



AGENDA

Tuesday, June 23, 2020

6:00 P.M. Open Session

**ADJOURNED REGULAR MEETING
CITY COUNCIL, AIRPORT COMMISSION,
MARINA ABRAMS B NON-PROFIT CORPORATION, PRESTON PARK SUSTAINABLE
COMMUNITY NON-PROFIT CORPORATION, SUCCESSOR AGENCY OF THE FORMER
MARINA REDEVELOPMENT AGENCY AND MARINA GROUNDWATER
SUSTAINABILITY AGENCY**

Council Chambers
211 Hillcrest Avenue
Marina, California

Zoom Meeting URL: <https://zoom.us/j/730251556>

Zoom Meeting Telephone Only Participation: 1-669-900-9128 - Webinar ID: 730 251 556

In response to Governor Newsom's Executive Order N.29-20 and City Council Resolution 2020-29 ratifying the Proclamation of a Local Emergency by the City Manager/Director of Emergency Services related to the COVID-19 (coronavirus) pandemic, public participation in the City of Marina City Council and other public meetings shall be electronic only and without a physical location for public participation, until further notice in compliance with California state guidelines on social distancing.

This meeting is being broadcast "live" on Access Media Productions (AMP) Community Television Cable 25 and on the City of Marina Channel and on the internet at <https://accessmediaproductions.org/>

PARTICIPATION

You may participate in the City Council meeting in real-time by calling Zoom Meeting via the weblink and phone number provided at the top of this agenda. Instructions on how to access, view and participate in remote meetings are provided by visiting the City's home page at <https://cityofmarina.org/>. Attendees can make oral comments during the meeting by using the "Raise Your Hand" feature in the webinar or by pressing *9 on your telephone keypad if joining by phone only. If you are unable to participate in real-time, you may email to marina@cityofmarina.org with the subject line "Public Comment Item#__" (insert the item number relevant to your comment) or "Public Comment – Non Agenda Item." Comments will be reviewed and distributed before the meeting if received by 5:00 p.m. on the day of the meeting. All comments received will become part of the record. Council will have the option to modify their action on items based on comments received.

AGENDA MATERIALS

Agenda materials, staff reports and background information related to regular agenda items are available on the City of Marina's website www.cityofmarina.org. Materials related to an item on this agenda submitted to the Council after distribution of the agenda packet will be made available on the City of Marina website www.cityofmarina.org subject to City staff's ability to post the documents before the meeting

VISION STATEMENT

Marina will grow and mature from a small town bedroom community to a small city which is diversified, vibrant and through positive relationships with regional agencies, self-sufficient. The City will develop in a way that insulates it from the negative impacts of urban sprawl to become a desirable residential and business community in a natural setting. **(Resolution No. 2006-112 - May 2, 2006)**

MISSION STATEMENT

The City Council will provide the leadership in protecting Marina's natural setting while developing the City in a way that provides a balance of housing, jobs and business opportunities that will result in a community characterized by a desirable quality of life, including recreation and cultural opportunities, a safe environment and an economic viability that supports a high level of municipal services and infrastructure. **(Resolution No. 2006-112 - May 2, 2006)**

1. CALL TO ORDER



2. ROLL CALL & ESTABLISHMENT OF QUORUM: (City Council, Airport Commissioners, Marina Abrams B Non-Profit Corporation, Preston Park Sustainable Communities Nonprofit Corporation, Successor Agency of the Former Redevelopment Agency Members and Marina Groundwater Sustainability Agency)

Lisa Berkley, Adam Urrutia, Frank O'Connell, Mayor Pro-Tem/Vice Chair, Gail Morton, Mayor/Chair Bruce C. Delgado

3. ~~CLOSED SESSION: As permitted by Government Code Section 54956 et seq., the (City Council, Airport Commissioners, Marina Abrams B Non-Profit Corporation, Preston Park Sustainable Communities Nonprofit Corporation, Successor Agency of the Former Redevelopment Agency Members and Marina Groundwater Sustainability Agency) may adjourn to a Closed or Executive Session to consider specific matters dealing with litigation, certain personnel matters, property negotiations or to confer with the City's Meyers Milius Brown Act representative.~~

~~a. Labor Negotiations~~

- ~~i. Marina Employee Association~~
- ~~ii. Marina Professional Fire Fighters Association~~
- ~~iii. Marina Public Safety Managers Association~~
- ~~iv. Marina Middle Manager Association~~
- ~~v. Directors~~
 - ~~i. Community Development Director~~
 - ~~ii. Finance Director~~
 - ~~iii. Fire Chief~~
 - ~~iv. Police Chief~~
 - ~~v. Public Works Director~~
 - ~~vi. Recreation & Cultural Services Director~~
 - ~~vii. Assistant City Manager~~

~~City Negotiators: Layne P. Long, City Manager and Employee Relations Officer~~

~~b. Real Property Negotiations~~

- ~~i. Property: Marina Municipal Airport, South Tarmac, APN 031-112-001, a portion~~
~~Negotiating Party: Joby Aero, Inc.~~
~~Property Negotiator: City Manager and Eric Frost, Interim Finance Director~~
~~Terms: Price and Terms~~

- ~~ii. Property: 721 Neeson Road, Marina, CA 93933~~
~~Negotiating Party: Skydive Monterey Bay~~
~~Property Negotiator: City Manager and Eric Frost, Interim Finance Director~~
~~Terms: Price and Terms~~

~~6:30 PM – RECONVENE OPEN SESSION AND REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION~~

~~4. MOMENT OF SILENCE & PLEDGE OF ALLEGIANCE (Please stand)~~

~~5. SPECIAL PRESENTATIONS:~~

- ~~a. Civil Disobedience Day Proclamation~~
- ~~b. Pride Month Proclamation~~
- ~~c. Recreation Announcements~~

~~6. SPECIAL ANNOUNCEMENTS AND COMMUNICATIONS FROM THE FLOOR: Any member of the Public or the City Council may make an announcement of special events or meetings of interest as information to Council and Public. Any member of the public may comment on any matter within the City Council's jurisdiction which is not on the agenda. Please state your name for the record. Action will not be taken on an item that is not on the agenda. If it requires action, it will be referred to staff and/or placed on a future agenda. City Council members or City staff may briefly respond to statements made or questions posed as permitted by Government Code Section 54954.2. In order that all interested parties have an opportunity to speak, please limit comments to a maximum of four (4) minutes. Any member of the public may comment on any matter listed on this agenda at the time the matter is being considered by the City Council.~~

~~7. CONSENT AGENDA FOR THE SUCCESSOR AGENCY TO THE FORMER MARINA REDEVELOPMENT AGENCY: Background information has been provided to the Successor Agency of the former Redevelopment Agency on all matters listed under the Consent Agenda, and these items are considered to be routine. All items under the Consent Agenda are normally approved by one motion. Prior to such a motion being made, any member of the public or the City Council may ask a question or make a comment about an agenda item and staff will provide a response. If discussion or a lengthy explanation is required, that item will be removed from the Consent Agenda for Successor Agency to the former Marina Redevelopment Agency and placed at the end of Other Action Items Successor Agency to the former Marina Redevelopment Agency.~~

~~8. CONSENT AGENDA: Background information has been provided to the City Council, Airport Commission, Marina Abrams B Non-Profit Corporation, and Redevelopment Agency on all matters listed under the Consent Agenda, and these items are considered to be routine. All items under the Consent Agenda are normally approved by one motion. Prior to such a motion being made, any member of the public or the City Council may ask a question or make a comment about an agenda item and staff will provide a response. If discussion or a lengthy explanation is required, that item will be removed from the Consent Agenda and placed at the end of Other Action Items.~~

~~a. ACCOUNTS PAYABLE:~~

- ~~(1) Accounts Payable Check Numbers 95172-95284, totaling \$384,165.58~~
~~Accounts Payable Successor Agency EFT totaling \$47.50~~

~~b. MINUTES:~~

- ~~(1) April 25, 2017, Special Joint City Council Planning Commission Meeting~~

~~e. CLAIMS AGAINST THE CITY:~~

- ~~(1) Rejection of Claim—staff recommends that the City Council reject the following claim and direct sending appropriate notice of rejection to claimant: Mark A. Feldman, Esq. of Feldman & Associates on behalf of Resources Environmental, Inc. (REI) for an amount exceeding \$2,287,596.09 for a claim received on March 27, 2020.~~

~~d. AWARD OF BID: None~~

~~e. CALL FOR BIDS:~~

- ~~(1) City Council consider adopting Resolution No. 2020, approving advertising and call for bids for the 2020 Reservation Road Pavement Rehabilitation Project.~~

~~f. ADOPTION OF RESOLUTIONS:~~

- ~~(1) City Council consider adopting Resolution No. 2020, certifying City of Marina compliance with State law (Proposition 218) with respect to special assessment for Cypress Cove II Landscape Maintenance Assessment District for FY 2020-21.~~
- ~~(2) City Council consider adopting Resolution No. 2020, certifying City of Marina compliance with State law (Proposition 218) with respect to special assessment for Seabreeze Landscape Maintenance Assessment District for FY 2020-21.~~
- ~~(3) City Council consider adopting Resolution No. 2020, certifying City of Marina compliance with State law (Proposition 218) with respect to special assessment for Monterey Bay Estates Landscape Maintenance Assessment District for FY 2020-21.~~
- ~~(4) City Council consider adopting Resolution No. 2020, confirming levy of a special tax for the City of Marina Community Facilities District No. 2007-2 (Locke Paddon) for Fiscal Year 2020-2021 as authorized by Ordinance No. 2007-09, and; consider adopting Resolution No. 2020, certifying City of Marina compliance with State law (Proposition 218) with respect to levying of special taxes for the City of Marina Community Facilities District No. 2007-2 for Fiscal Year 2020-2021 as authorized by Ordinance No. 2007-09.~~

~~g. APPROVAL OF AGREEMENTS~~

- ~~(1) City Council consider adopting Resolution No. 2020, authorizing application for and acceptance of a Federal Aviation Administration (FAA) 2020 CARES Act Grant for the Airport, and; authorizing City Manager to execute the application and grant agreement.~~

~~h. ACCEPTANCE OF PUBLIC IMPROVEMENTS: None~~

~~i. MAPS: None~~

~~j. REPORTS: (RECEIVE AND FILE):~~

- ~~(1) Monterey Salinas Transit Public Participation Plan Public Comment Period.~~

~~k. FUNDING & BUDGET MATTERS: None~~

~~l. APPROVE ORDINANCES (WAIVE SECOND READING): None~~

~~m. APPROVE APPOINTMENTS: None~~

~~9. PUBLIC HEARINGS:~~

- ~~a. City Council of the City of Marina Open a Public Hearing, Take any Testimony from the Public and Consider Planning Commission Recommendation to adopt Resolutions 1) Accepting Addendum to Final Environmental Assessment and Environmental Impact Report for the 1995 Airport Master Plan (EIR SCH No. 94093005); 2) Approving Specific Plan for the Marina Municipal Airport Business and Industrial Park/UC MBEST Center; and, 3) Finding the Specific Plan Consistent with the Fort Ord Base Reuse Plan and Regional Urban Design Guidelines.~~
- ~~b. City Council consider opening a noticed public hearing and take any testimony from members of the public; and receive the recommendation of the Planning Commission; and consider adoption of Resolution 2020-, submitting to the voters at the November 3, 2020 General Municipal Election a Measure approving a General Plan Amendment and Local Coastal Program Amendment extending the expiration date of the operative provisions of the 2000 Marina Urban Growth Boundary Initiative to December 31, 2040, substantially in the form attached hereto, subject to final review and approval by the City Attorney; requesting Monterey County Elections to conduct the election and requesting consolidation of the election.~~

~~10. OTHER ACTIONS ITEMS OF THE SUCCESSOR AGENCY TO THE FORMER MARINA REDEVELOPMENT AGENCY: Action listed for each Agenda item is that which is requested by staff. The Successor Agency may, at its discretion, take action on any items. The public is invited to approach the podium to provide up to four (4) minutes of public comment.~~

- 11. OTHER ACTION ITEMS: Action listed for each Agenda item is that which is requested by staff. The City Council may, at its discretion, take action on any items. The public is invited to approach the podium to provide up to four (4) minutes of public comment.

Note: No additional major projects or programs should be undertaken without review of the impacts on existing priorities (Resolution No. 2006-79 – April 4, 2006).

