



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: NOVEMBER 5, 2019

DEPARTMENT: FINANCE AND LIBRARY AND COMMUNITY SERVICES (LCS)

FROM: MATT N. PRESSEY, CPA, FINANCE DIRECTOR
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TITLE: FUNDING OPPORTUNITIES FOR PARKS, RECREATION AND
LIBRARIES MASTER PLAN – ADMINISTRATIVE REPORT

RECOMMENDED MOTION:

No motion is required. This is an Administrative Report.

RECOMMENDATION:

No action is required. This Administrative Report is presented for information only and for comments from the City Council.

EXECUTIVE SUMMARY:

This administrative report seeks to build off the Parks, Recreation and Libraries Master Plan, recently adopted by City Council on July 2, 2019. This administrative report identifies funding options and discusses pathways forward to make a dent in the \$176 million capital improvement plan identified in the Master Plan. The Master Plan is the culmination of a significant two-year effort of community and stakeholder engagement. Substantial input was received through extensive visioning sessions, identifying what matters most, developing objective criteria for fair and equitable ranking and prioritizing. As part of the process, a comprehensive and detailed condition assessment was made of all existing parks and facilities. The results of this major and historic effort resulted in a master plan with key project recommendations, implementation strategies and a capital investment plan that truly reflects the needs and priorities of the community. Funding for the plan is challenging since the City's budget is already tight and discretionary sources are already allocated. Therefore, a new funding source is really the best viable option. The new source staff is proposing, and believe the community will support, is a parcel tax of \$10 per month; \$120 per year. The City has a strong and very positive track record of planning, funding and developing facilities and improvements. In the last 5 years, the City has invested millions in major planning and capital projects using funds entrusted to the City. To take the next step toward making the Master Plan a reality, staff plans to proceed with a scientific poll of the community's thoughts on a parcel tax.

BACKGROUND:

In October 2016, the Salinas City Council authorized the City to enter into a Professional Service Agreement with Conservation Technix to complete a Master Plan for Park, Recreation and Libraries with the goal of developing a community-supported plan that provides guidance for future development and redevelopment of the City's recreation and sports facilities and libraries. The Master Plan would guide policy development, prioritize demands and opportunities, and generate a strategic action plan to be updated every five to ten years. The plan would seek to incorporate energy efficient strategies and environmental remediation opportunities and would include elements that ensure the consideration of racial equity in resource allocation and service development.

From February 2017 to February 2019, the City, in collaboration with Steering Committee members, engaged community residents and stakeholders to develop plan content. Over a two-year period over 2,700 residents and stakeholders participated in an on-line/paper survey (797 responses), eleven (11) community meetings, six (6) stakeholder discussions and fifty-six (56) pop ups.

Throughout the community engagement effort, residents and stakeholders were asked to provide their vision for what a vibrant park, recreation and libraries system would look like. Residents identified priorities for Salinas' parks, recreation centers, sports and athletic facilities and libraries. In addition, they also identified a criterion by which the recommended infrastructure projects could be ranked. Throughout this process, the priorities and data collected through the community engagement process has been reported to the Library and Community Services Commission and to the Master Plan Steering Committee.

Over the last two and a half years, the consultant team has conducted a full assessment of our facilities to include all parks, recreation centers and libraries. Following this assessment and the community engagement process, the consultant team then proceeded to develop chapter content, key project recommendations, implementation strategies and a capital investment plan. In addition, the Park Classifications and Sports Facilities Standards have been updated and were ultimately adopted by the City Council on May 15, 2018.

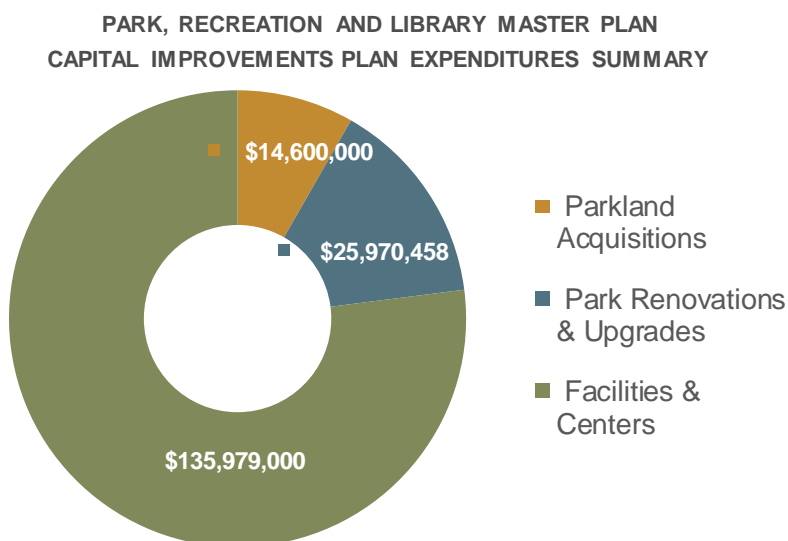
In late 2018, staff received the chapter content and capital investment plan for the Master Plan. Over the next year, the content was vetted through Library and Community Services, Public Works and Community Development staff. The capital investment plan is significant, totaling over \$176 million dollars. In an effort to establish a fair and equitable ranking process, the staff developed criterion that would be used to score each project, which would ultimately result in a ranking of each project. This ranking would be used to prioritize projects and seek funding accordingly. In February 2019, three additional community meetings were held to obtain resident feedback on the criterion developed by staff and rank them by importance. Following these meetings, our consultants took this data and ranked the projects accordingly, including the information in the draft Master Plan.

Staff received the draft Master Plan on May 30, 2019 for public review and comment. On June 12, 2019, an updated Draft Master Plan was presented to the Library and Community Services

Commission. The Library and Community Services Commission endorsed the Draft Parks, Recreation & Library Master Plan and recommended that it be presented to the City Council for adoption. On June 19, 2019 the Draft Master Plan was also presented to the Planning Commission as an informational item. On July 2, 2019, the Draft Parks, Recreation & Library Master Plan was presented and adopted by the City Council.

DISCUSSION:

One key element of the Park, Recreation and Library Master Plan adopted by the City Council on July 2, 2019 is the Capital Improvement Plan (CIP) portion of the Master Plan, which estimates costs for specific projects to guide implementation over the next 20 years. The projects identified in the plan were selected based on the need to implement long-standing improvements and to better connect and create access for Salinas residents. There are 56 park and facility projects outlined in the CIP, as well as suggested parkland acquisitions totally over \$176 million dollars.



In order to create a fair yet equitable process for ranking the 56 projects, staff created a set of criteria which was vetted by the community through a public engagement effort in February of 2019. The criteria for prioritizing infrastructure projects included:

- **Local/Regional Significance:** projects that impact parks and facilities that are destinations for and utilized by a large number of Salinas residents and visitors and where a significant amount of programming and space already exists.
- **Ability to Leverage Funding:** projects that meet the criteria (i.e.: population size, demographics, income level, and access) for local, state and federal grants as well as charitable foundations.
- **Community Need:** projects that support parks and facilities infrastructure priorities identified through the community engagement process of the Parks, Recreation Centers and Libraries Master Plan.

- **Safety & Security**: projects that address parks and facilities safety and security needs in order to provide safe spaces that are accessible to all.
- **Usage/Resident Benefit**: projects that improve parks and facilities that are used heavily and/or in areas where few city facilities exist and where the cost of the project is evaluated against the volume of usage/resident benefit.
- **Equity**: projects that support equity and access to parks and facilities across the City.

Following the community's vetting and ranking of the above criteria our consultant, Conservation Technix, applied the ranking to the list of projects identified to determine prioritization.

Overall, the park system needs to address its aging infrastructure, demonstrated by broken pavement, in pathways and sports courts and the need to repair or replace broken picnic tables, benches and drinking fountains in poor condition or inoperable. Playgrounds feature a wide age range of equipment and play safety surfacing and those at their expected lifespan should be targeted for replacement. Many parks have failing irrigation systems and would benefit from renovations which ultimately would improve watering efficiencies and create potential savings.

Having adequate facilities is essential to maintaining and improving the overall level of recreation programming that is available in the community. The overall level of maintenance needs to be improved and the recreation buildings generally are not well configured or may be lacking spaces needed to enhance programming. This is particularly true for the community centers, which often only have small classrooms for programming. The Hebbbron Family Center is a priority for the Department as it has significant structural issues and needs to be replaced.

Funding Options

The main goal of this administrative report is to review the options the City has to move some of these projects forward. \$176 million is a big number to try to tackle. Identifying the funding options and then determining what is feasible is a good place to start. There are five main funding options available to the City:

1. Grants
2. Developer Impact Fees
3. Future Measure G Funding
4. New Property Tax
5. Annual Carry-Over
6. Reprioritize Allocated Funding from Existing Projects

1. Grants

The Library & Community Services Department submitted a grant application to the California Department of Parks and Recreation for the Statewide Park Development and Community Revitalization Program, otherwise known as Prop 68 funding, in August. If awarded, the grant would provide \$8.5 million to rebuild the Hebbbron Family Center, which is the top priority for recreation facilities. The California Department of Parks and Recreation received 480 applications with a total overall funding request of \$2.3 Billion. There is approximately, \$260 Million available

for state awards from Prop 68. As such, there is only enough money to fund approximately 11% of the total ask or about 55-75 projects. Due to the high volume of applications, awards won't be announced until late January to mid-February 2020.

In addition to the competitive grant opportunity described above, there is also a Per Capita program under Prop 68. Each city's allocation shall be in the same ratio as the city's population is to the combined total of the state's population that is included in incorporated and unincorporated areas within the county, except that each city shall be entitled to a minimum allocation of \$200,000. The Library & Community Services Department advised the California Department of Parks and Recreation of the intent for the City to participate in the Per Capita Program. We hope to hear what the City of Salinas' allocation will be in late October.

With the Master Plan completed, the City is in a good position to be very competitive on other granting opportunities.

2. Development Impact Fees

The City charges Development Impact Fees to developers for their fair share of their development's impact on public infrastructure and facilities of the City caused by the increase in residents and employees. Separate fee categories are established based on the type of development such as residential, commercial, and industrial development types. The City has separate fees for the following infrastructure and facilities:

- Traffic Impact Fee
- Storm Drain Impact Fee
- Sanitary Sewer
- Street Trees
- Park Impact Fee
- Public Facility Impact Fees
 - Police
 - Fire
 - Recreation Centers
 - Libraries

Fees are determined by a nexus study and established by ordinance and resolution. The fees collected can only be used to construct new facilities or expand existing facilities. They can't be used to maintain existing facilities. Much of the Master Plan Capital Improvement Expenditure budgets will qualify for the use of impact fees because many of the proposed projects expand or enhance park and recreation facility and amenities providing an enhanced level of service to the community.

Regarding park land, developers of new developments are required as a condition of development to dedicate 3 acres per 1,000 population that will be served by their development in accordance with the Quimby Act. The City does not pay for this land.

Park Developer Impact Fee

The existing park impact fee is currently \$1,004 per bedroom. The new impact fee, currently projected to be brought to City Council on December 3, 2019, is \$6,126 per single family residential unit.

Recreation Facility Developer Impact Fee

The existing recreation impact fee is \$689.26.

3. Future Measure G Funding

Measure G was passed by voters in November 2014 and collection started April 1, 2015 and will expire on March 31, 2030. The City and much of the community realize that the 15-year sunset of this revenue measure will need to be changed at an election before it expires. The current plan is to go back to the community and lift the sunset provision similar to what was done for Measure V/E. The best plan is to take this change to the voters in November 2024, which is a presidential election. The Police Services Headquarters is one of the main projects funded by Measure G and the bonds funding the project are due to be paid off by the end of the 15-year sunset. If Measure G is extended beyond the 15 years, the annual debt service budgeted of \$4.7 million for the Police Services Headquarters will be available for other projects. The table on page 7 illustrates the timing of when Measure G funding will be available and how much could be generated for the next 21-year period.

4. New Parcel Property Special Tax Revenue

To provide a funding option that would allow the City to begin making a dent in a parcel tax of \$10 a month or \$120 per year, per residential property owner and would generate approximately \$5,280,000 per year. The next election would be ideal, since it is a presidential election with higher voter turnout and historically has provided positive results for the City. The table below shows the amount that could be generated from this revenue measure, which could expire at the end of the 15-year bond financing for the police services headquarters at which time the portion of Measure G funding used to pay the bonds would be available to begin funding parks and recreation facilities.

FY	FYE	Parcel Tax	
FY 2020-21	2021	<u>Nov. 2020 - New Parcel Tax</u>	
FY 2021-22	2022	1	5,280,000
FY 2022-23	2023	2	5,280,000
FY 2023-24	2024	3	5,280,000
FY 2024-25	2025	4	5,280,000
FY 2025-26	2026	5	5,280,000
FY 2026-27	2027	6	5,280,000
FY 2027-28	2028	7	5,280,000
FY 2028-29	2029	8	5,280,000
FY 2029-30	2030	9	5,280,000
FY 2030-31	2031	10	5,280,000
			<u>52,800,000</u>

5. Annual Carry-Over

Each year there typically is a carry-over amount that becomes available to use to replenish emergency reserves, PERS and New York Life pension obligations, internal service liability funds such as workers compensation and general liability, capital project replenishment reserves, or is used for one-time purposes. The carry-over amount represents revenue received that exceeded the projected revenue and expenditures that come in under budget from the discretionary funds of the City, including the General Fund, Measure E Fund, and Measure G Fund.

