt Service (Fund 401):** This fund accounts for activities related to the repayment of the Certificate of Participation, Pension Obligation Bond and capital lease obligations.

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

- **Workers Compensation (Fund 501):** This fund accounts for workers' compensation insurance provided to departments on a cost reimbursement basis.
- **Other Post-Employment Benefits (OPEB) Liability Reserve Fund:** This fund accounts for other post-employment benefits.
- **Vehicle and Equipment Replacement Fund:** This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

There is one agency fund.

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

PROJECTED FUND BALANCE

The accompanying tables depicts the Projected Fund Balance for FY 22-23 and FY 23-24.

General Fund

The General Fund is estimated to start FY 23-24 with a fund balance of \$13.1 million and end with \$6.1 million on June 30, 2024 due to the General Fund unassigned balance being utilized and the use of estimated new revenue and transfers in from other funds, such as the Hostelry Fund. Fund balance is the accumulation of prior years' savings and may also be considered a "rainy day fund". Carmel Municipal Code Section 3.06.040 states that the City shall maintain a General Fund balance equivalent to at least 15% of the General Fund budget in each fiscal year and this is referred to as the reserve. A reserve may be considered as a minimum amount of savings that the City has available for emergency or other purposes.

Hostelry Fund

FY 23-24 assumes \$6.8 million in new revenue. New revenue and fund balance for a total of \$10.2 million will be transferred to the General Fund to support citywide operations and CIP projects.

Gas Tax (Fund 201)

Revenue of \$179,934 is anticipated in FY 23-24 to be transferred to Capital Projects for street paving.

Transportation Safety (Fund 202)

Revenue of \$231,779 is anticipated in FY 23-24 to be transferred to Capital Projects for street paving.

COPS Grant

Revenue of \$158,000 is anticipated in FY 23-24 and will be transferred to the General Fund for Police Department salaries for eligible positions.

Parking in Lieu (Fund 204)

There is no activity budgeted in this fund for FY 23-24.

Asset Seizure (Fund 205)

There is no activity budgeted in this fund for FY23-24.

Measure C Sales Tax (Fund 206)

Measure C has a projected fund balance of \$1.9 million as of June 30, 2023. The FY 23-24 projected revenue of \$5.9 million will be transferred to the Capital Improvement Projects (\$5.07 million) and Vehicle & Equipment Replacement (\$830,000) There is no reserve requirement for Measure C.

Capital Projects (Fund 301)

This fund is projected to end FY 23-24 at \$5,015,998 representing 20% of the 5-Year CIP forecast City Funds total.

Debt Service (Fund 401)

The FY 23-24 debt service activity is \$528,044. Additional details on the bonds is found within the debt service section of this document.

PROJECTED FUND BALANCE

Workers Compensation (Fund 501)

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

Other Post-Employment Benefits (OPEB) Liability Reserve Fund

This fund was created by Council resolution to set aside funding to address OPEB liabilities. There is no reserve requirement. There is \$1.8 million in the fund and no planned activity for FY 23-24.

Vehicle and Equipment Replacement Fund

The planned activity in this fund for FY 23-24 in the amount of \$1,155,000 will be covered by new revenue and transfers in from Measure C Sales Tax Fund.

-----accompanying tables on next page---

PROPOSED FUND BALANCE AS OF JUNE 30, 2023

Projected Fund Balances

Projected Fund Balance June 30, 2023

Fund	Description	Audited Fund Balance June 2022	Revenue and Transfers In	Expenditures and Transfers Out	Estimated Fund Balance June 2023	Change in Fund Balance
101	General Fund	4,594,883	27,464,792	26,088,034	5,971,641	1,376,758
101	General Fund Reserve	6,994,965			6,994,965	-
101	General Fund Total	11,589,848	27,464,792	26,088,034	12,966,606	1,376,758
102	Hostelry	5,422,584	8,038,940	6,667,000	6,794,524	1,371,940
102	Hostelry Reserve	656,856			656,856	-
102	Hostelry Total	6,079,440	8,038,940	6,667,000	7,451,380	1,371,940
201	Gas Tax	71,679	129,053	200,733	(0)	(71,680)
202	Transportation Safety	593,759	179,319	202,100	570,978	(22,781)
203	COPS	3,350	175,917	158,000	21,267	17,917
204	Parking in Lieu	734,015	-	-	734,015	-
205	Asset Seizure	5,432	-	-	5,432	-
206	Local Measure Sales Tax	3,399,710	5,865,000	7,356,906	1,907,804	(1,491,906)
301	Capital Projects	1,596,719	3,988,730	577,918	5,007,531	3,410,812
401	Debt Service	416,577	485,170	876,633	25,115	(391,463)
501	Worker's Comp	64,235	181,007	46,469	198,773	134,538
502	OPEB Reserve	1,845,329	-	-	1,845,329	-
503	Veh & Eq Replacement	366,579	1,167,238	1,287,459	246,357	(120,221)
		26,766,671	47,675,167	43,461,252	30,980,585	4,213,914

PROPOSED FUND BALANCE AS OF JUNE 30, 2024

Projected Fund Balances

Proposed Fund Balance June 30, 2024

Fund	Description	Estimated Fund Balance June 2023	Revenue & Transfers In	Expenditures & Transfers Out	Proposed Fund Balance June 2024	Change in Fund Balance
101	General Fund	5,971,641	29,716,328	33,048,403	2,639,566	(3,332,075)
101	General Fund Reserve	6,994,965	-	2,595,078	4,399,887	(2,595,078)
101	General Fund Total	12,966,606	29,716,328	35,643,481	7,039,453	(5,927,153)
102	Hostelry	6,794,524	6,801,007	10,023,245	3,572,286	(3,222,238)
102	Hostelry Reserve	656,856	23,245	-	680,101	23,245
102	Hostelry Total	7,451,380	6,824,252	10,023,245	4,252,387	(3,198,993)
201	Gas Tax	(0)	179,934	179,934	(0)	-
202	Transportation Safety	570,978	231,779	802,757	(0)	(570,978)
203	COPS	21,267	158,000	158,000	21,267	-
204	Parking in Lieu	734,015	-	-	734,015	-
205	Asset Seizure	5,432	-	-	5,432	-
206	Local Measure Sales Tax	1,907,804	5,926,532	6,145,082	1,689,254	(218,550)
301	Capital Projects	5,007,531	9,769,567	9,761,100	5,015,998	8,467
401	Debt Service	25,115	528,044	528,044	25,115	-
501	Worker's Comp	198,773	-	76,600	122,173	(76,600)
502	OPEB Reserve	1,845,329	-	-	1,845,329	-
503	Veh & Eq Replacement	246,357	1,212,982	1,155,000	304,339	57,982
		30,980,565	54,547,418	64,473,243	21,054,760	(9,925,825)

FINANCIAL POLICIES

FINANCIAL AND BUDGET 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 uses. 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

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 POLICIES

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 (Policy No. C94-01)

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 No. C94-01)

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
 - a. 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.
 - b. Technology equipment replacement reserves will be maintained sufficient to repair covered equipment and for replacement at the end of its useful life.
3. 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.
4. 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.
5. Reserves shall be used only for established purposes.
6. Depleted reserves shall be restored as soon as possible.
7. A minimum level for each of the reserve funds shall be established (see chart below).
8. The City shall maintain reserves required by law, ordinance and/or bond covenants.

DEBT POLICIES

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 POLICIES

This is a time to be particularly cautious. Municipal moneys not required for immediate expenditure will be invested. The City will maintain adequate cash availability and yield on invested idle funds while insuring that invested moneys are protected. 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.

INVESTMENT POLICY AND GUIDELINES

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
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

1. **Question/Comment:** Why does the Estimated Actual FY 22-23 Sales Tax go up while Measure C goes down compared to FY 21-22 Actual? It seems Sales Tax and Measure C should move the same direction. Is this estimate correct?

Response: Administration met with HdL on May 10, 2023 to review sales tax data through 4Q22 and have updated the estimated FY 22-23 with figures provided by HdL. Measure C FY22-23 is now estimated at \$5,865,000. As Sales Tax captures point-of-sale transactions and Measure C tracks point-of-use transactions, it is not uncommon for these two taxes to trend differently.

2. **Question/Comment:** How does our City's Transient Occupancy Tax (TOT) compare to other peninsula cities?

Response:

County	City	TOT Tax Rate %
Monterey	Carmel-by-the-Sea	10%
Monterey	Del Rey Oaks	10%
Monterey	Gonzales	8%
Monterey	Greenfield	8%
Monterey	King City	10%
Monterey	Marina	14%
Monterey	Monterey	12%
Monterey	Pacific Grove	12%
Monterey	Salinas	10%
Monterey	Seaside	12%
Monterey	Soledad	12%
Monterey	Monterey County	10.5%

3. **Question/Comment:** Is there a better way to handle the payments to the Monterey County Convention and Visitors Bureau (MCCVB)? Why not estimate, then true up? How would a 'true up' with the MCCVB work?

Response:

The City remits four equal payments to Monterey County Convention & Visitors Bureau (MCCVB) quarterly based upon 3% of the fiscal year adopted budget for Transient

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

Occupancy Tax (TOT) revenue. There are no true-up payments currently to reflect 3% of actual TOT receipts collected over the fiscal year

Presently, there is a discrepancy between what MCCVB estimates (\$8.1M) for the City's TOT revenues and what the City estimates (\$6.8M) for FY 23-24. The City's TOT FY 23-24 estimates are calculated as a 2% increase over prior fiscal year's adopted budget. This variance results in a difference of approximately \$40K for the City's annual Jurisdiction Investment Partnership amount. In order to address situations like this, MCCVB is requesting an "invest-as-we-go" payment model for Council consideration that would result in the City's investment being based upon actual TOT revenues collected.

Based upon the current procedures and processes for the City's TOT collections and remittance, the MCCVB Jurisdiction Investment Partnership could be calculated every two months to match the timing of Monterey County Tourism Improvement District remittance, which is based on actual TOT collections. No end-of-the-year true up is needed with this approach and is based on actual TOT collections. Year-end or quarterly true-up calculations would require additional staff time while a bimonthly pay-as-you-go option could easily be incorporated into the TID processes already in place. Regardless, the City does need to add a placeholder amount as part of the budget and will continue with the amount in the recommended budget. Based on Councilmember Baron's direction, City Administrator Rerig will work with Rob O'Keefe of MCCVB to pay this upcoming fiscal year on actuals and should the actual amounts come over the budget amount, the City will submit a midyear adjustment accordingly.

4. **Question/Comment:** How would we propose cutting the budget by 10 percent if asked by Council?

Response: If a majority of City Council provides direction to cut \$4 million (10%) from the budget, the City Administrator will assess and come back with recommendations that may come from one or more sources such as salaries/benefits, operating expenses, and/or capital improvement projects (CIP).

5. **Question/Comment:** Please clarify the use of the parking in lieu fees?

Response: City Municipal Code § 17.38.040 states: "Funds collected by the City from such payments shall be deposited in a specific fund and used by the City to acquire and/or develop off-street parking." The CMC does not authorize the funds to be used for any other purpose (e.g., inter-city loan or other City program). Administration has requested from the City Attorney a memo specifically to clarify use of funds and whether funds can be utilized for parking improvements on currently owned off-street parking lots and spaces.

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

6. **Question/Comment:** Can you add the position control list back into the budget? How about adding the salary schedules for positions into the budget book?

Response: The FY 23-24 Recommended Budget Book has been updated since the May 2, 2023 City Council meeting with the City's Recommended Fund Positions table for FY 23-24.

7. **Questions/Comment:** Will the sand ramp at Eighth Avenue be repaired for use during an emergency?

Response:

Staff was anticipating that the ocean tides would bring back enough beach sand such that we could push up the sand and restore the ramp before the summer season. While some sand has returned to the beach, a considerable amount of additional sand is still needed back onto the beach to be able to restore the ramp. Police, Fire, and Public Works are well aware of this situation, and the lack of the beach ramp could potentially hinder emergency access.

However, it would be extremely challenging and costly to reconstruct the sand beach access ramp using imported sand for the following reasons. First, there is no known supply of pristine white sand that would match the natural Carmel Beach sand. Even if a source of sand was found, numerous truckloads would be required to cross the Village and deposit the sand. Not only would such a project be very costly, these operations would trigger an environmental analysis, environmental documentation, and a CEQA determination. A Coastal Development Permit would also be required. Furthermore, the ocean tides could return the sand for us during our summer beach profile.

8. **Question/Comment:** Can we add a photograph of the entire City Council in the budget book?

Response: The City paid for a recruitment video that included video footage and photos which were incorporated into the FY 23-24 budget. However, a photo of the full City Council can be integrated into the budget book once a photo has been taken.

9. **Question/Comment:** Regarding the Community Fire Risk assessment - will the document clearly elucidate whether we are at risk of wildfire in the Village?

Response: The City believes the Community Fire Risk Assessment will touch on the risk of wildfire in the Village. Administration has taken this question to Chief Panholzer and will update as more information becomes available.

10. **Question/Comment:** Now that we have prohibited wood burning fires at Carmel Beach will we change the signs?

Response: Yes. We are in the process of ordering and installing the new signs.

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

11. **Question/Comment:** Since there have not been any transactions on the Parking in Lieu fund balance for the last two years, can we invest the \$734k (or a portion) in an interest-bearing account?

Response: The Parking in Lieu fund balance is part of the overall City's investment financial portfolio. City's investment gain/losses are totaled and allocated among all funds holding a cash balance at the end of the fiscal year. As of June 30, 2022, the City's cash and investment portfolio was divided among checking accounts (73%), savings accounts (16%) and brokerage accounts (11%).

12. **Question/Comment:** The staffing positions and comparison to FY 22-23 are missing from the FY 23-24 recommended budget document. Chip called out in the FY 23-24 budget report that there are no increases in staffing. Even so, when will the public be able to see this information?

Response: The FY 23-24 Recommended Budget Book has been updated since the May 2, 2023 City Council meeting and includes the authorized positions.

13. **Question/Comment:** IT has over 50% increase in budget recommendations. What are the specific publications and subscriptions driving this and how are they used?

Response: The City's long term plan to move from on-premise systems which are capital expense heavy to Cloud based technologies which are operating expenses have increased expenditures in IT subscriptions. Additionally, Administration has consolidated all cross-departmental software subscriptions into IT's Publication and Subscriptions budget for FY 23-24.

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

<i>Amount</i>	<i>Vendor</i>	<i>Purpose</i>
12,000.00	AWS Cloud Services	Cloud Infrastructure
15,000.00	Azure Cloud Services	Cloud Infrastructure
4,000.00	Certificate Management	Cybersecurity
5,000.00	Computer Management Software	Cybersecurity
3,500.00	DMARC Services	Cybersecurity
5,000.00	Docusign	Digital Signatures
12,605.00	Laserfische	Cloud document management
14,600.00	Freshdesk Software	Support system for Forestry, Facilities, Planning and IT
2,500.00	GIS	Geographic Information System Maintenance
18,000.00	Gsuite Business	Cloud communication and collaboration tools
4,000.00	Hycu	Backup system
20,500.00	iWorq Software	Planning and Public Works permits and licensing software
3,500.00	Knowbe4 Computer Security Awareness Training	Security awareness training
25,000.00	Microsoft Licensing	Licenses for the Office and Windows software
18,000.00	Darktrace Network Security Monitoring	Cybersecurity
7,200.00	Adobe	Document management
42,000.00	Security Services (CrowdStrike, Artic Wolf)	Cybersecurity
3,840.00	Zoom	Public meeting broadcast, remote participation

14. **Question/Comment:** Community Activities has a noticeable increase in community promotions. What specifically are these?

Response: Community Activities has budgeted more in FY 23-24 due to inflationary increases in contractor costs. Additionally, more funds are budgeted towards the Farmers' Market for 3rd Thursdays (\$20,100), Programs/Events (\$13,200), Community Promotions (\$5,100), music (\$4,500) and other market improvements, signage, display, and equipment (\$13,667).

15. **Question/Comment:** What is the anticipated amount of reimbursements from storm damage that occurred during the 1st quarter of 2023 and when do we expect to receive this?

Response: At this time, the City is still identifying and inventorying disaster-related damages as required by FEMA. The City has until June 14, 2023 to complete emergency work and June 14, 2024 to complete permanent work. The City met with the new FEMA representative on May 10, 2023 and is actively working through the process. So far, the storm debris costs approved by FEMA is \$36K. Repairs have yet to be approved and will require a FEMA sight adjuster to come to the City and assess the damages, such as the stairs and ramp at the beach, street damages from tree uprooting etc. FEMA has not said when specifically, we would receive the funding.

16. **Question/Comment:** Contract services for tree care and landscape maintenance increased 50% in last year's budget and now again by 49% in this year's budget.

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**

Given this trend, is this enough? How do we better prepare for these services given that winter storms will continue to challenge our Village?

Response: For Fiscal Years 20-21 and 21-22, during the Pandemic, contracted landscape maintenance services were unfunded. While volunteer groups stepped up to help reduced Public Works/forestry crews with landscape care, the overall quality of the landscaping was diminished.

In the current Fiscal Year 22-23, \$149,000 was allocated for landscape maintenance. In late 2022, a contract was awarded to Town & Country Gardening & Landscaping for \$140,000. Approximately \$24,000 will also be expended to reimburse Carmel Cares for their contracted gardening services along the Scenic Pathway. Staff believes that the quality of the landscaping across the Village is now better than even before the Pandemic.

The proposed landscape maintenance budget for FY 23-24 is \$203,000 and covers both Town & Country (\$175,000) and Carmel Cares (\$28,000) landscaping services. The budgeted increase from \$149,000 to \$203,000 is 36%. Staff believes this increase is significant and prudent, but cautions against increasing the budget for landscaping maintenance beyond this amount so as to be in balance with the many other City needs.

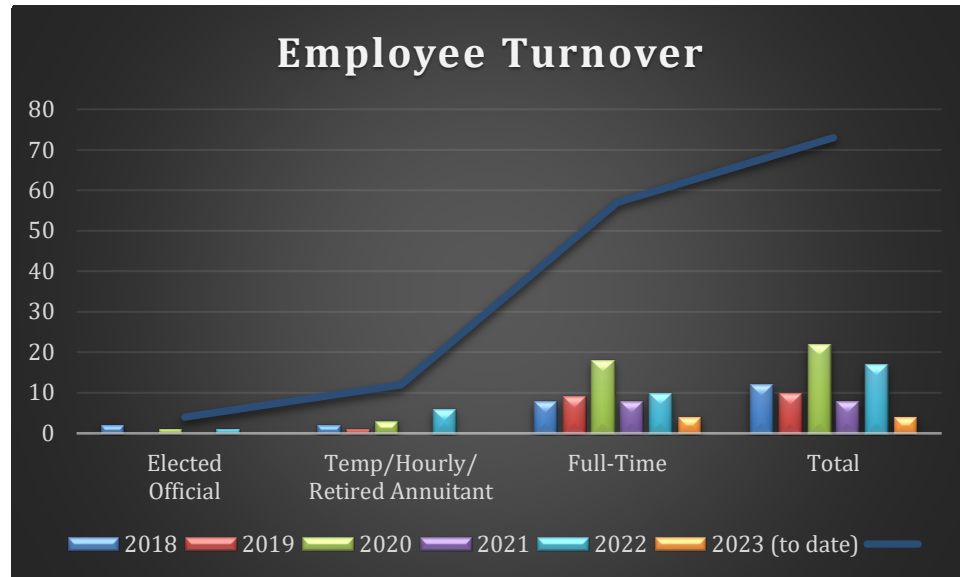
17. **Question/Comment:** The pie chart on page 41 doesn't seem to represent the PW Forest & Beach FY 2023-2024 budget amount of \$1,017,500.

Response: The FY 23-24 Recommended Budget Book has been updated since the May 2, 2023 City Council meeting to reflect the proper allocation of PW's Forest & Beach services and supplies.

18. **Question/Comment:** Staff turnover adds to increased recruiting time, costs, and understaffing that can delay project progress. What has been our staff turnover trend/rate for the last 5 years, adjusting for Covid impacts?

Response: In summary, 57 full-time employees have separated since 2018 which is close to 60% of personnel. Although COVID and the corresponding layoffs impacted 2020, the City has been proactively taking measures to address issues that may causing employees to leave such as improving employee engagement and satisfaction, and offering competitive compensation and benefit packages. The employee (full-time or temp/hourly/retired annuitant) and elected officials turnover trend/rate for the last 5 calendar years is as follows:

**CITY OF CARMEL-BY-THE-SEA
FISCAL YEAR 23-24 RECOMMENDED BUDGET
QUESTIONS SUBMITTED AS OF MAY 11, 2023**



Calendar Year	Elected Official	Temp/Hourly/Retired Annuitant	Full-Time	Total
2018	2	2	8	12
2019	0	1	9	10
2020	1	3	18	22
2021	0	0	8	8
2022	1	6	10	17
2023 (to date)	0	0	4	4
	4	12	57	73



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

May 16, 2023
ORDERS OF BUSINESS

TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Jane Hogan, Accountant
APPROVED BY:	Chip Rerig, City Administrator
SUBJECT:	Resolution 2023-057 receiving the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022

RECOMMENDATION:

Adopt Resolution 2023-057 receiving the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022

BACKGROUND/SUMMARY:

This item is on the Council's agenda to receive the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022 (Fiscal Year 2021-2022). The ACFR includes the City's audited basic financial statements and the independent auditor's report. It also includes a narrative on the City's financial activities known as the Management Discussion and Analysis and a statistical section pertaining to financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.

State law requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City has retained an independent auditor, Chavan and Associates, LLP, to audit the City's financial statements. The audit was performed in accordance with auditing standards generally accepted in the United States, including financial auditing standards issued by the Comptroller General of the United States, in order to determine if the City's financial statements were misstated or misrepresented, either due to fraud or error. Chavan and Associates, LLP, has issued an unmodified opinion that the financial statements for the year ended June 30, 2022, are fairly presented in conformity with generally accepted accounting principles (GAAP).

As part of the audit process, Chavan and Associates, LLP, also test the City's internal controls over financial reporting and compliance and reports on the outcome of these tests ("findings") as part of the Communication Letter. There are different categories of findings, including a material weakness, meaning that a deficiency, or a combination of deficiencies, in internal controls exists and that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, detected or corrected on a timely basis. No material weaknesses or other findings were identified as part of the audit. Sheldon Chavan of Chavan and Associates LLP will give a presentation on the Fiscal Year 2021-2022 audit

as part of the Council's May 16, 2023 meeting.

The Fiscal Year 2021-2022 ACFR was prepared using guidelines issued by the Government Finance Officers Association of the United States and Canada (GFOA) as part of its Certificate of Achievement for Excellence in Financial Reporting Program. The intent of this program is to encourage state and local governments to prepare reports that exceed the minimum requirements of generally accepted accounting principles in order to produce a readable and efficiently organized document intended to allow greater public transparency and full disclosure of the City's financial health. The City received a Certificate of Achievement for its Fiscal Year 2019-2020 and 2020-2021 ACFRs and the Fiscal Year 2021-2022 ACFR will also be submitted to the GFOA for consideration of a new Certificate of Achievement.

FISCAL IMPACT:

There is no fiscal impact associated with receiving the ACFR. The cost for the audit for fiscal year 2022-2023 is included within the adopted budget for a not to exceed amount of \$32,000.

PRIOR CITY COUNCIL ACTION:

There is no prior action taken on this item.

ATTACHMENTS:

Attachment 1) Resolution 2023-057

Attachment 2) FY 21-22 Annual Comprehensive Financial Report

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

RESOLUTION NO. 2023-057

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA
RECEIVING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE
FISCAL YEAR ENDING JUNE 30, 2022**

WHEREAS, State law requires that all accounts and fiscal affairs of municipal entities be examined annually by an independent certified public accountant; and

WHEREAS, the City retained the independent auditing firm of Chavan and Associates, LLP to audit the City's financial statements; and

WHEREAS, the audit was performed in accordance with auditing standards generally accepted in the United States, including financial auditing standards issued by the Comptroller General of the United States, in order to determine if the City's financial statements were misstated or misrepresented, either due to fraud or error; and

WHEREAS, Chavan and Associates, LLP has issued an unmodified opinion that the financial statements for the fiscal year ending June 30, 2022 ("Fiscal Year 2021-2022") are fairly presented in conformity with generally accepted accounting principles; and

WHEREAS, the audited financial statements are a component of the Annual Comprehensive Financial Report (ACFR); and

WHEREAS, the ACFR is a report that goes beyond minimum requirements of generally accepted accounting principles and was prepared using the guidelines developed by the Government Finance Officers Association (GFOA) for its Certificate of Achievement for Excellence in Financial Reporting program in order to produce a readable and efficiently organized document intended to allow greater public transparency and full disclosure of the City's financial health.

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

Receive the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ending June 30, 2022.

**PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF
CARMEL-BY-THE-SEA this 16th day of May, 2023, by the following vote:**

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

ATTEST:

Dave Potter
Mayor

Nova Romero
City Clerk

Annual Comprehensive Financial Report



*City of Carmel-by-the-Sea
California*

Fiscal Year Ended June 30, 2022

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City of Carmel-by-the-Sea California

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



Prepared by the Finance Department

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CITY OF CARMEL-BY-THE-SEA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

Attachment 2

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CITY OF CARMEL-BY-THE-SEA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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TRANSMITTAL LETTER



CITY OF CARMEL-BY-THE-SEA
P.O. BOX CC
CARMEL-BY-THE-SEA, CA 93921

Attachment 2

March 30, 2023

Honorable Mayor Dave Potter
Members of the Carmel-by-the-Sea City Council, and
Citizens of Carmel-by-the-Sea

SUBJECT: Comprehensive Annual Financial Report – June 30, 2022

The Comprehensive Annual Financial Report (ACFR) for the City of Carmel-by-the-Sea for the fiscal year ended June 30, 2022 is hereby submitted.

REPORT PURPOSE AND ORGANIZATION

In accordance with State law, which requires that the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant, the City of Carmel-by-the-Sea retained an independent auditor, Chavan and Associates, LLP, to audit the City's financial statements. Chavan and Associates, LLP, has issued an unmodified opinion that the financial statements for the year ended June 30, 2022, are fairly presented in conformity with generally accepted accounting principles (GAAP). This opinion, along with the basic financial statements, are submitted as the Comprehensive Annual Financial Report (ACFR) for the City for the fiscal year ended June 30, 2022. The information included in the financial section of this report fulfills the above requirement.

This report consists of City management's representations regarding the finances of the City of Carmel-by-the-Sea. Management assumes full responsibility for the completeness, data accuracy, and fairness of the information presented, including all footnotes and disclosures. Management believes the data presented are accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the City.

To provide a reasonable basis for making these representations, City management has established a comprehensive framework of internal controls that is designed to both protect the City's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles.

Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. The audit is intended to provide users with reasonable assurance that the information presented is free from material misstatements. As management, we assert, that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis that accompanies the basic financial statements in a format known as the Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to augment the MD&A and is meant to be read in conjunction with the MD&A. The MD&A can be found in the Financial Section of this document, immediately following the report of the independent auditor.

CITY OF CARMEL-BY-THE-SEA PROFILE

Located 120 miles south of San Francisco on the Monterey Peninsula, the City of Carmel-by-the-Sea is a coastal village with a population of 3,041 that is renowned for its natural beauty, including a white sand beach, urban forest of over 9,000 public trees comprised of Monterey pines, live oaks, and Monterey cypress and natural parklands all within a one-square-mile, built-out community. In addition to recreational opportunities afforded by such scenery, the City is also known for its architecture and dining and shopping opportunities, which may be found in the walkable downtown area. In addition to many City sponsored events like the City Parade, Sandcastle Contest and Pumpkin Roll, other special events also occur throughout the year and cultural activities abound, including at such venues as the Sunset Center performing arts center and the Forest Theater, an outdoor amphitheater.

The median age of the City's residents is 65.0 years. Nearly 75 percent of the population age 25 or older have a bachelor's degree. The City's median household income is \$101,696. The Carmel area offers outstanding educational opportunities through the Carmel Unified School District as well as institutions of higher learning on the Monterey Peninsula including the Monterey Peninsula College, the Monterey Institute for International Studies, California State University Monterey Bay, and the Hopkins Marine Station operated by Stanford University.

Form of Government

The City of Carmel-by-the-Sea was incorporated on October 31, 1916. As a General Law City, Carmel-by-the-Sea operates under a Council-City Manager (City Administrator) style of government and derives its power from the California Constitution and laws enacted by the State legislature.

All legislative power is held by the publicly elected, five-member City Council that consists of the Mayor and four Councilmembers. The Mayor serves a two-year term while Council members serve a four-year term, with overlapping terms with municipal elections occurring in November of each even numbered year. City Council is the policy making legislative body of the City and it adopts the annual budget, enacts ordinances, and approves major contracts, acquisitions and leases. The Council appoints the City Administrator to serve as the City's chief administrative officer.

The City Administrator is responsible for the enforcement of City laws and ordinances; ensuring that the orders of the City Council are executed; for supporting Council, which includes the preparation of agendas and the maintenance of records; and overseeing the City's day-to-day operations. This includes oversight of the departments of Community Planning and Building, Library, Community Activities, Public Safety and Public Works. The City Administrator also directs the centralized administrative functions of the City Clerk, Finance, Human Resources and Information Technology.

City Services

The City provides a variety of services to the residents, businesses and visitors to the village of Carmel-by-the-Sea. Administration provides oversight of daily City functions and financial activity. Community Planning and Building provides building safety services, code compliance and planning functions while Community Activities and Library manage new and ongoing special events and provide library services at two branch locations. Public safety services related to ambulance, law enforcement, crime prevention and fire protection are provided by the Ambulance and Police Department respectively while fire services are provided through a contract with the City of Monterey. Public Works is responsible for facility and vehicle maintenance, development and management of capital projects; construction,

improvement and repair of streets, sidewalks, pathways and storm drain systems and maintaining the Village forest, parks and shoreline areas.

The ACFR includes all financial activities of the City. Financial data for all funds through which services are provided by the City have been included in this report using criteria adopted by the Governmental Accounting Standards Board (GASB), which is the authoritative body establishing U.S. Generally Accepted Accounting Principles (GAAP) for local governments.

Budgetary Policy and Control

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 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.

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 uses. 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 15 February 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 1 July.

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.

FACTORS AFFECTING FINANCIAL CONDITION

This brief narrative on the local economy, City financial policies and major initiatives outlined within the annual budget are intended to provide context to the MD&A and financial statements.

Local Economy

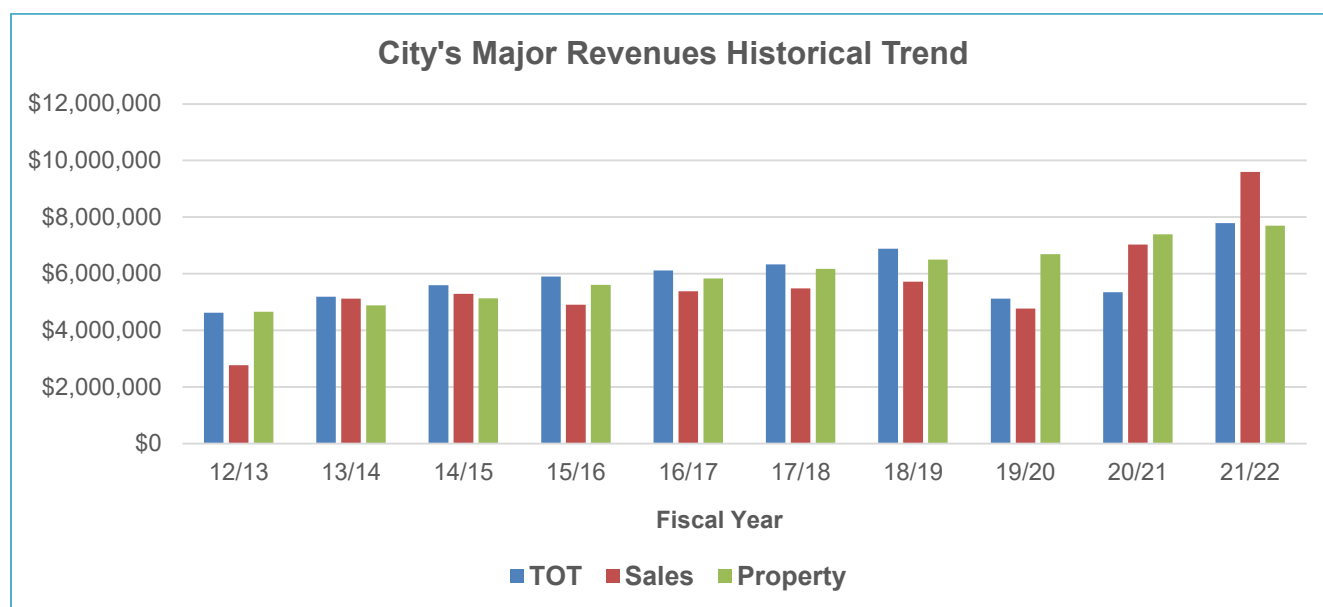
The City's three major sources of General Fund revenue include Property Tax, Sales and Use Tax and Transient Occupancy Tax. As shown on the chart on the next page entitled "City's Major Revenues Historical Trend", property taxes have historically been a strong component to the City's financial health. 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. Statewide sales tax and local Measure C district tax have taken over Property Tax as the largest city revenue source. Transient occupancy taxes (“TOT”) have also significantly contributed to the City’s revenues, eclipsing nearly \$7 million in fiscal year 2018-2019 and rebounding to approximately \$7.7 million in fiscal year 2021-2022, returning to pre-COVID levels.

Historically, these revenues each represent about 1/3 of the City’s total General Fund revenues. These revenues also illustrate the unique opportunities attributed to the City of Carmel-by-the-Sea. Located within one square mile, the City is considered to be built out, which limits the availability of new housing stock. This limited supply, coupled with a high demand for housing driven by the City’s desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture and unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City’s boundary as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike. Similarly, visitors have many lodging options to choose from when staying overnight within the City. The lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less, which is remitted to the City.

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax (“sales tax”) for ten years to raise revenue for general purposes, known as Measure D. The City received its first tranche of Measure D in the spring of 2013, and, as shown in the chart below entitled “City’s Major Revenues Historical Trend”, the advent of Measure D has increased the viability of sales tax as the City’s top major revenue sources.



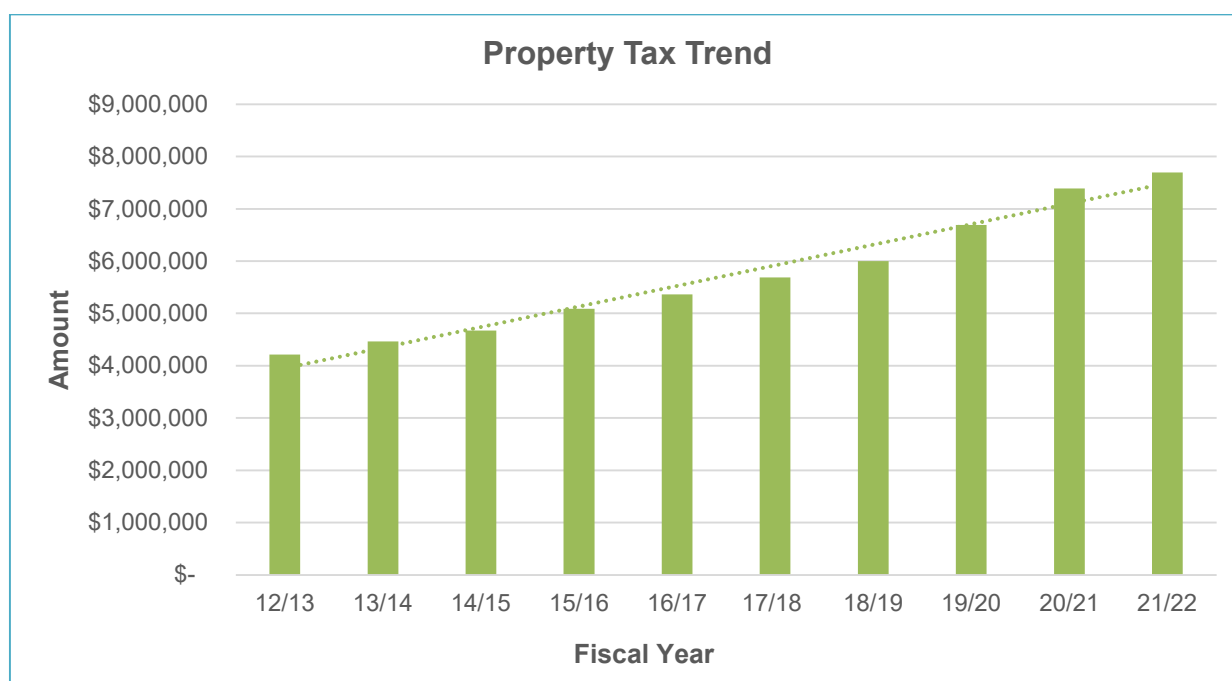
While fiscal year 2019-2020 was on track to meet revenue projections, the City’s economic forecast for two of its major revenue streams quickly began to change as news regarding the coronavirus (“COVID-19”) emerged. Travel restrictions coupled with decreased consumer spending and demand, particularly in the areas of travel and leisure, resulted in the underperformance of sales and use and transient occupancy taxes in fiscal year 2019-2020. TOT returned to pre-COVID levels in fiscal year 2021-2022,

a tribute to Carmel's claim as a unique destination place. Sales and use taxes reached a ten-year high of \$9.5 million due to increased consumer spending in store and online in addition to the collection of the local 1.5% sales tax.

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 totaled \$4.7 million in fiscal year 2012-2013, increasing on average by 7% over the past 9 years, until reaching \$8.1 million in fiscal year 2021-2022. Property taxes remained resilient to potential negative economic impacts associated with COVID19. Local Property taxes grew during the pandemic at rates of 10% in both fiscal year 2020-2021 and fiscal year 2021-2022.

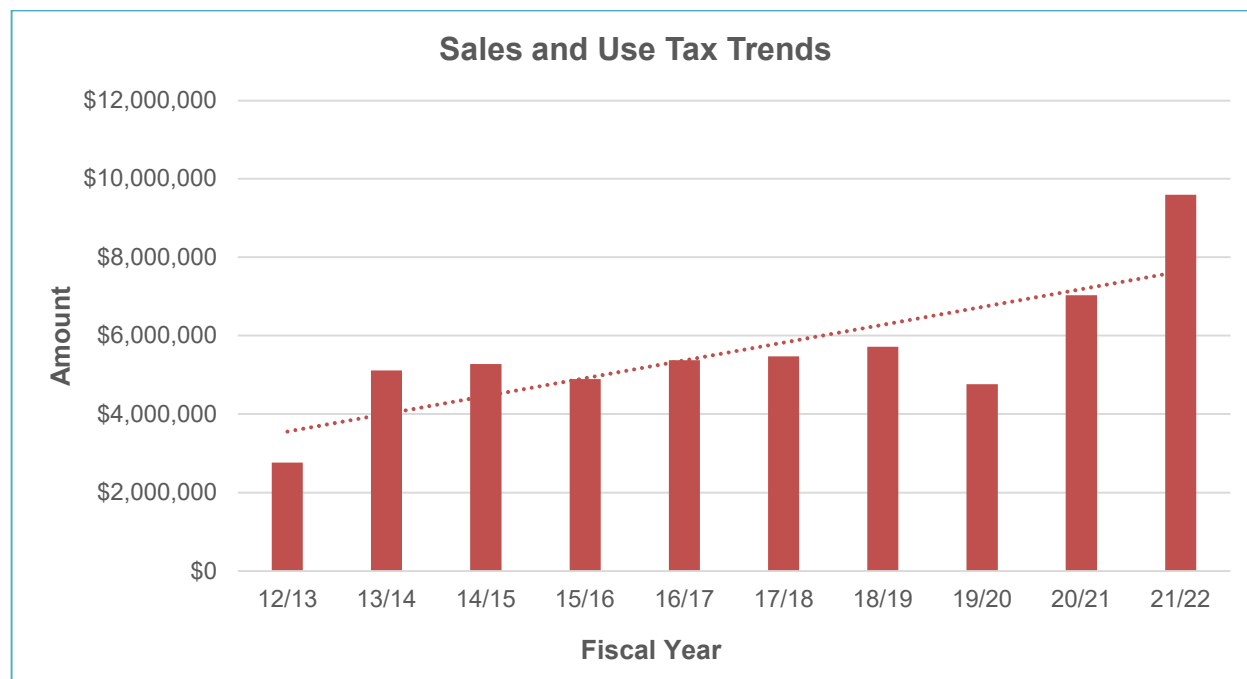
The State median home price is expected to drop 8.8% to \$758,600 in 2023, after rising 5.7% to \$831,460 in 2022 from \$786,700 in 2021. In fiscal year 2021-2022, the total amount of revenue received from property taxes was \$7.6 million, a 4% increase over fiscal year 2020-2021. The City has historically averaged a 7% growth in property taxes each fiscal year, largely due to the increase in secured property taxes. As illustrated in the chart to the below entitled "*Secured Property Tax Trend*", secured property taxes rose from \$3.5 million in fiscal year 2007-2008 to \$7.6 million in fiscal year 2021-2022.



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 as well as revenue from a local sales tax. The Carmel electorate approved a local 1% sales tax measure in November 2012. Sales tax has steadily increased each year since 2013, dropping slightly in 2016 and then rising each year thereafter to reach approximately \$5.7 million in 2019. As explained in more detail within the transient occupancy tax narrative below, the City faced a decline in the number of visitors due to COVID-19 for the last quarter of fiscal year 2019-2020, which also impacted sales tax. Sales tax in 2020 totaled approximately \$4.8 million.

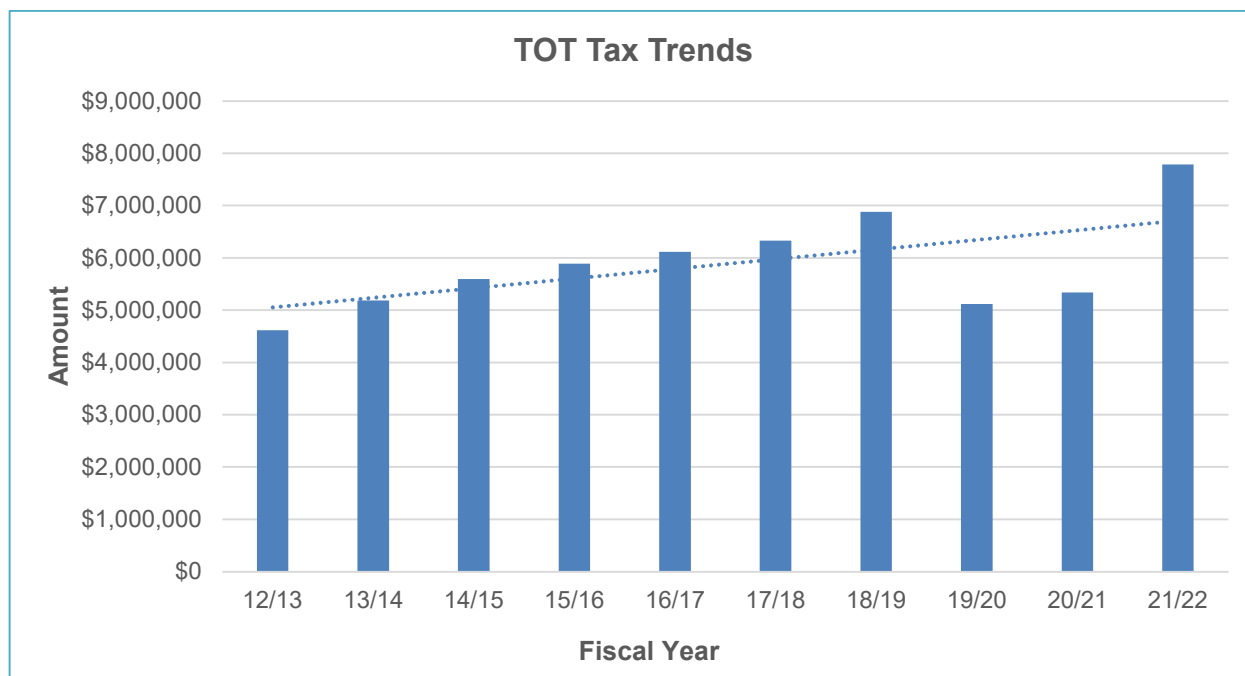
Moving forward, consumer spending for certain goods and services remained high, particularly for online shopping, dining and certain retail sectors. In addition, on March 3, 2020, Carmel voters approved Measure C, which increased the local sales tax by 0.5 percent to a new rate of 1.5 percent effective on July 1, 2020. Sales tax in fiscal year 2021-2022 generated approximately \$9.5 million, a 37% increase the prior fiscal year.



Transient Occupancy Taxes

Transient occupancy taxes (“TOT”) contributed \$4.6 million toward citywide revenues in fiscal year 2012-2013. TOT grew, on average, by 9% over the next 4 fiscal years until reaching \$6.1 million in fiscal year 2017-2018. Revenues continued to rise and TOT totaled \$6.8 million in fiscal year 2018- 2019 with expected strong performance on the horizon. However, with global news emerging in February 2020 regarding the coronavirus, local hotels experienced an immediate decline in occupancy due to international travel restrictions. Subsequently Monterey County issued a shelter in place (“SIP”) order on March 17, 2020 followed by a statewide SIP issued by Governor Newsom on March 19, 2020. Hotels faced a near absolute shut down with little to no guests in February and March 2020 and entered the early summer, which is one of the City’s busier periods for tourism, with decreased occupancy rates. As a result, TOT generated \$5.1 million in fiscal year 2019-2020, or \$1.7 million (25%), less than the fiscal year 2019-2020 Adopted Budget.

The City assumed a continued loss of revenue for fiscal year 2020-2021 due to the pandemic and associated ongoing travel restrictions. However, domestic travel remained strong and the sector started to rebound ahead of the projected 3-5 year schedule. TOT generated approximately \$7.7 million in fiscal year 2021-2022, fully recovering from pandemic shutdowns with a 46% increase in revenues over last fiscal year 2022-2023.



Relevant Financial Policies

Financial and Budget Policies

The City Council adopted Council *Policy C94-01: Financial and Budget Policies* to provide direction to help ensure sound fiscal planning and the management of fiscal integrity. The Policies pertain to the capital and operating budgets, fund balance, debt management and investments.

Highlights of policy guidelines include the following:

Capital

- Total capital expenditures were budgeted at \$2.3 million at the beginning of the fiscal year. During the fiscal year, \$2.1 million were added to the capital expenditures budget for the Police station renovations. When omitting the fiscal year 2021-2022 paving project of \$962,000, capital expenses were budgeted at approximately \$3.4 million, or just above four percent of total revenue. Actual capital expenditures totaled approximately \$1.1 million.
- Ten percent of the unrestricted funds designated for capital project expenditures were not set aside for unanticipated expenditures. Nor was a capital reserve policy of twenty percent of estimated five-year CIP expenditures maintained. The reserve amount is calculated at \$3.96 million.
- The Five-Year Capital Improvement Program (CIP) was updated. The estimated cost of the Five-Year Capital Improvement plan is \$19.8 million. All fiscal year 2021-2022 funded projects are consistent with the City's General Plan.

Operating

- The fiscal year 2021-2022 Adopted Budget did not include a revenue buffer of five percent of projected expenditures.

- The fiscal year 2021-2022 Adopted Budget projected a balanced budget. Ongoing expenses were not funded with one-time revenues. At fiscal year-end, governmental fund sources were greater than uses by \$8.1 million.

Fund Balance

- General Fund and Hostelry Fund reserves were maintained at no less than fifteen and ten percent, respectively, of their annual projected revenue. The General Fund Balance of \$17.6 million, significantly exceeds the statutory required reserve limit.

Major Initiatives

Continued Investment in Protecting Natural Resources and Critical Infrastructure

The fiscal year 2021-2022 Amended Budget allocated \$4.4 million in funding for capital projects and vehicle and equipment purchases intended to rehabilitate City facilities; address sidewalks and street improvements; enhance public safety, and protect and preserve the natural environment. The fiscal year 2021-2022 budget recognizes the importance of investing our “green” infrastructure by including \$327,250 for projects pertaining to the Mission Trail Nature Preserve, the Carmel Beach, North Dunes and the Scenic Pathway. Additional capital funding included the Police station renovation, Library Master Plan, the Sunset Center materials testing and windows, ongoing implementation of accessibility improvements at various City facilities, two Police patrol vehicles, a traffic sign plotter and upgraded Park Branch Library generator.

Revenue Enhancement and Stability

On November 6, 2012, the Carmel electorate approved a temporary 1% transaction and use tax (“sales and use tax”) known as Measure D. Measure D sunsets in 2023. Recognizing the importance of this revenue to the City’s financial health, the City Council began discussions regarding the renewal of Measure D well ahead of the sunset date. Council drafted a new sales tax initiative to replace the existing Measure D and increase the local sales tax by 0.50%. On March 3, 2020, Carmel voters approved Measure C, which authorizes a 1.5% tax for 20 years for general City purposes. The criticality of Measure C to both the City’s short and long-term fiscal sustainability immediately became apparent with the emergence of the coronavirus pandemic in the spring of 2020. As the new sales tax rate became effective on July 1, 2020, the additional 0.50% tax rate mitigated projected decreases in visitor-driven sales tax performance. In addition, online purchases are subject to local sales tax and this type of spending greatly increased during the pandemic.

Addressing Pension Liabilities

The California Public Employees’ Retirement System (“CalPERS”) is the largest pension fund in the country, managing investments for nearly 2 million members on behalf of the state, schools and other public agencies. The City is a participating member of CalPERS and has two primary CalPERS plans, one for miscellaneous members and one for safety members.

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. Similar to other public agencies, the City’s pension costs have risen. The UAL for the City, as of 6/30/2022, is \$28.9 million.

The City has historically used a combination of strategies to help mitigate the costs associated with pension liability, such as the:

- Issuance of pension obligation bonds;
- Negotiation of employee contributions toward the employer's cost of pensions; and
- Prepaying the annual UAL payment in order to save interest.

More recently, the City Council considered additional pension cost management strategies including:

- Developing a “fresh start” amortization and new amortization schedule with CalPERS;
- Establishing a Pension Rate Stabilization Program (e.g. Section 115 Trust);
- Making additional lump sum payment to CalPERS to pay down the UAL;
- Issuing new pension obligation bonds (POB); and/or
- Restructuring remaining debt service payments on the existing POB.

In January 2019, Council endorsed the City's participation in a Pension Rate Stabilization Program to pre-fund pension obligations and authorized staff to issue a request for proposals for a Section 115 Trust Administrator. A Section 115 Trust is a tax-exempt investment vehicle authorized by the Internal Revenue Services to prefund government expenses, such as retirement plan benefits. Funds placed within the trust can remain within the trust until such 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. Other benefits associated with the establishment of a trust include (1) greater investment flexibility and risk diversification compared to the City's general investment options and (2) City oversight of investment and control over the risk tolerance of its investment portfolio as compared to investments managed by CalPERS. On August 2, 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 Services (PARS) and authorized the City's participation within this program. Subsequently, on September 7, 2021, Council authorized City staff to make an initial deposit of \$1 million into the Trust. \$1 million annual deposits are to be made over the next five years in the Section 115 Trust. The City made the initial deposit of \$1 million into the Section 115 Trust over fiscal year 2021-2022.

AWARDS

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carmel-by-the-Sea for its comprehensive annual financial report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

As a result of the professionalism and dedication of the Finance Division staff, the City continues to make strides in updating and enhancing its financial policies, procedures and systems and its financial reporting capabilities, as evidenced by the production of this comprehensive annual financial report. The preparation of this report also required the involvement of many City departments in gathering

statistics, as well as the guidance and support of the City's independent auditor, and we extend our appreciation to these individuals for the assistance provided.

The comprehensive annual financial report is a document that strives to achieve transparency and full disclosure in financial reporting. As such, the preparation of this document would not be possible without the support of the City Council. We wish to acknowledge the City Council's leadership and commitment to organizational excellence, public transparency and sound fiscal management.

Chip Rerig
City Administrator

Jane Hogan
Accountant

CITY OF CARMEL-BY-THE-SEA PRINCIPAL OFFICERS

Fiscal Year 2021-22

City Council

Dave Potter, Mayor

Bobby Richards, Mayor Pro Tempore

Jeff Baron, Councilmember

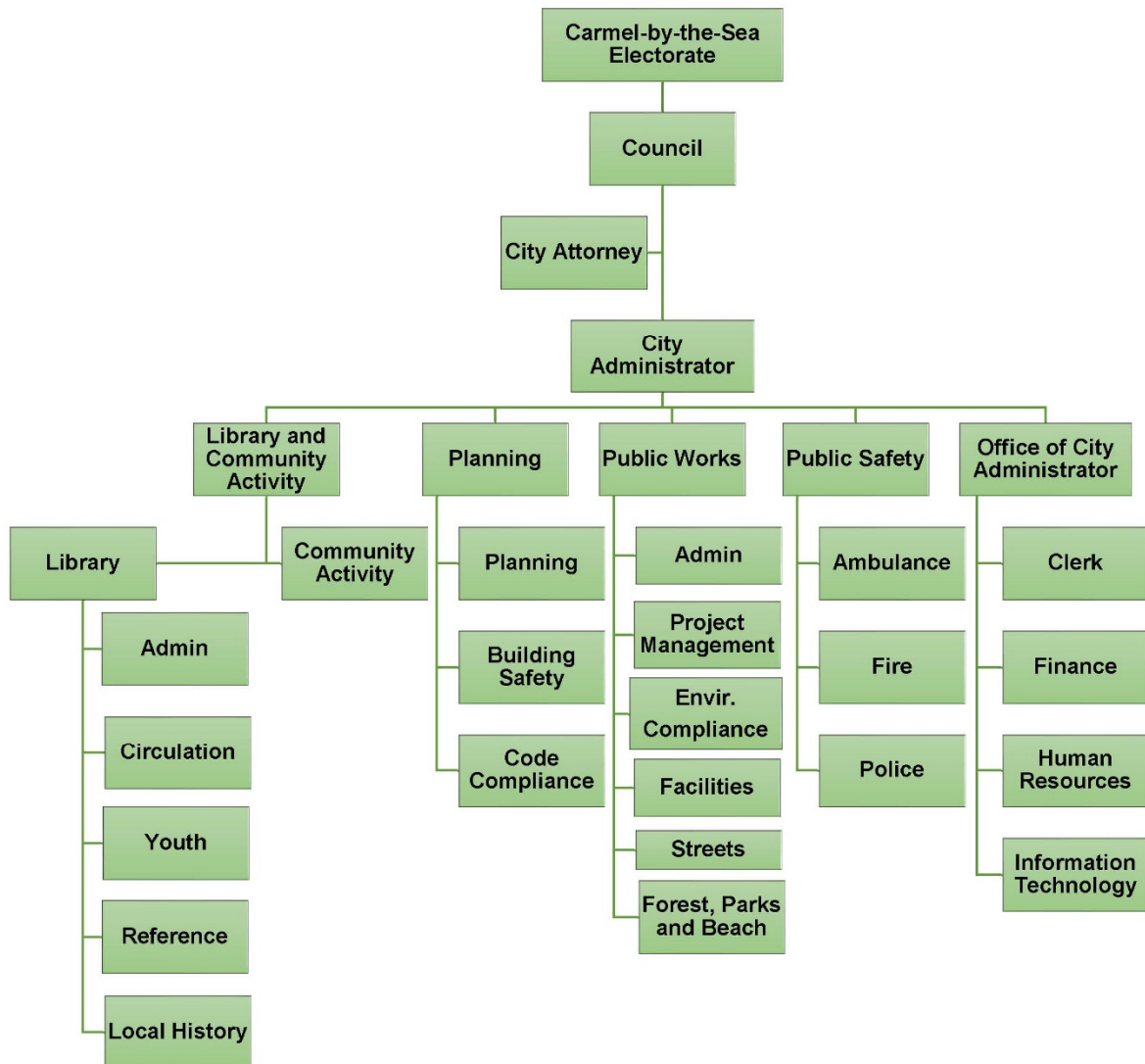
Karen Ferlito, Councilmember

Carrie Theis, Councilmember

City Administrator

Chip Rerig

CITY OF CARMEL-BY-THE-SEA ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Carmel-by-the-Sea
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



Chavan and Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
City Council of the City of Carmel-By-The-Sea
Carmel-by-the-Sea, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carmel-By-The-Sea (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carmel-By-The-Sea, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

City management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with



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management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining individual non-major fund schedules, statistical data, and other information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, budgetary and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

C & A LLP

March 29, 2023
Morgan Hill, California



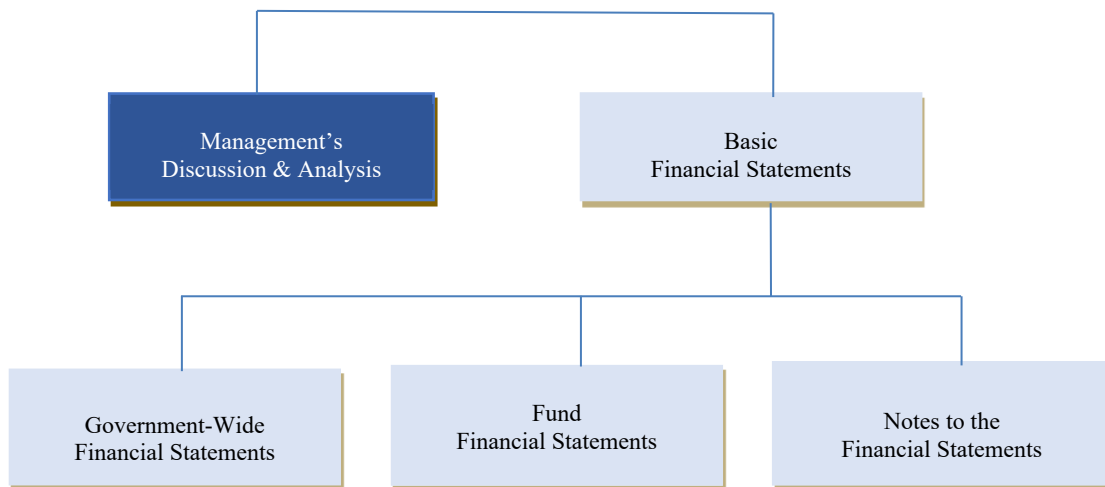
MANAGEMENT'S DISCUSSION AND ANALYSIS

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INTRODUCTION

As management of the City of Carmel-By-The-Sea, we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City of Carmel-By-The-Sea for the fiscal year that ended on June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the other sections of the attached audited financial statements, required supplemental information and other supplemental information. The required components of the report are listed below.

Required Components of the Annual Financial Report



FISCAL YEAR 2021/22 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The assets and deferred outflows of resources of the City of Carmel-by-the-Sea exceeded the liabilities at the close of the most recent fiscal year by \$32.16 million (net position). Of this amount, net position included \$33.55 million classified as net investment in capital assets; \$6.77 million as restricted; and \$8.16 million as a deficit unrestricted net position (negative net position). The negative unrestricted net position is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. This pronouncement requires local governments to record pension liabilities on the government-wide financial statements. The City's pension liability in accordance with GASB 68 as of June 30, 2022 was \$15.97 million.
- The City of Carmel-by-the-Sea's total net position increased by \$4.34 million from last fiscal year mostly due to a decrease in cash and investments.

Fund Highlights

- At the close of Fiscal Year 21/22 the City of Carmel-by-the-Sea's governmental funds reported combined fund balances of \$26.04 million, an increase of \$8.14 million in comparison with the prior year. Approximately 38% or \$10 million is classified as unassigned fund balance and is available for spending at the government's discretion, which is up from \$850 thousand over the prior year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$17.67 million, or 81% of total general fund expenditures, prior to transfers, versus \$12.61 million and 69% in the prior year.
- The City's long-term liabilities decreased by \$9.58 million primarily as the result of decreases to employee benefit liabilities totaling \$8.38 million.
- The City's net capital assets decreased by 3.3% or \$1.33 million primarily as a result of depreciation during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Carmel-by-the-Sea's financial statements. The City of Carmel-by-the-Sea's basic financial statements are comprised of (1) Government-wide Financial Statements (2) Fund Financial Statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Carmel-by-the-Sea's finances, in a manner similar to a private-sector business. Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents financial information on all of the City of Carmel-by-the-Sea's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Carmel-by-the-Sea is improving or deteriorating.

The *Statement of Activities* presents information showing how the City of Carmel-by-the-Sea's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is consistent with a full accrual concept, which may result in the reporting of revenues and expenses in the current fiscal year, with cash flows occurring in future fiscal periods (e.g. uncollected revenues and earned but not used vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Carmel-by-the-Sea that are principally support by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). An overview of the City's functions associated with each classification is listed below.

Governmental Activities – All of the City's basic services are considered to be governmental activities. This includes general government, public safety, public works, library, and community planning and building. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and general government program fees. The City also operates three internal service funds, which are combined with the governmental funds and reported as governmental activities. See the table of contents for reference to the government-wide financial statements pages within this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. Major funds are presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the fiscal year and may change from year to year as a result of changes in the pattern of the City's activities. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This represents a modified accrual basis of accounting, with capital assets, long-lived assets, and long-term liabilities excluded from the financial statements. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

The City maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Measure C Sales Tax Fund, the Capital Projects Fund and the Harrison Memorial Library Fund. These funds are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Carmel-by-the-Sea adopts an annual budget for its governmental funds. A budgetary comparison statements have been provided to demonstrate compliance with this budget. See the table of contents for where the basic governmental fund financial statements can be found this report.

Proprietary Funds

Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City of Carmel-by-the-Sea's various functions. The City uses internal service funds to account for the management of its retained risks associated with liability self-insurance, workers compensation and other post-employment benefits (OPEB). The City also uses an internal service fund, the Vehicle & Equipment Replacement Fund, to manage the costs of various equipment purchased, maintained and utilized to operate City services for various departments. Because these internal services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. See the table of contents for where the proprietary fund financial statements can be found this report.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Carmel-by-the-Sea's budgetary information for the General Fund and Major Special Revenue Funds, and the City's funding progress for its employee pension and OPEB benefit obligations. The page numbers for the required supplementary information can be found in the table of contents.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the *required supplementary information*. The page numbers for the combining and individual fund statements and schedules can be found in the table of contents.

An un-audited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information. The table contents list the page numbers for where this information can be found.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as an indicator of a government's financial position. In the case of the City of Carmel-by-the-Sea, assets and deferred outflows of resources exceeded liabilities by \$27.8 million at the close of the Fiscal Year. This represents an increase of \$2.4 million over the prior year.

The following table summarizes the City's ending net position:

Table 1 - Net Position				
	Governmental Activities		Increase	
	2022	2021	(Decrease)	
Assets				
Current and other assets	\$ 30,659,871	\$ 21,417,241	\$	9,242,630
Capital assets	38,443,660	39,773,062		(1,329,402)
Total Assets	\$ 69,103,531	\$ 61,190,303	\$	7,913,228
Deferred Outflows of Resources	\$ 5,571,642	\$ 5,875,068	\$	(303,426)
Liabilities				
Current and other liabilities	\$ 1,866,210	\$ 2,302,046	\$	(435,836)
Noncurrent liabilities	26,341,876	34,703,650		(8,361,774)
Total Liabilities	\$ 28,208,086	\$ 37,005,696	\$	(8,797,610)
Deferred Inflows of Resources	\$ 14,303,710	\$ 2,240,132	\$	12,063,578
Net Position				
Net investment in capital assets	\$ 33,545,605	\$ 34,846,110	\$	(1,300,505)
Restricted	6,773,624	4,748,736		2,024,888
Unrestricted	(8,155,852)	(11,775,303)		3,619,451
Total Net Position	\$ 32,163,377	\$ 27,819,543	\$	4,343,834

A significant portion or \$33.55 million of the City's net position reflects its investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.), less accumulated depreciation and any outstanding debt that was used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional \$6.77 million of the City of Carmel-by-the-Sea's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$8.16 million is classified as unrestricted. This negative unrestricted balance is largely due to *GASB 68 – Accounting and Financial Reporting for Pensions*. The City participates in the CalPERS Miscellaneous and Safety pension plans. GASB 68 impacted local governments by requiring them to report a proportional share of their pension plan's net pension liabilities on financial statements. As of June 30, 2022, the City's proportionate share of the CalPERS pension liability was \$15.97 million. See note 8 for detailed information related to the Plans, along with the required supplementary information section of this report.

At the end of the current fiscal year, the City of Carmel-by-the-Sea is able to report a positive balance for the government as a whole. The reasons for the overall financial changes are discussed in the following sections for governmental activities.

Governmental Activities

As shown in the *Statement of Changes in Net Position* schedule below, the change in net position for governmental activities increased by \$4.34 million. This increase is largely due to an increase of \$5.5 million in taxes which is a direct result of increased property values and a new sales tax measure (Measure C). Total revenues from governmental activities increased by \$6.1 million from the prior year, which included a \$678 thousand increase in program revenues and a \$5.4 million increase in general revenues. The net change in expenses from the prior year was a decrease of \$4.1 million.

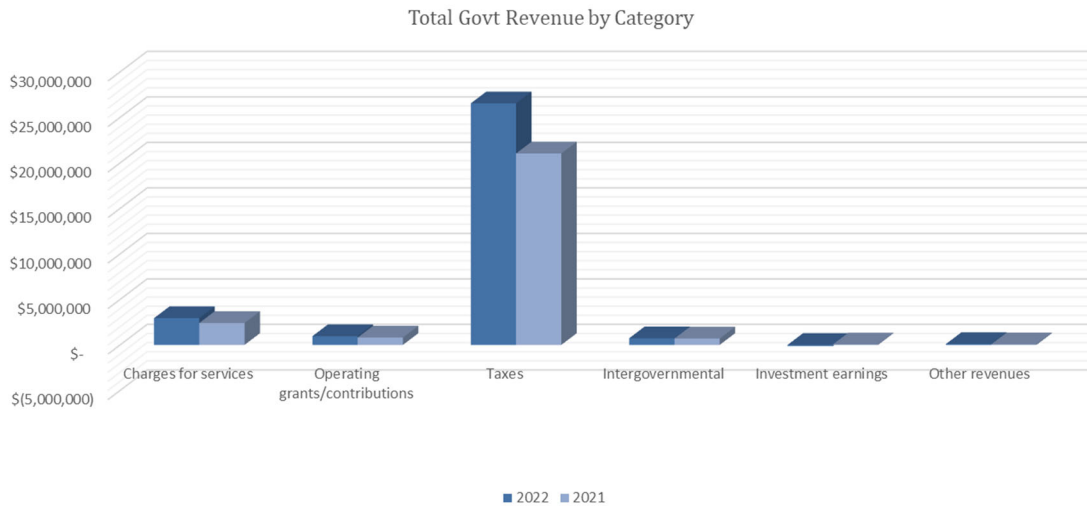
With total revenues for the fiscal year at \$31.15 million and total expenses at \$26.81 million, the change in net position for current activity was \$4.34 million. An analysis of the changes in revenues and expenses is as follows:

Table 2 - Statement of Changes in Net Position

Functions/Programs	Governmental Activities		Increase
	2022	2021	(Decrease)
Program Revenues			
Charges for services	\$ 2,941,755	\$ 2,410,904	\$ 530,851
Operating grants and contributions	960,670	813,139	147,531
Total Program Revenues	3,902,425	3,224,043	678,382
General Revenues			
Taxes	26,544,389	21,037,561	5,506,828
Intergovernmental	734,550	704,337	30,213
Investment earnings	(126,009)	47,554	(173,563)
Other revenues	98,571	63,692	34,879
Total General Revenues	27,251,501	21,853,144	5,398,357
Expenses			
General government	6,494,737	5,423,821	1,070,916
Community Planning and Building	1,789,916	1,280,518	509,398
Public Safety	10,511,669	8,968,364	1,543,305
Public Works	4,961,215	4,162,030	799,185
Library	1,644,498	1,539,410	105,088
Community Activities	205,869	119,562	86,307
Economic Revitalization	1,034,150	819,202	214,948
Interest on fiscal charges	168,038	387,525	(219,487)
Total Expenses	26,810,092	22,700,432	4,109,660
Increase / (Decrease) in Net Position	4,343,834	2,376,755	1,967,079
Net Position, Beginning of Year	27,819,543	25,442,788	2,376,755
Net Position, End of Year	\$ 32,163,377	\$ 27,819,543	\$ 4,343,834

Governmental Revenues

The following chart summarizes the changes in revenues by category during the fiscal year:

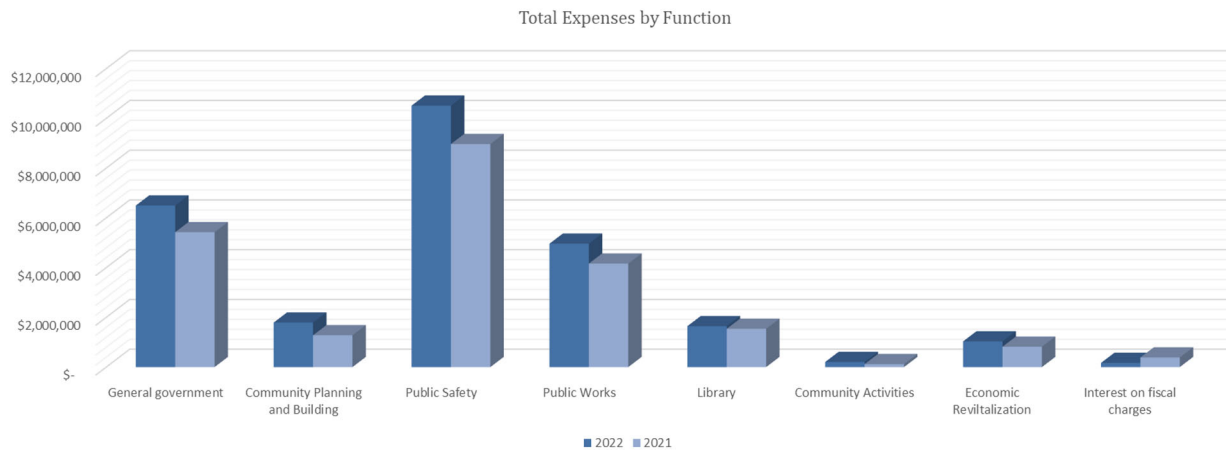


Significant changes in governmental revenues consisted of the following:

- Property tax increased by \$305,065, or approximately 4%, over the prior year due to a strong real estate market bolstered by the coronavirus pandemic, the ability of high-income households to purchase homes and the desirability of Carmel-by-the-Sea as a place to reside, coupled with its limited housing stock.
- Travel and tourism remained strong during the pandemic even with ongoing travel restrictions. Sales and use taxes increased by \$2.57 million over the prior year due to a combination of factors including greater than expected consumer spending for online purchases and other types of goods and services; strong restaurant and dining sales, bolstered in part by outdoor dining options; and a new local sales tax measure that increased the local sales tax rate from 1% to 1.5% effective on July 1, 2020. Transient occupancy taxes increased by \$2.45 million over the prior year primarily due to an increase in the average daily room rates charged by lodging operators.

Governmental Expenses

The following chart summarizes the changes in expenses by category during the fiscal year:



Significant changes in governmental expenses include increases to General Government, Community Planning and Building, Public Safety, and Public Works expenses of \$1.07 million, \$509 thousand, \$1.5 million, and \$799 thousand, respectively. In general, City services and related costs have increased as the COVID-19 pandemic moved into an endemic.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

As noted earlier, the City of Carmel-by-the-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City of Carmel-by-the-Sea's Council.

The following is a summary of the changes in fund balance of the major and other (nonmajor) governmental funds:

Table 3 - Summary of Changes in Fund Balance - Governmental Funds

	Major Funds					
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	Total
Total Revenues	\$ 24,175,911	\$ 5,970,464	\$ -	\$ 376,941	\$ 640,738	\$ 31,164,054
Total Expenditures	20,763,407	-	149,872	298,559	859,212	22,071,050
Revenues Over (Under) Expenditures	3,412,504	5,970,464	(149,872)	78,382	(218,474)	9,093,004
Transfers in	3,074,825	-	1,206,728	-	936,441	5,217,994
Transfers out	(1,432,910)	(4,206,660)	-	-	(535,265)	(6,174,835)
Net change in fund balances	5,054,419	1,763,804	1,056,856	78,382	182,702	8,136,163
Beginning of year	12,614,869	1,635,906	539,863	1,470,720	1,642,110	17,903,468
End of year	\$ 17,669,288	\$ 3,399,710	\$ 1,596,719	\$ 1,549,102	\$ 1,824,812	\$ 26,039,631

The fund balance of the City's General Fund increased by \$5.05 million mostly due to transfers in from the Measure C Sales Tax fund and increased sales and transient hotel tax. The fund balance in the Measure C Sales Tax Fund increased by \$1.76 million mostly because of increased sales tax collections under the measure. The fund balance in the Capital Projects fund increased by \$1.6 million mostly from transfers made by the General Fund to fund future capital projects. The fund balance in the Library Fund increased by \$78 thousand mostly because of increases to contributions and grants during the year.

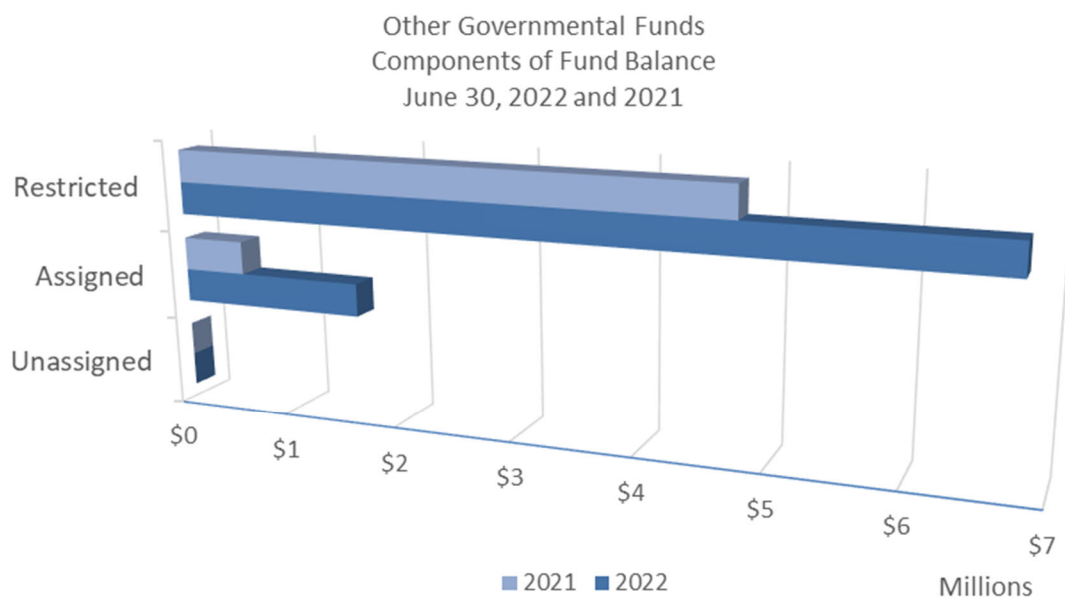
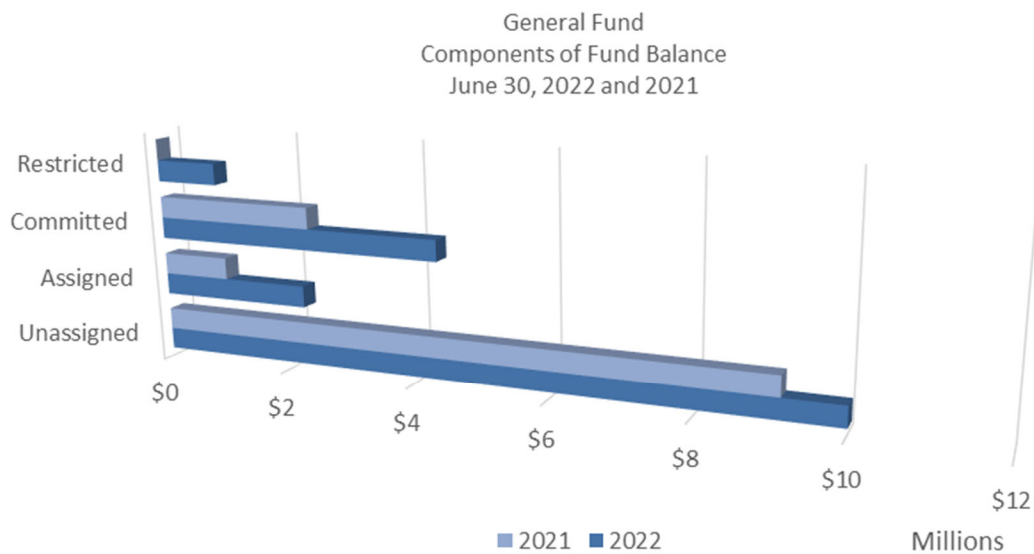
Combined Funds – Components of Fund Balance

As of June 30, 2022, the City of Carmel-by-the-Sea's reported combined fund balances of \$26 million, which represents a \$8.14 million increase over the prior year. Approximately 38%, or \$10 million, was classified as unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance was either committed, restricted, or assigned. The committed balance of \$4.4 million represents funds that are set-aside for specific purposes via resolution of the City Council. The restricted balance of \$7.7 million reflects fund that are legally required to remain intact, while the remainder of \$3.9 million represents funds that were assigned to a particular purpose by the City Council or management given legal authority by the Council.

General Fund – Components of Fund Balance

The general fund is the chief operating fund of the City of Carmel-by-the-Sea. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$10 million, and the total fund balance increased to \$17.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The total general fund expenditures prior to transfers were \$20.76 million. Unassigned fund balance represents approximately 48% of the total general fund expenditures, while total fund balance represents approximately 85% of total general fund expenditures.

The following charts provide an annual comparison of the fund balance components included in the general fund and the other governmental funds.