- a. City Council consider adopting Resolution No. 2020-, establishing appropriations limit for FY 2019-20.
- b. City Council consider adopting fiscal year 2020-21 budget, establishing procedures for amending budget, and authorizing the finance director to make necessary accounting and budgetary entries; and consider adopting Resolution No. 2020-, authorizing finance director to make certain post year-end accounting adjustments to FY 2019-20 and FY 2020-21 budgets.
- c. COVID-19 Update and Direction from Council
 - i. Adopting Resolution No. 2020-, revising the loan program for residents and businesses of the city in response to the Covid-19 pandemic, vesting discretion in the City Manager, City Finance Director and City Attorney to make required changes to the program guidelines necessary to implement and administer the program, authorizing the City Manager to execute any agreements and promissory notes necessary to implement the program, and authorizing the Finance Director to make necessary accounting and budgetary entries.

- ii. City Council consider adopting Resolution No. 2020-, authorizing an abatement of Business License penalties until October 2020 and offering to waive past penalties for unregistered businesses which register and pay their past due taxes by October 31, 2020.
- iii. Other Impacts

12. COUNCIL & STAFF INFORMATIONAL REPORTS:

- a. Monterey County Mayor's Association [Mayor Bruce Delgado]
- b. Council and staff opportunity to ask a question for clarification or make a brief report on his or her own activities as permitted by Government Code Section 54954.2.
- c. Proclamation of Local Emergency Update

13. ADJOURNMENT:

CERTIFICATION

I, Anita Sharp, Deputy City Clerk, of the City of Marina, do hereby certify that a copy of the foregoing agenda was posted at City Hall and Council Chambers Bulletin Board at 211 Hillcrest Avenue, Monterey County Library Marina Branch at 190 Seaside Circle, City Bulletin Board at the corner of Reservation Road and Del Monte Boulevard on or before 12:30 p.m., Wednesday, June 17, 2020.

ANITA SHARP, DEPUTY CITY CLERK

City Council, Airport Commission and Redevelopment Agency meetings are recorded on tape and available for public review and listening at the Office of the City Clerk and kept for a period of 90 days after the formal approval of MINUTES.

City Council meetings may be viewed live on the meeting night and at 12:30 p.m. and 3:00 p.m. on Cable Channel 25 on the Sunday following the Regular City Council meeting date. In addition, Council meetings can be viewed at 6:30 p.m. every Monday, Tuesday and Wednesday. For more information about viewing the Council Meetings on Channel 25, you may contact Access Monterey Peninsula directly at 831-333-1267.

Agenda items and staff reports are public record and are available for public review on the City's website (www.cityofmarina.org), at the Monterey County Marina Library Branch at 190 Seaside Circle and at the Office of the City Clerk at 211 Hillcrest Avenue, Marina between the hours of 10:00 a.m. 5:00 p.m., on the Monday preceding the meeting.

Supplemental materials received after the close of the final agenda and through noon on the day of the scheduled meeting will be available for public review at the City Clerk's Office during regular office hours and in a 'Supplemental Binder' at the meeting.

Members of the public may receive the City Council, Airport Commission and Successor Agency of the Former Redevelopment Agency Agenda at a cost of \$55 per year or by providing a self-addressed, stamped envelope to the City Clerk. The Agenda is also available at no cost via email by notifying the City Clerk at marina@cityofmarina.org

*ALL MEETINGS ARE OPEN TO THE PUBLIC. THE CITY OF MARINA DOES NOT DISCRIMINATE AGAINST PERSONS WITH DISABILITIES. Council Chambers are wheelchair accessible. meetings are broadcast on cable channel 25 and recordings of meetings can be provided upon request. to request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please call (831) 884-1278 or e-mail: marina@cityofmarina.org. requests must be made at least **48 hours** in advance of the meeting.*

Upcoming 2020 Meetings of the City Council, Airport
Commission, Marina Abrams B Non-Profit Corporation, Preston
Park Sustainable Community Nonprofit Corporation, Successor
Agency of the Former Redevelopment Agency and Marina
Groundwater Sustainability Agency
Regular Meetings: 5:00 p.m. Closed Session;
6:30 p.m. Regular Open Sessions

Tuesday, July 7, 2020
Tuesday, July 21, 2020

Tuesday, October 6, 2020
Tuesday, October 20, 2020

**** Wednesday, August 5, 2020**
Tuesday, August 18, 2020

***** Wednesday, November 4, 2020**
Tuesday, November 17, 2020

Tuesday, September 1, 2020
Tuesday, September 15, 2020

Tuesday, December 1, 2020
Tuesday, December 15, 2020

* Regular Meeting rescheduled due to Monday Holiday

**Regular Meeting rescheduled due to National Night Out Event

*** Regular Meeting rescheduled due to General Election Day

NOTE: Regular Meeting dates may be rescheduled by City Council only.

C I T Y H A L L 2 0 2 0 H O L I D A Y S
(City Hall Closed)

Independence Day (City Offices Closed) -----Friday, July 3, 2020
Labor Day -----Monday, September 7, 2020
Veterans Day -----Wednesday, November 11, 2020
Thanksgiving Day -----Thursday, November 26, 2020
Thanksgiving Break -----Friday, November 27, 2020
Winter Break -----Thursday, December 24, 2020-Thursday, December 31, 2020

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 16, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
ESTABLISHING APPROPRIATIONS LIMIT FOR FY 2020-21**

REQUEST:

It is requested that the City Council:

1. Consider Adopting Resolution No. 2020-, establishing appropriations limit for FY 2020-21.

BACKGROUND:

Article 13B of the California Constitution states that a local government's annual appropriations shall not exceed the appropriations limit of the prior year, adjusted for the change in the cost of living and the change in population. Cost of living and population changes for all local governments are determined by the California Department of Finance.

The appropriations limit creates a restriction on the amount of revenue that can be appropriated in any fiscal year. Only revenues that are "proceeds of taxes" are subject to the limitation as defined by the law. Interestingly, this includes State subventions, which are "money received by a local agency from the State, the use of which unrestricted by the statute providing the subvention (Government Code Section 7903)."

Government Code Section 7910 requires a local government to establish its appropriations limit by resolution each year, for the following fiscal year, at a regularly scheduled or noticed special meeting. The meeting of June 16, 2020 has been noticed via regular agenda posting locations and City website.

ANALYSIS:

As part of the establishment of its annual appropriations limit, the City must formally adopt the two (2) variables used in the calculation as determined by the Department of Finance:

1. Cost-of-living change factor, and;
2. Population change factor.

In May 2020, the State of California Department of Finance has determined the change in California's per capita personal income factor as 3.73% ("**EXHIBIT A – Attachment A**"), the change in population for the City of Marina as -1.62% ("**EXHIBIT A – Attachment B**").

These figures combine to produce an appropriations limit calculation factor of 1.0205, which, when applied to the FY 2019-20 appropriations limit of \$27,246,833 produces a FY 2020-21 appropriations limit of \$27,805,277 ("**EXHIBIT B**").

Based upon the above FY 2020-21 appropriation limit of \$27,805,277 and City FY 2020-21 estimated total applicable City local proceed of tax sources, State subventions and/or applicable interest income of approximately \$22 million, the City is approximately \$5.81 million (or 21%) below the limit. Therefore, the City is well within the limit and is compliant with this California State law.

Any challenge to the appropriations limit must be brought to the City of Marina's attention within forty-five (45) days of the effective date of this resolution.

FISCAL IMPACT:

None

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Marisol Gomez
Accounting Services Manager
City of Marina

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina

RESOLUTION NO. 2020 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
ESTABLISHING APPROPRIATIONS LIMIT FOR FY 2020-21

WHEREAS, Article XIII B of the California Constitution requires a governmental entity to establish an appropriations limit, and;

WHEREAS, California Government Code Section 7910 requires a local government to establish its appropriations limits by resolution each year, for the following fiscal year, at a regularly scheduled or noticed special meeting, and;

WHEREAS, the City discussed its budget at its regularly scheduled June 16, 2020 meeting, and;

WHEREAS, in May 2020, the State of California Department of Finance determined the change in California's per capita personal income factor ("EXHIBIT A - Attachment A"), the change in population for the City of Marina and the change in population for the County of Monterey ("EXHIBIT A - Attachment B"), and;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina establishes appropriations limit for FY 2020-21 at \$27,805,277 ("EXHIBIT B").

BE IT FURTHER RESOLVED that any challenge to the appropriations limit must be brought to the City of Marina's attention within forty-five (45) days of the effective date of this resolution.

PASSED AND ADOPTED by the City Council of the City of Marina at regular meeting duly held on the 16th day of June 2020, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO, CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2020

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of Finance to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2020, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2020-21. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2020-21 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The code section and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. California Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2020.**

Please Note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

/s/ Keely Martin Bosler

KEELY MARTIN BOSLER
Director

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2020-21 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2020-21	3.73

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2020-21 appropriation limit.

2020-21:

Per Capita Cost of Living Change = 3.73 percent
Population Change = 0.22 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.73 + 100}{100} = 1.0373$

Population converted to a ratio: $\frac{0.22 + 100}{100} = 1.0022$

Calculation of factor for FY 2020-21: $1.0373 \times 1.0022 = 1.0396$

Fiscal Year 2020-21

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2019 to January 1, 2020 and Total Population, January 1, 2019

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2019-2020	1-1-19	1-1-20	1-1-2020
Monterey				
Carmel-By-The-Sea	0.25	3,939	3,949	3,949
Del Rey Oaks	-0.72	1,674	1,662	1,662
Gonzales	-0.70	8,566	8,506	8,506
Greenfield	0.97	18,109	18,284	18,284
King City	1.77	14,540	14,797	14,797
Marina	-1.62	22,688	22,321	22,321
Monterey	-1.45	24,554	24,199	28,170
Pacific Grove	-0.62	15,360	15,265	15,265
Salinas	-0.08	162,353	162,222	162,222
Sand City	0.52	383	385	385
Seaside	-2.10	29,964	29,335	33,537
Soledad	0.36	17,128	17,190	25,301
Unincorporated	-0.15	106,396	106,234	106,744
County Total	-0.31	425,654	424,349	441,143

EXHIBIT B
CITY OF MARINA
APPROPRIATION LIMIT FOR FISCAL YEAR 2020-21

The appropriations limit creates a restriction on the amount of revenue which can be appropriated in any fiscal year. Only revenues that are 'proceeds of taxes,' as defined by the State code, are subject to the limitation. The basis for calculating the limit began in fiscal year 1978-79 and is calculated each year based on population changes and inflation.

2018/19 Adopted Appropriation Limit					\$ 25,770,277
<u>Annual Adjustment</u>					
Change in Population %	1.81%				
Converted to Ratio			1.0181		
Change in Per Capita Income %	3.85%				
Converted to Ratio			1.0385		
Combined Factor	1.0181	x	1.0385	=	1.0573
2019/20 Appropriation Limit					\$ 27,246,833
2019/20 Adopted Appropriation Limit					\$ 27,246,833
<u>Annual Adjustment</u>					
Change in Population %	-1.62%				
Converted to Ratio			0.9838		
Change in Per Capita Income %	3.73%				
Converted to Ratio			1.0373		
Combined Factor	0.9838	x	1.0373	=	1.0205
2020/21 Appropriation Limit					\$ 27,805,277
	Estimated FY20/21				
	Taxes				\$ 21,483,500
	Intergovernmental				\$ 238,700
	Interest Income				\$ 275,000
	Total General Fund Revenues				\$ 21,997,200
	Subject to Limit				
	Amount Below Limit (\$)				\$ 5,808,077
	As a Percent of Total (%)				21%

Honorable Mayor and Members
of the Marina City Council

Special City Council Meeting
of June 16, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
ADOPTING FISCAL YEAR 2020-21 BUDGET, ESTABLISHING
PROCEDURES FOR AMENDING BUDGET, AND AUTHORIZING THE
FINANCE DIRECTOR TO MAKE NECESSARY ACCOUNTING AND
BUDGETARY ENTRIES; CONSIDER ADOPTING RESOLUTION NO. 2020-,
AUTHORIZING FINANCE DIRECTOR TO MAKE CERTAIN POST YEAR-
END ACCOUNTING ADJUSTMENTS TO FY 2019-20 AND FY 2020-21
BUDGETS**

REQUEST:

It is requested that the City Council:

- 1) Approve the budget adjustments as outline in the staff report;
- 2) Consider the budget amendments as proposed by Mayor Delgado and Councilman Urrutia;
- 3) Consider any other adjustments as proposed by Council;
- 4) Reaffirm Council policies on the General Fund emergency reserves and subfunds of Vehicles, Pension Stabilization, Other Post Employment Benefits and Library Maintenance; and,
- 5) Authorize the Finance Director to make accounting adjustment to reflect Council's direction.

BACKGROUND:

On June of 2019, the City Council adopted a two-year budget. This month, the City Council has reviewed that budget and determined that given the economic impacts of the COVID-19 pandemic, it is necessary to make budget adjustments to maintain a fiscally sound budget. The budget adjustment options were reviewed at the City Council meeting on June 16, 2020. That memo is attached as **Exhibit A**.