6. Reprioritize Allocated Funding from Existing Projects

This is always an option for any project that comes forward where funding needs to be identified or if a project has unforeseen increases where more funding is needed. Each year, staff review all CIP's and determine if that project is still the highest priority. The CIP process is beginning in December 2019 and all projects that have not started will be evaluated.

Competing needs for Property Based Parcel Tax

While the parcel tax can generate \$5,280,000 million per year, there is a competing need for a City-wide fee on property owners to pay for the Federally mandated Clean Water Act. The capacity to burden City property owners is about \$120 per year. Between the parcel tax and a new clean storm water fee, the funding could and probably should be split in half. Approximately \$2,640,000 could be used for parks and recreation and the other \$2,640,000 would go to fulfill the Federal mandate. Information on the storm water fee will be coming to the City Council next month. At that time, more discussion can be had on how to allocate funding from property owners. There will also be recommendations on the timing of taking a storm water fee to the voters. The table below shows the funding total for implementing the master plan if only half of the parcel tax capacity is allocated toward funding the master plan.

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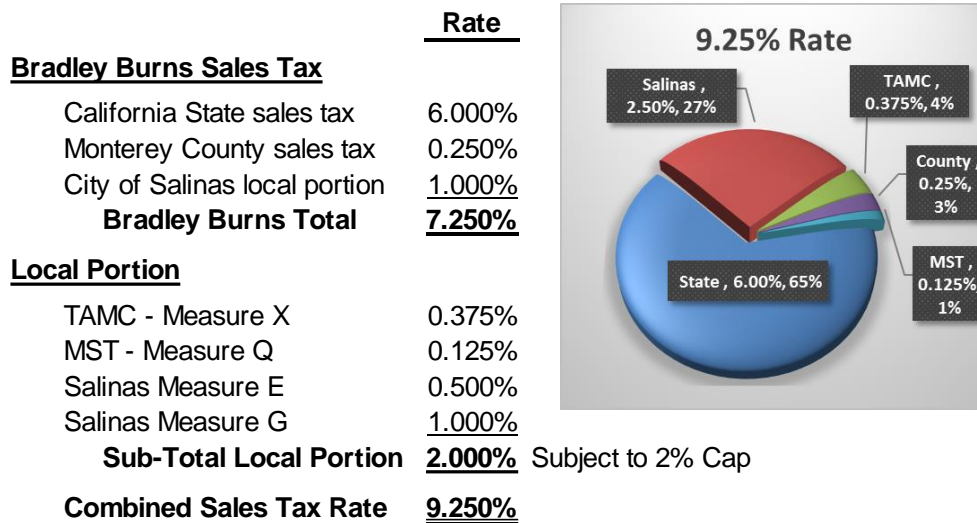
Parks, Recreation and Libraries Master Plan Funding Scenario Table

			Measure G		Parcel Tax			
	FY	FYE	Count	Amt. for PD HQ	Nov. 2020 - New Parcel Tax			Total
		2015	Start					
	FY 2015-16	2016	1					
	FY 2016-17	2017	2					
	FY 2017-18	2018	3					
	FY 2018-19	2019	4					
	FY 2019-20	2020	5					
Presidential Election	FY 2020-21	2021	6		Nov. 2020 - New Parcel Tax			
	FY 2021-22	2022	7		1	5,280,000	2,640,000	
	FY 2022-23	2023	8		2	5,280,000	2,640,000	
	FY 2023-24	2024	9		3	5,280,000	2,640,000	
Extend MG; Prest. Election	FY 2024-25	2025	10		4	5,280,000	2,640,000	
	FY 2025-26	2026	11		5	5,280,000	2,640,000	
	FY 2026-27	2027	12		6	5,280,000	2,640,000	
	FY 2027-28	2028	13		7	5,280,000	2,640,000	
Presidential Election	FY 2028-29	2029	14		8	5,280,000	2,640,000	
	FY 2029-30	2030	15	PD Paid Off	9	5,280,000	2,640,000	
	FY 2030-31	2031	1	4,700,000	10	5,280,000	2,640,000	
	FY 2031-32	2032	2	4,700,000				
	FY 2032-33	2033	3	4,700,000				
	FY 2033-34	2034	4	4,700,000				
	FY 2034-35	2035	5	4,700,000				
	FY 2035-36	2036	6	4,700,000				
	FY 2036-37	2037	7	4,700,000				
	FY 2037-38	2038	8	4,700,000				
	FY 2038-39	2039	9	4,700,000				
	FY 2039-40	2040	10	4,700,000				
	FY 2040-41	2041	11	4,700,000				
	FY 2041-42	2042	12	4,700,000				
	FY 2042-43	2043	13	4,700,000				
	FY 2043-44	2044	14	4,700,000				
	FY 2044-45	2045	15	4,700,000				
	FY 2045-46	2046	16	4,700,000				
	FY 2046-47	2047	17	4,700,000				
	FY 2047-48	2048	18	4,700,000				
	FY 2048-49	2049	19	4,700,000				
	FY 2049-50	2050	20	4,700,000				
	FY 2050-51	2051	21	4,700,000			-	
				<u>98,700,000</u>			<u>26,400,000</u>	125,100,000
				Total Parks, Recreation and Libraries CIP				<u>176,549,458</u>
							Remaining Funding Needed	<u>51,449,458</u>
							Divided by \$4.7 Mil. Measure G funding	<u>4,700,000</u>
							Years to cover \$53.9 million remaining amount	11

Why Transaction and Use Tax (Sales Tax) is not an option

The transaction and use tax would typically be the best option for funding park and recreation improvements. The City is limited to a 2% total local tax rate. Currently, the City has an accumulative local tax rate of 2% as part of the current 9.25% total tax rate as shown in the table and chart below:

Sales Tax Rate



City Fiscal Condition and Structural Deficit Forecast

The City has a structural deficit and has been taking the necessary steps to reach long-term financial sustainability. The funding plan for the parks, recreation and library facilities discussed assumes the City will be able to reach fiscal sustainability and the funding identified will be available for the improvements and ongoing operations and maintenance. One of the recurring themes of input from the community was to first maintain and improve the existing facilities and identify and allocate the amount needed to maintain the facilities with necessary maintenance and upkeep.

Salinas Plan

The Salinas Plan has 32 recommendations to help the City reach fiscal sustainability. The 32 recommendations are in various stages of implementation and staff are monitoring the implementation closely with monthly reports to the Finance Committee and quarterly status reports to the City Council. The plan calls for using certain funding for maintenance of City facilities. A study of the cost of maintenance will be taking place (asset management plan). This study, combined with the assessment study performed on parks, recreation, and library facilities, will be funded by those designated sources once realized.

Next Steps - Polling

Based on all the community engagement around the Parks, Recreation and Libraries Master Plan and positive momentum achieved, staff would recommend conducting a scientific poll to get a broader feel of the support. I suspect the polling results will be favorable.

Proposed Timing

Staff would conduct the polling right away and bring back the results to the City Council before the mid-year budget review in February 2020. Depending on the poll results, staff may recommend City Council support placing a parcel revenue measure on the November 2020 election.

Competing and Conflicting Ballot Measures on the November 2020 Election

The *California Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative* qualified to be on the ballot in California as an initiated constitutional amendment on November 3, 2020. The ballot measure is expected to have a very strong and vocal opposition to changing the historic Proposition 13 (1978) way property is taxed. Currently, the taxable value of residential, commercial, and industrial properties is based on 1 percent of the property's purchase price, with an annual adjustment equal to the rate of inflation or 2 percent, whichever is lower. The new initiative will change commercial and industrial property tax to be based on the market value:

A **"yes"** vote supports this constitutional amendment to require commercial and industrial properties, except those zoned as commercial agriculture, to be taxed based on their market value, rather than their purchase price, and allocate revenue from the change to local governments and school districts.

A **"no"** vote opposes this constitutional amendment, thus continuing to tax commercial and industrial properties based on a property's purchase price, with annual increases equal to the rate of inflation or 2 percent, whichever is lower.

There is a revised version of the initiative that would set higher thresholds when commercial or industrial exemptions based on market value assessments (from \$2 million to \$3 million), small business thresholds that may replace the current ballot measure that has qualified already to be on the November 3 2020 ballot. Despite the headwind this may cause for a new parcel tax, staff believe there will still be strong support from the community to fund the master plan.

CEQA CONSIDERATION:

The proposed actions are not projects as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines section 15378).

STRATEGIC PLAN INITIATIVE:

The funding of the Parks, Recreation and Libraries Master plan will address all five of the City Council's goals:

1. Economic Diversity and Prosperity
2. Safe, Livable Community
3. Effective, Sustainable Government
4. Well-planned City and excellent infrastructure
5. Quality of Life

DEPARTMENTAL COORDINATION:

The Finance Department is working close with the Library and Community Services Department.

FISCAL AND SUSTAINABILITY IMPACT:

There is not fiscal impact related to this item at this time.

ATTACHMENTS:

Salinas Parks, Recreation and Libraries Master Plan \$176 million CIP