City Council
Housing Authority
Parking Authority
Report

City Council Meeting: January 26, 2021
Agenda Item: 8.B

To: Housing Authority, Parking Authority, Mayor and City Council

From: Gigi Decavalles-Hughes, Director, Finance Department, Budget

Subject: Financial Status Update and FY 2020-21 Midyear Budget

Recommended Action

Staff recommends that the City Council, Housing Authority, and Parking Authority:

1. Appropriate Fiscal Year (FY) 2020-21 midyear revenue and expenditure budget adjustments (Attachment A).

Staff also recommends that the City Council:

1. Receive the FY 2021-22 through FY 2025-26 Five-Year Financial Forecast;
2. Adopt a Resolution of the City of Santa Monica establishing new classifications and adopting salary rates for various listed positions (Attachment B);
3. Approve position and classification changes (Attachment C);
4. Adopt a Resolution regarding Travel by Council Members and City-Issued Technology (Attachment D);
5. Adopt a Resolution Setting the Fire Basic Life Support (BLS) Paramedic Assessment Fee and the Disposable Medical Supplies Fee (Attachment E);
6. Extend the current Human Services Grant Program (HSGP) grant cycle for two years through FY 2022-23, to ensure staff and grantees can continue the critical work they are doing to address the pandemic, and postpone the next grant cycle to begin FY 2023-24;
7. Extend the current Organizational Support Program (OSP) grant cycle for two years through FY 2022-23, to ensure staff and grantees can continue the critical work they are doing to address the pandemic and postpone the next grant cycle to begin FY 2023-24;
8. Authorize the City Manager to accept a grant award in the amount of $42,430 from the U.S. Department of Justice (DOJ) Edward Byrne Memorial Justice Assistance Grant (JAG) for implementation of the JAG 2020 Project “Overtime Operations to Keep Neighborhoods Safe” and execute all necessary documents to accept the grant and all grant renewals;
9. Authorize the City Manager to accept a grant award in the amount of $2,681 from the California Department of Justice for the Sexual Assault Evidence Grant Program, to accept all grant renewals, and to execute all necessary documents to accept the grant and all grant renewals;
10. Authorize the City Manager to accept a grant award in the amount of $24,276 from the United States Department of Justice (DOJ) for the 2020 Bulletproof Vest Partnership (BVP) Grant for the purchase of bulletproof vests by the Police

Department, to accept all grant renewals, and to execute all necessary documents to accept the grant and all grant renewals;

11. Provide direction to the Interim City Manager to publicly announce and designate a 30-day application timeline for seats on the We Are Santa Monica Fund Advisory Board to be appointed by the Interim City Manager to provide community engagement and advice to the Interim City Manager with respect to the We Are Santa Monica Fund;
12. Provide direction to staff on whether to proceed with developing a digital Out-of-Home (OOH) advertising and wayfinding program by (1) issuing a request for proposals (RFP) for a digital OOH advertising vendor for the construction, installation and management of advertising space for an initial phase of 25 digital OOH kiosks, and a possible subsequent second phase of 25 additional kiosks in highly trafficked areas of the City; and (2) returning to Council with proposed kiosk locations and recommendations for new policies and/or changes to existing City policies and municipal codes to guide the successful implementation and operation of this program consistent with the goals of maintaining community aesthetics and enhancing overall engagement with and value for the community; and
13. Provide direction to staff on whether to return with additional information regarding public-private partnership opportunities to support programs.

Summary

The City of Santa Monica, like the rest of Los Angeles County, California, and the nation, is coping with the extended impacts of the COVID-19 pandemic. The pandemic has severely depleted many of the City's previously reliable revenue streams while also requiring City staff to provide new emergency and recovery services.

In June 2020, three months into the pandemic, the City Council adopted the City budget for Fiscal Year (FY) 2020-21. This budget called for the restructuring of City operations and capital improvement spending to reduce the previously proposed City budget by nearly 25% to ensure fiscal sustainability amidst severely diminished revenues, while focusing City efforts during the pandemic on emergency response, delivering foundational services, economic recovery, and racial equity.

The midyear budget report is the second opportunity to examine the financial status of the City during the worst economic crisis of our generation, following the Year-End Budget Report delivered to Council on October 27, 2020.

The FY 2020-21 Adopted Budget sought to preserve the City's long-term fiscal health by utilizing $117 million in one-time funds to balance the budget while protecting essential services, as well as by setting aside a $20 million "Shutdown Reserve" to prepare for the possibility that a winter COVID-19 surge between December 2020 and February 2021 would result in another shutdown of the economy and City revenues.

Staff has reviewed the City's actual revenues and expenditures to date against targets set as part of the FY 2020-21 Adopted Budget. This review yielded the following conclusions:

- City operations, and those of our partners, remain severely impacted by COVID-19 and will continue to be severely impacted for much of 2021.
- The City's Five Year Financial Forecast (January 2021 Five Year Forecast/ updated Forecast) continues to anticipate slow economic growth, with the economy ultimately recovering to pre-COVID revenue levels in FY 2024-25.
- City revenues are expected to come in $14.6 million lower than anticipated as a result of the extended closures from the pandemic, and the City will therefore need the $20 million Shutdown Reserve that was set aside in order to balance the FY 2020-21 budget.

The mid-year budget also includes a number of recommended budget reallocations within the General Fund. These reallocations are made consistent with guidance provided by Council in September of 2020 that staff should seek to minimize inequities between departmental budgets that occurred as the City focused on essential services in the FY 2020-21 Adopted Budget and should recognize the role of many departments in promoting public safety and community wellbeing. To this end, the adjustments eliminate five vacant positions in the Santa Monica Police Department in order to provide additional resources to address homelessness, enhance Code Enforcement services to address quality of life concerns, improve customer service for residents and divert non-emergency calls away from 9-1-1 by offering a 3-1-1 line, provide eviction counseling to assist tenants who face losing their homes due to rent unpaid during the

pandemic, and fund the inspector general position that will support the newly formed Public Safety Reform and Oversight Commission.

Outside of the General Fund, proposed mid-year budget allocations provide:

- Additional assistance with property leasing at the Airport (Airport Fund);
- Technical support and fleet and facility maintenance at the Big Blue Bus (Big Blue Bus Fund);
- Preservation of street sweeping services (Resource Recovery and Recycling Fund);
- Additional funding for imported water purchases while repairs are made to local wells (Water Fund).

As predicted prior to adoption of the FY 2020-21 Budget, the City has not received meaningful stimulus funds from the federal government to date. To the contrary, in the face of the projected $224 million shortfall resulting from the pandemic, the City has received only approximately $1.14 million in stabilization funds from the federal government. Staff continue to advocate for additional funding at all levels of government. President Biden has proposed new stimulus funds that would include a combined $350 billion in federal government aid to state and local governments, but there is insufficient information at this time to know whether Congress will adopt this proposal or how any such funds will be allocated among government entities. If such funds become available, staff will return to Council with recommendations regarding their use, either as part of the biennial budget process or sooner if appropriate.

The mid-year budget applies the adjustments and reallocations described above and incorporates updated information about the pandemic and the economy into the January 2021 Five Year Forecast for all City funds. The updated Forecast allows us to understand the current financial health of the City, and it helps us to plan for the upcoming biennial budget, which will be adopted by the Council in June 2021. Prior to adoption of the biennial budget in June 2021, staff will, in February, engage the community regarding priorities and concerns and will return to Council at its March 9th

meeting to ask Council to establish or reaffirm community priorities for the biennial budget process.

As Council and the community begin the biennial budget process, it will be important for everyone to keep in mind that, while broad distribution of approved vaccines and reopening of economic and civic life are closer each day, reopening will happen in stages and phases; and economic recovery is expected to lag far behind the demand for reopened City facilities and services. This will require the Council, together with the community, to make difficult budget decisions and tradeoffs, even as we seek federal stimulus funds and new revenue sources. As noted above, we do not anticipate that our economy or our revenues will return to pre-pandemic levels until FY 2024-25 at the earliest. At that time, in addition to enhancing City services, it will also be necessary to address deferred maintenance and rebuild reserves. In addition, as we weather the economic disruption of the pandemic, we are also experiencing the acceleration of other economic shifts, such as declining in-person retail and increased online shopping, that further impact traditional revenue streams as well as how and where people work.

In addition to presenting the midyear budget, this report includes a number of additional items for Council direction or adoption. These include proposed:

- Adoption of an updated resolution that puts in place guidelines and standards regarding Council travel, staff assistance, and City-issued technology equipment;
- Acceptance of a number of public safety grants;
- Extension of existing Human Services Grant Program (HSGP) and Organizational Support Program (OSP) grant contracts by two years so that City staff can continue to prioritize emergency response and community recovery before beginning a new competitive grant process when the emergency ends and so that the City can provide stability to our non-profit community and their clients at a time when services are strained;
- Adoption of a resolution setting a Basic Life Support (BLS) Paramedic Assessment Fee to be charged to individuals transported by ambulance and a

Disposable Medical Supplies Fee imposed on the ambulance company in order to recover the cost of services; and

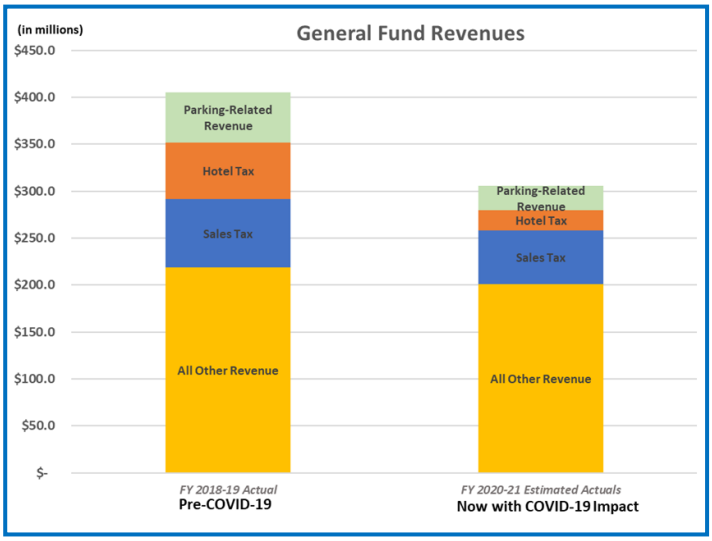
- Request for direction regarding public-private partnership work requested by Council as part of the FY 2020-21 budget discussions, as well as an update on this work, which includes the We Are Santa Monica Fund as well as exploration of digital wayfinding and advertising.

Background

The City's fiscal year for budgeting and accounting purposes runs from July 1 to June 30. Since 2011, the City has utilized a biennial budget process, which allows the City to plan ahead and focus on strategic projects and capital budgeting in the second year, and has the added benefit of decreasing requested budget increases from one year to the next. The City adopted its FY 2019-21 budget on June 25, 2019, and staff will propose the FY 2021-23 budget in June of this year. In 2020, the historic impacts of the COVID-19 pandemic and the absence of meaningful federal stimulus support forced the City to make substantial adjustments in the midst of its biennial budget process in order to maintain fiscal sustainability, strong financial health, and a balanced budget for the community and its workforce.

On April 14, 2020, recognizing the potentially dire impacts of the pandemic on City revenues and operations, the Council (1) authorized the City Manager to implement a Voluntary Early Separation Incentive Program (VESIP) for eligible employees and (2) directed staff to return to Council with a proposed plan to restructure City operations and balance the City budget. Following this direction, on May 5, 2020, staff presented a revised forecast for City revenues for the remainder of fiscal year 2019-20, as well as fiscal years 2020-21 and 2021-22. In the midst of historic volatility and the economic devastation brought on by the pandemic, the forecast showed annual General Fund deficits of $48 million, $102 million and $74 million respectively. The projections driving these deficits reflected that Santa Monica's economy not only was at that time but would continue to be significantly impacted by the COVID-19 pandemic.