Without intervention, the City was facing in its General Fund, a \$6.3 million deficit spending budget, as shown in Table I, General Fund Budget Calculation without Expenditure Adjustment.

Table I
General Fund Budget Calculation without Expenditure Adjustment

Net Balanced Budget Calculation					
1.	Require that the city manager submit a proposed balanced general fund budget for fiscal year 2012-2013 and each year thereafter; and				
2.	Agree that a proposed balanced budget shall be defined as the anticipated annual fiscal expenditures not exceeding the annual fiscal revenues less non-recurring fund transfers; and				
		Resolution 2012-46			
Proposed Budget					
Operating General Fund (100)					
All Amounts in Thousands		FY 19/20	FY 20/21	FY 20/21 Revised	
	Resources (Revenues and Transfers)	26,238	26,059	22,059	
	Uses (Expenditures and Transfers)	(27,770)	(28,411)	(28,411)	
	Net Uses	(1,532)	(2,352)	(6,352)	
	Add Back non-Replacement Vehicle Charges	507	580	580	
	Add Back One-time Transfers to Capital	2,160	2,735	2,735	
	Amount Exceeding Balanced Budget	1,135	963	(3,037)	
Proposed Budget Changes					
	Add New SAFER Revenues			380	
	Add Increased Traffic Citations			100	
	Reduce salary cost - no new MOU increases			200	
	Add Back Personnel Adjustments (Charge Outs)			450	
	Amount Exceeding Balanced Budget			(1,907)	

Instead, the Council has reviewed the budget and proposes to make the following adjustments to ensure it adopts a balanced budget. as shown in Table II, Revised General Fund Budget for FY 2020/21.

Table II
Revised General Fund Budget for FY 2020/21

Net Balanced Budget Calculation						
1.	Require that the city manager submit a proposed balanced general fund budget for fiscal year 2012-2013 and each year thereafter; and					
2.	Agree that a proposed balanced budget shall be defined as the anticipated annual fiscal expenditures not exceeding the annual fiscal revenues less non-recurring fund transfers; and					
			Resolution 2012-46			
Proposed Budget						
Operating General Fund (100)						
All Amounts in Thousands		FY 19/20		FY 20/21		FY 20/21 Revised
	Resources (Revenues and Transfers)	26,238		26,059		22,539
	Uses (Expenditures and Transfers)	(27,770)		(28,411)		(24,476)
	Net Uses	(1,532)		(2,352)		(1,937)
	Add Back non-Replacement Vehicle Charges	507		580		580
	Add Back Extraordinary Legal Costs					700
	Add Back One-time Transfers to Capital	2,160		2,735		750
	Amount Exceeding Balanced Budget	1,135		963		93
		Revision Summary				
		Revenues				
		Revenue loss		-4000		
		Inc. Traffic Cita.		100		
		SAFER Grant		380		
				-3520		
		Exp.				
		Wage Reimburse.		450		
		No MOU inc.		200		
		Budget Red.		1200		
		Capital Reductions		2085		
				3935		

Explanation of Changes

Revenues

1. The forecast for next year is a \$4 million loss of General Fund revenues due to COVID-19.
2. In reviewing the budget, Police is at full staffing and is able to field a traffic officer. The expected revenue increase by having an officer enforcing traffic laws is \$100,000. If the officer is no longer assigned to traffic, the revenue would decrease but so would expense by a similar amount because the department would be working with vacant positions.
3. The Fire Department received a three-year grant to partially fund 4 added firefighters. The grant was awarded to the City after the adopted its budget.

Expenditures

1. In reviewing the budget, staff recognized that certain wage reimbursements into the General Fund were not being shown on the budget. As a result, the wage reimbursements need to be shown. The wage reimbursements come from charges to the Gas Tax fund for maintenance personnel working on streets and from the former Redevelopment Agency or Successor Agency for work done by staff.
2. Given the steep decline in revenues, the Council does not feel it is in a position to grant additional MOU wage increases this year. Employee groups have been communicated that message.
3. The City Manager has proposed specific budget reductions totaling \$1.2 million as summarized below in Table III, Recommended Budget Solutions.

Table III
Recommended Budget Solutions

<u>Recommended Budget Solutions</u>		
Freeze some Open Positions	0.45	
Probably Retirements or turnover	0.30	
Reduce non-personnel costs	0.10	
Delete Special Events	0.10	
Cut Travel budget half	0.05	
Recreation Program - Hourly at 1/2 of original plan	0.15	
Cut part-time Police Staff	0.05	
	Total	1.20

4. The City Manager also recommends that the following capital projects be deleted from the General Fund as shown in Table IV, One-time General Fund Capital 20/21.

Table VII
One-time General Fund Capital 20/21

City of Marina One-time General Fund CIP, FY 20/21			
Project	General		Recommended
City Hall and Anex Center Reconfiguration	335,000		-
Dunes Barracks Stabilization and Fire Station #3	400,000		-
Arts Village Building Stabilization	1,350,000		-
Retention Basin Annual Water Monitoring	25,000		25,000
Streetlight Replacement	125,000		125,000
Traffic Signal Maintenance and Upgrades	100,000		100,000
General Plan	500,000		500,000
	Total	2,835,000	750,000

With these adjustments, the City Manager submits the revised budget as meeting the requirements of Resolution 2012-46 with the understanding that an unusual budget adjustment has been made for one-time legal costs in the City Manager's budget (\$700,000).

Budget Amendment Proposals

At the June 9, 2020 City Council meeting, several budget amendment proposals were proposed that need Council action. The proposals are as follows:

Budget Proposal #1

Councilmember Urrutia believes there is more money that may be coming the City's way. As a result, wishes to consider proceeding ahead with some actions, namely:

The City manager has proposed to freeze certain positions as part of a cost saving effort. Councilman Urrutia proposes that certain positions be hired after the Nov. 2020 election if the commercial and industrial property tax reassessment initiative passes. The Secretary of State's website provides the following about the qualified proposition:

1851. (17-0055, Amdt.#1)

REQUIRES CERTAIN COMMERCIAL AND INDUSTRIAL REAL PROPERTY TO BE TAXED BASED ON FAIR-MARKET VALUE.

DEDICATES PORTION OF ANY INCREASED REVENUE TO EDUCATION AND LOCAL SERVICES. INITIATIVE CONSTITUTIONAL AMENDMENT.

Summary Date: 02/20/18

Final Random Sample: [10/15/18 \(PDF\)](#)

ELIGIBLE: 10/16/18

Signatures Required: 585,407

Proponents: Anthony Thigpenn, Helen Hutchison, Benjamin McBride

Taxes certain commercial and industrial real property based on fair-market value—rather than, under current law, the purchase price with limited inflation. Exempts agricultural property and certain small businesses. Dedicates portion of any increased revenue to local services and to supplement, not replace, state's minimum-funding guarantee to schools. Provides tax exemption for \$500,000 worth of tangible personal property used for business and all personal property used for certain small businesses. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Net increase in annual property tax revenues of \$6.5 billion to \$10.5 billion in most years, depending on the strength of real estate markets. After paying for county administrative costs and backfilling state income tax losses related to the measure, the remaining \$6 billion to \$10 billion would be allocated to schools (40 percent) and other local governments (60 percent).** ([17-0055](#).)

If the proposition passes, it appears Marina would gain \$2 million a year in new property tax revenues.

The budget proposal then would be:

#1 If the qualified revision of commercial and industrial property tax assessment proposition passes in November of 2020, the City will proceed to hire the following positions:

Position	Budgeted Cost
Economic Dev.	132,295
Building Insp.	88,188
Sr. Planner	133,622
Total	354,105

The actual cost of the proposal for FY 20/21 would be something on the order of \$175,000, about half of the salary cost because it will take time to hire these individuals and the proposition's money will not come to the City before the next fiscal year.

Budget Proposal #2

Instead of reducing the Recreation Budget by \$150,000, direct the Director of Recreation to bring back proposals to deploy the proposed \$150,000 in ways that benefit the residents of Marina in such activities to include hiring our existing rec staff to do community organizing like Monica has done. This could be helping people who can't leave their homes to access food, providing para transit, phone banking the public to educate them about district elections, educate the public about community service offerings, calling businesses to educate them about potential changes to business license fees, working with businesses to help them comply with social distancing protocols.

#2 Redeploy the proposed cut in Recreation budget towards other programs for the benefit of the community, particularly during the COVID-19 event.

Cost: \$150,000 from General Fund balance. The cost of the program could be recouped to the General Fund is a qualified State-wide proposition passes in November.

Budget Proposal #3

Casa Noche Buena in Seaside provides a homeless shelter. Their website states the following:

Casa de Noche Buena will provide guests with a warm, safe place to stay while receiving intensive case management and supportive services, including linkages to employment and housing and mental health and substance abuse services based upon their individual needs.

The shelter will feature 10 bedrooms, a laundry room, a kitchen, a multi-purpose dining room, a lounge, 5 full baths, including 2 family bathrooms with tubs, 2 offices and a lobby/reception area. There will be two respite beds for medically fragile hospital discharges. The shelter will accommodate between 28 and 36 people depending upon the ages of the children.

Source: <https://chservices.org/homelessness/casa-de-noche-buena/>

The non-profit organization Community Human Services that operates the shelter has asked all the cities on the peninsula to contribute \$1 per resident. This request was previously made to the City Council, and the Council pointed out that under this type of formula, the wealthier cities on the peninsula with much larger tax bases would pay much less per capital than cities such as Marina with much smaller tax bases.

#3 Contribute \$22,000 to Casa Noche Buena for Fiscal Year 20/21 in recognition that this agency helps provide shelter to homeless, which could include individuals from Marina.

Cost: \$22,000 from General Fund Balance

Budget Proposal #4

Mayor Delgado has pointed out that individuals from Marina are benefiting from food distributions in Marina. The City has been conducting these food distribution program since March, 3 days a week. Two of these days' have food sourced from the Food Bank of Monterey County. The food bank's website shows the following:

Food Bank for Monterey County
COVID -19 Drive-Thru Weekly Distribution Sites



Coastal & Carmel Valley
June / Junio 2020

Marina
Every Monday / Cada Lunes 9:30 a.m. - 10:30 a.m. 188 Seaside Avenue
Every Friday / Cada Viernes 1:00 p.m. - 3:00 p.m. 294 Hillcrest Ave.

Source: <https://foodbankformontereycounty.org/wp-content/uploads/2020/06/6-JUNE-COVID-19-Coastal-Counties-2.pdf>

#4 Contribute \$10,000 to the Food Bank of Monterey County as a way to support a program that is distributing substantial commodities to households in Marina.

Cost: \$10,000 from the City's General Fund Balance

Budget Proposal #5

Recent events, starting with the death of George Floyd, have focused America on the problem of Racism. Mayor Delgado's proposal is to seek a consultant who will examine the City's practices and recommend methods to overcome institutional racism. Staff would publish a Request for Proposal seeking an expert to assist the City in improving its understanding and eradication of institutional racism.

#5 Release a request for proposal seeking a consultant to examine the City's practices and processes and recommend changes to eradicate institutional racism in the City of Marina's organization.

Cost: The RFP would set the consultant contract at \$20,000. The program would be funded by the City's General Fund Balance.

Council Request for Additional Information.

Councilman O'Connell asked about the age of the City's street sweeper that is proposed to be replaced for \$220,000. The street sweeper is more than 13 years old. Over the life of the vehicle, more than \$100,000 in repairs have been made. In the last two years, \$44,000 of the \$100,000 has been spent. Because of the caustic environment the sweeper works in, the metal rusts, the rubber hoses become brittle and decay and the mechanism fails more often. Staff recommends buying this piece of equipment. and for the last several years, has been broken down and not available for service several times in the year for several weeks each time. Staff is working to gather additional information.

Mayor Delgado asked how to move the pump track at Gloria Jean Tate Park forward. The main problem is that the pump track does not have all its funding in place. It needs another \$50,000 in donations or grant funding. Further, the project's design needs to be accomplished.

Mayor Delgado asked to see what vehicles are not in the current vehicle fund. To recap, the plan has been that when vehicles are not in the vehicle fund, when they are replaced, the City would begin paying depreciation in addition to making that one-time capital contribution. The current annual depreciation contribution is \$325,000 a year. When all the vehicles are in vehicle fund, the annual

General Fund Depreciation will be \$425,000. The vehicles that are not currently in the replacement program as shown below:

Vehicle Number	Department	Vehicle Make	Model Year	2019 Est. Replacement Cost	Note
956	Community	2008 Ford Ranger Supercab XLT	2008	\$31,837	
862	Airport	2003 Ford F-250 Truck	2003	\$58,720	
5411	Fire Dept.	2007 MF FERRARA IGNITER	2007	\$635,604	
5412	Fire Dept.	1998 Spartan Ferrera	1998	\$600,000	
5461	Fire Dept.	1988 Ford Marion Type 2 Medical	1988	\$1,000,000	To be replaced by a truck if grant funding can be secured.
5413	Fire Dept.	1994 Pierce Saber	1994	\$600,000	First replacement installment in 2021
5431	Fire Dept.	2003 International Wild land Engine	2003	\$324,911	
878	Police	Community Service Truck	2008	\$28,638	
886	Police	2012 Chevrolet Colorado	2012	\$33,487	
520	Public Works	2008 Ford F-350 Flat Bed	2008	\$39,539	
521	Public Works	2009 F-350 XL SUPER DUTY Utility Bed	2009	\$42,941	
551	Public Works	2015 F-250 4x4 Truck	2015	\$27,799	
591	Public Works	1999 Ford F-450 Lift Truck	1999	\$207,703	Lift has failed electrical ground test and can no longer be used for Traffic Signals and Streetlights.
594	Public Works	2003 Ford F-350 XL Utility Bed	2003	\$46,045	
595	Public Works	2006 Ford F-450 4x2 Flat Bed	2006	\$54,750	
596	Public Works	2006 F-150 Pickup Truck	2006	\$24,314	
597	Public Works	2007 F-250 Pickup Truck w/Lift gate	2007	\$28,462	
360	Parks & Rec	2009 FORD ESCAPE HYBRID	2009	\$38,040	
605	Parks & Rec	2007 Ford Ranger Truck	2007	\$19,062	
607	Parks & Rec	2012 FE350 Van 13-PASSENGER	2012	\$34,015	
608	Parks & Rec	2013 Ford E-350 XL Ext Van	2013	\$34,015	
			Total	\$3,909,881	

Several councilmembers wanted to have an improved Council Priorities document. Councilwoman Morton suggested that the document show which items are mandatory and which are discretionary. City Manager Long is revising the document and will present it to Council with ideas about how to seek public input.

Policy Reaffirmations.

The City has several policies on how it manages its General Fund Balance. The purpose of this section is to reaffirm those policies, namely:

Emergency Reserve – The City will keep an emergency reserve equal to 20% of its annual operating budget.

Sub-fund designations. The City has created several sub-funds of the General Fund to set-aside money for various purposes. The monies placed in those funds are reserved for those purposes and can only be spent by a Council appropriation. The sub-funds designated by Council are:

- Vehicle Replacement Fund
- Other Post-Employment Benefits Fund
- Pension Stabilization Fund
- Library Fund

Matters still to be resolved

The City Council has adopted a two-year budget in June of 2019. No action is necessary now because a budget has already been adopted for FY 2020/21. However, due to changes in the fiscal situation of the City, changes have been recommended. Remaining reviews that the City still needs to accomplish include:

- A review of the Preston and Abrams Parks budgets;

- A plan for how to deploy the bond proceeds from the FORA Blight Removal Bonds. \$8.5 million is immediately available and potentially another \$6.5 million may be available in the future depending upon the growth in tax increment; and,
- A review and revision of the Council Priorities Document.

These items will shortly be brought to Council.

FISCAL IMPACT: The actions recommended in the report will allow the City to function in a fiscally responsible manner.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina

RESOLUTION NO. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA ADOPTING THE FISCAL YEAR 2020-21MID-CYCLE BUDGET ADJUSTMENTS, ESTABLISHING PROCEDURES FOR AMENDING THE BUDGET, AND AUTHORIZING THE FINANCE DIRECTOR TO TAKE ALL NECESSARY ACCOUNTING AND BUDGETARY ENTRIES

WHEREAS, the City and Agency budget is an estimation of resources, revenues and expenditures for a fiscal year period, which is July 1st through June 30th and;

WHEREAS, the City Council held multiple public meetings to discuss the proposed FY2020-21 budget in June 2020, and;

WHEREAS, the City Council approved its original Fiscal Year 2020-21 budget in June of 2019 as part of the City's two-year budget process, and;

WHEREAS, Staff made presentations and addressed questions, and Council provided direction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Marina:

1. That the City Council adopts the General Fund changes as shown below and detailed in the accompanying staff report.

Net Balanced Budget Calculation				
1.	Require that the city manager submit a proposed balanced general fund budget for fiscal year 2012-2013 and each year thereafter; and			
2.	Agree that a proposed balanced budget shall be defined as the anticipated annual fiscal expenditures not exceeding the annual fiscal revenues less non-recurring fund transfers; and			
		Resolution 2012-46		
Proposed Budget				
Operating General Fund (100)				
All Amounts in Thousands		FY 19/20	FY 20/21	FY 20/21 Revised
	Resources (Revenues and Transfers)	26,238	26,059	22,539
	Uses (Expenditures and Transfers)	(27,770)	(28,411)	(24,476)
	Net Uses	(1,532)	(2,352)	(1,937)
	Add Back non-Replacement Vehicle Charges	507	580	580
	Add Back Extraordinary Legal Costs			700
	Add Back One-time Transfers to Capital	2,160	2,735	750
	Amount Exceeding Balanced Budget	1,135	963	93
		Revision Summary		
		Revenues		
		Revenue loss	-4000	
		Inc. Traffic Cita.	100	
		SAFER Grant	380	
			-3520	
		Exp.		
		Wage Reimburse.	450	
		No MOU inc.	200	
		Budget Red.	1200	
		Capital Reductions	2085	
			3935	

2. Establish procedures for amending the budget as follows:

BUDGET ADJUSTMENTS, REALIGNMENTS & AMENDMENTS

The Marina City Manager and Executive Director of the Successor Agency to the Marina Redevelopment Agency, or his/her designee, shall be authorized to modify the budget(s) hereby adopted as follows:

- a. transfer revenues/appropriations within General Fund department
- b. transfer revenues/appropriations within projects/departments of any fund
- c. transfer revenues/appropriations between/among General Fund departments
- d. transfer revenues/appropriations between/among projects/departments of any fund

Only the City Council or the Successor Agency to the Marina Redevelopment Agency Board of Directors shall be authorized to:

- a. Increase/decrease the total revenues/appropriation budget(s) of any fund
- b. Transfer cash, revenues and/or appropriations from one fund to another
- c. Authorize any interfund loan of cash or other resources
- d. Authorize expenditure, transfer, or encumbrance of the fund balance of any fund

3. Authorize the Finance Director to make all necessary and budgetary accounting entries.

BE IT FURTHER RESOLVED that copy(ies) of the adopted budget shall be available for Public viewing in the office of the City Clerk, and copy(ies) shall be filed as required by law.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 16th day of June 2020, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

RESOLUTION NO. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AUTHORIZING THE
FINANCE DIRECTOR TO MAKE CERTAIN POST-YEAR-END ACCOUNTING
ADJUSTMENTS TO THE FY 2019-20 AND FY 2020-21 BUDGETS

WHEREAS, in adopting the 2020-21 fiscal year budget, actual 2019-20 revenues, expenditures, encumbrances, fund balances, existing (continuing) contracts and other carry-overs are necessarily unknown; and

WHEREAS, after the 2019-20 fiscal year-end, various audit and accounting accruals, deferrals and other adjustments must be made based on information not available at year end; and

WHEREAS, routine, required post year-end adjustments could cause inadvertent budget variances that could be avoided except that such adjustments cannot be known in advance; and

WHEREAS, inadvertent budget variances might result in unnecessary adverse audit comments.

NOW, THEREFORE, BE IT RESOLVED that after the 2019-2020 fiscal year has been closed and year-end adjustments recorded to reflect actual amount(s) of carryover balances, revenues, expenditures, encumbrances and continuing contracts for authorized programs and activities, the City of Marina Finance Director shall record such budget adjustments and realignments for the 2019-20 and 2020-21 fiscal year(s) budget(s) necessary to reflect carry-forward items and avoid inadvertent variances.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on the 16th day of June 2020, by the following vote:

AYES: COUNCIL:

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ABSTAIN: COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

Date: June 3, 2020
Honorable Mayor and Members
of the Marina City Council

Item No:
City Council Meeting
of June 2, 2020

**DICUSSION ITEM TO CONSIDER MID-CYCLE ADJUSTMENT TO FISCAL YEAR
2020/21 BUDGET AND TO PROVIDE APPROPRIATE DIRECTION FOR ADOPTION
CONSIDERATION AT THE COUNCIL'S JUNE 16, 2020 MEETING.**

REQUEST:

Discussion and recommendations for proposed changes to consider the FY 20/21 Budget. No action will be taken at this meeting. It is proposed that the Council may consider adoption of budget revisions at their June 16, 2020 meeting. The actions that would be considered at that meeting would include:

- 1) Adopt budgetary changes necessary to balance the 2020/21 budget.
- 2) Approve the prop. 4 spending-limit
- 3) Approve the Council reserve designations

Background and Analysis

The City adopted a two-year budget in June of 2019. The City's general budget is in place, but as with all financial plans, it should be adjusted for current events. The biggest event since the June 2019 budget adoption is the COVID-19 shelter in place order. This order has brought business activity to a standstill, particularly industries based upon leisure or gathering. Some 25% of the US economy depends upon such activities which have been brought to an abrupt halt.

Fortunately, we are starting to see some reopening of businesses that were once closed. However, it will take some time to bring back some of these businesses, particularly large gathering special events and conventions. As a result, although some recovery is expected, the City should expect reduced revenues in this next year.

Resolution 2012-46 requires that the City Manager present a balanced General Fund budget to Council. When the City adopted the current budget, the FY 20/21 budget had a surplus of almost \$2 million dollars according to Resolution 2012-46. Things have changed. If the current COVID 19 restrictions remained for the full year, the City's General Fund would have an \$8 million reduction in revenues. We don't believe this will be the case. While the State is beginning to open up economic restrictions, we still believe it could take a year or longer for our city revenues to recover. As a result, the working hypothesis is that the City should expect a \$4 million revenue loss in FY 2020/21.

When will the economy recover?

Deciding on what to expect in revenues is the first part of the budget process. This forecast relies upon what type of recovery will occur as the nation emerges from shelter in place orders. Chart I, Recovery Alphabet, illustrates various types of recoveries.

At the beginning of the COVID 19 event, economist suggested that the recovery might be a V-shaped economic event, sudden drop down and a quick recover. The thinking was that nothing physically has been destroyed and that all we had to do was put out a sign saying, "let's go back to normal."

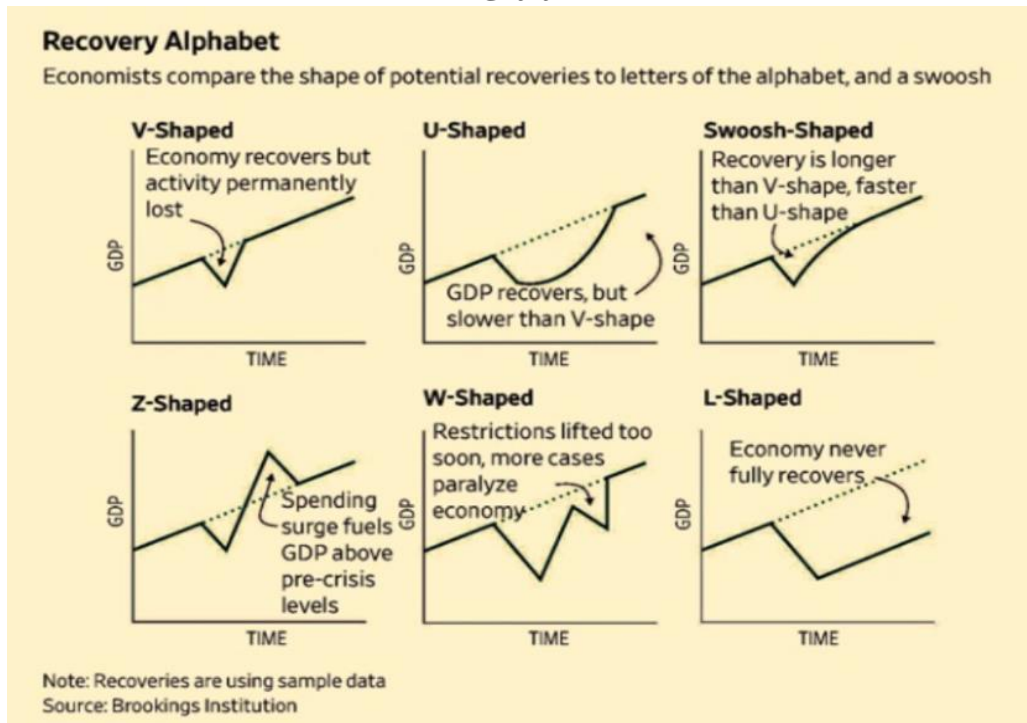
As events have unfolded, this does not appear to be the case. We now know that some businesses can go back to work almost without change such as construction. Because they are outdoors, they mainly need to concern themselves with creating some new social distancing protocols and then they are off and running. Retail stores and restaurants are beginning to re-open and this will continue to be a

phased approach. Indications are that the State will begin moving into phase 3 in the near future which will allow more businesses to reopen. Hotels are lucky to have 20% occupancy whereas in the past they might be at 80% because tourist travel is not allowed yet. Thus, from our Recovery Alphabet chart a Swoosh-shaped recovery appears most likely.

The next question is how long the swoosh will continue. Three factors come into play, namely:

- 1) When might a vaccine become widely available?
- 2) If a vaccine is not available, when would enough people become immune to the disease in order to provide herd immunity?
- 3) When will consumer psyche recover sufficiently to want to go out in a group setting?

Chart I



A vaccine usually takes a year to develop. Given the emphasis on developing a vaccine quickly, we might see a vaccine this fall. So, our timeframe for a vaccine is fall to spring.

For herd immunity to occur, a majority of the communities' individuals need to be exposed and overcome the disease. Coronavirus spread has been greatly arrested but the disease frequently does not present any symptoms in health adults. It would not be unusual for herd immunity, the condition when a majority of individuals in the community have overcome the disease, to take 12-18 months. Finally, the psyche of the consumer is the biggest issue. Given that people are uncertain as to how to act, it appears appropriate to assume it will take some time for consumers to be comfortable in acting as they did before the pandemic.

Given these factors, Finance is using a working assumption that it will take at least the next fiscal year for the economy to substantially recover. This is consistent with the forecast Finance made in its March 2020 forecast of City financial losses, shown in Attachment A, Mid-Year Financial Forecast. Thus, instead assuming a \$8 million revenue loss, the high-end forecast, Finance recommends using a \$4 million loss revenue budget next year. At the same time, we expect other communities to take longer to recover because they may be much more dependent upon tourism (Monterey and Pacific Grove) or car sales (Seaside).

It is also significant to note that entering the current budget shock, the City had fully funded its emergency reserve (\$4.6 million) and had an undesignated General Fund balance of \$7.5 million, a total of \$12.1 million, also discussed in the March 2020 memo.

Calculating the Expected Budget Shortfall.

Marina took a conservative approach with the current budget and did not commit all its revenues to ongoing projects and is facing a budget shortfall much less than \$4 million. Table I, Adopted Net Balanced Budget Calculation, provides an indication of the magnitude of the challenge facing Marina, about \$2.1 million.

Note the following in the General Fund:

- 1) The original budget projected \$26.1 million in revenues. The revised budget revenues are \$22.1.
- 2) If left unchanged, the City would have a \$6.4 million deficit. Now, the City's Balanced Budget Resolution 12-46 allows for the spending of one-time capital outside the balance budget amendment, reducing the number required to meet 12-46. However, the large amount of capital was a function of the City's ability to acquire more capital because of past accumulated balances. That assumption needs to be reexamined.
- 3) In preparing the new budget, finance reviewed major changes in the budget and recommends four adjustments, namely:
 - a. Recognize that the City was awarded a three-year SAFER grant for increased personnel. That grant will continue until 2023, adding \$380,000 to the General Fund's budget. In 2024, the City will need to absorb this cost for the 4 grant firefighters.
 - b. Because Police is fully staffed and the Council has adopted a new traffic study which will permit radar enforcement, the department has been able to start up their traffic division again. This will lead to an additional \$100,000 a year in fine revenue to the City.
 - c. Since the City is facing significant revenue losses, it is difficult to grant additional MOU increases this year. The \$200,000 that was set-aside for salary increases may be removed.
 - d. In reviewing the budget, the General Fund provides personnel time to the former redevelopment agency and the gas tax fund. These costs in the other funds are a reimbursement to the General Fund. This is not reflected in the current budget. As a result, the reimbursement should be reflected, reducing the balanced budget deficit.

Table I
Adopted Balanced Budget Calculation

Net Balanced Budget Calculation							
1.	Require that the city manager submit a proposed balanced general fund budget for fiscal year 2012-2013 and each year thereafter; and						
2.	Agree that a proposed balanced budget shall be defined as the anticipated annual fiscal expenditures not exceeding the annual fiscal revenues less non-recurring fund transfers; and						

The revised budget, before adjusting service and capital investment is shown in Table II, General Fund Summary, Fiscal Year 2020/21. Table III, Detailed General Fund, FY 2020/21, provides breaks down the summary further.

Table II

General Fund Summary	
All Amounts in Thousands	
Fiscal Year 2020/21	
Rev.	22,539
Op. Exp.	(22,071)
Over/(Under)	468
Ongoing Ca. & Trans.	(2,375)
One-time Capital	(3,315)
Reduction in Fund Balance	(5,222)

Need to address for
balanced budget

Need to reconsider
given new finances

Table III
Detailed General Fund Summary

Recap of Revised 20/21 General Fund Budget			
All Amounts in Thousands			
<u>Budgeted Revenues</u>			
Original Estimate		26,059	
Covid reduction		(4,000)	
<i>Revised Revenue amount</i>			22,059
Add SAFER Grant		380	
Add Traffic Citations		100	
			480
	Revised Revenues		22,539
<u>Budgeted Expenditures</u>			
Original Estimate		(28,411)	
Less: One-time capital		3,090	
Less: Ongoing street funding		1,600	
Less: Ongoing Vehicle Dep. Charge		325	
Less: Pension Stabilization Charge		450	
Operating Budget			(22,946)
<i>Recommended Revisions</i>			
Reduced budgeted salaries - MOU		200	
Reflect staff reimbursements		450	
			650
	Revised Operating Exp.		(22,296)
	Oper. Surplus/(Shortfall)		243
Budgeted Ongoing Capital and other Charges			(2,375)
Budgeted One-time Capital			(3,090)
	Total Shortfall		(5,222)

Recommend Budget Actions

- 1) Make budget revisions sufficient to meet the Balanced Budget Resolution; and,
- 2) Review the one-time capital to determine if the project should continue. As a matter of fact, all one-time capital will probably come from City fund balance.

Recommended Actions

The proposed actions and alternatives are discussed further in the report. However, the proposed plan to have a balanced budget according to Resolution 2012-46 is shown in Table IV, City Manager Proposed Balanced Budget Alternative.

Table IV
City Manager Proposed Balanced Budget Alternative

General Fund Summary		Proposed	FY 20/21
All Amounts in Thousands		Changes	Proposed
Fiscal Year 2020/21			
Rev.	22,539	-	22,539
Op. Exp	(22,071)	(1,300)	(20,771)
Over/(Under)	468	(1,300)	1,768
Ongoing			
Cap & Trans.	(2,375)	-	(2,375)
One-time			
Capital	(3,315)	(2,265)	(1,050)
Reduction in			
Fund Balance	(5,222)	(3,565)	(1,657)
	Projected Available Fund Balance 6/30/20		10,000
	Projected Available Fund Balance 6/30/21		8,343

After adjusting for better budget accounting for new grants and proper staff reimbursements, the current 20/21 budget is projected to use \$5.2 million of the City's \$10.0 in available fund balance. Available fund balance is the emergency reserve plus undesignated fund balance. This number was \$12.1 million as of June 30, 2019, but Finance is estimating \$2.1 million will be used to cover shortfalls in FY 19/20.

The plan envisions making \$1.3 million in operating reductions and \$2.3 million in capital reductions. The plan would still use \$1.7 million of fund balance, mainly for highly need capital expenditures and unusual but anticipated legal costs.

City management has met with all the departments and discussed strategies for achieving these budget revisions. The proposed revisions and alternatives are further discussed below.

Expenditure Reductions.

Table V, General Fund Expenditure Reductions, shows what potential expenditure reductions were considered and which ones are recommended. Total expenditure reductions represent \$1.3 million.

Table V
General Fund Expenditure Reductions
FY 2020/21

Recommended Budget Solutions			
Freeze some Open Positions	0.45		See list
Probably Retirements or turnover	0.30		
Reduce non-personnel costs	0.10		line-items
Delete Special Events	0.10		
Cut Travel budget half	0.05		
Cut Recreation Special Events	0.10		
Recreation Program - Hourly at 1/2 of original plan	0.15		
Cut part-time Police Staff	0.05		
	Tota	1.30	
Options considered but not recommended			
Reduce Recurring transfers	0.88		(Pension Stabilization (\$450k) and new GF Capital Cont. (\$325k) due to Enterprise contract)
5% Personnel Reduction	0.70		5% staffing reduction or 5% furloughs for year
Freeze Assoc. Engineer Position	0.13		Replaces contract that costs \$140 an hour
		1.71	

The proposed positions to freeze are as follows in Table V - a, Potential Open Positions to be Frozen.

Table V - a
Potential Open Positions to be Frozen

Vacant Positions			
Freeze		Full Cost	
	CM Intern	14,548	
	Economic Dev.	132,295	
	Executive Asst.	90,000	
	Building Insp.	88,188	1
	Senior Planner	133,622	
	Assoc. Engineer	130,000	2
	Fin. Intern	15,598	
	Fin. Extra Help	25,727	
	Maintenance W. I	75,051	
Add Back			
	Streets Superintendent	(130,000)	
	Assoc. Engineer	(130,000)	
Net Savings		445,029	
1	Assumes Bldg Official able to inspect		
2	Costs less than CSG contract		

Review of Recurring Transfers

The recurring capital and other transfers from the General Fund are three, namely:

Street Maintenance	\$1,600,000
Pension Stabilization	\$450,000
Vehicle Depreciation	\$325,000
	<u>\$2,375,000</u>

These monies are set aside to assure the continue operation of the City and the maintenance of City streets at a 70 PMI level. Although the amounts could be decreased, **management does not recommend any changes to these transfers.**

Table VI, Vehicle Replacement, shows the list of vehicles to be replaced.

Table VI
Vehicle Replacement

Recommended FY 20/21 Vehicle Replacements				
Department	Replacement Vehicle	Replacement + Outfitting Cost	Accumulated Amortization (Vehicle Fund)	Remaining Amount (General Fund)
PD	Chevrolet Caprice	\$71,500	\$71,500	\$0
PD	Chevrolet Caprice	\$71,500	\$71,500	\$0
PD	Chevrolet Caprice	\$71,500	\$71,500	\$0
Fire	4x4 Utility	\$60,000		\$60,000
Fire	Type 1 Engine	\$300,000		\$300,000
PW	Street Sweeper	\$220,000		\$220,000
Total FY 20/21=		\$794,500	\$214,500	\$580,000

Management recommends purchasing the General Fund vehicles. The vehicles are essential the provision of City services. Please note that the Fire engine is the first of a two-year set-aside to purchase a new, front line engine. The City last year replaced one engine. However, the other front-line engine is nearing 20 years in service.

City One-time Capital

At the time the City prepared its 2020/21 budget, the City recently increased its revenue base with new tax measures and revenues were growing. As a result, the City budgeted to spend down the accumulating fund balance on various projects. Despite a desire to reduce these one-time projects, some budgeted projects need to continue. Table VII, One-time General Fund Capital 20/21, shows budget projects and which ones are recommended to continue with.

Table VII
One-time General Fund Capital 20/21

City of Marina One-time General Fund CIP, FY 20/21			
Project	General		Recommended
City Hall and Anex Center Reconfiguration	335,000		-
Dunes Barracks Stabilization and Fire Station #3	400,000		-
Arts Village Building Stabilization	1,350,000		-
Retention Basin Annual Water Monitoring	25,000		25,000
Streetlight Replacement	125,000		125,000
Traffic Signal Maintenance and Upgrades	100,000		100,000
General Plan	500,000		500,000
Total	2,835,000		750,000

Balanced Budget Calculation

With the recommended changes, the General Fund Balanced Budget Calculation would yield the result as shown in Table VIII, Balance Budget Calculation for FY 20/21.

Table VIII
Balance Budget Calculation for FY 20/21

<u>Balanced Budget Calculation</u>		
FY 2020/21 - GF		
All Amounts in Thousands		
Rev.		22,539
Op. Budget		(20,771)
Recurring Trans.		(2,375)
Over/(under) Bal. Bud		(607)
Consider Extraordinary Legal Costs		700
Revised Over/(under) Bal. Bud		93



The balanced budget calculation compares expected revenues to the operating budget and recurring transfers. With recommended changes to the budget, the balanced budget calculation has a \$600,000 shortfall. However, the City has budget an extraordinary \$700,000 in legal costs in the FY 20/21 budget. Because this legal cost is not expected to continue, this amount can be deducted from the calculation, achieving the balanced budget required by Resolution 2012-46.

