



City of Del Mar Agenda Report

TO: Honorable Mayor and Councilmembers

FROM: Ashley Jones, Administrative Services Director
Monica Molina, Finance Manager/Treasurer
Kristen M. Crane, Assistant City Manager
Via CJ Johnson, City Manager

DATE: June 15, 2020

SUBJECT: Update to the Fiscal Years 2019-20 and 2020-21 Operating & Capital Budgets and Proposed Operational Changes

REQUESTED ACTION/RECOMMENDATION:

It is recommended that the City Council review the proposed update to the Fiscal Year 2020-21 (FY20-21) Operating & Capital Budget and take the following actions:

1. Adopt a Resolution Amending the Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget (Attachment A);
2. Adopt a Resolution Establishing the Fixed Charge Assessments for Bonded Indebtedness for Fiscal Year 2020-2021 (Attachment B);
3. Adopt a Resolution Establishing the Appropriations Limit for Fiscal Year 2020-2021 (Attachment C);
4. Adopt a Resolution Approving the Statement of Investment Policy for Fiscal Year 2020- 2021 (Attachment D);
5. Adopt a Resolution designating December 28, 29, 30, 2020, as City holidays and providing City employees (except Fire) with three additional paid holiday days (Attachment E);
6. Approve Friday Closures for City Hall and the Public Works Administrative Office for Fiscal Year 2020-21; and
7. Approve the proposed City Advisory Meeting schedule for Fiscal Year 2020-21, as further described in this report.

DISCUSSION/ANALYSIS

FISCAL YEAR (FY) 2019-2020 OPERATING AND CAPITAL BUDGET ADJUSTMENTS

On June 17, 2019, the City Council adopted a two-year Operating and Capital Budget for Fiscal Years 2019-2020 and 2020-2021. Based on the significant financial impacts caused by the Coronavirus (COVID-19), the City has undertaken a comprehensive re-evaluation of the budgets for both Fiscal Years 2019-2020 and 2020-2021.

On April 6 and April 20, 2020, the City Council met to discuss the City's COVID-19 response efforts and financial impacts of the pandemic on the City's finances. Through June 30, 2020, it is projected that the City will have a total revenue loss of \$3.2 million. As a result, the City Council approved the reduction of General Fund expenditures totaling

\$1,434,218; approved a Measure Q reimbursement to the General Fund of \$502,160 related to the Downtown Streetscape Project; eliminated the \$536,250 year-end Pension Reserve transfer; and established a \$122,628 General Fund operating contingency reserve to cover unanticipated expenditures through the remainder of the fiscal year. The approved reductions offset the lost revenue gap for FY 2019-2020, resulting in no change to the estimated ending General Fund Contingency (GFC) balance of \$2.2 million.

Given the significant and ever-changing economic impacts resulting from the COVID-19 pandemic, staff continues to closely monitor revenues and expenditures and make necessary adjustments to budget projections on a monthly basis. Based on revenue collections through June 10, 2020, calculated projections indicate that there will be increases to some revenue sources and decreases to others. There are additional decreases totaling \$1,146,130, of which only \$173,140 is impacting the General Fund Contingency and is based on a \$123,810 decrease in the General Fund; a \$9,590 decrease in the Gas Tax Fund; a \$42,460 decrease in Open Space Fund; with an offsetting increase of \$2,720 in the SB1 Fund. Based on the same period, the calculated expenditure projections are indicating a slight increase in General Fund expenditures of \$80,790, of which \$6,650 is funded through the equipment replacement reserve. All recommended revenue and expenditure adjustment for FY19-20 are included in Exhibit A of Attachment A of this report. Based on revised budget projections, including all adjustments approved after the Mid-Year Financial report indicate a negative net impact to the GFC, requiring the use of a portion of the newly established COVID-19 Economic Contingency Reserve of \$110,820. This results in no impact to the estimated GFC Fund balance of \$2.2 million, which represents a 14.83% contingency or 54 days of operations (Attachment A).

Among the series of adjustments made to the City's FY 2019-20 Operating & Capital Budget, was a \$670,000 reduction to Measure Q revenues. Staff has continued to monitor revenues closely, and it is recommended that Measure Q revenues be reduced by an additional \$400,000. This additional reduction is consistent with the anticipated loss in sales tax revenue collections for the fiscal year.

FEDERAL, STATE, AND COUNTY RELIEF FUNDING

To date, there have been several legislative relief acts passed by Congress to help offset the financial impacts caused by the COVID-19 pandemic, but local governments have been largely overlooked when considering the intended use of the relief funds. The latest relief act, known as the CARES Act, passed by Congress includes funding that is primarily earmarked for activities that support local law enforcement and public safety; senior housing services; and medical services/training, much of which Del Mar does not qualify for. For those funds that the City may be eligible for, small cities such as Del Mar are required to apply for these funds through the County of San Diego. To date, the City has only been deemed eligible for \$7,300 in CARES funding through the expanded CDBG-CV program and through an allocation from the County of San Diego totaling \$77,494, which are the subject of other items included on this City Council meeting agenda.

Staff has and will continue to monitor relief funding as it becomes available and will pursue any and all funding opportunities that may be available to Del Mar. Staff has consistently worked with the Mayor and the League of California Cities to advocate for emergency funding from the State and federal government, with little success to date.

FY 2020-2021 REVENUE REDUCTIONS

General Fund

On May 16, 2020, staff presented four Transient Occupancy Tax (TOT) and sales tax revenue projection scenarios to the City Council for consideration. Of the scenarios presented, the Council approved a revenue scenario that assumes revenue recovery for TOT and sales tax in FY20-21 will be capped at 50%, which results in a total combined projected loss of \$3.1 million. In addition, a \$170,000 reduction in property tax and approximately \$730,000 in other General Fund impact revenue reductions were approved by the Council, resulting in a projected revenue loss of \$4 million in FY20-21.

Staff has continued to update the projected revenue losses for FY20-21 as new information becomes available, which is reflected in the estimated Revenue Loss Summary included as Attachment F. Following the Council's budget workshop, staff received an annual update from the State regarding Gas Tax and SB 1 revenue projections. Staff also recently received an annual estimate from the County Assessor's office, which indicated a projected 5.1% increase to assessed values for Del Mar in the coming fiscal year. The updated revenue loss summary has been updated to reflect this new information and also reflects a reduction in administrative charges related to Measure Q projects. Each year, the City budgets an allocation from Measure Q to the General Fund for staff time spent on Measure Q projects. Due to the deferral of Measure Q projects for FY20-21, an allocation of \$140,270 for administrative charges has been eliminated from the budget for the coming fiscal year. Also included in the summary was a reduction in Clean Water revenue funds in the amount of \$210,700.

The changes described above result in an increased projected revenue loss for FY20-21 from \$4M to \$4,085,700. Due to the extreme cuts being recommended to the City's FY20-21 operating budget, staff is recommending that an additional \$113,192 be transferred from the General Fund to maintain a \$125,000 balance in the COVID-19 Economic Contingency Reserve fund to cover any unforeseen essential costs that may arise during the coming fiscal year.

Measure Q Fund

During the Budget Workshop, the City Council approved the same methodology that was approved for sales tax to be applied to Measure Q to determine the reduction in revenue for FY20-21. The scenario, which assumes that sales tax revenues will not recover more than 50% for the entire year, resulted in a \$1,447,000 projected reduction in Measure Q revenues for FY20-21. Included as Attachment G is an updated Measure Q Analysis which indicate a Measure Q estimated fund balance of \$1,228,341 at June 30, 2021.

REDUCTIONS TO PROJECT FUNDING

During the Budget Workshop, the City Council provided direction to staff regarding budgeted projects for FY20-21, which included reducing Capital Projects by \$582,000; Special Projects by \$372,100; and eliminating \$2,211,520 in funding for Measure Q projects.

Included as Attachment H is a revised Capital and Special Projects reduction summary report which reflects updated reductions totaling \$650,500 in Capital Projects, and \$402,980 in Special Projects. Changes to the Capital projections are related to the Tennis Court Drainage project; 20th Street Lifeguard Tower Improvements; CDM Bridge local match requirement; Los Penasquitos Lagoon Habitat Restoration; and Trash Full Capture Devices. Changes to Special Projects projections are related to the Community Choice Energy project. Together, the identified reductions to the FY20-21 Capital and Special Projects expenditures total \$1,053,480.

OPERATING REDUCTIONS

During the Budget Workshop, the City Council discussed City services, which were categorized into the following tiers:

- **Tier 1 - Essential Services:** Items that are legally required and/or critical to public health and safety, as well as necessitated by those essential services, and required to comply with local, state, and federal regulatory requirements.
- **Tier 2 – Important:** These items that are important and support Del Mar operations and community values, but are not essential (in that they are not legally required or critical to public health safety).
- **Tier 3 - Non-Essential Services:** – Items that could be deferred or eliminated for FY 2020-21. These items may also be important to how the City serves the public, evidenced by the fact that they have been part of the City's work plan.

Based on the direction provided by the City Council, all of Tier 3 and a large number of Tier 2 items have been removed from the FY20-21 operating budget, resulting in \$550,450 in operating reductions. To achieve this, the City Manager, Assistant City Manager, Department Directors, and Finance Manager went through the City's operating budget in painstaking detail looking at planned expenditures in each line item and eliminating any expenditure that was not deemed to be absolutely necessary in order to maintain the services identified as essential by the City Council in their budget workshop. City staff also met with representatives from the Sheriff's Department, and submitted a request for a reduction in contractual costs, with no success to date.

Service Level Changes for FY 2020-2021

As a result of the proposed reductions to the City's operational budget, which includes a 10% reduction in the City's full-time workforce, drastic reduction of consultant and vendor-provided services, and many other extensive reductions; though there has been an

emphasis on preserving essential services, there will be a significant impact on service levels and staff capacity, which is anticipated to be felt and observed by City Council and the public, particularly related to items considered non-essential. This dynamic is exacerbated since the City of Del Mar's budget and staff were lean to begin with and all of the previously budgeted work plan items for FY20-21 were considered valuable to the City Council and the community. Included as Attachment A-1 is a preliminary evaluation of service level impacts based on operational budget reductions for all individual departments. General Citywide reductions and impacts on service levels across the organization are as follows:

- 10% reduction in workforce of full-time employees and additional reduction of administrative-oriented part-time employees, including interns.
- Complete elimination of consultant services in many areas to assist with special projects and other priorities, including legislative advocacy and communications and significant reduction of all remaining consultant services, such as engineering.
- Significantly reduced budgets for purchase of equipment, uniforms, supplies.
- Deferral of non-essential facility maintenance.
- Deferred replacement of vehicles.
- Significantly reduced training, education, and professional development for employees.
- No staff liaison support for the following advisory committees: Business Support Advisory Committee, Traffic & Parking Advisory Committee, Parks & Recreation Advisory Committee, Sustainability Advisory Committee, Arts Advisory Committee, Lagoon Committee, Shores Advisory Committee, Undergrounding Project Advisory Committee. Meetings of these committees will be on hiatus.
- Scaled back availability for business assistance and pursuit of resources to assist businesses.
- Limited availability to respond to new requests from the City Council and community and to pursue grants.
- Elimination of funding for projects being completed with support from outside consultants, like GIS layer for capital infrastructure and general records management

- No work during Fiscal Year 2020-2021 on the Undergrounding Project and other capital projects.
- Reduced contributions for Community Support Funding Requests to Del Mar Community Connections and Del Mar Village Association.
- Longer response times for customer service inquiries.
- Hindered participation by management staff based on capacity in regional entities, like San Diego County Water Authority, SANDAG, Metro Wastewater Commission, RSWA, etc., which will impact the City's knowledge on important issues for decision-making.
- Further impacts as unexpected circumstances/emergencies arise which necessitate diversion of staff work.
- Longer response times for customer service issues.
- Strained capacity for redundancy and coverage.

A detailed list of service level impacts by department is included as Attachment A-1.

EMPLOYEE CONCESSIONS & REDUCTION IN WORKFORCE

Employee Concessions

There are currently contracts in place with both of the City's bargaining groups (Fire and General Employees) that provide for a 3% increase to salaries for represented employees starting July 1, 2020. The City Council also previously approved a 3% increase in salaries for all non-represented employees starting July 1, 2020, which was included in the adopted budget for FY20-21. The City met and conferred with the Del Mar Firefighters Association (DMFA) and the Del Mar City Employees Association (DMCEA) and have reached tentative agreement on the following proposed employee concessions for the coming fiscal year:

- Freezing of a scheduled 3% increase to salaries for up to 12 months in the coming fiscal year
- Implementation of 52-hours of furlough (unpaid) time for all City employees (except Fire) for up to 12-months, which results in a 2.5% decrease to current salaries

It is important to note that employee salaries for Del Mar have historically been lower than other cities in the San Diego region for comparable positions. This makes the proposed freezing of salary increases and reduction in take home pay for employees all the more significant. Agreements that were reached with our represented employees are

contingent upon the City agreeing to review revenues at the end of the second and third quarters, and if revenues come in higher than projected, all or a portion of the scheduled salary increases will be restored. This will be reflected in the side letters that will be presented to the City Council for approval on July 6, 2020.

Reduction in Workforce

After a thorough analysis of the workplan for the coming fiscal year, and in light of the City’s extreme financial situation, the City Manager plans to reduce the City’s workforce by approximately 10% in the coming fiscal year. This will be achieved through laying off or significantly furloughing the following City positions:

Employee Layoffs and Defunding of Positions:

- Deputy Public Works Director
- Assistant Planner II
- Facilities Coordinator
- Park Ranger
- Part-time Associate Planner II
- Part-time Law Enforcement Manager (vacant)
- Part-time administrative (non-field) employees & paid interns

Significant Furloughs

- 50% furlough – Networks Systems Technician II
- 50% furlough – Senior Management Analyst (City Manager’s Office)

Together, the identified employee concessions and staffing changes result in a \$1,028,270 savings to employee salaries and benefits attributable to the General Fund. There will be an additional savings of \$200,000 to the Water and Wastewater Funds.

Table A: Summary of Employee Concessions	Amount
Freeze 3% salary increases	\$144,730
Furlough 52-hours (except Fire)	94,740
Employee layoffs	647,690 ¹
Significant furloughs	101,390
Other reductions (overtime/reorganization)	39,720
Total GFC Impacted Reductions	\$1,028,270

¹Full-time \$312,400; Part-time \$335,290

Community Services Department Reorganization & Position Reclassification

In July 2019, the prior Parking Enforcement Lieutenant retired, and the essential duties and responsibilities of the position have since been performed by one of the Senior Parking Enforcement officers in the department working in a temporary out-of-class capacity (who is a represented employee). The City’s Personnel Rules do not allow for this type of arrangement for an extended period of time. Given the needs of the department, and in order to remain compliant with the City’s Personnel Rules, staff is

recommending that the Parking Enforcement Lieutenant position be reclassified to a Parking Enforcement Sergeant, and filled in the coming fiscal year. This recommended change in classification will also result in a salary savings for the department, which is reflected in the total salary and benefit savings identified above.

Additional part-time hours have been added to the Community Services Department budget to help offset the impacts of eliminating the Park Ranger and Facilities Coordinator positions. While the Powerhouse Community Center is currently closed to the public, and public events have been cancelled, it is anticipated that the Powerhouse will reopen at some point in the coming fiscal year and some level of events may occur. There are some part-time hours included in the budget to staff future events should that be necessary. Additionally, part-time hours have been added to the budget to help offset the impact of losing the Park Ranger position to ensure that service levels related to beach and community patrols are maintained for the community. The savings reflected in Table A, take into consideration the addition of these part-time hours.

Additional Impacts to Employees

In addition to the impacts described above, employees will be impacted during the coming fiscal year in the following ways:

- Reduction in professional memberships and education/training opportunities
- Elimination of funding for the employee tuition reimbursement program
- Freezing of vacation cash-outs
- Elimination of funding for employee recognition activities/holiday lunch
- Reduced resources and impacted workload due to workforce reduction

Proposed Non-Monetary Offsets to Employee Impacts

In light of the significant sacrifices that City employees are being asked to make, it is recommended that the City Council adopt a resolution (Attachment E) designating December 28, 29, and 30, 2020, as additional paid City holidays. Closing City facilities on these additional days will result in utility savings for the City and will provide employees with some additional time off during the holidays with their families. If approved, this additional leave could not be cashed out. Due to normal holiday closures, staffing levels are already lower than usual during this time of year, and historically there has been very low demand for public assistance during the weeks of Christmas and the New Year.

In implementing the 52-hour unpaid furlough for the coming fiscal year, employees will be required to take one hour of furlough time each week. Since the City's two week pay-periods starts and ends on a Friday, staff is proposing to implement the furloughs on Fridays, which will result in a two-hour reduction to employee work hours on Fridays (for most employees). And, in order for employees to maximize efficiencies in an environment where they will conceivably be expected to pick up the essential work no longer being performed by coworkers who have been laid off, it is additionally recommended that City Hall and the Public Works administrative office be closed to the public every Friday. During this time, City employees would be working but not directly serving the public in

the same way as when these facilities are open for public business. City Hall and the Public Works administrative office are currently closed to the public and few, if any, complaints have been received.

IMPACTS TO GENERAL FUND RESERVES

Elimination of Year-End Transfers

Given the magnitude of the projected revenue loss in FY20-21, staff is recommending foregoing year-end transfers from the General Fund to the newly created Housing Reserve Fund in the amount of \$300,000; and to the Pension Reserve Fund in the amount of \$536,250, which results in a total savings to the General Fund of \$836,250.

Use of General Fund Reserves

During the Budget Workshop, the Council reviewed the available General Fund Reserves and determined that if the use of reserve funds is necessary, they be used in the following order: 1) Measure Q Fund; 2) General Fund Contingency; and 3) Pension Reserve. The Council also determined that, due to current funding levels, the Self-Insurance and Equipment Replacement Funds should not be used to offset revenue losses to the City.

A breakdown of the City's projected General Fund reserve balances as of June 30, 2020, and June 30, 2021, reflecting the proposed use of reserve funds identified below, is included for your reference as Attachment I. After all of the recommended budget adjustments identified in this report have been applied, the City has a remaining budget shortfall of \$642,250.

Consistent with the City Council's direction for use of reserves, staff is recommending the following use of Measure Q Funds:

- 1) Maintenance of Effort Requirements: It is recommended that Measure Q pay for a portion of the City's total required FY20-21 Maintenance of Effort (MOE) for transportation purposes. Based on the Measure Q general tax measure that was approved by Del Mar voters in 2016, this is an allowable use of Measure Q funds and a portion of the City's required MOE is directly attributable to Measure Q revenues.

For FY20-21, the City is required by State mandate to invest General Funds in the amount of \$602,608 for streets and roads and \$27,766 for specialized transportation services, together totaling \$630,374. The amount of funding that the City is required to spend on this work is based on a calculation that takes into consideration General Fund revenues, including Measure Q revenues. Although Measure Q funds have been internally set aside by the City for specific uses, these funds are still considered unrestricted General Fund revenues which are included in the City's total MOE calculation. Of the City's total required MOE, \$75,000 is attributable to Measure Q revenues. Therefore, a portion of the City's required General Fund MOE is directly related to Measure Q. Staff is proposing that the

Measure Q fund pay its \$75,000 share of the MOE and, due to the extreme financial position of the City at this time, staff is proposing that an additional \$290,370 be transferred from Measure Q to the General Fund to help cover the cost of the City's total MOE requirement for FY20-21.

- 2) Final Reimbursement for Downtown Streetscape Project: At the time that Measure Q was approved, the City had already set aside over \$1 million dollars for the Downtown Streetscape project. When the Council identified the Downtown Streetscape project as one to be funded by Measure Q, they also decided to proceed with the General Fund contribution that had already been allocated for the project. However, that decision was made during much better economic times.

In light of the City's extreme economic challenges related to the COVID-19 pandemic, in April 2020, the City Council approved a \$502,160 reimbursement from Measure Q to the General Fund for a portion of the \$1,004,321 in general fund expenditures for the Downtown Streetscape project. Staff now recommends approval of a final reimbursement of \$276,880 to the General Fund from the Measure Q Fund for the Downtown Streetscape Project. The proposed reimbursement does not include any expenditures related to the storm drain work that was completed for the project.

Other Options for Use of Reserves

While staff's recommendation reflects the Council's initial direction regarding the order in which to use reserve funds, the City Council also has the option to use funds from the GFC or Pension Reserve in order to offset revenue losses and achieve a balanced budget. As indicated above, the remaining budget shortfall, after all of the other recommended adjustments have been applied, is \$642,250.

The City's current GFC Reserve is 14.83% or 54 days of operations. The City Council initially set a two-year budget goal of increasing the GFC to 20% of operations, which was not able to be achieved due to financial impacts resulting from COVID-19. If \$642,250 were to be used from the GFC, it would reduce the GFC to 11.19%, or 41 days of operations, and would put the City in a vulnerable financial position should there be another bluff failure or other significant unanticipated situation that would have a financial impact on the City. Likewise, if the shortfall amount were to be used from the Pension Reserve Fund, it would affect the City's ability to pay down the unfunded pension liability in the future. The City's unfunded pension liability is anticipated to increase in the coming years, at which time Pension Reserve funds will be all the more critical to the City.

FEEDBACK FROM THE FINANCE COMMITTEE

The City's Finance Committee met on June 9, 2020, and provided feedback on staff's proposed updates to the FY 2019-20 and FY2020-21 Operating and Capital Budgets.

As an advisory body, and in light of the fact that the City was still negotiating with its represented employees, less detail was presented to the Finance Committee than is

being presented to the City Council on the specifics of the operating budget reductions, including impacts to employee salaries and benefits. The perspective of the Finance Committee was that it was difficult to tell the depth of the proposed operating budget reductions, and therefore, whether the severity of the impact from the recommended reductions is sufficient to warrant use of Measure Q or other reserve funds versus further cuts. The Committee suggested that staff identify an additional budget reductions that would be needed in order to avoid or limit the use of reserve funds as proposed.

As described above, the impacts to service levels, infrastructure reinvestment, and staff capacity as a result of the operating budget reductions are indeed deep, with no discretionary funds or margin of error included. The proposed budget includes very little funding of any Tier 2 items and all Tier 3 items have been eliminated.

Though staff does not recommend the City Council implement these additional reductions, in the spirit of accommodating the Finance Committee’s feedback, the following are the cuts that would be necessary to further reduce the City’s operating budget in place of using a limited amount of reserves. As the City’s budget for capital projects funded by the General Fund has been substantially eliminated for FY20-21, and all discretionary spending and beyond has been deleted from the proposed budget, the list of cuts below would impose cataclysmic impacts to the City of Del Mar and other entities:

Potential Further Reductions	Potential Savings
Eliminate Community Support Funding Requests to Del Mar Community Connections (\$63,000), Del Mar Village Association (\$25,000), Kitchens for Good/Helping Hands (\$1,250), Regional Task Force on Housing (\$1,250), and Community Resource Center (in support of Helping Hands; \$3,750)	\$94,750
Cap the 1% TOT allocation to the DMVA at \$50K for the coming fiscal year	\$61,540
50% reduction to part-time lifeguard staffing, which would result in reduced lifeguard coverage and hours of operation	\$162,000
50% reduction to part-time beach maintenance staffing, which would significantly affect garbage collection at City parks, beaches and public spaces and beach maintenance	\$59,380
Only pay the San Diego Sheriff’s Department for half the cost of one Detective (\$103,000) which would put the City of Del Mar in breach of contract, though staff has formally requested the Sheriff’s Department to consider this request and the possibility of a position share with another incorporated city or unincorporated area.	\$103,000
Complete elimination of all remaining funding for employee training and education	\$18,500

Eliminate irrigation of Camino del Mar landscaping from Carmel Valley to 15 th Street (\$6,000); eliminate watering of Garden Club Storefront plantings (\$3,000); and eliminate Court Street Park maintenance and irrigation (\$10,000)	\$19,000
Non-payment of the City of Del Mar's share to LAFCO (\$7,000), SANDAG (\$1,000), and League of California Cities (\$3,900)	\$11,900
Discontinue all funding in FY20-21 for roadway paving except minimum required to meet SANDAG Maintenance of Effort requirement, which is considered essential public safety work	\$45,350
Discontinue recording/broadcasting (\$31,500) and streaming (\$14,500) of the City Council, Planning Commission, and Design Review Board meetings	\$46,000
Additional reductions in part-time field staff in the Community Services and Public Works departments	\$20,830
Total	\$642,250

Staff does not recommend that the City Council implement these further reductions due to the significant ripple effect that would result for breaches of contract, non-funding for important non-profit work, elimination of or reduction to services the community values, and overall impact on service levels to the community.

RECOMMENDATION REGARDING CITY MEETING SCHEDULE FOR FY20-21

As a result of the staff capacity impacts associated with the planned budget reductions and lack of funding to pursue any new initiatives, staff recommends that the only bodies that meet in FY20-21 be the City Council, Planning Commission, and Design Review Board. In addition, it is recommended that the Finance Committee meet quarterly which will coincide with the quarterly budget review, and the Measure Q Oversight Committee meet semi-annual or as needed as described in the Charter. If during the year, there is a significant topic of discussion that warrants a meeting of an advisory committee, meetings could be scheduled on an as-needed basis by the City Council. Staff recommends that, as part of approving the proposed operating budget, the City Council approve this proposed approach for City meetings to be held in FY20-21.

REQUIRED ANNUAL BUDGET RESOLUTIONS

Each year, the City Council is required to adopt the following budget resolutions, which are described in more detail as attachments to this report:

- 1) Fixed charge assessments for bonded indebtedness (Attachment B);
- 2) Establishment of the Appropriations Limit (Attachment C); and
- 3) Statement of Investment Policy (Attachment D).

CONCLUSION & NEXT STEPS

Staff went through an extensive effort to achieve the necessary reductions to the FY20-21 budget looking at all budgetary areas as described in this report. While staff has come up with a proposal to achieve more than \$4 million in reductions, it will not be without significant consequence to the City operationally and to the levels of service provided to the community. As proposed, there are no discretionary funds available for any work beyond what has been deemed absolutely essential. This will undoubtedly affect City activities and the work that is important to support the established values of the City Council and Del Mar community as a whole.

If the recommended FY20-21 Operating and Capital Budget Update is approved as summarized in Attachment J, staff will continue to very closely monitor revenues and will provide quarterly updates to the Finance Committee and the City Council, with recommendations for any necessary adjustments. Additionally, staff will return July 6, 2020 with actions related to memorializing the agreements with the two labor groups for City Council consideration.

ATTACHMENTS

- Attachment A-1 - Service Level Changes for Fiscal Year 2020-2021
- Attachment A - Resolution Amending the Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget
- Attachment B - Resolution Establishing the Fixed Charge Assessments for Bonded Indebtedness for Fiscal Year 2020-2021
- Attachment C - Resolution Establishing the Appropriations Limit for Fiscal Year 2020-2021
- Attachment D - Resolution Approving the Statement of Investment Policy for Fiscal Year 2020-2021
- Attachment E - Resolution Adding December 28, 29, and 30, 2020 to the List of City Observed Holidays
- Attachment F - FY 2020-2021 Summary of Projected Revenue Reductions
- Attachment G- Measure Q Analysis
- Attachment H - FY 2020-2021 Summary of Capital and Special Project Reductions
- Attachment I - Summary of General Fund Reserves at June 30, 2020 and June 30, 2021
- Attachment J- Summary of Proposed Fiscal Year 2020-2021 Reductions

Service Level Changes for FY 2020-2021

Following is an overview of preliminary estimated impacts to service levels the public can anticipate as a result of the planned budget reductions in general across the organization and by department.

General Citywide Reductions and Impacts on Service Levels

- 10% reduction in workforce of full-time employees and additional reduction of administrative-oriented part-time employees, including interns.
- Complete elimination of consultant services in many areas to assist with special projects and other priorities, including legislative advocacy and communications and significant reduction of all remaining consultant services, such as engineering.
- Significantly reduced budgets for purchase of equipment, uniforms, supplies.
- Deferral of non-essential facility maintenance.
- Deferred replacement of vehicles.
- Significantly reduced training, education, and professional development for employees.
- No staff liaison support for the following advisory committees: Business Support Advisory Committee, Traffic & Parking Advisory Committee, Parks & Recreation Advisory Committee, Sustainability Advisory Committee, Arts Advisory Committee, Lagoon Committee, Shores Advisory Committee, Undergrounding Project Advisory Committee. Meetings of these committees will be on hiatus.
- Scaled back availability for business assistance and pursuit of resources to assist businesses.
- Limited availability to respond to new requests from the City Council and community and to pursue grants.
- Elimination of funding for projects being completed with support from outside consultants, like GIS layer for capital infrastructure and general records management
- No work during Fiscal Year 2020-2021 on the Undergrounding Project and other capital projects.

- Reduced contributions for Community Support Funding Requests to Del Mar Community Connections and Del Mar Village Association.
- Longer response times for customer service inquiries.
- Hindered participation by management staff based on capacity in regional entities, like San Diego County Water Authority, SANDAG, Metro Wastewater Commission, RSWA, etc., which will impact the City's knowledge on important issues for decision-making.
- Further impacts as unexpected circumstances/emergencies arise which necessitate diversion of staff work.
- Longer response times for customer service issues.
- Strained capacity for redundancy and coverage.

***Division Budgets Managed by City Manager's Office
(City Council, Legal Services, Sheriff's Department Contract, Solid Waste)***

- Near elimination of consulting services and significantly scaled-back in-house staff resources for public communication, which will impact timeliness, frequency, and quality of weekly update publication, news releases, and social media posts.
- No consultant lobbyist support for legislative advocacy, which will impact frequency and timeliness of communication with legislative representatives on bills of importance and availability for analysis of pending legislation.
- Inability to provide staff support to the following advisory committees: Arts Advisory Committee, Business Support Advisory Committee, Lagoon Committee, Shores Advisory Committee, Sustainability Advisory Committee, Undergrounding Project Advisory Committee.
- Limited ability to work on sustainability initiatives, including implementation efforts for the Climate Action Plan, other than operational items like solid waste.
- Inability to provide staff support for City's participation in Clean Energy Alliance (CEA).
- Reduced ability to submit legislative advocacy letters on as many topics.
- Limited capacity to work on further implementation of Streetscape Phase II and other business support initiatives.

- Significant reduction in funding for legal services for routine matters and special projects.
- Reduction in staff capacity for special projects and loss of 50% Administrative Assistant capacity which further draws upon staff capacity and response times.
- Elimination of funding for the Lagoon Committee's annual outreach event.

Administrative Services

- Elimination of part-time support staff for City Clerk functions including records management.
- Reduction by 50% of one Management Analyst position's capacity for Administrative Services Department to provide analytical support to the Public Works Department, resulting in longer response times on Human Resources and City Clerk's Office-related matters, including personnel recruitments, and advisory committee appointments.
- No funds for a Volunteer Appreciation event or employee holiday party.
- Reduced funding for training and education will impact the department's ability to stay current on best practices in Human Resources (labor laws, recruitments, personnel investigations, management training for all management employees, etc.)
- Due to the loss of a part-time clerical assistant, the ongoing work to address back logged City records will slow down dramatically in the coming year as existing staff capacity to do this work will be severely impacted.
- Reduction in budget for printing. The Comprehensive Annual Financial Report will be provided electronically, with only a minimum number of books printed.
- Redistribution of workload to reduce consulting services in order to complete State Mandate reimbursement and street report in-house, which will impact completion of other items.
- Elimination of OpenGov web reporting
- Reduction in funding for training and professional development.
- Reduced supply budgets, including elimination of coffee for City Hall/Town Hall, water service, and other supplies.

- Reduced ability of IT Manager to focus on special projects, training of staff, and long-term planning, as more time will be focused on responding to basic help desk support and routine operations due to furlough (reduction in work hour) of Network Technician.
- Impacts on coverage for assisting staff with basic IT needs.
- Annual budget for scheduled replacement of older desktop computers (PCs) will be cut in half resulting in a slower cycle for PC replacement, meaning older PCs that are more prone to hardware and performance issues will not be replaced. This will lead to more requests for hardware support and downtime for employees. The number of spare computers available to swap out if a computer breaks will also be reduced.
- Significant reduction of the GIS consulting budget will eliminate any as-needed GIS maps and GIS-related data requests by the departments and only allow for the bare minimum of routine updates and maintenance to the GIS system. GIS is valuable tool for City staff for use in displaying information and decision-making.
- Elimination of the IT training budget will impact ability for IT to stay current on technologies, cyber-security, and IT best practices.

Community Services

- Decreased part-time staff hours impedes general staff coverage, staff coverage for time-off/training for full-time staff, retention of part-time employees due to insufficient work hours, succession planning for developing part-time staff over time.
- Department reorganization will result in modified presence in the City's beaches and parks year-round to enforce beach codes and calls related to alcohol, dogs, camping, code enforcement on the weekends, signage, and other municipal code violations
- Funding for part-time staff training and certifications for SCUBA, Rope Rescue (Cliff), Technical Animal Rescue, and Emergency Medical Training has been unfunded. Funding for off-site trainings, travel, and food for employee training is eliminated. Staff development training and certification pay for full-time employees will be limited to required certifications. No non-essential off-site parking conference meetings or travel. Lack of funding for training decreases ability to provide professional and quality service and the following skills amongst the team will become deficient in a short period of time: SCUBA, Cliff Rescue, River Rescue, and advanced medical skills.
- No funding included to operate a Junior Lifeguard program.

- Deferral of non-emergency building maintenance and signage not required by Code
- Reduction of funding for operating supplies, including postponed replacement of three 800 MHz radios; deferred replacement of SCUBA Dive Team wetsuits, boat crew jackets, and rain gear; deferred replacement of offshore swim buoys and anchor systems (anchor, chain), medical equipment upgrade or expansion of equipment cache, or purchase of new CPR mannequins; new e-bike for Parking Enforcement; no funding for replacement tables at Powerhouse Community Center or if needed for Town Hall; no coffee for non-profit group meetings/water service.
- No purchase of department marketing items, including tide books or special event advertising signage/banners, or marketing materials for Powerhouse Community Center.
- Limited replacement of tools/equipment specific to each facility.

Fire Department

- Postponed replacement of fire station carpet and other facility maintenance needs
- Decreased funding for supplies, uniforms, rain gear. Deferred purchase of structure fire turn-out gear personal protective equipment which should be replaced periodically.
- Reduced budget for training and professional development.
- Deferred replacement of utility pickup truck.

Planning & Community Development

- In order for the Planning and Community Development Department to maintain an adequate level of service for essential services related to the Design Review process, including Conditional Use Permits, Coastal Development Permits, and Variances, Subdivisions, Encroachment Permits, and public counter staffing, the following operational offsets are being evaluated based on staffing reductions:
 - Suspend filing of all new Tree, Scenic View, and Sunlight (TSVS) applications to ensure staffing resources for the Department's priority workload. This includes a suspension of staff time devoted to public inquiries about the TSVS process and pre-application reviews. Current TSVS applications in process and completed resolutions would still be serviced.

- Allow for additional design components to be processed as Administrative Design Review (ADR) permits, such as patio covers, carports, trellis', minor change in height and/or square footage, etc. Objections to ADRs would still be subject to review by the Design Review Board.
- Reduce radius for mailed ADR notices from 300 feet to 100 feet. All projects scheduled for a DRB meeting would still be subject to 300-foot noticing.
- Further strain on the Department's ability to be responsive to non-health/public safety-related Code Enforcement complaints due to increased need for this position to assist with responding to public inquires and processing the Department's routine permits, including tree removal and signage.
- In the area of long-range planning, State-mandated efforts ("Tier 1" special projects) will be prioritized by the Department ahead of all other policy efforts of community importance ("Tier 2" special projects). Tier 1 projects include ongoing implementation of the 5th Cycle Housing Element, implementation of Accessory Dwelling Unit requirements, implementation of the Housing Crisis Act (SB 330) provisions, preparation/certification of the 6th Cycle Housing Element, implementation of CEQA thresholds for Vehicle Miles Traveled, and annual/quarterly reporting requirements. Tier 2 projects include certification of the City's Sea-Level Rise Local Coastal Program Amendment, development of the Sand Compatibility And Opportunistic Use Program (SCOUP) and shoreline management programs, short-term rentals, coordination on potential housing with the Fairgrounds/State legislature/cities of Solana Beach and San Diego, and coordination with the Coastal Commission/SANDAG/NCTD on bluff rail stabilization and future relocation. This will impact staff's ability to be as responsive and timely on these matters based on other priorities.

Public Works

- Inability to provide staff support to the following advisory committees: Traffic & Parking Advisory Committee and Parks & Recreation Advisory Committee.
- Significantly-reduced consulting engineering services for "non-essential" activities, such as capital infrastructure project (CIP) planning, CIP project delivery oversight, and grant applications.
- Significant reduction in traffic engineering consulting services to address traffic-related inquiries that emerge from the community, such as traffic calming pilot studies, installation of red curbs, and non-essential items generated by the Traffic & Parking Advisory Committee.

- Scaled back budget for landscape maintenance services for public areas, such as the Civic Center and medians. Moving to an elongated schedule/cycle for tree trimming services, moving from every three years to four years.
- Postponed “non-essential” building and facility plumbing/electrical repairs/upgrades, and lighting adjustments.
- Postponement of purchasing replacement “non-essential” items such as furniture, trash/recycle receptacles, outdoor lighting.
- No holiday lights on the Del Mar Civic Center for November/December 2020.
- Reduction of budget for janitorial services at the Powerhouse/17th Street restrooms, including janitorial services during summer events, such as concerts and other gatherings.
- Reduced management capacity in the Public Works Department by way of a reduced position. Work plan of Public Works Director to focus on essential services only. Public Works Director will take over as Project Manager for contractually-obligated capital improvement projects (CIPs), such as Camino del Mar Bridge Replacement Project and CALTRANS Highway Bridge Program Representative. Also Los Penasquitos Lagoon Habitat Restoration, Seagrove Park/Court Street Park punch lists and project close-outs and committed repairs like library sidewalk contract.
- Delay current water/wastewater/paving projects.
- Delayed planning/design of all other non-essential CIP projects.
- Delay of capital infrastructure assessment and prioritization of future capital projects.
- Delayed responses to inquiries from residents/stakeholders regarding infrastructure, paving, drainage, and development.

RESOLUTION 2020-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL MAR, CALIFORNIA, AMENDING THE FISCAL YEARS 2019-2020 AND 2020-2021 OPERATING AND CAPITAL BUDGET

WHEREAS, on June 17, 2019, the City Council of the City of Del Mar passed Resolution 2017-40 adopting the Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget; and

WHEREAS, on March 14, 2020, the City Council declared a local emergency related to the COVID-19 pandemic; and

WHEREAS, revenues losses estimated at \$7.2 Million resulting from the COVID-19 pandemic have created an extreme financial crisis for the City; and

WHEREAS, and update to the City of Del Mar's Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget is necessary in order to maintain a balanced budget and deliver the services expected by the City Council; and

WHEREAS, the City Council has been presented with, accepted and approved the Budget Update of the Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget along with additional recommendations and appropriations setting the levels of reserves and transfers in and transfers out between funds, and other related expenditures; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Del Mar, California, that the above recitals are true and correct.

BE IT FURTHER RESOLVED, that the Budget Update of the Fiscal Years 2019-2020 and 2020-2021 Operating and Capital Budget is accepted and amended as shown on Exhibit "A" to the Resolution.

