A G E N D A

Meeting of the
Scotts Valley City Council

Date: September 4, 2019
Time: 6:00 pm

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	The agenda was posted 8-30-19 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org.

ELECTED OFFICIALS	CITY STAFF MEMBERS
Jack Dilles, Mayor Randy Johnson, Vice Mayor Donna Lind, Council Member Jim Reed, Council Member Derek Timm, Council Member	Tina Friend, City Manager Kirsten Powell, City Attorney Steve Walpole, Chief of Police Taylor Bateman, Community Development Director Tony McFarlane, Administrative Services Director Daryl Jordan, Public Works Director Tracy Ferrara, City Clerk

MEETING NOTICE AND AGENDA PACKET MATERIALS

Notice regarding City Council Meetings:
The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 pm in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066.

Agenda and Agenda Packet Materials:
The City Council agenda and the complete agenda packet are available for review by 5:00 pm the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.

Televised Meetings:
City Council meetings are cablecast "Live" on Community Television of Santa Cruz County on Comcast Channel 25.

CALL TO ORDER 6:00 PM

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

COMMITTEE REPORTS

Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.

CITY MANAGER REPORT

PUBLIC COMMENT TIME

This is the opportunity for individuals to make and/or submit written or oral comments to the Council on any items within the purview of the Council, which are NOT part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda.

ALTERATIONS TO CONSENT AGENDA

Council can remove or add items to the Consent Agenda.

CONSENT AGENDA

The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any items may do so raising their hand to be recognized by the Mayor.

A. Approve City Council minutes of 8-21-19

B. Approve check registers dated 8-9-19, 8-16-19, 8-30-19

C. Approve Resolution No.1955.5, updating the job description for Wastewater Division Manager and increasing the salary range by 15% on the salary schedule

D. Approve Resolution No. 1969 authorizing the Mayor or City Manager to execute documents related to Caltrans funded projects and programs

ALTERATIONS TO REGULAR AGENDA

Council can remove or add items to the Regular Agenda.

REGULAR AGENDA

Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.

1. Discussion of General Fund Five-Year Financial and Fiscal Sustainability Plans, including budget strategies analyses and scenarios
(City Manager Friend and Administrative Services Director McFarlane)

2. Future Council agenda items
(This portion of the Regular Agenda allows the Council to determine items to be placed on a future agenda and to choose a date, if so desired.)

CONVENE TO CLOSED SESSION

CLOSED SESSION SUBJECT(S)

(1) Conference with legal counsel regarding liability claim.
Legal Authority: Government Code Section 54961
Name of Case: Darin Matthews
Staff Present: City Manager, City Attorney, Administrative Services Dir

(2) Conference with legal counsel regarding anticipated litigation.
Legal Authority: Government Code Section 54956.9
Name of Case: 1 case
Staff Present: City Manager, City Attorney, Administrative Services Dir

RECONVENE TO OPEN SESSION

REPORT ON ACTION TAKE DURING CLOSED SESSION

ADJOURNMENT

ADA NOTICE

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk’s Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.

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M I N U T E S

Meeting of the
Scotts Valley City Council

Date: August 21, 2019
Time: 6:00 pm

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	The agenda was posted 8-23-19 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org.

CALL TO ORDER 6:00 PM

The City Council meeting was called to order at 6:03 pm.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

ELECTED OFFICIALS PRESENT:	CITY STAFF MEMBERS PRESENT:
Jack Dilles, Mayor Randy Johnson, Vice Mayor Donna Lind, Council Member Derek Timm, Council Member **ELECTED OFFICIALS ABSENT**: Jim Reed, Council Member	Tina Friend, City Manager Kirsten Powell, City Attorney Steve Walpole, Chief of Police Taylor Bateman, Community Development Director Tony McFarlane, Administrative Services Director Daryl Jordan, Public Works Director Tracy Ferrara, City Clerk

SPECIAL SET MATTER

Mayor Dilles presented a Mayor's Proclamation to Alex Dami of Jacob's Heart Children's Cancer Support Services proclaiming September 2019 as Childhood Cancer Awareness Month.

Alex Dami, Director of External Programs for Jacob's Heart Children's Cancer Support Services accepted the proclamation and invited everyone to attend the Kidrageous Carnival being held on Sunday, September 29, 2019 from Noon to 4:00 pm at Watsonville City Plaza. The Carnival will include music, dance, magic, costumed characters, arts and crafts, bounce houses, face painting, an amazing raffle, live entertainment and much more and supports local children with cancer and their families.

She stated that every booth and activity at Kidrageous is in memory of or in honor of a local child with cancer.

COMMITTEE REPORTS

CM Lind reported that the Criminal Justice Council met and they will be holding their Santa Cruz County Gang Prevention Conference on September 27.

CM Lind reported that the Santa Cruz Metropolitan Transit District Board met and they are continuing to work on negotiations and issues surrounding employee negotiations.

CM Lind announced that she and Mayor Dilles will be attending a public workshop of the Santa Margarita Groundwater Agency titled “State of Surface Water in the Santa Margarita Basin on Thursday, August 22, 2019 from 5:30 p.m. to 8:30 p.m. at the Highlands Park Senior Center, Ben Lomond, California.

VM Johnson reported that the Budget Subcommittee met with City staff to discuss the City’s current financial situation and strategies to work toward stability.

Mayor Dilles reported that he attended the AMBAG Board meeting as the alternate representative where they discussed affordable housing money that will be coming from the state to all the local jurisdictions, based on specific formulas.

Mayor Dilles reported that as a representative of the Seniors Council, he attended an event at the Museum of Art and History (MAH) where there was a presentation on age friendly cities/communities. He stated that the County of Santa Cruz is working to establish themselves as an age friendly community, and they will be working with the local jurisdictions.

CITY MANAGER REPORT

School Year Begins: School started on Monday, August 19, and in keeping with tradition, the Scotts Valley Police Department is conducting “Operation Safe Passage” all week. This traffic awareness operation helps to reset safe traffic behaviors and to remind the community that school is in session and to drive safely.

Music at Skypark: The next Music at Skypark is being held this Sunday, August 25 at 2:30 pm. This free outdoor concern is put on by the Kiwanis Club in support of our local schools’ music programs.

Food Truck Friday: This Friday, August 23 from 5:00 pm to 8:00 pm is the next Food Truck Friday at Skypark.

Scotts Valley Art, Wine and Beer Festival: Thanks to City staff in the Recreation, Maintenance, and Police Departments for their efforts to support a successful Scotts Valley Art, Wine and Beer Festival this past weekend!

PUBLIC COMMENT TIME

Diane Cohan, Montevalle resident, stated that the developer of the AVIZA property has met with the Montevalle residents regarding their proposed development, and stated that she supports the traffic concerns expressed by the residents on Bluebonnet Lane.

John Cowan, airplane pilot, expressed concerns regarding the airline travel path over Scotts Valley.

Hope Doctor, Scotts Valley resident, stated that she had submitted a petition regarding a request to regulate traffic on Bluebonnet Lane due to traffic and pedestrian safety concerns.

Ilo Nilson, Scotts Valley resident, expressed concerns regarding traffic and pedestrian safety on Bluebonnet Lane.

Unidentified male, Scotts Valley resident, expressed concerns regarding traffic and pedestrian safety on Bluebonnet Lane.

Elizabeth Johansen, Scotts Valley resident, expressed concerns regarding traffic and pedestrian safety on Bluebonnet Lane.

ALTERATIONS TO CONSENT AGENDA

M/S: Lind/Johnson
To approve the Consent Agenda.
Carried 4/0/1 (AYES: Dilles, Johnson, Lind, Timm; ABSENT: Reed)

CONSENT AGENDA

A. Approve City Council meeting minutes 8-7-19

B. Approve check register – 8-2-19, 8-9-19

ALTERATIONS TO REGULAR AGENDA

M/S: Lind/Johnson
To approve the Regular Agenda.
Carried 4/0/1 (AYES: Dilles, Johnson, Lind, Timm; ABSENT: Reed)

REGULAR AGENDA

1. **Consider approval of budget expenditure appropriation and an agreement with Earthworks Paving Contractors, Inc. for the Siltanen Park ADA Improvements, K-Street Improvements and Glenwood Trail Improvements**

PWD Jordan presented the written staff report and responded to questions from Council.

M/S: Lind/Johnson
To authorize a budget expenditure appropriation in the amount of $322,412 plus a 10% contingency of $32,241 for a total of $354,653 from RTIP Grant funds, Measure D funds, LPP funds, and Lennar funds, and approve the Agreement for Professional Services between the City and Earthworks Paving Contractors, Inc. for the Siltanen Park ADA improvements, K-Street improvements, Glenwood Trail improvements and authorize the City Manager to execute the agreement.
Carried 4/0/1 (AYES: Dilles, Johnson, Lind, Timm; ABSENT: Reed)

2. **Future Council agenda items**

None.

CONVENE TO CLOSED SESSION

The City Council convened to closed session at 6:45 p.m. to discuss the following items:

(1) Pursuant to Government Code Section 54961, the City Council met in closed session to confer with the legal counsel regarding liability claim; Frank Alvarez.

RECONVENE TO OPEN SESSION

The City Council reconvened to open session at 6:55 p.m.

REPORT ON ACTION TAKE DURING CLOSED SESSION

Mayor Dilles announced that there was nothing to report.

ADJOURNMENT

The meeting adjourned at 6:55 p.m.

Approved: ______________________________
Jack Dilles, Mayor

Attest: ______________________________
Tracy A. Ferrara, City Clerk

SCOTTS VALLEY FINANCE DEPT. CITY OF SCOTTS VALLEY
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Report Selection:

RUN GROUP… 080919 COMMENT… 08/09/2019 A/P

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SCOTTS VALLEY FINANCE DEPT.
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Check History

HISTORY FILES

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BA GENERAL	CHECKING ACCOUNT			
	ADOBE ANIMAL HOSPITAL SO	116901	08/09/19	66.52
	AFLAC-FLEX ONE	116902	08/09/19	2,627.02
	AT&T	116903	08/09/19	231.19
	AULDRIDGE/JACOB	116904	08/09/19	41.95
	BANK OF NEW YORK MELLON/	116905	08/09/19	1,950.00
	BEHAVIORAL HEALTH CARE I	116906	08/09/19	118.00
	BENEDICT DDS/NANETTE	116907	08/09/19	332.80
	BIRLEY/MICHAEL	116908	08/09/19	75.53
	BLAVIN/AMBER	116909	08/09/19	335.12
	BOGARD CONSTRUCTION INC	116910	08/09/19	1,017.50
	BOWEN/TIMOTHY D	116911	08/09/19	1,347.50
	CAROLLO	116912	08/09/19	33,349.80
	CHALLENGER SPORTS CORPOR	116913	08/09/19	2,303.00
	COMCAST	116914	08/09/19	167.57
	COMCAST	116915	08/09/19	146.20
	DASSEL'S PETROLEUM INC	116916	08/09/19	6,386.58
	DUNCAN AUTO TECH	116917	08/09/19	34.50
	DYNAMIC PRESS	116918	08/09/19	273.52
	EMERGENCY VEHICLE SPECIA	116919	08/09/19	1,827.00
	EWING IRRIGATION PRODUCT	116920	08/09/19	866.39
	FEDERAL EXPRESS	116921	08/09/19	26.23
	FLANNERY/MARLENE	116922	08/09/19	145.04
	HUB INTERNATIONAL	116923	08/09/19	258.92
	ICONIX WATERWORKS (US) I	116924	08/09/19	135.95
	JOHNSON DDS/BRETT	116925	08/09/19	167.20
	KING/KATI	116926	08/09/19	479.99
	KT MECHANICAL INC	116927	08/09/19	583.43
	LINCOLN FINANCIAL GROUP	116928	08/09/19	1,424.28
	LIVINGWORKS EDUCATION US	116929	08/09/19	1,381.58
	LLOYD'S TIRE SERVICE INC	116930	08/09/19	161.38
	LOCKBOX SERVICES BOX 399	116931	08/09/19	2,421.49
	MICHALAK/GENE	116932	08/09/19	125.00
	MID VALLEY SUPPLY	116933	08/09/19	1,307.00
	MONTEREY BAY AIR	116934	08/09/19	3,705.00
	MONTEREY BAY SYSTEMS	116935	08/09/19	1,196.61
	NATIONAL COMTEL NETWORK	116936	08/09/19	14.24
	OLIN CORP-CHLOR ALKALI	116937	08/09/19	2,013.27
	PHOENIX GROUP	116938	08/09/19	232.60
	PIED PIPER INC./THE	116939	08/09/19	63.50
	PORTER DDS MS/BRENT J	116940	08/09/19	77.70
	RALEY'S	116941	08/09/19	2,142.92
	ROXIE WESTBROOK	116942	08/09/19	241.32
	SANTA CRUZ CO ENVIRONMEN	116943	08/09/19	504.00
	SANTA CRUZ/CITY OF	116944	08/09/19	180.00
	SCARBOROUGH LUMBER	116945	08/09/19	2,187.80
	SCOTTS VALLEY SPRINKLER	116946	08/09/19	51.10
	SILVERSTEIN/THOMAS	116947	08/09/19	2,806.30

Check History

HISTORY FILES

BANK	VENDOR	CHECK#	CHECK DATE	AMOUNT
BA GENERAL CHECKING ACCOUNT				
	STATE WATER RESOURCES CO	116948	08/09/19	5,331.00
	SUMMIT UNIFORMS	116949	08/09/19	433.72
	SYCAL ENGINEERING INC	116950	08/09/19	7,119.12
	TERRELL/ELLIOTT	116951	08/09/19	225.41
	THOMSON REUTERS-WEST	116952	08/09/19	314.15
	U.S. BANCORP OFFICE	116953	08/09/19	1,260.36
	USA BLUE BOOK	116954	08/09/19	2,256.15
	VARGAS ACADEMY OF GYMNAS	116955	08/09/19	1,484.00
	VISION SERVICE PLAN	116956	08/09/19	1,177.05
	WAGE WORKS	116957	08/09/19	127.00
	WALPOLE/STEVE	116958	08/09/19	191.20
				97,450.70

REPORT TOTALS: 97,450.70

RECORDS PRINTED - 000166

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
001	GENERAL	22,909.28
004	RECREATION	13,088.17
010	WASTEWATER OPERATIONS	22,289.71
012	WASTEWATER CAPITAL RESERVE	33,349.80
025	GENERAL TRUST	133.33
028	SENIOR CENTER	1,597.34
088	LIBRARY FACILITIES-MEAS "S"	1,017.50
090	SV DRIVE A REDEMPTION	1,950.00
112	DENTAL INS INTERNAL SERV	768.90
123	COMMUNITY FACILITY CENTER	7.58
312	POLICE - BUDGET ACT OF 2016	339.09
TOTAL ALL FUNDS		97,450.70

BANK RECAP:

BANK	NAME	DISBURSEMENTS
BA	GENERAL CHECKING ACCOUNT	97,450.70
TOTAL ALL BANKS		97,450.70

SCOTTS VALLEY FINANCE DEPT. CITY OF SCOTTS VALLEY
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Report Selection:

RUN GROUP… 081619 COMMENT… 08/16/2019 A/P

Run Instructions:

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HISTORY FILES

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BA	GENERAL CHECKING ACCOUNT				
	ABA BUILDING SERVICES	116960	08/16/19	225.00	
	ADVANTAGE DRIVING SCHOOL	116961	08/16/19	700.00	
	ALLIANT	116962	08/16/19	117.00	
	ALPHA LAND SURVEYS, INC	116963	08/16/19	4,500.00	
	ASSOCIATED SERVICES CO.	116964	08/16/19	54.97	
	AVENU HOLDINGS, LLC	116965	08/16/19	1,803.85	
	BELCHER, EHLE, MEDINA &	116966	08/16/19	16,646.00	
	BOWEN/TIMOTHY D	116967	08/16/19	1,449.00	
	BRASS KEY LOCKSMITH	116968	08/16/19	38.94	
	CHIPMAN/PETER	116969	08/16/19	420.00	
	CIVIL CONSULTANTS GROUP	116970	08/16/19	9,755.00	
	COAST VETERINARY SERVICE	116971	08/16/19	511.20	
	COASTAL EVERGREEN CORP	116972	08/16/19	897.00	
	COMCAST	116973	08/16/19	333.22	
	CRYSTAL SPRINGS WATER CO	116974	08/16/19	20.90	
	CRYSTAL SPRINGS WATER CO	116975	08/16/19	50.25	
	DEPARTMENT OF JUSTICE	116976	08/16/19	138.00	
	DEPARTMENT OF JUSTICE	116977	08/16/19	32.00	
	DKF SOLUTIONS GROUP, LLC	116978	08/16/19	480.00	
	DYNAMIC PRESS	116979	08/16/19	234.27	
	ENVIRONMENTAL INNOVATION	116980	08/16/19	8,915.37	
	FAZIO-WALGREN/KAREN	116981	08/16/19	84.00	
	FELTON DENTAL CENTER	116982	08/16/19	348.80	
	FLANNERY/MARLENE	116983	08/16/19	87.98	
	GONZALES/GABE	116984	08/16/19	586.42	
	HADA/SUREYYA B.	116985	08/16/19	106.41	
	HAMPTON INN & SUITES	116986	08/16/19	269.39	
	HART/CYNTHIA S	116987	08/16/19	869.40	
	HDL COREN & CONE	116988	08/16/19	645.00	
	ICONIX WATERWORKS (US) I	116989	08/16/19	1,167.88	
	INTERSTATE SALES	116990	08/16/19	4,067.65	
	JONES/KIMARIE	116991	08/16/19	120.00	
	LLOYD'S TIRE SERVICE INC	116992	08/16/19	2,560.07	
	LOGAN & POWELL, LLP	116993	08/16/19	13,300.00	
	MAR-KEN INTERNATIONAL PO	116994	08/16/19	377.00	
	MATIASEVICH,JR/ROBERT N	116995	08/16/19	383.20	
	MC GRAW DDS/BERNARD	116996	08/16/19	188.50	
	MID VALLEY SUPPLY	116997	08/16/19	169.41	
	MISSION UNIFORM SERVICE	116998	08/16/19	802.21	
	MONTEREY REGIONAL	116999	08/16/19	5,722.15	
	PACIFIC GAS & ELECTRIC C	117000	08/16/19	52,181.15	
	PACIFIC GAS & ELECTRIC C	117001	08/16/19	29.33	
	PACIFIC GAS & ELECTRIC C	117002	08/16/19	24.95	
	PIED PIPER INC./THE	117003	08/16/19	78.50	
	PORTER DDS MS/BRENT J	117004	08/16/19	248.50	
	~~RENN/TIMOTHY~~	~~117005~~	~~08/16/19~~	~~1,972.00~~	VOID
	S.B.R.P.S.T.C.	117006	08/16/19	3,383.00	

Check History

HISTORY FILES

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BA	GENERAL CHECKING ACCOUNT			
	SANCRA	117007	08/16/19	60.00
	SANTA CRUZ OCCUPATIONAL	117008	08/16/19	150.00
	SCOTTS VALLEY BANNER	117009	08/16/19	130.00
	SCOTTS VALLEY CAR WASH	117010	08/16/19	121.94
	SHRED-IT USA	117011	08/16/19	104.94
	SILVIA/DONNA	117012	08/16/19	90.30
	TRAN, DDS/TRANG K.	117013	08/16/19	530.60
	U.S. BANCORP OFFICE	117014	08/16/19	374.27
	USELDINGER/MELANIE	117015	08/16/19	210.00
	VARGAS ACADEMY OF GYMNAS	117016	08/16/19	840.00
	VERIZON WIRELESS	117017	08/16/19	1,017.00
	WOWAK/PASCALE	117018	08/16/19	256.00
	ZOOM	117019	08/16/19	629.85
				141,609.77

REPORT TOTALS: 141,609.77

RECORDS PRINTED - 000092

SCOTTS VALLEY FINANCE DEPT.
CITY OF SCOTTS VALLEY
08/19/2019 18:53:48 Check History
GL060S-V08.12 RECAPPAGE

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
001	GENERAL	70,797.40
002	RECYCLING/ENVIRONMENTAL	4,845.37
004	RECREATION	7,586.73
010	WASTEWATER OPERATIONS	52,441.86
028	SENIOR CENTER	2,907.81
050	PINEWOOD EST LNDSCP MAINT DT	10.52
077	SKYPARK MAINT ASSESS DIST	34.22
112	DENTAL INS INTERNAL SERV	1,819.60
123	COMMUNITY FACILITY CENTER	1,166.26
TOTAL ALL FUNDS		141,609.77

BANK RECAP:

BANK	NAME	DISBURSEMENTS
BA	GENERAL CHECKING ACCOUNT	141,609.77
TOTAL ALL BANKS		141,609.77

Report Selection:

RUN GROUP... 083019 COMMENT... 08/30/2019 A/P

DATA-JE-ID	DATA COMMENT
W-08302019-962	08/30/2019 A/P

Run Instructions:

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Check Register

BANK	VENDOR	CHECK#	DATE	AMOUNT
BA	GENERAL CHECKING ACCOUNT			
.15387	AMS HEATING, INC.	117061	08/30/19	27,400.00
003149	AQUATIC BIOASSAY &	117062	08/30/19	4,330.00
001670	AT &T	117063	08/30/19	301.34
001963	BELLVILLE/WAYNE	117064	08/30/19	37.12
001593	BENEDICT DDS/NANETTE	117065	08/30/19	297.60
000018	BRINK'S TROPHY SHOPPE	117066	08/30/19	75.38
001633	CAL-WEST LIGHTING & SIGN	117067	08/30/19	10,092.98
000756	CENTRAL HOME SUPPLY	117068	08/30/19	502.14
003887	CHEUNG/ATHENA	117069	08/30/19	760.00
001051	COASTAL EVERGREEN CORP	117070	08/30/19	500.00
001896	D & G SANITATION	117071	08/30/19	103.55
001920	DASH MEDICAL GLOVES	117072	08/30/19	509.49
001362	DUNCAN AUTO TECH	117073	08/30/19	1,843.90
000321	FANTINO DDS/CHRISTINA	117074	08/30/19	107.50
003154	FLANNERY/MARLENE	117075	08/30/19	197.44
001828	GONZALES/GABE	117076	08/30/19	791.40
000895	GRANITE CONSTRUCTION CO	117077	08/30/19	74,191.19
001424	HEDRICK DDS MS APC/JOHN	117078	08/30/19	962.00
000615	HOHMANN/PATRICK J.	117079	08/30/19	130.65
001471	JACKSON DDS/ALISON K	117080	08/30/19	239.80
001308	JOHNSON DDS/BRETT	117081	08/30/19	167.20
003790	JOHNSON/JARED	117082	08/30/19	544.59
001903	JONES/KIMARIE	117083	08/30/19	899.25
000409	LC ACTION POLICE SUPPLY	117084	08/30/19	111.11
001020	LEADERSHIP SANTA CRUZ CO	117085	08/30/19	1,099.00
.15389	LEISURE WEST	117086	08/30/19	1,300.00
003749	MALECKI/MARCIE	117087	08/30/19	69.20
003403	MAR-KEN INTERNATIONAL PO	117088	08/30/19	260.00
003171	MICHALAK/GENE	117089	08/30/19	125.00
001965	MURRAY/DON	117090	08/30/19	55.93
001872	NORTH CENTRAL LABORATORI	117091	08/30/19	840.01
.15388	PERRY'S SPORTING GOODS	117092	08/30/19	239.36
001825	SANTA CRUZ CO HEALTH SER	117093	08/30/19	843.00
001364	SANTA CRUZ COUNTY	117094	08/30/19	46,428.00
003658	SANTA CRUZ OCCUPATIONAL	117095	08/30/19	571.00
003704	SCM PERFORMANCE	117096	08/30/19	800.00
001586	SCOTTS VALLEY CLEANERS	117097	08/30/19	638.00
000130	SCOTTS VALLEY FIRE DISTR	117098	08/30/19	2,076.70
003745	SCOTTS VALLEY HOTEL LP	117099	08/30/19	25,094.34
003548	TORO PETROLEUM CORP	117100	08/30/19	3,270.16
001625	YOSHIDA DDS/NOREEN	117101	08/30/19	242.00
	GENERAL CHECKING ACCOUNT			209,047.33 ***

BANK	VENDOR	CHECK#	DATE	AMOUNT
REPORT TOTALS:				209,047.33

RECORDS PRINTED - 000044

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
001	GENERAL	94,538.28
004	RECREATION	791.40
010	WASTEWATER OPERATIONS	9,240.17
012	WASTEWATER CAPITAL RESERVE	27,400.00
028	SENIOR CENTER	266.64
077	SKYPARK MAINT ASSESS DIST	603.55
112	DENTAL INS INTERNAL SERV	2,016.10
150	GENERAL CAPITAL IMPROVEMENTS	74,191.19
TOTAL ALL FUNDS		209,047.33

BANK RECAP:

BANK	NAME	DISBURSEMENTS
BA	GENERAL CHECKING ACCOUNT	209,047.33
TOTAL ALL BANKS		209,047.33

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: September 4, 2019

TO: Honorable Mayor and City Council

FROM: Daryl Jordan, Public Works Director/City Engineer

APPROVED: Tina Friend, City Manager

SUBJECT: **MODIFICATION OF WASTEWATER DIVISION MANAGER JOB DESCRIPTION AND SALARY RANGE**

SUMMARY OF ISSUE

With the recent departure of the City's Acting Wastewater Plant Superintendent, the City is beginning the search to fill the manager position at the Wastewater Treatment Plant (WWTP). Staff reviewed the existing job description for the Wastewater Division Manager and determined that changes were needed to reflect the contemporary duties and responsibilities of the position. A redlined, modified job description for Wastewater Division Manager is attached. The two sets of changes to the job description are: (1) language added that focuses more on plant management by keeping up with environmental regulations to ensure plant compliance; (2) language deleted to remove obsolete duties of electrical and instrumentation control work. These duties are not typically found in wastewater management job descriptions and would impede the success for Wastewater Division Manager recruitment.

In addition, while updating the job description staff reviewed the salary scale to examine potential compaction issues with subordinate positions as well as market competitiveness. From this analysis, a salary range adjustment of 15% is recommended. This change alleviates compaction with a subordinate position and establishes a salary range more in line with local market conditions for the scope of responsibility and certification grade.

Consistent with labor law, staff has conferred with the appropriate bargaining group regarding proposed position. Council authorization is required to modify the Wastewater Division Manager job description and establish the new salary range.

FISCAL IMPACT

The fiscal impact associated with the updating the Wastewater Division Manager salary range by 15% is approximately $18,500 annually to the Wastewater Treatment Fund; there is no General Fund impact. For FY 2019/2020, the increase can be absorbed into existing budget, given current salary savings. The exact fiscal impact this year is to be determined, depending on hire date.

STAFF RECOMMENDATION

It is recommended that the City Council adopt Resolution No.1955.5, updating the job description for Wastewater Division Manager and increasing the salary range by 15% on the salary schedule.

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RESOLUTION NO. 1955.5

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY UPDATING THE JOB CLASSIFICATION OF WASTEWATER DIVISION MANAGER AND INCREASING THE SALARY RANGE ON THE SALARY SCHEDULE

WHEREAS, the Wastewater Division Manager job description has been reviewed and modified to better reflect the responsibilities and requirements of the position to meet the current and future needs of the City;

WHEREAS, the classification's salary range was also reviewed within the context of salary scales of subordinate positions in the division and local market competitiveness, and, as a result, an increase in the salary range is recommended;

WHEREAS, City Council approval is needed to update the job description and establish a new salary range.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the City Council of the City of Scotts Valley that the job description for Wastewater Division Manager is hereby modified, as attached, to more accurately reflect the duties and responsibilities of the position; and a new salary range established for FY 2019/2020 to reflect a fifteen percent (15%) increase:

Position Classification	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
Wastewater Division Manager	7,177	7,536	7,912	8,308	8,723	9,160	9,617

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 4th day of September, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Jack Dilles, Mayor

Attest: ______________________________
Tracy A. Ferrara, City Clerk

CITY OF SCOTTS VALLEY
CLASS SPECIFICATION
WASTEWATER DIVISION MANAGER

JOB PURPOSE

Under general direction, to plan, organize and supervise the operation and maintenance of the City's wastewater treatment plant and related facilities to ensure efficient wastewater treatment in compliance with applicable regulations and standards; and to review current literature and make recommendations to ensure compliance with pertinent environmental regulations. ~~to design, modify and assist in the planning of upgrades and replacement of electrical service and instrumentation control; investigate and troubleshoot the repair and maintenance of electrical equipment, machinery, control panels, circuitry, alarm and operation control systems.~~

EXAMPLES OF DUTIES

Essential Duties:

- Plans, assigns and supervises the work of personnel engaged in wastewater treatment;
  ~~Initiate, supervise and participate in the complex maintenance and repair of electrical and mechanical equipment and instrumentation systems.~~
- Inspects work of subordinates to insure conformance with standards;
- Conducts performance evaluations and approves time cards and leave requests for employees supervised;
- Assists in selection and training of wastewater operations employees;
- Maintains quality control over all assigned activities by reviewing plant performance and operating data daily;
- Prepares administrative and technical reports, including monthly and annual reports to the Regional Water Quality Board;
- Analyzes operations and suggests and/or implements improvements;
- Makes recommendations on the types and kinds of equipment needed for wastewater maintenance and repair;
- Recommends policy or procedural changes and provides input to long-range goals and plans for the division to the Director of Public Works;
- Approves plant alterations and changes in operating procedures;
- Directs and assists or coordinates consulting engineering on wastewater projects;
- Prepares and monitors the division budget, maintaining control of expenses in accordance with appropriations;
- Interacts with vendors to obtain cost-effective supplies, materials and equipment;
- Calculates sewer permit and user fees in accordance with the budget;
- Monitors existing businesses and industries for source control and compliance with pre-treatment discharge regulations;
- Reviews industrial hook-up permits that are to be granted and approves or suggests changes to assure that the discharge would be in compliance with pre-treatment regulations;
- Remains up-to-date on laws and regulations affecting the wastewater operations by reviewing appropriate laws, codes, regulations and current literature;
- Establishes and maintains a computer data base on all divisional records;
- Performs related work as required.

EMPLOYMENT STANDARDS

Education, Experience and Licenses: Any combination equivalent to completion of 14 school grades with major course work related to water recycling/wastewater treatment, and extensive experience in the operation and supervision of a water recycling/wastewater treatment plant and sludge management and in the field of industrial supervision of a water recycling/wastewater treatment plant and in the field of industrial inspection and industrial discharge monitoring, particularly of toxic wastes and their effects on the activated sludge process; ~~experience in permitting requirements and regulations for air quality and storm water discharge; a minimum of five years experience with supervisory responsibility as journey level electrician in design, maintenance and process instrumentation control equipment in the water recycling/wastewater treatment field;~~ possession of a valid California motor vehicle operator's license and Grade III Wastewater Operator's Certificate issued by the California State Water Resources Control Board. ~~Water Treatment and Distribution certificates are highly desirable.~~

Ability to: Efficiently and effectively direct the operation of the wastewater division; supervise skilled, technical and professional workers; keep accurate records and write clear, concise reports; evaluate applicants for wastewater division positions; read, comprehend and apply complex laws and regulations; troubleshoot an upset in an activated sludge process and take corrective action; ~~investigate and troubleshoot the repair and maintenance of electrical equipment, machinery, control panels, circuitry, alarm and operation control systems;~~ lead and conduct meetings to train and educate staff in plant processes; reason and learn new techniques and equipment such as computer hardware and software; understand and follow oral and written instructions; maintain effective working relationships with subordinates and other employees; communicate in a courteous manner with the public; work independently, exercising good professional judgment and initiative.

Knowledge of: Modern water recycling/wastewater treatment plant operation practices and techniques; state and federal laws governing the operation of wastewater plants; construction and operation of tertiary treatment facilities; ~~design, maintenance and process instrumentation control equipment in the water recycling/wastewater treatment field~~ and principles of supervision; budgeting and accounting practices; basic principles of mathematics; basic mechanical and chemical principles; occupational hazards and safety precautions for the type of work performed.

CITY COUNCIL APPROVAL DATE: September 4, 2019

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: September 4, 2019

TO: Honorable Mayor and City Council

FROM: Daryl Jordan, Public Works Director/ City Engineer

APPROVED: Tina Friend, City Manager

SUBJECT: **CONSIDERATION OF RESOLUTION NO. 1969 AUTHORIZING THE MAYOR OR CITY MANAGER TO EXECUTE DOCUMENTS RELATED TO CALTRANS FUNDED PROJECTS AND PROGRAMS**

SUMMARY OF ISSUE

The City applies to the California Department of Transportation (CalTrans) for various projects and associated funding on a regular basis. CalTrans requires that the City have a resolution in place identifying who is authorized to execute documents. Passage of this resolution would authorize the Mayor or City Manager to execute documents necessary for these projects on behalf of the City.

FISCAL IMPACT

There is no fiscal impact.

STAFF RECOMMENDATION

It is recommended that the City Council approve Resolution No. 1969 authorizing the Mayor or City Manager to execute documents related to Caltrans funded projects and programs.

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RESOLUTION NO. 1969

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AUTHORIZING THE MAYOR OR CITY MANGAGER TO EXECUTE DOCUMENTS RELATED TO CALTRANS FUNDED PROJECTS AND PROGRAMS

WHEREAS, the City of Scotts Valley is eligible to receive Federal and/or State funding for certain Transportation Projects, through the California Department of Transportation; and

WHEREAS, Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements and/or Fund Transfer Agreements need to be executed with the California Department of Transportation before such funds could be claimed; and

WHEREAS, the City wishes to delegate authorization to execute these agreements and any amendments thereto to the Mayor or City Manager.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Mayor, City Manage and City Engineer are authorized to execute all Master Agreements, Program Supplemental Agreements, Fund Exchange Agreements, Fund Transfer Agreements and any amendments thereto with the California Department of Transportation.

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 4th day of September, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Jack Dilles, Mayor

Attest: ______________________________
Tracy A. Ferrara, City Clerk

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: September 4, 2019

TO: Honorable Mayor and City Council

FROM: Tony McFarlane, Administrative Services Director

SUBJECT: **DISCUSSION OF GENERAL FUND FIVE YEAR FINANCIAL AND FISCAL SUSTAINABILITY PLANS, INCLUDING BUDGET STRATEGIES ANALYSES AND SCENARIOS**

SUMMARY OF ISSUE

The City of Scotts Valley Fiscal Sustainability Plan (FSP) is an evolving financial strategy to safeguard the long-term stability of the Scotts Valley City government and delivery of its high-quality community services. Since 2017, the City Council has received and discussed several iterations of the FSP, with each FSP providing a contemporary forecast of City revenues and expenditures, characterization of deficits and financial threats, and options for corrective actions. The FSP is an important tool for budget and revenue accountability—and future planning.

The 2019 FSP has been in process since April 2019, adapting through City Council and Budget Subcommittee discussions this spring and summer, a transition to oversight from a new City Manager, and loss of a potential revenue option due to a key decision in Sacramento this summer. Through these transitions and changes, staff in consultation with the Budget Subcommittee have developed several budget scenarios and recommended revenue enhancements. Also attached is the Five-Year Financial Plan and Ten-Year General Fund Forecast, which establishes a baseline scenario and projection of our fiscal health given our status quo trajectory; that is, with no future changes to our expenditures, revenues, or economic base.

Financial Overview

As has been discussed since the first FSP, the City sits in a perilous financial position. After decades of lean funding and under-investment in capital, equipment and personnel, the City organization exhibits very low resiliency to external or internal pressures. With this compromised position, the City will struggle to continue City services while maintaining its General Fund reserves to meet the prudent 17% (two-month) operating budget reserve policy. We are on the path to reserve depletion. The FY 2019/2020 Budget was adopted with over a $1 million deficit, and the City is projected to use reserves to meet that difference this year. This unsustainable path leads the City to depleting its reserves by FY 2022/2023—just three years from now. Our acute budget condition presents a serious threat to the scope and quality of the services that the City can provide and that have marked Scotts Valley as an extremely desirable place to live and work. Compounding this challenge to simply hold the budget line is that the City is in serious need of investment to maintain basic operations—ranging from facilities, to technology infrastructure, to retaining and recruiting quality staff. Beyond that are necessary investments to move the City forward as a 21st Century City a stone's throw from the technological center of the world.

The City's financial health generally hinges on three factors: expenditure management, revenue generation from fees and taxes, and the state of the overall City economy, which drives revenues to the City. In this and past FSPs, City management and the City Council considers all three factors, with close scrutiny on cost controls, the City's part in growing a thriving local economy, and revenue generation.

The objective of the Council's September 4th consideration of the FSP is discussion, deliberation, and ultimately, direction to staff on the Council's preferred path. With that direction, staff will finalize the FY 2019/2020 FSP and Budget Document. Note that although the FY 2019/2020 Budget was timely adopted by the City Council on June 5, 2019, production of the hard copy budget and finalization of the City Manager's Budget Message relies on final City Council FSP direction for inclusion in these documents.