Local governments across the country have suffered revenue losses in the pandemic, but cities like Santa Monica with relatively low residential populations but strong economies and strong tourism and hospitality sectors have suffered more than others. This is for a few reasons. First, the pandemic has halted tourism-related air travel as well as non-essential business travel and required people to stay largely at home, impacting a wide range of the City's revenue streams and accelerating trends away from in-person retail and toward online shopping. In Santa Monica, this has dramatic effects:



- The City has historically relied on Transient Occupancy Taxes (hotel / motel / short-term rental taxes), Sales Taxes, and Parking-Related Revenues to support up to 49% of its General Fund programming and community services. As of May 5, 2020, these revenue streams were projected to decrease by 35% through FY 2020-21 due to closures starting in March 2020.

Second, other tax revenues and cost recovery revenues from City services are also curtailed as residents and tourists alike leave home less due to public health closures.

Third, while the $2 trillion federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided $150 billion to stabilize states, territories, tribal, and local governments, the Act did not include any direct stabilization aid to local governments with populations under 500,000, regardless of public health or economic impacts. As a result of the federal and state allocation formulas utilized, Santa Monica received just over $1 million in stimulus funds while cities with populations only three to five times our

size received over 20 times as much funding (e.g., Santa Ana ($28.6 million), Bakersfield ($33.5 million), Long Beach ($40.3 million)). Future stimulus proposals improved allocation mechanisms but the local government aid in these proposals was never approved by Congress.

In light of the devastating impacts of COVID-19 and the absence of meaningful stabilization funds, and in order to maintain essential and emergency operations during the pandemic while preserving the City's financial resilience to the greatest extent possible, staff proposed the following:

- Expenditure savings in FY 2019-20;
- Significant budget restructuring beginning in FY 2020-21 and resulting in reductions in expenditures of $192.3 million Citywide and $111.8 million in the General Fund; and
- Use of $117 million in one-time funds, including capital project funds that were deferred, reduced or cancelled, economic uncertainty, contingency and other reserve funds, and use, for one year, of funds that would otherwise be set aside for affordable housing purposes.

These significant actions have allowed the City to maintain essential operations and services in the midst of what we project to be the worst part of the economic crisis through June 30, 2022.

The significant budget restructuring conducted in May and June 2020 and adopted by Council in the FY 2020-21 Budget on June 23, 2020 made the following changes:

- The FY 2020-21 Citywide budget was reduced by $192.3 million as compared to the FY 2019-20 revised budget.
- The FY 2020-21 Citywide operating budget contains 298.8 fewer full time equivalent (FTE) permanent positions and 122.3 fewer FTE as-needed positions
- The General Fund was reduced by $111.8 million in the FY 2020-21 budget as compared to the FY 2019-20 revised budget.

- The General Fund contains 234.1 fewer permanent positions and 103.3 fewer as-needed positions in the FY 2020-21 budget as compared to the FY 2019-20 revised budget.

The restructuring of City operations focused the City's resources on emergency response, providing foundational services for cleanliness and safety, economic recovery, and working towards greater racial equity. The restructuring took into account that some City programs and services could be safely offered during the pandemic, while others could not, as well as broader community impacts and needs resulting from the pandemic. A more detailed description of service changes is included in the FY 2020-21 Adopted Budget (Attachment A).

As reported to Council on October 27, 2020, to balance the FY 2019-20 General Fund budget, the City accessed one-time funds previously set aside to cover a $30 million revenue gap. At the same meeting, Council approved the appropriation of $1.14 million in CARES Act federal stimulus funds distributed by the State to address severe health and safety gaps resulting from the COVID-19 pandemic. The Big Blue Bus separately received $24 million in federal stimulus funds through the CARES Act that have helped that enterprise fund to carry on operations despite loss of revenues from suspended fare collection during the pandemic.

Discussion

The national, State, and local economies continue to be significantly impacted by the COVID-19 pandemic. The partial re-openings of businesses and the economy in general have been curtailed in many areas due to the recent resurgence of the virus. This is especially true in Southern California, which is under state-mandated Stay at Home orders right now until hospital capacity returns. Restaurants, hotels, retailers and countless small businesses have laid off millions as revenue has receded. Gross Domestic Product (GDP) contracted at an annual rate of 5% in the first quarter and 31.4% in the second quarter, the worst drop since the Great Depression. The third quarter 33.1% increase, while positive, still leaves the economy below its prior year

level. Even with the promise of a vaccine widely available in 2021, economists are anticipating that the national economy will not recover until late 2021 or 2022.
Santa Monica's economy has been and will continue to be particularly hard hit by the pandemic. As noted above, cities with a high dependence on sales and hotel occupancy taxes are suffering the most. Tourism and hospitality are key components of the Santa Monica economy. Transient occupancy taxes have historically accounted for a higher proportion of General Fund revenues (17%) than in most cities, and sales taxes generated by tourists and daytime visitors at restaurants and retail outlets also contribute greatly to the City's revenues. In fact, these two sources, along with parking-related revenues accounted for nearly one-half of General Fund revenues prior to the pandemic and are now projected to decrease 44% from pre-COVID levels (this is a greater reduction than the 35% decrease that had been anticipated in the FY 2020-21 Adopted Budget). The full or partial shutdown of non-essential businesses also affects other key City revenue sources such as utility users taxes, business license taxes, and charges for services. It is anticipated that some physical distancing measures will be kept in place in hotels, restaurants, and shopping establishments for a period beyond widespread distribution of the vaccine. It will likely be months or even years before international and interstate travel resume in a meaningful way, and business travel may never return to pre-virus levels. People's shopping habits may also be altered for a significant amount of time or forever.

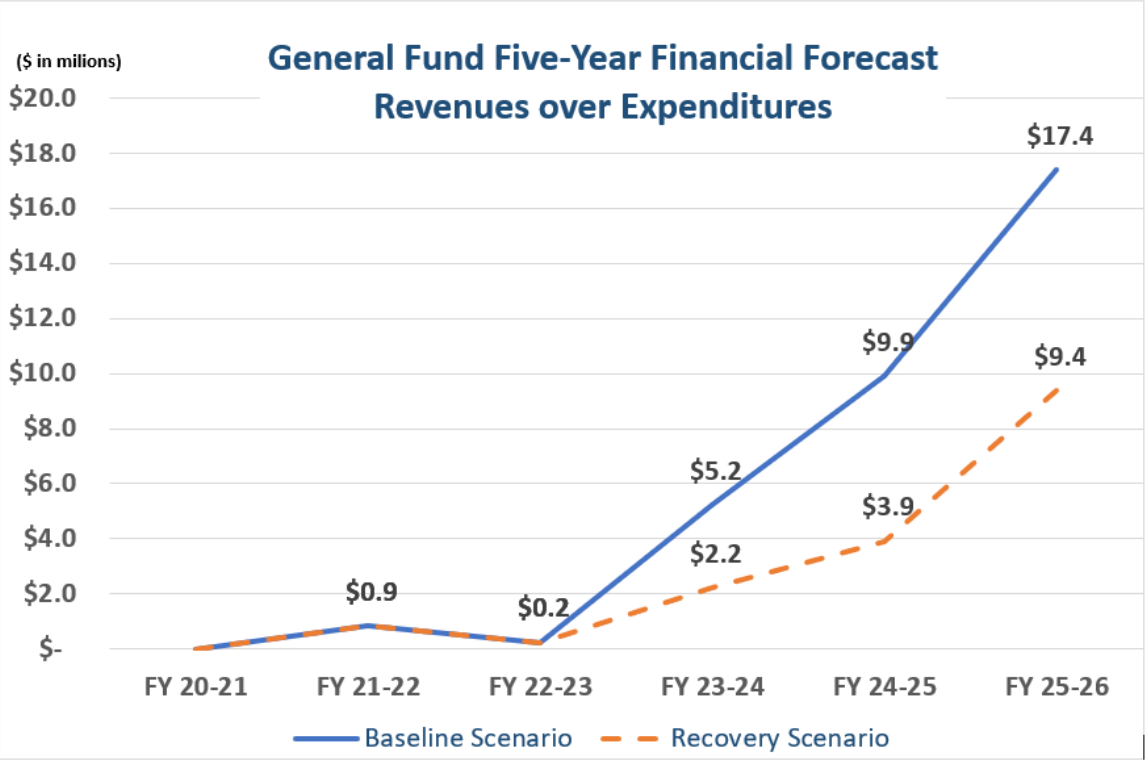
City General Fund revenues are expected to begin to recover in FY 2021-22 as a vaccine becomes more widely available after plunging during the last quarter of FY 2019-20 and much of FY 2020-21. Estimated actual revenues in FY 2020-21 are now anticipated to be 25% less than in FY 2018-19, the last full fiscal year before the pandemic. As noted above, much of the decrease results from reductions in Transient Occupancy Taxes, parking-related revenues, and revenue from fees and charges. Overall, General Fund revenues are not projected to return to pre-COVID levels until FY 2024-25. It should also be pointed out that the future is still very uncertain and revenues could be impacted, either positively or negatively, by future events.
More information on the City's key General Fund revenue sources is provided below:

- Sales taxes (both sales and use and transaction and use tax) have been impacted by the pandemic, but by less than previously anticipated. Sales taxes in FY 2020-21 are projected to be about 11% less than in FY 2019-20 after a similar decrease the year before. Sharp declines in the restaurant/hotel and general consumer goods categories have been partially offset by strong receipts from State and County pools reflecting on-line purchases. Also, auto sales have been stronger than expected. Sales tax revenues are projected to increase by 14% in FY 2021-22 followed by an 8% increase the following fiscal year. Subsequent fiscal years are expected to show increases of 3% to 4% annually.
- As would be expected, Transient Occupancy Taxes (TOT) continue to be hit hardest by the pandemic with a 56% decrease projected for FY 2020-21 after a 21% decrease in FY 2019-20. Stay at home orders are curtailing travel and physical distancing requirements are requiring hotels and motels to keep many rooms unoccupied. International and business travel are not anticipated to resume quickly. Rather, TOT revenues are expected to begin recovering beginning in FY 2021-22, but are not projected to reach pre-COVID levels until FY 2024-25.
- Due to the reporting period for Business License Taxes, the full impact of the pandemic will not be seen until FY 2021-22, as taxes are based on gross receipts from the prior calendar year. A 16% decrease in Business License Taxes is currently anticipated based on factors including business closures, a shift to teleworking, and pandemic-related impacts on the leisure and hospitality sector. Although Business License Tax revenues are expected to begin to recover in FY 2022-23, revenues are not projected to recover to pre-COVID levels until after the January 2021 Five-Year Forecast period.
- Parking revenues are projected to decline by about 32.5% in FY 2020-21 following a 20.0% decrease in FY 2019-20. Stay at home orders, business closings, and increases in teleworking have all decreased visitation to the City. Additionally, recent shifts in how people travel into and around the City as well as the opening of certain streets for outdoor dining are expected to impact parking

revenues on an ongoing basis. Parking Facility Taxes are expected to show a similar pattern.

- Utility Users Tax revenues are expected to grow by an average 4% annually primarily due to scheduled water and wastewater rate increases.
- Investment income will drop sharply as interest rates are anticipated to remain near historically low levels for much of the January 2021 Five-Year Forecast period and the City's investable fund balance will also decline as the City was forced to use reserves during the pandemic.
- Revenues from fees, charges, and certain other revenue sources have also declined 35% in FY 2020-21 based on the closing and/or scaling back of programs in the pandemic as well as a decline in certain development-related revenues due to the recession. The City is currently conducting a comprehensive City-wide cost of services study to ensure fees are set at appropriate levels for full cost recovery. The current forecast does not account for any adjustment in fees. Fee recommendations will be presented to Council as part of the FY 2021-23 Biennial Budget process.
- On November 3, 2020, Santa Monica voters approved Measure SM, a general tax measure that increases the Documentary Transfer Tax on property sales of $5 million or more by an additional $3.00 per $1,000 in sale price. Voters overwhelmingly adopted Measure SM with 71.88% of the vote. Staff anticipates that 10% of properties sold in the City annually will be subject to the tax increase and that the measure will generate $3 million annually initially, and up to $6 million annually by the end of the January 2021 Five-Year Forecast period.

