

**MINUTES
SAND CITY COUNCIL STUDY SESSION**

STUDY SESSION
Wednesday, June 19, 2019
10:00 A.M. – 12:00 P.M.
CITY COUNCIL CHAMBERS

Mayor Carbone called the study session meeting to order at 10:00 a.m.

Agenda Item 1, PLEDGE OF ALLEGIANCE

The pledge of allegiance was led by Chief Brian Ferrante.

Agenda Item 2, ROLL CALL

Present: Mayor Mary Ann Carbone
Vice Mayor Blackwelder
Council Member Sofer
Council Member Cruz
Council Member Hawthorne {excused absence}

Staff: Fred Meurer, Interim City Manager
Vibeke Norgaard, City Attorney
Brian Ferrante, Police Chief
Linda Scholink, Administrative Services Director/ City Clerk

Agenda Item 3, ANNOUNCEMENTS BY MAYOR AND CITY ADMINISTRATOR

There were no announcements provided.

Agenda Item 4, COMMUNICATIONS

10:03 a.m. Floor opened for Public Comment.

There was no comment from the Public.

10:03 a.m. Floor closed to Public Comment.

Agenda Item 5, NEW BUSINESS

- A. Discussion and Council Updates regarding Budget Preparation to Highlight Priority Decisions that will be Required for Budget Approval, and to Identify Information for Inclusion as Part of the Budget**

Interim City Manager Meurer provided a summary on how much the city would

receive based on estimates of major revenues. Sand City only has two major revenue sources that come from sales and transactions taxes, and a large piece of the city expenditures are related to the retirement costs associated with the Public Employee Retirement System (PERS) costs. The city contracted with Bartel to project future PERS costs. The system was hopeful to gain a 7.5% return on investment; however, when PERS suffers a loss, the retirees do not get less. PERS now has a board controlled by the work force and have realized that the current system is not sustainable. They have placed and created multiple tiers of retiree systems for new city employees with the hope that over the next 20 to 30 years they do not go bankrupt. The court's interpretation of our constitution does not allow a city to declare bankruptcy and unlike private companies who would say 'sorry retirees your retirement is 1 to 33¢ on the dollar'. Tomorrow, the City Council will have a presentation by a firm that specializes in retirement and is going to give the Council their best projections of the city's future knowing that PERS is going to go from an expected discount rate of 7.25% to 6%. That 1.1/4% does not sound like a lot of money, but they will present what it really means to the cities that have to contribute to their retirement system and to the employees as a contributor. The Council will preview and start setting the stage for some of the decisions that the Council is going to have to make in finalizing the budget. Not only for this year but to lay the groundwork to where they would like to go next year.

This study session welcomes Council's questions with the hope that staff can answer the questions, and is about the Council and the public being able to ask questions. The budget is based on some basic assumptions of service. Staff has built the budget on what it had been, what the council did last year, and what they did the prior year based on anticipated revenues and cost increases. Last year the Council provided increases in compensation to all the employees, in an effort to be sure that Sand City remained competitive with other cities in terms of employee compensation. Mr. Meurer commented that he has been asking the City Council to advise him on all the things they want and relayed that the costs of those things is more than the money that is available. Often those choices have to do with revenue, reducing costs, and switching priorities. For example, the City Council decided last year to put several thousands of dollars into reducing the PERS retirement liability hoping that in the long term the payment associated with paying for all of our retirements would decrease. The city planned to pay an additional \$450,000 into the PERS retirement this year; however, it was suggested to wait and see where this fiscal year budget goes. This would allow the Council to determine their overall priorities and where they would like to invest the city's dollars for the best return on investment and quality of service. It was very interesting as we were going through the background for your new city manager that candidates mentioned that part of their interest in coming here was a whole idea of the West End Celebration (WEC), and transforming the city from an industrial city to a true residential business community. The WEC brings in money but also has expenditures. The question is whether that is where the City wants to spend its money. The Council heard about a parking program; however the City does not have a parking program. Program for services and capital improvements are all competing for the same dollars.

A member of the audience asked about the West End Celebration expenses. Mr. Meurer remarked that the WEC is a particular cost item and will be addressed later on in the Powerpoint presentation. Presently, revenue income is just under eight million dollars. Looking at all the recurring expenditures such as payroll, supplies, contracts, etc, it is approximately close to \$8,000,000 dollars and the city presently has under \$250,000 in general funds available to execute its dreams beyond its current services. The Council may choose to not change the current services but if they choose to discontinue those services, it may come with pain. Looking at the \$450,000 that has not been spent this year, that money could be added to the bottom line and allocated towards other expenses. These would be for special one-time revenues like grants, and other one-time expenditures. The Council may also decide to put more money into the PERS liability.