Five Year Financial Forecast

Over the next five fiscal years, the City's General Fund is facing annual deficits that will range from $1.15 million to $3.4 million. With Measure U expiring in March 2022, the structural deficit is projected to be $5.8 million by the end of Fiscal Year 2023/24. The forecast also projects that General Fund reserves will be below the minimum 17% target level by the end of Fiscal Year 2020/21. Factors causing the structural deficit include the sunset of Measure U, increasing personnel costs related to pension obligations and health care, and a projected slowdown of revenues beginning in 2022.

Attachment A is a draft of the Five and Ten-Year Financial Forecast section of the FY 19/20 Budget document. This section of the budget will be finalized pending Council direction on the recommended budget strategies related to the FSP.

Attachment B is a draft of the Summary of Key Assumptions Used in Preparation of the Five-Year Financial Plan and Ten-Year Financial Forecast section of the FY 19/20 Budget document. This section will be finalized pending Council direction on the recommended budget strategies related to the FSP.

Fiscal Sustainability Plan

Fiscal Year 2018/19 FSP Recap

The FY 2018/19 FSP was adopted in order to address a projected structural deficit of $1.8 million through FY 2022/2023. The plan was developed revolving around the following four criteria;

1. Revenue Enhancements
2. Expenditure Controls/Cost Shifts
3. Service Delivery Changes
4. Service Level Reductions

In the process of developing the FSP, the Council showed a strong preference to not reduce service or staffing levels. The Council adopted the following strategies for the FY 2018/19 FSP.

Revenue Enhancements

- Extend and increase the temporary sales tax known as Measure U from 0.50% to 0.75%
- Increase the Transient Occupancy Tax from 10% to 11%

Expenditure Controls/Cost Shifts

- Through labor negotiations have employees start picking up the employee share of PERS contribution rates paid by the City
- Revise cost allocation of General Fund services to Wastewater operations

Service Delivery Changes

- Outsource Vehicle Fleet Maintenance
- Online Permitting

During Fiscal Year 2018/19, the City accomplished the following;

1. Increased the Transient Occupancy Tax to 11%
2. Successfully negotiated with employees to start picking up the full employee's share of the PERS contribution rate phased in over three years
3. In February, the Council directed staff to work with Assemblymember Mark Stone's office for a legislative exemption to the 2% tax cap established by state law. If passed and signed by the Governor, the City could have increased Measure U from 0.50% to a full 1.0% and generate an additional $650,000 to $700,000 in sales tax revenue. AB618 passed the Legislature, however, it was vetoed by Governor Newsom.
4. Refunded three Certificate of Participation (Lease) bonds that will save the City over $1,000,000 in debt service payments through Fiscal Year 2042/43
5. Adopted an Unfunded Actuarial Liability (UAL) Prepayment Policy that will allow the City to save on future pension obligations through reduced interest payments

Fiscal Year 2019/20 FSP Development

The FY 2019/20 FSP was developed using the same previously mentioned criteria. Staff worked internally and consulted with the budget subcommittee on the recommended strategies being brought forward tonight. As stated previously, the City is facing annual deficits ranging from $1.15 million to $3.4 million over the next five fiscal years. It will be a challenge to maintain the 17% reserve target level without considering service level reductions.

Revenue

Three tax measures are recommended to enhance revenue.

Sales Tax (Measure U) - passed in 2013 and set to expire in March 2022 is a ½ cent sales tax. Should the tax expire, it will reduce General Fund revenue by approximately $1.4 million in FY 2022/23. Increasing this tax to ¾ cent, or 0.75%, will capture the remaining tax capacity for City use solely. It will also bring in substantial revenue. Current Measure U revenue is approximately $1.38 million. If the tax is increased to 0.75%, revenue from this tax will increase to an estimated $1.94 million in Fiscal Year 2021/22.

It also important to keep in mind that sales tax is a volatile revenue source and fluctuates with the economy. Sales tax revenue is on a declining trend and the City should lessen reliance on this source. Increasing to 0.75% places Scotts Valley on the same level as Santa Cruz and Watsonville. If the sales tax is increased on a temporary basis, then the City will still be vulnerable to fiscal challenges in the future. Staff is recommending placement of a ballot measure to increase the Measure U sales tax rate to 0.75% and requesting Council direction to either continue as a temporary tax or make it permanent for March 2020. The following table compares the sales tax rate of Scotts Valley to the other entities within the County.

	SV	Capitola	Santa Cruz	Watsonville	County
Sales Tax	9.0	9.0	9.25	9.25	9.00

In order for a sales tax measure to be placed on the March 2020 ballot, a fiscal emergency must be declared prior to December 2019.

Utility Users Tax (UUT) – The current UUT rate of 4% on Gas and Electric providers has been in place since 1992. A 1% increase in the rate could bring in an additional $200,000. Increasing the scope of the UUT to include telephone could also bring in an additional $240,000. The following table illustrates the revenue per capita from neighboring cities with Telephone within the scope of UUT.

City	Santa Cruz	Monterey	Salinas
Revenue per capita	$37	$27	$22

State law allows cities to impose a UUT on the consumption of utility services including, but not limited to, Electricity, Gas, Water, Sewer, Telephone (cell phones and long distance), Garbage, and Cable Television. Over the past 10 years, cities have been modernizing UUT ordinances to capture the latest in technological advances. The following table illustrates the scope and the rate in percentage by category in neighboring cities.

City	Tel	Wire	Elec	Gas	CATV	Water	Sewer	Garb
San Cruz	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Wats	5.5	5.5	6.0	6.0	5.5	6.0	0.0	0.0
Monterey	2.0*	2.0*	2.0*	2.0*	0.0	2.0*	0.0	0.0
Salinas	5.0	5.0	6.0	6.0	5.0	6.0	0.0	0.0
San Jose	4.5	4.5	5.0	5.0	0.0	5.0	0.0	0.0
SV	0.0	0.0	4.0	4.0	0.0	0.0	0.0	0.0

*Monterey has a 5% commercial rate

As the table illustrates, different rates can be established for each category and are not uniform along residential and commercial users. Should the scope of the City's UUT include telephone, revenue per capita is conservatively estimated to be in a range of $20 - $25. This translates to approximately $1.67 to $2.08 per month per individual, or $7 to $8 for a family of 4 per month. Staff is recommending placing a ballot measure in November of 2020 that will increase UUT to 6% and requesting Council direction on expansion of scope to include telephone and wireless telecommunication.

Transient Occupancy Tax (TOT) – The City recently increased the TOT rate to 11% in November 2018. TOT revenue increased significantly for the City in Fiscal Year 2018/19. The increase in TOT took effect on Jan 1, 2019 and the City realized a 5 percent bump from the increase. The Four Points Sheraton also opened in December 2018 and 1440 Multiversity exceeded projections. The following table compares the TOT rates of Scotts Valley with the other agencies within the County

	SV	Capitola	Santa Cruz	Watsonville	County
TOT	11.0	12.0	11.0	12.0	11.0

A 1% increase in TOT will generate an estimated $254,000 in additional revenue in Fiscal Year 2022/2023. Staff is recommending placing a measure increasing the TOT rate by 1% on the November 2022 ballot.

Attachment C summarizes the recommended budget scenarios.

Expenditure Control/Cost Shifts

As noted earlier, staff has completed or is currently working on the following items to control costs;

1. Fleet Maintenance – staff will soon be bringing to Council a contract for outsourced fleet maintenance services.
2. Refunding City Debt – In June, the City refunded bonds that will save the city over $1 million in debt service payments through Fiscal Year 2042/43
3. Shared Services – During Fiscal Year 2018/19, the City entered into a contract with the City of Capitola for a shared building inspector
4. Prepay Retirement to CalPERS – In May, the Council adopted a policy to prepay retirement obligations at a lower cost and to use those savings to pay down the unfunded liability in some of the City's retirement plans.
5. Outsourced City Services – Building and Planning staff are mostly contract staff and business license administration will be handled by a third party vendor after this current fiscal year
6. Adjusted Cost Recovery – In Fiscal Year 2018/19, the Council adopted a new fee structure that will increase the City's cost recovery for services to over 80%

These are some of the accomplishments made over the past two fiscal years. However, there is more work to be done. Staff will be undergoing a review of all services to identify opportunities for shared services or contracting models.

FISCAL IMPACT

There is no fiscal impact associated with receiving the report. The financial strategies discussed as part of this report and subsequent direction provided by Council will help to address the City's long term structural deficit.

STAFF RECOMMENDATION

It is recommended that Council receive the report and provide direction to staff on the mix of budget strategy options that it wishes to pursue to close the City's projected structural deficit. It is also recommended that Council direct staff to conduct any additional analyses as needed as part of the FY 2019/20 budget.

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FIVE- AND TEN-YEAR FINANCIAL FORECAST
(FY 2019/20 to FY 2028/29)

The City has prepared a five-year financial forecast for all funds, and a ten-year financial forecast for the General Fund. These forecasts not intended to accurately predict in fine details the outcome of future financial operations. Rather, financial forecasts are used as planning tools to identify future trends and issues that require policy direction relative to capital improvement expenditures funding, providing and maintaining service levels to the community, and identify if there are any fiscal challenges that lay ahead that may require revenue enhancements to maintain desired service levels, or expenditure cuts in order to protect the city's fiscal resources.

The key in preparing any forecast is to start with a reasonably accurate assessment of current revenue projections, develop an expenditure plan that is reflective of the current service levels, and incorporate a capital expenditure plan that identifies the priorities for maintaining city infrastructure.

It was only five years ago when the City, the region, California, and the nation exited one of the worst economic recessions since the 1920's. Economists were suggesting economic growth at a slow to moderate pace. The greater Bay Area has experienced one of the highest levels of economic expansion in recent history. Unemployment in California and the region have hovered around the 4% level, which many are considering the "new normal" for full employment. Property values in Silicon Valley have skyrocketed, incentivizing more people to seek properties in Scotts Valley and the Central Coast, increasing property values and impacts on local roadways for those that commute over the hill every day for work. Demand for affordable housing continues to increase. Real estate demand is exceeding supply, and inventory of available single-family residences and condominium/townhome units continue to be at historically low levels.

Developers are seeking opportunities to develop residential and commercial properties in Scotts Valley and the region. The new 128-room Four Points Sheraton Hotel opened in December 2018 providing an additional source of transient occupancy tax revenue for the City. Other projects include the Town Center along Mount Hermon Road, which is still in the pre-development stage. Finally, the City is currently updating its General Plan, which will include an Economic Development Element, helping the City to strategically facilitate business expansion, retention, and attraction.

And yet, even with current and anticipated development, the City continues to face significant fiscal challenges. The previous and continued deferral of capital improvement projects due to limited revenues is manifesting itself in increased maintenance and infrastructure costs. For example, it will cost the City an estimated $950,000 annually just to maintain City roadway infrastructure at a "fair" level (target index level of 70). Other needs include ample storm drain improvements and parks infrastructure projects, and the replacement and maintenance of City fleet and equipment.

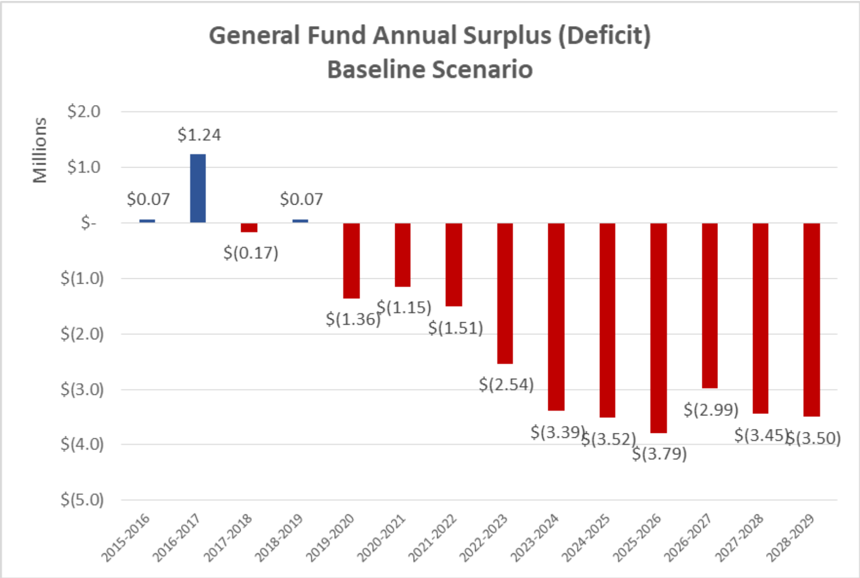
Further, the Building Division has had difficulty in filling inspector positions due to the frenetic pace of development within the region and the relatively low compensation levels that the City is able to provide to potential candidates based on current compensation and benefit levels.

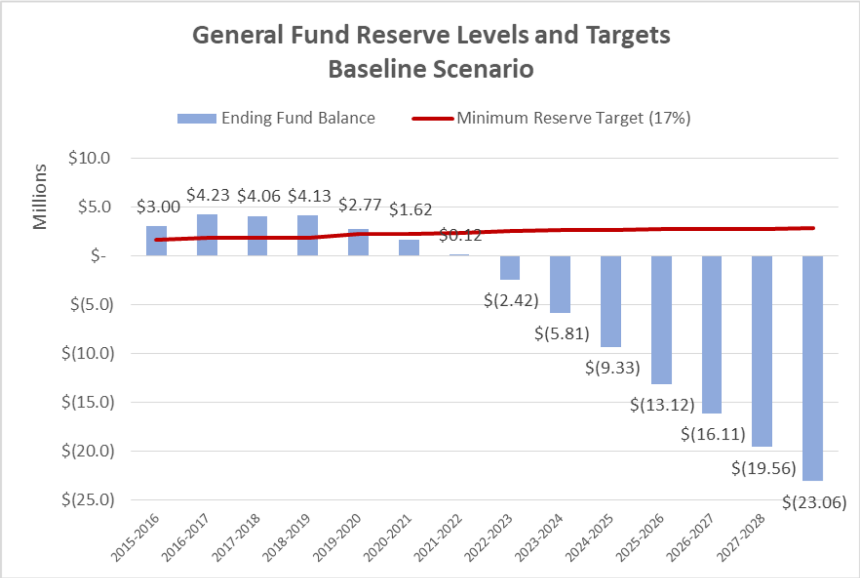
The General Fund is also expected to continue to subsidize the cost of providing recreation services to maintain affordable programs and facility rentals to the community.

Finally, the overall cost of providing citywide services is expected to further increase due to CalPERS' reduction of the pension investment return (discount) rate from 7.5% to 7.0% that will result in pension cost increases of $1.1 million per year by FY 2022/23 to fund employee benefit obligations. CalPERS continues to discuss further discount rate reductions which would have a significant and devastating impact on city services.

The **baseline five-year financial forecast for all funds other than the General Fund** indicate that those funds will maintain sufficient reserves to meet future operating and capital requirements. The General CIP fund that funds capital improvement projects for which there does not exist sufficient dedicated funding sources will require an infusion of capital from the General Fund totaling $1.6 million over the next five years to fund the projects included in the five-year CIP plan. The Wastewater fund is expected to have sufficient reserves through FY 2019/20 when the final year of a three-year rate increase that started in FY 2017/18 is completed. A rate study will need to be conducted at that time to determine the need for future rate increases to meet operational and capital expenditure requirements.

The baseline ten-year financial forecast for the General Fund indicates that the City will face a fiscal emergency if no action is taken by FY 2019/20 to correct the imbalance. The General Fund is projected to have an ongoing annual structural deficit that grows to nearly $5.8 million by 2023/24 in spite of planned development activity and prudent spending actions that the current Council and staff have instituted over the past several years. General Fund reserves will fall $641,752 below the targeted minimum reserve level of two months (17%) of annual operating expenditures by FY 2020/21, and will be nearly depleted by the end of FY 2021/22, if corrective action is not taken. These are shown in the figures that follow.



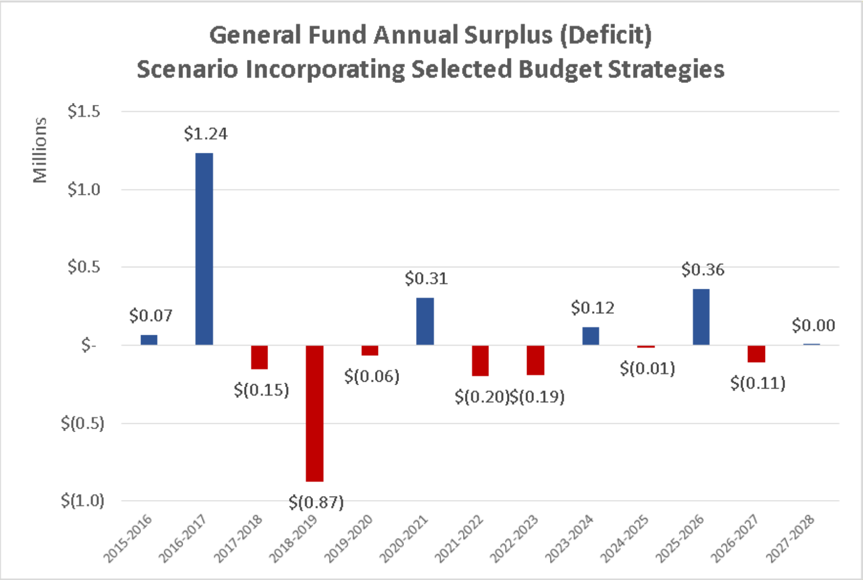


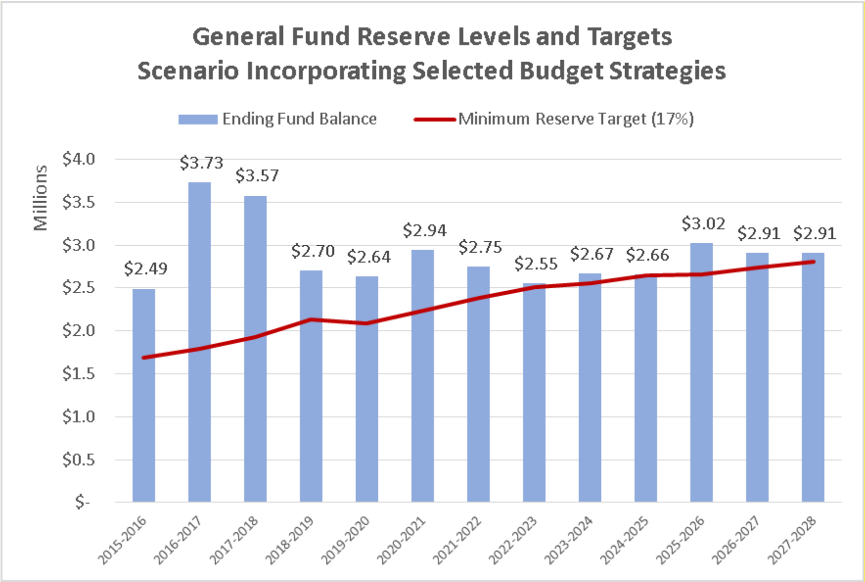
The City faces unfunded or underfunded obligations and capital improvement costs over the next ten years, including:

- **Other Post-Employment Benefit Costs** – The ten-year forecast includes partial funding of the City's other post-employment benefit (OPEB) obligations by funding 25% of the difference between the pay-as-you-go amount and the annual required contribution based on the latest actuarial evaluation into an irrevocable trust. While this will help to pay down its OPEB obligations, the City will continue to fall behind its commitments if it does not fund its annual required contributions to the plan.
- **Equipment Replacement** – the City is not setting aside any funding for replacement of equipment, vehicles, technology and facility repair costs. It will face difficulties in meeting those requirements as equipment ages and creates challenges in supporting the operations that serve the community.
- **Information Technology** - Other than the Police department, the City has not made any significant investment in information technology. In most departments, systems are either outdated or nonexistent. Current resources are focused on updating and maintaining network servers and infrastructure. Significant investment of resources is needed to update or install new systems in Finance, Public Works, and Community Development.
- **Unfunded/Underfunded Capital Improvement Projects** - The Five-Year Capital Improvement Project Plan that is incorporated into the five-year financial plan indicates that most projects are fully funded. However, there exists approximately $9.3 million in unscheduled, unfunded projects related to sidewalks, bicycle transportation plans, storm drains, city facilities and park improvements. This does not include the challenges that the City faces in funding roadway improvements that will allow the city to increase its pavement condition index to the target index level of 70.

(To Be Updated Pending Council Direction)

The City has completed a preliminary comprehensive Fiscal Sustainability Plan (FSP) to address the fiscal challenges that lie ahead. The budget strategies that have been analyzed and developed to meet the fiscal challenges are incorporated into a separate General Fund budget scenario. The strategies include expenditure controls/cost shifts and service delivery changes intended to maintain or improve existing service levels at lower costs. Ultimately, the City will face the need to implement revenue enhancements if it wishes to maintain services and infrastructure for the community's benefit. The combination of those strategies, including revenue enhancements that require voter approval, would allow the City to maintain fiscal sustainability for its General Fund as projected in the following figures.





The FSP will need to incorporate the necessary elements and engagement with the community to prioritize the strategies to be employed to maintain Scotts Valley's fiscal health for the coming years.

City of Scotts Valley
Summary of Key Assumptions Used in Preparation of the Five-Year Financial Plan for the Five Years Ended June 30, 2024 and Ten-Year Financial Forecast for the General Fund for the Ten Years Ended June 30, 2029

The City of Scotts Valley Five-Year Financial Plan covers the five-year period ending June 30, 2024. Because of the anticipated fiscal gap projected in the General Fund, a ten-year financial forecast has been prepared for that fund for the ten years ending June 30, 2029. The analyses make key assumptions that, based on historical trends and current information received from various sources, are considered most likely to be incurred. The key assumptions made in the preparation of the Plan are listed here. The sources used in preparing these assumptions were:

- Budget and economic information from the State Department of Finance and the Legislative Analyst's Office
- Consumer price index adjustments from the Bureau of Labor Statistics
- Residential property value trends from the National Association of Realtors, California Association of Realtors, and the Santa Cruz County Association of Realtors
- Consumer spending and interest rate trends as compiled by the Federal Reserve Bank
- Property assessment valuations from the County Assessor's office
- Anticipated commercial and residential developments in the City from the Community Development Department
- Unemployment rates from the Bureau of Labor Statistics and the California Employment Development Department
- Market rates realized on existing investment securities
- Availability of Federal and State Grants
- Pending and current legislation affecting local government revenues and costs
- Known one-time revenues and expenditures

Baseline and Fiscal Sustainability Plan Scenarios

A baseline scenario has been prepared for all funds based on currently known and anticipated trends both in terms of revenues and expenditures. The City is currently reviewing long-term budget strategies that will help resolve the General Fund's structure deficit, referred to as the City's Fiscal Sustainability Plan. Based upon the latest City Council direction received on June 5, 2019, a separate scenario has been prepared for the General Fund that forecasts the impacts of the various budget strategies of the Fiscal Sustainability Plan if they were to be successfully implemented ("FSP Scenario"). The FSP Scenario incorporates all the baseline scenario assumptions indicated herein. The budget strategies that comprise the current Fiscal Sustainability Plan are included in a separate section at the end of this document.

Section 1 – Baseline Scenario

Overall Economic Forecast

The City continues to experience a recovery in its recurring revenue streams. Property values and home sales have increased, although there are concerns that increasing interest rates may place a damper on the affordability of home purchases in the next three years. Sales tax and personal income tax revenues statewide continue to rise. Unemployment rates for the US and California are 4.7% and 4.2%, respectively. Santa Cruz County and Scotts Valley unemployment rates are down by 1.4% and 1.2%, respectively, from the prior year. The overriding assumption used in this forecast is that Scotts Valley's revenues will experience modest growth rates of approximately 1% to 5% over the next five years depending on revenue source, discussed more fully in the section that follows.

Recessions

Historically, California and the greater Bay Area have experienced recessions once every seven years. Recessions typically impact cities' General Fund revenues by about 5-10%, depending on the severity of the recession, and typically find that revenues will recover over a three-year period. The last recession – the Great Recession of 2007/08 – was considered to be an outlier by most economists in terms of its magnitude. The forecasts assume that modest recessions will occur that impact General Fund revenue source by approximately 5% and that recover over three years. The first recessionary impact is assumed to occur in FY 2021/2022 as it has been over 10 years since the last recession occurred.

Reserve Policies

The City Council's established minimum reserve policies for its various funds has been indicated in the forecast as follows:

- *General Fund* – Minimum target reserve of two months (or 17%) of annual operating expenditures plus net transfers out (in)
- *General CIP Fund* – Minimum target reserve of $500,000
- *Recreation Fund* – Minimum reserve level of zero ($0) with annual transfers, as necessary, from the General Fund to fully subsidize costs not recovered through fees and charges
- *Wastewater Funds* – Minimum reserve level of eight months (67%) of annual operating expenses plus $1 million for capital outlay needs

Revenue Assumptions

Assumptions made in determining significant revenue amounts are listed below:

Development –Planning, Permit, Development Impact Fees, Transient Occupancy Taxes

Projects included in the forecast are reasonably expected to start construction in the next 12-18 months. Planning, permit and development impact fees, and transient occupancy taxes have been projected for these projects. Inasmuch as the final project assessed valuation is not reasonably determinable at this point, and that the property tax apportionment rate (6.5%) is relatively low for Scotts Valley, property tax revenues have not been estimated for these projects in the five-year forecast.

- *Development Projects* – There are several residential and commercial projects that are reasonably expected to pull permits and start construction within the next 12-36 months. These projects are expected to generate over $3 million in one-time impact fees based on the proposed number of units for each project for impacts to City and police facilities, library, parks and recreation, and traffic and wastewater treatment. Building permit and plan check revenues have not been estimated for these projects pending submittal of preliminary plans.

Property Taxes

- The County Assessor's office provided updated assessed valuations for Scotts Valley for FY 2019/20, which indicated an expected property tax growth rate of approximately 4% from FY 2018/19. Based on the trends in the real estate market and information provided by the Assessor's Office, property taxes are expected to increase by 4% in future years.

Sales & Use Tax

- The City's sales tax consultant, HdL Companies, is estimating sales taxes in FY 2019/20 to remain virtually constant with the prior year and are expecting a growth of 2% per year in future years.
- The projections for Measure U sales tax revenues, the City's 0.5% local transactions and use tax rate, is also expected to grow by 2% in future years. However, Measure U sunsets in March 2022. The baseline scenario does not include any assumptions relative to the continuation of these sales tax amounts beyond that date. Measure U would be expected to generate approximately $1.4 million per year in its final year prior to sunset.

Transient Occupancy Tax (TOT)

- Current tax rate of 11% is assessed to people staying in the City's hotels. Modest growth of 4% is expected in FY 2019/20, and 3% thereafter throughout the ten-year forecast based upon current occupancy levels and increases in room rates for the five existing TOT generators: Hilton Scotts Valley/Santa Cruz, Best Western Scotts Valley, Santa Cruz Ranch RV Park, 1440 Multiversity, and Four Points Sheraton.

Franchise Fees

- Franchise fee revenues from PG&E (gas and electric), GreenWaste (solid waste) and AT&T and Comcast (video services) have remained relatively stable. The forecast for gas, electric and video services assumes modest 3% growth in FY 2019/20 and in each subsequent year thereafter. Solid waste is expected to grow at only 1% in future years due to increased recycling efforts.

Utility Users Tax (UUT)

- The City levies a 4% UUT on PG&E for gas and electric service. UUT revenues are expected to remain flat in 2019/20 based on project electric/gas rates and reduced use, and then grow by 3% per year thereafter.

Business License Tax

- The Business License Tax Ordinance was last updated in 1992 and is primarily based on employment for each business. Revenues have been reset based on FY 2018/19 collections. Annual growth in the business license tax base of 3% per year is assumed throughout the forecast.

Planning, Building and Public Works Permit Revenues

- The forecast isolates significant one-time permit revenues from the projects mentioned above from the recurring permit revenues that come as a result of tenant improvements, residential permits, and other typical permit in the ordinary course of business. These recurring revenues are expected to grow at a 3% rate in future years.

Investment Earnings

- The daily yield on the City's LAIF deposits as of April 29, 2018 was 2.43%. This rate is about 71 basis points (0.71%) higher than this time last year. No significant growth in investment returns is anticipated in the five-year period. Fluctuations in investment earnings will be based upon expected fund balance surpluses or deficits in each year.

Wastewater Revenues

- <u>Wastewater Rates</u> – Wastewater rates were set based on the results of a wastewater rate study performed in June 2017 and implemented for a three-year period from FY 2018/19 to FY 2019/20, which included a series of increases in rates by 15% per year.
- <u>Wastewater Development Impact Fees</u> – based upon the anticipated development projects discussed earlier, the City expects to collect nearly $2.2 million in one-time wastewater development impact fees. Recurring wastewater impact fees of $50,000 are estimated in FY 2019/20, with a 3% growth in future years.

Gas Tax Revenues

- Historical gas tax revenues collected under the provisions of California Streets and Highways Code §2103-2107.5 are expected to total $297,300 in FY 2019/20 based on preliminary estimates from the State Department of Finance and analysis by the League of California Cities' financial consultant, Michael Coleman. Future gas tax revenues are expected to remain flat as conservative projections and due to decreased consumption of fuel by hybrid and electric vehicles (the gas tax is a per-gallon charge that is not dependent on the price of fuel).
- The State Legislature approved, and the Governor signed into law, the Road Repair and Accountability Act of 2017 (SB-1), which imposes higher gas tax and vehicle registration fees, and will increase vehicle registration vehicles on zero-emission vehicles. The funds are restricted to specific types of transportation projects, but by and large are consistent with the transportation funding needs of the City's street improvement programs. Revenue estimates for Scotts Valley indicate $215,700 in FY 2019/20, growing to $278,000 per year by 2020/21 and thereafter based on estimates by the Department of Transportation.

Recreation and Facility Programs

- The City conducted an internal review of recreation rates in May 2017 and the City Council set new fees and charges for FY 2018/19, increasing fees for certain recreation programs and facility rental charges. Revenues are conservatively projected to hold constant in 2019/20 and grow by 3% thereafter.

State Budget

- The Governor's proposed State Budget issued in January 2019 did not include any provisions that would negatively impact local government revenues. The City will continue to watch development of the State Budget for any issues that may potentially affect Scotts Valley when the Governor issues the May Revise at around the same time that the City Council reviews this preliminary budget.

Expenditure Assumptions

Assumptions made in determining significant expenditures are listed below:

Service Levels and Capital Improvement Projects

- The baseline five-year financial plan assumes that services provided to the community will remain at their current levels.
- Proposed Capital Improvement Projects in the five-year forecast are shown as funded and incorporated into the Plan. Several projects are not indicated in the long-term capital improvement plan as "unscheduled and unfunded" pending identification of a source of revenues.

Employee Services

- Salary and benefit amounts for FY 2019/20 have been included based on the pay plans and memoranda of understanding for bargaining units currently in effect in FY 2018/19, and employees' existing benefits elections. Vacant positions have been budgeted at the top step of the pay plan as a conservative budgetary placeholder for those positions. For FY 2019/20 through FY 2023/24, a conservative placeholder growth factor of 3% is included in light of employees that would be eligible for future merit increases relative to the existing pay plan and for other nominal increases.
- Much of the City's workforce falls under collective bargaining agreements. The City completed labor negotiations with its police officers and supervisors, mid-management employees, and employees represented by the Service Employees International Union (SEIU) Local 521. Agreements with the police officers and supervisors are in effect through FY 2019/2020 with the other bargaining agreements expiring in FY 2020/21.
- CalPERS actuarial assumption changes relative to expected investment returns (reduction of the Discount Rate from 7.50% to 7.0% through FY 2021/22) have been incorporated in the ten- and five-year forecasts. The employer rates for public safety are expected to increase from 40% of compensation in FY 2019/20 to 60% in FY 2023/24. Employer rates for miscellaneous employees are expected to increase from 29% of compensation in FY 2019/20 to 46% in FY 2023/24. The net total (General Fund) increase in pension costs will be $220,000 ($187,000) per year in FY 2019/20, increasing to $839,500 ($713,000) per year in FY 2023/24. These increases have been incorporated into the ten- and five-year forecasts.

Supplies and Services, Capital Outlay, Internal Service Charges, and Reallocations

- An increase of 3% in annual expenditures for these categories was used based on long-term CPI trends, which is consistent with investment yield rates in 10-year Treasury Inflation Protected Securities, a leading indicator of long-term CPI expectations.

Realistic Expenditure Savings Forecast

- The General Fund is expected to realize budgetary expenditure savings of 1% due to a variety of factors, the most significant being salary savings generated from the retirement or separation from employment of employees and those positions are then vacant during the recruitment process. The five-year forecast for the General Fund includes a conservative 1% expenditure savings assumption for FY 2019/20 to FY 2028/29 to reflect a more realistic picture of the City's anticipated fiscal results in future years. This expenditure savings is not included in FY 2019/20 to continue the conservative budgeting philosophy relative to current operations.

(The following to be updated pending Council direction)

Section 2 – Fiscal Sustainability Plan (FSP) Scenario

The results from the baseline General Fund forecast indicates an ongoing structural deficit of expenditures and transfers exceeding projected revenues by nearly $2.4 million per year. The City has been addressing the projected structural deficit by analyzing various budget strategies that would serve to eliminate the fiscal gap.

Based upon a series of City Council meetings held in December 2017 and March and May 2018, the City Council determined to include a collection of revenue enhancements, expenditure control/cost shifts, and service delivery change options in its FSP. These budget strategies build upon the baseline scenario indicated above and have been included in the FSP Scenario for the General Fund.

It should be noted that these strategies will require further deliberation and action by the City Council prior to implementation, and in the case of revenue enhancements will require voters to approve tax measures prior to their implementation.

The budget strategies included in the FSP Plan are listed below by category.

Revenue Enhancements

Transient Occupancy Tax Increase

The FSP includes an assumption of an increase in the TOT rate from 11% to 12% in an election to be held in November 2022. If approved, the rate increase would yield the following additional revenues to the City's General Fund starting in FY 2019/20 based upon the baseline scenario TOT projections:

Fiscal Year	Projected Additional Annual Revenue
2019/20	$181,400
2019/20	462,600
2020/21	524,900
2021/22	546,200
2022/23	603,900
2023/24	652,500
2024/25	671,400
2025/26	690,800
2026/27	689,800
2027/28	716,600

Local Transactions and Use (Sales) Tax Increase and Extension

The FSP also includes an assumption of an increase in the local sales tax rate previously adopted under Measure U, increasing the rate from 0.50% to 0.75%. The assumption is that an election would be held in March 2020, requiring the City to declare a fiscal emergency under the provisions of the California Constitution Article XIII-C. The assumption is that the tax rate would go into effect not later than July 1, 2020. There is no assumption made relative to the period of time that would be assigned to the measure, however the FSP assumes that the measure, if approved, would remain in effect through FY 2027/28 and would yield the following additional revenues above the baseline scenario:

Fiscal Year	Projected Additional Annual Revenue
2019/20	N/A
2019/20	162,300
2020/21	673,300
2021/22	$1,047,200
2022/23	2,172,100
2023/24	2,252,500
2024/25	2,335,900
2025/26	2,422,400
2026/27	2,347,300
2027/28	2,434,100

Expenditure Controls/Cost Shifts

Pension Cost Sharing by Employees

Employees hired as Classic Members in CalPERS began contributing 3% of their annual compensation towards pension costs in FY 2018/19 and will continue to increase through FY 2020/21. This strategy requires the City to meet and confer with its labor groups on this provision prior to implementation. The General Fund impact of this budget strategy would reduce costs by approximately $105,000 per year starting in FY 2019/20, which would increase to the extent that employee annual salaries increase in future years.

Cost Allocation Plan to Shift Costs to Wastewater Operations

General Fund administrative departments such as City Manager, City Attorney, and Finance incur costs related to administering Wastewater Enterprise Fund operations. The results of a recent independent cost allocation plan study indicates that the General Fund would be eligible to increase its cost allocation to the Wastewater Operating Fund by $35,000 per year. The FSP assumes that this would go into effect starting in FY 2020/21 so that the wastewater fund may incorporate the additional cost into a rate study after the current rate increases end in FY 2019/20.

Service Delivery Changes

Vehicle/Fleet Maintenance

The FSP includes an assumption that the City will evaluate the delivery of vehicle/fleet maintenance services to determine the opportunity to outsource the service with local private repair shops at a reduced cost. The City would also implement a fleet utilization study to ensure that the inventory of vehicles in the City's fleet is appropriate to its needs. It is assumed that the current employees would be utilized as maintenance workers/supervisor in the Public Works department. There is no current fiscal impact incorporated into the FSP Scenario pending evaluation of contracting services net of the cost maintain by retaining staff to fill other Public Works positions.

Online Permitting

The FSP also includes an assumption that the Community Development department will evaluate and implement a permit tracking system that would include the ability for developers, contractors and property owners to apply for planning and building permits online. The cost of permit tracking systems range would be $150,000 and may require an update to the City's financial management system that could cost $400,000 for a city the size of Scotts Valley. There would also likely be additional consulting costs associated with implementation of the new systems of up to $100,000. There would be the opportunity to collect revenues through planning and building permits to recover costs associated with the investment in technology that, over time, may fully reimburse the City for its capital outlay and implementation costs. There is no current fiscal impact incorporated into the FSP Scenario pending an evaluation of permit tracking and financial management system software needs and the potential revenue generation that could help pay for those systems.

Restored Fiscal Capacity

Replenishment of Reserves

Implementation of the FSP would enable the City to replenish its reserves and maintain them at a target level of 17% or higher in each year of the ten-year forecast. It also allows the City to provide funding towards replacing equipment used in serving the community, pay down its retiree medical costs, and invest in capital improvement needs that are currently unfunded or underfunded, as indicated below.

Equipment Replacement Funding

The City conducted a study of its fleet, equipment and facilities inventory that supports operations in FY 2018/19. The result of that study indicated an annual replacement cost attributable to the General Fund totaling $347,500 per year. Set aside funding for equipment replacement costs are included in the FSP Scenario to begin funding equipment replacement starting only after which time the local sales tax measure would be approved. There would then be sufficient fiscal capacity to begin to fund equipment replacement costs, which would start at $69,500 in FY 2020/21 and would ratably grow to full funding over a five-year period of $347,500 per year by FY 2024/25.

Retiree Medical Post-Employment Benefit Obligation

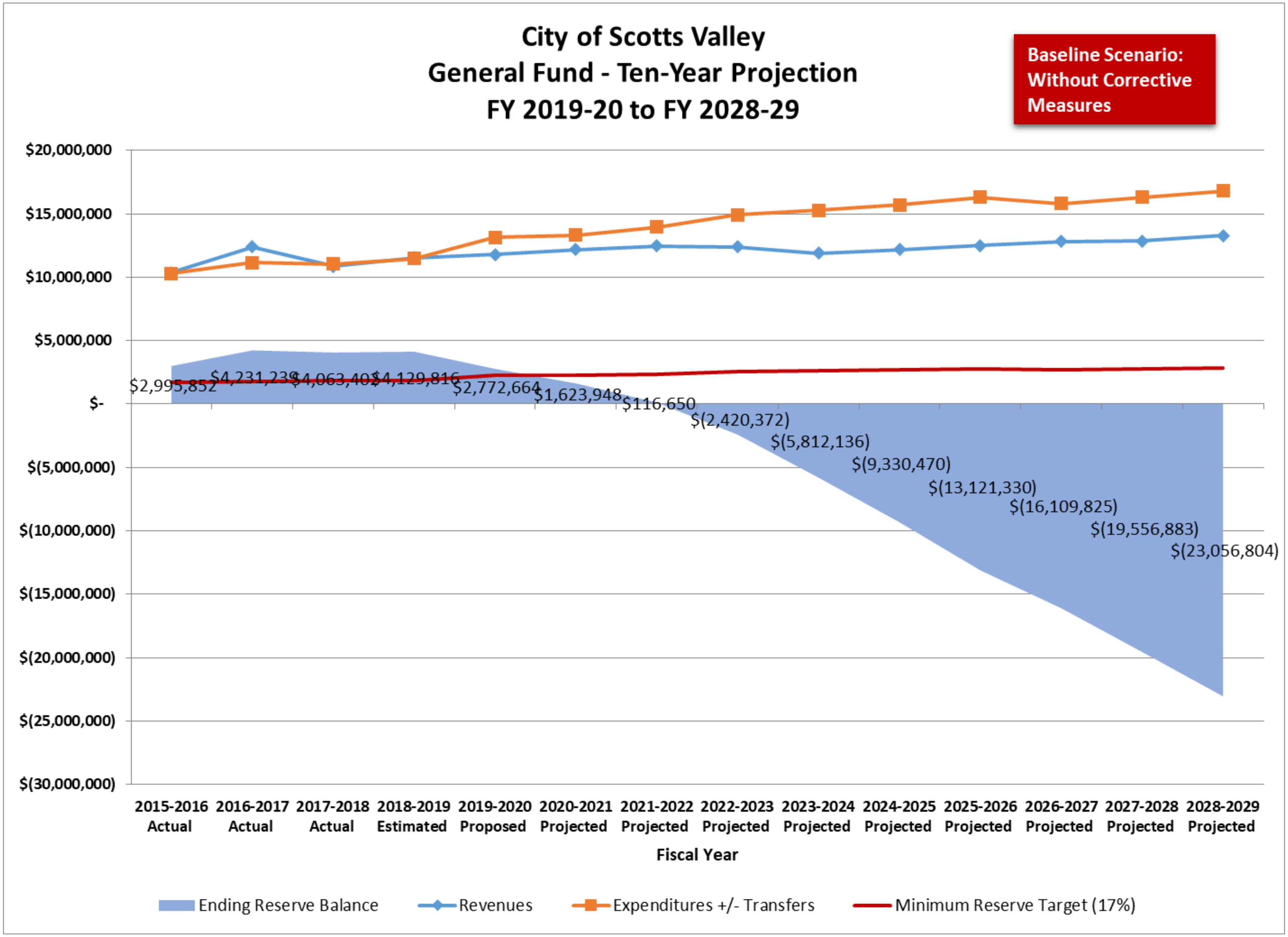
The FSP includes full funding of the City's annual required contribution towards its retiree medical benefit obligations. Based on the actuarial study conducted in 2016, the General Fund would need to contribute an additional $350,000 above what it is already contributing to fully fund its annual required contribution. Increasing contributions towards these obligations would only occur after which time the local sales tax measure would be approved. There would then be sufficient fiscal capacity to begin to fully fund these obligations, which would start at $70,000 in FY 2020/21 and would ratably grow to full funding over a five-year period of $350,000 per year by FY 2024/25.

Unfunded/Underfunded Capital Improvement Projects

If the TOT and local sales tax measures were approved, there would exist additional fiscal capacity to begin funding currently underfunded (e.g., pavement management, storm drain management) or unfunded (e.g., sidewalk and bicycle master plans, Shugart Park improvements) capital improvement projects. The additional capacity to set aside funds through a transfer from the General Fund to the General CIP fund is included in the FSP Scenario. The amount available would total $3.5 million as follows:

Fiscal Year	Projected Transfers for Capital Projects
2019/20	$ 0
2019/20	0
2020/21	250,000
2021/22	250,000
2022/23	500,000
2023/24	500,000
2024/25	500,000
2025/26	500,000

Fiscal Year	Projected Transfers for Capital Projects
2026/27	500,000
2027/28	500,000
Total	**$ 3,500,000**


City of Scotts Valley
General Fund - Ten-Year Projection
FY 2019-20 to FY 2028-29
Baseline Scenario: Without Corrective Measures
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
$(5,000,000)
$(10,000,000)
$(15,000,000)
$(20,000,000)
$(25,000,000)
$(30,000,000)
$2,995,852
$4,231,239
$4,063,402
$4,129,816
$2,772,664
$1,623,948
$116,650
$(2,420,372)
$(5,812,136)
$(9,330,470)
$(13,121,330)
$(16,109,825)
$(19,556,883)
$(23,056,804)
2015-2016 Actual
2016-2017 Actual
2017-2018 Actual
2018-2019 Estimated
2019-2020 Proposed
2020-2021 Projected
2021-2022 Projected
2022-2023 Projected
2023-2024 Projected
2024-2025 Projected
2025-2026 Projected
2026-2027 Projected
2027-2028 Projected
2028-2029 Projected
Fiscal Year
Ending Reserve Balance
Revenues
Expenditures +/- Transfers
Minimum Reserve Target (17%)

Budget Scenario #1

Revenues

1. Increase Measure U sales tax rate from 0.50% to 0.75% in March 2020
2. Increase UUT to 6% in November 2020
3. Increase TOT to 12% in November 2021

Projected Additional General Fund Revenues

Tax	FY 2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24	Total
Sales Tax	$0	$601,700	$624,100	$647,200	$671,100	$2,544,100
UUT	$0	$196,300	$404,000	$416,500	$429,000	$1,446,200
TOT	$0	0	$113,200	$254,100	$280,500	$647,800
Total	$0	$798,000	$1,141,700	$1,317,800	$1,380,600	$4,638,100

Projected Decrease in General Fund Reserves

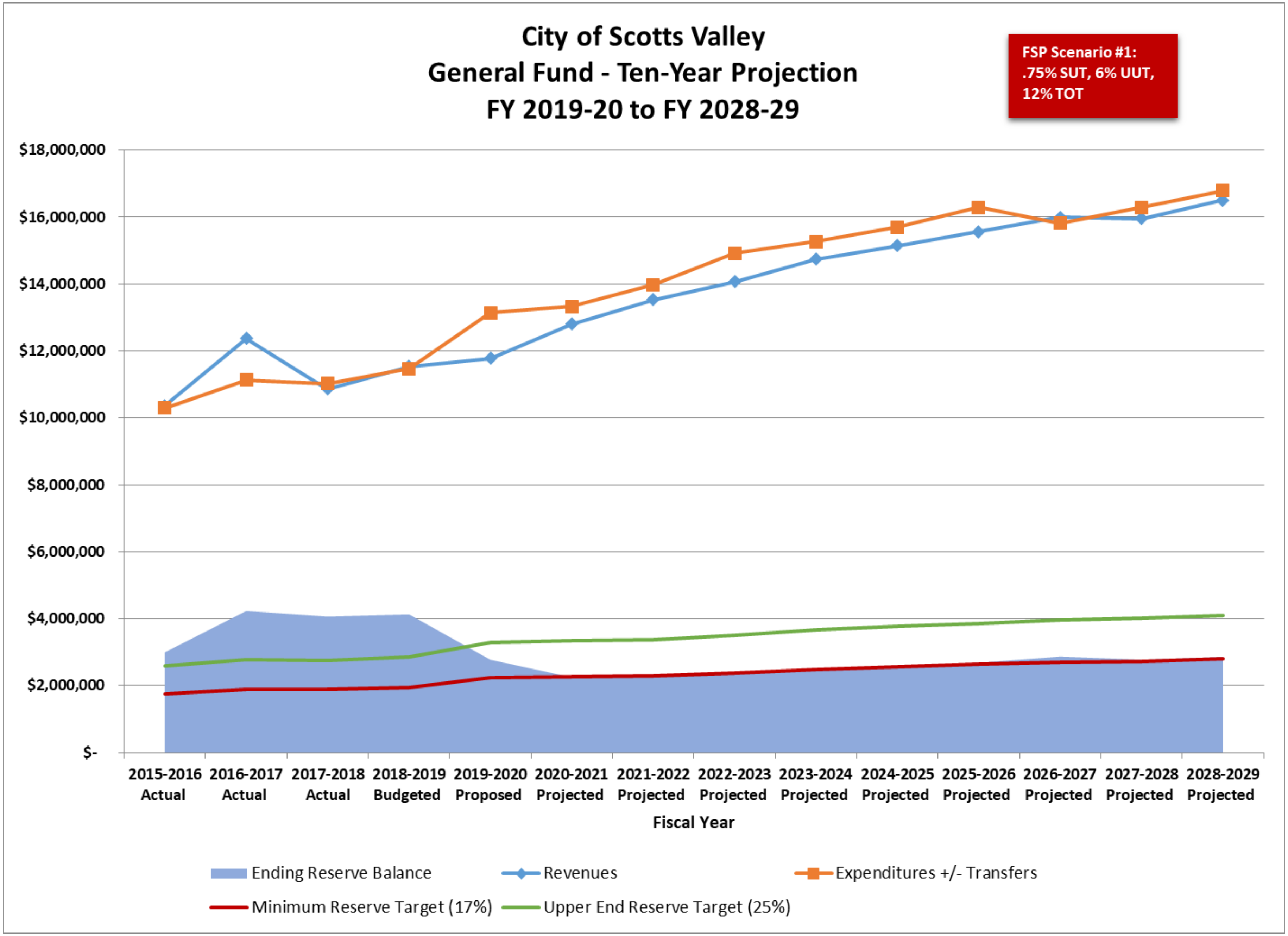
Fund	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
General	($1,357,152)	($525,261)	($443,697)	($844,853)	($526,148)

Cost Reductions Needed

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Balance	$1,357,152	$525,261	$443,697	$844,853	$526,148
17% Target	$0	$0	$500,000	$935,000	$640,000

Summary

The increase in the sales tax rate will go into effect on July 1, 2020. The UUT rate will go into effect on Jan 1, 2021 and the new TOT tax rate will go into effect on Jan 1, 2022. Revenue from the increase in these three tax rates is projected to increase by an additional $4.638 million through FY 2023/24. Even with this additional revenue, significant cost reductions will be necessary to maintain the 17% General Fund beginning in FY 2021/22 through FY 2022/23 and beyond.


City of Scotts Valley
General Fund - Ten-Year Projection
FY 2019-20 to FY 2028-29
FSP Scenario #1:
.75% SUT, 6% UUT, 12% TOT
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2015-2016 Actual
2016-2017 Actual
2017-2018 Actual
2018-2019 Budgeted
2019-2020 Proposed
2020-2021 Projected
2021-2022 Projected
2022-2023 Projected
2023-2024 Projected
2024-2025 Projected
2025-2026 Projected
2026-2027 Projected
2027-2028 Projected
2028-2029 Projected
Fiscal Year
Ending Reserve Balance
Revenues
Expenditures +/- Transfers
Minimum Reserve Target (17%)
Upper End Reserve Target (25%)

Budget Scenario #2

Revenues

4. Increase Measure U sales tax rate from 0.50% to 0.75% in March 2020
5. Increase UUT to 6% in November 2020
6. Increase TOT to 13% in November 2021

Projected Additional General Fund Revenues

Tax	FY 2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24	Total
Sales Tax	$0	$601,700	$624,100	$647,200	$671,100	$2,544,100
UUT	$0	$196,300	$404,000	$416,500	$429,000	$1,446,200
TOT	$0	0	$404,400	$508,200	$560,900	$647,800
Total	$0	$798,000	$1,254,800	$1,571,900	$1,661,000	$5,285,700

Projected Decrease in General Fund Reserves

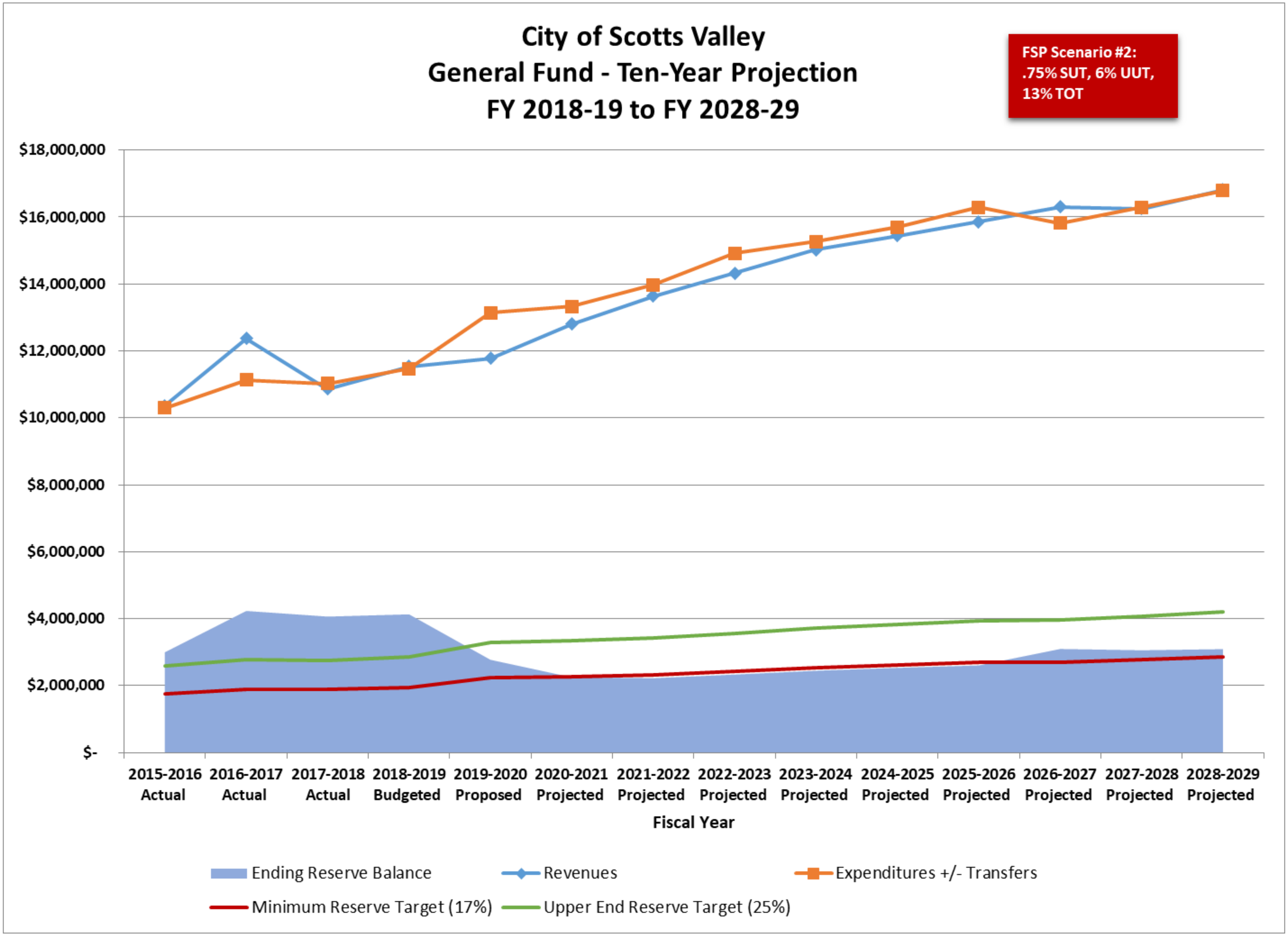
Fund	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
General	($1,357,152)	($525,261)	($330,597)	($590,753)	($245,748)

Cost Reductions Needed

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Balance	$1,357,152	$525,261	$330,597	$590,753	$245,748
17% Target	$0	$0	$305,000	$700,000	$360,000

Summary

The increase in the sales tax rate will go into effect on July 1, 2020. The UUT rate will go into effect on Jan 1, 2021 and the new TOT tax rate will go into effect on Jan 1, 2022. Revenue from the increase in these three tax rates is projected to increase by an additional $5.286 million through FY 2023/24. Even with this additional revenue, manageable cost reductions will be necessary to maintain the 17% General Fund reserve target beginning in FY 2021/22 through FY 2025/26 and beyond. Reserves will begin to grow beginning in FY 2026/27.


City of Scotts Valley
General Fund - Ten-Year Projection
FY 2018-19 to FY 2028-29
FSP Scenario #2:
.75% SUT, 6% UUT, 13% TOT
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2015-2016 Actual
2016-2017 Actual
2017-2018 Actual
2018-2019 Budgeted
2019-2020 Proposed
2020-2021 Projected
2021-2022 Projected
2022-2023 Projected
2023-2024 Projected
2024-2025 Projected
2025-2026 Projected
2026-2027 Projected
2027-2028 Projected
2028-2029 Projected
Fiscal Year
Ending Reserve Balance
Revenues
Expenditures +/- Transfers
Minimum Reserve Target (17%)
Upper End Reserve Target (25%)

Budget Scenario #3

Revenues

1. Increase Measure U sales tax rate from 0.50% to 0.75% in March 2020
2. Increase UUT to 6% in November 2020
3. Increase scope of UUT to include Telecommunications in November 2020
4. Increase TOT to 12% in November 2021

Projected Additional General Fund Revenues

Tax	FY 2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24	Total
Sales Tax	$0	$601,700	$624,100	$647,200	$671,100	$2,544,100
UUT	$0	$196,300	$404,000	$416,500	$429,000	$1,446,200
	$0	$49,100	$202,200	$208,300	$214,549	$674,149
TOT	$0	$0	$113,200	$254,100	$280,500	$647,800
Total	$0	$798,000	$1,254,800	$1,571,900	$1,661,000	$5,312,249

Projected Decrease in General Fund Reserves

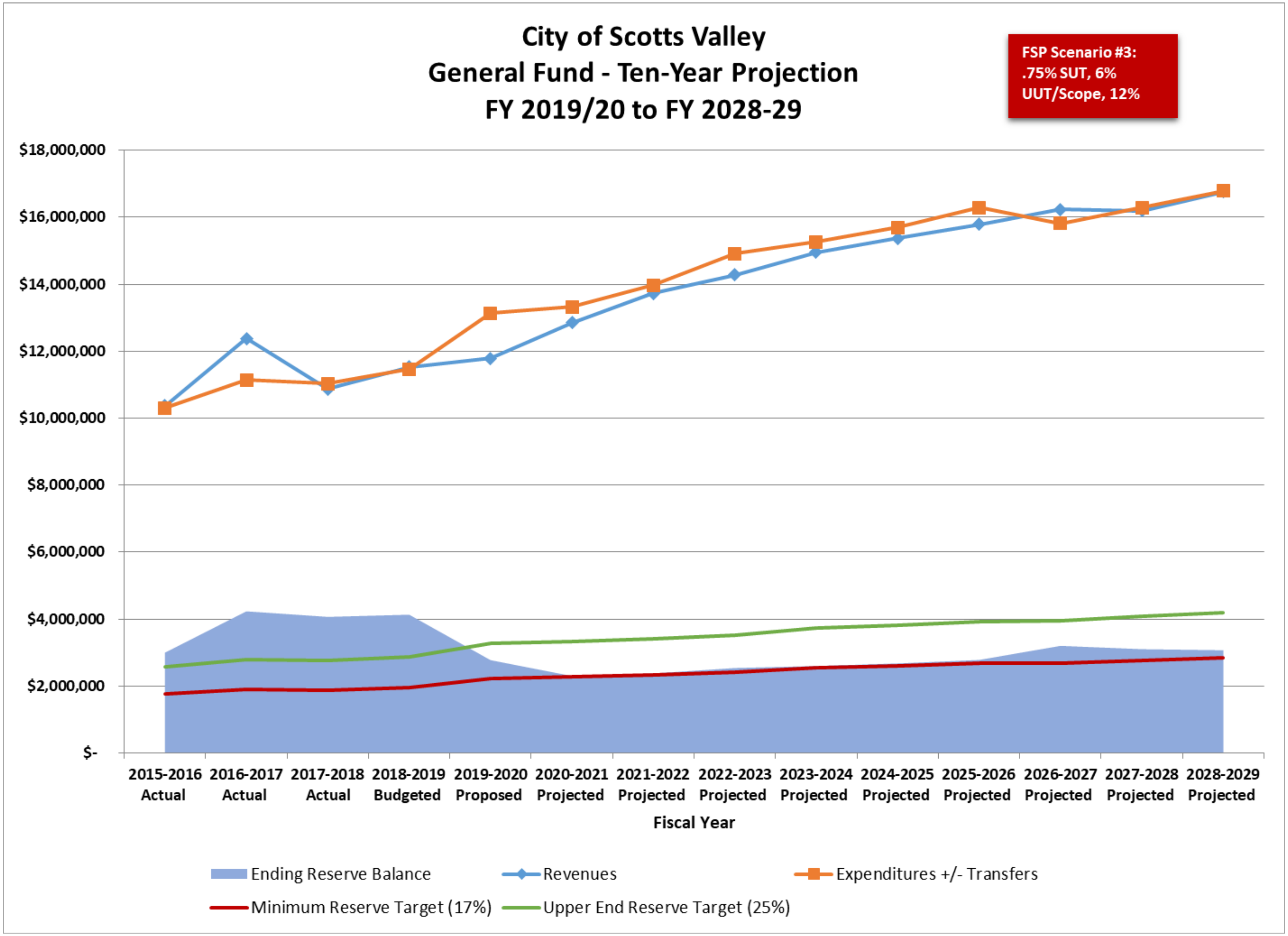
Fund	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
General	($1,357,152)	($476,161)	($241,497)	($636,553)	($311,599)

Cost Reductions Needed

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Balance	$1,357,152	$476,161	$241,497	$636,553	$311,599
17% Target	$0	$0	$320,000	$800,000	$370,000

Summary

The increase in the sales tax rate will go into effect on July 1, 2020. The UUT rate will go into effect on Jan 1, 2021 and the new TOT tax rate will go into effect on Jan 1, 2022. Revenue from the increase in these three tax rates is projected to increase by an additional $5.285 million through FY 2023/24. Even with this additional revenue, manageable cost reductions will be necessary to maintain the 17% General Fund reserve target beginning in FY 2021/22 through FY 2025/26. Reserves will begin to grow beginning in FY 2026/27.


City of Scotts Valley
General Fund - Ten-Year Projection
FY 2019/20 to FY 2028-29
FSP Scenario #3: .75% SUT, 6% UUT/Scope, 12%
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
2015-2016 Actual
2016-2017 Actual
2017-2018 Actual
2018-2019 Budgeted
2019-2020 Proposed
2020-2021 Projected
2021-2022 Projected
2022-2023 Projected
2023-2024 Projected
2024-2025 Projected
2025-2026 Projected
2026-2027 Projected
2027-2028 Projected
2028-2029 Projected
Fiscal Year
Ending Reserve Balance
Revenues
Expenditures +/- Transfers
Minimum Reserve Target (17%)
Upper End Reserve Target (25%)