General Fund Five-Year Financial Forecast



Staff has updated the Five-Year Financial Forecast first presented to Council on June 9, 2020 and incorporated into the FY 2020-21 Revised Budget new revenue projections based on (1) actual revenues generated in the first half of the year and (2) updated assumptions based on vaccine rollout, anticipated reopening, and the real impacts that extended public health restrictions have had on our local economy. The table above shows the balance of General Fund revenues less expenditures on an annual basis for the next five fiscal years. The Baseline scenario, shown as a solid line, keeps assumptions regarding future year spending at the same level as those shown in the June 2020 Five-Year Financial Forecast. Specifically, it does not take into consideration the programming of fund balance to rebuild reserves or address the catch up that would be necessary for capital infrastructure maintenance and equipment replacement after several years of unfunded needs during the emergency, nor does it contemplate wholesale service and program restoration to pre-COVID levels. The Recovery scenario, shown as a dotted line, reflects potential funding shifts beginning in FY 2023-24 and through the end of the updated Forecast period to address deferred capital

infrastructure needs and to rebuild reserves. While the Recovery scenario similarly does not contemplate wholesale restorations, future year balances show, in the absence of substantial stimulus funds, the potential amount and timing of available funds to assist with further reopening of programs that do not achieve cost recovery through fee revenue. More detail on each scenario is included below. The following are notable changes from the June 2020 forecast and assumptions in the updated Forecast:

- **Use of $20 Million Shutdown Reserve:** The June 2020 forecast anticipated that Stay at Home Orders would lift by July 1, 2020, and that the economy would have begun a recovery process beginning in January 2021. Instead, surges in June and July and since the end of October have resulted in persistent restrictions and closures and delayed the prospect of reopening and recovery. Updated projections show that FY 2020-21 General Fund revenues (in particular tourism and parking-related revenues) are anticipated to be $14.6 million less than projected in the FY 2020-21 Adopted Budget, and the Beach Fund will require an advance of $2 million from the General Fund due to parking revenue loss. These shortfalls will be ameliorated with the use of the Shutdown Reserve funds that were specifically set aside in anticipation of such an event. Looking ahead, staff has amended FY 2021-22 revenue projections to be $11.6 less than previously estimated.
- **Dedication of $3 Million to Reopening:** Both scenarios of the updated Forecast include $3 million dedicated to initial reopening efforts as we aim to bring a limited set of City services (including, for example, some Library services and in-person community engagement) back online in FY 2021-22 as well as ongoing funding for important services to address homelessness that will otherwise be unfunded after this year. To be clear, this $3 million in dedicated reopening funds is a small fraction (5%) of the $60 million that was cut from the operating and ongoing capital maintenance General Fund budget to account for the economic impacts of COVID, and it will not be anywhere close to sufficient to restore City services and programs to pre-COVID levels; this small amount in reopening funds will, however, allow us to restore some vital City programs and

activities to support the health and wellbeing of our community. Specific decisions related to this reopening funding will be considered as part of the FY 2021-23 Biennial Budget process in May and June. By FY 2025-26, the final year of the Five-Year Financial Forecast, the Recovery scenario shows that the General Fund will be able to support an additional $9 million in ongoing expenditures; when added to the initial $3 million increase in services in FY 2021-22, this reflects a total of $12 million in new services—representing a restoration of only 20% of the ongoing budget cuts made in FY 2020-21.

- **Potential Refunding of Lease Revenue Bonds:** Staff is evaluating the potential of taking advantage of the current low interest rate environment and refunding eligible General Fund Lease Revenue Bonds that would result in debt service savings beginning in FY 2021-22. Staff will return to Council this Spring with recommendations on refunding.
- **Maintaining GSH Tax Revenue in the General Fund:** On May 5, 2020, in order to preserve essential services in the face of drastic revenue losses, Council authorized staff to retain $5.3 million in FY 2020-21 Measure GSH transaction and use tax revenue in the General Fund that would have otherwise been used for Affordable Housing per a November 2016 voter-approved advisory measure. Based on current projections, it may be necessary to retain the FY 2021-22 portion of Measure GSH revenues in the General Fund as well. Staff will return to Council for further consideration of this need as part of the FY 2021-23 Biennial Budget.
- **Capital Improvement Program (CIP) Budget Reductions:** The FY 2020-21 Adopted Budget lowered the General Fund capital improvement program (CIP) annual budget allocation from $21 million to approximately $7.3 million in FY 2020-21, and the June forecast assumed that the allocation would increase to $10.7 million in FY 2021-22 before being restored to $21 million in FY 2022-23. In the updated Forecast, the slower revenue recovery would require the City to maintain its General Fund CIP budget at a level below $21 million for an additional two years, through FY 2023-24. In the Baseline scenario, funding would be restored to the $21 million level in FY 2024-25, while the Recovery

scenario reflects additional allocations to address deferred infrastructure and equipment maintenance, price escalation in this area, and a renewed focus on community amenities that have been put on hold during the pandemic, such as the Memorial Park Expansion project and planning for the Airport to Park Conversion.

- **Federal Stimulus Funds:** The updated Forecast does not assume any federal stimulus funds, as the availability, amount and timing of federal stimulus all remain uncertain at this time.
- **Restoring Healthy Reserves:** Following Council authorization on May 5, 2020, in order to provide essential services and ensure fiscal health, staff accessed the City's economic uncertainty reserves, lowered the contingency reserve level from 15% of ongoing expenditures to 12.5%, and accessed other reserves to balance the budget. Strong reserves protect our ability to provide essential services during emergencies and are a signal of financial health in the bond market, allowing the City to borrow funds at a lower rate. While the Baseline scenario does not show funds set aside to rebuild reserves, the Recovery scenario assumes that the City will begin rebuilding its reserves in FY 2023-24 once key services are restored and the General Fund is no longer drawing on Measure GSH funds to maintain a positive balance.
- **Making CalPERS Unfunded Liability Paydowns:** The updated Forecast continues to assume that the City will resume making discretionary paydowns to CalPERS in FY 2022-23 to decrease the City's unfunded retirement liability on a 15-year accelerated schedule.

<u>Other Fund Status</u>

The January 2021 Five-Year Forecast includes other major funds that fall into two categories: 1) funds that bring in sufficient revenues to sustain operating and capital costs; and 2) funds that have structural deficits, in which revenues are not sufficient to cover expenditures. Similar to the General Fund, the projections in the Other Funds reflect pandemic-related shutdowns and suspensions of programming.

Self-Sustaining Enterprise Funds

The following enterprise funds are projected to bring in sufficient revenues to support operations throughout the updated Forecast period:

The **Water and Wastewater Funds** maintain a positive balance through the Forecast period. These Funds are making progress on a number of projects that will increase locally sourced water supply and reduce the City's reliance on imported water. These projects include the Arcadia Water Treatment Plant Expansion Project (Water Fund) and the Sustainable Water Infrastructure Project (SWIP) (Wastewater Fund). Historically, imported water has cost as much as 30% more than local water. By continuing to invest in local water supply, the City diversifies and enhances its drought resiliency and provides long-term cost savings and cost certainty for the community. On January 28, 2020, Council adopted a resolution establishing a five-year schedule of water and wastewater rate adjustments. These rate adjustments, which became effective March 1, 2020, will help the Water and Wastewater Funds to maintain a positive fund balance over the next five years, even as the Funds maintain current operations while also completing capital projects to increase local water supply and reduce costs.

The **Resource Recovery and Recycling (RRR) Fund** will remain self-sufficient throughout the updated Forecast period. Staff has worked diligently and prudently to reduce expenditures. Due to COVID-19's economic impacts, RRR is in active negotiations with Southern California Disposal (SCD) to secure a long-term contract to accept and transfer the City's curbside recycling material. In addition, the City and SCD are working together to secure and share construction costs for an adequate area (on City property) to allow the transfer of the City's curbside recycling. A one-time cash infusion from the closeout of old construction and demolition projects has deferred the need to increase solid waste rates. Staff will propose a solid waste rate increase to Council in April 2022, with the new rate anticipated to be effective in July 2022.

The **Big Blue Bus (BBB) Fund** will maintain a positive fund balance over the updated Forecast through the use of one-time federal relief funds (CARES Act) allocated in response to COVID-19. The FY 2020-21 mid-year revenue update reflects 24% and

21% reductions, respectively, in state and local sales tax revenues upon which BBB relies to subsidize services. Revenue reductions were exacerbated as the BBB temporarily suspended fare collection systemwide in order to institute rear-door boarding in the pandemic to protect customers and Motor Coach Operators and mitigate the spread of COVID-19. While state and local sales tax revenue is anticipated to increase with the introduction of the COVID-19 vaccine and ridership is also expected to increase over time, recovery will be slow. Staff remains committed to ensuring the health and safety of all while continuing to identify operational efficiencies and funding opportunities to ensure fiscal sustainability. BBB will continue to provide service levels that support its customers, many of whom are essential workers who rely on BBB for essential trips, traveling to work, medical appointments, and shopping.

The **Airport Fund** will generate adequate revenues to sustain its operations throughout the next five years. However, economic conditions remain uncertain and changes in the economy and COVID-19 related policies may continue to negatively impact revenue streams from commercial tenants. Revenue adjustments in the Mid-Year Budget correct an overstatement of prior-year deferred rent that was expected to be received this fiscal year.

The **Community Broadband Fund** will maintain a positive fund balance throughout the updated Forecast period. The updated Forecast incorporates revenue for additional project phases of 5G Small Cell deployments on the CityNet fiber network. While these additional projects generate ongoing revenues, the revenues are partially offset by the non-renewal of service for customers that have vacated business offices to work remotely during the COVID-19 pandemic. Staff will continue to monitor market conditions, changes to customer service accounts, and competition within the telecommunications industry to ensure fiscal sustainability.

The **Cemetery Fund** will maintain a positive fund balance throughout the updated Forecast period. Although the inventory for plots will be depleted by FY 2029-30, staff continues to assess overall Cemetery operations, projected plot sales, and reconfiguration of plots in order to extend inventory and maintain fiscal sustainability.

The **Housing Authority Fund** is stable and will maintain a positive fund balance throughout the updated Forecast period. The CARES Act included additional administrative funding for the Housing Authority Section 8 program this fiscal year. This additional funding will create a surplus that will be used to offset future year administrative deficits.

The **Stormwater Management Fund**, **Special Revenue Fund,** and **Internal Services Funds** will generate adequate revenues to remain sustainable throughout the next five years.

Funds Requiring Subsidies

The **Pier Fund** updated Forecast typically reflects sufficient revenues to fund operating costs and to partially fund capital costs. The COVID-19 pandemic has, however, had a significant impact on Pier operations and the Pier Fund, resulting in a projected negative fund balance for FY 2021-22. The primary revenue sources for the Pier Fund are lease payments, filming and event fees, and parking income, all which have been severely impacted due to COVID-19. The Pier has been closed to the public at various points in the pandemic (mid-March to late-June, weekend and holiday periods starting December 31 and throughout January). When the Pier has been open in this fiscal year, many restrictions have been in place, including closures of the amusement rides at Pacific Park, the Pier Carousel, the Aquarium and the Arcade, as well as the Pier parking lot. Filming and events have also been subject to significant restrictions throughout the pandemic. The current commercial eviction moratorium and limited rent relief programs have also significantly impacted revenues. Staff continues to seek efficiencies (including postponing non-essential capital projects) to ensure fiscal sustainability; but it is projected that a General Fund subsidy will be required starting in FY 2021-22.

The **Beach Fund** has been significantly impacted by the COVID-19 pandemic. The Beach Fund updated Forecast assumes that Stay at Home orders may continue to affect local and regional visitors to the beach and that domestic and international tourism will not return to pre-pandemic levels until 2024. Beach lot parking revenues

and concessions revenue have been the most affected, with concessions revenue decreases exacerbated by commercial eviction moratorium and limited rent relief programs. The Beach Fund is anticipated to end this fiscal year and next fiscal year with negative fund balances and to require advances from the General Fund in these fiscal years.

Midyear Budget Adjustments

Revenue Adjustments – General Fund

Staff now projects actual revenues for FY 2020-21 of $305.7 million. This projection is based on actual data from July to November 2020 as well as anticipated changes in economic conditions and community behaviors over the remainder of the fiscal year (including a small, phased upturn in activity in the last quarter of the year in certain areas). These projections require adjustments to decrease FY 2020-21 Revised Budget revenue targets in the General Fund by $14.6 million. A summary of the significant budget changes is below.

Type of Revenue	**Amount of Change**
Sales Tax	$2.8 million
Utility Users Tax	$1.3 million
Transient Occupancy (Hotel) Tax	-$6.5 million
Property Tax	$2.1 million
Business License Tax	$1.4 million
Documentary Transfer Tax	$2.5 million
Parking Facility Tax	-$2 million
Parking-Related Revenue	-$12 million
Fees/Charges/Other	-$5.3 million
Investment Income	$1.1 million (due to realized gains on sale of bonds

Revenue Adjustments – Other Funds

Significant revenue adjustments in other funds include:

- *Airport Fund* – Decrease of $5.3 million, reflecting the impacts of COVID-19 on lease revenues, including deferrals and abatements.
- *Beach Fund* – Decrease of $2.2 million reflecting the impacts of COVID-19 on lease, filming permit, contract classes, and parking revenues.

- *Big Blue Bus Fund* – Increase of $6.1 million to reflect funding marks from LA Metro and anticipated receipt of reimbursement revenues for capital projects, partially offset by decreased passenger revenue.
- *Local Return Fund* – Increase of $1.7 million in transit-related sales tax revenues distributed by LA County Metro to align with final funding marks from LA Metro.
- *Pier Fund* – Decrease of $4.6 million reflecting the impacts of COVID-19 on Pier parking and lease revenues, including deferrals and abatements.
- *Resource Recovery and Recycling Fund* – Increase of $3.3 million based primarily on an audit of forfeited construction and demolition deposits.
- *Vehicle Management Fund* – Increase of $1.0 million related to corrections to align contributions from other funds for vehicle replacement and repairs.
- *Wastewater Fund* – Decrease of $1.5 million primarily due to decreases in sewer usage as a result of business closures.
- *Water Fund* – Decrease of $2.0 million primarily due to decreases in water usage as a result of business closures.

Expenditure Adjustments and Personnel Changes – General Fund

Staff proposes General Fund operating expenditure adjustments that result in a $0.4 million net decrease to the General Fund budget. Attachment A details all of the expenditure adjustments. Included in these adjustments are items that have a substantive impact on the overall budget and operations, as well as accounting-related changes shifting budget amounts between funds or between departments in the same fund that are necessary for appropriate reporting but result in no net change to the overall budget.

On September 8, 2020, Council directed staff to take steps through the budget process to reduce disparities in budget cuts among community-facing departments in order to achieve more balanced investment of City resources across all departments responsible for providing direct services to promote community wellbeing. As discussed above, the budget restructuring that took place in June 2020 specifically accounted for the direct impacts of the pandemic and the increased need for essential and emergency services

while certain community facing services could not be offered due to public health restrictions.

Staff has carefully reviewed current community needs and prior Council direction and at this time recommends deleting five vacant positions in the Police Department budget going forward and reprogramming the available funds to the services listed below that have been identified as critical needs in the COVID and post-COVID environment. On an ongoing annualized basis, the value of the changes totals $863,000. A detailed explanation of the reprogrammed funds, along with annualized ongoing costs, follows:

- $61,000 in funding is proposed for the remainder of FY 2020-21 ($146,000 ongoing) to support one **Senior Human Services Analyst in the Community Services Department** to address local demand for **homeless coordination** and increase the City's ability to actively engage in regional homeless planning as Los Angeles County responds to increased homelessness in the wake of COVID-19.
- $30,000 in ongoing funding to add **0.8 FTE as-needed Library Page hours** to support current curbside service and allow more senior staff to focus on community-facing literacy and other services as well as plans for reopening library facilities. Any further proposed funding associated with enhancing Library services and reopening facilities will be presented along with the FY 2021-23 Proposed Biennial Budget.
- $91,000 in funding for the remainder of FY 2020-21 ($219,000 ongoing) to support creation of **two Code Enforcement Officer positions in the Code Enforcement Division** to enforce high-priority State, County, and City codes that address health and safety concerns. The Code Enforcement Division will continue to play a significant role in public health compliance as the pandemic subsides but face coverings and physical distancing remain critical. In addition, Code Enforcement plays a key role in working with community partners and various City departments to address quality of life across the City. Code Enforcement’s role in addressing certain challenges, such as vending in violation of City codes, has been increased by State laws calling for civil rather than criminal enforcement. During the budget restructuring, the Code Enforcement

Division was reduced by 20% while the Police Department budget was reduced by only 3.3%, though Code Enforcement public health enforcement resources have been temporarily enhanced through use of as-needed Health Ambassadors. A shift in resources from the Police Department to the Code Enforcement Division is consistent with addressing key public health and safety needs during the pandemic and that will continue and re-emerge in the future as well as increased use of administrative citations rather than criminal penalties required by State law.

- $59,000 in funding is proposed for the remainder of FY 2020-21 ($108,000 ongoing) to support the **creation of a new 3-1-1 Customer Service** system for the City with staffing to include one new **Customer Service Assistant** position. Among the concerns raised in public safety reform and racial justice conversations has been the overuse of 9-1-1 and the SMPD non-emergency dispatch line for non-emergency community issues. The direction of calls to these lines has the potential to lead to the over use of a police response to respond to issues that are not criminal in nature or do not threaten life or physical safety. The City also currently receives tens of thousands of calls per year across more than 1,400 City phone numbers, and likewise received a similar number of emails requesting assistance to various email accounts across all departments By creating a 3-1-1 system, the City has the opportunity to preserve 9-1-1 and public safety dispatch for appropriate uses while enhancing resident services by providing a single point of entry for residents to contact that would be answered by a person during business hours when they have concerns or need information. The project also creates an opportunity to align customer service efforts across phone, email, and web, including an upgrade to the Santa Monica Works app that would be rebranded SaMo311. The upgraded system would be built off existing technology investments and would ultimately allow staff to record, track, monitor responses to, and report to Council on resident requests and responses across the City with no new investments in technology required. The 3-1-1 Customer Service Team would reside in the City Manager's Office and comprise two Customer Service Assistant positions (with one new position as described above and one position repurposed internally from within the City

Manager's Office) as well as 50% of time repurposed from a current Assistant Administrative Analyst in the City Manager's Office. This 3-1-1 system would be possible due to many months of work by the Information Services Department (ISD) to enhance customer service technology across the City, due to identification of customer service needs as part of the City's longstanding work to upgrade its website, and due to expedited work by Christopher Smith, Chief of Staff to the Interim City Manager, to respond to resident and Council requests for improved customer service. With approval of funding, staff would aim for an initial launch date for this new service in late March or early April.

- $120,000 in funding per year for FY 2020-21 and FY 2021-22 for a two-year pilot program to provide **tenant counseling services** to assist residents at risk of being evicted from their homes. In the wake of the public health and economic crises created by the COVID-19 emergency, the City is at risk of an unprecedented wave of evictions. City and state eviction moratoriums have delayed and blunted the impact of potential early evictions. But there is little doubt that among Santa Monica's 32,000-plus renter households, the COVID-19 emergency will result in a significant number continuing to be unable to pay rent and facing eviction efforts in a system stacked against unrepresented tenants. Data suggests as well that the tenants most likely to face eviction will be minority and low-income tenants. Making sure that Santa Monica's tenants have access to legal representation aligns with the City's commitment to maintaining an inclusive and diverse community and offering housing at all affordability levels. According to the 2019 STOUT report, *Cost-Benefit Analysis of Providing A Right to Counsel to Tenants In Eviction Proceedings,* Los Angeles County's most vulnerable tenants are frequently unrepresented and evicted by landlords who are represented by experienced counsel. Providing tenants with counsel is critical to leveling the playing field and would significantly improve the likelihood that eviction cases are decided fairly and on the merits. According to STOUT, 97% of Los Angeles County tenants are unrepresented in eviction cases while landlords are unrepresented in just 12% of their cases. Unrepresented tenants in LA County get displaced 99% of the time, but if they get representation, they avoid displacement 95% of the time. The STOUT report also concluded that

Right to Counsel programs likely result in many direct and indirect benefits to the community: decreased use of shelters, increased housing stability, decreased impact on employment, decreased impact on law enforcement, and decreased impact on the health of displaced children. This pilot program will also help the City accomplish one of its top three stated goals in its 2020 Assessment of Fair Housing -- to “prevent displacement of low- and moderate-income residents.” As set out in the assessment, the top strategy for achieving that goal is to “explore the feasibility of a Right to Counsel Ordinance to protect tenants’ legal rights.”

The pilot program will assure that eligible households have access to Full-Scope Legal Representation by a designated organization in eviction proceedings. What this means is that an attorney from a designated organization will file an official notice of appearance as counsel on behalf of the income-eligible individual and will then continue to provide ongoing legal representation in the eviction proceeding, identifying potential defenses, negotiating on the tenant’s behalf, participating in mediation or other dispute resolution procedures as appropriate, and proceeding to trial as necessary.

Households will be eligible for Full-Scope Legal Representation as part of the pilot program on a first-come, first-served basis if the following criteria are met: (1) The household earns 80% of the Area Median Income or less as defined in the Los Angeles/Long Beach metropolitan statistical area (For example, $90,100 now for a family of four.) (2) The household was renting in Santa Monica and have protections in their eviction case under the City’s Eviction Moratorium, the state’s COVID-19 Tenant Relief Act of 2020, or any other COVID-19-related law. (3) The household has already attempted to get full-scope legal services from Stay Housed LA and LA Represents and could not obtain such services.

The program’s objective will be to provide Full-Scope Legal Representation to Santa Monica residents in at least 75 eviction cases in each of the first two years. This objective is based on a proposed budget of $120,000 and preliminary conversations with LAFLA, which has estimated that a non-profit attorney could provide representation in 75 cases in twelve months and that a salary and benefits package of $100,000 is the average for such an attorney.

The program's goal is to lower the rate of tenants' disruptive displacements. To assess whether the program's services are achieving that goal, the selected provider's required quarterly reports shall include the number of cases in which full-scope representation was provided, the outcome of the unlawful detainer (dismissed by parties, dismissed by court, defaults, summary judgments, trial verdicts). For comparison and to help measure the success of the program, the selected provider shall use the reporting by landlords (now required by the City's Eviction Moratorium) to provide the number of all unlawful detainers filed by landlords, eviction notices served, results in those case, and information on legal representation for all parties.

Given the need to get this program in place before the anticipated wave of COVID-19 related evictions, the City Manager will, pursuant to SMMC Section 2.24.240(a) authorize the CAO to forego a formal solicitation and instead proceed with an informal solicitation in accordance with SMMC Section 2.24.210, using the relevant criteria set out in SMMC Section 2.24.190(i). The CAO will contract with the selected provider of legal services under the authority granted the CAO under SMMC 2.24.080. The CAO anticipates that its solicitation will seek proposals that include coordination of intake, provision of legal services, and regular reporting (on at least a quarterly basis), with the maximum amount of funds dedicated to providing legal services to the greatest possible number of tenants.

The CAO will assign an attorney from its Public Rights section to oversee and monitor the program. The CAO will work with the Housing and Human Services Division to initiate education efforts to inform families, tenants, landlords, and legal aid providers about the availability of this program and the new reporting requirements.

- $112,500 for the remainder of FY 2020-21 ($225,000 ongoing) in funding to support retention, onboarding, and the work of a public services contractor to serve as an **Inspector General** to facilitate the work of the Public Safety Reform & Oversight Commission for the co-production of public safety and community wellbeing between the community and the Santa Monica Police Department.

Ongoing costs for the positions created above are net neutral due to the elimination of the vacant Police Department positions. Because these positions are vacant, the elimination of these positions does not impact current personnel or current staffing levels. Additionally, $35,000 in training funds is being transferred from the Police Department to the City Manager's Office to support training for the members of the Public Safety Reform & Oversight Commission.

Other General Fund proposed changes include $170,000 to be allocated for the acquisition of software tools for development of the City's cybersecurity program and the restoration of 1.0 FTE Civil Engineering Assistant (limited term) position in the Public Works Department to address the current inflow of permit applications, thereby improving customer response times; addition of 1.0 FTE Property Management Specialist (limited term) in the Community Development Department, reimbursed by the Airport Fund, to support the leasing and property management work for the Airport; and addition of 1.0 FTE Business Process Technology Analyst in the Information Services Department, reimbursed by the Big Blue Bus (BBB) Fund, to provide critical technical systems support to BBB. These adjustments result in a zero-net change in funding to the General Fund either because the changes are offset by increased revenues or are reimbursed by other funds.

The combined midyear staffing adjustments in the General Fund result in a net increase of 2.0 FTEs. Attachment B is a Salary Resolution detailing new classifications and salary rates, and Attachment C details the staffing adjustments.

The Mid-Year FY 2020-21 Budget also includes other, non-personnel changes that, in total, result in an overall reduction in General Fund expenditures. These include:

- The transfer in of $1.14 million in CARES Act funding received in the Fall from the Miscellaneous Grants Fund.
- A correction to transfer the Water Conservation Unit expenditures from the General Fund to the Water Fund.
- Cost-neutral budget corrections and adjustments made as City restructuring continued throughout the fiscal year in the face of the $192.3 million reductions in

citywide expenditures and $111.8 million reductions in the General Fund as compared to the prior fiscal year.

- A reduction in payments related to parking management services for downtown Parking Structures 7 and 8 as a result of decreased parking activity.
- Decreased expenses for contract classes, sports leagues and youth camps as a result of public health restrictions.
- Funds to partially offset the reductions above that were allocated to swim, tennis reservations and other programs that continue to operate safely under current restrictions and are covered by participant revenues.

Expenditure Adjustments – Other Funds

Also included in Attachment A are expenditure adjustments for other funds. Significant expenditure adjustments that result in a $1.1 million increase in expenditures and 3.0 full-time equivalent positions in all other funds include:

- *Airport Fund* – a $0.05 million increase to support economic recovery through creation of a limited term Property Management Specialist in the Community Development Department to support leasing and property management work at the Airport.
- *Big Blue Bus Fund* – a $0.28 million increase to support a Business Process Technology Analyst in the Information Services Department to provide critical technical systems support to BBB and the addition of a Transit Mechanic Supervisor and a Transit Training Coordinator and realignment of resources to maintain the transit fleet and facilities, as well as-needed staffing in the area of customer service.
- *Miscellaneous Grants Fund* – a $1.24 million increase to reflect the transfer of CARES Act funding received in FY 2019-20 to the General Fund, and appropriations to reflect award of the following grants: Bulletproof Vest Partnership grant, California Department of Justice (DOJ) Sexual Assault Evidence grant, Justice Assistance Grant (JAG), and Council of Governments (COG) Homeless Hygiene grant.
- *Resource Recovery and Recycling Fund* – A cost neutral adjustment to add one Motor Sweeper Operator position to avoid a further decrease in the frequency of

street sweeping in residential areas to address cleanliness concerns from residents, which is offset by a reduction in expenses resulting in a net zero impact.

- *Water Fund* – $1.5 million increase to fund the purchase of imported water to meet residential and business demand while repair to local groundwater wells is completed.

The increases are offset by changes in the Clean Beaches, Community Broadband, Gas Tax, Resource Recovery and Recycling, Stormwater, Vehicle Management, Wastewater and Water funds to reflect corrections that align the budget with changes made as a result of the restructuring process and that adjust and correct transfers between funds, including the General Fund, to reflect anticipated spending.

As with the General Fund adjustments, Attachment B is a Salary Resolution detailing new classifications and salary rates, and Attachment C details the staffing adjustments.

Capital Improvement Program (CIP) Budget Adjustments

Recommended changes to the FY 2020-21 CIP budget include a net budget increase of approximately $1.2 million, comprised of a $0.17 million increase to one General Fund project budget, offset by a $0.10 reduction reflecting the transfer of Computer Equipment Replacement Program CIP funds to the operating budget and approximately $1.1 million in combined increases to five non-General Fund project budgets. The budget changes are detailed in Attachment A and summarized below.

<u>General Fund</u>

Staff recommends a one-time appropriation of $170,000 to fund a web application firewall as part of the continued development of the City's cyber security program to minimize the likelihood of a security compromise, or to detect and eradicate cyberattacks.

<u>Community Broadband Fund</u>

The City has entered into a contractual agreement, the City's Lit Fiber Agreement, with Los Angeles SMSA Limited Partnership dba Verizon Wireless, for a 5G Small Cell deployment leveraging the City's fiber optic network. Staff recommends a one-time budget appropriation of $677,500 to fund the construction and installation for Verizon's deployment of Phase III and Phase IV of the project. Funds for the project are collected from Verizon Wireless for the Community Broadband Enterprise Fund.

Local Return Fund – Measure M

The Measure M program is funded by a sales tax measure approved in 2016 by Los Angeles County voters to finance public transit, paratransit and related transportation infrastructure projects. Staff recommends allocating $150,000 in currently available resources to the Traffic Signal Safety – Power Outage Back-Up Battery project. This project will ensure that there are safe and effective traffic signal systems, to enable the movement of cars, buses, pedestrians, and emergency vehicles. When the traffic systems fail there is an emergency condition that needs to be dealt with immediately. The battery back-up system is essential to avoid outages because it provides the necessary safety net for construction and periodic power outages.

Cemetery Fund

The Rooftop Fall Protection and Access Retrofits project funds the OSHA compliant fall protection plan which includes construction of physical barriers, installation of fall protection systems, and miscellaneous other engineering solutions to ensure safety for all maintenance staff. This plan ensures that all employees who work on the rooftop of Woodlawn Cemetery have access to the proper equipment and training and that the proper engineering controls are in place to ensure their safety while conducting such maintenance tasks. Staff recommends allocating $150,000 in available Cemetery Fund resources to fully implement safety recommendations.

Special Revenue Fund

The state Low Carbon Fuel Standard Program (LCFS) requires that revenues generated through this program be used for clean transportation projects. The EV Charging Station project will procure and install new EV charging ports at both off-street and on-street locations throughout the City. Creating a network of public ports that will make driving an electric vehicle a more convenient option and as a result, reduce citywide air pollution and greenhouse gas emissions. Staff recommends allocating $50,000 in available LCFS special revenue funds to expand the EV charging network.

The Storefront Door Safety Repair project will provide funding to repair the Bike Center storefront doors on Colorado Avenue. In addition to regular repair required of a ten year old space, the facility was repeatedly vandalized during the May 31st civil unrest to the point where there are immediate and significant safety concerns and require implementation of safety measures. Staff recommends appropriation of $47,000 in available Bayside District Parking Levy Assessment funds.

Proposed Resolution to Adopt a BLS Paramedic Assessment Fee and a Disposable Medical Supplies Fee

Responding to Council direction as part of the FY 2020-21 budget adoption process to identify areas where the City can achieve better cost recovery on services rendered to individuals, the Santa Monica Fire Department (SMFD) is proposing to implement a BLS Paramedic Assessment Fee on users of Basic Life Support ambulance transports to recover the costs of providing services, as well as a Disposable Medical Supplies Fee charged to the ambulance provider. These fees are similar to those charged by neighboring jurisdictions (Beverly Hills, Torrance) and seek to recover costs in an area that is particularly strained as a result of the City's increased daytime visitor population. To provide background, Emergency Medical Services (EMS) is the core of SMFD's Suppression and Rescue Division. Highly trained firefighters located at 5 stations throughout the City deliver emergency services around the clock. In 2020, SMFD responded to 15,860 calls for service that included medical emergencies, fires, transportation accidents and other emergency calls. Approximately 70% of emergency

responses are EMS calls. The number of calls is boosted by Santa Monica's daytime visitor population, which rises from approximately 93,000 residents to 250,000 people in the City on a given day.

There are two levels of emergency medical service: 1) Basic Life Support (BLS) is limited to basic assessment and first aid treatment, and 2) Advanced Life Support (ALS), which is provided by licensed paramedics who can administer IV medication, intubate, and provide cardiac monitoring to a patient. EMS is delivered via Advanced Life Support (ALS) capable SMFD engine companies staffed by four personnel, two of whom must be licensed paramedics. To provide EMS transportation services, the City contracts with a private ambulance company staffed with EMTs.

When a person calls 9-1-1, an ALS paramedic fire engine is dispatched along with the contracted ambulance provider to ensure the highest level of care can be provided. SMFD has the responsibility and authority for all medical decisions and actions on every call. The paramedics provide a medical assessment to determine the appropriate level of care required based on the patient's presenting symptoms. ALS is provided to patients who require paramedic services for serious emergency situations. If it is determined the patient requires ALS, a SMFD paramedic rides along in the ambulance with the patient to continue patient treatment while en route to a medical facility. BLS is provided to patients with less serious emergency situations and the ambulance provider transports the patient utilizing their two emergency medical technicians.

In 2020, total calls resulted in care being provided to 9,664 patients. Of those patients receiving care, 6,860 were transported to the hospital: 44% were ALS transports and 56% were BLS transports.

While SMFD paramedics provide care and expertise throughout the process, SMFD does not currently charge patients for responding to calls, conducting examinations, or working with the ambulance provider to transport patients who only need a BLS transport. Instead, under the current billing structure, SMFD only charges a fee for paramedic services when a patient requires an Advanced Life Support transport.

The City of Santa Monica has the legal right to establish its own ambulance transportation fees but has always utilized the rates established by Los Angeles County. The County establishes maximum allowable rates chargeable to the general public for ambulance transportation for those cities that do not have the right to establish their

own ambulance transportation fees. The current LA County charge for a BLS transport is $1,695 and the current charge for an ALS transport is $2,540. Under the City's current fee structure, SMFD receives the monetary difference between a BLS and an ALS call on every ALS transport call ($845), and nothing for a BLS transport call.

The ambulance provider bills the patient on behalf of the City for the ALS Transport Fee and also bills for their own services. In FY 2019-20 the City recovered approximately $550,000 in costs for ALS paramedic services. If a patient is not transported to a hospital no fees are charged regardless of the service provided by SMFD.

The proposed BLS Paramedic Assessment Fee of $640 is based on a full cost recovery determination from the results of the current comprehensive fee study and reflects the average time required for an engine company to complete a BLS EMS call (30 minutes).

Los Angeles County also sets a "disposable medical supplies" fee of $29 that can be charged on every call that results in transportation. SMFD also recommends establishing the Disposable Medical Supplies fee of $29 per call, on a per transport basis, to recover the costs of utilizing the disposable medical supplies provided by the City. This fee is currently charged and retained by the ambulance provider.

There are four basic payer types when billing for ambulance transportation: MediCal, MediCare, Private Pay, and Commercial. MediCal and MediCare payers both pay a fixed amount regardless of the charge and would not be affected by this new fee. Private Pay are people who do not have insurance. A small percentage of this group are very wealthy people who pay as they go and can generally afford a fee like this. The vast majority of Private Pay are uninsured due to financial hardship and their fees are typically reduced or waived entirely. Commercial insurance is the main group that pays a billed rate through their insurance provider.

The proposed BLS Paramedic Assessment Fee would enable the City to bill for its costs of responding to, and providing an assessment on, calls that result in a BLS level transport. The current ambulance operator would bill and collect the proposed BLS Paramedic Assessment Fee on the City's behalf, with an estimated annual cost recovery of $300,000.

Alternatively, the Council may elect to subsidize the BLS Paramedic Assessment Fee for residents and recover the full cost of the service from non-residents. For example, a

25% subsidy for residents would result in a BLS Paramedic Assessment fee of $480 for residents and result in an annual total cost recovery of approximately $250,000.

Extension of Grants Programs

Human Services Grants Program

The City engages in a competitive process to allocate funding for a wide range of safety-net services for Santa Monica residents through the Human Services Grants Program (HSGP). For over 40 years, the HSGP has provided predictable, stable operating funds through multi-year funding cycles, with contracts and outcomes modified to meet emerging needs each year during the cycle. On June 23, 2015 (Attachment F), Council awarded four-year grants to 22 nonprofit agencies through the FY 2015-19 HSGP. On January 22, 2019 (Attachment G, Council approved a two-year extension of the grant cycle, postponing the next HSGP cycle to FY 2021-22 in order to allow staff sufficient time to redesign performance measures and outcomes to serve as the foundation for a new Request for Proposals (RFP). A robust community engagement process was conducted in 2019, but the emergence of COVID-19 in early 2020 effectively halted RFP development, as staff quickly shifted focus to working with HSGP grantees to pivot services in response to the pandemic, and also to launching new programs aimed at addressing food and housing stability via the Virginia Avenue Park Food Panty and the City's COVID-19 Emergency Rental Assistance Program (ERAP). In doing this work, staff bandwidth was stretched thin, as the newly restructured Community Services Department (CSD), which also provides an array of social, cultural, recreational, educational, and housing programs and services, was reduced by 87 full-time-equivalent staff positions as part of the restructured FY 2020-21 Budget, further eroding available resources and making delivery of a meaningful RFP in the fall of 2020 unattainable.

With the current grant cycle set to end on June 30, 2021, staff recommends that Council extend the cycle for an additional two years, through June 30, 2023. A two-year extension will allow the City to continue its commitment to these critical programs and permit staff and grantees to focus limited resources on efforts to address basic needs and support economic recovery until the pandemic subsides, likely by Fall 2021. Staff would then resume HSGP RFP development in early 2022 to inform a Fall 2022 release

that reflects post-COVID community needs. The resulting grant awards would be part of the new grant cycle, which would be included in the FY 2023-24 Biennial Budget Process for Council's consideration.

Due to the uncertainty of City's current fiscal position, staff is not recommending approval of specific grant amounts at this time, only the acknowledgement of current grantees (Attachment H) and extension of the current grant cycle through FY 2022-23. Over the next several months, as the City develops the FY 2021-23 Biennial Budget, CSD staff will work with the Finance Department to solidify estimates for the diverse funding sources that support these grants. These estimates could be impacted by local, State, and Federal stimulus efforts, changes in funding levels for grants the City receives, and unpredictable changes in the City's economy. Then, using the funding estimates, staff will allocate funding to best support the critical work of the program's grantees. Staff will present the recommended annual grant amounts to Council with the Proposed Biennial Budget for FY 2021-23, a timeline that is consistent with past practices.

Organizational Support Program for Santa Monica Arts and Culture Non-Profits
The Organizational Support Program (OSP) provides discretionary, multi-year support for day-to-day operations of Santa Monica's non-profit arts and culture organizations, funding that is traditionally difficult to obtain in the arts sector. Council awarded four-year grants to 13 nonprofit arts organizations on June 23, 2015 (Attachment F). The timing of the awards was coordinated with the HSGP calendar. On January 22, 2019 (Attachment G), Council approved an RFP process for a new two-year OSP grant cycle. On June 25, 2019 (Attachment H), Council approved OSP grants to 20 nonprofit arts and culture organizations, an increase from 13 in the previous cycle. The increase in grantees reflected eligibility changes to the program based on equity recommendations made in a 2019 assessment of Cultural Affairs' grants programs. The new eligibility requirements made it possible for smaller and mid-sized arts organizations, which often serve lower-income communities and communities of color, to apply and be considered for OSP grants.

The COVID-19 pandemic has created overwhelming difficulties for arts non-profits, and most are struggling with fewer staff and reduced capacity to invest in developing and submitting new grant applications for OSP funding. In addition, the Cultural Affairs Division's chief priorities for the current and the coming year are the Art of Recovery Initiative and the Belmar History + Art project, leaving limited capacity in the reduced staff and current environment for initiating a new OSP cycle. The Art of Recovery Initiative also plays a key role in supporting the needs of the artist community during the pandemic by putting artists to work using Private Percent for Arts Funds to implement projects that strengthen and connect the Santa Monica community in these historically challenging times. As a result, staff recommends that Council extend the current OSP cycle for two years, through June 30, 2023. This would allow staff and the grantees to continue to focus on critical recovery efforts, rather than the administrative tasks of initiating a new grant cycle.

Due to the uncertainty of City's current fiscal position staff is not recommending approval of specific grant amounts at this time, only the extension of the current grant cycle and the acknowledgement of the grantees and programs that will be included through FY 2022-23 (Attachment H). Over the next several months, as the City develops the FY 2021-23 Biennial Budget, CSD staff will work with the Finance Department to solidify estimates for the funding sources that support these grants. Then, using those estimates, staff will allocate funding to best support the critical work of the program's grantees. Staff will present the recommended annual grant amounts to Council with the Proposed Biennial Budget for FY 2021-23, which is consistent with past practices. Staff would return to Council at the start of 2023 with a request to implement a new OSP grant process for the 2023-24 fiscal year.

<u>Acceptance of Grant Awards</u>

Justice Assistance Grant (JAG) 2020 - $42,430

The JAG program is a formula grant that provides funding to support a range of program areas including law enforcement. Santa Monica has been an annual recipient of varying amounts of Justice Department grant funds for the past ten years. SMPD plans to leverage 2020 JAG funds to fund additional overtime operations that will

address identified public safety challenges. Without the JAG funds, the opportunity to respond to unanticipated neighborhood crime and public safety concerns is reduced.

California Department of Justice Sexual Assault Evidence Grant Program - $2,681

As part of the 2019 State budget, the California Legislature appropriated $2 million in grant funding to assist local law enforcement agencies with the process of submitting and testing sexual assault forensic evidence. Local law enforcement agencies in California are eligible for the grant. The Santa Monica Police Department was awarded funding for a project to re-evaluate and properly update some cases from the 1980s and 1990s where reports, property, and evidence were not logged in a clear and detailed manner. The funding will provide overtime to accomplish this in order to ensure that there is no impact on the efficient processing of current kits. This is estimated to be a six-month project.

2020 Bulletproof Vest Partnership (BVP) Grant - $24,276

The US Department of Justice, Bureau of Justice Assistance awarded the Santa Monica Police Department a two-year grant as part of the 2020 BVP grant program. This grant would reimburse SMPD for 50 percent of the cost of approximately 75 replacement bulletproof vests purchased under the program. Bulletproof vests are an important tool for keeping officers safe in the field. Bulletproof vests are on a five-year replacement cycle because of the degradation of the Kevlar from repetitive use. These funds will support the purchase of vests through 2022.

<u>Resolution Regarding Travel by Council Members and City Issued Technology</u>

City Council members are eligible to receive certain equipment and reimbursements for costs in order to conduct their work on behalf of the City. This includes telephone and computer equipment, access to wi-fi, and access to funds for City-related travel. To date, the scope of these available resources has been defined in Resolution No. 9270 adopted on May 19, 1998. Staff recommends that Council adopt an updated resolution regarding travel, staff assistance, City-issued technology and accepted use, and other resources available to Councilmembers in order to take into account the significant changes that have occurred over the past 23 years in the area of technology and communications, and to align the resolution with current requirements related to use of

equipment, travel and travel-related reimbursements per City Administrative Instructions and State law.

Public-Private Partnerships

Prior to the COVID-19 pandemic, traditional City revenue streams (most prominently sales tax and parking revenues) were already negatively impacted by new economic trends including a decrease in in-person retail; increased use of the internet for activities such as shopping, entertainment and communication; and the shift to a sharing and gig economy. Before COVID-19, these trends were flattening future revenue growth, even as expenditures and community services continued to grow. The COVID-19 pandemic and related stay at home orders exacerbated and expedited these challenges, and COVID-19 has likely brought permanent change to the way we work, live, and shop. These negative economic impacts have occurred even as community needs have grown due to public and mental health impacts of the pandemic and new economic realities such as rising unemployment, rising food insecurity, rising homelessness, and concerns about housing security once emergency orders end.

We Are Santa Monica Fund

Over the years, the City has developed programs and structures in various departments that provide the ability to raise funds through private donations. Some examples include the Library Foundation of Santa Monica (a 501(c)(3) organization dedicated to ensuring that the City's public library continues to evolve as a public space for culture, opportunity, and lifelong learning); the Police Activities League (PAL) (a 501(c)(3) organization operated by City staff that provides free youth programs for youth 6 to 17 years of age); the Friends of the Santa Monica Animal Shelter (a 501(c)(3) organization dedicated to providing support and resources beyond the basic care and services the animal shelter provides); and Give Santa Monica (a now-suspended program that facilitated donations to the City's parks and the Beach). The City has long aspired to modernize and make more uniform its approach to enhancing City facilities and services through private donations.

At the beginning of the COVID-19 pandemic, there was an outpouring of support from residents and members of the business community who wanted to make philanthropic donations of goods, services, and funds to aid recovery efforts, yet the City did not have

a mechanism to receive general or emergency donations in a prudent and transparent way. To address this issue, in March 2020, the City adopted an Emergency Donations Policy and established the We Are Santa Monica Fund. This donor advised fund (DAF) is administered through the California Community Foundation (CCF). Consistent with prior Council direction, CCF awards donations to eligible non-profits and emergency City service support in four areas including:

1. **COVID-19 Relief for Santa Monica Residents** donations support efforts to address impacts of COVID-19 on Santa Monica residents including housing insecurity and food insecurity.
2. **Business Recovery** donations provide support to efforts aimed at recovery so our businesses can continue to serve the community.
3. **Black Agenda in Santa Monica** donations are a vehicle to support the Black Agenda in Santa Monica and citywide efforts to advance racial equity in our community. For general donations made without a support project selected, 10% will be used to implement the Black Agenda in Santa Monica.
4. **Food Pantry at Virginia Avenue Park** donations help serve those facing food insecurity in our community.

Between November 1 and December 31, 2020, community members contributed $1,153,145 to the We Are Santa Monica Fund, with a large majority of donations specifically designated to support the Virginia Avenue Park emergency food pantry, which provides over 300 Santa Monica households experiencing food insecurity with fresh groceries each week. This impressive coming together of our community to support one another shows the viability of the We Are Santa Monica Fund as a long-term tool to support the desire of community members to participate in lifting one another up.

In order to continue the success of the We Are Santa Monica Fund, enhance community engagement in these efforts, and adhere to best practices for donor-advised funds, staff proposes to establish a small, five-member We Are Santa Monica Fund Advisory Board, to be selected by the City Manager to advise the City Manager in the following three areas:

1. Provide knowledge of Santa Monica and its residents' needs, as well as expertise in fundraising, non-profit operations and management, government and community relations, and/or knowledge in other valuable fields.
2. Provide input on allocation of funds to non-profit community partners and community-focused programs and services.
3. Enhance community and donor awareness of the Fund, consistent with fundraising restrictions and best practices for donor-advised funds.

