

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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The following questions are broken into two sections. Section 1 (Questions 1 through 38) represent those received at the May 7th, 2024 City Council Meeting from Councilmembers and the general public. Also included in Section 1, are questions received via email, phone, or other means of communication leading up to the May 21st, 2024 budget workshop. Section 2 (Questions 39 through 57), include questions received at the May 21st, 2024 budget workshop, and in the period of time since then leading up to the budget adoption hearing on June 4th, 2024. The questions are answered in the order that they were received during these timeframes.

### **SECTION 1**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Response:** As of June 30, 2023, the City has an Unassigned Fund Balance of \$15.5M. The Unassigned Fund Balance is funds that are neither Restricted,

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Reserved, Committed, nor Assigned. The FY 24-25 Recommended Budget has proposed tapping into the Unassigned Fund Balance to the tune of \$12.4M in order to support the \$12.6M in budgeted capital expenditures.

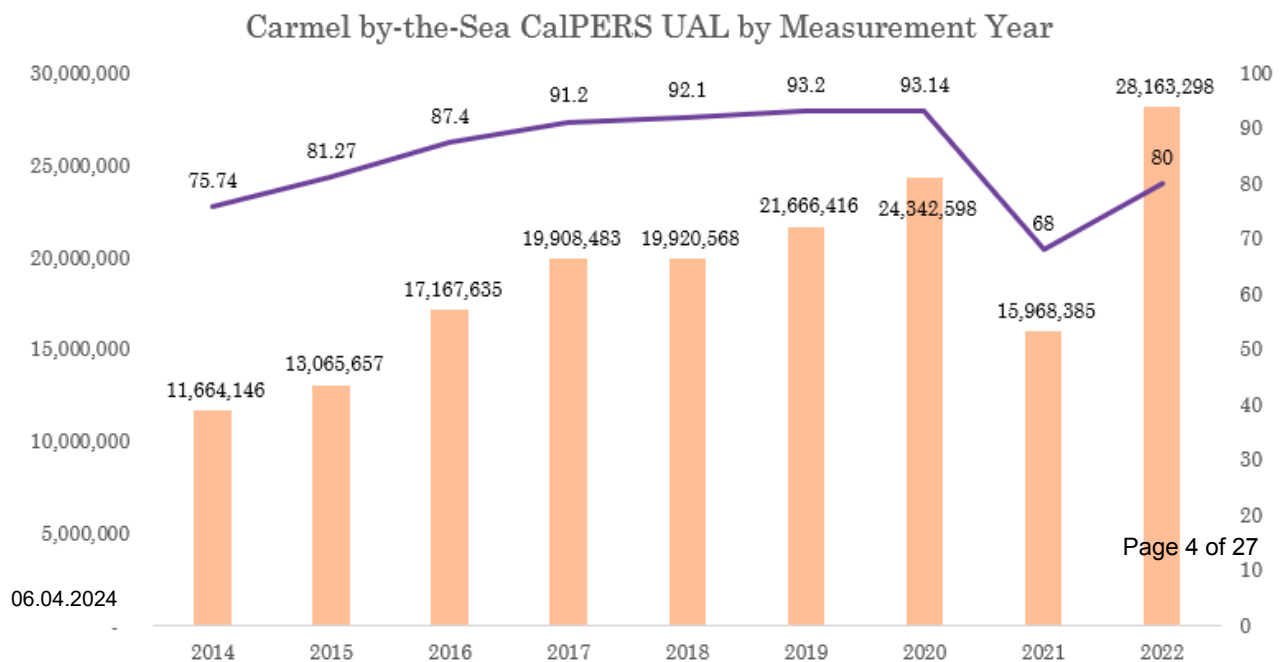
There is no plan to tap into any of the Reserve or Restricted Funds.

