

RESOLUTION NO. 2024-103

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA ADOPTING THE FISCAL YEAR 2024-25 MID-CYCLE BUDGET ADJUSTMENTS, 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 previously adopted the two-year budget for Fiscal Years 2023-24 and 2024-25, and;

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

1. That the City Council adopts the FY 2024-25 budget adjustments as detailed and recommended in the accompanying staff report and **Exhibits A-D as adopted**, and;
2. Continues established 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 designee, shall be authorized to transfer budget authority within a fund as long as the total budget authority for that fund is not exceeded.

The Marina Finance Director for the City of Marina and the Successor Agency to the Marina Redevelopment Agency may move budget authority within a department amount operating expenditures and among salary accounts but may not move budget authority from operating accounts to salary accounts.

The Marina City Manager and Executive Director of the Successor Agency to the Marina Redevelopment Agency, or his designee, shall be authorized to modify the budget(s) 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 appropriation of any fund
- b. Transfer cash 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, including the temporary transfer of cash due to timing of revenue payments.

PASSED AND ADOPTED by the City Council of the City of Marina at an adjourned regular meeting duly held on the 4th day of September 2024, by the following vote:

AYES: COUNCIL MEMBERS: McAdams, McCarthy, Visscher, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: Biala

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk

August 22, 2024

Item No. **13c**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of September 4, 2024

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2024-,
ADOPTING FISCAL YEAR 2024-25 MID-CYCLE BUDGET ADJUSTMENTS,
AND AUTHORIZING THE FINANCE DIRECTOR TO MAKE ALL
NECESSARY ACCOUNTING AND BUDGETARY ENTRIES**

REQUEST:

It is requested that the City Council:

- 1) Consider adopting Resolution No. 2024-, approving the Fiscal Year 2024-25 mid-cycle budget adjustments as outlined in the staff report, and
- 2) Provide direction for any other Council desired adjustments, and
- 3) Authorizing the Finance Director to make all necessary accounting and budgetary entries

BACKGROUND:

The City operates on a two-year budget cycle. In September 2023, the City Council adopted the two-year structurally balanced budget for Fiscal Years 2023-24 and 2024-25. Between the two-year budget period, it is customary to provide a mid-cycle financial update to the City Council, including proposed adjustments to revenues and expenditures. The mid-cycle review also provides an opportunity for the City Council to provide direction to staff for other adjustments. As part of this process, staff will also be providing an update on the previously established top Council priorities.

ANALYSIS:

The General Fund is the City's main operating fund that supports Police, Fire, Recreation and Cultural Services, Community Development, and administrative departments. The information presented in this report will primarily focus on the General Fund budget and any significant proposed changes. An overview of the General Fund fiscal year-end estimates and recommended budgetary changes for Fiscal Year 2024-25 are included in **EXHIBIT A**. Additional updates to other funds are included in **EXHIBITS B and C**. While the City's fiscal year ends on June 30th, the City accrues or applies revenues and expenditures that were incurred during the fiscal year through the end of August. In addition, accounting adjustments and reconciliations take place through September. Due to this process, the amounts listed for Fiscal Year 2023-24 are listed as "estimated", rather than "actual". The final year-end results will be provided with the independent auditor's report or as part of the Strategic Planning Retreat in early 2025.

General Fund Revenues

Major Revenues

Staff continuously monitors the City's budgetary performance. In Fiscal Year 2023-24, General Fund revenues are expected to exceed budgetary projections by \$12.7 million. This is primarily due to a one-time \$8.4 million land sale, strong tax performance, and increased investment returns. Property tax, transient occupancy tax, and sales tax are considered major revenues and represent over 68% of the General Fund's on-going receipts. In Fiscal Year 2023-24, these three revenues are projected to be \$1.8 million more than the adopted budget.

An overview of the revenue performance as it relates to the budget is presented in Table I.

Tables I: Fiscal Year 2023-24 Major Revenues

	FY 2023-24 Adopted	FY 2023-24 Estimated	Variance
Property Tax	\$9,179,800	\$10,362,489	\$1,182,689
Sales Tax	9,722,900	9,977,747	254,847
Transient Occupancy Tax	4,847,764	5,247,774	400,010
Combined Major Revenues	\$23,750,464	\$25,588,010	\$1,837,546

The Fiscal Year 2023-24 property tax revenues include a Fort Ord Reuse Authority (FORA) property tax surplus payment of \$130,000 and a Recognized Obligation Payment Schedule (ROPS) residual property tax distribution of \$765,000. The City's residual ROPS distribution has ranged from \$84,000 to \$863,000 over the last five years, while Fiscal Year 2023-24 was the first year the City received a FORA property tax surplus payment.