The chart below depicts the role of the City Council, City Manager, and We Are Santa Monica Fund Advisory Board and the system for the DAF.

The We Are Santa Monica Advisory Fund Advisory Board will provide advice to the City Manager rather than the City Council in order to allow timely recommendations, consistent with priority areas set by Council, regarding distribution of funds, with regular reports to Council and the community. With Council approval, the City would publicly announce and designate a 30-day application timeline for seats on the We Are Santa Monica Fund Advisory Board in February 2021 and finalize appointments by early March, allowing the body to begin its work sometime in April or May 2021. In the long-term, the City will evaluate whether to transition the We Are Santa Monica Fund from a donor-advised fund administered through CCF to an independent 501(c)(3).

Other Opportunities

Today, COVID-19 has forced the City to take drastic action with respect to its budget, but associated cuts leave services well below pre-COVID levels throughout the January 2021 Five-Year Forecast presented to Council in this staff report. Staff has identified $3 million in ongoing funds beginning in FY 2021-22 that can be used to assist as social and civic life reemerge, as noted in the Five-Year Financial Forecast section above; but this represents 5% of the ongoing budget cuts made in the FY 2020-21 Adopted Budget for the General Fund. Looking at the "Recovery scenario" of the Forecast, by the end of the forecast period, only $9 million in ongoing funds would be available to add to existing services -- for a total of $12 million by FY 2025-26; this represents 20% of the total budget cuts, or a restoration of one-fifth of the programs and services provided as of January 2020.

In 2019 and again in 2020, Council directed staff to explore new revenue streams, including public-private partnerships, to allow for the preservation and now restoration of

youth programming and other City services. At the same time, the Budget Task Force – a group of community members and staff convened by the City Manager in Fall 2019 to identify new ways of reaching financial sustainability – recommended that the City look deeper into public private partnerships as a way to increase revenues. Alternative revenue streams from public private partnerships can accelerate the enhancement of City services and strengthen our financial resilience as we re-emerge into a world that has seen massive economic and behavioral disruption.

Responding to Council direction, on June 23, 2020, Council approved a first modification to agreement #10813 (CCS) with The Superlative Group Corporation (Superlative) for conducting a valuation of viable advertising, naming rights, and sponsorship opportunities to inform development of a program with the objective of reviewing the community's needs and values and opportunities to fund community programs and services without increasing taxes and fees.

Digital Wayfinding & Out of Home Advertising

Both City staff and Downtown Santa Monica, Inc., have explored the potential of digital kiosks to enhance wayfinding and supplement revenues. Within the relevant industry, these kiosks are referred to as out of home (OOH) advertising, which refers to dynamic media distributed across small geographic areas that provides the ability to rotate advertisements for multiple brands, allowing advertisers to engage more effectively with customers and audiences. Within cities utilizing these kiosks, such as Berkeley, CA, Coral Gables, FL, and Tempe, AZ, the kiosks also provide key benefits including:

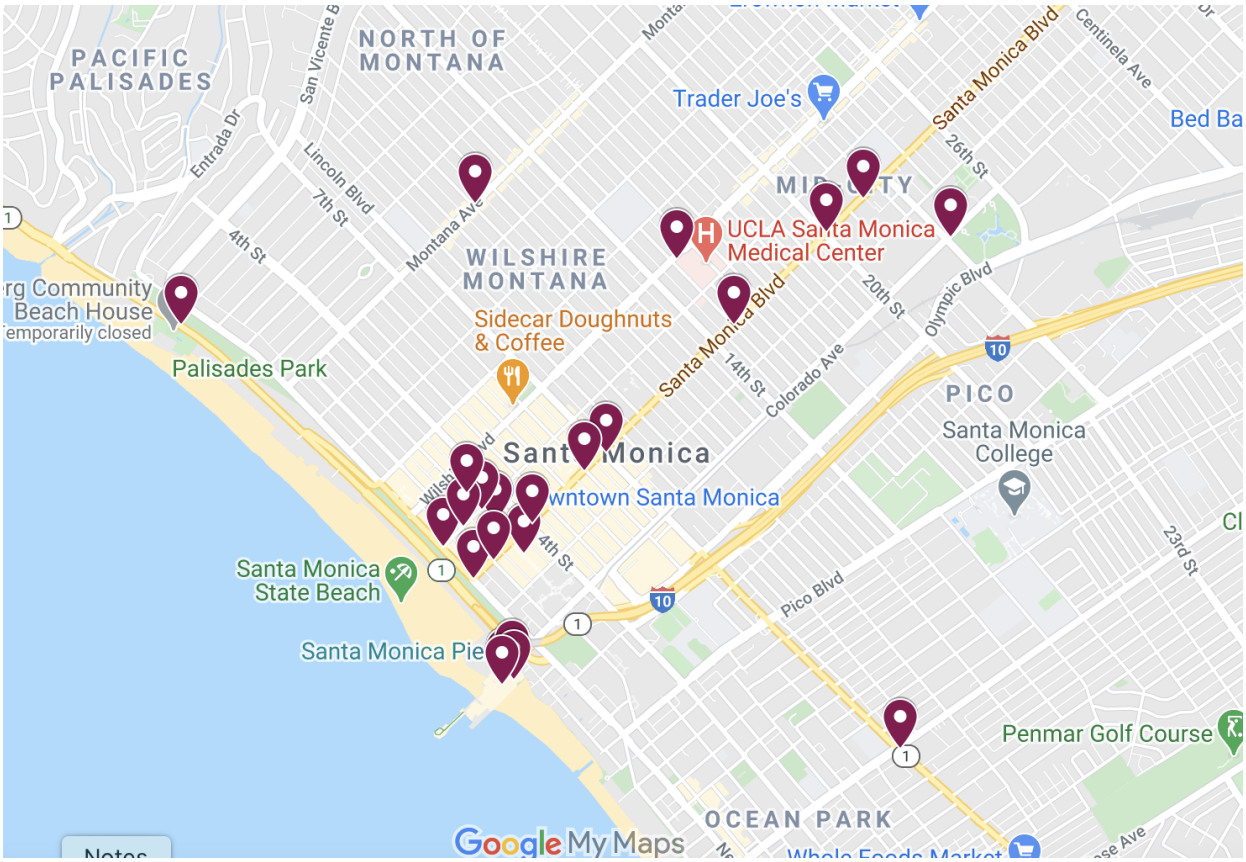
- **Wayfinding Capabilities:** OOH kiosks could greatly enhance the effectiveness and adaptability of the City's pedestrian wayfinding capabilities. The wayfinding component could include a map of the immediate surrounding area, direct people to transit options, and share information on nearby businesses, public spaces, and local landmarks. All of these features could be digitally updated providing immediate adaptability to changing conditions.
- **Emergency, Public Safety, and Public Health Notifications:** OOH kiosks would also serve as an effective platform to share critical information with the public, in emergency situations but also with PSAs focused on everyday actions that improve the livability of the City such as emphasizing zero waste and anti-

littering messaging as well as the need for all to lock car doors and not leave valuable items visible in parked vehicles. Kiosks could be used to dial 911 for emergency assistance.

- **Resident Response / Customer Service Capabilities:** OOH kiosks also present the potential to integrate new customer service tools, such as the 311 system, as these tools are enhanced and evolve over time so that all residents and visitors can report problems and concerns effectively for City response. The kiosks could also be used for customer surveys.

For all of the above reasons, OOH kiosks also present the potential to enhance language justice by providing content in multiple languages as desired.

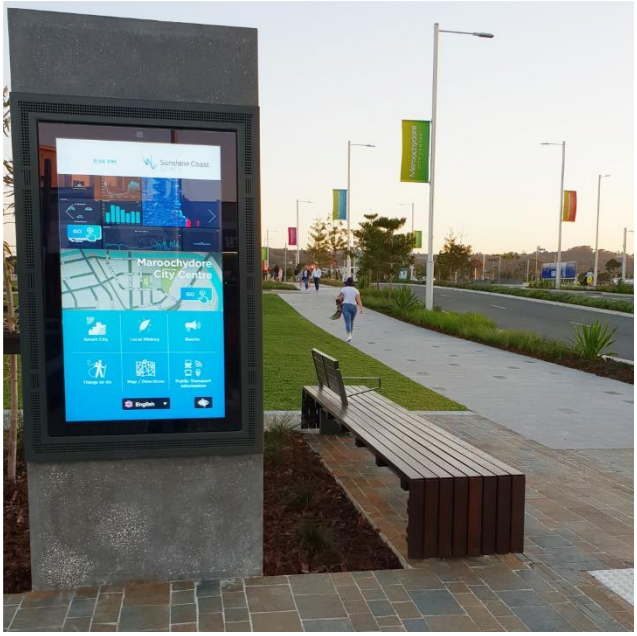
Following Council direction, staff worked with Superlative to explore opportunities for the use of OOH kiosks in a manner that would be consistent with our community's values and beachside aesthetic. A comprehensive assessment resulted in a list of potential stationary digital kiosk and possibly small format sign locations across Santa Monica, calculated revenue potential of each location, and developed recommendations for phased implementation of a digital wayfinding program that includes out of home (OOH) advertising. Superlative recommended a two-phase market coverage approach that would focus on strategic high-trafficked major commercial corridors. The first phase would include 25 boards in highly trafficked areas such as the UCLA Medical Center and Providence St. John's Medical Center, the Pier, Santa Monica Boulevard, and the Downtown. The second phase, if implemented, could include an additional 25 boards in similar locations, as well as Montana Avenue and Main Street, to reach maximum deployment of 50 total kiosks. A decision on whether to proceed with the second phase would occur approximately 12 months after the first-phase deployment to allow the network to mature and to address any community concerns or unanticipated impacts. The map below depicts potential locations of Phase 1 kiosks, with such locations to be reviewed by Council at a future meeting.



To minimize the City's upfront investment and ongoing operations and maintenance costs, the kiosks could be leased from a digital signage management company and, per industry standard, the City could anticipate a minimum of a 40 – 45% share of all revenues generated net of installation, maintenance and content sales, with some resources required for contract management. Agreements also include a minimum annual payment guarantee. Other stakeholders, such as business improvement districts, would receive some of the advertising space to use at their discretion, in accordance with Citywide policies and standards that would be established prior to deployment of Phase 1.

The images below depict examples of different digital OOH Kiosks.

LA Metro Station



Sunshine Coast, BC Canada

San Antonio, TX

Superlative calculated revenue projections assuming an industry standard 45% revenue share with the management company, an initial $10,000 investment per kiosk, and an annual CPI escalator of 2.42 percent. If both phases are implemented, revenue over the life of a 20-year term is conservatively estimated at $39.8 million, with the assumption that the second phase would be deployed in Year 3. If only Phase 1 is implemented, the program could generate approximately $22.9 million over 20 years. Proposed kiosk locations would be vetted with the Council and the community prior to installation, with the understanding that any changes made to the proposed locations would likely impact projected revenues. Total net projected revenues by phase and year are detailed below.

ESTIMATED POTENTIAL REVENUE FROM DIGITAL WAYFINDING OOH PROGRAM

Term	Phase 1	Phase 2	Total Projected Revenue
Year 1	$794,333	$ -	$794,333
Year 2	$928,779	$-	$928,779
Year 3	$951,255	$650,989	$ 1,602,244
Year 4	$974,275	$785,211	$ 1,759,487
Year 5	$997,853	$804,213	$ 1,802,066
Year 6	$ 1,022,001	$823,675	$ 1,845,676
Year 7	$ 1,046,733	$843,608	$ 1,890,342
Year 8	$ 1,072,064	$864,023	$ 1,936,088

Year 9	$ 1,098,008	$884,933	$ 1,982,941
Year 10	$ 1,124,580	$906,348	$ 2,030,928
Year 11	$ 1,151,795	$928,282	$ 2,080,077
Year 12	$ 1,179,668	$950,746	$ 2,130,415
Year 13	$ 1,208,216	$973,754	$ 2,181,971
Year 14	$ 1,237,455	$997,319	$ 2,234,774
Year 15	$ 1,267,402	$ 1,021,454	$ 2,288,856
Year 16	$ 1,298,073	$ 1,046,173	$ 2,344,246
Year 17	$ 1,329,486	$ 1,071,491	$ 2,400,977
Year 18	$ 1,361,660	$ 1,097,421	$ 2,459,081
Year 19	$ 1,394,612	$ 1,123,978	$ 2,518,590
Year 20	$ 1,428,361	$ 1,151,179	$ 2,579,540
Total	$ 22,866,611	$ 16,924,799	$ 39,791,410

Staff recommends that Council direct staff to proceed in exploring a digital OOH advertising program that would include the following next steps:

1. Issue a request for proposals (RFP) for a digital wayfinding and OOH advertising vendor for the construction, installation and management of advertising space of an initial phase of 25 digital OOH kiosks, and a possible subsequent second phase of 25 additional kiosks in highly trafficked areas of the City; and
2. Return to Council with proposed kiosk locations and recommendations for new policies and/or changes to existing City policies and municipal codes to guide the successful implementation and operation of the digital OOH advertising program consistent with the goals of maintaining community aesthetics and enhancing overall engagement with and value for the community.

Naming Rights and Sponsorship Opportunities

Consistent with guidance from the Budget Task Force, Superlative has also conducted an evaluation of potential naming rights and presenting sponsorship opportunities for City-owned facilities, public spaces, and category partnerships. Santa Monica has engaged in public-private partnerships successfully in this area in the past. Most prominently, the City successfully partnered with Santa Monica-based Hulu as the presenting sponsor of the Breeze Bike Share system. This partnership resulted in approximately $3.6 million in total sponsorship proceeds over the life of the City's

agreement with Hulu and ultimately supported more than 149,000 riders taking nearly one million trips on Breeze bikes.

Any program introduced in this regard should emphasize the importance of maintaining the authentic character and picturesque aesthetic of Santa Monica and be implemented in a way that would be appropriate and respectful of the values of our close-knit community.

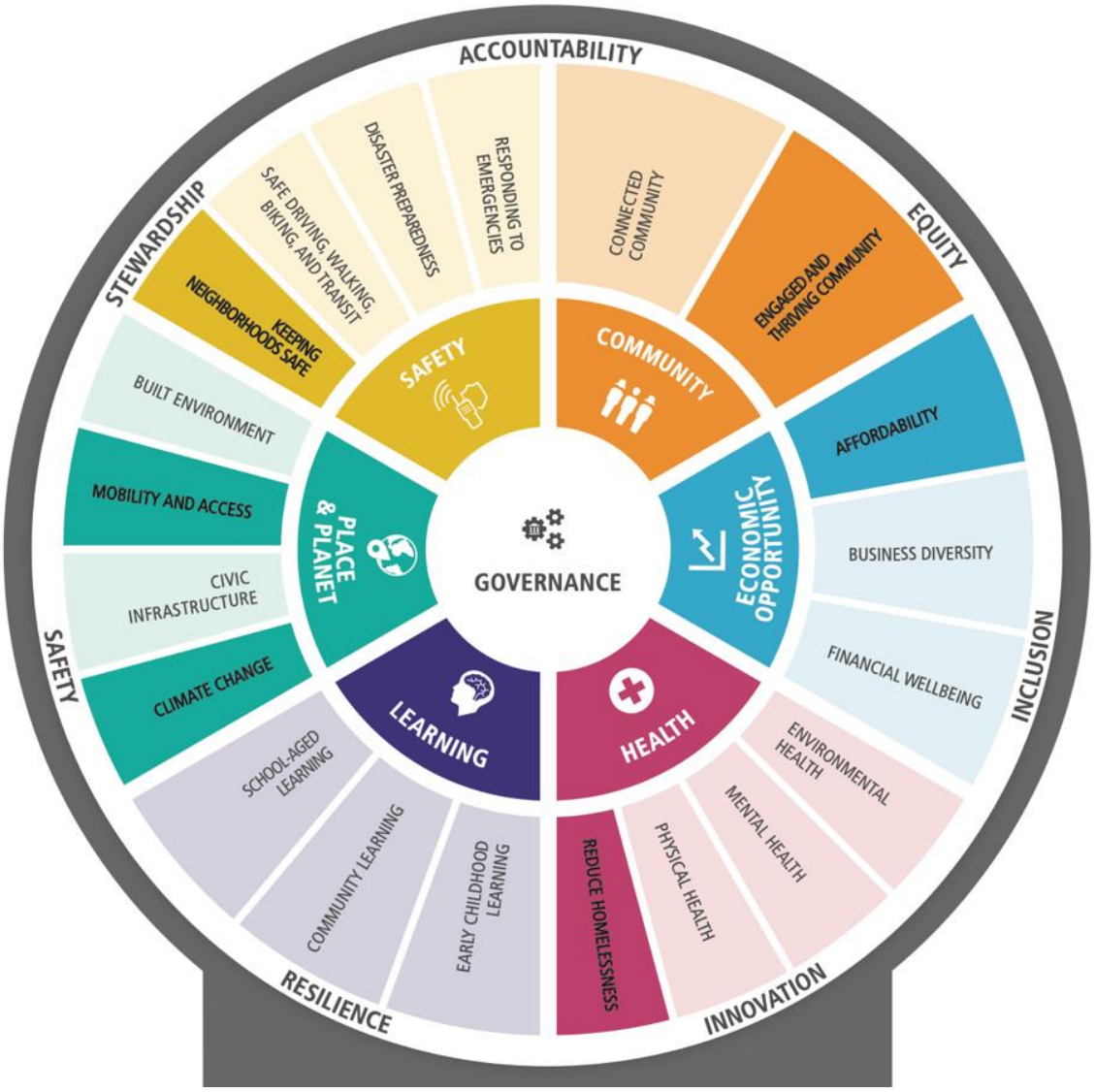
Community value does not rest in revenue alone; and, should Council wish to consider public-private partnerships that involve naming rights or sponsorships of City assets, this would need to be done with incredible care to enhance rather than detract from community value. As one example, the City could negotiate a partnership with a local philanthropic foundation to rename the Santa Monica Swim Center for a 25-year term to support facility upgrades and renovations and fund water safety classes or other community recreation programs.

Superlative's valuation also highlighted the potential of "category partnerships," across City leases. As one example, exclusive single-source beverage pouring rights agreements are a common category partnership entered into by municipalities, universities, and private venues. Santa Monica could potentially benefit from a similar agreement that would, for example, require a specific beverage be sold by lessees of all City-owned restaurant and concessions facilities. In return, the beverage partner could offer discounted rates and volume incentives to City lessees, pay an annual sponsorship fee and signing bonus to the City, and provide other in-kind support, including marketing if desired, for selected City facilities and programs. The City and County of Denver have a five-year agreement for $250,000 per year with Pepsi as the exclusive soft drink partner of city and county-controlled venues, and UCLA has a ten-year exclusive pouring rights agreement with Coca-Cola for $15.4 million.

Staff recognizes the sensitivity of these matters and the extraordinarily careful balance that must be struck in order to enhance community value and resident love of our public spaces, programs, and facilities. At this time, staff seeks direction only on whether Council would like to receive more information in a future study session as to these and/or similar opportunities. Alternatively, Council could direct staff to defer work in this area and focus efforts elsewhere.

<u>Next Steps in the Budget Process – Community Outreach</u>

In December 2018 and January 2019, in preparing for the FY 2019-21 Biennial Budget, staff conducted outreach to community members to understand what aspects of the Framework for a Sustainable City of Wellbeing (Framework) were priorities for our community.



Council then considered the community's priorities in developing a final set of six Framework Priorities that would inform resource and energy allocation for the FY 2019-21 Budget and serve as the basis of a performance measurement methodology to track progress. The six priority areas were:

- Affordability
- Climate Change

- Engaged and Thriving Community
- Keeping Neighborhoods Safe
- Mobility and Access
- Reduce Homelessness

During its decision making for the adoption of the restructured FY 2020-21 Budget, Council continued to invoke the priority areas and values shown above, but the unprecedented health and economic crisis required a shift to immediately focus on responding to the public health emergency, providing clean and safe foundational services, economic recovery for our community, and racial justice and equity. While recovery is anticipated to begin once the vaccine is widely distributed, economic recovery will be slow and, as noted in the January 2021 Five-Year Forecast, the City will be forced to make difficult decisions regarding the use of extremely limited resources in future years in order to reopen facilities and programs and rebuild its financial resilience in the face of any potential new emergencies. It will therefore be more important than ever before to understand the community's needs anew as staff and the Council develop the FY 2021-23 Biennial Budget.

The FY 2019-21 Adopted Budget set a course for a six-year transformation to a performance based management model using the Framework that required mapping over 600 activities conducted by the City to one of 27 areas, costing those activities individually, and tracking individual metrics for each activity. This model required the dedicated support of over five positions in the City Manager's Office in addition to significant resources in the Budget Division and throughout the organization. The dedicated positions were eliminated as part of the COVID-19-related restructuring in 2020. The City remains committed to using the principles of performance management and metrics to ensure limited City funds are making the biggest impact for the community. However, the unprecedented health and economic crisis is requiring that we pivot on our approach: the City will adopt a simpler, more focused tool to gauge our performance in achieving Council priorities while otherwise focusing resources on providing services and addressing the immediate needs of our residents as the City gradually reopens and re-establishes services in a changed landscape.

While the pandemic has had devastating impacts on City revenues, staff remains committed to a FY 2021-23 budget process that incorporates and reflects community input. As a first step in this process, staff plans to conduct a community outreach process in February to gauge needs. Given the fact that the Framework areas (previously called “sub-outcomes”) represent every aspect of services a community (and not just the municipal government) provides, staff will use a survey tool asking community members to rank these same areas of service. The results of this survey will be presented to Council as part of the March 9 priority setting session to further inform Council’s understanding of community priorities. At the March 9 meeting, staff will ask for Council direction on approximately five priority areas, once again based on the Framework, that will guide staff in proposing allocation of scarce resources during the preparation of the FY 2021-23 Biennial Budget.

Financial Impacts and Budget Actions

Recommended FY 2020-21 midyear revenue budget adjustments result in a $14.6 million decrease in the General Fund and $5.3 million decrease in the Other Funds that result in a combined $19.9 million net decrease from the citywide revenue budget. The recommended FY 2020-21 midyear expenditure adjustments result in a net $0.3 million decrease in General Fund operating and capital expenditures and $2.3 million increase in the Other Funds operating and capital expenditures that result in a net $2.0 million increase from the citywide expenditure budget. Details for FY 2020-21 midyear adjustments are in Attachment A.

Prepared By: Gigi Decavalles-Hughes, Director

Approved	**Forwarded to Council**
Gigi Decavalles-Hughes, Director 1/20/2021	Lane Dilg, Interim City Manager 1/20/2021

Attachments:

A. Attachment A - Budget Adjustments FY 2020-21
B. Attachment B - Salary Resolution 01.26.2021
C. Attachment C - Position and Classification Changes
D. Attachment D - Council Member Travel Resolution
E. Attachment E - Paramedic Assessment and Medical Supplies Fee Resolution
F. Attachment F - Council Meeting 06.23.15 - FY 2015-19 HSGP and OSP
G. Attachment G - Council Meeting 06.25.19 - Extension of HSGP and OSP
H. Attachment H - FY 2020-21 HSGP and OSP Grantees