Summary

The City is facing unusual times. It requires adjustments as recommended in this memo. By making the proposed changes, the City can maintain its fiscal house in order. Table IX, Balanced Budget Calculation with Proposed Budget with Revisions for General Fund, FY 20/21 show that the City would plan to use \$1.8 million of its General Fund balance in FY 20/21 and have a balanced budget by almost \$200,000, following the Resolution 2012-46 calculation.

Table IX
Balanced Budget Calculation with Proposed Budget with Revisions for General Fund, FY 20/21.

		Resolution 2012-46		
Proposed Budget				
Operating General Fund (100)				
All Amounts in Thousands		FY 19/20	FY 20/21	FY 20/21 Revised
Resources (Revenues and Transfers)		26,238	26,059	22,539
Uses (Expenditures and Transfers)		(27,770)	(28,411)	(24,376)
Net Uses		(1,532)	(2,352)	(1,837)
Add Back non-Replacement Vehicle Charges		507	580	580
Add Back Extraordinary Legal Costs				700
Add Back One-time Transfers to Capital		2,160	2,735	750
Amount Exceeding Balanced Budget		1,135	963	193
Revision Summary				
Revenues				
	Revenue loss		-4000	
	Inc. Traffic Cita.		100	
	SAFER Grant		380	
			-3520	
Exp.				
	Wage Reimburse.		450	
	No MOU inc.		200	
	Budget Red.		1300	
	Capital Reductions		2085	
			4035	

INTEROFFICE MEMORANDUM

to: **Layne Long, City Manager**
from: **Eric Frost, Finance Director**
subject: **Mid-year financial**
date: **March 31, 2020**
CC: **Department heads**

Finance prepared a financial forecast in mid-February. The forecast was limited to the General Fund because most of the volatility in revenues occurs in the General Fund. At the time, it was not apparent what rational there was for a recession. Within in less than a month, that thinking changed. The analysis contrasts the Feb. Forecast compared to the March Forecast.

Revenues.

General Fund revenues are projected to be down \$2.2 million from budget as shown on Table I, Current Year Forecast, FY 19/20, General Fund – Revenues.

Table I

Current Year Forecast, FY 19/20								
General Fund - Revenues								
All Amounts in Thousands		FY 19/20						
Revenues		Budget		Forecast Jan 2020	Forecast Mar 2020		Change from Budget	Change from Jan. 2020
	Property Tax	6,542		6,961	6,961		419	(0)
	Sales Tax	8,012		7,937	7,143		(869)	(794)
	TOT	4,160		4,079	2,991		(1,169)	(1,088)
	Business Licenses & Card Room	1,675		1,635	1,591		(84)	(44)
	Franchise Taxes	1,060		1,089	1,089		29	-
	Housing Rents	2,231		2,170	2,170		(61)	-
		23,680		23,871	21,945		(1,735)	(1,926)
	All Others	2,882		2,827	2,461		(420)	(366)
	Total	26,562		26,698	24,406		(2,155)	(2,292)

The revenues that are showing the largest decline are:

Transient Occupancy Tax. The hotels are running at less than 20% of their former occupancy. The forecast assumes this will continue until at least the end of the fiscal year.

Sales Tax. Marina's per capital sales tax is less than other Peninsula cities. As a result, staff examined the make up of the City's sales tax and applied a discount by category as shown on Table II, Projected COVID 19 Declines in City Sales Tax.

Table II
Projected COVID 19 Declines in City Sales Tax

Sales Tax Categories							
3Q 2019							
Amounts in Thousands							
			Tax Reciepts	Share		Adjust.	Forecast
Auto and Transportation			14	2.3%		-75%	3.5
Building and Construction			25	4.0%		0%	25
Business and Industry			25	4.0%		-10%	22.5
Food and Drug			43	6.9%		20%	51.6
Fuel and Service Stations			104	16.7%		-10%	93.6
General Consumer			301	48.4%		-30%	210.7
Restaurants and Hotels			110	17.7%		-60%	44
			622				450.9
							Change
							-28%

Licenses and Card Room Tax. This category was down because when a new home sells in Marina, it is subject to the City's Business Tax. New home sales have been down a bit. The most recent decline, however, was due to Card Room Business stopping.

All Others. This catch all category covers transaction fees from planning, building and recreation. Recreation has stopped and planning and building activity is somewhat less.

The COVID 19 impact for the City is dramatic in how it has slowed economic activity. For the remainder of this fiscal year, the City's General Fund revenues will be off about \$2.3 million or \$2.2 million from budget.

As for the lingering impact of COVID 19, the greatest impact will be to the City's revenues. Table III shows what to expect if the COVID 19 impact remained at this level for a year, probably decreasing the City's General Fund revenues by almost \$8 million shown in, Table III, Full Year COVID 19 Impact on

General Fund Revenues.

Table III
Full Year COVID 19 Impact on General Fund Revenues

Current Year Forecast, FY 19/20						
General Fund - Revenues						
All Amounts in Thousands			FY 19/20			
Revenues						Change if continued for full year
			Budget	Forecast Mar 2020	Change from Budget	
	Property Tax		6,542	6,961	419	(696)
	Sales Tax		8,012	7,143	(869)	(2,381)
	TOT		4,160	2,991	(1,169)	(3,263)
	Business Licenses & Card Room		1,675	1,591	(84)	(491)
	Franchise Taxes		1,060	1,089	29	
	Housing Rents		2,231	2,170	(61)	(217)
			23,680	21,945	(1,735)	
	All Others		2,882	2,461	(420)	(848)
	Total		26,562	24,406	(2,155)	(7,896)

Notice that for this analysis the impacts start to spread to property tax revenues and Housing rents from Abrams and Preston Park. This assumption is made because eventually economic impacts in other areas will begin to drive down property values and people will be unable to pay their rent.

Expenditures. Overall, expenditures are projected to be substantially less than budget, by \$1.9 million. This positive variance is mainly due to vacant positions. If the positions are filled, the budgetary savings would not occur, as shown on Table I, Current Year Forecast, FY 19/20, General Fund – Expenditures. The scheduled is the Feb. 2020 forecast. The one adjustment that could be made is that Recreation expenditures will probably be down another \$70,000 because recreation is essentially closed, therefore the hourly costs for the remainder of the year has been eliminated.

Analysis of Major Variances.

City Manager - The budget had a large amount for legal costs. Although legal costs remain high, they are less than budget. These costs should decline over time.

City Attorney - Legal costs are higher than anticipated due to unusual litigation expenses.

Non-Departmental – Costs are higher than anticipated due to increased pension costs. These costs will persist.

Police – Police costs are less than budgeted as the department has had a large number of vacancies. These savings will decline as the Police fills all its positions.

Table II

	Current Year Forecast, FY 19/20								
	General Fund - Expenditures								
	Compared to Budget								
	All Amounts in Thousands								
Expenditures									
				FY 19/20				Percent of	
	Department			Budget	Forecast		Change	Total	
100	Council			24	20		(4)	-17.9%	0.1%
120	City Manager			2,012	1,650		(362)	-18.0%	6.3%
125	I.T.			304	304		0	0.1%	1.2%
130	Finance			850	850		(0)	0.0%	3.2%
150	City Attorney			222	384		162	73.2%	1.5%
190	Non-Departmental			7,694	7,850		156	2.0%	29.9%
195	Conveyance			-	8		8	0.0%	0.0%
210	Police			7,531	7,109		(422)	-5.6%	27.1%
250	Fire			3,727	3,528		(199)	-5.3%	13.4%
310	Public Works			2,090	1,450		(640)	-30.6%	5.5%
410	Planning			871	871		0	0.0%	3.3%
420	Engineering			899	601		(298)	-33.2%	2.3%
430	Building Inspection			451	440		(11)	-2.3%	1.7%
440	Economic Dev.			268	150		(118)	-43.9%	0.6%
510	Recreation & Culture			1,103	1,060		(43)	-3.9%	4.0%
	Total Expenditures			28,045	26,275		(1,770)		
	Planned Addition/(Use)								
	to Fund Balance			(1,719)	188				
Note: FY 19/20 had substantial one-time capital expenditures of \$2.3 million									

NOTE: Recreation costs should be about \$70,000 less because all Rec Hourly employees are idled as of Mid March.

Analysis of Major Variances. (Continued)

Fire – Fire was allocated 4 new firefighters this year. They have been hired at the end of February. The savings in this department will not continue.

Public Works - Employee costs in this division are partially offset by charges to the gas tax fund. It is expected that about \$300,000 annually will be charged to the gas tax fund. As a result, this budget should be reduced by \$300,000.

Engineering – The Council allocated another Engineering position to this budget. Recruitments so far have not yielded a new employee. The budget savings only occurs due to the vacancy. In addition, some of the costs of this division is being charged to projects.

Economic Development – has a vacant position and budgetary savings.

Overall Situation

The overall, the City is facing a \$1.8 million deficit for this fiscal due to the impacts of COVID-19. The length of this economic impact will greatly determine the length of this impact. If the COVID-19 impact continues, Finance estimates that the economic impact will be about \$8 million to the City of Marina.

Table V

Current Year Forecast, FY 19/20			
General Fund - Revenues			
All Amounts in Thousands		FY 19/20	
Revenues		Budget	Forecast Mar 2020
Total		26,562	24,406
Expenditures			
Total Expenditures		28,045	26,210
Revenues Over/(Under)			
Expenditures		(1,484)	(1,804)

Reserves Available for Emergencies

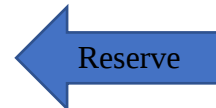
The City Council has set-aside monies for fiscal emergencies. As of 6/30/19, the City had set-aside \$4.6 million for emergencies. In addition, the Council had in the General Fund \$7.5 million in undesignated reserves. Thus, the Council has \$12.1 million available as the City address the COVID-19 event as shown on Table VI, General Fund Balance Components, 6/30/19.

Potential Responses

The appropriate response depends upon the length of the COVID 19 revenue shock to the City's finances. The event will almost certainly last until the end of this fiscal year. Thus, the City is facing a \$1.8 million deficit, although the City originally budgeted a \$1.5 million deficit in anticipation of using it unallocated fund balance for capital projects.

Table VI
General Fund
Fund Balance Components
6/30/2019

	<u>General Fund</u>	
Nonspendable:		
Prepaid Expenses	\$ 12,000	
Total Nonspendable	<u>12,000</u>	
Restricted:		
Economic Development	-	
Debt Service	4,065	
Capital Projects	-	
Street & Special District	-	
Community Development	-	
Recreation	-	
Public Safety	235,432	
Total Restricted	<u>239,497</u>	
Committed:		
OPEB	200,000	
Library Maintenance	310,627	
Future Vehicle & Equipment		
Replacement	2,055,000	
Future Facility Repairs	500,000	
Community Improvement	641,268	
Employee Compensated		
absences	400,000	
Pension Stabilization	950,000	
Capital Projects	-	
Emergency Reserves	4,587,543	
Public Education		
Government	-	
Total Committed	<u>9,644,438</u>	
Unassigned	<u>7,528,302</u>	
Total	<u>\$ 17,424,237</u>	



The bigger concern is that is the current event continues well into next year and the City experiences an \$8 million loss of revenues, what should the City do? The range of options are:

- Funding some or all of the shortfall from undesignated fund balance or emergency reserves.
- Cancel one-time capital projects found on page 122 and 123 of the current budget. The City has over \$8 million in budgeted General Fund Projects.
- Consider service cut-backs. \$8 million represents 30% of the General Fund budget.
- Consider personnel actions, such as:
 - Freezing or closely reviewing all vacancies (It may be appropriate to continue to fill positions that will advance the City's purposes in planning and street work.)
 - Considering other personnel options such as layoffs and/or furloughs (These are not being recommended but would be consider if financial circumstances do no allow other options)

Summary

The economic impact of COVID-19 is dramatic and almost without precedent. The question will be now is how long the event will continue. Some indications are that after such an outbreak, the population after 12-18 months develops a collective immunity which greatly decreases the impact of the disease. This would require the nation to suffer through a prolonged disruption. At the same time, if the tourist industry is able to come back at all, the City's fiscal picture would markedly

improve. Management recommends using reserves until the end of the fiscal year and consider all options before the beginning of FY 20/21 when the outlook is clearer.

For the remaining of the fiscal year, the City is facing a \$1.8 million loss. If the event continues for another year, the City will be facing another \$8 million loss in revenues.