The biggest and most important sources of revenue come from the sales and transaction taxes which are associated with the shopping centers, and is approximately \$5.6 million. Right now there are current vacancies within the shopping centers, and if filled, may have had businesses in them producing a level of activity at approximately \$80,000 to \$90,000 dollars of annual revenue. Another source of revenue is related to the business license tax which is directly related to business activity, and charged on a percentage of their gross sales. Additional revenue can be anticipated with fees that will be charged to DBO for the South of Tioga Project for planning and building inspections. Another big item of concern is the Cal-Am lease payments that will change from \$850,000 a year to \$7000 a year in 2023. When this amount decreases the city does not have any corresponding reduction of expenditures. The loss of 12% is of great concern because it will happen within 3 years from now. The city needs to pursue a strategy for being able to live with that loss of revenue in the future. Looking at the tax revenues, you can see where the revenues come from. Sand City's taxes are lower than the surrounding cities. The franchise fees are what the city receives from its utilities. For example, the \$117,500 received would pay for one police officer's salary for one year. The business license fee is not capped, is a good source of revenue, and the city receives a small amount of tax increment from the former redevelopment agency. Mr. Meurer explained the history of the tax increment payment received that occurred during the dissolution of the redevelopment agencies in 2012. Former Governor Brown decided, and the legislature agreed with him that there were many cities who had misused their redevelopment powers that enabled cities to remove blight. Sand City did not abuse that privilege, but the city did lose the revenue. That money now goes to the County for distribution. We now only receive approximately \$100,000. The loss of redevelopment was coupled by the simultaneous loss of the economy in most cities.

The planning and building revenues that the city receives are used to pay for planning services such as the processing of building permit applications. Public safety receives \$12,000 a year on parking violation fees which is not considered a large revenue, and would only pay 1/4 the cost of a new police car. The public works revenues are associated with fees and taxes that are received to repair

roads. If the city only invests the money it receives for roads the roads are going to continue to deteriorate. The current road condition will continue to plummet in terms of the shape and repair. It would be feasible to keep them fixed rather than wait until they deteriorate. Measure X , the gas tax, and SB1 funds received go towards paying for those roads.

One of the city's recurring expenses is the Fire services contract that will increase annually based on the consumer price index (CPI) increase and is capped by the CPI. The fire department calls for service estimated cost is approximately \$2,500 to \$2,700 dollars for each call they respond too. The number of times they roll into Sand City it about half that of the City of Monterey.

In response to an audience member question regarding employee salaries, Mr. Meurer responded that last year the City Council negotiated with the raises that employees received in all of the departments and updated their job descriptions. Everyone received a salary adjustment. It was a two-fold raise because the jobs they were performing served a higher rate of pay if the city wanted to remain competitive with the market. There was also a component of the raise that was associated with the increase in the cost of living. Right now everyone in the city has a job description that has been negotiated and from a council point of view as a whole, they are paid in a fair manner and in some cases they may be the highest paid, and are above average.

Mr. Meurer addressed the non-departmental expenditures as it relates to the cities memberships to outside agencies that gives the City a voice in those agencies, the software management systems, LAFCO, etc. The City Council can choose to participate or not in these memberships. The Granicus management software is a system that will bring our records management system and the website up to date with the 21st century. These programs are needed by our employees to do their job. The IWorQ planning system which is part of the records management system is used to track city assets. The Arts committee has \$10,000 and is the amount the Council has decided they would like to invest in the Arts committee in terms of their programs, and may be matched by a \$5,000 private party contribution to provide \$15,000 for various art related programs. He explained the cities participation in outside agencies such as FORA and why it depicts a zero amount for the proposed fiscal year 2019-2020 budget. As the city transitions and becomes even more active in regional issues the Council is spending more time being City Council members. The City Council can spend well over 40 hours per week while the Mayor spends about 60 hours. Other Council expenditures include attendance to trainings/conferences.

The Administration expenses includes salaries of the city clerk, city manager, administrative staff and other essential personnel costs that is broken down to include benefits, dental, vision, auto allowance, etc. like health care. The police officers also receive an allowance for uniforms.

Staff explained the City's participation in a Joint Powers Authority (JPA), and because Sand City is a small city would not have the resources it needed if it were hit with a big claim. So the City's band together to form a joint powers to

provide for a level of insurance for liabilities that needs to be paid above the deductible amount. Other administrative expenses include everything from telephones to training, and have asked that department heads instill a training program for each employee. The term GASB 68 unfunded liability is the unfinanced liabilities the city has in regard to their retirement liability which now has to appear on the books. Over the past three years the Council has substantially brought that liability down. The meeting tomorrow would address how the PERS system works. PERS changed the rules to offset the future train wreck of the retirement system. While some cities are hurting, Sand City is in a good position as the city is getting close to being 80% funded. He explained the accrual cash outs that involve accrued sick time and vacation days. Any additional accrued amounts accumulated over 800 hours are cashed out. The \$55,000 expenditures under the Finance category is a setup fee that the city pays the State for the privilege of them collecting sales tax and distributing the money back to the city. The audit will cost upwards of \$50,000 this year.

The legal expenditures essentially pays for city attorney services, and outside attorney support. At last night's City Council meeting you heard threats of litigation. Although Sand City does not have many, he has routinely experienced a lot of them at his previous employment. You may never know where these lawsuits would go and it would be wise to be prepared. The city is presently having its Personnel Manual reviewed by a firm that specializes in nothing but personnel law to make sure that the city remains consistent with personnel law. Many cities have an in house attorney while other cities have a contract attorney and it is always debatable on which way to go. Mr. Meurer explained the differences between retaining an in house attorney as opposed to a contract attorney. The city currently contracts an outside attorney and may be something the Council will need to decide. The proposed budget shows costs for outside attorney services.

Mr. Meurer responded to an inquiry from the public explaining that special projects, as part of the legal expenditures would involve updating a number of documents, and exploring employee negotiations. He provided examples of the services the contract attorney provides to the city such as work on the South of Tioga park fees for its new development and achieving 'take' permits for endangered species. He further explained the details of the previous city attorney's contract and benefits that were received as part of the contract, as well as the pros and cons of having a contract and/or city employed attorney.

The planning expenditures used to include both the planner and some expense for the city manager. There is nothing unusual in the proposed budget for this department and also depicts the benefits. Last year the \$187,000 depicted paid part of his predecessors and the past the city manager's salary was broken down between administration and planning. It now depicts only the planning expenditures. There was a time when Sand City had a community development director and planner. Since the city no longer has a community development director the capacity for those services are coming from a contract with the EMC planning group at the cost of \$60,000. The city does not use the full amount reflected as the contract number. Miscellaneous services would include traffic

engineering services. The public safety expenditures covers all the sworn officers plus one non-sworn officer who is the records coordinator position.

He responded to an audience member's inquiry and explained the over-time, definition of accrued hours as it pertains to the 800 hour limit, accrual cash outs, and holiday pay. As a council member mentioned, if we look at all the things that we want, the money we're spending, and how much money we have from a business perspective, where are you going to have the highest potential of being able to reallocate money. The question asked is to examine what the police department is doing, how they are doing it, why are they doing it, and how much does it cost to do it, to have a better understanding. Everything you do has a monetary impact. There was no attack on the police department. The question asked was a good common sense business question.

There was public comment regarding the budget, how it relates to the police department, and doing something to make it look like it was something else. The public member expressed the chaos that had been created regarding the issue involving the police department and making them feel bad. Council Member Sofer expressed her comments regarding the responsibilities she holds as an elected public official, and the questions she had asked. Mr. Meurer commented that the issue is not about making the police feel good or bad and they are roundly applauded by the City Council for the job they do. The council is asking whether the city can afford to continue to do things the way it has been doing it, and they heard from a lot of people to not get rid of the police department.

There were no other questions in regard to police services.

The next slide depicts the City's regional efforts and agency participation. It ranges from having adequate training and how to respond to an individual with a health crisis. The police department is part of these regional efforts to try to share the burden. Another thing that is already part of the budget includes code enforcement. The city had contracted with a firm that would send a person down once a week and was not particularly effective. Staff will be making recommendations on how the city may want to rethink code enforcement because it is an extraordinary expense that does not belong in the police department. He also provided the suggestion of having a Certified Emergency Response Team (CERT) and individuals who can respond to emergencies within the community. Mr. Meurer further reported on the police departments expenses that relates to Tracnet and the departments computer systems. The city's greatest liability exposure appears in police because that's where you have the most of what might be viewed as negative interaction. The city has a General Insurance policy that covers claims up to a certain amount.

The next item is the Contract Services for Fire Services and their contract provisions allow increase in fees no more than the cost of living increase established by the San Francisco CPI. The CPI is a formula that is based on night time population, daytime population, calls for services, etc. The city's fee would have increased substantially if we did not have the cap. Mr. Meurer provided the history of the negotiations of that contract several years ago.

Personal costs for the public works department is approximately \$500,000 dollars. Miscellaneous contract services can involve tree removal and/or similar services. The city contracts with Creegan & D'Angelo engineering for a professional engineer. Future questions for council would involve the city's impending growth. The \$25,000 is allocated to Monterey Regional Stormwater Program (MRSWP) for the stormwater management fee. The State has imposed a wide range of rules and is designed to protect the marine sanctuary.

Community outreach depicts the big events with the biggest single event known as the West End Celebration and has an expenditure of about \$85,000. It receives revenue to cover approximately \$50,000 of its expense. The city's cost is about \$30,000 to \$35,000. The community garden is an effort to connect to the city with the community and builds a community identity. The city manager candidates had mentioned wanting to come here in part because of this transition by having a West End Celebration.

The Mayor mentioned that the community garden was a result of the dissolution of the former redevelopment agency and was retained for the benefit of the public. There was discussion regarding the expenses for the West End Celebration, how much was paid for the coordinator, the band, and other logistics. \$40,000 has been allocated for the City events. The City of Monterey no longer has fireworks because of the costs involved. Every community decides which events they would like to have.

Mr. Meurer explained the recurring budget summary of expenditures and revenues that was depicted on a pie chart and broken down into percentages per department. Questions the Council is going to be faced with would involve the capital improvement program. He noted that he is seeing this information for the first time based on some new grant information received. The city entrance is particularly unattractive and something really needs to be done about the entrance as it speaks to the overall esthetics of the city, as well as giving the public a first impression. Staff has done a great job of looking for various grants to get things done. When you first come into the city many people will realize they are in Sand City. The chief and public works have a project in mind to increase the visual pleasantness by filling up all the potholes to the right of the city monument and working with TAMC to make the people who lease the location clean up the property. Hopefully this will allow us to use it more as a linear park, parking, and walking trail. That is a project. The first part is relatively inexpensive which is to fill up the potholes to get it ready for the West End Celebration. It looks like we will have to repave and do a lot of storm drainage work on Contra Costa. Due to relatively low income in the census data the city may be able to obtain a grant that pays for approximately 80% of this project. The city engineer is working on estimated costs to do the street and then how much it will cost to finish Contra Costa. Hopefully, the Contra Costa entrance to the city hopefully will look brand new within a year and half and appear as a real city. It cost money to accomplish that and may exceed hundreds of thousands of dollars. The Council should decide how high a priority this is and to set aside money to finish Contra Costa. The other big question is the completion of

California Avenue when the South of Tioga project provides new pavement, sidewalks, and undergrounding of utilities. The Seaside half of California will remain as it looks today in its pristine awfulness. The second question the council has to answer is how important it is to provide money to finish California Avenue and that entrance to the city. It will look awful if only half of it is new and the other remains as it is. The previous chart depicts \$250,000 of unobligated funds. Those are the two very large capital improvement projects that I know the Council wants. The question is how the city will pay for it.

There was discussion regarding Granite Rock and traffic impact fees, and how much sales tax the City receives from the business. Having the building there and how the Council wants the City to look in the future will take negotiations with TAMC and the City of Seaside. A new hotel with trucks driving by the streets seems inconsistent and are big questions the Council has to ask and answer. The City will need to look into a new community center. There is a grant for a new park that would make it ADA accessible. There was also discussion regarding the pavement and how much the Council would like to augment for streets to at least maintain our current standards of mediocrity or spending money to develop the entrances into the streets.

Mr. Meurer spoke to the FEMA grant funds for repairing the observation platform. Although some funds were used for the design phase, the platform is expected to be repaired. In last year's budget \$1.5 million was allocated for a new well for the desalination plant. Through negotiations the city will be reimbursed some costs and Cal-Am will be paying for new wells. The city just discovered that the habitat behind the two shopping centers was initially maintained by the shopping center for 20 years. The 20 years is expiring and this is another obligation that the city will need to find funding for and hopefully through volunteers who desire to keep and maintain the habitat. Another question is entering into negotiations with our employees. As an example a 1% pay increase is about \$30,000. If the Council decides on a 2% cost of living that is \$60,000. The ending balance is \$241,000 so \$241,000 minus \$60,000 leaves you with \$180,000 to put towards investing into the capital improvement plan. This goes back to choices; choices of services and quality of services. Mr. Meurer advised to continue to have the study sessions. He thanked the employees and the residents for attending. The primary goal was to allow the public to better understand what the Council has to do with regard to decision making, and it is not an easy choice.


There was public comment regarding the 1% raise and what should be given up to obtain something else. Mr. Meurer commented that very seldom do people want to give up what is important to them. He is hopeful to have a proposed budget for Council approval at the second July meeting. There will be no July 30th meeting as that was only a tentative date. The proposed budget will go before the Budget/Personnel Committee for their review and discussion. The Capital Improvement budget will also be reviewed as well as the special funds and grants to understand what is out there.

There was discussion regarding upcoming projects, and the TAMC tax increase for street improvements that the city may be able to leverage for the streets.

Mr. Meurer mentioned that should any other questions arise that the council and/or public may reach him by phone.

Agenda Item 6, ADJOURNMENT

There was consensus of the Council to adjourn the Study Session meeting at 12:20 p.m.


Linda K. Scholink, City Clerk