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

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

Annually, the City makes a payment to CalPERS that consists of (1) the annual cost for current employees ("normal cost") and (2) the unfunded accrued liability (UAL). The UAL is the actuarial liability less the actuarial value of the assets. In other words, it is the difference between what CalPERS needs in order to pay for retirement benefits when people retire as compared to the amount that CalPERS currently has on hand to pay for the estimated costs of the retirement benefits. As such, the City's UAL can vary each year based on staffing levels and the pension's investment performance.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Revenues:**

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

**Expenditures:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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

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

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

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

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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### **SECTION 2**

#### **39. Question/Comment:**

I was concerned when I read an editorial by Francois Melese, a Professor Emeritus of economics at the Naval Postgraduate School in Monterey entitled “California’s Unfunded Pension Liabilities Out of Control. Here’s the Fix.”

The first City mentioned by Professor Mlese was, unfortunately, Carmel-by-the-Sea. We have 99 workers in the city making an average of \$85,000 per year (without retirement & health contributions) but 108 pensioners making an average of \$ 95,000 per year. His fix – replace defined benefit payments with defined contributions.

This motivated me to do some research comparing the budgets of the other 9 cities in Monterey County with that of CBTS. A lot of the information I looked at was on the Website of Malia M. Cohn, California State Controller (2022 information) and the Cities Websites.

I am astonished at what I found.

Using the state’s number of CBTS residents (3033) and City Employees (99) compared to the other Monterey County cities, consider the following (figures are rounded off):

CBTS’s budget at over \$ 40M is about \$ 13,400 per resident compared to the next highest, which is Monterey at \$ 3,600. Our neighbor Pacific Grove is \$ 2,100. The other 7 are even lower than these numbers.

CBTS’s average city employee compensation (wages + retirement & health contributions) per resident is \$ 3,400, compared to Monterey at \$ 2,174 and Pacific Grove at \$ 775. The other 7 cities range from a low of \$ 334 to \$ 825.

CBTS’s employees are about 3.56 per 100 residents, versus Monterey at 2.9 and Pacific Grove at 1. All the rest are less than 1%, with the lowest in Marina and Soledad at about 0.5.

These are the facts. My opinion is that our budget and number of employees is severely bloated. Both need to be cut, not increased. And we need to address our pension system and unfunded liabilities. Eventually we will go bankrupt – the route to fiscal responsibility is cutting expenses, and not increasing them or adding new taxes or “fees.”

## City of Carmel-by-the-Sea

### FY24-25 Recommended Budget Questions and Responses

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Thank you for your kind and thoughtful consideration of the above. I urge you to do your own research and verify the above.

**Response(s):** Per capita, the residents enjoy about \$10k of services per person. If you look at Pacific Grove, it has roughly the same budget as we do, but has five times the number of residents. Naturally, the investment in Pacific Grove residents is going to be about one-fifth. There are some services that have a baseline cost. So again, we pay about the same amount for fire protection as the City of Pacific Grove. Since we have fewer residents, it costs the residents per capita about five times more than in Pacific Grove. That's the base level of service. The same could be held for our Police Department as well. Additionally, we provide a higher level of service, as expected by our residents, than many other communities. We have to respond to the impact from the City's visitors by providing those higher levels of service. Restrooms in the Summer are cleaned 6-8 times a day, that's how heavily used they are. It's a basic level of service we have to maintain to preserve the character of the village.

If the City were to consider a defined contribution plan, it would only apply to future City employees and would require a policy change from Council.

**40. Question/Comment:** It seems all of the beach related funding resides in the capital projects budget. Specifically, there are three environment line items totaling \$1.15M. The question I have is more strategic: I wonder if we should be considering a dedicated Coastal/Environmental Director (similar to have we have a City Forester and new proposed Housing Planner)? We have all seen the effects of the past two winter storm seasons on our beach, and our response to the storms and reopening of beach access seemed to take longer than it should have. We also have been advised that the projects to shore up the beach revetments and possible sea walls will take significant investments well beyond the engineering studies underway. It would seem that the time to be discussing a dedicated Beach/Environmental resource might be now. It does not seem like the beach is getting sufficient attention.

**Response:** The City Administration takes staffing recommendations from each department during the budgeting process. A Coastal/Environmental Director has not been identified by the Public Works department as critical at this time based. Additionally, Council was presented with the proposed staffing for FY 24-25, and did not identify any changes to further implement their priorities.

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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**41. Question/Comment:** It would be helpful to also understand if there is any beach money allocated that is outside the environmental capital budget. It seems like we should have some funding available to help maintain beach access, partner with Carmel Cares on their scenic pathway projects, etc. Perhaps I just missed seeing this allocation?

**Response:** General infrastructure maintenance is funded and is budgeted at an operational level in the Public Works Environmental Contract Services, this includes maintenance to the beach.

**42. Question/Comment:** I believe it would also be a good idea to explore hiring a dedicated grant writing resource for the city. If we cannot include such a person in the budget directly, I would propose that we pursue this on an outside services, contracted basis and run a pilot this upcoming year to demonstrate how effective a position like this could be.

**Response:** City staff continues to successfully apply for and receive grants. Over the past few fiscal years, the City received grants including the California Coastal Commission Grant (\$500k), REAP Grant (\$65k), SB2 Grant (\$160k), LEAP Grant (\$65k), and CalFire Grant (\$132k).

**43. Question/Comment:** In the slide referencing the reserved fund balance, it says there is \$15M at June 30, 2024, and \$15.3M projected on June 30, 2025. So is that saying we are adding \$300k in our restricted funds this fiscal year? So the reserved funds are growing?

**Response:** Correct, the City anticipates that the reserve balance will grow. As the City budgets higher revenues and expenditures, reserve balances based on those revenues and expenditures, too will grow.

**44. Question/Comment:** Does the “surplus” that the City has come from money we had planned for projects and we didn’t spend?

**Response:** The surplus is when all revenues received is more than the expenditures spent in the fiscal year. The City conservatively estimates both revenues and expenditures by underestimating revenues and by overestimating expenditures. This surplus is added to the fund balance at the end of the fiscal year. On the other hand, if expenditures were to outpace revenues at year end, it would result in a deficit and reduce fund balance.

**45. Question/Comment:** Is it safe to say the surplus is coming from the hotels, restaurants, and retail doing a good job?

**Response:** Yes, that is a fair statement. As two of the City’s major revenue pillars, they would certainly contribute to the City’s surplus.

## City of Carmel-by-the-Sea

### FY24-25 Recommended Budget Questions and Responses

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**46. Question/Comment:** I think another reason we would have a surplus is that we are not overspending on things and staff, right?

**Response:** Correct. The City's fiscally conservative-minded Administration challenges Department heads to be cognizant of costs throughout the year.

**47. Question/Comment:** Exhibit B, Five Year Financial Forecast with Fund Balance, can you talk about it more so that the public can understand what the implications are, especially as we go forward into the coming years.

**Response:** There is a point in time, FY 27-28, where we anticipate that the fund balance will be depleted if the trends continue. The City will need to find some other revenue source or make significant cuts to expenditures. One caveat to note is that Capital Outlay projected numbers in the purple columns are large for each year. If you look back historically, the City has not spent to that level (i.e.: not completed all the projects), and tends to only spend about 50% of budgeted CIP. Therefore, we do believe that the depletion of fund balance would be pushed several years further into the future. Again, the Five Year Forecast is using the data we have making conservative assumptions.

**48. Question/Comment:** The Police positions that were removed, can you explain the reason behind it? If I understand correctly, the reason behind it is the reduced policing model contract that was adopted from the previous Council where positions were eliminated but the officers were given large pay increases. It seems like we are spending a lot on overtime, and that might not be sustained especially if we want to hire an additional officer. Can you talk more about the reduction in Police officers.

**Response:** The model was the City was to remove the Corporal positions, which are supervisory, and add responsibility to the Officers for things like investigations and backgrounds, and providing more responsibility for Officers and reducing our number of Sergeants to two as well. The vision was to provide the Officers more upward mobility, education, and experience. It's a three year contract. Next year, the City will do a look back to see whether it is working. Chief Tomasi was not here during those negotiations. He may have a model that is different. The salary increases that were negotiated were based on the assumptions that the officers were taking on more responsibility. You are correct that overtime is high, as not all the positions are filled yet. Once we fill all the positions, that overtime expenditure will flatten to some degree. Next year, we will have a chance to relook at the operating model to see if it is working for the Chief, the City, serving the community, and the budgeting purposes.

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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**49. Question/Comment:** What do we have that monetizes what Carmel Cares provides to the City?

**Response:** At the March 5, 2024 City Council meeting, the City adopted Resolution 2024-014, Accepting Donations from Carmel Cares. In summary, the City accepted the following:

Scenic Pathway Barrier Rails project - \$50,789 and 500 labor hours

Forest Theater, Downtown, Medians, and other landscaping improvements: \$59,457 and 3,590 hours

Street Improvements: \$28,476 and 1,740 hours

Facility Maintenance Improvements: \$10,092 and 128 hours

**50. Question/Comment:** Need for more community education on what extraordinary funding sources. What are the options? What are time timelines? What do they look like? You do have short-term decisions for this budget, but I'd like to see some education and guidance on how we as citizens can better understand extraordinary funding options.

**Response:** The City can and will do education in the near future with the Community. Please see Response to Question/Comment 53 and Response to Question/Comment 57 for briefly discussed extraordinary funding options.

**51. Question/Comment:** I am really pleased that you talked about the fund balance. A large number of people in the Community are extremely concerned about this year's budget. They were concerned about last year's budget and I think understanding the fund balance is extremely important. Maybe there is some way you can do that in the Friday Letter. I think it would be helpful. As you have reemphasized staff that you don't know what the next few years are going to hold for us. Just like we did not anticipate the Pandemic in 2020. There is a really serious community concern where we are going with the budget. How are we going to keep ourselves afloat?

**Response:** The more the City can broadcast this, the better. We will continue to broadcast fund balance education with write-ups in the Adopted Budget Book.



# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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**52. Question/Comment:** In the CIP everything should be geared to what is the priority. What are those projects that the Department heads absolutely need to see done within a 1 year, 2 year, 3 year, 4 year, 5 year. A 5 year program on how we are going to address our drainage needs, our streets needs, all of our needs. There are greater needs, like drainage needs, erosion control, beach, you name it. Those should be the ones right on the top of the list. We all know the Police Department and Public Works are so overdue. It's in the priority stratosphere. The CIP is not a wishlist. That really has to be thought through and explained to Council members and staff. Make an extra effort to prioritize what you are doing in the CIP and in the budget too.

**Response:** This is already the approach of the Capital Improvement Program. As noted in the first review of the proposed Capital Improvement Program presented to Council on March 5, 2024,

*“This 5-year CIP framework provides information on the needs for necessary infrastructure for the upcoming fiscal year, as well as a forecast for the subsequent four years. Many of these needs have been identified through assessments and plans for City assets, including:*

- *2013 Carmel Facilities Assessments*
- *2018 ADA Transition Plan*
- *2018 MTNP Stream Stability Study*
- *2020 Storm Drain Master Plan and 2023 Master Plan Update*
- *2022 Climate Action and Climate Adaptation Plans*
- *2023 StreetSaver Pavement Management Plan/Update*
- *2023 Electrical Panel Studies (City Hall, Fire Station, Vista Lobos)*
- *2023 Facility Condition Assessments (City Hall, Fire Station, Public Works, Vista Lobos)*
- *2023 Police Building Condition Assessment*
- *2023-2024 Coastal Engineering Study, Phase I*
- *City Council Strategic Priorities list*

*This CIP provides a framework for the Council to allocate funding for the most critical projects over time.”*

Therefore, all recommended capital projects are prioritized. In addition, there is a 5-year Capital Improvement Plan that looks ahead into the second through fifth years. The 5-year CIP is available for review on the City’s website at <https://ci.carmel.ca.us/budget>

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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**53. Question/Comment:** Staffing expenses are just so out of whack these days. Compared to other cities, we are a small city but we have all these tourists and they take up a lot of expense and time of staff. Because of the cost of employees, we really need to see what we can do with less. I am concerned about hiring new employees. I appreciate a relook at the Police model, as that is a lot of money. Forecast for us where we are going to get money. I am not talking about \$1M from TOT. We need a lot more than that for what we need to do. TOT isn't going to do it. A lot of us want to know how we are going to keep the City at the same standard we have today. We have no concept of where you think we will get the money to do this.

**Response:** We could do a parcel tax, sales tax, real property transfer tax (if we became a charter city). We are not allowed to do a Construction truck impact fee as it is unconstitutional in California. We could do paid parking, or a TOT increase, which Council decided not to pursue at this time. These will continue to be in our peripheral and we will continue to look for more sources of revenue.

**54. Question/Comment:** A local business man has come up with the idea of a 50/50 partnership to do downtown sidewalk pressure washing to keep our City beautiful all the time. I don't know where that stands or if there is even a possibility of doing that. I would hate to miss that opportunity since we have a good definition of it and the vendors worked out. We are willing to put in a lot of time and effort to make that happen.

**Response:** Public Works is very receptive to this idea, and suggests that details be worked out with the Public Works Superintendent and Environmental Programs Manager. \$20K has been earmarked within the Public Works Operating Budget for this project.

**55. Question/Comment:** There are a couple of vehicles that Carmel Cares thinks we need. We see a lot of things that aren't normally seen since we are on the ground working all the time. A utility tractor to properly maintain the beach. We don't see any money at all for repairing that ramp. Know that our first responders are very concerned about that. A water vehicle. Carmel Cares is willing to do some fundraising effort to raise funds for those vehicles, much like the Ambulance. The City is planting a lot of trees and there is no way we will be able to water them with what we have.

**Response:** The available revenues for FY 2024-25 did not allow for any additional vehicles to be purchased. However, Public Works can work with Carmel Cares to create a list of potentially necessary vehicle purchases that could be discussed with Council at the mid-year budget review.

# City of Carmel-by-the-Sea

## FY24-25 Recommended Budget Questions and Responses

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**56. Question/Comment:** I saw in the Forestry budget that it had been increased this year as part of the proposed 3 year catch-up maintenance plan. I wanted to make sure that the City Council was aware that the three year catch-up plan only addresses the 400 dead and poor trees and 800 stumps and that is going to cost us \$1.2M per year. In addition to the three year catch-up plan, the City presently requires \$500k-\$700k per year just in routine maintenance to cover the 5,000 fair trees and pruning on the 5,000 good trees we have in our City. It is clear that the budget proposed for Forestry next year is only 1/3 of the catch-up plan and does not include the on-going regular maintenance. Would our \$3.6M three year catch-up be eligible for consideration for the fund balance and still spread it over three years because it is a one-off kind of catch-up and we keep the Forestry budget on an on-going basis at the routine support levels that the City requires. The cost of fallen tree clean-up, insurance claims, and staff time far exceeds the cost of the three year catch-up maintenance plan.

**Response:** Regular maintenance costs are not considered a capital improvement project. As the City has gotten behind in its on-going tree maintenance, it is proactively seeking to catch back up over the next three years and will use operating revenues to fund those maintenance costs.

**57. Question/Comment:** What about bonding for projects that require funds above what our revenues can support? How does that look? Can we have an expert in that field come and talk and give a presentation to the community?

**Response:** Yes. The City has a lot of ability to bond more. We've got the best Moody's bond rating available to a local jurisdiction. We have not tipped our hand on the Police Department project because we don't yet know what that project is. We have potential to look at bond financing for that. We have great partners in this area, and can set up a Q&A with the public in the near future to talk about how bonding works.

### **Exhibits:**

Exhibit A - Projected UAL Employer Contributions

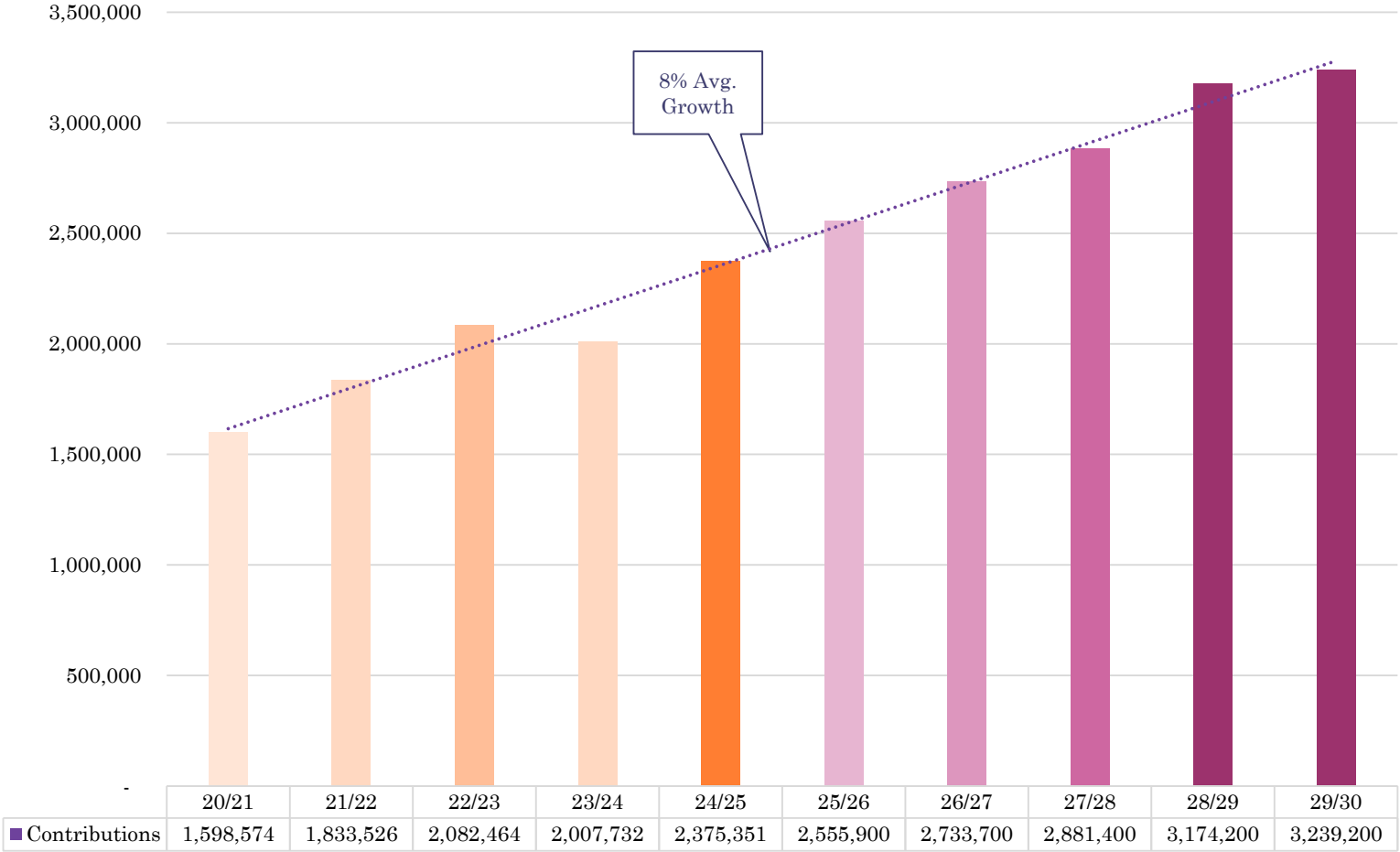
Exhibit B - Five Year Financial Forecast with Fund Balance