The assigned fund balance in other governmental funds was from the Capital Projects Fund which had \$1.6 million in fund balance assigned for capital projects.

FINANCIAL ANALYSIS OF CITY'S INTERNAL SERVICE FUNDS

The following is a summary of the changes in fund balance of the City's internal service funds:

Table 4 - Summary of Changes in Net Position - Internal Service Funds

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total
Total Revenues	\$ 18,670	\$ -	\$ 50,000	\$ 68,670
Total Expenditures	47,724	-	172,676	220,400
Revenues Over (Under) Expenditures	(29,054)	-	(122,676)	(151,730)
Nonoperating Revenue (Expense)	(2,526)	(7,601)	-	(10,127)
Transfers in	116,158	-	920,663	1,036,821
Transfers out	-	(79,980)	-	(79,980)
Net change in fund balances	84,578	(87,581)	797,987	794,984
Beginning of year	(20,344)	1,845,329	782,594	2,607,579
End of year	\$ 64,234	\$ 1,757,748	\$ 1,580,581	\$ 3,402,563

CAPITAL ASSETS

The City of Carmel-by-the-Sea's investment in capital assets includes land, buildings, systems, improvements, machinery, equipment, facilities, roads, and other similar assets and infrastructure. The following table summarizes the City's capital assets at the end of the year:

Table 5 - Capital Assets at Year End - Net

	Governmental Activities		Increase
	2022	2021	(Decrease)
Land	\$ 5,101,641	\$ 5,101,641	\$ -
Construction in Progress	51,358	50,529	829
Buildings and improvements	14,895,659	15,089,245	(193,586)
Infrastructure	17,820,081	18,949,776	(1,129,695)
Vehicles	227,043	162,735	64,308
Technology/Hardware and Software	96,010	120,343	(24,333)
Machinery and equipment	251,868	298,793	(46,925)
Total Capital Assets, Net	\$ 38,443,660	\$ 39,773,062	\$ (1,329,402)

The City reported depreciation expense of \$2.13 million for fiscal year 2021-22 as compared to \$2.16 million for fiscal year 2020-21.

See Note 5 in the notes to financial statements section for additional information.

DEBT ADMINISTRATION (LONG-TERM LIABILITIES)

During the year, Long-Term Liabilities from governmental activities decreased by \$9.6 million primarily due a decrease in the net pension liability and the total OPEB liability as shown below and described in the financial highlights section.

The following table summarizes the City's debt at the end of the year:

Table 6 - Outstanding Long-Term Liabilities

	Governmental Activities		Increase
	2022	2021	(Decrease)
Sunset Center LRB	\$ 3,895,000	\$ 3,895,000	-
Sunset Center LRB Premium	838,004	866,901	(28,897)
Countywide Radio Project	165,051	165,051	-
Pension Obligation Bonds	680,000	1,340,000	(660,000)
Compensated Absences	586,299	598,095	(11,796)
Net Pension Liability	15,965,385	24,342,598	(8,377,213)
Claims Liability	575,000	575,000	-
Net OPEB Liability	3,637,137	4,140,591	(503,454)
Total Long-Term Liabilities	<u>\$ 26,341,876</u>	<u>\$ 35,923,236</u>	<u>\$ (9,581,360)</u>

See Note 6 in the notes to financial statements section for additional information.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes from the City's General Fund original budget to the final budget are detailed in the *Required Supplementary Information* section along with a comparison to actual activity for the year ended. In Fiscal Year 21/22, the City originally estimated an increase of \$2,082 in fund balance; however due to increased performance in revenues, transfers from other funds, and decreased annual spending, the City ended the year with a surplus of revenues over expenditures of \$5.05 million.

Revenues

The General Fund adopted and final revenue budgets were \$20.3 and \$22.9 million, with actual revenues recorded at \$24.2 million. This \$1.3 million difference was primarily from increased property tax values, sales tax, and transient occupancy tax collections.

Expenditures

The General Fund adopted expenditure budget was \$22.1 million and the final budget was \$23 million. The actual expenditures totaled \$20.8 million, which resulted in a net difference of \$2.2 million. Most of the savings can be attributed to salary and benefit savings.

ECONOMIC OUTLOOK

Summary

The City's primary revenue sources include property taxes, sales and use taxes, and transient occupancy taxes. The City anticipated its major revenue sources would rebound in fiscal year 2021-2022 from the economic impacts of COVID-19. After experiencing a significant decline in fiscal year 2019-2020, sales tax and transient occupancy taxes are currently outperforming budget expectations. Moreover, the pandemic shifted consumer spending from services to goods, the latter is more likely to be subject to taxes. Restaurants and general consumer goods (retail) are the City's leading drivers of sales and use tax revenue. Carmel-by-the-Sea remained a popular travel destination during the pandemic positively affecting both sales and use taxes and transient occupancy taxes.

The City has recovered and surpassed pre-pandemic tourism and related spending levels. Projections for the City's three major revenues total \$23.9 million, or 79%, of the \$30.3 million in estimated total citywide revenues for Fiscal Year 2022-2023. This represents an increase of \$1.6 million in revenue when compared to the Fiscal Year 2021-2022 Adopted Budget, primarily driven by strong performance in sales and use taxes. However, while the approaching fiscal year reflects increased revenue receipts, the economic outlook assumes the leveling off sales and use taxes to anticipate only a conservative 2% growth over prior year revenues. Similarly, projected growth in transient occupancy taxes will slow as we anticipate a return to pre-pandemic tourism levels since tourism levels were bolstered during the pandemic.

Anticipating improvements in citywide revenues, planned expenditures also increase in the upcoming fiscal year. After enacting workforce reductions in Fiscal Year 2020-2021 due to the projected loss of revenue, City staffing levels increase from 72.5 full-time equivalents (FTE) to 96 FTE in Fiscal Year 2022-2023. As such, the cost of staffing increases from \$9.6 million to \$13.5 million due to a combination of factors such as negotiated salary and benefit adjustments, personnel advancement (annual merit or salary step adjustments), rising retirement and health insurance costs and additional staff. Personnel costs steadily increase, approaching \$15 million by Fiscal Year 2024-2025, without any additional increase in FTE beyond the Fiscal Year 2022-2023 staffing levels.

However, even without an increase in staffing levels, the City faces rising personnel costs primarily attributed to pension-related expenses. In addition to its annual contributions toward retirement costs for existing employees, the City makes an annual required payment to the California Public Employees' Retirement System (CalPERS) for the City's unfunded actuarial liability ("UAL"). The UAL payment for the upcoming fiscal year is approximately \$2 million. To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million in fiscal year 2021-2022 and an additional \$1 million contribution in fiscal year 2022-2023.

The City's ability to providing ongoing funding into the trust while maintaining an annual balanced budget is contingent on (1) revenues sustaining annual growth over the next several years and (2) controlling increases in citywide expenses, particularly regarding salary and benefits and capital outlay. Inflation also affects the ability to reduce costs for staffing, services and supplies.

Outlook for Major Revenues

Property Taxes

Located within one square mile, the City's land capacity for new housing is limited, which curtails the availability of housing stock. This limited supply, coupled with a high demand for housing driven by the

City's desirability as a place to live and close proximity to the San Francisco metropolitan area, contributes to a healthy real estate market and thus the stability and strength of property tax revenues.

Unlike sales tax and transient occupancy tax, the Fiscal Year 2021-2022 budget assumed incremental growth in property tax and continued resiliency to potential negative economic impacts associated with COVID-19. The State median home price averaged over \$831,460 in 2022, setting a new record high. The California median home sales price for 2023 is expected to drop 8.8% to \$758,600. Carmel has a consistently strong property tax base. While Fiscal Year 2021-2022 property tax revenue outpaces projections, annual growth of 3% is conservatively realistic. Historically, the City's annual increase in property taxes over the last ten years averages 5.1%. The financial forecast assumes 3% annual growth over the next several years.

Sales and Use Taxes

Many of the features that contribute to residential quality of life, such as a temperate climate, natural beauty, architecture and unique design standards and cultural, dining and shopping opportunities also attract visitors. The variety of restaurants and other dining options located within the City, as well as art galleries, jewelry and clothing retailers contributes to shopping opportunities for residents and visitors alike.

Restaurants and general consumer goods (retail) are the City's leading drivers of sales and use tax revenue. Projections statewide for the restaurant category anticipate growth of nearly 8.6% in 2022-2023 as ever-increasing prices and continued pandemic recovery are pushing strong gains. For 2023-2024, growth is expected to slow to 2.5% in 2023-2024. General consumer goods are expected to slow with growth at .9% in 2022-2023, followed by a decline of -.1% in 2023-2024. As consumers have exhausted their COVID-19 savings coupled with higher prices from inflation, consumer goods spending is anticipated to remain flat.

Fiscal Year 2022-2023 projects an increase of 21% and 8% respectively in the local sales tax (Measure C) and the City's share of the statewide sales tax when compared to the Fiscal Year 2021-2022 Adopted Budget.

Transient Occupancy Taxes

Various lodging options are available to visitors and these lodging establishments charge a 10% transient occupancy tax for stays of 30 days or less. Transient occupancy taxes (TOT) are challenging to predict as they are based upon personal choices regarding travel, be it the decision on whether to travel, where to travel, and how much to spend on travel, such as the amount to pay for a hotel room. In addition to facing competition from other popular US destinations that neighbor the Monterey Peninsula to the north and south, the City also competes with other international destinations. On the other hand, given its proximity to San Francisco and location on the California central coast between San Francisco and Los Angeles the City is accessible to many visitors, including guests from California, other states and other countries. Thus, the City's TOT is sensitive to changes in consumer spending, economic conditions, and, to some extent, statewide, national and international policies.

TOT revenues have recovered to pre-pandemic levels for travel spending in fiscal year 2021-2022. The City's financial forecast assumes a conservative growth of 1.5% for fiscal year 2022-2023. The City remains guarded in its projections and assumes continued strength but also a softening as world travel returns to some version of a normal state.

*Outlook for Major Expenditures**Salaries and Benefits*

The City's largest expenditure is related to the cost of personnel. After enacting workforce reductions in Fiscal Year 2020-2021 due to the projected loss of revenue, City staffing levels increase from 72.5 full-time equivalents (FTE) to 96 FTE in Fiscal Year 2022-2023. Correspondingly, the cost of staffing increases from \$9.6 million to \$13.5 million due to a combination of factors such as negotiated salary and benefit adjustments, step increases, rising retirement and health care costs and additional staff. Personnel costs steadily increase, approaching \$15 million by Fiscal Year 2024-2025, without any additional increase in FTE beyond the Fiscal Year 2021-2022 staffing levels.

Pension Costs

The City provides a defined pension plan through the California Public Employees' Retirement System (CalPERS) for its full-time employees. As such, the City is responsible for contributing toward current employees' retirement packages based upon a set amount determined by CalPERS based upon a percentage of salary ("employer contribution"). The employer contribution is included within the City's overall budgeted salary and benefit costs. In addition, the City is obligated to make additional pension payments to CalPERS known as the unfunded actuarial liability ("UAL"). The UAL addresses any shortfall between funding CalPERS needs to pay for retirement benefits when people retire compared to the funding that CalPERS currently has on hand to pay for the estimated costs of these benefits. As calculated by CalPERS, the City's UAL payment steadily increases from \$1.6 million in Fiscal Year 2020-2021, to \$1.9 million in Fiscal Year 2021-2022, and then to \$2.1 million in Fiscal Year 2022-2023. The City anticipates annual cost increases of roughly the same magnitude spanning over the next several years. However, CalPERS plans to review its investment returns and potentially lower the discount rate, which affects the UAL amount.

To help address its pension obligations, the City established a Section 115 Trust with an initial investment of \$1 million into the trust. Current City Council wishes to provide funding of \$1 million annually into the trust and have made contributions to the Section 115 Trust in fiscal year 2022-2023. Based upon preliminary forecasts, overall citywide expenditures outpace revenues. In particular, increases in personnel and capital outlay minimize the amount of funding available to allocate to the trust. However, the maturity of the pension obligation bond in 2023 provides for a potential funding source for the trust moving forward.

Other Operating Costs

In order to deliver services to the community, the City procures various types of goods and services. The category of services and supplies assumes 5% annual growth. However, in addition to overall sensitivity to inflation, certain expenses also increase beyond 5% such as fuel, (general liability, property and workers compensation) insurance premiums and utilities. The City contracts for specialized professional services and costs trend upward based upon credentials, certifications and qualifications of the individuals provided the service. Moreover, the City currently contracts with another governmental agency for fire prevention and response services, subject to increases based upon salary and benefits, including pension.

Capital Projects

After deferring capital projects in Fiscal Year 2020-2021 due to the projected loss of revenue, capital expenditures budgeted increased to \$4.4 million in Fiscal Year 2021-2022. In future years, in accordance with the City's financial policies, capital outlay expenses represent 3.5% of projected revenue, or approximately \$1 million annually based upon current revenue assumptions. However, the City's Five-Year Capital Improvement Plan totals \$19.8 million and identifies needs of \$2.5-4 million annually over

the next four fiscal years. Similar to service and supplies, inflation and other market-based conditions drive the availability of contractors and costs to implement public works projects, subject to prevailing wage. In addition, deferring building and infrastructure maintenance drives long-term costs for repair and replacement.

Debt Service

On July 3, 2012, the City Council authorized the issuance of pension obligation bonds to refinance the City's outstanding side fund obligations to CalPERS. The annual debt service is approximately \$700,000 until the bond matures on June 1, 2023. On September 30, 2020, the City refinanced the 2010 Refunding Lease Revenue Bond related to improvements at the Sunset Center (the Sunset Theater Project). Payments for Fiscal Year 2022-2023 approach \$158,000. Future payments approximate \$500,000 annually until the bond matures on November 1, 2032.

REQUEST FOR FINANCIAL INFORMATION

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Carmel-by-the-Sea-by-the-Sea Finance Department, P O Box CC, Carmel-by-the-Sea, CA 93921, or visit the City's web page at <http://ci.carmel.ca.us/carmel>.



BASIC FINANCIAL STATEMENTS

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City of Carmel-By-The-Sea
Statement of Net Position
June 30, 2022

Attachment 2

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 27,504,925
Receivables:	
Accounts	1,967,006
Due from other governments	1,169,748
Other assets	18,192
Total Current Assets	<u>30,659,871</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	5,152,999
Depreciable, net of accumulated depreciation	33,290,661
Total Capital Assets - Net	<u>38,443,660</u>
Total Assets	<u><u>\$ 69,103,531</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Adjustments	\$ 249,475
Pension Adjustments	5,322,167
Total Deferred outflows of Resources	<u><u>\$ 5,571,642</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 118,924
Payroll related liabilities	769,357
Deposits and other liabilities	494,370
Interest payable	27,723
Claims payable - current portion	57,500
Compensated absences - current portion	450,000
Long-term debt - due within one year	725,650
Total Current Liabilities	<u>3,099,360</u>
Noncurrent Liabilities:	
Long-term debt - due in more than one year	4,852,405
Claims payable	517,500
Compensated absences	136,299
Net pension liability	15,965,385
Net OPEB liability	3,637,137
Total Noncurrent Liabilities	<u>25,108,726</u>
Total Liabilities	<u><u>\$ 28,208,086</u></u>
DEFERRED INFLOWS OF RESOURCES	
OPEB Adjustments	\$ 1,214,875
Pension Adjustments	13,088,835
Total Deferred Inflows of Resources	<u><u>\$ 14,303,710</u></u>
NET POSITION	
Net investment in capital assets	\$ 33,545,605
Restricted for:	
Transportation	665,438
Public safety	3,350
Debt service	416,577
Library	1,549,102
Public parking	734,015
Measure D	3,399,710
Asset seizure	5,432
Total Restricted	<u>6,773,624</u>
Unrestricted	<u>(8,155,852)</u>
Total Net Position	<u><u>\$ 32,163,377</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Activities
For the Year Ended June 30, 2022

Attachment 2

	Program Revenues				Net (Expense) Revenue and Change in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Total	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 6,494,737	\$ 478,709	\$ 589,295	\$ 1,068,004	\$ (5,426,733)
Community Planning and Building	1,789,916	1,332,086	-	1,332,086	(457,830)
Public Safety	10,511,669	911,902	-	911,902	(9,599,767)
Public Works	4,961,215	53,251	-	53,251	(4,907,964)
Library	1,644,498	2,239	371,375	373,614	(1,270,884)
Community Activities	205,869	43,922	-	43,922	(161,947)
Economic Revitalization	1,034,150	119,646	-	119,646	(914,504)
Interest and fiscal charges	168,038	-	-	-	(168,038)
Total Governmental Activities	\$ 26,810,092	\$ 2,941,755	\$ 960,670	\$ 3,902,425	(22,907,667)
General Revenues:					
Taxes:					
Property taxes					7,694,722
Sales and use taxes					9,596,727
Transient occupancy taxes					7,787,643
Franchise taxes					851,738
Business license tax					613,559
Total taxes					26,544,389
Intergovernmental revenues not restricted to specific programs					734,550
Investment earnings					(126,009)
Other revenues					98,571
Total General Revenues					27,251,501
Change in Net Position					4,343,834
Net Position - Beginning of Year					27,819,543
Net Position - End of Year					\$ 32,163,377

The accompanying notes are an integral part of these financial statements.

MAJOR GOVERNMENTAL FUNDS

Fund Title	Fund Description
General Fund	This fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.
Measure C Sales Tax	This fund is used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.
Capital Projects	This fund accounts for resources utilized, committed, assigned or restricted for capital projects.
Harrison Memorial Library	This fund is used to account for activities associated with the Harrison Memorial Library.

City of Carmel-By-The-Sea
Balance Sheet
Governmental Funds
June 30, 2022

Attachment 2

	Major Funds					
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 17,502,665	\$ 2,326,751	\$ 1,596,719	\$ 1,573,889	\$ 1,741,340	\$ 24,741,364
Receivables:						
Accounts	1,967,006	-	-	-	-	1,967,006
Due from other governments	-	1,072,959	-	-	96,789	1,169,748
Due from other funds	13,317	-	-	-	-	13,317
Total assets	\$ 19,482,988	\$ 3,399,710	\$ 1,596,719	\$ 1,573,889	\$ 1,838,129	\$ 27,891,435
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 94,137	\$ -	\$ -	\$ 24,787	\$ -	\$ 118,924
Accrued liabilities	769,357	-	-	-	-	769,357
Deposits	494,370	-	-	-	-	494,370
Due to other funds	-	-	-	-	13,317	13,317
Unearned revenues	455,836	-	-	-	-	455,836
Total liabilities	1,813,700	-	-	24,787	13,317	1,851,804
Fund Balances:						
Restricted:						
Transportation	-	-	-	-	665,438	665,438
Public safety	-	-	-	-	3,350	3,350
Debt service	-	-	-	-	416,577	416,577
Library	-	-	-	1,549,102	-	1,549,102
Asset seizure	-	-	-	-	5,432	5,432
Public parking	-	-	-	-	734,015	734,015
Pensions	942,628	-	-	-	-	942,628
Measure C	-	3,399,710	-	-	-	3,399,710
Committed:						
Holstery tax	656,856	-	-	-	-	656,856
Budget stabilization	3,753,398	-	-	-	-	3,753,398
Assigned:						
Operational reserves	2,298,939	-	-	-	-	2,298,939
Capital projects	-	-	1,596,719	-	-	1,596,719
Unassigned	10,017,467	-	-	-	-	10,017,467
Total fund balances	17,669,288	3,399,710	1,596,719	1,549,102	1,824,812	26,039,631
Total liabilities and fund balances	\$ 19,482,988	\$ 3,399,710	\$ 1,596,719	\$ 1,573,889	\$ 1,838,129	\$ 27,891,435

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2022

Total Fund Balances - Total Governmental Funds \$ 26,039,631

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	63,435,888
Less: accumulated depreciation	(26,188,038)
Total Capital Assets	<u>37,247,850</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (27,723)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 3,402,564

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position. (8,732,069)

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(5,578,055)
Compensated absences	(586,299)
Net pension obligation	(15,965,385)
Net OPEB liability	(3,637,137)
Total Long-Term Obligations	<u>(25,766,876)</u>

Net Position of Governmental Activities \$ 32,163,377

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds					Total Governmental Funds
	General Fund	Measure C Sales Tax Fund	Capital Projects Fund	Harrison Memorial Library Fund	Other Governmental Funds	
REVENUES						
Taxes:						
Property taxes	\$ 7,694,722	\$ -	\$ -	\$ -	\$ -	\$ 7,694,722
Sales and use taxes	3,626,263	5,970,464	-	-	-	9,596,727
Transient occupancy taxes	7,787,643	-	-	-	-	7,787,643
Franchise taxes	851,738	-	-	-	-	851,738
Business license tax	613,559	-	-	-	-	613,559
Intergovernmental revenues	678,437	-	-	-	645,408	1,323,845
License and permits	1,276,260	-	-	-	-	1,276,260
Contributions	-	-	-	371,377	-	371,377
Fines and forfeitures	55,506	-	-	-	-	55,506
Charges for services	1,446,442	-	-	2,239	-	1,448,681
Interest	(114,537)	-	-	3,325	(4,670)	(115,882)
Rents and concessions	132,551	-	-	-	-	132,551
Other revenues	127,327	-	-	-	-	127,327
Total Revenues	24,175,911	5,970,464	-	376,941	640,738	31,164,054
EXPENDITURES						
Current:						
General government	5,990,601	-	-	-	-	5,990,601
Community Planning and Building	1,550,702	-	-	-	-	1,550,702
Public Safety	8,236,353	-	-	-	-	8,236,353
Public Works	3,184,957	-	-	-	-	3,184,957
Library	630,699	-	-	298,559	-	929,258
Community Activities	136,788	-	-	-	-	136,788
Economic Revitalization	1,033,307	-	-	-	-	1,033,307
Capital outlay	-	-	149,872	-	-	149,872
Debt service						
Principal	-	-	-	-	660,000	660,000
Interest and fiscal charges	-	-	-	-	199,212	199,212
Total Expenditures	20,763,407	-	149,872	298,559	859,212	22,071,050
Excess (Deficiency) of						
Revenues over Expenditures	3,412,504	5,970,464	(149,872)	78,382	(218,474)	9,093,004
OTHER FINANCING SOURCES (USES)						
Transfers in	3,074,825	-	1,206,728	-	936,441	5,217,994
Transfers out	(1,432,910)	(4,206,660)	-	-	(535,265)	(6,174,835)
Total Other Financing Sources (Uses)	1,641,915	(4,206,660)	1,206,728	-	401,176	(956,841)
Net Change in Fund Balances	5,054,419	1,763,804	1,056,856	78,382	182,702	8,136,163
Fund Balances Beginning	12,614,869	1,635,906	539,863	1,470,720	1,642,110	17,903,468
Fund Balances Ending	<u>\$ 17,669,288</u>	<u>\$ 3,399,710</u>	<u>\$ 1,596,719</u>	<u>\$ 1,549,102</u>	<u>\$ 1,824,812</u>	<u>\$ 26,039,631</u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Government-Wide
Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 8,136,163
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	151,237
Depreciation expense	(1,955,184)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds.	
Net revenue (excess expenses) reported with governmental activities	794,984
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
Compensated absences	11,795
In governmental funds, actual contributions to benefit plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year benefit expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	(3,435,021)
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	688,897
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	(51,314)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	2,277
Change in Net Position of Governmental Activities	\$ 4,343,834

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Net Position
Proprietary Funds
June 30, 2022

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 2,763,561
Other assets	18,192
Total current assets	<u>2,781,753</u>
Noncurrent Assets:	
Capital assets - net	<u>1,195,810</u>
Total assets	<u><u>\$ 3,977,563</u></u>
LIABILITIES	
Current liabilities:	
Claims payable - current	\$ 57,500
Non-current liabilities:	
Claims payable	<u>517,500</u>
Total liabilities	<u><u>\$ 575,000</u></u>
NET POSITION	
Net Investment in capital assets	\$ 1,195,810
Unrestricted	<u>2,206,753</u>
Total net position	<u><u>\$ 3,402,563</u></u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 18,670
Other	50,000
Total operating revenues	<u>68,670</u>
OPERATING EXPENSES	
Claims	47,724
Depreciation	172,676
Total operating expenses	<u>220,400</u>
Operating income (loss)	(151,730)
NONOPERATING REVENUES(EXPENSES)	
Investment earnings	(10,127)
Total nonoperating revenues(expenses)	<u>(10,127)</u>
Income (loss) before operating transfers	(161,857)
Transfers in	1,036,821
Transfers out	(79,980)
Total Other Financing Sources (Uses)	<u>956,841</u>
Change in net position	794,984
Total net position - beginning	2,607,579
Total net position - ending	<u>\$ 3,402,563</u>

The accompanying notes are an integral part of these financial statements.

City of Carmel-By-The-Sea
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

Attachment 2

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Receipts from interfund services provided	\$ 68,670
Payments for claims	(47,724)
Payments for supplies and materials	(67,089)
Net cash provided (used) by operating activities	<u>(46,143)</u>
Cash flows from noncapital financing activities:	
Interfund transactions	956,841
Net cash provided (used) by noncapital financing activities	<u>956,841</u>
Cash flows from capital financing activities:	
Purchases of property and equipment	(647,220)
Net cash provided (used) by capital financing activities	<u>(647,220)</u>
Cash flows from investing activities:	
Investment income received	(10,127)
Net cash provided (used) by investing activities	<u>(10,127)</u>
Net increase (decrease) in cash and cash equivalents	253,351
Cash and cash equivalents - beginning	2,510,210
Cash and cash equivalents - ending	<u>\$ 2,763,561</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (151,730)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	172,676
Change in operating assets and liabilities:	
Other assets	(18,192)
Accounts payable	(48,897)
Net cash provided (used) by operating activities	<u>\$ (46,143)</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Carmel-by-the-Sea, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of Carmel-by-the-Sea, California was incorporated on October 31, 1916, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: general government, community planning and building, public safety (fire, police and ambulance), public works, library, economic revitalization and other community activities.

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance. All property taxes are paid to Monterey County (County) as part of the revenue neutrality payment obligation. The financial statements do not reflect the amounts received on behalf of the City and retained by the County.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by US GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Carmel-by-the-Sea, Finance Department, Post Office Box CC, Carmel-by-the-Sea, CA 93921.

The City's reporting entity includes the following blended component units:

- Carmel Public Improvement Authority
- Harrison Memorial Library

The above component units are included in the City's basic financial statements using the blended method since the component unit's governing body is substantively the same as the governing body of the City and there is a financial benefit and a burden relationship between the City and the component units. There are no component units of the City that meet the criteria for discrete presentation.

The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City did not report any business-type activities for the year.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities. Certain types of

transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in-regards-to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

Governmental Fund Financial Statements

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The *Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales taxes, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

The following funds are major funds:

General Fund

The General Fund is used to account for all of the general operations and other financial transactions of the City, which are not accounted for by another fund.

The Measure C Sales Tax Fund

The Measure C Sales Tax Fund used to account for the transaction and use tax increase to be used to maintain essential services, including fire, ambulance and police response times; fund capital needs, including streets, beach, parks, forest and trails; increase code compliance; maintain libraries, Sunset Center and other public facilities; address CalPERS pension liabilities and other debt; and provide other general City services.

Capital Projects Fund

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

Harrison Memorial Library Fund

This fund accounts for the contributions, revenues and resources used to operate the Harrison Memorial Library.

Additionally, the City reports the following nonmajor fund types of governmental funds:

Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

Debt Service Funds

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

Proprietary Funds

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the “economic resources measurement focus”. This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City’s internal service funds are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis. The City has the following internal service funds:

Worker's Compensation Fund

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

OPEB Reserve Fund

This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.

Vehicle & Equipment Replacement Fund

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

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas: Interest Rate Risk, Overall Credit Risk, Custodial Credit Risk, Concentrations of Credit Risk, and Foreign Currency Risk. Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

D. Interfund Receivables and Payables

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

E. Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

The County of Monterey is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. The City recognizes property taxes when the individual installments are due, provided they are collected within 60 days after year-end.

F. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement that are reported at acquisition value rather than fair value. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. No

depreciation is recorded in the year of acquisition or in the year of disposition. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	20-50 Years
Improvements other than buildings	35 Years
Vehicles, machinery and equipment	5-20 Years
Infrastructure	20-50 Years
Technology/Hardware and Software	5-20 Years

G. Deferred Outflows/Deferred Inflows of Resources

Deferred outflows of resources are a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources are an acquisition of net assets by the City that is applicable to a future reporting period; for example, unavailable revenue and advance collections.

H. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

I. Claims Payable

The City records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

J. Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for up to 40 hours of unused annual leave. However, this is contingent upon the employee using at least 40 hours during the previous year and, the employee having a minimum balance of 80 annual leave hours after the payment. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

K. Long-Term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Benefit Plans

Pension Expense

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Expense

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the City's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

M. Fund Balances

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council, the

City's highest level of decision-making authority, for specific purposes pursuant to constraints imposed by formal action taken such as resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting periods; however the amount can be determined subsequently.

Assigned

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council and the City Manager.

Unassigned

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

Flow Assumption / Spending Order Policy

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

N. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that are attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Interfund Transactions

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

O. Property Taxes

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Secured property taxes are levied on or before the first day of July of each year. They become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, cost, and interest when paid. If the delinquent taxes are not paid at the end of five years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates, but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 each year and are delinquent, if unpaid, on August 31.

The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan", as described by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

P. Budgetary Information

In accordance with applicable sections of the California Government Code and the Carmel-by-the-Sea Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds and the Debt Service Fund.

Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Administrator. The City Administrator prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Administrator is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Administrator is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2022, based on calculations by City management, proceeds of taxes did not exceed appropriations.

Q. Encumbrances

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations, except open project appropriations, and unexpended grant appropriations and encumbrances, lapse at year end. Valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

R. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable revenue.

S. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Implemented New Accounting Pronouncements

GASB Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As of June 30, 2022, the management did not identify any material leases that were required to be reported under GASB 87.

U. Upcoming New Accounting Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

GASB Statement No. 94, Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment

arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. *GASB 96 is effective for fiscal years beginning after June 15, 2022.*

GASB Statement No. 99, Omnibus 2022

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – *Leases*, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2022, cash and investments were reported in the financial statements as follows:

Pooled cash and investments	\$ 27,504,925
Total cash and investments	<u>\$ 27,504,925</u>

The following summarized cash and investments by type:

Cash on hand	\$ 1,545
Demand Deposits	19,414,271
Investments	7,146,481
Restricted cash with fiscal agent	<u>942,628</u>
Total cash and investments	<u>\$ 27,504,925</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on monthly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

A. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution. The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The bank balances before reconciling items totaled \$20,805,712 at June 30, 2022 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$20,555,712 which was collateralized by securities held by pledging financial institutions.

B. Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

C. Investment Policies

City Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	5 years	None	None
U.S. Government Agency Securities	5 years	50%	50%
California State and Local Bonds, Notes, & Warrants	None	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Medium Term Corporate Notes	5 years	30%	30%
Negotiable Certificates of Deposit	5 years	30%	30%
Repurchase Agreements	92 days	None	None
Passbook Savings/Money Market	None	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Federal Instrumentalities	None	None	None

Authorized Investments - Debt Agreements

Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the City's investment policy or California Government Code. The indenture agreements identify the following permitted investments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Issues	None	None	None
U.S. Government Agency Securities	None	None	None
Banker's Acceptance	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
Investment Agreements	None	None	None
Local Agency Bonds	None	None	None
Medium Term Notes	None	None	None
Negotiable Certificate of Deposits	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

D. External Investment Pool

The City's investments with LAIF at June 30, 2022, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by

purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for City's operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, Standards and Poor. As of June 30, 2022, the City's investments were in compliance with the ratings required by the City's investment policy, indenture agreements and Government Code.

Concentrations of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2022, the City had no investments in any one issuer (other than external investment pools which are exempt) that represented 5% or more of the total City investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2022, the City's investments had the following maturities and ratings:

Investment Type	12 Months or Less	13 to 24 Months	25 to 36 Months	Total	Rating	Fair Value Input Levels
LAIF (state pool)	\$ 5,308,422	\$ -	\$ -	\$ 5,308,422	not rated	n/a
Money market funds	879,216	-	-	879,216	AAA	1
Bonds	-	250,327	-	250,327	AAA	1
Certificate of deposits	-	-	708,516	708,516	not rated	1
Total Investments	\$ 6,187,638	\$ 250,327	\$ 708,516	\$ 7,146,481		

NOTE 3 - ACCOUNTS RECEIVABLE

The following summarizes accounts receivable as of June 30, 2022:

Ambulance	\$	450,201
Holstery Tax		817,962
Measure C		1,072,959
Grabage Franchise Tax		106,372
Sales and Use Tax		322,579
Other Accruals		366,681
Total Accounts Receivable	\$	<u>3,136,754</u>

NOTE 4 - INTERFUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. As of June 30, 2022, the General Fund was owed \$13,317 from COPS Grant Fund.

Transfers In/Out

With Council approval, resources may be transferred from one fund to another. Transfers may be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses, and to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following summarizes transfers between funds during the fiscal year ended June 30, 2022:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 3,074,825	\$ 1,432,910
Measure C Sales Tax Fund	-	4,206,660
Capital Projects Fund	1,206,728	-
Internal Service Funds	1,036,821	79,980
Nonmajor Funds	936,441	535,265
Total Transfers	<u>\$ 6,254,815</u>	<u>\$ 6,254,815</u>

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2022

Attachment 2

NOTE 5 - CAPITAL ASSETS

Capital assets for governmental activities consisted of the following as of June 30, 2022:

	Balance July 01, 2021	Additions	Transfers/ Deletions	Balance June 30, 2022
Governmental Activities				
Non-depreciable:				
Land	\$ 5,101,641	\$ -	\$ -	\$ 5,101,641
Construction in Progress	50,529	151,238	(150,409)	51,358
Total Non-Depreciable	5,152,170	151,238	(150,409)	5,152,999
Depreciable:				
Buildings and improvements	26,424,331	430,033	32,209	26,886,573
Infrastructure	27,119,636	-	106,214	27,225,850
Vehicles	2,918,719	124,974	-	3,043,693
Technology/Hardware and Software	621,959	53,337	11,986	687,282
Machinery and equipment	2,901,429	38,876	-	2,940,305
Total Depreciable	59,986,074	647,220	150,409	60,783,703
Less Accumulated Depreciation for:				
Buildings and improvements	(11,335,086)	(655,828)	-	(11,990,914)
Infrastructure	(8,169,860)	(1,235,909)	-	(9,405,769)
Vehicles	(2,755,984)	(60,666)	-	(2,816,650)
Technology/Hardware and Software	(501,616)	(89,656)	-	(591,272)
Machinery and equipment	(2,602,636)	(85,801)	-	(2,688,437)
Total Accumulated Depreciation	(25,365,182)	(2,127,860)	-	(27,493,042)
Total Depreciable Capital Assets - Net	34,620,892	(1,480,640)	150,409	33,290,661
Total Governmental Capital Assets	\$ 39,773,062	\$ (1,329,402)	\$ -	\$ 38,443,660
Internal Service Funds (Included with Governmental Activities)				
Buildings and improvements	\$ 284,478	\$ 430,033	-	\$ 714,511
Technology/Hardware and Software	607,507	53,337	-	660,844
Vehicle, Machinery and Equipment	961,609	163,850	-	1,125,459
Accumulated Depreciation	(1,132,328)	(172,676)	-	(1,305,004)
Total Internal Service Funds - Net	\$ 721,266	\$ 474,544	\$ -	\$ 1,195,810

Depreciation expense was allocated to the following governmental activities:

General Government	\$ 83,036
Community Planning and Building	1,257
Public Safety	163,537
Public Works	1,299,369
Library	547,837
Community Activities	32,824
Total depreciation expense	<u>\$ 2,127,860</u>

NOTE 6 - NONCURRENT LIABILITIES

The City's noncurrent liabilities consisted of the following as of June 30, 2022:

Noncurrent Liabilities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Sunset Center LRB	3,895,000	-	-	3,895,000	-
Sunset Center LRB Premium	866,901	-	28,897	838,004	28,897
Countywide Radio Project (Direct)	165,051	-	-	165,051	16,753
Pension Obligation Bonds	1,340,000	-	660,000	680,000	680,000
Compensated Absences	598,095	457,762	469,558	586,299	450,000
Net Pension Liability	24,342,598	21,452,202	29,829,415	15,965,385	-
Claims Liability	575,000	-	-	575,000	57,500
Net OPEB Liability	4,140,591	932,515	1,435,969	3,637,137	-
Total Noncurrent Liabilities	\$ 35,923,236	\$ 22,842,479	\$ 32,423,839	\$ 26,341,876	\$ 1,233,150

2020 Refunding Lease Revenue Bonds - Sunset Center

On September 23, 2020, the City issued \$3,895,000 in 2020 Refunding Lease Revenue Bonds at a \$866,901 premium with interest at 4%. The issuance costs were \$183,992. The bonds were issued to refund the Sunset Center COPs and the aggregate difference in debt service between the refunding debt and the refunded debt was \$1,042,418.

The net savings on the defeasance totaled \$128,099. The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	\$ -	\$ 155,800	\$ 155,800
2024	355,000	155,800	510,800
2025	375,000	141,600	516,600
2026	380,000	126,600	506,600
2027	405,000	111,400	516,400
2028-2032	2,275,000	299,800	2,574,800
2033-2035	105,000	4,200	109,200
Total	\$ 3,895,000	\$ 995,200	\$ 4,890,200

Countywide Radio Project

In 2009, the City entered into a participation agreement with Monterey County to provide funding related to the "Next Generation Radio Project," a Federal Communications Commission mandated alteration of public safety and local government radio systems. Estimated payments will change should individual local jurisdictions elect out of the project.

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The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	\$ 16,753	\$ 5,559	\$ 22,312
2024	25,057	4,607	29,664
2025	26,047	3,617	29,664
2026	27,076	2,588	29,664
2027	70,118	15,350	85,468
Total	<u>\$ 165,051</u>	<u>\$ 31,721</u>	<u>\$ 196,772</u>

Pension Obligation Bond

On November 29, 2012, the City issued \$6,280,000 in 2012 Taxable Pension Obligation Bonds, the purpose of which was to fund certain PERS side fund obligations. The bonds bear an interest rate of 0.55% to 3.1% and mature on June 1, 2023. The annual debt service requirements were as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	\$ 680,000	\$ 21,080	\$ 701,080
Total	<u>\$ 680,000</u>	<u>\$ 21,080</u>	<u>\$ 701,080</u>

Compensated Absences

The City records employee absences, such as vacation, illness, and holidays, for which it is expected that employees will be paid as compensated absences.

Net Pension Liability

In accordance with GASB Statement No. 68, the City has recorded its net pension liability of CalPERS benefits for retirees. Pension benefits and associated liabilities are paid from the General Fund. See Note 8 for further discussion on the net pension liability.

Claims Liability

The City has recorded a liability for potential claims in excess of amounts covered by the insurance pool. See Note 7 for further discussion on the City's risk management activities.

Net OPEB Liability

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. OPEB liabilities are paid from the General Fund. See Note 9 for further discussion on OPEB.

NOTE 7 - RISK MANAGEMENT

The City of Carmel-by-the-Sea (City) is a member of CSAC-EIA (California State Association of Counties Excess Insurance Authority) which is a shared risk pool. CSAC-EIA covers claims for City for both Workers Compensation and General Liability. The City's Liability SIR is pre-funded through CSAC-EIA for 8 quarters of payments made on behalf of City. Currently, the SIR fund for the City with CSAC-EIA is maintained at \$8,183. If the pre-funded SIR balance drops below this amount, the City is billed by CSAC-EIA to replenish the fund to the \$8,183 level. The City does not make claim payments, they are all issued by the city's third-party administrator from a CSA-EIA account.

The City has two layers of Liability coverage through CSAC-EIA and under the first layer, the Primary General Liability layer, there is an SIR (Self Insured Retention) of \$10,000 per claim. Thereafter, the next layer of coverage kicks in (General Liability 1 program) which carries an SIR of \$100,000 which is satisfied by exhausting the coverage limit of \$100,000 under the Primary Liability program. The maximum limit of coverage under the primary General Liability 1 program is \$25 million. The City retains the risk of loss above \$25 million.

For Workers Compensation, the City is a member of both the CSAC-EI Primary Workers Compensation program and then, the CSAC-EIA Excess Workers Compensation program. The Primary Workers compensation program provides dollar 1 coverage to the City for Workers Compensation claims. In other words, City has no deductible or SIR. This layer of Workers Compensation coverage carries a maximum limit o \$125,000 per occurrence. Thereafter, CSAC EIA's excess coverage steps in and the SIR (Self Insured Retention) is \$125,000 which again, is satisfied by exhausting the limits of coverage under the Primary Workers Compensation program. The upper limit of coverage under the Excess Workers Compensation program is "statutory". What this means is that regardless of the total cost of the claim, it is covered under the CSAC-EIA Excess Workers Compensation program. There is absolutely no monetary exposure to the City under these two Workers Compensation programs except for the premium costs to purchase this coverage. The City has had no settlements which exceeded insurance coverage in the last three fiscal years and no significant changes or reductions in insurance coverage during the current year.

The following summarizes the change in the estimated liability over the last two fiscal years:

	Year Ended June 30, 2022	Year Ended June 30, 2021
Beginning of year	\$ 575,000	\$ 575,000
Increase (decrease) in current year claims	34,226	3,218
Changes in estimates	(33,628)	21,965
Claims paid	(598)	(25,183)
Ending balance	575,000	575,000
Current portion	(57,500)	(57,500)
Non-current portion	\$ 517,500	\$ 517,500

NOTE 8 - RETIREMENT PLANS

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Employee Pension Plan (the Plan) which is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The plan includes different tiers for each class of employee under Miscellaneous and Safety provisions. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost-of-living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compe	2.0% to 2.5%	2.00%	2.00%
Required employee contribution rates	7.00%	7.00%	6.75%
Required employer contribution rates	10.88%	8.65%	7.59%
Contractual employee contribution rates	10.00%	10.00%	9.75%
Contractual employer contribution rates	7.88%	5.65%	4.59%

	Safety		
	Tier 1	Tier 2	PEPRA
Hire date	< 4/15/2012	>= 4/15/2012	>= 1/1/2013
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	50	50	57
Monthly benefits as a % of eligible compe	2.00%	2.00%	2.00%
Required employee contribution rates	9.00%	9.00%	13.00%
Required employer contribution rates	23.71%	18.19%	13.13%
Contractual employee contribution rates	12.00%	12.00%	16.00%
Contractual employer contribution rates	20.71%	15.19%	10.13%

Employees Covered

At June 30, 2022, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety	Total
Active	43	18	61
Transferred	24	21	45
Separated	36	14	50
Retired	115	56	171
Total	218	109	327

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Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2022, the following contributions were made:

	Employer Contributions
Miscellaneous	\$ 2,007,137
Safety	371,321
Total Employer Contributions	<u>\$ 2,378,458</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 7,508,355
Safety	8,457,030
Total	<u>\$ 15,965,385</u>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2021, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plans as of June 30, 2021 and 2021 was as follows:

	Misc	Safety	Plan Total
Proportion - June 30, 2021	0.22373%	0.18571%	0.22373%
Proportion - June 30, 2022	0.29520%	0.24098%	0.29520%
Change - Increase/(Decrease)	<u>0.07147%</u>	<u>0.05526%</u>	<u>0.07147%</u>

For the year ended June 30, 2022, the City recognized pension expense of \$5,813,481.

City of Carmel-by-the-Sea
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At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	841,981	-
Differences between Projected and Actual Investment Earnings	-	6,554,397
Differences between Employer's Contributions and Proportionate Share of Contributions	-	722,309
Change in Employer's Proportion	207,208	70,979
Pension Contributions Made Subsequent to Measurement Date	2,007,137	-
Total	\$ 3,056,326	\$ 7,347,685

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	1,444,876	-
Differences between Projected and Actual Investment Earnings	-	5,033,559
Differences between Employer's Contributions and Proportionate Share of Contributions	-	690,803
Change in Employer's Proportion	449,643	16,789
Pension Contributions Made Subsequent to Measurement Date	371,321	-
Total	\$ 2,265,841	\$ 5,741,151

	Plan Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	2,286,858	-
Differences between Projected and Actual Investment Earnings	-	11,587,956
Differences between Employer's Contributions and Proportionate Share of Contributions	-	1,413,112
Change in Employer's Proportion	656,851	87,768
Pension Contributions Made Subsequent to Measurement Date	2,378,458	-
Total	\$ 5,322,167	\$ 13,088,836

The City reported \$2,378,458 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
2023	\$ (1,462,491)	\$ (587,850)	\$ (2,050,341)
2024	(1,473,666)	(754,438)	(2,228,104)
2025	(1,551,042)	(1,119,177)	(2,670,219)
2026	(1,811,297)	(1,385,165)	(3,196,463)
2027	-	-	-
Thereafter	-	-	-
Total	\$ (6,298,496)	\$ (3,846,630)	\$ (10,145,127)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.00% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total Plan</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 13,535,176	13,896,362	\$ 27,431,538
Current	7.15%	7.15%	7.15%
Net Pension Liability	\$ 7,508,355	8,457,030	\$ 15,965,385
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 2,526,069	3,989,291	\$ 6,515,359

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description and Benefits

The City of Carmel-by-the-Sea Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides access to lifetime healthcare benefits to eligible retirees and their dependents. The City provides retiree medical benefits through the California Public Employees' Retirement System healthcare program (PEMHCA). For eligible retirees, the City contributes not less than 5% of the active contribution times years in PEMHCA (max \$100/month increase). For purposes of its contract with PEMHCA, the City uses a statutory schedule to determine its monthly contribution on behalf of each active employee. The statutory amount is \$133.00 for 2018 and will be indexed by the Medical CPI each year thereafter.

The City offers the same medical plans to its retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service (age 52 for Miscellaneous PEPRA employees). The City contribution towards retiree health benefits is determined under the "equal contribution method" under PEMHCA, whereby the contribution is 100% of the City's statutory minimum contribution for active employees (\$133/month for 2018 and scheduled to be indexed by medical inflation for years after 2018). No stand-alone financial are issued for this plan as it is not a trusted plan.

Employees Covered by Benefit Terms

At June 30, 2021, the benefit terms covered the following employees:

Active employees	63
Inactive employees	41
Total employees	104

Contributions

The City makes contributions based on a pay-as-you go basis as approved by the authority of the City's Board. Total benefit payments included in the measurement period were \$138,891. The actuarially determined contribution for the measurement period was \$256,840. The City's contributions and benefit payments were 2% of covered payroll during the measurement period June 30, 2022. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.54%
	<i>Increased from 2.16%</i>
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	4.00%
Municipal Bond Rate	3.54%
Mortality	2017 CalPERS Mortality for Safety Employees
	2017 CalPERS Retiree Mortality for All Employees
	2017 CalPERS Mortality for Miscellaneous and
	Schools Employees

Discount Rate

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022 (measurement date) and was determined by an actuarial valuation as of June 30, 2022 (valuation date) for the fiscal year ended June 30, 2022 (reporting date).

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2022

Attachment 2

Changes in the Total OPEB Liability

The following summarizes the changes in the Total OPEB liability during the year:

Fiscal Year Ended June 30, 2022	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 4,140,590	\$ -	\$ 4,140,590
Service cost	261,219	-	261,219
Interest in Total OPEB Liability	90,758	-	90,758
Changes in assumptions	(716,539)	-	(716,539)
Benefit payments	(138,891)	-	(138,891)
Net changes	(503,453)	-	(503,453)
Balance at June 30, 2022	\$ 3,637,137	\$ -	\$ 3,637,137

Covered Employee Payroll	\$ 6,919,512
Total OPEB Liability as a % of Covered Employee Payroll	52.56%
Service Cost as a % of Covered Employee Payroll	3.78%
Net OPEB Liability as a % of Covered Employee Payroll	52.56%

The City's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 35,151	\$ 592,127
Change in assumptions	214,324	622,748
Totals	\$ 249,475	\$ 1,214,875

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ (142,427)
2024	(161,384)
2025	(171,239)
2026	(171,239)
2027	(196,805)
Thereafter	(122,306)
Total	\$ (965,400)

City of Carmel-by-the-Sea
Notes to the Basic Financial Statements
June 30, 2022

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OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	\$	261,219
Interest in TOL		90,758
Difference between actual and expected experience		(108,945)
Change in assumptions		(52,825)
OPEB Expense	\$	190,207

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Total OPEB liability ending	\$	3,637,137
Total OPEB liability beginning		(4,140,590)
Change in total OPEB liability		(503,453)
Changes in deferred outflows		82,203
Changes in deferred inflows		472,566
Employer contributions and implicit subsidy		138,891
OPEB Expense	\$	190,207

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	1% Decrease	3.54%	1% Increase
Total OPEB Liability	\$ 4,146,861	\$ 3,637,137	\$ 3,276,567

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	1% Decrease	4.00%	1% Increase
Total OPEB Liability	\$ 3,118,627	\$ 3,637,137	\$ 4,252,503

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City may be involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that any cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City participates in Federal, State and County grant programs. These programs are audited by the City's independent accountants, if required, in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



REQUIRED SUPPLEMENTARY INFORMATION

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City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 7,657,050	\$ 8,068,908	\$ 7,694,722	\$ (374,186)
Sales and use taxes	2,466,109	2,966,109	3,626,263	660,154
Transient occupancy taxes	5,333,562	6,568,562	7,787,643	1,219,081
Franchise fees	738,721	767,363	851,738	84,375
Business license tax	525,000	525,000	613,559	88,559
Intergovernmental revenues	1,241,664	1,383,831	678,437	(705,394)
License and permits	908,397	1,168,783	1,276,260	107,477
Fines and forfeitures	66,873	66,873	55,506	(11,367)
Charges for services	1,148,347	1,148,347	1,446,442	298,095
Interest	25,000	25,000	(114,537)	(139,537)
Rents and concessions	140,006	140,006	132,551	(7,455)
Other revenues	54,044	54,044	127,327	73,283
Total Revenues	20,304,773	22,882,826	24,175,911	1,293,085
EXPENDITURES				
Current:				
General government	6,717,116	6,815,681	5,990,601	825,080
Community Planning and Building	1,738,412	1,883,802	1,550,702	333,100
Public Safety	8,658,485	8,787,523	8,236,353	551,170
Public Works	2,937,406	3,386,136	3,184,957	201,179
Library	952,395	952,395	630,699	321,696
Community Activities	91,270	130,547	136,788	(6,241)
Economic Revitalization	1,033,307	1,033,307	1,033,307	-
Total Expenditures	22,128,391	22,989,391	20,763,407	2,225,984
Excess (Deficiency) of Revenues over Expenditures	(1,823,618)	(106,565)	3,412,504	3,519,069
OTHER FINANCING SOURCES (USES)				
Transfers in	3,139,825	3,139,825	3,074,825	(65,000)
Transfers out	(1,314,125)	(1,379,125)	(1,432,910)	(53,785)
Total Other Financing Sources (Uses)	1,825,700	1,760,700	1,641,915	(118,785)
Net Change in Fund Balance	2,082	1,654,135	5,054,419	3,400,284
Fund Balance Beginning	12,614,869	12,614,869	12,614,869	-
Fund Balance Ending	\$ 12,616,951	\$ 14,269,004	\$ 17,669,288	\$ 3,400,284

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Measure C Sales Tax Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales and use taxes	\$ 4,206,660	\$ 4,706,660	\$ 5,970,464	\$ 1,263,804
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(4,206,660)	(4,206,660)	(4,206,660)	-
Total Other Financing Sources (Uses)	(4,206,660)	(4,206,660)	(4,206,660)	-
Net Change in Fund Balance	-	500,000	1,763,804	1,263,804
Fund Balance Beginning	1,635,906	1,635,906	1,635,906	-
Fund Balance Ending	\$ 1,635,906	\$ 2,135,906	\$ 3,399,710	\$ 1,263,804

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Harrison Memorial Library Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contributions	\$ 291,000	\$ 291,000	\$ 371,377	\$ 80,377
Charges for services	16,000	16,000	2,239	(13,761)
Interest	10,850	10,850	3,325	(7,525)
Total Revenues	<u>317,850</u>	<u>317,850</u>	<u>376,941</u>	<u>59,091</u>
EXPENDITURES				
Current:				
Library	318,245	318,245	298,559	19,686
Total Expenditures	<u>318,245</u>	<u>318,245</u>	<u>298,559</u>	<u>19,686</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(395)</u>	<u>(395)</u>	<u>78,382</u>	<u>78,777</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(395)	(395)	78,382	78,777
Fund Balance Beginning	<u>1,470,720</u>	<u>1,470,720</u>	<u>1,470,720</u>	<u>-</u>
Fund Balance Ending	<u>\$ 1,470,325</u>	<u>\$ 1,470,325</u>	<u>\$ 1,549,102</u>	<u>\$ 78,777</u>

City of Carmel-by-the-Sea
Schedule of Pension Contributions
June 30, 2022

Miscellaneous and Safety Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	\$ 725,205	\$ 1,124,776	\$ 1,279,565	\$ 1,317,381	\$ 1,566,319	\$ 1,864,910	\$ 2,183,606	\$ 2,378,458
Contributions in Relation to Contractually Required Contributions	725,205	1,124,776	1,279,565	1,317,381	1,566,319	1,864,910	2,183,606	2,378,458
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$4,894,966	\$5,193,071	\$5,725,559	\$5,897,326	\$6,074,246	\$6,591,573	\$6,772,841	\$ 6,244,060
Contributions as a % of Covered Payroll	14.82%	21.66%	22.35%	22.34%	25.79%	28.29%	32.24%	38.09%

Notes to Schedule:

Valuation Date: June 30, 2020

Assumptions Used: Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll and Direct Rate Smoothing

3.8 Years Remaining Amortization Period

Inflation Assumed at 2.50%

Investment Rate of Returns set at 7.00%

CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.

The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Carmel-by-the-Sea
Schedule of Proportionate Share of Net Pension Liability
June 30, 2022

Miscellaneous and Safety Plan								
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of Net Pension Liability (Safety and Misc)	0.18745%	0.19035%	0.19840%	0.20075%	0.20672%	0.21144%	0.22373%	0.29520%
Proportion of Net Pension Liability (Misc Plan Only)	0.47195%	0.47624%	0.49419%	0.50503%	0.52858%	0.54105%	0.28377%	0.39543%
Proportionate Share of Net Pension Liability	\$ 11,664,146	\$ 13,065,617	\$ 17,167,636	\$ 19,908,483	\$ 19,920,568	\$ 21,666,416	\$ 24,342,598	\$ 15,965,385
Covered Payroll	\$ 4,748,117	\$ 6,261,394	\$ 5,693,737	\$ 5,365,096	\$ 5,446,378	\$ 5,919,593	\$ 6,340,399	\$ 6,335,440
Proportionate Share of NPL as a % of Covered Payroll	245.66%	208.67%	301.52%	371.07%	365.76%	366.01%	383.93%	252.00%
Plan's Fiduciary Net Position as a % of the TPL	80.11%	77.73%	74.70%	73.44%	74.18%	72.78%	71.13%	81.45%

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

City of Carmel-by-the-Sea
Retiree Health Care Plan
Schedule of Total OPEB Liability
June 30, 2022

Attachment 2

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 199,013	\$ 193,586	\$ 295,059	\$ 348,597	\$ 261,219
Interest	134,202	146,765	143,565	105,930	90,758
Differences between expected and actual experience	(2,625)	(2,524)	59,118	(823,299)	-
Changes of assumptions	(137,699)	192,779	256,216	21,493	(716,539)
Benefit payments	(145,196)	(159,107)	(135,193)	(152,834)	(138,891)
Net change in Total OPEB Liability	47,695	371,499	618,765	(500,113)	(503,453)
Total OPEB Liability - beginning	3,602,744	3,650,439	4,021,938	4,640,703	4,140,590
Total OPEB Liability - ending	\$ 3,650,439	\$ 4,021,938	\$ 4,640,703	\$ 4,140,590	\$ 3,637,137
Plan fiduciary net position					
Net change in plan fiduciary net position	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset)	\$ 3,650,439	4,021,938	4,640,703	4,140,590	3,637,137
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	\$ 6,021,711	\$ 6,207,949	\$ 6,378,668	\$ 6,544,081	\$ 6,734,318
Net OPEB liability as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.27%	54.01%
Total OPEB liability as a percentage of covered employee payroll	60.62%	64.79%	72.75%	63.27%	54.01%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

The discount rate decreased from 3.5% to 2.2%, the inflation rate increased from 2.25% to 2.75%, the payroll rate decreased from 3% to 2.75%, and the trend rate changed from 8% to 4% from 2019 to 2020.

The discount rate decreased from 2.2% to 2.16% from 2020 to 2021. The discount rate was increase to 3.54% in 2022.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

No assets have been accumulated in a trust for the City's OPEB plan.



SUPPLEMENTARY INFORMATION

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

Fund Title	Fund Description
Gast Tax	This fund is used to account for revenues collected in accordance with the Streets and Highway Code.
Transportation Safety	This fund accounts for the expenditures related to resources provided for transportation safety as required by Measure X.
COPS Grant	This fund accounts for the expenditures related to the COP's grant for public safety.
Parking in Lieu	This fund is used to account for activities associate with parking in-lieu fees.
Asset Seizure	This fund accounts for the expenditures related to asset seizures.
Debt Service	This fund is used to account for activities related to the repayment of the Certificate of Participation, Pension Obligation Bond, and capital lease obligations.

City of Carmel-By-The-Sea

Attachment 2

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
ASSETS				
Cash and investments	\$ 59,918	\$ 525,398	\$ -	\$ 734,015
Receivables:				
Due from other governments	11,761	68,361	16,667	-
Total assets	\$ 71,679	\$ 593,759	\$ 16,667	\$ 734,015
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 13,317	\$ -
Total liabilities	-	-	13,317	-
Fund Balances:				
Restricted:				
Transportation	71,679	593,759	-	-
Public safety	-	-	3,350	-
Debt service	-	-	-	-
Asset seizure	-	-	-	-
Public parking	-	-	-	734,015
Total fund balances	71,679	593,759	3,350	734,015
Total liabilities and fund balances	\$ 71,679	\$ 593,759	\$ 16,667	\$ 734,015

Cont'd

City of Carmel-By-The-Sea

Attachment 2

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
	Asset Seizure Fund	Debt Service Fund	
ASSETS			
Cash and investments	\$ 5,432	\$ 416,577	\$ 1,741,340
Receivables:			
Due from other governments	-	-	96,789
Total assets	\$ 5,432	\$ 416,577	\$ 1,838,129
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 13,317
Total liabilities	-	-	13,317
Fund Balances:			
Restricted:			
Transportation	-	-	665,438
Public safety	-	-	3,350
Debt service	-	416,577	416,577
Asset seizure	5,432	-	5,432
Public parking	-	-	734,015
Total fund balances	5,432	416,577	1,824,812
Total liabilities and fund balances	\$ 5,432	\$ 416,577	\$ 1,838,129

Concluded

City of Carmel-By-The-Sea

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022**

	Special Revenue Funds			
	Gas Tax Fund	Transportation Safety Fund	COPS Grant Fund	Parking In-Lieu Fund
REVENUES				
Intergovernmental revenues	\$ 165,958	\$ 318,165	\$ 161,285	\$ -
Interest	(535)	(900)	(103)	(3,109)
Total Revenues	<u>165,423</u>	<u>317,265</u>	<u>161,182</u>	<u>(3,109)</u>
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>165,423</u>	<u>317,265</u>	<u>161,182</u>	<u>(3,109)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	53,785	-	-
Transfers out	(306,567)	(15,000)	(213,698)	-
Total Other Financing Sources (Uses)	<u>(306,567)</u>	<u>38,785</u>	<u>(213,698)</u>	<u>-</u>
Net Change in Fund Balances	(141,144)	356,050	(52,516)	(3,109)
Fund Balances Beginning	<u>212,823</u>	<u>237,709</u>	<u>55,866</u>	<u>737,124</u>
Fund Balances Ending	<u>\$ 71,679</u>	<u>\$ 593,759</u>	<u>\$ 3,350</u>	<u>\$ 734,015</u>

Cont'd

City of Carmel-By-The-Sea
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
	Asset Seizure Fund	Debt Service Fund	
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ 645,408
Interest	(23)	-	(4,670)
Total Revenues	(23)	-	640,738
EXPENDITURES			
Debt service			
Principal	-	660,000	660,000
Interest and fiscal charges	-	199,212	199,212
Total Expenditures	-	859,212	859,212
Excess (Deficiency) of Revenues over Expenditures	(23)	(859,212)	(218,474)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	882,656	936,441
Transfers out	-	-	(535,265)
Total Other Financing Sources (Uses)	-	882,656	401,176
Net Change in Fund Balances	(23)	23,444	182,702
Fund Balances Beginning	5,455	393,133	1,642,110
Fund Balances Ending	\$ 5,432	\$ 416,577	\$ 1,824,812
			Concluded

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Gas Tax Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ 180,591	\$ 180,591	\$ 165,958	\$ (14,633)
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(535)	(535)
Total Revenues	180,591	180,591	165,423	(15,168)
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	180,591	180,591	165,423	(15,168)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(306,567)	(306,567)	(306,567)	-
Total Other Financing Sources (Uses)	(306,567)	(306,567)	(306,567)	-
Net Change in Fund Balances	(125,976)	(125,976)	(141,144)	(15,168)
Fund Balances Beginning	212,823	212,823	212,823	-
Fund Balances Ending	\$ 86,847	\$ 86,847	\$ 71,679	\$ (15,168)

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

Transportation Safety Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 196,212	\$ 196,212	\$ 318,165	\$ 121,953
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(900)	(900)
Total Revenues	<u>196,212</u>	<u>196,212</u>	<u>317,265</u>	<u>121,053</u>
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>196,212</u>	<u>196,212</u>	<u>317,265</u>	<u>121,053</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	53,785	53,785
Transfers out	(319,352)	(319,352)	(15,000)	304,352
Total Other Financing Sources (Uses)	<u>(319,352)</u>	<u>(319,352)</u>	<u>38,785</u>	<u>358,137</u>
Net Change in Fund Balances	(123,140)	(123,140)	356,050	479,190
Fund Balances Beginning	<u>237,709</u>	<u>237,709</u>	<u>237,709</u>	<u>-</u>
Fund Balances Ending	<u>\$ 114,569</u>	<u>\$ 114,569</u>	<u>\$ 593,759</u>	<u>\$ 479,190</u>

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	COPS Grant Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ 158,000	\$ 158,000	\$ 161,285	\$ 3,285
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(103)	(103)
Total Revenues	158,000	158,000	161,182	3,182
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	158,000	158,000	161,182	3,182
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(213,698)	(213,698)	(213,698)	-
Total Other Financing Sources (Uses)	(213,698)	(213,698)	(213,698)	-
Net Change in Fund Balances	(55,698)	(55,698)	(52,516)	3,182
Fund Balances Beginning	55,866	55,866	55,866	-
Fund Balances Ending	\$ 168	\$ 168	\$ 3,350	\$ 3,182

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Parking In-Lieu Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(3,109)	(3,109)
Total Revenues	-	-	(3,109)	(3,109)
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	(3,109)	(3,109)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(3,109)	(3,109)
Fund Balances Beginning	737,124	737,124	737,124	-
Fund Balances Ending	\$ 737,124	\$ 737,124	\$ 734,015	\$ (3,109)

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Asset Seizure Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	(23)	(23)
Total Revenues	-	-	(23)	(23)
EXPENDITURES				
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	(23)	(23)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(23)	(23)
Fund Balances Beginning	5,455	5,455	5,455	-
Fund Balances Ending	\$ 5,455	\$ 5,455	\$ 5,432	\$ (23)

Cont'd

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual (GAAP Basis)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Debt Service Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Debt service				
Principal	677,110	677,110	660,000	17,110
Interest and fiscal charges	205,546	205,546	199,212	6,334
Total Expenditures	882,656	882,656	859,212	23,444
Excess (Deficiency) of Revenues over Expenditures	(882,656)	(882,656)	(859,212)	23,444
OTHER FINANCING SOURCES (USES)				
Transfers in	882,656	882,656	882,656	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	882,656	882,656	882,656	-
Net Change in Fund Balances	-	-	23,444	23,444
Fund Balances Beginning	393,133	393,133	393,133	-
Fund Balances Ending	\$ 393,133	\$ 393,133	\$ 416,577	\$ 23,444

Concluded

City of Carmel-By-The-Sea
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Capital Projects Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 88,500	\$ 88,500	\$ -	\$ (88,500)
Total Revenues	<u>88,500</u>	<u>88,500</u>	<u>-</u>	<u>(88,500)</u>
EXPENDITURES				
Capital outlay	1,599,580	1,599,580	149,872	1,449,708
Total Expenditures	<u>1,599,580</u>	<u>1,599,580</u>	<u>149,872</u>	<u>1,449,708</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,511,080)</u>	<u>(1,511,080)</u>	<u>(149,872)</u>	<u>1,361,208</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,511,080	1,511,080	1,206,728	(304,352)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,511,080</u>	<u>1,511,080</u>	<u>1,206,728</u>	<u>(304,352)</u>
Net Change in Fund Balance	-	-	1,056,856	1,056,856
Fund Balance Beginning	<u>539,863</u>	<u>539,863</u>	<u>539,863</u>	<u>-</u>
Fund Balance Ending	<u>\$ 539,863</u>	<u>\$ 539,863</u>	<u>\$ 1,596,719</u>	<u>\$ 1,056,856</u>

INTERNAL SERVICE FUNDS

Fund Title	Fund Description
Worker's Compensation	This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.
OPEB Reserve Fund	This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.
Vehicle & Equipment Replacement	This fund is to set aside financial resources for future purchases of replacement equipment essential to the operations of the City.

City of Carmel-By-The-Sea
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

Attachment 2

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 639,234	\$ 1,757,748	\$ 366,579	\$ 2,763,561
Other assets	-	-	18,192	18,192
Total current assets	<u>639,234</u>	<u>1,757,748</u>	<u>384,771</u>	<u>2,781,753</u>
Noncurrent assets:				
Capital assets - net	-	-	1,195,810	1,195,810
Total assets	<u><u>\$ 639,234</u></u>	<u><u>\$ 1,757,748</u></u>	<u><u>\$ 1,580,581</u></u>	<u><u>\$ 3,977,563</u></u>
LIABILITIES				
Current liabilities:				
Claims payable - current	\$ 57,500	\$ -	\$ -	\$ 57,500
Noncurrent liabilities:				
Claims payable	517,500	-	-	517,500
Total liabilities	<u><u>\$ 575,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 575,000</u></u>
NET POSITION				
Net investment in capital assets	\$ -	\$ -	\$ 1,195,810	\$ 1,195,810
Unrestricted	64,234	1,757,748	384,771	2,206,753
Total net position	<u><u>\$ 64,234</u></u>	<u><u>\$ 1,757,748</u></u>	<u><u>\$ 1,580,581</u></u>	<u><u>\$ 3,402,563</u></u>

City of Carmel-By-The-Sea

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2022

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ 18,670	\$ -	\$ -	\$ 18,670
Other	-	-	50,000	50,000
Total operating revenues	<u>18,670</u>	<u>-</u>	<u>50,000</u>	<u>68,670</u>
OPERATING EXPENSES				
Claims	47,724	-	-	47,724
Depreciation	-	-	172,676	172,676
Total operating expenses	<u>47,724</u>	<u>-</u>	<u>172,676</u>	<u>220,400</u>
Operating income (loss)	<u>(29,054)</u>	<u>-</u>	<u>(122,676)</u>	<u>(151,730)</u>
NONOPERATING REVENUES(EXPENSES)				
Investment income	(2,526)	(7,601)	-	(10,127)
Total nonoperating revenues(expenses)	<u>(2,526)</u>	<u>(7,601)</u>	<u>-</u>	<u>(10,127)</u>
Income (loss) before operating transfers	<u>(31,580)</u>	<u>(7,601)</u>	<u>(122,676)</u>	<u>(161,857)</u>
Transfers in	116,158	-	920,663	1,036,821
Transfers out	-	(79,980)	-	(79,980)
Total Other Financing Sources (Uses)	<u>116,158</u>	<u>(79,980)</u>	<u>920,663</u>	<u>956,841</u>
Change in net position	84,578	(87,581)	797,987	794,984
Total net position - beginning	(20,344)	1,845,329	782,594	2,607,579
Total net position - ending	<u>\$ 64,234</u>	<u>\$ 1,757,748</u>	<u>\$ 1,580,581</u>	<u>\$ 3,402,563</u>

City of Carmel-By-The-Sea
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

Attachment 2

	Workers Compensation Fund	OPEB Reserve Fund	Vehicle & Equipment Replacement Fund	Total Governmental Activities - Internal Service Funds
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 18,670	\$ -	\$ 50,000	\$ 68,670
Payments for claims	(47,724)	-	-	(47,724)
Payments for supplies and materials	-	-	(67,089)	(67,089)
Net cash provided (used) by operating activities	(29,054)	-	(17,089)	(46,143)
Cash flows from noncapital financing activities:				
Interfund transactions	116,158	(79,980)	920,663	956,841
Net cash provided (used) by noncapital financing activities	116,158	(79,980)	920,663	956,841
Cash flows from capital financing activities:				
Purchases of property and equipment	-	-	(647,220)	(647,220)
Net cash provided (used) by noncapital financing activities	-	-	(647,220)	(647,220)
Cash flows from investing activities:				
Investment income received	(2,526)	(7,601)	-	(10,127)
Net cash provided (used) by investing activities	(2,526)	(7,601)	-	(10,127)
Net increase (decrease) in cash and cash equivalents	84,578	(87,581)	256,354	253,351
Cash and cash equivalents - beginning	554,656	1,845,329	110,225	2,510,210
Cash and cash equivalents - ending	\$ 639,234	\$ 1,757,748	\$ 366,579	\$ 2,763,561
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (29,054)	\$ -	\$ (122,676)	\$ (151,730)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	172,676	172,676
Change in operating assets and liabilities:				
Other assets	-	-	(18,192)	(18,192)
Accounts payable	-	-	(48,897)	(48,897)
Net cash provided (used) by operating activities	\$ (29,054)	\$ -	\$ (17,089)	\$ (46,143)



STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of the City of Carmel-by-the-Sea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These tables contain information to help the reader assess the city's most significant local revenue source, the property tax.

Debt Capacity

These tables present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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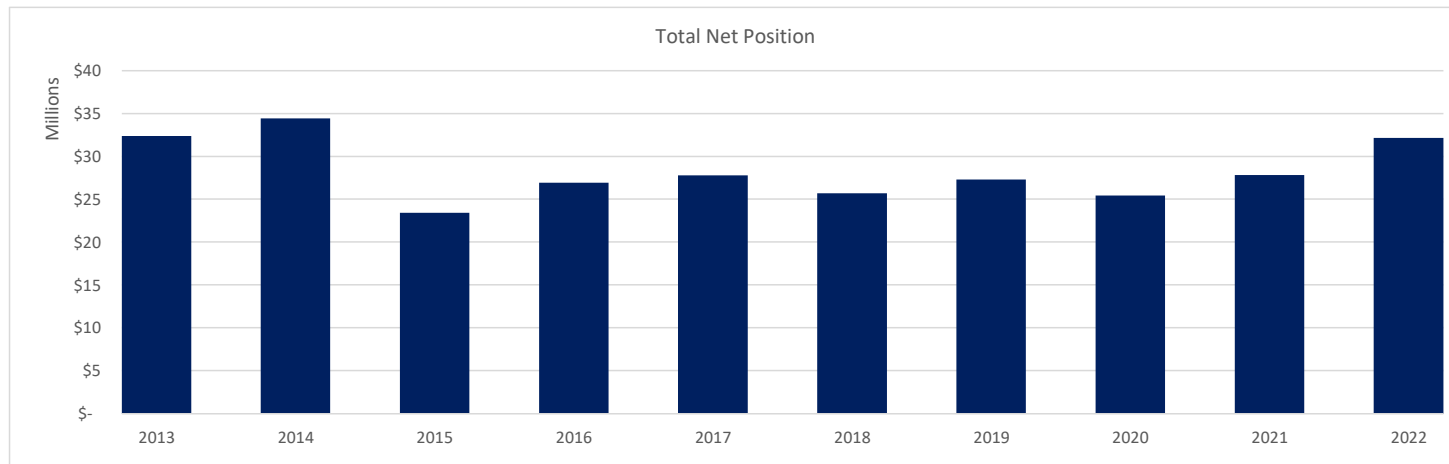
City of Carmel-by-the-Sea

Net Position By Component

Last Ten Fiscal Years

TABLE 1

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Net investment in capital assets	\$ 29,605,438	\$ 25,522,348	\$ 32,547,268	\$ 36,006,046	\$ 36,931,575	\$ 35,216,550	\$ 37,132,103	\$ 36,611,510	\$ 34,846,110	\$ 33,545,605
Restricted	566,992	2,616,731	3,862,473	3,584,687	5,027,082	2,628,238	2,817,741	3,310,294	4,748,736	6,773,624
Unrestricted	2,205,463	6,266,725	(12,992,711)	(12,666,545)	(14,167,354)	(12,141,385)	(12,645,571)	(14,479,015)	(11,775,303)	(8,155,852)
Total governmental activities net position	\$ 32,377,893	\$ 34,405,804	\$ 23,417,030	\$ 26,924,188	\$ 27,791,303	\$ 25,703,403	\$ 27,304,273	\$ 25,442,789	\$ 27,819,543	\$ 32,163,377



Notes:

1) In 2015, net position decreased mostly due to the implementation of GASB 68 for pension benefit liabilities and related amounts.

Source: City of Carmel-by-the-Sea Finance Department

TABLE 2

City of Carmel-by-the-Sea
Changes in Net Position
Last Ten Fiscal Years

	2013	2014	2015	2016	2017
Expenses					
Governmental activities:					
General government	\$ 9,481,135	\$ 4,067,934	\$ 3,724,546	\$ 5,162,323	\$ 4,981,304
Community planning and building	-	-	-	-	1,146,860
Public safety	4,193,157	4,299,954	6,685,310	6,445,695	7,281,137
Public works	1,896,305	2,227,067	2,003,332	1,454,895	2,605,036
Library	-	-	-	-	1,144,883
Community activities	-	-	-	-	446,445
Economic revitalization	304,587	363,342	326,956	306,505	1,110,857
Building maintenance	3,763,094	2,924,447	1,832,618	1,542,170	-
Forest, parks and beach	472,123	484,119	581,319	558,592	-
Culture and recreation	2,405,481	2,453,842	2,605,877	2,082,591	-
Interest and fiscal charges on long-term debt	376,787	346,674	365,043	336,551	322,181
Depreciation (Unallocated)	-	-	-	1,528,260	1,747,960
Total governmental activities expenses	22,892,669	17,167,379	18,125,001	19,417,582	20,786,663
Program Revenues					
Governmental activities:					
Charges for services:					
General government	19,821	15,644	66,190	34,040	38,795
Community planning and building	-	-	-	-	-
Public safety	167,723	184,338	918,644	684,612	373,716
Public works	433,928	467,392	525,310	534,224	751,844
Library	-	-	-	-	-
Community activities	-	-	-	-	-
Economic revitalization	-	-	-	-	-
Forest, parks and beach	-	165,406	-	-	-
Culture and recreation	80,909	91,804	18,953	20,326	31,817
Operating grants and contributions	1,474,331	1,282,214	1,444,296	668,239	675,765
Capital grants and contributions	-	-	331,719	327,029	166,726
Total governmental activities program revenues	2,176,712	2,206,798	3,305,112	2,268,470	2,038,663
Net (expense)/revenue:					
Governmental activities	(20,715,957)	(14,960,581)	(14,819,889)	(17,149,112)	(18,748,000)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	4,652,176	4,881,534	5,127,974	5,598,743	5,825,889
Sales and use taxes	2,760,414	5,115,880	5,280,418	4,897,325	5,373,800
Transient occupancy taxes	4,615,598	5,185,880	5,593,689	5,890,538	6,112,347
Franchise taxes	981,831	994,468	430,430	587,514	672,554
Business license tax	577,364	549,190	606,128	626,625	649,525
Unrestricted grants and contributions	-	-	382,145	413,334	436,073
Unrestricted investment earnings	69,735	76,880	163,648	160,172	182,366
Gain (loss) on sale of assets	-	-	-	-	-
Miscellaneous or other revenues	98,331	184,660	249,537	1,963,750	362,561
Total governmental activities	13,755,449	16,988,492	17,833,969	20,138,001	19,615,115
Change in Net Position	\$ (6,960,508)	\$ 2,027,911	\$ 3,014,080	\$ 2,988,889	\$ 867,115

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Cont'd

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Changes in Net Position
Last Ten Fiscal Years

TABLE 2

	2018	2019	2020	2021	2022
Expenses					
Governmental activities:					
General government	\$ 4,896,809	\$ 5,906,304	\$ 5,356,174	\$ 5,423,821	\$ 6,494,737
Community planning and building	1,206,295	1,191,826	1,214,005	1,280,518	1,789,916
Public safety	7,771,104	8,390,616	9,166,804	8,968,364	10,511,669
Public works	2,950,423	4,162,376	4,410,995	4,162,030	4,961,215
Library	1,303,989	1,894,410	2,011,886	1,539,410	1,644,498
Community activities	153,224	283,512	256,698	119,562	205,869
Economic revitalization	1,125,261	1,144,022	1,081,813	819,202	1,034,150
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Interest and fiscal charges on long-term debt	319,974	283,606	268,721	387,525	168,038
Depreciation (Unallocated)	1,786,021	-	-	-	-
Total governmental activities expenses	21,513,100	23,256,672	23,767,096	22,700,432	26,810,092
Program Revenues					
Governmental activities:					
Charges for services:					
General government	318,414	256,645	211,067	165,541	478,709
Community planning and building	1,167,308	1,454,523	1,112,512	1,142,277	1,332,086
Public safety	692,187	790,428	808,559	796,471	911,902
Public works	58,931	44,636	42,395	156,838	53,251
Library	14,794	10,097	11,793	5,544	2,239
Community activities	79,067	146,443	85,060	33,140	43,922
Economic revitalization	97,142	102,366	91,528	111,093	119,646
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Operating grants and contributions	681,240	865,370	695,186	813,139	960,670
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	3,109,083	3,670,508	3,058,100	3,224,043	3,902,425
Net (expense)/revenue:					
Governmental activities	(18,404,017)	(19,586,164)	(20,708,996)	(19,476,389)	(22,907,667)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	6,192,126	6,524,331	6,690,948	7,389,657	7,694,722
Sales and use taxes	5,486,449	5,732,885	4,766,762	7,028,041	9,596,727
Transient occupancy taxes	6,329,074	6,882,015	5,115,271	5,339,285	7,787,643
Franchise taxes	637,136	636,397	632,833	756,358	851,738
Business license tax	544,392	594,941	592,466	524,220	613,559
Unrestricted grants and contributions	462,989	-	672,399	704,337	734,550
Unrestricted investment earnings	101,743	205,791	207,153	47,554	(126,009)
Gain (loss) on sale of assets	(2,439,255)	(160,794)	-	-	-
Miscellaneous or other revenues	212,820	12,928	169,680	63,691	98,571
Total governmental activities	17,527,474	20,428,494	18,847,512	21,853,143	27,251,501
Change in Net Position	\$ (876,543)	\$ 842,330	\$ (1,861,484)	\$ 2,376,754	\$ 4,343,834

Note: In 2012 and 2018, the City changed the classification of its program expenses and revenues based on operations at the time.

Concluded

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 3

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942,628
Nonspendable	-	73,038	-	-	-	-	-	-	-	-
Committed	2,898,615	2,888,306	4,561,070	2,166,165	2,173,138	2,806,045	2,808,138	2,684,665	2,421,958	4,410,254
Assigned	-	-	1,747,589	3,308,636	2,448,461	1,922,008	1,926,008	1,025,194	1,025,194	2,298,939
Unassigned	5,253,298	4,172,077	1,541,150	1,738,067	4,693,897	3,278,341	4,515,984	5,048,288	9,167,717	10,017,467
Total Fund Balance	8,151,913	7,133,421	7,849,809	7,212,868	9,315,496	8,006,394	9,250,130	8,758,147	12,614,869	17,669,288
Other Governmental Funds										
Nonspendable	\$ 46,747	\$ 46,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	566,992	2,543,658	3,903,533	3,624,383	5,065,310	2,628,238	2,817,741	3,310,294	4,748,736	6,773,624
Committed	-	-	1,783,310	-	-	-	-	-	-	-
Assigned	1,793,249	1,477,680	90,158	1,146,832	-	1,627,098	362,034	571,657	539,863	1,596,719
Unassigned	-	(479,166)	(684,400)	(706,427)	(1,264,197)	(483)	-	-	-	-
Total Fund Balance	2,406,988	3,588,919	5,092,601	4,064,788	3,801,113	4,254,853	3,179,775	3,881,951	5,288,599	8,370,343
Total Fund Balance	\$ 10,558,901	\$ 10,722,340	\$ 12,942,410	\$ 11,277,656	\$ 13,116,609	\$ 12,261,247	\$ 12,429,905	\$ 12,640,098	\$ 17,903,468	\$ 26,039,631

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	2013	2014	2015	2016	2017
Revenues					
Taxes	\$ 12,505,034	\$ 12,727,944	\$ 17,420,784	\$ 18,014,079	\$ 19,041,911
Intergovernmental revenues	609,304	3,864,416	874,152	294,952	365,304
License and permits	1,195,092	1,114,927	720,257	788,578	850,547
Contributions	354,785	313,895	686,025	314,600	323,495
Fines and forfeitures	133,168	138,713	119,152	111,930	87,154
Charges for services	738,366	508,563	905,526	712,321	440,439
Interest	-	-	-	-	-
Rents and concessions	284,674	314,248	163,648	163,875	182,367
Other revenues	109,392	193,336	249,537	389,136	1,979,561
Total revenues	15,929,815	19,176,042	21,139,081	20,789,471	23,270,778
Expenditures					
General government	3,029,816	4,305,440	3,593,094	5,045,332	5,681,103
Community Planning and Building	-	-	-	-	-
Public Safety	4,026,884	4,245,184	6,398,876	6,264,950	7,033,862
Public Works	1,341,604	1,609,402	1,284,030	1,301,160	2,554,752
Library	-	-	-	-	-
Community Activities	-	-	-	-	-
Economic Revitalization	304,587	363,342	315,780	306,505	351,425
Building maintenance	2,263,763	2,798,314	1,637,602	1,525,038	1,138,983
Forest, parks and beach	466,021	468,247	544,902	547,211	108,764
Culture and recreation	1,918,196	1,963,003	1,999,728	2,054,872	1,448,129
Capital Outlay	651,785	1,993,305	2,396,667	4,439,279	1,877,053
Debt Service					
Principal	410,434	927,774	1,046,128	898,379	914,105
Interest and fiscal charges	328,994	357,840	360,610	337,915	323,649
Total expenditures	14,742,084	19,031,851	19,577,417	22,720,641	21,431,825
Excess of revenues over (under) expenditures	1,187,731	144,191	1,561,664	(1,931,170)	1,838,953
Other financing sources (uses)					
Asset dispositions	2,346	19,248	-	-	-
Long-term debt issued	6,280,000	-	-	-	-
Retirement of PERS side fund	(6,280,000)	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Interagency transfers in (out)	-	-	-	-	-
Transfers in	6,301,989	9,724,198	4,927,935	6,483,069	3,405,710
Transfers out	(6,301,989)	(9,724,198)	(4,927,935)	(6,483,069)	(3,405,710)
Total other financing sources (uses)	2,346	19,248	-	-	-
Net change in fund balances	\$ 1,190,077	\$ 163,439	\$ 1,561,664	\$ (1,931,170)	\$ 1,838,953
Total Expenditures	\$ 14,742,084	\$ 19,031,851	\$ 19,577,417	\$ 22,720,641	\$ 21,431,825
Capitalized Portion of Capital Outlay	651,397	1,993,170	2,396,667	4,311,179	1,870,844
Total Non-Capitalized Expenditures	\$ 14,090,687	\$ 17,038,681	\$ 17,180,750	\$ 18,409,462	\$ 19,560,981
Debt Service: Principal & Interest	\$ 739,428	\$ 1,285,614	\$ 1,406,738	\$ 1,236,294	\$ 1,237,754
Debt service as a percentage of noncapital expenditures	5.2%	7.5%	8.2%	6.7%	6.3%

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

Source: City of Carmel-by-the-Sea Finance Department

Cont'd

City of Carmel-by-the-Sea
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

TABLE 4

	2018	2019	2020	2021	2022
Revenues					
Taxes	\$ 19,652,166	\$ 20,370,569	\$ 17,798,280	\$ 21,037,561	\$ 26,544,389
Intergovernmental revenues	454,997	1,088,044	1,126,260	1,212,506	1,323,845
License and permits	1,087,953	1,192,242	928,752	889,822	1,276,260
Contributions	318,398	314,450	241,324	304,972	371,377
Fines and forfeitures	91,813	121,470	72,152	48,947	55,506
Charges for services	1,070,999	1,261,169	1,193,992	1,204,113	1,448,681
Interest	58,055	167,544	178,244	40,033	(115,882)
Rents and concessions	100,899	185,156	130,792	138,138	132,551
Other revenues	211,153	158,029	206,908	193,575	127,327
Total revenues	23,046,433	24,858,673	21,876,704	25,069,667	31,164,054
Expenditures					
General government	4,696,923	5,517,516	5,008,054	5,083,467	5,990,601
Community Planning and Building	1,128,977	1,116,689	1,094,736	1,172,337	1,550,702
Public Safety	7,024,092	7,617,310	7,774,916	7,833,156	8,236,353
Public Works	2,769,129	2,902,461	2,847,091	2,635,206	3,184,957
Library	1,217,687	1,258,390	1,344,340	917,694	929,258
Community Activities	141,378	179,426	209,554	82,366	136,788
Economic Revitalization	1,095,636	1,103,993	1,076,542	808,540	1,033,307
Building maintenance	-	-	-	-	-
Forest, parks and beach	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital Outlay	1,833,014	3,778,271	869,596	98,907	149,872
Debt Service					
Principal	934,860	950,770	971,460	640,000	660,000
Interest and fiscal charges	302,202	286,606	272,721	406,525	199,212
Total expenditures	21,143,898	24,711,432	21,469,010	19,678,198	22,071,050
Excess of revenues					
over (under) expenditures	1,902,535	147,241	407,694	5,391,469	9,093,004
Other financing sources (uses)					
Asset dispositions	-	-	-	-	-
Long-term debt issued	-	-	-	4,761,901	-
Retirement of PERS side fund	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	(4,890,000)	-
Interagency transfers in (out)	31,000	-	-	-	-
Transfers in	13,924,490	4,581,594	3,188,456	3,210,000	5,217,994
Transfers out	(16,713,387)	(4,681,594)	(3,385,956)	(3,210,000)	(6,174,835)
Total other financing sources (uses)	(2,757,897)	(100,000)	(197,500)	(128,099)	(956,841)
Net change in fund balances	\$ (855,362)	\$ 47,241	\$ 210,194	\$ 5,263,370	\$ 8,136,163
Total Expenditures	\$ 21,143,898	\$ 24,711,432	\$ 21,469,010	\$ 19,678,198	\$ 22,071,050
Capitalized Portion of Capital Outlay	1,900,132	3,533,858	918,075	133,875	151,238
Total Non-Capitalized Expenditures	\$ 19,243,766	\$ 21,177,574	\$ 20,550,935	\$ 19,544,323	\$ 21,919,812
Debt Service: Principal & Interest	\$ 1,237,062	\$ 1,237,376	\$ 1,244,181	\$ 1,046,525	\$ 859,212
Debt service as a percentage of noncapital expenditures	6.4%	5.8%	6.1%	5.4%	3.9%

Note: In 2012 and 2018, the City changed the classification of its program expenditures and revenues based on operations at the time.

Source: City of Carmel-by-the-Sea Finance Department

Concluded

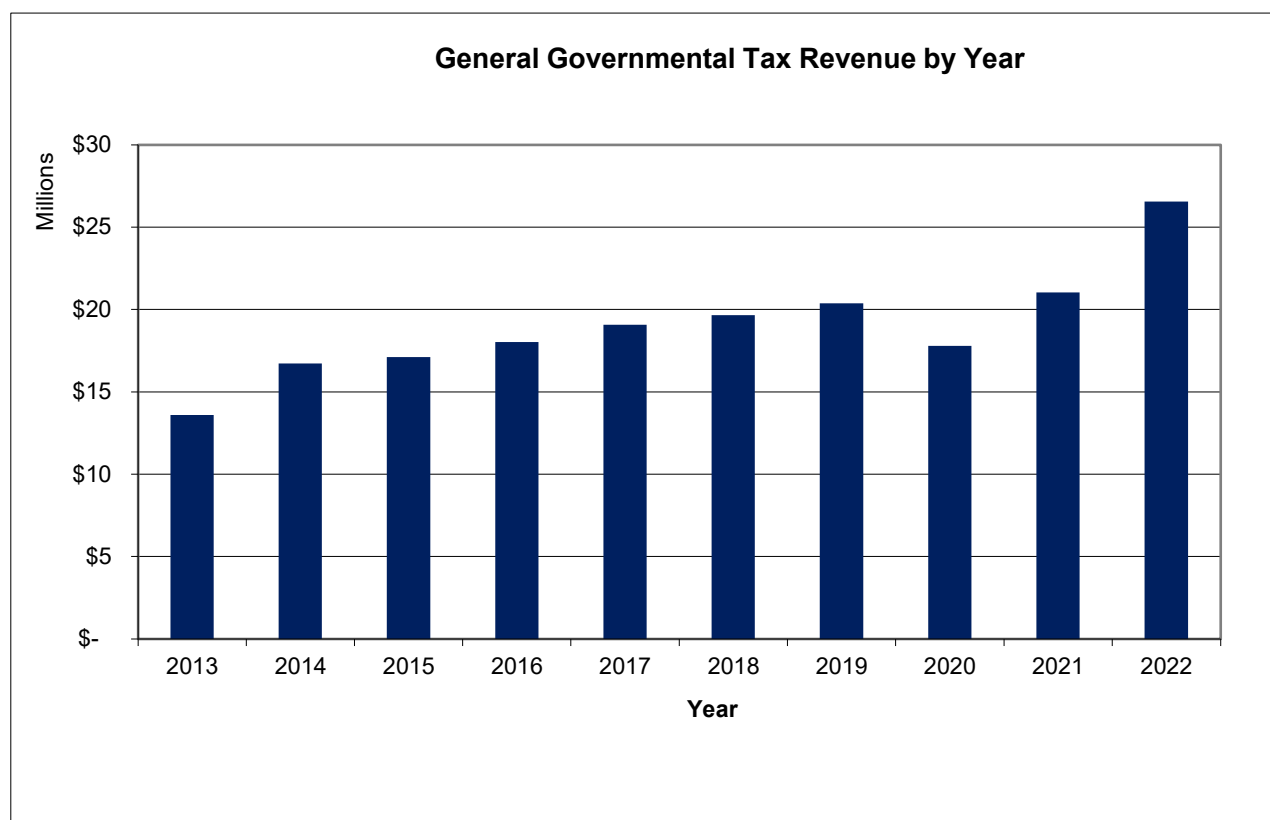
City of Carmel-by-the-Sea

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

TABLE 5

Fiscal Year Ended June 30	Property	Sales and Use	Franchise	Transient Occupancy	Business License	Other Tax	Total
2013	\$ 4,652,176	\$ 2,760,414	\$ 981,831	\$ 4,615,598	\$ 577,364	\$ -	\$ 13,587,383
2014	\$ 4,881,534	\$ 5,115,880	\$ 994,468	\$ 5,185,880	\$ 549,190	\$ -	\$ 16,726,952
2015	\$ 5,127,974	\$ 5,280,418	\$ 430,430	\$ 5,280,418	\$ 606,128	\$ 382,145	\$ 17,107,513
2016	\$ 5,598,743	\$ 4,897,325	\$ 587,514	\$ 5,890,538	\$ 626,625	\$ 413,334	\$ 18,014,079
2017	\$ 5,825,889	\$ 5,373,800	\$ 672,554	\$ 6,112,347	\$ 649,525	\$ 436,073	\$ 19,070,188
2018	\$ 6,192,126	\$ 5,486,449	\$ 637,136	\$ 6,329,074	\$ 544,392	\$ 462,989	\$ 19,652,166
2019	\$ 6,524,331	\$ 5,732,885	\$ 636,397	\$ 6,882,015	\$ 594,941	\$ -	\$ 20,370,569
2020	\$ 6,690,948	\$ 4,766,762	\$ 632,833	\$ 5,115,271	\$ 592,466	\$ -	\$ 17,798,280
2021	\$ 7,389,657	\$ 7,028,041	\$ 756,358	\$ 5,339,285	\$ 524,220	\$ -	\$ 21,037,561
2022	\$ 7,694,722	\$ 9,596,727	\$ 851,738	\$ 7,787,643	\$ 613,559	\$ -	\$ 26,544,389

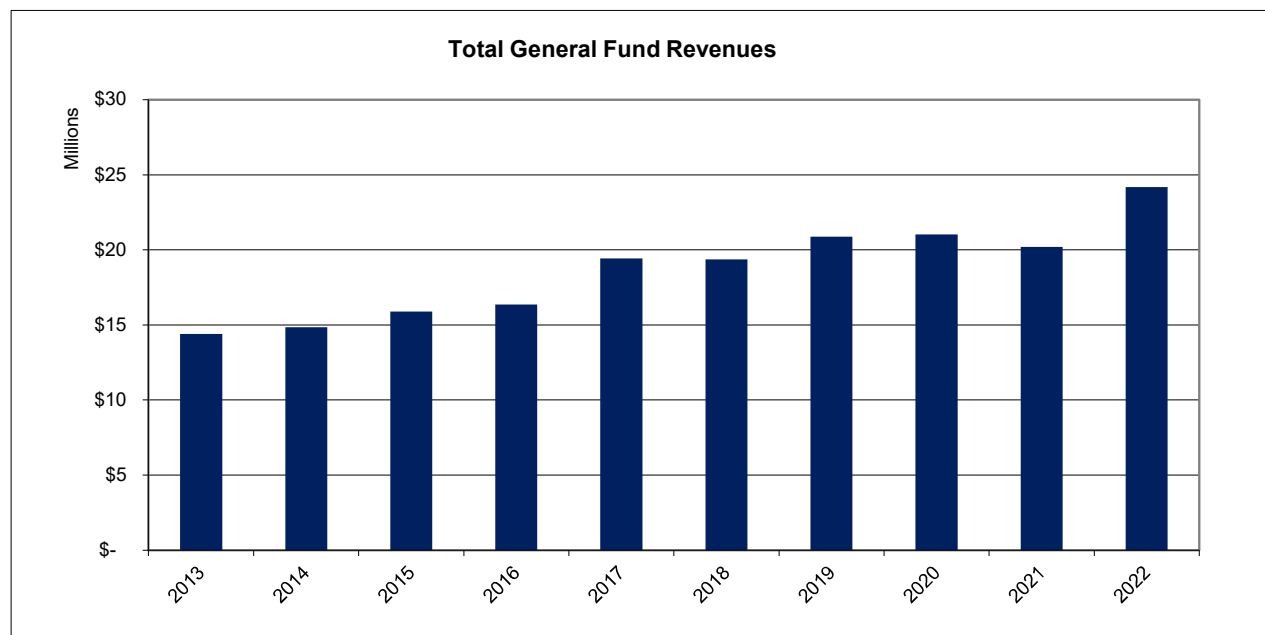


Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
General Fund Revenues by Source
Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Taxes	Inter- Governmental	Licenses and Permits	Contributions	Fines and Forfeitures	Charges for Services	Interest, Rents and Concessions	Other Revenues	Total
2013	\$ 12,505,034	\$ 378,410	\$ 1,011,292	\$ 3,884	\$ 16,647	\$ 88,200	\$ 283,233	\$ 109,392	\$ 14,396,092
2014	\$ 12,727,944	\$ 481,310	\$ 997,334	\$ -	\$ 30,489	\$ 106,065	\$ 313,076	\$ 193,336	\$ 14,849,554
2015	\$ 14,702,528	\$ -	\$ 504,419	\$ -	\$ 9,246	\$ 256,097	\$ 161,620	\$ 249,537	\$ 15,883,447
2016	\$ 15,124,699	\$ 74,014	\$ 553,602	\$ -	\$ 7,245	\$ 57,818	\$ 159,632	\$ 389,136	\$ 16,366,146
2017	\$ 16,296,757	\$ 136,367	\$ 762,257	\$ -	\$ 8,422	\$ 66,957	\$ 170,631	\$ 1,979,561	\$ 19,420,952
2018	\$ 16,753,721	\$ 42,846	\$ 1,087,953	\$ -	\$ 91,813	\$ 1,056,205	\$ 123,382	\$ 211,133	\$ 19,367,053
2019	\$ 17,290,655	\$ 583,573	\$ 1,192,242	\$ -	\$ 121,470	\$ 1,251,072	\$ 309,418	\$ 132,776	\$ 20,881,206
2020	\$ 17,798,280	\$ 610,960	\$ 928,752	\$ -	\$ 72,152	\$ 1,177,695	\$ 273,176	\$ 165,131	\$ 21,026,146
2021	\$ 17,030,457	\$ 693,873	\$ 889,822	\$ -	\$ 48,947	\$ 1,198,569	\$ 164,929	\$ 171,329	\$ 20,197,926
2022	\$ 20,573,925	\$ 678,437	\$ 1,276,260	\$ -	\$ 55,506	\$ 1,446,442	\$ 18,014	\$ 127,327	\$ 24,175,911

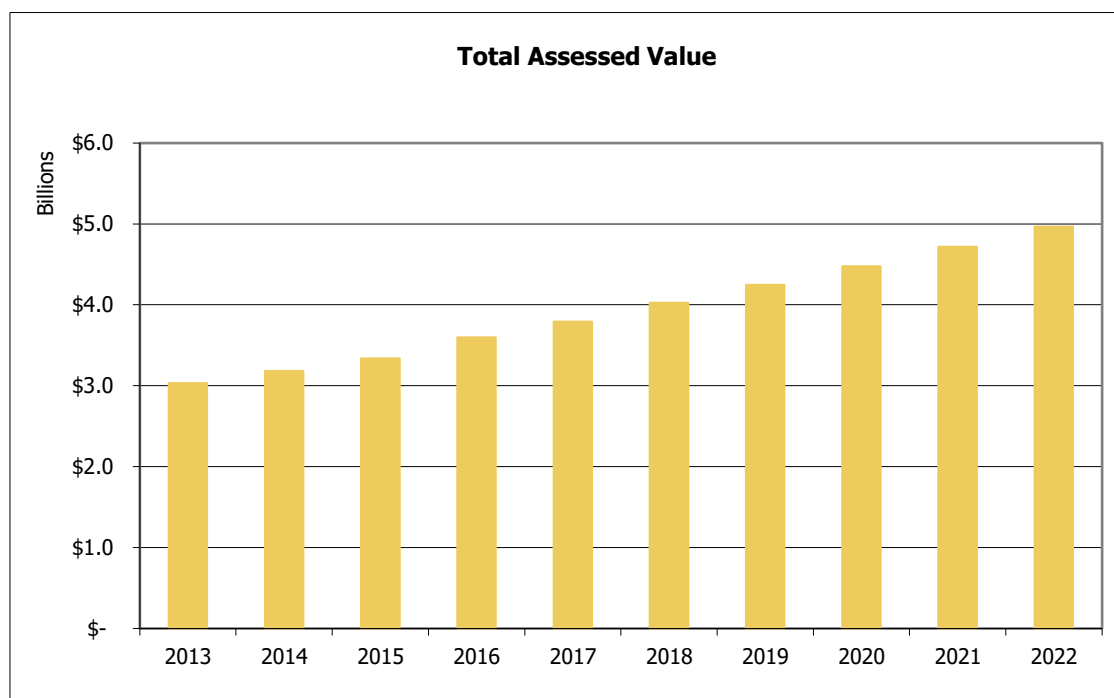


Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Net Assessed Value of Taxable Property
Last Ten Fiscal Years

TABLE 7

Fiscal Year Ended June 30	Secured		Unsecured		Total Assessed Value	Total Direct Tax Rate
2013	\$	3,001,630,584	\$	28,759,821	\$ 3,030,390,405	1.00%
2014	\$	3,153,416,179	\$	27,307,767	\$ 3,180,723,946	1.00%
2015	\$	3,309,856,089	\$	26,813,656	\$ 3,336,669,745	1.00%
2016	\$	3,569,065,524	\$	26,719,717	\$ 3,595,785,241	1.00%
2017	\$	3,766,258,441	\$	26,280,598	\$ 3,792,539,039	1.00%
2018	\$	3,999,182,757	\$	25,708,168	\$ 4,024,890,925	1.00%
2019	\$	4,220,683,852	\$	26,668,954	\$ 4,247,352,806	1.00%
2020	\$	4,446,041,301	\$	28,251,679	\$ 4,474,292,980	1.00%
2021	\$	4,686,463,940	\$	31,785,264	\$ 4,718,249,204	1.00%
2022	\$	4,933,554,941	\$	31,058,835	\$ 4,964,613,776	1.00%



Notes:

Total Direct Tax Rate is from Table 8. Rates are based on a \$100 of taxable value.

Exempt values are not included in Total.

With the passage of a constitutional amendment (Proposition 13) and subsequently enacted State legislation, property is assessed according to a base year rather than on a percentage of market value. Accordingly, a reliable estimate of actual value of taxable property within the City is not possible.

Source: County of Monterey Assessors Office

City of Carmel-by-the-Sea
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Taxable Value)

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Direct Rates:	(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:	(2)										
Carmel Unified		0.014	0.014	0.014	0.014	0.014	0.014	0.016	0.015	0.010	0.015
Monterey Peninsula Community College		0.022	0.022	0.022	0.022	0.022	0.022	0.021	0.021	0.027	0.032
Total Direct and Overlapping Rate		1.036	1.036	1.036	1.036	1.036	1.036	1.037	1.036	1.037	1.047
City Share of 1% Levy per Prop. 13	(3)	0.903	0.913	0.904	0.918	0.925	0.929	0.919	0.906	0.918	0.929

Notes:

- 1 The passage of a constitutional amendment (Proposition 13) in June 1978 limits the property tax rate to a base of \$1.00 per \$100.00. The \$1.00 rate is levied by the County and apportioned to local agencies according to a formula prescribed by the California legislature.
- 2 Overlapping rates are those of entities that apply to property owners within the City of Pacific Grove. Not all overlapping rates apply to all property owners (e.g., the rates for school districts apply only to the proportion of the city's property owners whose property is located within the geographic boundaries of the school district).
- 3 This is the percentage of \$1 countywide tax levy

Source: County of Monterey Assessors Office

Source: County of Monterey CAFR

City of Carmel-by-the-Sea
Principal Property Tax Owners
Current Year and Nine Years Ago

TABLE 9

Tax Owner	2022			2013		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
OWRF CARMEL LLC	\$ 60,224,916	1	1.21%	na		na
ESPERANZA CARMEL COMMERCIAL LLC	54,429,029	2	1.10%	na		na
HINES JEFFREY C	35,797,503	3	0.72%	na		na
PAUL ANDREW M	30,284,601	4	0.61%	na		na
ESPERANZA CARMEL LLC	22,617,692	5	0.46%	na		na
GUNNER RICHARD V & MARGARET S GUNNER TRS	22,162,521	6	0.45%	na		na
LA PLAYA CARMEL HOTEL LLC	18,089,171	7	0.36%	na		na
PORTER ALAN R	14,522,261	8	0.29%	na		na
LEVETT FAMILY PROPERTIES LLC	13,280,891	9	0.27%	na		na
SENTIMENTAL JOURNEY LLC	12,785,444	10	0.26%	na		na
Totals	<u>\$ 284,194,029</u>		<u>5.72%</u>	<u>\$ -</u>		<u>na</u>
Total assessed value	<u>\$ 4,964,613,776</u>			<u>\$ -</u>		

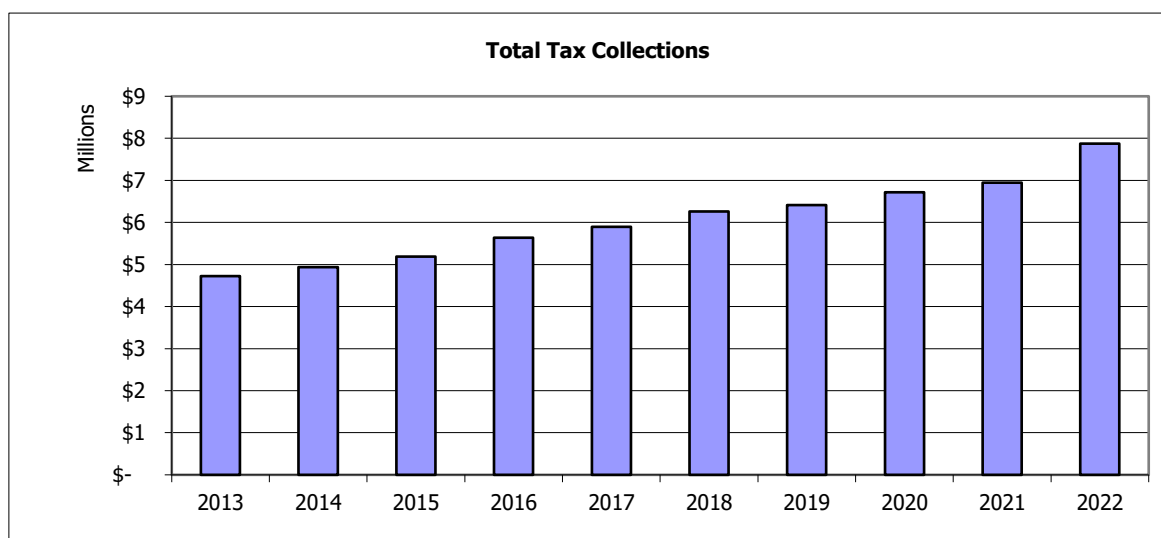
Source: County of Monterey Assessors Office

na= not available

City of Carmel-by-the-Sea
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections ¹	Percent of Levy Collected	Supplemental Tax Collections	Delinquent Tax Collections	Total Collections
2013	\$ 4,652,176	\$ 4,540,524	97.6%	\$ 93,380	\$ 90,301	\$ 4,724,204
2014	\$ 4,881,534	\$ 4,769,259	97.7%	\$ 95,355	\$ 73,000	\$ 4,937,613
2015	\$ 5,127,974	\$ 4,994,647	97.4%	\$ 117,309	\$ 74,547	\$ 5,186,503
2016	\$ 5,598,743	\$ 5,453,176	97.4%	\$ 106,567	\$ 80,397	\$ 5,640,139
2017	\$ 5,825,889	\$ 5,691,894	97.7%	\$ 124,505	\$ 76,128	\$ 5,892,527
2018	\$ 6,192,126	\$ 6,049,707	97.7%	\$ 132,332	\$ 80,914	\$ 6,262,953
2019	\$ 6,524,331	\$ 6,242,449	95.7%	\$ 107,412	\$ 64,523	\$ 6,414,384
2020	\$ 6,690,948	\$ 6,537,056	97.7%	\$ 110,155	\$ 66,171	\$ 6,713,382
2021	\$ 7,389,657	\$ 6,712,274	90.8%	\$ 144,856	\$ 85,217	\$ 6,942,347
2022	\$ 7,694,722	\$ 7,612,601	98.9%	\$ 174,951	\$ 83,468	\$ 7,871,020



Source: County of Monterey Auditor-Controller's Office
City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Attachment 2
Table 11

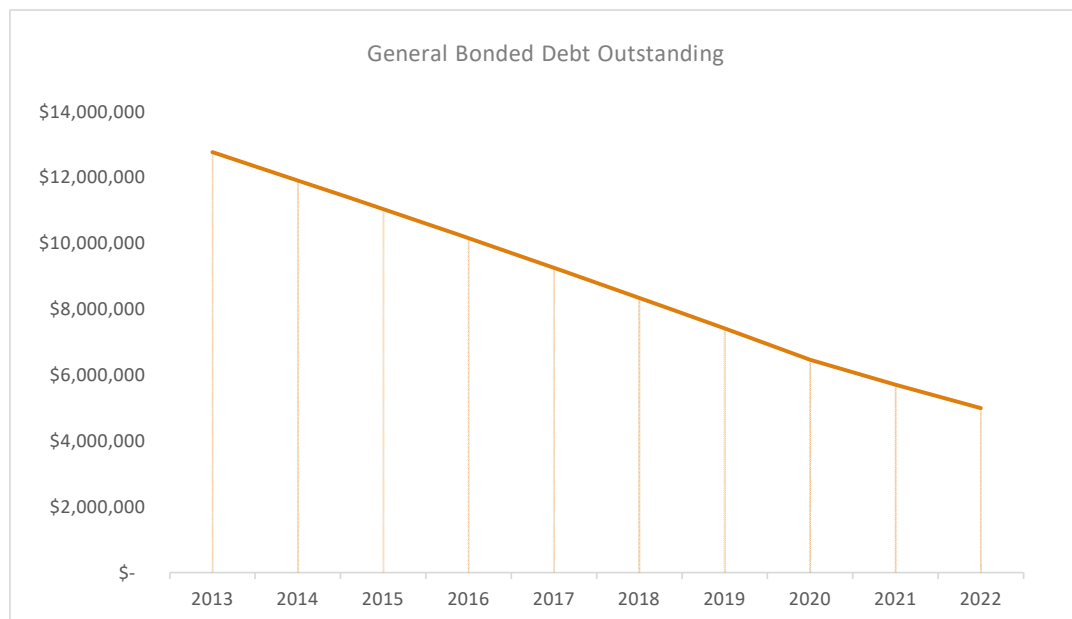
Fiscal Year Ending June 30	Governmental Activities								Debt per Capita
	Pension Obligation Bonds	Lease Revenue Bonds	NGEN Public Safety Joint Agree	Fire Capital Loan	Total Outstanding Debt	Median Household Income	Percentage of Household Income	Population	
2013	\$ 6,165,000	\$ 7,010,000	\$ 320,375	\$ 349,372	\$ 13,844,747	\$ 71,719	0.52%	3,840	3,605
2014	\$ 3,585,000	\$ 6,725,000	\$ 303,366	\$ 137,387	\$ 10,750,753	\$ 62,460	0.58%	3,867	2,780
2015	\$ 5,005,000	\$ 6,435,000	\$ 264,625	\$ -	\$ 11,704,625	\$ 74,758	0.64%	3,886	3,012
2016	\$ 4,420,000	\$ 6,140,000	\$ 246,246	\$ -	\$ 10,806,246	\$ 81,607	0.76%	3,903	2,769
2017	\$ 3,825,000	\$ 5,840,000	\$ 227,141	\$ -	\$ 9,892,141	\$ 87,532	0.88%	3,897	2,538
2018	\$ 3,220,000	\$ 5,530,000	\$ 207,281	\$ -	\$ 8,957,281	\$ 87,532	0.98%	3,897	2,299
2019	\$ 2,605,000	\$ 5,215,000	\$ 186,511	\$ -	\$ 8,006,511	\$ 87,532	1.09%	3,987	2,008
2020	\$ 1,980,000	\$ 4,890,000	\$ 157,741	\$ -	\$ 7,027,741	\$ 98,638	1.40%	3,949	1,780
2021	\$ 1,340,000	\$ 4,761,901	\$ 165,051	\$ -	\$ 6,266,952	\$ 98,188	1.82%	4,023	1,558
2022	\$ 680,000	\$ 4,733,004	\$ 165,051	\$ -	\$ 5,578,055	\$ 101,696	1.82%	3,041	1,834

Source: City of Carmel-by-the-Sea Finance Department
Demographics from Table 16

City of Carmel-by-the-Sea
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	General Obligation Bonds	Lease Revenue Bonds	Less: Amount Available in Debt Service Fund	Net Obligation Total	Percentage of Assessed Value	Debt Per Capita	Assessed Value	Population
2013	\$ 6,165,000	\$ 7,010,000	\$ 400,007	\$ 12,774,993	0.42%	\$ 3,327	\$ 3,030,390,405	3,840
2014	\$ 5,585,000	\$ 6,725,000	\$ 400,014	\$ 11,909,986	0.37%	\$ 3,080	\$ 3,180,723,946	3,867
2015	\$ 5,005,000	\$ 6,435,000	\$ 400,015	\$ 11,039,985	0.33%	\$ 2,841	\$ 3,336,669,745	3,886
2016	\$ 4,420,000	\$ 6,140,000	\$ 400,381	\$ 10,159,619	0.28%	\$ 2,603	\$ 3,595,785,241	3,903
2017	\$ 3,825,000	\$ 5,840,000	\$ 400,582	\$ 9,264,418	0.24%	\$ 2,377	\$ 3,792,539,039	3,897
2018	\$ 3,220,000	\$ 5,530,000	\$ 405,742	\$ 8,344,258	0.21%	\$ 2,141	\$ 4,024,890,925	3,897
2019	\$ 2,605,000	\$ 5,215,000	\$ 402,335	\$ 7,417,665	0.17%	\$ 1,860	\$ 4,247,352,806	3,987
2020	\$ 1,980,000	\$ 4,890,000	\$ 400,381	\$ 6,469,619	0.14%	\$ 1,638	\$ 4,474,292,980	3,949
2021	\$ 1,340,000	\$ 4,761,901	\$ 393,132	\$ 5,708,769	0.12%	\$ 1,419	\$ 4,718,249,204	4,023
2022	\$ 680,000	\$ 4,733,004	\$ 416,577	\$ 4,996,427	0.10%	\$ 1,643	\$ 4,964,613,776	3,041



Source: California Department of Finance
City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Computation of Direct and Overlapping Debt
June 30, 2022

TABLE 13

2021-2022 Assessed Value

\$ 4,964,613,776

	Total Debt Outstanding	Percentage Applicable to City ⁽¹⁾	Amount Applicable to City
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Monterey Peninsula Community College District	\$ 131,478,522	11.667%	\$ 15,339,599
Carmel Unified School District	17,643,445	24.152%	4,261,245
Total Direct and Overlapping Tax and Assessment Debt	<u>\$ 149,121,967</u>		<u>\$ 19,600,844</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Monterey County General Fund Obligations	129,741,182	6.457%	8,377,388
Monterey County Judgment Obligations	4,772,000	6.457%	308,128
Monterey County Water Resources Agency Gen Fund Debt	19,580,000	6.457%	1,264,281
City of Carmel-by-the-Sea General Fund Obligations	4,733,004	100.000%	4,733,004
City of Carmel-by-the-Sea Pension Obligation Bonds	680,000	100.000%	680,000
Total Gross Direct and Overlapping General Fund Debt			15,362,801
Less: Monterey County supported obligations			198,881
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 15,163,920</u>
TOTAL DIRECT DEBT			\$ 5,413,004
TOTAL GROSS OVERLAPPING DEBT			\$ 29,550,641
TOTAL NET OVERLAPPING DEBT			\$ 29,351,760
 GROSS COMBINED TOTAL DEBT ²			 \$ 34,963,645
NET COMBINED TOTAL DEBT			\$ 34,764,764

Notes:

- (1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2021-22 Assessed Valuation:

Direct Debt

Total Direct and Overlapping Tax and Assessment Debt 0.39%

Total Direct Debt 0.11%

Gross Combined Total Debt 0.70%

Net Combined Total Debt 0.70%

Source: MuniServices, LLC

City of Carmel-by-the-Sea
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE 14

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 113,639,640	\$ 119,277,148	\$ 125,125,115	\$ 134,841,947	\$ 142,220,214	\$ 150,933,410	\$ 159,275,730	167,785,987	176,934,345	186,173,017
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 113,639,640</u>	<u>\$ 119,277,148</u>	<u>\$ 125,125,115</u>	<u>\$ 134,841,947</u>	<u>\$ 142,220,214</u>	<u>\$ 150,933,410</u>	<u>\$ 159,275,730</u>	<u>\$ 167,785,987</u>	<u>\$ 176,934,345</u>	<u>\$ 186,173,017</u>
Total net debt applicable to the limit										
as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes:

California Government Code, Section 43605, sets the debt limit at 15% of the total assessed valuation of all real personal property within the city, when assessed values were at 25% of full market value. This has changed to 100% of full market value, with the rate adjusting to 1/4 of 15%.

Source: City of Carmel by the Sea Finance Department

Legal Debt Margin Calculation For Fiscal Year 2019-20:

Total assessed value	\$ 4,964,613,776
Debt limit (3.75% of total assessed value)	186,173,017
Debt applicable to limit:	
General obligation bonds	-
Less: Amount available in debt service fund	
for repayment of bonds	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 186,173,017</u>

City of Carmel-by-the-Sea

Pledged-Revenue Coverage

Last Ten Fiscal Years

TABLE 15

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sunset Center Certificates of Participation										
General City Revenues	\$ 15,932,161	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715	\$ 30,552,025
Less: operating expenses	(21,259,578)	(15,512,429)	(16,332,293)	(17,552,771)	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)	(22,576,272)
Net available revenue	(5,327,417)	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485	7,975,753
Debt service:										
Principal	285,000	285,000	290,000	295,000	300,000	310,000	315,000	325,000	-	-
Interest	225,463	219,763	213,963	208,063	202,063	198,188	190,375	173,320	106,957	155,798
Total	510,463	504,763	503,963	503,063	502,063	508,188	505,375	498,320	106,957	155,798
Coverage	(10.44)	7.30	9.54	9.65	5.85	7.40	7.90	1.09	74.54	51.19
Pension Obligation Bonds										
General City Revenues	\$ 15,932,161	\$ 19,195,290	\$ 21,139,081	\$ 22,406,471	\$ 21,653,778	\$ 23,167,967	\$ 24,061,114	\$ 21,424,311	\$ 26,120,715	\$ 30,552,025
Less: operating expenses	(21,259,578)	(15,512,429)	(16,332,293)	-17,552,771	(18,716,522)	(19,407,105)	(20,069,662)	(20,883,375)	(18,148,230)	(22,576,272)
Net available revenue	(5,327,417)	3,682,861	4,806,788	4,853,700	2,937,256	3,760,862	3,991,452	540,936	7,972,485	7,975,753
Debt service:										
Principal	115,000	580,000	580,000	585,000	595,000	605,000	615,000	625,000	640,000	660,000
Interest	57,848	122,593	118,243	112,443	105,131	96,206	85,120	71,892	57,666	40,414
Total	172,848	702,593	698,243	697,443	700,131	701,206	700,120	696,892	697,666	700,414
Coverage	(30.82)	5.24	6.88	6.96	4.20	4.91	5.70	0.78	11.43	11.39
Combined coverage	(7.80)	3.05	4.00	4.04	2.44	2.85	3.31	3.31	9.91	9.32

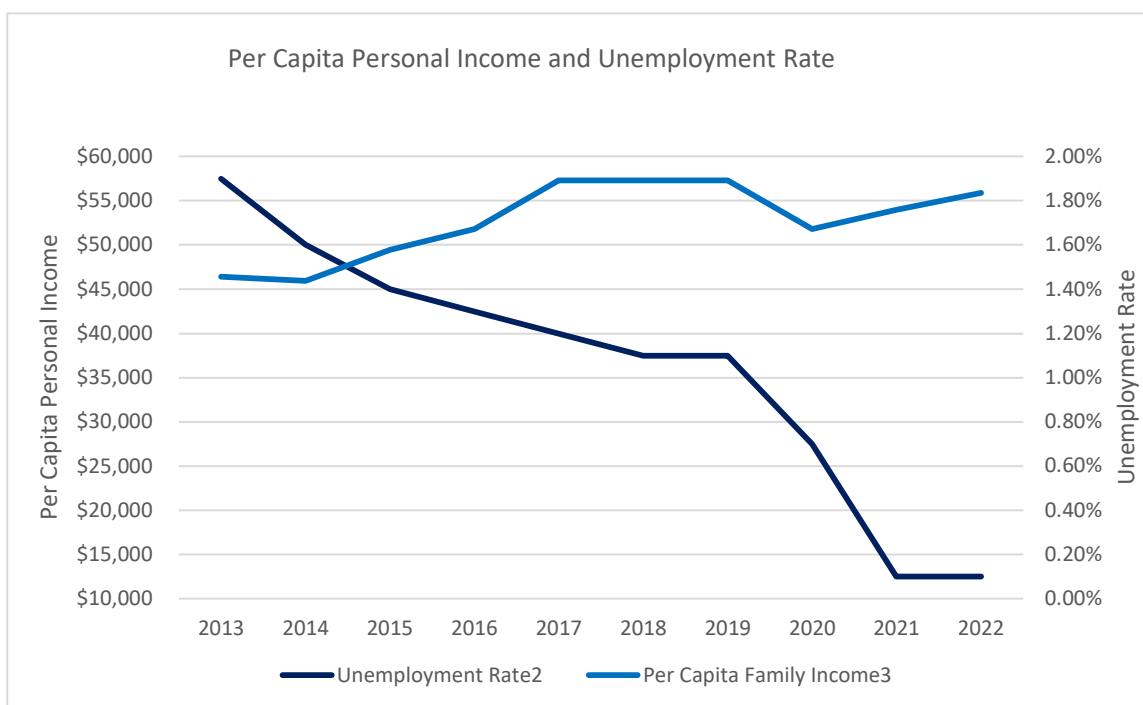
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE 16

Fiscal Year Ended June 30	Population ¹	Unemployment Rate ²	Median Household Income	Per Capita Family Income ³	Median Age	% of Population 25+ with High School Diploma	% of Population 25+ with Bachelor's Degree
2013	3,840	1.90%	\$ 71,719	\$ 46,391	53.9	96.60%	60.80%
2014	3,867	1.60%	\$ 62,460	\$ 45,928	55.1	95.70%	57.60%
2015	3,886	1.40%	\$ 74,758	\$ 49,425	54.3	97.30%	58.60%
2016	3,903	1.30%	\$ 81,607	\$ 51,778	53.1	97.30%	63.70%
2017	3,897	1.20%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2018	3,897	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.70%
2019	3,987	1.10%	\$ 87,532	\$ 57,307	55.8	96.90%	64.80%
2020	3,949	0.70%	\$ 81,607	\$ 51,778	61.3	97.30%	63.70%
2021	4,023	0.10%	\$ 98,188	\$ 53,961	59.6	82.72%	55.03%
2022	3,041	0.10%	\$ 101,696	\$ 55,889	65.0	95.80%	74.70%



Notes:

A For calendar year ending during the fiscal year.

B Total Personal Income is presented in thousands.

Source: ¹ California Department of Finance

² California Employment Development Department

³ U.S. Department of Commerce, Bureau of Economic Analysis

City of Carmel-by-the-Sea

Principal Employers

Current Year and Nine Years Ago ⁽¹⁾

TABLE 17

	Fiscal Year Ended June 30					
	2022			2013		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer:						
Mirabel Group	128	1	6.63%	na	na	na
Pepe International	120	2	6.22%	na	na	na
Dametra	108	3	5.60%	na	na	na
City of Carmel	82	4	4.25%	na	na	na
Cypress Inn	76	5	3.94%	na	na	na
Carmel Preferred Restaurant Gr	66	6	3.42%	na	na	na
3 Carmel Restaurants Group	65	7	3.37%	na	na	na
Classic Hotels & Resorts	65	8	3.37%	na	na	na
Alain Pinel Realtors	65	9	3.37%	na	na	na
Carmel Realty Co.	59	10	3.06%	na	na	na
Totals	706		43.21%			
Total employment	1,930					

Notes: This is the second year that the City is including a statistical section. Due to the small size of the City, employee counts for prior years were not available through a database or third party. Prior year information will be included as the City reports this information in forthcoming years.

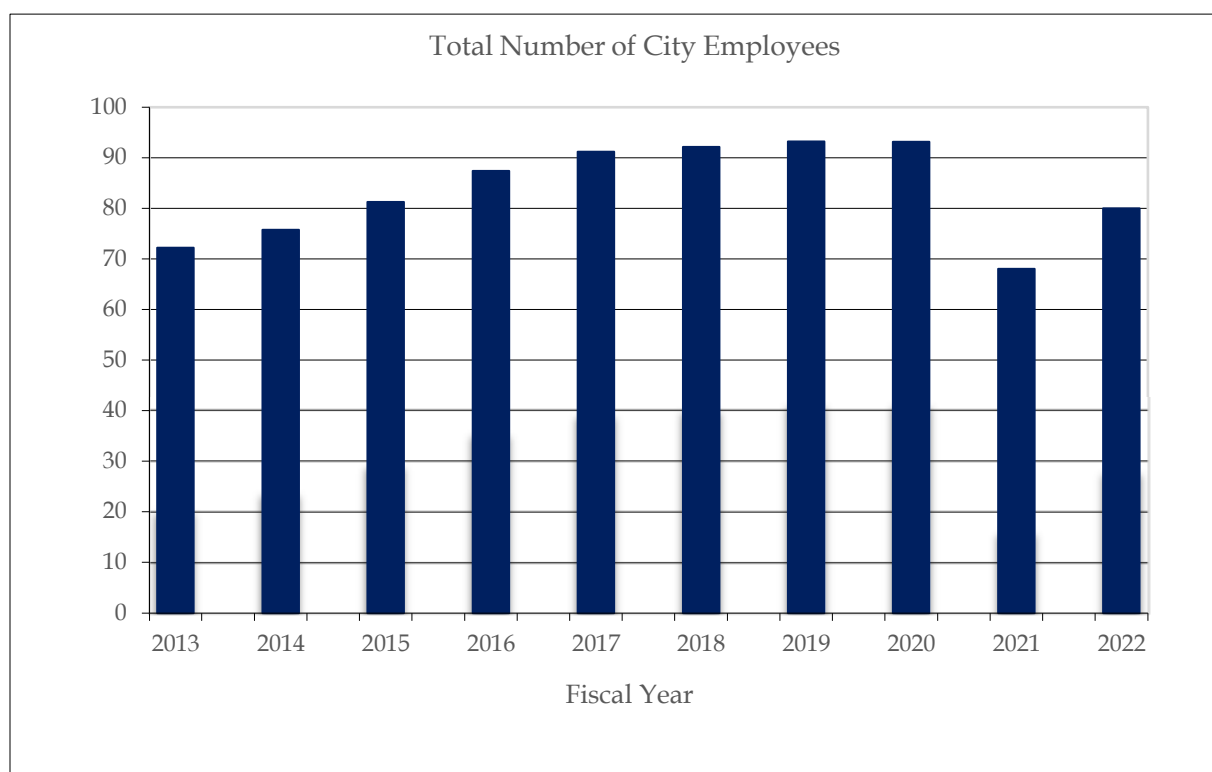
Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea

TABLE 18

Number of City Employees by Department Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Departments:										
General Government	10.78	10.72	18.20	17.60	18.60	16.20	15.70	15.66	15.00	15.00
Public Safety	27.02	28.02	28.80	30.70	30.70	31.70	32.00	32.00	25.00	24.00
Public Works	13.15	13.90	14.00	18.00	21.00	21.00	21.00	21.00	15.00	18.00
Community Activities	1.18	1.43	1.70	1.70	1.50	1.40	1.50	1.50	0.50	1.00
Library	10.40	11.65	11.60	12.40	12.40	12.80	14.00	13.98	5.50	11.00
Community Plng. and Bldg.	9.68	10.02	6.97	7.00	7.00	9.00	9.00	9.00	7.00	11.00
Totals	72.21	75.74	81.27	87.40	91.20	92.10	93.20	93.14	68.00	80.00



Source: City of Carmel-by-the-Sea Finance Department

City of Carmel-by-the-Sea
Operating Indicators By Function
Last Ten Fiscal Years

TABLE 19

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function:										
Police										
Calls for service	10,889	10,023	14,813	14,360	13,701	12,674	13,252	11,385	8,778	8,959
Fire										
Calls for service	648	759	851	925	856	843	1,006	803	754	794
Inspections	645	725	822	636	346	504	112	184	107	88
Public Works										
Potholes patched					18	52	25	20	25	50
Tree permits Issued						166	90	177	216	183
Calls for service					300	250	500	750	433	1,455
Road asphalt used						48	34	28	32	44
Trees planted		60			32	82	82	59	57	139
Library										
Circulation of library materials	155,630	153,227	140,848	114,137	106,976	99,802	104,456	104,456	84,810	55,414
Reference questions	33,176	37,010	24,318	20,233	19,252	16,276	15,789	15,789	13,579	9,062
Community Activities										
Special Event permits	na	39	45	30	81	75	42	35	5	31
Community Development										
Building Permits	286	340	500	422	416	580	590	677	446	411
Architectural Approvals	305	273	466	524	468	440	452	402	280	171
Administration										
Business Licenses (All businesses)	1208	1280	1350	1472	1615	1836	2187	2276	1,984	1,884
Public Records Requests (Calendar Yr)	83	143	147	127	160	184	187	199	248	101

Source: City of Carmel-by-the-Sea Departments

City of Carmel-by-the-Sea
Capital Asset Statistics By Function
Last Ten Fiscal Years

TABLE 20

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function:										
General Government										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Parking meters	3	11	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of paved streets	27	27	27	27	27	27	27	27	27	27
Parking lots	3	3	3	3	3	3	3	3	3	3
Fleet Vehicles (City-wide)	43	43	43	43	43	43	45	41	42	44
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Playgrounds	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Library										
Library facilities	2	2	2	2	2	2	2	2	2	2

Source: City of Carmel-by-the-Sea Departments



**OTHER INDEPENDENT
AUDITOR'S REPORTS**



Chavan and Associates, LLP
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the
City Council of the City of Carmel-By-The-Sea
Carmel-by-the-Sea, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Carmel-By-The-Sea (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



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express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

March 29, 2023
Morgan Hill, California