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 2, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
REVISING THE LOAN PROGRAM FOR RESIDENTS AND BUSINESSES
OF THE CITY IN RESPONSE TO THE COVID-19 PANDEMIC, VESTING
DISCRETION IN THE CITY MANAGER, CITY FINANCE DIRECTOR AND
CITY ATTORNEY TO MAKE REQUIRED CHANGES TO THE PROGRAM
GUIDELINES NECESSARY TO IMPLEMENT AND ADMINISTER THE
PROGRAM, AUTHORIZING THE CITY MANAGER TO EXECUTE ANY
AGREEMENTS AND PROMISSORY NOTES NECESSARY TO
IMPLEMENT THE PROGRAM, AND AUTHORIZING THE FINANCE
DIRECTOR TO MAKE NECESSARY ACCOUNTING AND BUDGETARY
ENTRIES**

REQUEST:

It is requested that the City Council revise its COVID-19 residential and business:

1. The loan program will continue until August 31, 2020 or until the funds are exhausted.
2. The income requirements for the business loans will be modified as follows:
 - For businesses open during March and April 2020 increase the income requirement by 25%, allowing incomes up to 112.5% of Monterey County Median to be eligible for the business loans.
 - For closed businesses for March and April 2020 increase the income requirement by 50%, allowing incomes that are 135% of Monterey County Median to be eligible for the business loans.
3. Decrease the total funding for the residential loan program from \$100,000 to \$50,000 and increase the total funding for the business loan program from \$100,000 to \$150,000.

BACKGROUND:

Current Results. At the City Council's April 21, 2020 meeting, a City COVID-19 support loan program for businesses and resident was authorized, providing \$100,000 for each program. The loan program was authorized to run until May 31, 2020. At this writing, the statistics for the loan program are shown on Table I, Loan Status.

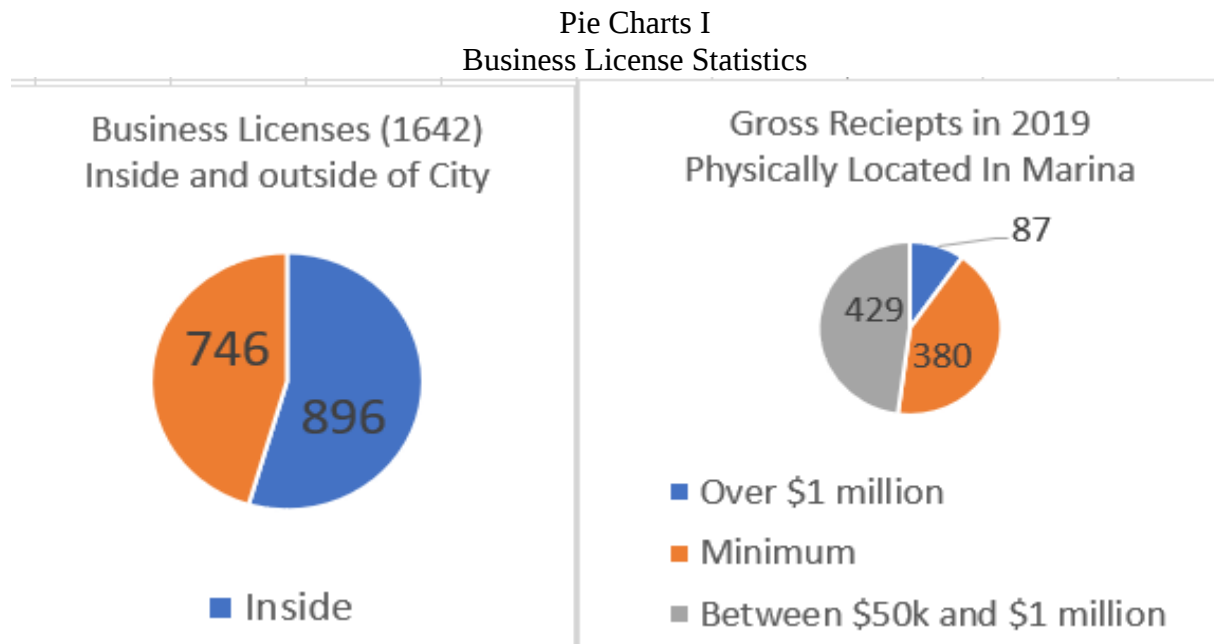
City of Marina								
Loan Status Report								
				Review Status				
Loan Type	Program authorization	Received	Potential Funding Request	Approved	Declined	Loans awaiting review	Approval Rate	Loan Amount Funded
Residential	100,000	5	10,000	4	1	0	80%	6,500
Business	100,000	14	140,000	7	5	2	50%	62,300
Total	200,000	19	150,000	11	6	2		68,800

Loan summary information is attached as **EXHIBITS A** and **B** but generally, the loans required:

- The business or resident to be in Marina;
- Have had some economic loss due to COVID 19; and,
- Be available to residents or business owners with incomes less than the County of median.

Residential Loans were available up to \$2,000 and Business Loans were available up to \$10,000 until May 31, 2020. Loan evaluations were done by Supervising Accountant Marisol Gomez and presented to the loan review committee of Councilman O'Connell, Assistant City Manager Mogensen and Finance Director Frost.

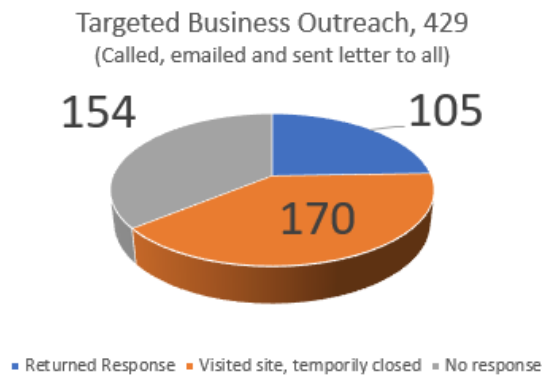
Business Outreach. The City has made significant efforts to reach out to our local businesses. The City of Marina has 1,642 registered business licenses. 896 of these businesses are within Marina and 430 businesses pay the minimum payment, meaning that their gross receipts are less than \$50,000 a year. 87 Marina businesses had gross receipts in excess of \$1 million and were not targeted beyond the 5 business support letters issued by the Business Support Committee. Pie Charts I, Business License Statistics, recaps the make-up of Marina's business licenses. This left 429 businesses with receipts between \$50,000 and \$1,000,000 a year which the City targeted for personal outreach.



The assigned 429 small business to the City's Business Outreach Worker, Monica Kim. Monica was hired by the City on April 22, 2020 to focus on small businesses. The outreach list was prioritized, with an emphasis of contacting businesses with gross receipts under \$1 million, but above \$50,000. Thus, businesses that made over \$1 million in gross receipts a year were not contacted unless they directly called into the office.

The results so far are (numbers updated as of May 28, 2020), Pie Chart II, Targeted Outreach Results.

Pie Chart II
Targeted Outreach Results



<u>Responding Businesses</u>	
Closed	1
Did Not Require Assistance	43
Received Assistance	61
Total	105

Consultation provided included any of the following:

- PPP/disaster loan applications;
- Cal coastal loan information;
- Marina Local loans;
- nonprofits grant applications;
- for-profit grant applications;
- filing unemployment on Employment Development Department; and,
- general information.

Monica has been able to reach English-limited business owners because she has some foreign language skills and is able to access other language resources to contact businesses. She will continue reach out to small businesses, at least until the City ends its small business loan program. **Residential Loan Outreach.** The residential loan outreach has not had a dedicated worker but has been presented through the following methods:

- Television reports of the two loan programs were aired
- City's website explains the program
- Police Facebook has discussed the program
- All residents received COVID-19 card from Council which included a loan program reference
- Council members have regularly shared the loan information at various community forums.

ANALYSIS:

Residential Program. Of the five residential loan program application, one has been declined. The loan was declined due to the individual living just outside the City's limits in the County. Otherwise, all loans were approved. It is also worth noting that the four that were funded were for some reason or other not able to access the enhanced unemployment benefits, at least at the time the individual applied for the City loan.

Monica Kim, our Business Outreach Worker, did work with some of business individuals who could apply for unemployment benefits which were not normally available except for the COVID-19 event. Further, from various newspaper reports about the enhanced unemployment benefits and individual stimulus checks, it is apparent that some lower income wage earners are receiving more in unemployment benefits than when working. Thus, they may not need the residential loans. This may change when the current Federal enhanced unemployment benefits which provides an extra \$600 per week ends as of July 31, 2020.

Potential Program Modification: The demand for the program may increase after the extra \$600 a week in unemployment benefits ends in July. If the Council wanted to continue this program, they may want to continue to program until August 31, 2020 in case there was demand for the loan program after the \$600 per week enhanced unemployment benefits ended.

Business Loan Program. Fourteen applications have been presented to the City and seven have been approved. Two more required additional information awaiting a final determination. Five of the loans were declined. Table II, Example of Business Loan Review Spreadsheet illustrates the type of information gathered and considered by the loan committee.

The five loan applications that were declined were all declined because they exceeded the allowed household income of 90% of Monterey's median income. Some exceed this amount by a small amount. Others exceed the amount substantially. Further, some businesses were closed at the time of application. Others were at least partially open.

Table II
Example of Business Loan Review Spreadsheet

Number	Date Initiated	Business Name	Status	Notes	Bus License Verified
3301	4/24/2020		application completed 5/11/2020	emailed 4/28/20 for documentation called 4/29 for follow up - 6 kids 2 adults, will send over supporting docs soon 5/11 supporting docs show household income is too high	Yes

(Continued)

Open for business?	Household Income	90% limit based on sz	(Over limit)	Applied for EIDL/PPP or other?	Requested Amount	Award Amount 5/6
No	#####	\$ 96,930	#####	EIDL	\$ 10,000	not at this time

Potential Program Modification: If Council wanted to continue this program, it may want to consider relaxing the income qualifications which currently are:

3. Must have a household income (which includes business income) of less than 90% of the Monterey County Median, adjusted for household size as evidenced from Federal Tax returns from 2018 or 2019 or sufficient alternate data.

Staff would recommend relaxing the requirement at different levels based upon whether the business was closed or open during the Shelter in Place order as follows:

- ***For open businesses, increase the income requirement by 25%, allowing incomes that are 112.5% of Monterey County Median.***

- ***For closed businesses for March and April, increase the income requirement by 50%, allowing incomes that are 135% of Monterey County Median.***

If this new threshold was the standard in May, 3 of the five declined loans would have been approved. The remaining loans that were declined exceeded the income requirements by over \$100,000 each.

Summary

The City's loan program to support businesses and residents began approximately 6 weeks ago. Those receiving the loans, although not many, have expressed their gratitude for the City's help. If the Council wished to modify the loan process to encourage more usage, staff would recommend the following for Council's consideration:

- 1) Residential loans – extend the availability period until August 31, 2020 to allow those no longer receiving the enhanced unemployment Federal unemployment benefits to apply.
- 2) Business loans – relax the income requirements for business loans to be as follows:
 - For businesses open during March and April, increase the income requirement by 25%, allowing incomes that are 112.5% of Monterey County Median.
 - For closed businesses for March and April, increase the income requirement by 50%, allowing incomes that are 135% of Monterey County Median.
- 3) Finally, the City Council may wish to move \$50,000 from the residential support program to the business support loan program, funding business loans at \$150,000 total and residential loans at \$50,000 total.

FISCAL IMPACT:

The loan program is being funded from General Fund Fund Balance. The current forecast for this year's ending General Fund fund balance is as follows:

	<u>Available Reserves</u>		
	Amounts in Millions		
<i>Reserves</i>			
	Emergency	4.50	
	Undesignated Fund Balance 6/30/19	7.50	
	<i>6/30/19 Reserves</i>		<i>12.00</i>
	COVID Support Loans	(0.20)	
	Use of reserves 6/30/20	(1.80)	
			(2.00)
	<i>Estimated 6/30/20</i>		<i>10.00</i>

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING:

General Fund

RESOLUTION NO. 2020-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
REVISING THE LOAN PROGRAM FOR RESIDENTS AND BUSINESSES
OF THE CITY IN RESPONSE TO THE COVID-19 PANDEMIC, VESTING
DISCRETION IN THE CITY MANAGER, CITY FINANCE DIRECTOR AND
CITY ATTORNEY TO MAKE REQUIRED CHANGES TO THE PROGRAM
GUIDELINES NECESSARY TO IMPLEMENT AND ADMINISTER THE
PROGRAM, AUTHORIZING THE CITY MANAGER TO EXECUTE ANY
AGREEMENTS AND PROMISSORY NOTES NECESSARY TO
IMPLEMENT THE PROGRAM, AND AUTHORIZING THE FINANCE
DIRECTOR TO MAKE NECESSARY ACCOUNTING AND BUDGETARY
ENTRIES

WHEREAS, on March 13, 2020, the City Manager in his role as the Director of Emergency Services, issued a “Proclamation of a Local Emergency Related to COVID-19 (Coronavirus) pandemic; and

WHEREAS, the impacts from the COVID-19 virus; the associated measures to protect public health; and local, regional, and national orders for residents to shelter in their places of residence has had a dramatic negative effect on many resident’s financial resources; and

WHEREAS, many residents face destabilized housing situations due to the impacts of the COVID-19 pandemic which has created undue hardship for residents due to a lack of alternative housing; and

WHEREAS, individuals most impacted may need a very rapid response from local agencies, lenders, and support providers to survive these impacts; and

WHEREAS, it is in the community interest to support residents of the City of Marina by ensuring adequate access to capital while other sources of state and federal funding are pending; and

WHEREAS, the City has One Hundred Thousand dollars available in its Emergency Fund which could be budgeted to fund the Stabilizing Loan Program for Residents; and

WHEREAS, the Stabilizing Loan Program for Residents is necessary to protect the health, safety, and welfare of the citizens of Marina; and

WHEREAS, the Stabilizing Loan Program for Residents was effective as of April 21, 2020; and

WHEREAS, COVID-19 therefore has and will continue to cause conditions of peril to the health, safety, and welfare of City of Marina residents.