Exhibit C - Projected Fund Balance 2023-2025

Exhibit D - Courier Cost Trend Analysis

# EXHIBIT A

Projected UAL Employer Contributions\*



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

## EXHIBIT B

# EXHIBIT B

## Five Year Financial Forecast FY24-25

	Fiscal Years										
	FY 21-22 Adopted Budget	FY 21-22 Actual	FY 22-23 Adopted Budget	FY 22-23 Actual	FY 23-24 Adopted Budget	FY 23-24 Estimated	FY 24-25 Recommended Budget	FY 25-26 Projection	FY 26-27 Projection	FY 27-28 Projection	FY 28-29 Projection
<b>Revenues</b>											
Property	8,041,368	7,681,714	8,299,100	8,152,163	8,479,296	8,496,757	8,648,882	8,954,793	9,271,524	9,599,458	9,938,991
Sales- Bradley Burns	2,966,109	3,611,423	3,190,300	3,469,442	3,665,207	3,665,207	3,738,511	3,757,054	3,775,689	3,794,416	3,813,237
Sales- Local	4,706,660	5,970,464	5,721,000	5,868,695	5,926,532	6,147,450	6,045,063	6,104,788	6,165,104	6,226,015	6,287,528
Transient Occupancy Tax (TOT )	6,568,562	7,787,643	6,667,000	8,455,742	6,801,007	7,531,004	7,543,234	7,618,666	7,694,853	7,771,802	7,849,520
Charges for Services	2,129,702	2,485,797	2,169,500	2,500,112	2,535,516	2,632,809	2,550,029	2,600,290	2,651,542	2,703,804	2,757,096
Other Revenues	4,034,829	3,308,607	4,284,600	4,445,838	3,519,944	4,128,390	2,905,530	2,963,641	3,022,913	3,083,372	3,145,039
<b>Revenue Total</b>	<b>28,447,230</b>	<b>30,845,650</b>	<b>30,331,500</b>	<b>32,891,990</b>	<b>30,927,502</b>	<b>32,601,618</b>	<b>31,431,249</b>	<b>31,999,232</b>	<b>32,581,625</b>	<b>33,178,866</b>	<b>33,791,409</b>
<b>Expenditures</b>											
Salaries/Benefits	11,254,976	10,211,452	13,488,692	11,729,271	15,075,509	12,191,275	16,016,392	13,186,083	13,713,526	14,262,067	14,832,550
CalPERS Unfunded Accrued Liability Payment	1,833,526	1,772,536	2,082,464	2,013,193	3,007,732	1,942,767	2,375,351	2,555,900	2,733,700	2,881,400	3,174,200
<i>Pension Mitigation Total</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>			
Services/Supplies	8,900,889	8,952,087	9,800,223	10,249,694	11,249,342	10,584,957	12,239,201	12,557,420	12,883,913	13,218,895	13,562,586
<b>General Fund Operating Total</b>	<b>21,989,391</b>	<b>20,936,075</b>	<b>25,371,379</b>	<b>23,992,158</b>	<b>29,332,583</b>	<b>24,718,999</b>	<b>30,630,944</b>	<b>28,299,403</b>	<b>29,331,140</b>	<b>30,362,362</b>	<b>31,569,336</b>
<b>Worker Compensation</b>	<b>116,158</b>	<b>47,724</b>	<b>148,160</b>	<b>55,505</b>	<b>76,600</b>	<b>33,643</b>	<b>127,000</b>	<b>45,624</b>	<b>45,624</b>	<b>45,624</b>	<b>45,624</b>
<b>Debt Service</b>											
Pension Bond	702,918	702,414	703,580	700,616	0	0	0	0	0	0	0
Sunset Center Bond	162,628	156,798	158,300	157,573	513,300	512,835	519,100	509,600	519,400	517,960	517,960
NGEN Radio	17,110	0	16,423	16,753	14,744	15,033	0	0	0	0	0
<b>Debt Total</b>	<b>882,656</b>	<b>859,211</b>	<b>878,303</b>	<b>874,942</b>	<b>528,044</b>	<b>527,868</b>	<b>519,100</b>	<b>509,600</b>	<b>519,400</b>	<b>517,960</b>	<b>517,960</b>
<b>Capital Outlay Total</b>	<b>4,439,580</b>	<b>149,873</b>	<b>5,972,327</b>	<b>1,199,076</b>	<b>10,916,100</b>	<b>2,720,673</b>	<b>12,579,000</b>	<b>9,205,000</b>	<b>16,675,000</b>	<b>16,165,000</b>	<b>5,280,000</b>
<b>Expenses Total</b>	<b>27,427,785</b>	<b>21,992,884</b>	<b>32,370,169</b>	<b>26,121,681</b>	<b>40,853,327</b>	<b>28,001,183</b>	<b>43,856,044</b>	<b>38,059,627</b>	<b>46,571,164</b>	<b>47,090,946</b>	<b>37,412,920</b>
<b>Surplus/(Deficit)</b>	<b>1,019,445</b>	<b>8,852,766</b>	<b>(2,038,669)</b>	<b>6,770,310</b>	<b>(9,925,825)</b>	<b>4,600,435</b>	<b>(12,424,795)</b>	<b>(6,060,395)</b>	<b>(13,989,539)</b>	<b>(13,912,080)</b>	<b>(3,621,511)</b>
<b>Fund Balance</b>				<b>32,655,324</b>		<b>37,255,759</b>	<b>24,830,964</b>	<b>18,770,569</b>	<b>4,781,030</b>	<b>(9,131,050)</b>	<b>(12,752,561)</b>
Surplus = adds to fund balance Deficit = use of fund balance											
<b>FY 25-26 to FY 28-29 Projections and Assumptions</b>											
<b>Revenues:</b> Property Tax: Assumes 3.537% annual growth. Bradley Burns and Measure C are projected based on 3-year average growth, which are 0.496% and 0.988%, respectively. TOT assumes conservative 1% growth. Charges for Services assume 1.971% growth, which is the average annual growth over the past three years. Other revenue growth is estimated at 2%.											
<b>Expenditures:</b> General Fund Operating: Salaries and Benefits based on static staffing level (FY 23-24 FTE) with 4% annual growth from actual. PERS based upon CalPERS June 30, 2023 Actuarial Valuation reports assumes 6.8% investment return with no other changes to FY22-23 staffing. Pension Mitigation: Reflects direction provided by Council on 3/2/21 to set aside funding for pension mitigation options for five years. Services and supplies assume 2.6% annual inflationary growth. Debt: Based on debt schedules. Capital: Costs are from the 5-Year Capital Improvement Plan.											

# EXHIBIT C



EXHIBIT C

PROJECTED FUND BALANCE

Projected Fund Balance June 30, 2024										
		FY 23-24								
Fund Description	Estimated Fund Balance June 2023	Budgeted Revenue & Expenditures	Estimated Fund Balance June 2024	Fund	Unassigned	Reserved	Restricted	Reserve Calculations		
101 General Fund	7,538,207	(860,352)	6,677,855	101	6,677,855			29,322,870	15% Budgeted	
101 General Fund Reserve	6,994,965	470,137	7,465,102	101		4,398,431	3,066,670	4,398,431	Expenditures	
<b>101 General Fund Total</b>	<b>14,533,172</b>	<b>(390,215)</b>	<b>14,142,957</b>	<b>101</b>						
102 Hostelry	7,211,326	(2,492,241)	4,719,085	102	4,719,085			6,801,007	10% Hostelry	
102 Hostelry Reserve	656,856	23,245	680,101	102		680,101		680,101	Budgeted Revenue	
<b>102 Hostelry Total</b>	<b>7,868,182</b>	<b>(2,468,996)</b>	<b>5,399,185</b>	<b>102</b>						
201 Gas Tax	536,346	0	536,346	201			536,346			
202 Transportation Safety	856,226	(70,978)	785,248	202			785,248			
203 COPS	10,817	(10,817)	0	203			0			
204 Parking in Lieu	738,592	0	738,592	204			738,592			
205 Asset Seizure	5,466	0	5,466	205			5,466			
206 Local Measure Sales Tax	1,911,499	2,368	1,913,867	206	1,913,867			47,292,000	Reserve estimated at	
301 Capital Projects	3,676,973	6,916,968	10,593,941	301	1,135,541	9,458,400		9,458,400	20% 5-year	
401 Debt Service	26,805	176	26,981	401			26,981			
501 Worker's Comp	259,716	25,576	285,292	501			285,292			
502 OPEB Reserve	1,768,710	0	1,768,710	502			1,768,710	5,102,298	Total Replacement	
503 Veh & Eq Replacement	462,820	596,354	1,059,174	503	548,944	510,230		510,230	based on CPI YOY	
<b>Total Fund Balance</b>	<b>32,655,324</b>	<b>4,600,435</b>	<b>37,255,759</b>		<b>14,995,292</b>	<b>15,047,161</b>	<b>7,213,305</b>			
						<b>37,255,759</b>				

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

## EXHIBIT D

# EXHIBIT D

