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, February 21, 2023
4:30 PM

THIS MEETING IS VIA TELECONFERENCE AND IN-PERSON AT CITY HALL. Governor Newsom's Executive Order N-29-20 has allowed local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body.

To that end, this meeting will be held via teleconference and in-person in the City Council Chambers at City Hall located on Monte Verde Street between Ocean and Seventh Avenue. To participate via teleconference click the following link to attend via Zoom (or copy and paste link in your browser): https://ci-carmel-ca-us.zoom.us/j/83266459515 Meeting ID: 832 6645 9515 Passcode: 598485 Dial in: (253) 215-8782

The COVID-19 Community Level for Monterey County as of the date of this agenda posting on February 17, 2023, is LOW. Per Urgency Ordinance 2022-006, wearing a face mask to attend a meeting of a legislative body inside a City facility is optional when the community level is low. Seating will be limited and available on a first come first served basis.

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

CALL TO ORDER AND ROLL CALL

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. Fiscal Year 2022-2023 Mid-Year Budget Report and Resolution 2023-025 Approving FY 2022-2023 Adopted Budget Amendments

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

February 21, 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:	Fiscal Year 2022-2023 Mid-Year Budget Report and Resolution 2023-025 Approving FY 2022-2023 Adopted Budget Amendments

RECOMMENDATION:

Receive the Fiscal Year 2022-2023 mid-year budget report, and motion to adopt Resolution 2023-025 approving amendments to the FY 2022-2023 adopted budget.

BACKGROUND/SUMMARY:

On June 7, 2022, Council adopted the Fiscal Year 2022-2023 ("FY22-23") budget. The budget is a planning document that identifies a community's priorities and provides a framework for the programs, projects and services that the organization is able to fund based upon available resources. The adopted budget sets an appropriation limit for expenditures, which may be considered as a "ceiling" on the amount each department or function may spend within the fiscal year, unless a budget amendment is approved by Council tin increase the spending limit. In order to achieve a balanced budget, projected new revenue, plus prior years' savings ("fund balance") if needed, need to equal or exceed planned expenditures.

The purpose of this agenda item is to provide an update regarding the Fiscal Year 2022-2023 budget based upon the revenues received and expenses incurred through the second quarter (July 1 – December 31, 2022) of the fiscal year. With six months of the fiscal year elapsed, the mid-year review provides an opportunity to analyze revenue and expenditure assumptions used in developing the budget and make adjustments to the budget as needed.

General Fund (101)

The General Fund includes revenues that may be used for any general governmental purpose, such as property tax, the City's share of the statewide sales tax, business license tax and franchise fees. The local sales tax ("Measure C") and transient occupancy tax ("TOT") are housed within separate funds for tracking and transparency, and then transferred to the General fun as needed to support citywide daily operations, services and programs. On the expenditure-side, the General Fund includes the City departments and other functions that support ongoing citywide operations.

Revenue

The City's major three revenue sources are property taxes and use taxes, and transient occupancy taxes.

The City received its first tranche of property taxes in December 2022. Property taxes received to date total $4.7 million, which is 57% of the total budgeted property tax revenue. The State remits sales and use taxes on a quarterly basis. The State sales taxes received to date is for the July – September quarter plus an advance for the October – December quarter. The remaining quarterly balance will be received in February 2023. The $1.3 million received in State Sales Tax thus far aligns with budget projections. Measure C, local sales tax, totals approximately $2.1 million. This also aligns with budget projections, as receipts for November and December will be received January and February 2023 respectively. Transient occupancy tax (TOT) revenue of approximately $4.5 million is currently outpacing it budget target as the revenue to date reflects remittance from the reporting period of July and October 2022. Revenue from Charges for Services totals approximately $1.25 million (57% of the budget) while Other Revenue (which includes Business License Renewals) totals approximately $2.1 million, or 48% of budget. Both of these revenues align with budget projections.

Revenue Category	**FY 22-23 Amended Budget**	**July 1 - Dec 31 Receipts**	**Percent Received**
Property Taxes	8,326,600	4,713,722	57%
State Sales & Use Tax	3,204,100	1,304,082	41%
Local Sales Tax - Measure C	5,721,000	2,109,752	37%
Transient Occupancy Taxes	6,667,000	4,517,093	68%
Charge for Services	2,203,800	1,251,409	57%
Other	4,359,711	2,092,182	48%
Total	**30,482,211**	**15,988,240**	**52%**

Expenditures

The City's largest expenditure category is salaries and benefits, which account for 40% of the Fiscal Year 2022-2023 Adopted Budget. For the period of July through December, the salaries and benefits expenditures, inclusive of the annual Worker's Compensation insurance premium, total $5.4 million. These expenditures represent a 44% of the total budgeted salaries and benefits expense and align with the budget projections. The City paid the annual unfunded pension liability (UAL) payment of approximately $2 million in July and will be making the $1 million payment to the Sec 115 trust in February 2023. Services and supplies expenditures total $4.7 million, or 48% of the budget. Debt service payments is still pending final payment of our Pension Obligation bond of $703K, which is due June 1, 2023. Capital expenses currently reflect savings in spending due to timing. The main expenditures thus far have been the purchase of the new fire engine and MTNP Stream/Drainage project construction. Although, Worker Comp claims expenditures are far below budgeted expenditures, due to current claims in progress, the City anticipates to spend the full amount. This is an expenditure category for which it is beneficial to expend below budget.

Expense Category	**FY 22-23 Amended Budget**	**July 1 - Dec 31 Expenses**	**Percent Expended**
Salaries/Benefits	13,473,492	5,472,708	41%
Services/Supplies	9,986,134	4,717,339	47%
Pension	3,082,464	2,013,193	65%
Debt Service	878,303	107,193	12%
Capital Outlay	5,909,000	1,141,387	19%
Workers Comp	148,160	22,203	15%
Total	**33,477,553**	**13,474,023**	**40%**

Budget Adjustments
*Salaries/Benefits **($476,953)***: On September 13, 2022, Council adopted Resolution 2022-084 authorizing the City Administrator to execute the Memorandum of Understanding between the City of Carmel-by-the-Sea and the Carmel-by-the-Sea Police Officers Association, effective July 1, 2022. To offset the 32%-47% base salary increases, the City defunded three (3) Police Officer positions that is equivalent to $583,470 in cost savings.

- $326,953 adjustment is needed to be submitted in order to cover the full cost of the POA MOU agreement.

- $150,000 to cover increases to overtime due to a vacancy due to a work related injury (Worker's Comp) and overtime rates were also affected by the increases to base salaries adopted in Resolution 2022-084.

Services/Supplies ($752,530): As noted above, Services and Supplies expenditures are tracking on target. Some departments have identified additional Services and Supplies expenditures that were not captured in the original FY 2022-23 Adopted Budget and are detailed on the attached Exhibit A. The departments are also seeking to adjust budgets to reflect inflationary increases to the cost of services and goods originally budgeted. Additionally, the Public Works department is seeking $170,000 related to unanticipated storm recovery costs.

- Administration: $120,000 for consultant services for the traffic, congestion and parking management program, ambulance consolidation project and public works assessment.

- Finance: $25,000 for accounting, auditing consulting services due to the vacancy of the Finance Manager.

- Information Technology: $25,000 increased Microsoft Licensing due to the additional new hires and $7,000 for air conditioner installation in the server room.

- Fire: $54,000 for unforeseen fire engine repairs

- Ambulance: $10,000 for additional medical supplies and $10,000 to offset rise in fuel costs

- Library: $2,030 for contract for Fine Art Preservation

- Community Planning and Building: $20,000 for contract services for Landscaping Ordinance

- Police: $109,500 for increased expenditures for laptops for vehicles, Flock Cameras (Year 1 of 2), VIPS uniforms and increased contracting services with Allied, Veritas, Veritone, and pay scheduling software and increase for unforeseen vehicle repairs and signal amplifiers.

- Public Works: $370,000 for increased in contract services: ASBS 2023 monitoring, Environmental Permitting, PSTS pumping, forestry expenditures, office renovations, unforeseen repairs, EV chargers, painting, trash cans, increase to fuel, materials and supplies due to inflation and unforeseen storm recovery.

Capital Outlay ($69,029): Budget adjustments are needed to capture higher costs related to the 2 residential electric vehicles for the Community Planning & Building Department approved by Council with the originally adopted budget. Additionally, an adjustment is needed for the purchase of the fire engine, which exceeded the budgeted amount of $880,000 by $5,702. Also, $40,355 in emergency repairs to the

Sunset Center HVAC need to be included in the mid-year budget adjustment.

Cost Savings ($50,000): Savings in the City's Liability Insurance Premiums will be used to offset costs for IT Microsoft Licensing ($25,000) and Finance advisory accounting services ($25,000).

Revenue ($333,000): Increase in projected Transient Occupancy Tax revenue

Capital Outlay ($915,512): Based upon actual costs incurred and planned expenditures through the end of the FY, additional funds within the Capital Outlay accounts are available to offset the remaining budget expenses amendments. These funds will be recaptured in the FY 2023-24 adopted budget.

Overall, revenues are stronger than anticipated, especially transient occupancy taxes. Expenditures budget projections are higher due to the unanticipated storm recovery costs and minor adjustments to consultant services. Staff recommends Council approve budget amendments in Exhibit A.

FISCAL IMPACT:

The proposed expense budget amendments do not increase the Fiscal Year 2022-23 adopted budget due to decreases in the estimated total expenditures for the Capital Project Funds and the Capital Outlay Vehicle and Equipment fund will fund all other mid-year departmental increases in expenditures. In addition, savings in Liability Insurance Premiums account will fund the increases in the Finance Department and IT expenditures As a result, there is no net increase to the Fiscal Year 2022-2023 budget.

PRIOR CITY COUNCIL ACTION:

Council adopted the Fiscal Year 2022-2023 Budget on June 7, 2022 (Resolution 2022-048) and approved budget adjustments on December 6, 2022 (Resolution 2022-105), August 2, 2022 (Resolution 2022-067), and October 4, 2022 (Resolution 2022-092).

ATTACHMENTS:

Attachment 1) Resolution 2023-025
Attachment 2) Exhibit A - Mid year adjustments

Attachment 1

CITY OF CARMEL-BY-THE-SEA
CITY COUNCIL

RESOLUTION NO. 2023-025

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA RECEIVING THE FISCAL YEAR 2022-23 MID-YEAR BUDGET REPORT AND APPROVING BUDGET AMENDMENTS TO THE FISCAL YEAR 2022-2023 ADOPTED BUDGET

WHEREAS, the City Council adopted Resolution #2022-048 approving the Fiscal Year 2022-2023 annual operating and capital budget on June 7, 2022; and

WHEREAS, the Mid-Year Budget report provides an update regarding revenue and expenditure trends and whether fiscal performance to date aligns with budget assumption; and

WHEREAS, after review of expenditures and revenues as of December 31, 2022; and

WHEREAS, the City requires additional appropriations to increase the budget for salaries and benefits, the use of contracted services, unanticipated expenses (storm recovery), and unanticipated revenue; and

WHEREAS, the Carmel Municipal Code Section 3.06.030 requires Council to approve all transfers of appropriations between departments.

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

Approve budget amendments to Fiscal Year 2022-2023 Budget as shown in the attached Exhibit A.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA this 21st day of FEBRUARY, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

SIGNED: ATTEST:

______________________________ ______________________________
Dave Potter, Mayor Nova Romero, MMC, City Clerk

Attachment 2

General Ledger Account and Description	Purpose	FY 2022/23 Adopted Budget	Adjustment Amount	FY 2022/23 Amended Budget
101-111-10-42001 General Fund Expeditures Admin: Contract Services	Increase for contractor parking/traffic study	$21,550	$120,000	$141,550
101-111-12-42001 General Fund Expenditures Finance: Contract Services	Increase for contractor accounting advisory services	$45,500	$25,000	$70,500
101-130-00-42501 General Fund Expenditures Non-Departmental: Liability Insurance Premiums	Transfer Liability Insurance premiums Savings to Finance Contract Services	$813,000	$25,000	$788,000
101-111-14-42102 General Fund Expenditures IT: Publications & Subscriptions	Increase for Microsoft Licensing	88,000	$25,000	113,000
101-130-00-42501 General Fund Expenditures Non-Departmental: Liability Insurance Premiums	Transfer Liability Insurance premiums Savings to IT Publications & Subscriptions	$788,000	$25,000	$763,000
101-111-14-42106 General Fund Expenditures IT: Small Tools and Equipment	Increase for Air Conditioner installation for server room	$350	$7,000	$7,350
101-120-00-42001 General Fund Expenditures Library: Contract Services	Increase for contract services for Fine Art Preservation	$3,500	$2,030	$5,530
101-116-00-42001 General Fund Expenditures Police: Contract Services	Increase for Allied, Veritas, Veritone, and pay scheduling software	$335,635	$8,600	$344,235
101-116-00-42104 General Fund Expenditures Police: Safety Equipment and Supplies	Increase in VIPS uniform standardization, laptops for vehicles, Flock Cameras (Yr 1 of 2)	$25,450	$85,900	$111,350
101-116-00-42203 General Fund Expenditures Police: Vehicle Maintenance	Increase for unforseen vehicle repairs and signal amplifiers	$23,000	$15,000	$38,000

Attachment 2

101-115-20-42001 General Fund Expenditures Planning & Building: Contract Services	Increase for Landscaping Ordinance	$469,600	$20,000	$489,600
101-117-00-42203 General Fund Expenditures Fire: Vehicle Maintenance	Increase for unforseen fire engine repairs	$35,000	$54,000	$89,000
101-118-00-42103 General Fund Expenditures Ambulance: Medical Supplies	Increase for additional medical supplies	$39,150	$10,000	$49,150
101-118-00-42107 General Fund Expenditures Ambulance: Gas and Oil	Increase for rise in fuel costs	$11,000	$10,000	$21,000
101-119-41-42001 General Fund Expenditures PW: Contract Services - Streets	Increase for storm recovery	$14,155	$100,000	$114,155
101-119-42-42001 General Fund Expenditures PW: Contract Services - Facilities	Increase for storm recovery, Renovations, Unforeseen repairs, EV charger, painting	$409,774	$162,000	$571,774
101-119-43-42001 General Fund Expenditures PW: Contract Services - Env Compliance	Increase for trash cans, ASBS 2023 monitoring, MTNP Environmental Permiting, and PSTS pumping	$187,255	$28,000	$215,255
101-119-41-42105 General Fund Expenditures PW: Materials & Supplies - Streets	Increase for additional materials and supplies and inflation	$52,140	$22,000	$74,140
101-119-40-42107 General Fund Expenditures PW: Gas and Oil - Admin	Increase for rise in fuel costs	$38,000	$8,000	$46,000
101-119-42-42105 General Fund Expenditures PW: Materials & Supplies - Facilities	Increase for additional materials and supplies and inflation	$65,800	$25,000	$90,800

Attachment 2

101-119-45-42105 General Fund Expenditures PW: Materials & Supplies - Forestry	Increase for storm recovery	$50,000	$25,000	$75,000
101-116-00-41006 General Fund Expenditures Police: Overtime - Safety	Increase Salaries for POA agreements	$2,142,749	$326,953	$2,469,702
101-116-00-41006 General Fund Expenditures Police: Overtime - Safety	Increase Overtime - Safety	$205,000	$150,000	$355,000
503-513-00-43005 Vehicle and Equipment Fund Expenditure	Increase for higher residential EV cost and Fire Engine purchase	$1,565,000	$28,674	$1,593,674
503-513-00-43002 Capital Outlay Bldgs & Improvements	Increase for Sunset Center HVAC emergency replacement	$0	$40,355	$40,355
102-000-00-31005 Transient Occupancy Tax Revenue	Increase for projected FY 22-23 Revenue	$6,667,000	$333,000	$7,000,000
503-513-00-43005 Capital Outlay Vehicle and Equipment Fund	Decrease Vehicle and Equipment Fund for esitmated expenditures for FY 22/23	$1,593,674	$494,190	$1,099,484
301-000-00-43008 Capital Projects Fund	Decrease CIP projects for estimated total expenditures for FY 22/23	$4,344,000	$421,322	$3,922,678