WHEREAS, the City Council has reviewed the results of the City’s COVID-19 loan program and determine it needs to change certain provisions of the program to better serve the businesses and residents of Marina;

NOW, THEREFORE, be it resolved by the City Council of the City of Marina that:

- A. The City Council hereby finds that the above-described conditions and as described in the Proclamation of Local Emergency related to the COVID-19 outbreak warrant and necessitate the creation of the Stabilizing Loan Program for Residents and the establishment of this Program is in the best interest of the public.
- B. Direct that the underwriting requirements of these two loans be revised as follows:
 1. The loan program will continue until August 31, 2020 or until the funds are exhausted.
 2. The income requirements for the business loans will be modified as follows:
 - For businesses open during March and April 2020 increase the income requirement by 25%, allowing incomes up to 112.5% of Monterey County Median to be eligible for the business loans.
 - For closed businesses for March and April 2020 increase the income requirement by 50%, allowing incomes that are 135% of Monterey County Median to be eligible for the business loans.
 3. Decrease the total funding for the residential loan program from \$100,000 to \$50,000 and increase the total funding for the business loan program from \$100,000 to \$150,000.
- C. The Finance Director is authorized to make necessary accounting and budgetary entries.

PASSED AND ADOPTED, at a regular meeting of the City Council of the City of Marina, duly held on the 16th day of June 2020, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk



City of Marina Business Loan Program Summary

Program

Total Funding: \$100,000
 Source: General Fund
 Decision Authority: City Determination is final. Additional applications based upon on changed circumstances are allowed.

Loan Terms

Maximum Loan: \$10,000 per business.
 Limitation: May not receive residential loan also.
 Basis of Loan Amount: Documented delinquent bills for rent, employee wages and health benefits, utilities, or mortgage on business located in Marina if not closed during COVID event. If closed, any unpaid business expense during the COVID event.
 Interest Rate: 0% in repaid by May 31, 2021; or, 3% from loan's funding date to be repaid by May 31, 2022.

Qualifications

1. Must have a business license of the City Marina as of January 1, 2019
2. Business must have had 10 or fewer employees before March 1, 2020. The requirement for restaurants is 20 or fewer employees.
3. Must have a household income (which includes business income) of less than 90% of the Monterey County Median, adjusted for household size as evidenced from Federal Tax returns from 2018 or 2019 or sufficient alternate data.

Median Income for Monterey County	As of 4/16/2020 (90% of HCD Published AMI)	Calculation	Example
Household Size	Income	2019 or 2018 Federal Business Tax income from tax forms	20,000
1	\$46,665	Business Depreciation	10,000
2	\$53,370	Household income including any business salary taken as a business expense	30,000
3	\$60,030	Adjusted business income	\$ 60,000
4	\$66,690	Note: If the household size is three people, the business qualifies for business loan.	
5	\$72,045		

4. Must have had applied for SBA Economic Injury Disaster Loan (EIDL) or Payroll Protection Program Loan (PPP) due to the COVID 19 event or explain why unable to apply.
5. **Applications to be submitted to the City with supporting documentation on or before May 31, 2020, or award of loans totaling \$100,000.00, whichever occurs first. *The first round of funding will consider all applications received by May 1, 2020.*** Thereafter, completed applications will be processed on a first come, first served basis.

Applications are available at the City's website: CityofMarina.org under "Help for Businesses" button



City of Marina Residential Loan Program Summary

Program

Total Funding: \$100,000
Source: General Fund
Decision Authority: City Determination is final. Additional applications based upon changed circumstances are allowed.

Loan Terms

Maximum Loan: \$2,000 per household
Basis of Loan Amount: Documented delinquent bills for rent, utilities, or mortgage on property located in Marina for a primary residence.
Interest Rate: 0% in repaid by May 31, 2021; or,
3% from loan's funding date to be repaid by May 31, 2022.

Qualifications

1. Must be a resident of the City Marina as of January 1, 2020
2. Must have a household income of less than 80% of the Monterey County Median, adjusted for household size; or, non-discretionary debt (mortgage, one car payment, etc.) more than 25% of monthly income.
3. Must have had economic damage due to the COVID 19 event due to unemployment or reduction of hours in excess of 50% of work income.

Due Dates

Applications to be submitted to the City with supporting documentation on or before May 31, 2020, or award of loans totaling \$100,000.00, whichever occurs first. The first round of funding will consider all applications received by May 1, 2020. Thereafter, completed applications will be processed on a first come, first served basis.

Applications are available at the City's website: CityofMarina.org under "Help for Residents" button

For More Information, call Eric Frost, Finance Director, 831-884-1221

Date: May 28, 2020

Item No: **11c(ii)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 2, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
AUTHORIZING AN ABATEMENT OF BUSINESS LICENSE PENALTIES
UNTIL OCTOBER 2020 AND OFFERING TO WAIVE PAST PENALTIES
FOR UNREGISTERED BUSINESSES WHICH REGISTER AND PAY THEIR
PAST DUE TAXES BY OCTOBER 31, 2020.**

REQUEST:

That the City Council consider a resolution:

- 1) Abating all penalties for business license taxes until Oct. 1, 2020;
- 2) Offering to waive all past due penalties for unregistered business who pay all past due business taxes by Oct. 1, 2020

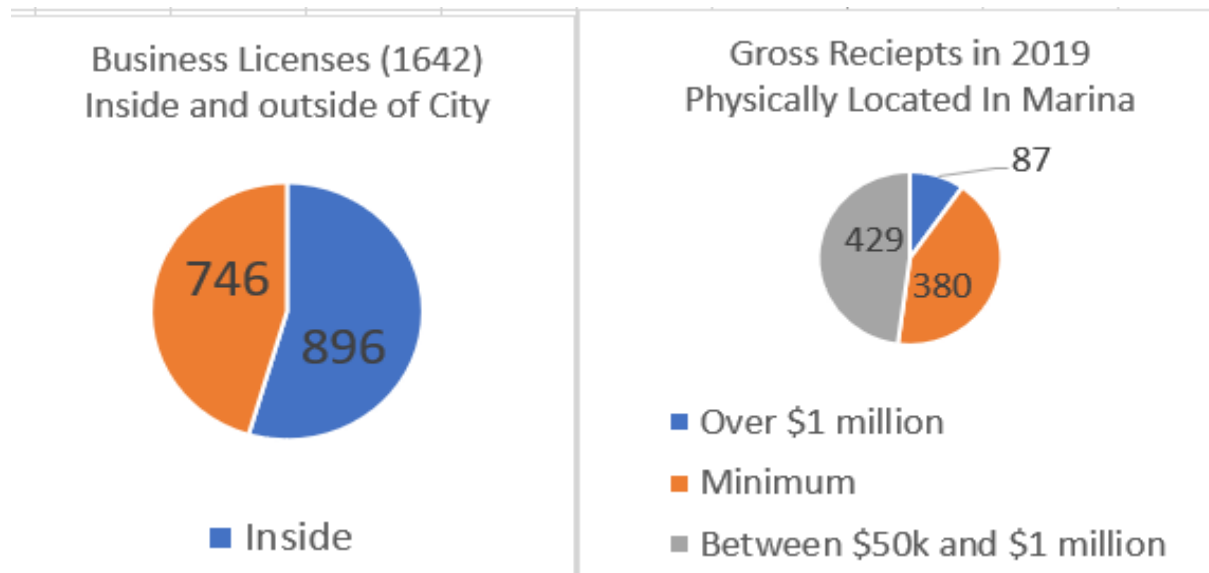
BACKGROUND:

Business License Background. The Marina voters in November of 2016 passed the current business tax law. The City of Marina has 1,642 registered business licenses. These businesses pay 0.2% business license tax, with the minimum tax being \$100 or \$50,000 in receipts. The tax in past years has generated annually about \$1.5 million. The business license is paid in advance for the full year. The City sends the following notices to businesses:

April	Request for businesses to declare their gross receipts
June	Business License, due by the end of July
August	10% penalty if not paid before this month
Sept.	10% + 25% penalty, if not paid before this month
October	10% + 25% + 15% penalty, total 50%, if not paid before this month

A substantial number of business located outside Marina pay the business license tax when they conduct business inside Marina, a little less than ½ of the businesses. Inside the City, Marina has a total of 896 businesses. Of this number, 430 businesses pay the minimum payment, meaning that their gross receipts are less than \$50,000 a year. 87 Marina businesses have gross receipts more than \$1 million. Pie Charts I, Business License Statistics, recaps the make-up of Marina's business licenses. Thus, 429 businesses have receipts between \$50,000 and \$1,000,000 a year.

Pie Charts I
Business License Statistics



ANALYSIS:

Potential Council Action. In response to the COVID 19 event, many cities have modified their business license process to allow some relief to businesses. The biggest relief might be to give the business a little more time to determine if they will continue as a business. Thus, if a business could assess its situation, it would feel better about paying its business license, although .002% of a business' revenue is typically a nominal amount.

One approach would be to abate the business license tax penalties until October 31, 2020, providing 3 months for a business to assess their situation and be properly be charged for their license based upon their COVID 19 adjusted gross receipts. (It should be noted that if a business has had its receipts decline dramatically, their tax should also decline proportionally. Finance estimates a 13 - 25% decline in business license receipts for next year.)

Thus, for this year, penalties would be abated until the following dates:

November	10% penalty if not paid before this month
December	10% + 25% penalty, if not paid before this month
January	10% + 25% + 15% penalty, total 50%, if not paid before this month

As an alternative, the Council does have the power to adjust the rate below .002%. However, Business Tax receipts will down this next year due to reduced economic activity. Thus, businesses will be paying smaller business tax fees already. The tax represents .002% of their gross receipts, \$200 per \$100,000 of sales. Staff does not recommend this option.

Optional Program. Some cities have used this time to allow businesses which have previously been unregistered to register and pay their past due business tax without incurring penalties. Each year, the City will discover businesses that have not obtained a business license. The City will assess them three years of business taxes in such case, including penalties of 50% for the past years.

Finance recommends letting businesses that have gone unregistered that the Council will waive past penalties if the business pays all past due business tax fees before November 1, if Council abates the business tax fees until then.

FISCAL IMPACT:

Business license tax is deposited into the General Fund. It is expected to drop this next year due to the general downturn in economic activity. An abatement of the tax penalty does not change the expect receipts and the economic loss of interest income on penalty revenue will be less than \$1,500.

The amnesty program could potentially generate \$10,000 to \$20,000 in additional revenue.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING: General Fund

RESOLUTION No. 2020-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA AUTHORIZING AN ABATEMENT OF BUSINESS LICENSE PENALTIES UNTIL OCTOBER 2020 AND OFFERING TO WAIVE PAST PENALTIES FOR UNREGISTERED BUSINESSES WHICH REGISTER AND PAY THEIR PAST DUE TAXES BY OCTOBER 31, 2020.

WHEREAS, the City of Marina authorized a business tax measure in November of 2016; and

WHEREAS, the City of Marina Council has some discretion on the administration of that tax; and

WHEREAS, the COVID-19 event has greatly depressed business activity in order to maintain the health of the community; and,

WHEREAS, the City Council actively seeks to support local businesses;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARINA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council does abate business tax penalties until October 31, 2020

SECTION 2. For unregistered businesses, the City will waive penalties from prior years if the business registers and pays its past taxes by October 31, 2020.

PASSED and ADOPTED by the City Council of the City of Marina at a special meeting duly held on this 16th day of June 2020 by the following vote:

AYES, COUNCIL MEMBERS:

NOES, COUNCIL MEMBERS:

ABSENT, COUNCIL MEMBERS

ABSTAIN, COUNCIL MEMBERS:

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk