



## AGENDA

Tuesday, June 9, 2020

5:00 P.M. Closed Session

6:00 P.M. Open Session

### SPECIAL 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](mailto: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](http://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](http://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-Milias-Brown Act representative.*

- a. 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

6:00 PM - RECONVENE OPEN SESSION AND REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION

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

5. STUDY SESSION:

- a Discussion and direction for Midcycle Budget Review FY 19/20 and 20/21 and Review of Work Plan Priorities

6. 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 6:30 p.m., Friday, June 5, 2020.

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ANITA SHARP, DEPUTY CITY CLERK

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*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](http://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](mailto:marina@cityofmarina.org)*

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Honorable Mayor and Members  
of the Marina City Council

City Council Meeting  
of June 9, 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.”

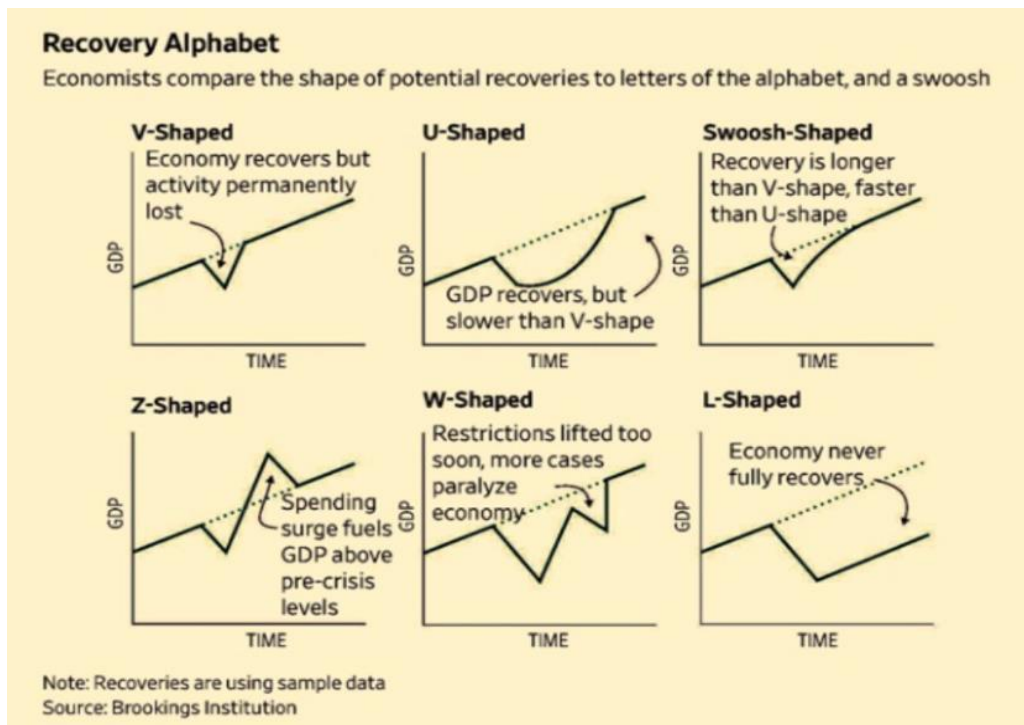
As events have unfolded, this does not appear to be the case. We now know that some businesses can go back to work almost without change such as construction. Because they are outdoors, they mainly need to concern themselves with creating some new social distancing protocols and then they are off and 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 to 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				
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	2,510	
Amount Exceeding Balanced Budget	1,135	963	(3,262)	
<b>Proposed Budget Changes</b>				
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			(2,132)	
Deduct Capital			(2,510)	
Deduct Vehicle Charges			(580)	
Amount reducing fund balance			(5,222)	

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

<b>General Fund Summary</b>	
All Amounts in Thousands	
Fiscal Year 2020/21	
Rev.	22,539
Op. Exp	(22,296)
Over/(Under)	243
Ongoing Cap & Trans.	(2,375)
One-time Capital	(3,090)
Reduction in Fund Balance	(5,222)

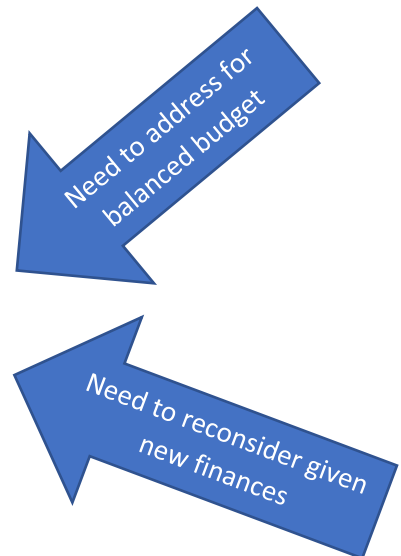


Table III  
Detailed General Fund Summary

Recap of Revised 20/21 General Fund Budget			
All Amounts in Thousands			
<b><u>Budgeted Revenues</u></b>			
Original Estimate		26,059	
Covid reduction		(4,000)	
<b><i>Revised Revenue amount</i></b>			22,059
Add SAFER Grant		380	
Add Traffic Citations		100	
			480
	Revised Revenues		22,539
<b><u>Budgeted Expenditures</u></b>			
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)
<b><i>Recommended Revisions</i></b>			
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

<b>General Fund Summary</b>		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 consider and which ones are recommended. Total expenditure reductions represent \$1.3 million.

Table V  
General Fund Expenditure Reductions  
FY 2020/21

<b>Recommended Budget Solutions</b>			
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		
	Total	1.30	
<b>Options considered but not recommended</b>			
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	<u>\$325,000</u>
	\$2,375,000

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=	<b>\$794,500</b>	<b>\$214,500</b>	<b>\$580,000</b>

***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

<b><u>Balanced Budget Calculation</u></b>		
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	

**Exhibit A, March 2020 Memo**

**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					
<b>Revenues</b>		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)	-	
		<b>23,680</b>	<b>23,871</b>	<b>21,945</b>	<b>(1,735)</b>	<b>(1,926)</b>	
All Others		2,882	2,827	2,461	(420)	(366)	
Total		<b>26,562</b>	<b>26,698</b>	<b>24,406</b>	<b>(2,155)</b>	<b>(2,292)</b>	

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 Receipts	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%

**Business 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		Budget	Forecast Mar 2020	Change from Budget	Change if continued for full year	
	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								
<b>Expenditures</b>								
			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	
		Budget	Forecast Mar 2020
<b>Revenues</b>			
Total		26,562	24,406
<b>Expenditures</b>			
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

	<b>General Fund</b>	
Nonspendable:		
Prepaid Expenses	\$ 12,000	
Total Nonspendable	12,000	
Restricted:		
Economic Development	-	
Debt Service	4,065	
Capital Projects	-	
Street & Special District	-	
Community Development	-	
Recreation	-	
Public Safety	235,432	
Total Restricted	239,497	
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	← Reserve
Public Education		
Government	-	
Total Committed	9,644,438	
Unassigned	7,528,302	← Unassigned FB
Total	\$ 17,424,237	

The bigger concern is that if 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 not 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.