The Fiscal Year 2024-25 projected revenues build upon the prior years' performance and represent a \$1.2 million increase over the original adopted budget. An overview of the proposed revision to the City's three major revenue sources is provided in Table II.

Table II: Fiscal Year 2024-25 Major Revenues

	FY 2024-25 Adopted	FY 2024-25 Proposed Revision	Variance
Property Tax	\$9,479,800	\$10,432,421	\$952,621
Sales Tax	9,850,900	10,065,000	214,100
Transient Occupancy Tax	5,324,159	5,352,000	27,841
Combined Major Revenues	\$24,654,859	\$25,849,421	\$1,194,562

The proposed revision to the current fiscal year property taxes is \$952,621. While this is greater than the adopted budget, it is in closer alignment with the prior year's revenues. The annual projected growth when compared to the prior year estimate is less than 1%, however the Fiscal Year 2024-25 amount includes a reduced ROPS residual property tax of \$633,000 and omits a FORA property tax surplus payment. When adjusted for the two residual property taxes, the annual increase would be closer to 3.2%. The estimates for these two unique residual payments were reviewed with the City's property tax consultant.

Additional General Fund Revenues

Use of Money and Property – Interest

In Fiscal Year 2023-24, interest earnings are projected to peak at approximately \$3.2 million. This is approximately \$2.4 million greater than the budgetary estimate and \$2.7 million greater than the five-year average of \$516,000. This growth in interest earnings resulted from strong investment returns, as well as the General Fund's cash position. In Fiscal Year 2024-25, it is anticipated that the Federal Reserve will begin reducing the federal lending rate; and more cash will be expended as approved capital projects will enter into the construction phase. This includes providing bridge funding while waiting for grant reimbursements for the Imjin Widening Project. Based on these factors, the Fiscal Year 2024-25 interest earnings are projected to be closer to \$1.6 million.

Business Licenses

In Fiscal Year 2022-23 the combined business license tax, fees, and penalties were \$2.5 million; however, in Fiscal Year 2023-24, they are projected to be \$1.9 million. This variance is primarily related to a timing difference in the receipt and accrual of approximately \$336,000 in business license revenues. The Fiscal Year 2024-25 revised estimate of \$2.1 million adjusts for the regular receipting/reporting period.

Intergovernmental

Intergovernmental revenues primarily reflect operational grants. In Fiscal Year 2023-24, the full amount of grant award reimbursements was not requested prior to the end of the fiscal year. This can be attributed to the timing of purchasing goods or services; or deferrals in grant billings. In Fiscal Year 2024-25, the proposed revision includes a carry-forward amount of approximately \$539,000. The carry-forward is primarily related to Community Development and Fire Department grants.

Estimated year-end amounts, as well as proposed revisions to the Fiscal Year 2024-25 budgeted amounts can be found in **EXHIBIT A**.

General Fund Expenditures

In Fiscal Year 2023-24, it is estimated that the actual expenditures will be approximately \$4 million below the budgeted amount. This is primarily due to approximately \$2.6 million in salary savings resulting from position vacancies; and \$1.2 million in funds that were committed to contracts or purchases that were reappropriated in the next fiscal year. This amount includes carry-forward grant-funded expenditures, one-time contracts, and \$719,000 in capital outlay.

The Police and Recreation and Cultural Services Departments have the most significant increase in requested expenditures. The Police Department budget includes the addition of a Community Service Officer position; and increased expenditures to support training for new officers, 9-1-1 center costs, and overtime and canine supplies/services to align with historical use. The Recreation and Cultural Services Department's proposed revisions include the reclassification of one position, omitted annual software subscription costs, and funding to support more robust community programs. Additional details regarding the requested positions are included in the subsequent section.

ADDITIONAL BUDGET RECOMMENDATIONS

In addition to revenue projections, staff has also analyzed current operational needs, as well as administrative changes. Key changes to expenditures within the General Fund, Capital Improvement Fund, and Vehicle and Equipment fund are listed below.

Authorized Positions

Staff is requesting the following changes to authorized positions to reflect current operational needs.

Addition of a 1.0 Community Service Officer

Estimated Annual Cost: \$115,000

The Police Department is requesting an additional Community Services Officer (CSO) to address the growing needs of the City's homeless population, as well as managing encampments. This position will serve as a liaison between the Police Department, homeless service organizations and ensure a coordinated response to these challenges. The CSO will also collaborate with other cities on the peninsula to provide a regional perspective on available resources and best practices for assisting individuals in need, while maintaining public safety. In addition to facilitating these partnerships, the CSO will ensure Marina's compliance with municipal codes, federal laws, and California's executive orders related to the cleanup of encampments. This role is critical in navigating the legal landscape, ensuring that both the City and its residents are protected under all applicable regulations. This

dedicated position will also assist in managing the risks associated with an increased number of individuals seeking refuge in unmanaged spaces, which could lead to public safety and health concerns.

Addition of a 1.0 Arborist / Botanist / Landscape Architect

Estimated Cost: \$170,000

In Fiscal Year 2023-24, the City allocated \$150,000 for a two-year period for a Landscape Architect/Arborist. Staff is proposing to add a regular 1.0 Arborist/Botanist/landscape architect position to assist with city-wide needs. This includes serving as an botanist and arborist, monitoring endangered species, and maintenance of parks medians, and open space areas. This position would also have oversight of the City's Habitat Resources Management Plan which is being developed. This position is not currently on the City's salary schedule. While the formal job description and salary for the position are still being developed, it is estimated there are sufficient funds in the Fiscal Year 2024-25 Budget and the on-going unassigned fund balance to support this position.

Reclassify a 1.0 Recreation Leader to a Recreation Manager

Estimated Cost: \$46,000

The Recreation and Cultural Services Department is responsible for year-round after and out-of-school care programs from Kindergarten through High School, adult and senior programs, sports programs, facility reservations and rentals, as well as multiple mid-large scale community events. Current staffing levels include the Recreation and Cultural Services Director, three Recreation Leaders, and one Administrative Assistant.

The Recreation Leaders are very hands on at the program level, while the Director is heavily involved in CIP projects, park design and development; and playground design, development, and installation. The Department Director also focuses on mid to long-term planning, which includes oversight of a Parks Master Plan, Recreation Facility Plan, and the related capital improvements. A mid-management level position is needed to provide direct supervision and oversight of the daily operation of the Recreation programs and services. This reclassified position would be responsible for the supervision and administration of recreation programs, facility coordination, scheduling, programming, marketing, software administration, financial management, as well as related functions. This position is critical to the success of this growing and changing department.

Hilltop Park Maintenance

Staff is in the process of developing a maintenance plan for Hilltop Park which will soon be turned over to the city. It is anticipated that another maintenance worker will need to be added to be able to adequately maintain this park. We expect to bring this to the Council for consideration in the next month or two. The fully burdened cost of a maintenance worker is approximately \$92,000.

SAFER Grant

The Fire Department has applied for a SAFER grant to add two additional firefighters which will increase the minimum staffing for the 2nd engine company from two to three. We should hear back in the next couple months if we receive this grant. If we don't receive the grant, we will be coming back to the Council to discuss funding these positions for remaining unallocated on-going fund balance. The fully burdened cost for these two firefighters is estimated to be \$270,000.

Capital Outlay

The Fiscal Year 2024/25 Budget includes the following new capital outlay request, as well as the carry-forward of funds into the current fiscal year. The carry forward purchases are included in **EXHIBIT D**, while new requests are listed below.

Fire Water Rescue Equipment
Funding Source: General Fund

\$18,000

The City currently does not have the appropriate equipment to safely assist with ocean/water rescues such as swimmers caught in a rip current. Staff is recommending the purchase of a remotely deployed flotation device known as EMILY (Emergency Integrated Lifesaving Lanyard). The device is a battery powered, remote controlled boat that can be deployed to an individual in need, with sufficient power to return the person(s) to the shore. EMILY can be deployed into the surf and pull up to four people back to shore.

Public Works Landscape Trailer
Funding Source: General Fund

\$15,000

The Public Works Department has recently divided the maintenance crew into the following three divisions to strengthen service levels: Facilities, Grounds/Landscaping, and Streets. Two maintenance crews have a trailer to carry to their equipment; however, the Grounds/Landscaping crew does not have a sufficient mechanism to transfer much-needed equipment to their worksite. The proposed new trailer would be assigned to the Grounds/Landscaping crew with the goal of creating operational efficiencies and providing a stronger level of service.

Police Radios
Funding Source: Vehicle and Equipment Fund

\$52,000

The County Shared 9-1-1 Emergency Services is requiring the City Police Department to initiate a phase two upgrade to the City's Motorola and Harris radios. This new equipment will include essential encryption upgrades. The requested funds will allow the Police Department to proceed with the necessary communication upgrades.

Capital Projects

The following additional three capital projects are included for consideration in the Fiscal Year 2024-25 Budget. Two of the projects are partially funded by external sources, while one project is funded through the unallocated General fund balance.

Fort Ord Dunes State Park Trailhead and Coastal Access Point Improvements
Initial Funding Source: Coastal Conservancy Grant

\$800,000

The City received an \$800,000 Coastal Conservancy Grant to conduct community engagement, prepare technical studies to evaluate beach improvements, and design alternatives for improved access and new restrooms at the Fort Ords Dune Park. Additional project components include preparation of both a dune restoration and a long-term maintenance plan and a wayfinding and interpretive sign plan. This initial study will serve as the foundation for future capital improvement project.

Windy Hill Park Restrooms
Funding Source: Developer reimbursement

\$275,000

The Fiscal Year 2023-24 Budget included \$1.1 million in funding to replace the Windy Hill Park playground equipment and construct new restroom facilities. On June 12, 2024, the City Council adopted a resolution approving a playground design for Windy Hill Park. The restroom was excluded from the project due to Marina Station submitting plans for a restroom facility adjacent to the park. To allow the restroom to move forward, the City worked with the Marina Station developer to partially fund a restroom that would serve the Marina Station and Windy Hill Parks. This project would be funded through a reimbursable developer contribution of \$275,000 and \$118,340 from the original project funds.

Temporary Fire Shelter

Funding Source: General Fund

\$24,000

The City is purchasing a new fire truck; however, the city does not have any facilities that can house the new truck. This temporary facility will provide a shelter to secure and protect the new fire truck until a facility that can accommodate the truck can be built.

Tree Maintenance

It is estimated that the City has a backlog of tree maintenance work that needs to be done in our parks, open spaces, medians, and facilities. The estimated one-time costs are about \$250,000.

Balanced Budget Formula

City Council policy (Resolution 2012-46), requires the City to adopt a structurally balanced budget. This structural balanced budget is defined as recurring annual expenses not exceeding recurring annual revenues and excludes one-time transfers. The adopted FY 2024-25 budget was structurally balanced for the General Fund budget and only required the use of unallocated fund balance to support capital projects and other one-time expenditures.

The recommended budget adjustments are in compliance with Resolution 2012-46. The FY 2024-25 is projected to have a deficit balance of close to \$1 million; however this is primarily related to one-time capital expenditures. The table below shows the calculation of the Fiscal Year 2024-2025 balanced budget formula before and after the recommended budget adjustments. The revised net difference of revenues as compared to on-going expenses is a surplus of approximately \$1 million. Staff has also attached **EXHIBIT D** to reconcile the full budget with the balanced budget formula that excludes one-time transactions.

Tables III: Structural Budgets (Balanced Budget Formula)

Fiscal Year 2024-25 Structural Budget Formula			
	Original Budget Presentation	Adopted Budget	Proposed Revision
Revenues	\$34,977,946	\$34,977,946	\$37,852,112
On-going Expenses	34,506,636	34,923,870	36,851,827
Surplus (Deficit)	\$471,310	\$54,076	\$1,000,285

Emergency Reserve Policy

The City has a General Fund Emergency Reserve Policy that establishes a reserve level at 20% of operating revenues. When the Fiscal Year 2023-24 Budget was adopted, the reserve level was reduced to 18% to provide for additional on-going expenditures. Staff recommends retaining this reserve level to align with the original budget adoption. Based on the revision to revenues, the emergency reserves would require an additional contribution of \$745,352 to meet the 20% target. This would decrease unallocated fund balance by the same amount.

Unallocated Fund Balance

The General Fund was initially anticipated to end Fiscal Year 2023-24 with an adjusted unassigned fund balance of \$7.7 million; however, when the actual estimated performance is considered, the projected balance increases to \$23.2 million. This is largely due to the \$8.4 million land sale, greater than anticipated revenue performance, and one-time salary savings. Based on the proposed budgetary revisions to the current fiscal year, the General Fund ending unassigned fund balance for Fiscal Year 2024-25 is estimated to be \$22.5 million.

OTHER FUNDS

Updates to other funds primarily focus on on-going revenues and expenditures with the exception of the proposed purchases listed in the capital outlay and capital project sections. A brief overview of the proposed changes is included in **EXHIBITS B and C**.

CONSIDERATIONS

The City Council will have its Strategic Planning Retreat in February or March. While the projected \$22.5 million in the General Fund unassigned fund balance is projected to be available for appropriation, consideration also needs to be given in relation to cash flow requirements related to the Imjin Widening Project and any reimbursable grants. The Imjin Widening Project is fully underway and approximately \$39 million is subject to grant reimbursements. All funds that have been retained at the City have been expended; and currently \$9 million in expenditures are awaiting reimbursement. The lead time to receive a reimbursement may take up to four to eight months, depending on the granting agency. Deferring appropriation of any significant funds until the Strategic Planning Retreat will provide the City with a better opportunity to assess cash flow requirements, as well as receive the audited financial statements.

FISCAL IMPACT:

The actions recommended in the report will allow the City to function in a fiscally responsible manner. All proposed changes are anticipated to result in a positive fund balance.

CONCLUSION:

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

Respectfully submitted,

Tori A. Hannah
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina