



Item No. 10(A)

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 12, 2019

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: DOREEN LIBERTO, AICP, COMMUNITY DEVELOPMENT DIRECTOR

RE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KING TO REPEAL AND ADD CHAPTER 17.19 OF TITLE 17, INCLUSIONARY HOUSING REQUIREMENTS

RECOMMENDATION:

It is recommended that the City Council open the public hearing, consider public testimony, introduce and conduct the first reading of the Ordinance, by title only, and set the second reading and adoption for the next regularly scheduled Council meeting of February 26, 2019.

BACKGROUND:

In 2007, the City adopted an Inclusionary Housing Ordinance. Inclusionary housing is a popular way to produce affordable housing through the private market. The existing Inclusionary Housing Ordinance requires developers of new market-rate housing to provide some units that are affordable to low- and moderate-income households. The Arboleda Specific Plan, Mills Ranch Specific Plan and Downtown Addition Specific Plan include inclusionary housing units.

The existing ordinance requires that housing of seven (7) or more units, including division of property for residential purposes, construct units for low-to-moderate income housing. However, the City is also trying to attract more market rate multi-family housing to meet workforce housing needs. Market rate rentals do not meet demand because projects are typically not economically viable for developers to construct and maintain. Therefore, while the intent of the City's inclusionary requirements is good, it can be counterproductive by actually reducing the development of new apartment units because the costs are particularly burdensome on small projects.

Therefore, staff recommends maintaining an inclusionary requirement, but increase the threshold and reduce the requirement in order to balance existing needs for housing. On January 15, 2019, the Planning Commission adopted Resolution No. 2019-249 recommending the City Council adopt the proposed amendments to the Inclusionary Housing Ordinance. A public hearing notice was published in the King City Rustler newspaper on **January 2, 2019**.

DISCUSSION:

Inclusionary housing, or inclusionary zoning was first developed in the 1970s in response to exclusionary and often racially segregated zoning. Inclusionary housing/zoning is a popular way to get the private market to subsidize affordable housing.

Following is a summary of proposed changes to the Inclusionary Housing Ordinance.

1. The City's existing Inclusionary Housing Ordinance gives certain policy authority to the City Attorney. The amended Ordinance designates the City Council to make policy decisions.
2. The existing Inclusionary Housing Ordinance requires that developers of seven (7) or more units include some housing for low-to-moderate income housing.¹ In particular,
 - Developers of thirty (30) or more units shall provide at least fifteen (15%) percent of their projects for low-to-moderate income households.
 - Developers of less than thirty (30) housing units shall provide:
 - One unit of the project as affordable housing if a project consists of seven (7) to ten (10) units.
 - Two (2) units of the project as affordable housing if the project consists of eleven (11) to twenty (20) units.
 - Three (3) units of affordable housing if the project consists of twenty-one (21) to twenty-nine (29) units.
3. The amended Inclusionary Housing Ordinance requires private development of housing of more than twenty (20) units to provide at least two and half (2.5%) percent of the total number of housing units for very low-income households and five (5%) percent for low-income households.
4. The amended Inclusionary Housing Ordinance requires that the affordable housing units include "very-low income" and "low-income" households. The existing Inclusionary Housing Ordinance requires affordable units for low-income and moderate-income households.²
5. The amended Inclusionary Housing Ordinance provides specific language on in-lieu fee contributes (Section 17.19.050).

¹ Low-income housing means housing affordable to households earning between zero to 80% of the city median income. Moderate-income housing means housing affordable to households earning 80% to 120% of the city median income.

² Very-low income housing means housing affordable to households earning 50% or less of the city median income.

Calculation of eligibility and prices is determined by County averages. Given that the City's housing costs are lower than most other areas of the County, prices required for moderate-income units may be close to or exceed market rate prices. Therefore, the process involved in regulating those units is not worth what is accomplished. As a result, staff instead recommends lowering the required number of units and require very-low or low-income units, which involve a higher subsidy by the developer.

ENVIRONMENTAL DETERMINATION:

The Ordinance was assessed in accordance with the authority and criteria contained in the California Environmental Quality Act (CEQA), and the State CEQA Guidelines. Staff recommends that the Ordinance is not a project for the purpose of CEQA and consistent with CEQA Guidelines Section 153788 as it merely updates existing administrative processes and will not result in direct or indirect physical changes in the environment.

COST ANALYSIS:

There are no anticipated fiscal impacts from the recommended action.

ALTERNATIVES:

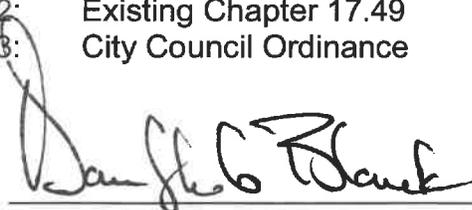
The following alternatives are provided for Planning Commission consideration:

1. Conduct the first reading of the Ordinance, which repeals the existing Chapter 17.49 and adopts a new Chapter 17.49 (Inclusionary Housing Ordinance); or
2. Direct staff to make modifications to the Ordinance and reintroduce it at the next meeting; or
3. Do not conduct the first reading of the Ordinance; or
4. Provide other direction to staff.

Exhibits:

- Exhibit 1: Planning Commission Staff Report and Resolution No. 2019-249
- Exhibit 2: Existing Chapter 17.49
- Exhibit 3: City Council Ordinance

Submitted by:



Doreen Liberto, AICP, Community Development Director

Approved by:



Steven Adams, City Manager

RESOLUTION NO. 249**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF KING
RECOMMENDING THE CITY COUNCIL OF THE CITY OF KING REPEAL AND ADD
CHAPTER 17.19 OF TITLE 17, INCLUSIONARY HOUSING REQUIREMENTS**

WHEREAS, on January 15, 2019, the City of King Planning Commission ("Commission") conducted a public hearing to consider the proposed ordinance, and after considering public testimony, the staff report and all submitted evidence to the support the ordinance, the Commission recommended the City Council ("Council") approve the proposed ordinance; and

WHEREAS, the proposed ordinance is consistent with the General Plan and any applicable Specific Plan(s); and

WHEREAS, amendments to the Chapter 17.19 are needed to implement the Housing Element's goal to provide new housing units to all members of the community, including very low income, low income, and market rate households; and

WHEREAS, in accordance with the California Environmental Quality Act ("CEQA"), and pursuant to CEQA Guideline Sections 15378 and 15061 (b) (3), this activity is not a "project" subject to CEQA as it can be seen with certainty that there is no possibility that an activity may have a significant effect on the environment.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Planning Commission of the City of King adopts Resolution No. 2019-249, attached as **Exhibit 1**, which recommends the City Council adopt the Resolution Repeal the existing Inclusionary Housing Ordinance and add Chapter 17.19 of Title 17, Inclusionary Housing Requirements, as shown on **Exhibit 3**.

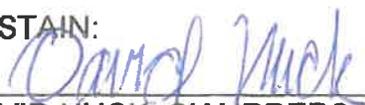
This resolution was passed and adopted this **15th day of January 2019**, by the following vote:

AYES: Nuck, Mendez, Avalos, Uribe

NAYS:

ABSENT:

ABSTAIN:



DAVID NUCK, CHAIRPERSON

ATTEST: 

ERICA SONNE, SECRETARY TO THE PLANNING COMMISSION

King City Municipal Code

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Chapter 17.19 INCLUSIONARY HOUSING REQUIREMENTS**17.19.010 Policies.**

(a) It is a policy of the city that all private developers of housing of seven or more units, including division of property for residential purposes, shall contribute to the city housing goal for affordable housing by constructing low-to-moderate income housing as specified in this chapter.

(b) It is a policy of the city that low-to-moderate income housing developed under this chapter shall remain affordable to low-to-moderate income households or shall be replaced with an equal number of similar low-to-moderate income housing units.

(c) It is a policy of the city to promote voluntary private efforts to develop affordable housing by offering public incentives for this production.

(d) It is a policy of the city to utilize low- and moderate-income housing set aside funds from the community development agency to undertake a land-banking program for the acquisition of land to be used by public or private organizations to develop affordable housing. (Ord. 637, 2003)

17.19.020 Definitions.

“Affordable housing” means housing that meets the definition of either low income or moderate income housing as further defined herein.

“City” means the city of King, a municipal corporation.

“City council” means the governing body of the city.

“Developer” means a subdivider, builder or other producer of lots or buildings for residential use.

“Developer housing program” means a form of developer participation whereby a developer provides a report to the city in advance of project consideration by the planning commission, describing the specific efforts that the developer will take to promote low-to-moderate income housing construction in the city. Phased developments must indicate that the minimum affordable housing unit number thresholds will be met with the completion of each phase. This program may be accepted or rejected by the city council.

“Developer participation” means a contribution in the form of new residential units, residential land, financial assistance or a combination thereof, consistent with this chapter, that will contribute directly to the construction of affordable low-to-moderate income housing to the community.

“Housing sponsors” means public or private organizations that may use land within the city’s land-banking program to develop housing that would be affordable to low-to-moderate income households.

“Housing unit—Program housing unit” means an individual lot, dwelling, apartment unit, condominium unit or other similar living accommodation intended for residential purposes.

“Incentives” means the city may encourage developer participation or may offset the costs of developer participation, as set forth in city resolution(s) or state law. Density increases, non-general fund subsidies, mortgage revenue bonds, waivers of fees or requirements or other such incentives in support of the construction of low-to-moderate income housing.

“Landbanking” means purchase or receipt of land by the city, with or without existing structures, for the purpose of making such land available to low-to-moderate income housing sponsors.

“Low income housing” means housing affordable to households which earn zero to eighty percent of the city median income (or lacking such data, the applicable median income level as defined by the Department of Housing and Urban Development) adjusted for family size, as specified in current U.S. or California census data or other similarly recognized current data. It is assumed that low income housing can be rented for twenty-five percent or less of a family’s monthly income; or alternatively, purchased with payments of thirty-three percent or less of a family’s monthly gross income. These may be affordable units in any of these general categories: single family homes, condominiums, townhouses, apartments, mobile or modular homes or other housing types which meet relevant city standards.

“Market value” means the value that a willing, unconstrained buyer or seller would agree upon as an exchange price.

“Moderate income housing” means housing that is affordable to moderate income households who earn eighty percent to one hundred twenty percent of the city median income (or lacking such data, the applicable median income level as defined by the Department of Housing and Urban Development) adjusted for family size, as specified in current U.S. or California census data or similarly recognized current data. It is assumed that moderate income housing can be rented for twenty-five percent or less of a family’s monthly gross income; or alternatively, purchased with payments of thirty-three percent or less of a family’s monthly gross income. These may be affordable units in any of these general categories; single family homes, condominiums, townhouses, apartments, mobile or modular homes or other housing types which meet relevant city standards.

“Off-site construction” means erection of low-to-moderate income housing units on land other than that on which the developer intends to place units. § Off-site units must be placed within the city.

“Upper and middle income housing” means housing that sells or rents at levels at or above those of housing affordable to moderate income households. (Ord. 637, 2003)

17.19.030 Developer participation.

(a) Developers of thirty or more housing units shall:

(1) Provide at least fifteen percent of their project for low-to-moderate income households;

(2) Provide an approved developer housing program to the city promoting the goal that at least fifteen percent of all new housing be affordable to low-to-moderate income households. That program shall contain the developer proposed technique or combination of techniques meeting the equivalent of the city low-to-moderate income housing goal. Affordable units must be developed on-site unless units are constructed that meet the criteria of Section 17.19.020, moderate income housing, above. No development shall occur until the city council approves the developer housing program, including methods to assure continued provision of affordable housing units. Such approval shall be discretionary with the city council;

(3) In consideration of developer participation, the city may offer incentives as it deems appropriate to developers of low or moderate income housing in the city, including those provided by state law. These may be adopted by council resolution and suited to the particular circumstances of such developments.

(b) Developers of less than thirty housing units shall:

(1) Provide one unit of the project as affordable housing if a project consists of seven to ten units; provide two units of affordable housing if a project consists of eleven to twenty units; provide three units of affordable housing if a project consists of twenty-one to twenty-nine units; or

(2) Provide an approved developer housing program to the city containing the developer proposed technique or

combination of techniques meeting the equivalent of the city affordable housing goal. Affordable units must be developed on-site unless units are constructed that meet the criteria of Section 17.19.020, moderate income housing, above. No development shall occur until the city council approves the developer housing program, including methods to assure continued provision of affordable housing units. Such approval shall be discretionary with the city council.

(3) In consideration of developer participation, the city may offer incentives as it deems appropriate to developers of low or moderate income housing in the city, including those provided by state law. These may be adopted by council resolution and suited to the particular circumstances of such developments. (Ord. 637, 2003)

17.19.040 Operation of low-to-moderate income housing program.

The developer shall provide the city with assurance to the satisfaction of the city attorney prior to issuance of building permits that:

(1) All program housing units in a project shall be sold or rented to low or moderate income households who are certified by the city or its authorized agent;

(2) All affordable housing units in a project and in phases of a project shall be constructed concurrently with or prior to the corresponding non-affordable housing units.

(A) These units need not have the same level of amenities or market value as the non-affordable housing units of the project unless specifically required by the city.

(3) To the extent permissible, preference shall be given for affordable housing units to persons who live or work within the city. This facet of the project will be administered by the city or a designated agent. The developer shall not discriminate in sales or rental on the basis of race, creed, national origin, color, sex or age.

(4) Housing developed for low income households shall continue to be affordable to them from the date of initial occupancy, or shall be replaced as affordable low income housing elsewhere in the city. Housing developed for moderate income households shall continue to be affordable to them from the date of initial occupancy, or shall be replaced as affordable moderate income housing elsewhere in the city. The developer shall include guarantees that the property will remain as low or moderate income housing as defined herein or shall be replaced as low or moderate income housing elsewhere in the city. In meeting this requirement, the developer may use such devices as deed restrictions, wrap-around financing, land sales contracts, first right of refusal vested in the city and other similar devices which will ensure the perpetuation of the low or moderate income housing. These devices are set forth as guidelines only, with the developer free to meet the goals of this chapter utilizing other similar guarantee methods, as long as such alternate methods are approved by the city. (Ord. 637, 2003)

17.19.050 Inclusionary housing procedural manual.

An inclusionary housing procedural manual, including guidelines for implementation of this chapter, shall be prepared, adopted by resolution and incorporated herein by reference. (Ord. 637, 2003)

17.19.060 Ordinances in conflict.

All ordinances and parts of ordinances in conflict herewith are hereby repealed. (Ord. 637, 2003)

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ORDINANCE NO 2019-XXX

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KING TO REPEAL
AND ADD CHAPTER 17.19 OF TITLE 17, INCLUSIONARY HOUSING
REQUIREMENTS**

WHEREAS, on January 15, 2019, the City of King Planning Commission (“Commission”) conducted a public hearing to consider the proposed ordinance, and after considering public testimony, the staff report and all submitted evidence to the support the ordinance, the Commission recommended the City Council (“Council”) [approve/deny] the proposed ordinance; and

WHEREAS, the proposed ordinance is consistent with the General Plan and any applicable Specific Plan(s); and

WHEREAS, amendments to the Chapter 17.19 are needed to implement the Housing Element’s goal to provide new housing units to all members of the community, including very low income, low income, and market rate households; and

WHEREAS, in accordance with the California Environmental Quality Act (“CEQA”), and pursuant to CEQA Guideline Sections 15378 and 15061 (b) (3), this activity is not a “project” subject to CEQA as it can be seen with certainty that there is no possibility that an activity may have a significant effect on the environment; and

WHEREAS, on February 12, 2019, the Council conducted a public hearing to consider the Commission’s recommendation, and after considering public testimony, the staff report and all submitted evidence, the Council now desires to approve the proposed ordinance.

NOW THEREFORE, the people of the chartered City of King do ordain as follows:

SECTION 1. The above recitals are incorporated are hereby by reference.

SECTION 2. The City Council has reviewed the proposed ordinance and hereby finds that it is consistent with the General Plan and all applicable Specific Plan(s).

SECTION 3. The City Council, based upon its own independent judgement, finds that the proposed ordinance promotes and protects the health, safety, welfare and quality of life of the City of King residents, including promoting affordable housing.

SECTION 4. The proposed ordinance was assessed in accordance with the authority and criteria contained in CEQA, the State CEQA Guidelines (“CEQA Guidelines), and the environment regulations of the City. The City Council finds and determines that the proposed ordinance is not a “project” for the purposes of CEQA and consistent with CEQA Guidelines Section 15378, as it merely updates existing administrative processes and will not result in direct or indirect physical changes in the environment as compared to the current baseline. Additionally, the City Council finds and determines for the same reasons that even if the proposed ordinance were a project for the purpose of CEQA, there is no possibility that the project may have a significant adverse effect on the environment pursuant to CEQA Guidelines, Section 15061 (b) (3). Therefore, the proposed ordinance is not subject to CEQA.

SECTION 5. The following Sections of Chapter 17.19, of Title 17 of the King City Municipal Code are repealed in their entirety.

Section 17.19.010 Policies.

Section 17.19.020 Definitions.

Section 17.19.030 Developer participation.

Section 17.19.040 Operation of low-to-moderate income housing program.

Section 17.19.050. Inclusionary housing procedural manual.

Section 17.19.060. Ordinances in conflict.

SECTION 6. Chapter 17.19, of Title 17, of the King City Municipal Code is added and adopted to read in its entirety as follows:

Chapter 17.19

INCLUSIONARY HOUSING REQUIREMENTS

Section 17.19.010 Policies.

- (a) It is a policy of the City that all private developers of housing of twenty (20) or more units, including division of property for residential purposes, shall contribute to the City's housing goal by constructing housing for very low income and low income households, as specified in this Chapter.
- (b) It is a policy of the City that very low income and low income housing developed under this Chapter shall remain affordable to very low income and low income households or shall be replaced with an equal number of similar very low income and low income housing units.
- (c) It is a policy of the City to promote voluntary private efforts to develop very low income and low income housing by offering public incentives for this production.

Section 17.19.020 Definitions.

"Affordable housing" means housing that meets the definition for either very low income or low income households, as further defined herein.

"City" means the City of King, a municipal corporation.

"City Council" means the governing body of the City.

"Developer" means any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities, which seeks City approval for all or part of a residential development.

"Developer housing program" means a form of Developer participation whereby a Developer provides a report to the city manager in advance of project consideration by the Planning Commission, describing the specific efforts that the Developer will take to promote very low income and/or low income housing construction in the City.

"Developer participation" means a contribution in the form of new residential units, residential land, financial assistance or a combination thereof, consistent with this Chapter, that will contribute directly to the

construction of very low income and low income housing for the community.

“Housing sponsors” means public or private organizations that may use land within the City’s land-banking program to develop housing that would be affordable to very low income and low income households.

“Housing unit-Program housing unit” means an individual lot, dwelling, apartment unit, condominium unit or other similar living accommodation intended for residential purposes.

“Incentives” means the City may encourage Developer participation or may offset the costs of developer participation, as set forth in City resolution(s) or in the California Density Bonus Law as set forth in Government Code sections 65915 to 65918.

“In Lieu Fee” means a fee paid by a Developer in lieu of providing very low income and/or low income housing units, which may be used by the City or its designee to build, rehabilitate and/or preserve very low income and low income housing units elsewhere in the City.

“Low income housing” means housing affordable to households earning eighty (80%) percent or less of the City of King area median income.

“Market value” means the value that a willing, unconstrained buyer or seller would agree upon as an exchange price.

“Very low income housing” means housing affordable to households earning fifty (50%) percent or less of the City of King area median income.

Section 17.19.030 Developer Participation.

- (a) Inclusionary Housing Requirement: Developers of twenty (20) or more housing units shall provide at least two and one-half (2.5%) percent of the total number of housing units for very low income households and five (5%) percent for low income households. All numbers shall be rounded up.

Alternatively, the City Council may approve payment of an in lieu fee when the Developer can demonstrate that inclusion of the required affordable housing units will create a hardship for development of the project and/or when the City has determined the funding may be better used to accomplish its affordable housing goals on other projects. The in lieu fee shall be calculated in accordance with Section 17.19.050 of this Chapter.

- (b) Housing Program: To meet this requirement, a deed restriction, to ensure income and rental restrictions for housing units are maintained for very low income and/or low income households, shall be applied to the property or other alternative similar device approved by the City Council.

Section 17.19.040 Contents of Housing Program.

The purpose and intent for the Program is to illustrate how a development will conform with the requirements of this Chapter. The Program shall include the following:

- (a) Costs: The Program shall identify the cost of the units, using the following formulas:
 - (1) Very low income households:
 - (i) Rental and For-sale Units: Rental payments and sales prices shall not exceed thirty (30%) of fifty (50%) of the City of King area median income for a household size suitable for the units.
 - (2) Low income households:
 - (i) Rental Units: Rental payments shall not exceed thirty (30%) percent of sixty (60%) percent of the City of King area median income for a household size suitable for the unit.
 - (ii) For-sale Units: For-sale housing unit cost shall not exceed thirty (30%) percent of seventy (70%) percent of the City of King area income for a household size suitable for the unit.
- (b) Time Period: Income and rental restrictions shall remain in place and run with the land for fifty-five (55) years. In meeting this requirement, the Developer may use such devices as deed restrictions, wrap-around financing, land sales contracts, and other similar devices which will ensure the perpetuation of the very low income and/or low income housing requirements. These devices are identified as guidelines only, with the Developer free to meet the goals of this Chapter by any other similar guarantee methods, as long as the alternate method(s) are approved by the City.
- (c) Verification: All program housing units in a project shall be sold or rented to very low income and/or low income households who are certified by the City.
- (d) Construction Timing: All very low income and low income household units in a project and in phases of a project shall be constructed concurrently with or prior to the corresponding non-affordable housing units.
- (e) Amenities: Very low income and low income household units need not have the same level of amenities or market value as the non-affordable housing units of the project.
- (f) Preference: To the extent permissible, preference shall be given for affordable housing units to persons who live or work within the City. This facet of the project will be administered by the City or a

designated agent. The Developer shall not discriminate in sales or rental on the basis of race, creed, national origin, color, sex or age.

Section 17.19.050 In Lieu Fee.

At the discretion of the Developer, payment of a fee in lieu of building all or some of the very low income and/or low income housing units shall be paid to the City as follows:

- (a) The amount of the fee shall be calculated using the fee schedule established by resolution of the City Council.
- (b) The fees collected shall be deposited in the inclusionary housing trust fund.
- (c) All fees shall be paid to the City prior to the issuance of any building permit(s) to the Developer.

Section 17.19.060 Inclusionary Housing Trust Fund.

The City shall establish a separate fund to be known as the inclusionary housing trust fund. All monies collected pursuant to this Chapter shall be deposited within the inclusionary housing trust fund. The funds may be used by the City or its designee to build, rehabilitate and/or preserve very low income and low income housing units within the City.

Section 17.19.070 Administrative Fees.

The City Council may by resolution establish fees and deposits for the administration of this Chapter.

Section 17.19.080 Ordinances in Conflict.

All ordinances and parts of ordinances in conflict herewith are hereby repealed.

Section 17.19.100 Appeal.

A Developer may appeal any determination regarding the number of very low income and/or low income housing units required pursuant to this Chapter and/or the calculation of the in lieu fee amount. Any appeal shall be filed and conducted as prescribed in this Section.

- (1) Within ten (10) calendar days from the date of the determination and/or calculation, an aggrieved party may appeal such action by filing with the City Clerk a written appeal setting forth the grounds for reversing the decision or calculation. The time requirement for filing an appeal shall be deemed jurisdictional and may not be waived. Appeals not timely filed or not setting forth the basis for the appeal are defective and shall be dismissed.
- (2) Upon receipt of such written appeal, the City Clerk shall set the matter for a hearing before the City Manager or his/her designee. The hearing shall be conducted pursuant to the

procedures set forth within King City Municipal Code section 7.51.604 and shall be set for hearing in a reasonable time after the date of filing the appeal with the City Clerk, but in no event later than ninety (90) days from the date of such filing. At least ten (10) days prior to the date of the hearing on the appeal, the City shall notify the appellant of the time and the place of the hearing. Notice may be provided by either personal service or U.S. mail. Notice is presumed to be served upon deposit into the U.S. mail. At such hearing, the City and the appellant may present any information they deem relevant to the decision and/or calculation appealed, provided the information complies with the requirements of section 7.51.604 of the King City Municipal Code. The formal rules of evidence and procedure applicable in a court of law shall not apply to such hearing.

- (3) At the conclusion of the hearing, the City Manager or designee shall deliberate and reach a decision within fifteen (15) calendar days. The decision and the reason(s) for the decision shall be reduced to writing. The City Manager may affirm, reverse, or modify the decision and/or calculation at issue, subject to the following limitations:
 - (i) The City Manager shall not have authority to waive any requirements of the King City Municipal Code or law.
 - (ii) Nothing in these procedures shall be deemed to authorize the City Manager to deviate from unambiguous provisions of the governing code or statute, or well established interpretations of the same, based upon expert opinions or other reliable evidence.

A copy of the decision shall be sent by mail or otherwise to the appellant. Where known, a copy may also be provided by email.

- (4) The decision of the City Manager shall be final with no further administrative appeals. Unless the governing ordinance or statute provides otherwise, if the appellant seeks further relief, the appellant shall file a petition for writ of mandate in superior court pursuant to Code of Civil Procedure Sections 1094.5 and 1094.6 within ninety (90) calendar days of the date of the decision.

Section 17.19.110 Cost Recovery.

Failure to comply with the mandatory requirements of this Chapter and any other provision of the King City Municipal Code shall subject the

Developer to the cost recovery provisions established within Chapter 7.51 of the King City Municipal Code.

Section 17.19.120 Severability.

If any article, section, sentence, clause or phrase of this Chapter is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Chapter. The City Council hereby declares that it would have adopted this Chapter and adopted each article, section, sentence, clause or phrase thereof, irrespective of the fact that any one or more articles, sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

Section 7. This ordinance shall take effect and be in full force and effect from and after thirty (30) calendar days after its final passage and adoption. Within fifteen (15) calendar days after its adoption, the ordinance, or a summary of the ordinance, shall be published once in a newspaper of general circulation.

I HEREBY CERTIFY that the foregoing ordinance was introduced by the City Council after waiving the reading, except by Title, at a regular meeting thereof held on the 19th day of February 2019, and adopted the ordinance after the second reading at a regular meeting held on the 12th day of March 2019, by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST

STEVEN ADAMS, City Clerk

CITY OF KING

By: _____
MIKE LEBARRE, Mayor

APPROVED AS TO FORM:

By: _____
ROY C. SANTOS, City Attorney

Aleshire & Wynder, LLP

I, _____, City Clerk of the City of King, California, DO HEREBY CERTIFY that the foregoing is a true and accurate copy of the ordinance passed and adopted by the City Council of the City of King on the date and by the vote indicated herein.



Item No. 11(A)

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 12, 2019

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM: ROY C. SANTOS, CITY ATTORNEY
STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF UPDATE ON CANNABIS REGULATIONS
AND DIRECTION REGARDING AMENDMENTS TO
COMMERCIAL CANNABIS ORDINANCE**

RECOMMENDATION:

It is recommended the City Council: 1) receive an update on State cannabis regulations and background checks for temporary workers; 2) direct staff to make no changes at this time to the City's cannabis regulations relating to employment permit requirements for temporary workers, background checks or deliveries; and 3) direct staff to draft changes to the cannabis ordinance to increase the limit on cannabis manufacturing permits to 25 and to establish a limit on the square footage dedicated to cannabis businesses to not exceed 60% of the overall industrial area.

BACKGROUND:

The City's current commercial cannabis ordinance authorizes the issuance of 15 cannabis manufacturing permits and the operation of no more than 15 cannabis manufacturing facilities. The City has received requests for manufacturing permits which exceed the current authorized limits.

The City's ordinance also limits cultivation and nursery permits to a total of 1,300,000 square feet. There are no limits on distribution and non-storefront delivery. As part of the strategic plan visioning process, the Council identified a goal of maintaining diversity of businesses in the business park and industrial area. Current limits in the ordinance may not be sufficient to accommodate this. As a result, staff is seeking direction whether additional limits should be established.

**CITY COUNCIL
CONSIDERATION OF UPDATE ON CANNABIS REGULATIONS AND
DIRECTION REGARDING AMENDMENTS TO COMMERCIAL CANNABIS
ORDINANCE FEBRUARY 12, 2019
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At a previous Council meeting, Councilmember Cullen discussed concerns raised by industry professionals regarding the length of time for issuing employment permits to temporary commercial cannabis employees. Council directed staff to examine the City's legal requirements for employment permitting and determine options, if any, for addressing the length of time for issuing a temporary employee work permit.

In addition, the Bureau of Cannabis Control recently approved new regulations, including one which authorized the delivery of commercial cannabis in all jurisdictions within the State of California.

DISCUSSION:

Commercial Cannabis Cultivation Permits

The current cultivation square footage limit applies to the square footage of the canopy only. Since this involves only a portion of each site, the overall potential impact on the industrial area is much greater. When this is combined with the fact that the number of permits for other cannabis uses are not restricted, staff does not believe current regulations prevent the entire industrial area from converting to cannabis uses at some time in the future. This may impact the ability of other businesses important to meeting needs in the community from finding available land and focusing too much of the economy on one industry creates risks to the economic stability of the City if market forces are negatively impacted in that industry.

As a result, staff is recommending that an additional restriction be created on overall land that may be dedicated for uses related to cannabis permits. Staff is recommending 60% for the limit, but the Council may direct staff to draft the percentage that it feels appropriate. The figure of 60% was selected because it does not prevent cannabis from becoming the dominant industry in the industrial area, but still maintains a significant portion of the area for other businesses.

Commercial Cannabis Manufacturing Permits

City staff have received numerous applications to issue commercial cannabis manufacturing permits; however, these requests for permits exceed the amount of commercial cannabis manufacturing permits authorized by the King City Municipal Code. Section 17.03.270(d) states "[n]o more than fifteen (15) commercial cannabis manufacturing businesses may operate within the City at any one time and no more than fifteen (15) commercial cannabis manufacturing permits shall be issued by the City for commercial cannabis manufacturing businesses to operate within the City." Without increasing the number of

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authorized commercial cannabis manufacturing businesses and permits, no additional businesses can operate within the City.

Tax revenues for cannabis manufacturing operations are significantly less than cultivation but tend to pay higher paying jobs and staff anticipates they may be less impacted by fluctuations in the market for cannabis. Therefore, staff is recommending amending the Municipal Code to increase the number of commercial cannabis manufacturing businesses that can operate within the City from fifteen (15) to twenty-five (25) and number of authorized commercial cannabis manufacturing permits from fifteen (15) to twenty-five (25).

Commercial Cannabis Employment Permits

The City's current commercial cannabis ordinance requires all employees of a cannabis business to apply for and receive an employment permit. The cannabis business employee is required to obtain the permit prior to being work and must maintain the permit the entire time they are employed. As part of the process for receiving an employment permit, the applicant must successfully complete the background check which review their criminal and financial history. The State commercial cannabis statutes and regulations do not require an employee to successfully completed a criminal background check or financial history review; rather, employers are statutorily prohibited from conducting such a review until a conditional offer of employment has been provided. The City is not subject to this limitation since it is not the employer.

In addition to reviewing the King City Municipal Code and governing State statutes and regulations regarding commercial cannabis employment, staff reviewed commercial cannabis requirements for numerous cities to determine what, if any, employment requirements were being utilized. Nearly two-thirds of cities reviewed require some form of background check prior to issuing an employment permit. The City of Greenfield does not require any background check or a work permit. The City of Coalinga requires the completion of a background check and work permits prior to employment. No variations were found for temporary workers.

The following options are available to the City as a means of speeding up the employment permitting process:

- (1) Direct staff to prepare an amendment to the employment permit regulations to remove the background check requirement;
- (2) Direct staff to prepare an amendment to the employment permit regulations to authorize issuing an employment permit prior to successful

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completion of a background check and requiring the immediate revocation of an employment permit upon the City receiving unsuccessful background check;

- (3) Direct staff to prepare an amendment to the employment permit regulations to provide an exclusion from the background check requirement for all temporary workers;
- (4) Direct staff to prepare an amendment to the employment permit regulations to provide an exclusion from the background check requirement for only those temporary workers employed by commercial cannabis cultivation businesses;
- (5) Direct staff to prepare an amendment to the employment permit regulations to provide an exclusion from the background check requirement for only those temporary workers employed for harvesting activities at a commercial cannabis cultivation business;
- (6) Direct staff to prepare an amendment to the employment permit regulations to provide an exclusion from the background check requirement for only those temporary workers employed for harvesting activities at a commercial cannabis cultivation business, limit their access to the cultivation/ harvesting areas and prohibiting their access to any other permitted commercial cannabis business activity;
- (7) Direct staff to leave the employment permit background check requirements of the municipal code as is.

Based upon the access to large quantities of commercial cannabis, commercial cannabis products and cash associated with the sale of said cannabis and products, staff recommends proceeding with option 7. It should also be noted that while a request was submitted for this change by one of the cannabis businesses, staff received feedback from at least two other businesses that were opposed to any changes.

Bureau of Cannabis Control Regulations

Background

With the passage of Proposition 64 in 2016, Californians legalized adult-use (non-medicinal) commercial cannabis activities. In furtherance of Proposition 64, in 2017, the state legislature enacted SB 94, which established a comprehensive

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regulatory scheme applicable to both adult-use and medicinal cannabis businesses throughout California.

SB 94 expressly reserves to local jurisdictions the authority to “completely prohibit the establishment or operation of one or more types of [state-licensed cannabis businesses] within the local jurisdiction.” (Bus. & Prof. Code, § 26200(a).) This provision ostensibly includes any and all types of cannabis businesses, including those that engage in cannabis deliveries (i.e. the retail sale of cannabis by delivery as opposed to directly from a storefront).

SB 94 further provides that “a local jurisdiction shall not prevent delivery of cannabis or cannabis products on public roads by a [state-licensed cannabis business] *acting in compliance with state and local law . . .*” (Bus & Prof. Code, § 26090(e) (emphasis added).) This can be reasonably interpreted to mean that a city has authority to enact and enforce an ordinance prohibiting cannabis deliveries within its boundaries, particularly if the prohibition is limited to deliveries made to or from locations within the city and does not apply to mere use of public roads to pass through the city.

Relying on the foregoing authority, in 2017 and 2018, many California cities adopted ordinances banning cannabis deliveries made to or from locations within their jurisdictions.

Current Regulations

On January 16, 2019, the Office of Administrative Law (OAL) approved final regulations of the Bureau of Cannabis Control (BCC) and other State licensing authorities (the Department of Public Health and the Department of Food and Agriculture) regarding the various types of commercial cannabis activities, including deliveries. The regulations constitute revised versions of the prior emergency regulations which were adopted in late 2017 and early 2018. Full copies of all of the new regulations are available at: <https://cannabis.ca.gov/cannabis-regulations/>.

For cities, by far the most impactful change to the regulations is the addition of an express provision to the BCC regulations stating that **cannabis may be delivered to any jurisdiction within the State of California**, provided only that the delivery complies with the delivery provisions of the BCC regulations (16 CCR § 5416(d) (“Section 5416(d)”). The provision makes no reference to any obligation to comply with local law in conducting cannabis deliveries.

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BCC Chief Lori Ajax did not address the new delivery regulation in her formal comment regarding the release of the final regulations. (See <https://cannabis.ca.gov/2018/10/19/state-cannabis-licensing-authoritiesannounce-changes-to-proposed-cannabis-regulations/>). However, she has previously stated her belief that statewide deliveries are authorized under Proposition 64, despite its provisions regarding local control, and thus were permissible even under the emergency regulations, which were silent on the issue (See <https://www.fresnobee.com/news/local/article221376395.html>). Consistent with this statement, the BCC has characterized section 5416(d) as a mere “clarification” of existing state law (see BCC Final Statement of Reasons and Addendum, p. 43, available at: <https://cannabis.ca.gov/wp-content/uploads/sites/13/2019/01/Final-Statement-of-Reasons-and-Addendum.pdf>) (“Subsection (d) of [Section 5416] has been amended to clarify that a delivery employee may deliver to any jurisdiction within the State of California . . .”).

The League of California Cities submitted written comments to the BCC regulations in October of 2018 (when the regulations were still in proposed draft form), strongly opposing the addition of section 5416(d) on the basis that it conflicts with the intent of Proposition 64 and SB 94 to preserve local control over commercial cannabis activities. The comments are available at: <https://www.cacities.org/Resources-Documents/News/News/2018/FINAL-BCC-Regs-October-2018-League-Comments-plus-A.aspx>. Notwithstanding the opposition, the BCC finalized, and the OAL approved, the BCC regulations with section 5416(d) included as proposed.

Effect on Cities

Section 5416(d) authorizes the delivery of cannabis by State licensees into all cities statewide, including those that have adopted ordinances prohibiting cannabis deliveries within city limits.

If a city attempts to enforce a local cannabis delivery prohibition while section 5416(d) is in effect, the enforcement efforts will expose the city to the risk of a meritorious legal challenge by the subject delivery licensee, which could result in a court order invalidating the enforcement action, significant litigation expenses, and an award of prevailing party attorneys’ fees against the city where such fees are authorized by the city’s municipal code.

While section 5416(d) will likely soon be challenged in court, it will remain effective and will preempt conflicting local ordinances unless and until it is

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invalidated by court order. Accordingly, cities should not enforce local cannabis delivery bans due to state law preemption.

Staff recommends waiting for this issue to be resolved by the courts prior to amending the municipal code to remove the ban on commercial cannabis deliveries within the city limits.

COST ANALYSIS:

Based upon the limited nature of the proposed amendments to the Commercial Cannabis sections of the municipal code, the preparation of all necessary materials (ordinance amendments, Planning Commission resolution, Planning Commission staff report, Planning Commission notice of public hearing, city council staff report, city council notice of public hearing, notice of intend to adopt ordinance amendments, notice of adaption of ordinance amendments) would likely cost less then \$4,500.00 in City Attorney costs and staff time.

ENVIRONMENTAL REVIEW:

The amendments to the commercial cannabis ordinance is exempt from the California Environmental Quality Act ("CEQA") because it can be seen with certainty that there is no possibility that it will have a significant effect on the environment. (CEQA Guidelines §15061(b)(3).) It is also exempt because it consists of regulations and restrictions on activities to assure the maintenance, restoration, or enhancement of natural resources and the environment by prohibiting environmentally destructive components of unregulated cannabis cultivation. (CEQA Guidelines § 15307, 15308.)

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Approve staff's recommendations;
2. Modify and approve staff's recommendations;
3. Provide other direction to staff.

Submitted by: _____
Roy C. Santos, City Attorney

Approved by:  _____
Steven Adams, City Manager



Item No. 11(B)

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 12, 2019

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: MIKE HOWARD, DIRECTOR OF FINANCE

RE: CONSIDERATION OF MID-YEAR FINANCIAL REPORT AND BUDGET ADJUSTMENTS

RECOMMENDATION:

It is recommended City Council receive the City of King Mid-Year Financial Report and approve the recommended Mid-Year Budget Adjustments.

BACKGROUND:

As part of the regular budget monitoring process, the Finance Director, along with staff conducts a mid-year review of the City Council approved budget for the fiscal year. This report presents the City's financial condition in the current fiscal year based on actual revenues and expenditures performance for the six-months ending December 31, 2018 as compared to the FY 18-19 budget approved by the City Council in June 2018.

It is important to note that year-end estimates are only projections at this point and are very difficult to accurately forecast. However, staff feels that the projections are conservative and should be in line with what actual revenue and expenditures will be at June 30, 2019.

As part of the mid-year review, each department also provides an update on budget goals that were established for the fiscal year. Therefore, a status report of departmental goals for FY 2018-19 is attached.

DISCUSSION:

General Fund

While progress is continuing to be made in stabilizing the City's budget, the City has continued to experience a few unanticipated impacts on expenses and revenues during the first half of the fiscal year that could result in additional

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increases and decreases in the fiscal year-end fund balance in the General Fund. A summary of the recommended budget amendments to account for these are below:

REVENUES

• Increase Property Taxes	\$ 28,546
• Increase Building Permits	10,000
• Increase Rental Income	6,800
• Increase VLF In Lieu	26,042
• Increase Grant Revenue	7,954
• Increase Police Service Fees	1,500
• Increase Concessions	3,350
• Decrease ROPS Residual Dist	<u>19,400</u>
Total	\$ 64,792

EXPENDITURES

• Increase in Building & Safety	64,291
• Increase in Planning	3,551
• Increase in Recreation	3,050
• Decrease in Streets	400
• Decrease in Aquatics	<u>5,700</u>
Total	\$ 64,792

The increase to the Building Department budget is due primarily in an error in budgeting for Building inspections, but not Fire Marshall inspections, as well as an overall increase in inspections due to building activity. The proposed Mid-Year adjustments will have no impact on the financial position of the General fund when compared to the Original Budget as identified in the attached summary. In addition, with the positive results from the previous fiscal year and assuming we maintain the current fiscal year projections, the City should be in a position to make an additional \$500,000 payment towards the debt. This will bring the outstanding balance down to approximately \$1,500,000.

Enterprise Funds

The Sewer Enterprise fund is reporting revenues at 51.0% of the annual budget for the fiscal year, whereas expenditures are only at 17.5%. Expense are down at this point due to interfund transfers not being recorded until year-end. Those transfers are budgeted at \$686,756. No budget amendment is being recommended.

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Special Revenue Funds

The special revenue funds are categorized by type. These funds are activity based; consequently, a comparison on a month to month basis is not usually beneficial. Therefore, this report is presented for your review and is a reflection of six months activity. The current month activity is presented to illustrate the current receipts and/or projects of these special revenue funds.

REVENUES

• Increase in Impact Fee Revenue	\$276,727
• Decrease in Gas Tax Revenues	<u>55,430</u>
Total	\$282,270

EXPENDITURES

• Increase in Impact Fee Expenditures	\$100,297
• Increase in Public Safety *	150,000
• Increase in Special Assessments	<u>1,270</u>
Total	\$251,567

* Council previously approved this item

Successor Agency

The Successor Agency is a Private Purpose Trust Fund and is presented for your information. The final property of the former CDA land is currently in escrow and is expected to close at the beginning of FY 19-20. No budget amendment is being recommended.

COST ANALYSIS:

The General Fund budget adjustments will result in projected negative impact over the Original Budget by approximately \$68,108.

ENVIRONMENTAL REVIEW:

This matter is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

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ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Receive the Mid-Year Financial Report and Approve the Mid-Year Budget Adjustments.
2. Modify or eliminate some of the proposed adjustments.
3. Do not approve the Budget Adjustments and request changes to the Mid-Year Financial Report.
4. Provide other direction to staff.

Exhibits:

1. Mid-Year Financial Report
2. Status Report on FY 2018-19 Department Goals

Submitted by:



Mike Howard, Finance Director

Approved by:



Steven Adams, City Manager

City of King

Actual vs Budget Comparison - Mid-Year
As of December 31, 2018

General Fund

Account Title	Year-to-Date	Original Budget FY 2018-2019	Amended Budget FY 2018-2019	Year-End Projection	Variance To Original Budget FY 2018-2019
General Revenues:					
Transfers In	-	607,500	607,500	607,500	-
Property Taxes	564,210	1,230,000	1,230,000	1,239,146	9,146
Sales and Use Tax & Triple Flip	426,879	1,374,000	1,374,000	1,374,000	-
Sales and Use Tax - Voter Approved	299,500	820,000	820,000	820,000	-
Motor Vehicle In Lieu Tax / VLF Adj	458,021	890,000	890,000	916,042	26,042
Transient Occupancy Tax	268,922	410,000	410,000	410,000	-
Cannabis Taxes & Licenses	56,170	400,000	400,000	400,000	-
Other Taxes	956	60,800	60,800	60,800	-
Franchise Fees	224,765	504,500	504,500	504,500	-
Business License	27,869	86,000	86,000	86,000	-
License & Permits	229,564	227,550	227,550	237,550	10,000
Use of Money Property	24,498	36,000	36,000	42,800	6,800
Intergovernmental	12,929	64,000	64,000	71,954	7,954
Fines and Penalties	19,835	40,500	40,500	40,500	-
Other Revenue	51,137	58,850	58,850	58,850	-
Surplus Property Sales	-	-	-	-	-
Planning Department	123,008	132,500	132,500	132,500	-
Police Department	11,292	13,000	13,000	14,500	1,500
Fire Department	29,394	45,000	45,000	45,000	-
Building Regulations	16,252	35,800	35,800	35,800	-
Recreation Services	40,362	86,000	86,000	89,350	3,350
	<u>2,885,563</u>	<u>7,122,000</u>	<u>7,122,000</u>	<u>7,186,792</u>	<u>64,792</u>
Departmental Net Expenditures:					
City Council	32,203	65,900	65,900	65,900	-
Elections	34	15,000	15,000	15,000	-
City Manager / City Clerk	149,830	286,956	286,956	286,956	-
Finance	83,477	257,386	257,386	257,386	-
City Attorney	96,685	200,000	200,000	200,000	-
Civic Center	26,481	74,450	74,450	74,450	-
Engineering / Planning	224,483	491,470	491,470	495,021	3,551
Building & Safety	78,926	177,843	177,843	242,134	64,291
Non-Departmental	881,485	787,314	787,314	787,314	-
Police Department	1,655,930	3,844,176	3,844,176	3,844,176	-
Fire Department	83,783	308,334	308,334	308,334	-
Public Works	96,526	181,179	181,179	181,179	-
Parks/Landscaping	247,858	359,424	359,424	359,024	(400)
Recreation Services	122,245	229,961	229,961	233,011	3,050
City Aquatics Program	86,969	171,560	171,560	165,860	(5,700)
Golf Course	1,558	15,500	15,500	15,500	-
Transfers Out	-	86,000	86,000	86,000	-
	<u>3,868,473</u>	<u>7,552,453</u>	<u>7,552,453</u>	<u>7,617,245</u>	<u>64,792</u>
Excess Revenue Over <Under> Expenditures	<u>(982,910)</u>	<u>(430,453)</u>	<u>(430,453)</u>	<u>(430,453)</u>	<u>-</u>

City of King
Actual vs Budget Comparison - Mid-Year
As of December 31, 2018

Enterprise Funds

<u>Account Title</u>	<u>Year-to-Date</u>	<u>Original Budget FY 2018-2019</u>	<u>Amended Budget FY 2018-2019</u>	<u>Year-End Projection</u>	<u>Variance To Original Budget FY 2018-2019</u>
Sewer Operations					
Revenues	1,292,944	2,533,000	2,533,000	2,533,000	-
Expenditures	(469,390)	(2,674,637)	(2,674,637)	(2,674,637)	-
Excess Revenues Over Expenditures	<u>823,554</u>	<u>(141,637)</u>	<u>(141,637)</u>	<u>(141,637)</u>	<u>-</u>
Sewer Construction					
Revenues	-	-	-	-	-
Expenditures	-	-	-	-	-
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals - Enterprise Funds	<u>823,554</u>	<u>(141,637)</u>	<u>(141,637)</u>	<u>(141,637)</u>	<u>-</u>
Public Finance Authority					
Revenues	-	339,256	339,256	339,256	-
Expenditures	-	(336,756)	(336,756)	(336,756)	-
Excess Revenues Over Expenditures	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>

City of King
Actual vs Budget Comparison - Mid-Year
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Special Revenue Funds Summary

<u>Account Title</u>	<u>Year-to-Date</u>	<u>Original Budget FY 2018-2019</u>	<u>Amended Budget FY 2018-2019</u>	<u>Year-End Projection</u>	<u>Variance To Original Budget FY 2018-2019</u>
Impact Fees					
Revenues	471,452	199,000	199,000	475,727	276,727
Expenditures	<u>(76,620)</u>	<u>(471,500)</u>	<u>(571,500)</u>	<u>(571,797)</u>	<u>(100,297)</u>
Excess Revenues Over Expenditures	<u>394,832</u>	<u>(272,500)</u>	<u>(372,500)</u>	<u>(96,070)</u>	<u>176,430</u>
Public Safety					
Revenues	82,080	101,000	101,000	101,000	-
Expenditures	<u>(70,005)</u>	<u>(100,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(150,000)</u>
Excess Revenues Over Expenditures	<u>12,075</u>	<u>1,000</u>	<u>(149,000)</u>	<u>(149,000)</u>	<u>(150,000)</u>
Special Assessment Districts					
Revenues	-	-	-	-	-
Expenditures	<u>(1,268)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(41,270)</u>	<u>(1,270)</u>
Excess Revenues Over Expenditures	<u>(1,268)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(41,270)</u>	<u>(1,270)</u>
Streets & Transportation					
Revenues	242,905	857,451	857,451	802,021	(55,430)
Expenditures	<u>(651,859)</u>	<u>(915,482)</u>	<u>(915,482)</u>	<u>(915,482)</u>	-
Excess Revenues Over Expenditures	<u>(408,954)</u>	<u>(58,031)</u>	<u>(58,031)</u>	<u>(113,461)</u>	<u>(55,430)</u>
Airport Operations					
Revenues	49,135	174,500	174,500	174,500	-
Expenditures	<u>(73,098)</u>	<u>(163,529)</u>	<u>(163,529)</u>	<u>(163,529)</u>	-
Excess Revenues Over Expenditures	<u>(23,963)</u>	<u>10,971</u>	<u>10,971</u>	<u>10,971</u>	-
Utility User Tax					
Revenues	100,706	257,500	257,500	257,500	-
Expenditures	-	<u>(257,500)</u>	<u>(257,500)</u>	<u>(257,500)</u>	-
Excess Revenues Over Expenditures	<u>100,706</u>	-	-	-	-
Landfill Closure					
Revenues	-	21,000	21,000	21,000	-
Expenditures	-	<u>(21,000)</u>	<u>(21,000)</u>	<u>(21,000)</u>	-
Excess Revenues Over Expenditures	-	-	-	-	-
Totals - Special Revenue Funds	<u>73,428</u>	<u>(358,560)</u>	<u>(608,560)</u>	<u>(388,830)</u>	<u>(30,270)</u>

City of King**Actual vs Budget Comparison - Mid-Year
As of December 31, 2018**

City of King Successor Agency

<u>Account Title</u>	<u>Year-to-Date</u>	<u>Original Budget FY 2018-2019</u>	<u>Amended Budget FY 2018-2019</u>	<u>Year-End Projection</u>	<u>Variance To Original Budget FY 2018-2019</u>
City Successor Agency					
Revenues	225,324	1,019,000	1,019,000	1,019,000	-
Expenditures	<u>(52,485)</u>	<u>(382,034)</u>	<u>(382,034)</u>	<u>(382,034)</u>	<u>-</u>
Excess Revenues Over Expenditures	<u>172,839</u>	<u>636,966</u>	<u>636,966</u>	<u>636,966</u>	<u>-</u>

MID-YEAR STATUS OF FY 2018-19 GOALSCity Manager

Goal: Coordinate preparation of FY 2019-20/FY 2020-21 Biennial Budget and update of the Long-Range Financial Plan.

Status: Schedule has been issued to staff.

Goal: Prepare, distribute and administer citywide Customer Satisfaction Survey.

Status: Completed.

Goal: Coordinate design for construction of downtown plaza.

Status: Preparing RFP for consultant.

Goal: Develop recommended strategic planning process.

Status: Completed.

Building

Goal: Upgrade and update the building permit system.

Status: Completed.

Goal: Expand front counter responsibilities in the building permit process, including reports, issuing permits, and updating permit software.

Status: Training under way.

City Attorney

Goal: Provide City ethics training.

Status: Will be scheduled in February or March.

Goal: Prepare Mesa Del Rey Airport land leases.

Status: Completed.

Goal: Complete cannabis ordinance update.

Status: Completed.

Goal: Prepare ordinance on odor restrictions.

Status: Completed.

Goal: Complete temporary use permit ordinance.

Status: Completed.

Goal: Advise City Council and staff on legal issues.

Status: Ongoing.

Community Development

Goal: Amend Zoning Code to increase uses that require only a plot plan review instead of a full conditional use permit.

Status: The FSC and C-2 zone were amended to allow for more uses in those districts. A Temporary Use Permit/Special Event Permit Ordinance was adopted which allows staff level review for several temporary uses and events.

Goal: Complete revisions and update of Chapter 16 and Chapter 17 of the Municipal Code.

Status: Due to limited funding in the FY 2018-19 Budget, revision or update to Chapter 16 and Chapter 17 of the Municipal Code has not been completed. However, amendments have been processed for the industrial zones and the East Ranch Business Park Specific Plan to allow non-store front cannabis, dual land uses for First Street, and amendments to the Historic Corridor Revitalization Plan to allow for farmworker housing in the First Street Corridor and the General Commercial (C-2) Zone. Staff is in the process of amending the Inclusionary Housing Ordinance to provide more flexibility within a required Inclusionary Housing Program.

Goal: Develop an implementation and funding plan for the Multi-Modal Transit Center (MMTC) project.

Status: One grant application was submitted, but not approved. An additional grant application for pre-construction planning activities is under preparation.

Finance

Goal: Prepare the biennial budget for FY 2019-20 / FY 2020-21.

Status: To be started and completed in the second half of FY 2018-19.

Goal: Continue process of consolidating accounts and sub-accounts to simplify the budgeting and budget tracking process.

Status: Ongoing. The General Fund has been consolidated.

Goal: Develop new reserve policy as City is projected to pay of General Fund Debt.

Status: It will be presented with the FY 2019-20 / FY 2020-21 budgets.

Goal: Assist in preparing financing plan for funding the proposed wastewater treatment plant upgrade.

Status: Project is currently underway.

Goal: Provide quarterly financial reporting to the Council.

Status: Ongoing.

Goal: Complete the Fiscal Year Audit by November 30th.

Status: Due to auditors schedules the audit work was completed the first week of December and presented to the Council in January 2019 for acceptance.

Goal: Contract to perform TOT audits during FY 2018-19.

Status: Proposals being solicited for audits to occur in the fourth quarter of FY 2018-19.

Fire

Goal: Prepare analysis of options for dispatch services.

Status: Reviewed and determined continued existing service is preferred.

Goal: Acquire and customize computer software to automate recordkeeping and inspection schedule functions.

Status: A number the Fire Department's record keeping functions have been automated.

Goal: Develop recommendations for replacement of Fire apparatus.

Status: A recommendation for apparatus with a ladder component has been prepared.

Police

Goal: Develop Volunteers In Patrol program.

Status: Under development.

Goal: Develop Explorer Program.

Status: Staff prepared, and Council approved, an alternate Police Department Youth Outreach Program that is under development.

Goal: Implement Parenting Project program.

Status: The program is being provided by Sun Street Centers and is under way.

Goal: Develop funding plan to implement in vehicle cameras to work in conjunction with body cameras.

Status: System has been purchased and is being installed.

Goal: Pursue funding for second phase of camera system.

Status: Contract has been approved and implementation is beginning.

Goal: Replace body cam system.

Status: System has been purchased and is being installed.

Goal: Coordinate second district block party night.

Status: Completed.

Public Works

Goal: Prepare Wastewater Rate Study.

Status: The Wastewater Rate Study is in-progress and on-schedule.

Goal: Coordinate design of Wastewater Treatment Plant Upgrade.

Status: Design of the WWTP upgrade project is in progress and on schedule.

Goal: Begin Roundabout Project Approval and Environment Document (PA&ED).

Status: The Roundabout PA&ED effort is in-progress and on-schedule.

Goal: Design and construct annual street pavement improvements.

Status: This project is in-progress and on-schedule.

Goal: Schedule and plan Cyclovia bike and pedestrian promotional event in coordination with Monterey County.

Status: This event is scheduled for April 14th and coordination efforts are ongoing.

Recreation

Goal: Plan and fund Pool Facility Improvement including new tiles, shade structures, lockers, and locker room.

Status: Ongoing. The dive tank crack was patched and repaired in March 2018. Pool tiles and cracks in pool deck were repaired/replaced in Spring 2018. Three new pool heaters were purchased in 2018, including race, slide and wade pools. Solar panels were also repaired to improve energy efficiency.

Goal: Develop a fundraising team to strategize and plan funding opportunities to refurbish the Skate Park, including grants and private donors.

Status: Not yet under way.

Goal: Improve Creek Bridge Soccer and San Antonio Park turf to encourage tournament play for South County Soccer League.

Status: Developed Sports Field Improvement Plan and improvements are under way at San Antonio Park and sponsors are being sought for the Soccer Park.

Goal: Coordinate plan for The First Tee to expand services at the Golf Course.

Status: Programming has been expanded. Staff held a number of discussions with First Tee regarding assuming management of Golf Course, but they decided to delay consideration one year.



Item No. 11(C)

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 12, 2019

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF DRAFT STRATEGIC PLAN

RECOMMENDATION:

It is recommended the City Council: 1) receive a presentation on the recommended Strategic Plan; 2) receive public input; and 3) provide direction on any desired changes or additions.

BACKGROUND:

At the October 23, 2018 meeting, the City Council approved a recommended Strategic Planning Process. The objective of the process is to establish an agreed upon vision of what we want King City to be and to look like in the future, as well as specific goals and strategies to address future needs and issues on a proactive basis. A 20-year planning period has been selected for the Strategic Plan.

A strategic plan will be helpful to the City at this time as it makes progress in addressing some of its most urgent needs and becomes financially solvent. When discretionary funding becomes available, it is important for the City to have a plan to ensure resources are targeted as effectively as possible toward accomplishing an overall agreed upon direction.

The process approved by the Council consists of five steps. First, City staff prepared a SWOT Analysis (strengths, weaknesses, opportunities, and threats), identified projected long-term needs, and assessed public input. Second, a City Council public workshop was held to develop vision statements for the City. Third, staff developed proposed goals and strategies to accomplish each of the vision statements. Fourth, the draft is now being presented to City Council and the public for review. Lastly, any changes directed by the Council will be

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incorporated and the final document will be presented to the City Council at the February 26, 2019 meeting for adoption.

The intent is to make the Strategic Plan a meaningful document, which guides the City's efforts rather than one that simply ends up sitting on a shelf. As a result, it is critical that it be directly linked to the City's operations and finances. Therefore, the City's 10-year long-range financial plan will be updated to reflect the contents of the Strategic Plan, and the City's biennial budgets will be based upon the 10-year long-range financial plan. Since the Strategic Plan is designed to be implemented over a 20-year period, staff has prioritized the goals and strategies to help identify those targeted to address within the 10-year long-range financial plan.

DISCUSSION:

The Draft King City Strategic Plan is attached for City Council review and direction. Vision statements and goals and strategies are identified in five categories, which include:

- Growth and Development
- Quality of Life
- Local Economy
- City Finances
- City Facilities, Services and Infrastructure

In developing the proposed goals and strategies, staff worked to address each of the Council's vision statements, as well as priorities identified by the community through the two public opinion surveys and other items identified through the needs assessment. The plan is intended to be comprehensive. A total of 74 goals and strategies are included. However, most are items based on prior planning efforts, Council direction, community efforts and/or staff and Council discussions.

Some of the overriding themes and highlights of the proposed measures include the following:

- In order to help ensure everyone in the community experiences the benefits from future improvements, an emphasis has been placed on development of new housing and job development and training programs.
- A large portion of economic development efforts are focused largely on increasing the vitality of the downtown area, development of businesses related to the cannabis industry, and expansion of tourism related efforts.

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- An expansion of recreational opportunities is planned, but strategies emphasize opportunities to expand the use of existing resources through partnerships with the school districts, Salinas Valley Fairgrounds and Monterey County Parks Department rather than the City developing new facilities on its own. Other recommendations also emphasize partnerships with a variety of existing community groups and agencies.
- Staff has proposed an overall long-term goal of development for the southern undeveloped area of the City to include housing adjacent to the Golf Course, a hotel adjacent to the Salinas Valley Fairgrounds, a travel center or related uses adjacent to the interchange, and a variety of potential regional attractions and/or retail businesses along the Highway 101 freeway frontage.
- An emphasis is placed on continuing to focus on the existing priorities established by the City Council and implementation of plans in place prior to developing many new programmatic goals, particularly with regard to upgrade and maintenance of all areas of the City's infrastructure.
- It is proposed to maintain prudent fiscal management practices and to establish a policy of establishing a minimum reserve of 20% of the City's General Fund with a goal of achieving 50%.

COST ANALYSIS:

Cost feasibility was considered in development of goals and strategies, but overall costs have not been calculated since the Strategic Plan is intended to be a long-range overall guiding document. Specific costs will be identified through the 10-year long-range financial planning process. The objective will be to program revenues for the highest priority items in the 10-year long-range financial plan. Other items will be targeted for implementation in the second 10-year period of the Strategic Plan.

ENVIRONMENTAL REVIEW:

The Strategic Plan is not a "project" for the purposes of the California Environmental Quality Act (CEQA) because it only includes broad goals and strategies at this point and does not have the potential for resulting in either a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment. Environmental review will be conducted for specific projects associated with the goals and strategies when they are proposed for consideration and implementation. No further action is required under CEQA for City Council action.

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ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Direct staff to finalize the Strategic Plan for adoption at the February 26, 2019 meeting;
2. Direct staff to make changes and/or additions and then finalize for adoption at the February 26, 2019 meeting;
3. Request staff to prepare additional work in developing goals and strategies and then return with a revised draft for consideration;
4. Do not approve a Strategic Plan; or
5. Provide staff other direction.

Exhibits:

1. Draft Strategic Plan

Prepared and Approved by:



Steven Adams, City Manager

DRAFT KING CITY 20-YEAR STRATEGIC PLAN FEBRUARY 2019

PURPOSE

The objective of the City of King Strategic Plan is to establish an agreed upon vision of what the City and community wants King City to be and to look like in the future, as well as specific goals and strategies to address future needs and issues on a proactive basis. A 20-year planning period has been selected for the Strategic Plan.

The City has experienced substantial financial challenges during the past several years. It has worked hard and made substantial progress in establishing a positive direction for the future. A strategic plan is important to ensure resources are targeted as effectively as possible toward accomplishing an overall agreed upon direction.

PROCESS

The process of developing the Strategic Plan was designed to create a plan that is meaningful and will become the guiding document for all City efforts. To ensure this occurs, the City's 10-Year Long-Range Financial Plan will be based on the Strategic Plan and the annual budget will be based on the 10-Year Long Range Financial Plan. In this way, allocation of resources will be linked directly to implementation of the Strategic Plan.

The intent of the process was to accomplish the following key results:

- A plan that is based on data and analysis;
- A plan that addresses the community's most important existing and future needs;
- A plan that reflects the interests and needs of the entire community; and
- An action plan linked to achievable and identifiable strategies and directions.

The process included five primary steps. First, City staff prepared a needs assessment, which included a SWOT Analysis (strengths, weaknesses, opportunities, and threats), projected long-term needs, and an assessment of public input. Second, a City Council visioning public workshop was held. Staff presented the results of the needs assessment and a facilitator assisted the Council in developing vision statements for the City. Third, staff developed proposed goals and strategies to accomplish each of the vision statements. Fourth, the draft results were presented for City Council and public review. The Council was provided an opportunity to amend and add to the goals and strategies. Lastly, the final agreed upon items were established in a document for formal Council adoption.

MISSION

The Strategic Plan is based on the City's Mission Statement, which was developed through a comprehensive process that involved participation by the entire City staff and approved by the City Council. The City's mission is: *"Meeting the needs of our entire community through caring, professional and response services."*

NEEDS ASSESSMENT

SWOT Analysis

The following is a summary of the results of the SWOT Analysis prepared by City staff:

Strengths:

- Diversity
- A community supportive of the City's efforts to implement positive change to address needs
- Cohesive Management Team and Council
- Numerous City amenities, including a municipal airport, local hospital, river, golf course, fairgrounds, pool complex, theatre, and community college satellite campus
- Mild climate
- Volunteerism from active groups, such King City in Bloom, King City Volunteer Fire Department, Sol Treasures, service clubs, and Young Farmers
- Mobility, including freeway access, lack of traffic, ease of walking and biking, and bus service
- Central location and proximity to many desirable areas
- Affordable housing relative to other central coast communities
- Access to Pinnacles National Park
- Government services
- History and identity
- Good partnerships with other agencies, including School Districts, Fairgrounds and Hospital

Weaknesses:

- Perception of the City as unsafe
- Aging infrastructure
- Student test scores
- Wind
- Lack of revenue and staffing necessary
- High unemployment and limited job market
- Lack of available housing and existence of substandard housing
- Lack of retail stores
- Remote location
- Deterioration of buildings
- Cultural segmentation

Opportunities:

- Potential to increase tourism due to proximity to wineries, Pinnacles National Park, ag tourism, and Steinbeck history
- 101 frontage properties available for development
- Cannabis tax revenues if permitted businesses open and are successful
- Potential for increased airport utilization
- Potential for increased utilization of recreation facilities, San Lorenzo Park, campground, Fairgrounds, Golf Course, and Salinas River
- Downtown revitalization
- Property available for development
- King City Community Power programs
- Competitiveness for grants due to needs and demographic data
- Potential for increased benefits from Fort Hunter Liggett
- Proposed Multi- Modal Transit Center project

Threats:

- City debt and future increases in pension costs
- Gentrification
- Increasing State mandates
- Lack of available housing
- Existence of gangs and potential return of crime
- Increasing construction costs
- Increased difficulty in attracting retail development due to on-line shopping
- Potential for economic recession
- Costs to achieve ADA compliance
- Potential for flood
- Potential for damage from earthquake due to unreinforced buildings
- Risk of being landlocked due to ag preserves
- Lack of water sources
- Infrastructure deficiencies

Community Input

The City has conducted two extensive public opinion surveys that were distributed to every household – one in 2016 and one in 2018. Based on the results of both surveys, the items the community feels are most important to enhance include the following:

- Efforts to improve public safety
- Efforts to establish long-term financial stability
- Attraction of stores that provide more shopping options

- Street lighting
- Enforcement of blighted and unsafe buildings
- Downtown revitalization
- Balance budget and repay debt
- Support for small business
- Street repairs and improvements
- Efforts to attract visitors to improve the local economy
- Job creation
- Youth recreation programs

Planning Efforts

The City has prepared a number of plans over the past few years that have established long-range goals to address a number of different priority needs and issues in the City. These include the following:

- Comprehensive Plan to End Youth Violence
- Wastewater Collection System Master Plan
- Wastewater Treatment Facilities Plan
- Downtown Streetscape Conceptual Plan
- Economic Development Strategy
- ADA Transition Plan
- Sidewalk Improvement Plan
- Pavement Management Program

The other critical planning document that serves an important role in a strategic planning effort is the City's General Plan. While the City's General Plan needs to be updated, there are a number of existing policies that should be considered in the Strategic Plan goals. The Strategic Plan will assist the City in updating the General Plan by identifying areas where policies should be added or changed.

A review of the General Plan was completed in order to highlight policies that are particularly important to consider in development of Strategic Plan vision statements and long-range goals and strategies. Highlighted policies include the following:

Land Use Element:

Policy 1.3.1 The City shall assure that adequate sites are available for development of both market rate housing and housing affordable to low- and moderate-income households, for the existing and projected population. Where appropriate, mixed use developments may be considered in order to foster economic growth and tourism while providing affordable housing opportunities.

Policy 1.3.2. The City shall assure that adequate sites are available for both new and existing commercial land uses to provide space for retail uses, business services, offices and visitor serving uses.

Policy 1.3.3. The City shall promote industrial land uses, particularly within the East Ranch Industrial Park, to take advantage of both existing and potentially new economic trends in the Planning Area, in order to expend the City's economic base and provide jobs to its residents.

3. Commercial Land Use Goal: To provide adequate area for commercial land use to meet the service needs of residents, businesses and visitors and to encourage development of retail commercial, service commercial and highway related uses that are compatible with surrounding land uses.

Policy 3.2.1. Providing for the maximum flexibility in interpreting allowable uses under the zoning ordinance in order to encourage good retailing design and effective utilization of commercial property and shall encourage a mix of residential and commercial use where appropriate.

Policy 3.2.3. Allowing a mix of residential and commercial development within the First Street Corridor and Historic downtown. Residential development shall not exceed twenty-four (24) dwelling units per acre.

Policy 3.3.1. Commercial developments shall be designed and screened in an attractive manner and thereafter maintained so as to visually integrate the entire development with the surrounding environment and land uses.

Program 4.1.1.1. Businesses that support the local tourist industry, such as wine production facilities, will be encouraged.

Policy 5.1.3. Where appropriate, the City shall encourage large new commercial and industrial developments to provide open space and recreational opportunities for their employees to minimize the demand for public open space and recreational facilities.

Policy 7.12.1. The City shall encourage new public and private health care providers to locate their services in the City and existing facilities to expand and modernize their services consistent with the needs of area residents.

Program 7.12.1.2. Hospital Special Policy Area: The City shall work with Mee Memorial Hospital and other property owners to prepare a Master Plan. This plan shall consider existing land use and circulations patterns, proposed hospital expansion and conversion plans, and potential commercial development. The primary objective of the Master Plan shall be to assure compatibility among existing and future uses; to enhance overall property values; to enhance the commercial development potential of the district; and to provide that ambient levels of traffic, noise and air quality shall be consistent with

reasonable requirements of the hospital. The West Broadway Master Plan shall be used as a guide when planning the hospital.

Policy 7.13.1.4. The City shall solicit state open space, park and recreation, and access grants to acquire parkland and/or expand and develop the City's existing park facilities.

Objective 8.1. Build an efficient, multi-modal transit center surrounded by mixed use developments to improve the quality of life, support economic vitality and reduce greenhouse gas emissions.

Program 8.1.1.3. Support mixed-use development near the MMTC, including low-income and agricultural employee housing.

Policy 8.1.1. The City shall consider adopting a transit district for the property located adjacent to the MMTC.

Circulation Element:

Policy 3.7 The City shall seek opportunities to enhance the gateway areas of the City and all key entry points for its neighborhoods. Where opportunities are presented, the City shall consider requiring developers to install identify signs, special paving for pedestrian cross walks, light fixtures, or landscape features to identify the entry or gateway function.

Policy 7.1. The City shall designate hiking and equestrian trail routes within its open space and conservation elements of the general plan. Routes to be considered shall include San Lorenzo Creek as well as the Salinas River.

Housing Element:

Goal 1. Provide New Housing Units Accessibly to all members of the community in accordance with the regional fair share housing goals.

Conservation, Open Space & Safety Element:

Program 2.6.1.2. Consideration shall be given to development of recreational facilities, consistent with the riparian habitat of San Lorenzo Creek. These may include recreational trail that could ultimately connect the municipal park to the San Lorenzo Regional Park along the edges of San Lorenzo Creek and the Salinas River.

Economic Development Element:

Policy F The City will actively seek local expansion of vocational, business and academic/professional training opportunities through extension programs at CSU Monterey Bay and Hartnell College.

Policy G The City will prepare and implement an urban design plan to revitalize Broadway Street as a retail commercial corridor, and First Street as a mixed service commercial and retail commercial corridor. The downtown area should emphasize those uses that would contribute to a pedestrian oriented shopping atmosphere, such as restaurants, jewelry, clothing, fit stores and entertainment.

Policy H The City will strive to retain its position as the retail hub of south county. New retail development and shopping centers will be encouraged to locate within properly zoned properties within the community.

QUALITY OF LIFE

Vision Statements

- To be a community based around family units that serves as a village supporting all families and people of all ages.
- To have a thriving, walkable, and beautiful downtown as a hub for activities.
- To be a safe, welcoming community.
- To be a place where people can both live and work.
- To be a City that promotes healthy lifestyles.

Goals and Strategies

- Complete implementation of the Comprehensive Plan to End Youth Violence.
- Expand the ProYouth After-School Program, including an increase in the number of elementary school students participating, as well as expanding programs to middle and high school students.
- Expand the citywide security camera system to include all parks and problem areas.
- Complete implementation of the Downtown Streetscape Plan.
- Design and develop the Downtown Plaza Project.
- Develop a citywide bike and pedestrian path plan with a component integrated with the historical De Anza Trail.
- Expand and implement the public art program, including the installation of wind sculptures and murals at key locations throughout the community.

- Expand sports fields, playgrounds and recreation facilities through joint use and maintenance partnerships with the King City Union Elementary School District, the South Monterey County Joint Union High School District, and the Salinas Valley Fairgrounds.
- Promote and expand the Block Party Program and other activities to unite neighborhoods and the community.
- Continue and expand the partnership with King City in Bloom to promote ongoing beautification throughout the community.
- Increase lighting at park sites to increase safety and usage.
- Implement an annual program of adding new street lights through funding from King City Community Power and a partnership with PG&E.
- Establish a City Street Tree Management Program, including regular trimming, maintenance and planting where missing segments exist.
- Increase pedestrian safety through a comprehensive intersection and crosswalk analysis and plan.
- Develop a homeless assistance program providing shelter options and services.
- Establish a matching grant program for residents to improve City parkway strips.
- Transition operation of the golf course to expand and focus on youth activities.
- Incorporate a dog park in future park planning designs.
- Establish a funding source to provide support for community groups and agencies providing services that assist the City in accomplishing its priorities and mission.
- Establish a process and partnerships to work with all governing bodies on an ongoing basis (city, education, chamber, etc.) to establish and implement a common vision for the community that will serve as a basis for the operations of each of the agencies.
- Install an enclosure over one of the pools to provide year-round usage.
- Encourage the development of community gardens.

- Establish a police officer position dedicated to bike and foot patrol, public outreach, and business relations.
- Develop a partnership with Mee Memorial Hospital to promote accessibility to healthy foods.

GROWTH AND DEVELOPMENT

Vision Statements

- To have future moderate and balanced growth constrained to an ultimate buildout that will continue to be served comfortably by one high school.
- To facilitate growth that will maximize existing community assets, such as the hospital, airport, Fairgrounds and others.
- To pursue potential expansion of the City's boundaries to the west, including investigating possible annexation of the Pine Canyon area and/or other ways to strengthen the existing community connection.
- To encourage mixed use within the downtown and other targeted areas.
- To address all different types and levels of housing needs.
- To maintain a community with a "small town village feel" with limited stop lights, etc.

Goals and Strategies

- Increase development of new affordable housing projects by creating incentives, partnering with developers in accessing grant funding, and identifying and marketing available sites.
- Continue to promote and expand the Façade Enhancement Program.
- Encourage the development of a Senior Assisted Living Facilities and other senior housing options by identifying site alternatives, seeking developers, and partnering on grant funding opportunities.
- Prepare a comprehensive update of the City's General Plan, including a feasibility analysis of growth opportunities of the City's boundaries while maintaining the small town character of the City.
- Work with agricultural companies and property owners to promote development of agricultural employee housing projects.

- Promote the development of workforce development housing (teachers, public safety worker, public employees, health care, etc.) projects.
- Coordinate with Fort Hunter Liggett's growth plans to encourage an increase in their staff to reside, visit and be involved in the community.
- Completed design and construction of the Broadway Street/San Antonio Drive roundabout project.
- Access grant funding and prepare a new Master Plan for the Mesa Del Rey Airport.
- Work with Union Pacific and Amtrak to develop a train stop at the Broadway Street downtown extension.
- Assist the Salinas Valley Fairgrounds and County of Monterey with efforts to develop and implement a Master Plan for the Salinas Valley Fairgrounds, including building renovations, expansion and partnership on installation of a freeway welcome sign.
- Develop a streamlined accessory dwelling unit (ADU) program to increase housing units.
- Design the Wastewater Treatment Plant with a capability to expand to accommodate service to Pine Canyon.
- Work with property owners to prepare a development plan for the vacant properties at the southern area of the City to include:
 - Hotel facility adjacent to the Salinas Valley Fairgrounds;
 - Travel center adjacent to the interchange;
 - Housing adjacent to the Golf Course; and
 - Regional retail and other attractions along Highway 101.
- Utilize affordable housing in-lieu fees to assist in funding renovations of mixed-use buildings.
- Maximize the R-4 zoning districts to allow more intense usage.

LOCAL ECONOMY

Vision Statements

- To attract businesses and programs that will promote "living wage" jobs.
- To continue to be a successful agricultural community by maintaining and expanding support for agriculture employers and employees.

- To support emerging industries, including cannabis, health services, wineries, tourism, and others.
- To leverage the new cannabis industry development to attract other ancillary businesses and investment.
- To maintain a diversity of businesses within the industrial areas.
- To meet the evolving retail and service needs of the community.

Goals and Strategies

- Encourage restaurants, sports bars and other activity oriented businesses in the downtown.
- Implement comprehensive tourism marketing program.
- Facilitate and encourage development of a new hotel.
- Encourage wine tasting and other businesses in downtown linking King City to the Monterey County wine region.
- Establish a comprehensive workforce training program focusing on vocational skills, including apprenticeships, internships, vocational and certificate programs.
- Partner with the King City Union Elementary School District, the South Monterey County Joint Union High School District, and Mee Memorial Hospital to design efforts to help address their employment needs.
- Partner with the Chamber of Commerce and Agriculture, non-profits and other Salinas Valley agencies to provide specialized training programs for start-ups, small businesses, and independent contractors and consultants.
- Coordinate with local cannabis businesses to identify and attract ancillary businesses through appropriate zoning, regulation and outreach efforts.
- Preserve areas for non-cannabis business needs through zoning restrictions, including limits on cannabis cultivation permits.
- Establish standards and outreach efforts to attract hemp manufacturing and related businesses.
- Construct wind and solar generation facilities through King City Community Power.

- Establish on-line drop off options and other online sales incentives designed to enhance local collection of online sales tax revenues.
- Increase high speed, fiber optics capacity throughout the City.
- Identify businesses that may directly serve Fort Hunter Liggett and Camp Roberts, such as USAA.
- Coordinate City planning efforts with Mee Memorial Hospital to ensure long-range needs of the hospital are met to ensure future success.
- Establish a future outdoor mercado on First Street adjacent to the Multi-Model Transit Center.

CITY FINANCES

Vision Statement

- To maximize fund balances and revenues to achieve long-term stability and resiliency.

Goals and Strategies

- Eliminate General Fund debt.
- Establish a Reserve Policy to maintain a minimum of 20% of the General Fund with a goal to reach 50%.
- Explore revenue enhancement options, including:
 - Increased tax revenues from Highway 101/1ST Street Corridor business expansion;
 - Options to ensure new development projects are revenue neutral (CFDs); and
 - Transient Occupancy Tax (TOT) rate increase.
- Maintain focus of budget on established major priorities.
- Ensure full cost recovery of permit processing services/fees for development projects.
- Continue to utilize contract services options to maintain resource flexibility.
- Maximize grant funding options.

CITY FACILITIES, SERVICES AND INFRASTRUCTURE

Vision Statements

- To maintain City facilities and services that support healthy lifestyles.
- To continue a systemic approach of maintaining and expanding the City's infrastructure, major assets and facilities.

Goals and Strategies

- Maintain and expand the annual street improvement program based on the Pavement Management Plan with a goal of upgrading all streets to a condition necessary to maintain in the future with ongoing slurry seal or microsurfacing treatments.
- Implement the Sidewalk Improvement Plan.
- Implement the Wastewater Collection System Master Plan.
- Implement the Wastewater Treatment Facilities Plan.
- Prioritize and address deficiencies identified in the ADA Transition Plan based on those items that provide barriers to access and are utilized by the public and/or employees on a regular basis.
- Develop a Fixed Asset Depreciation and Replacement Schedule.
- Renovate the Skate Park.
- Expand the Employee Training and Development Program.
- Address administrative, facility and equipment needs of the Fire Department necessary to support the successful continuation of the volunteer fire services model.
- Increase staffing to a level necessary to maintain ongoing core services.
- Assess and address priority information technology (IT) needs identified by departments necessary to address major service and efficiency goals.



Item No. 11(D)

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 12, 2019

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF PRELIMINARY FY 2019-20 AND FY 2020-21 BUDGET GOALS

RECOMMENDATION:

It is recommended the City Council: 1) approve by motion the proposed preliminary budget goals for FY 2019-20 and FY 2020-21; and 2) provide staff direction on formation of a Community Budget Review Committee.

BACKGROUND:

The first step in the City's budget process is to establish budget goals and priorities, which staff will use to develop budget recommendations. Each department was requested to submit annual operational goals based on what they believe can be accomplished assuming existing staffing and budget resources remain the same as FY 2018-19 or those where funding sources have been identified. The proposed goals were then reviewed and approved by the City Manager in order to coordinate individual department goals to address overall City needs.

Major citywide goals are also recommended by the City Leadership Team. The major citywide goals are an identification of critical priorities for the City. Unlike the operational goals, they are not based upon projected revenues. Instead, the intent is to agree on areas where any new revenues that are identified will be directed. As a result, they provide important direction to staff to assist in preparation of the budget recommendations. In addition, establishment of major citywide goals is part of an attempt to target the City's efforts on a few critical areas in order to more effectively make important progress.

In addition, the City's sales tax measure passed in 2014 required review of proposed expenditures of the local sales tax revenues by a citizen review

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committee. A committee was formed, which has been meeting to review recommended local sales tax appropriations prior to presenting the budget to the City Council. The sales tax measure adopted in 2018 modified this requirement to instead create a general budget review committee. Therefore, staff is seeking direction whether to maintain and expand the scope of the current committee membership or an alternative process for appointing and administering the committee in the future.

DISCUSSION:

The major citywide goals/critical priorities remain the same as the last budget. The recommendations include the following:

- Pay down the City's debt;
- Implement the Plan to End Youth Violence;
- Expand economic development efforts with particular focus on implementing the Downtown Streetscape Conceptual Plan;
- Increase maintenance and upgrade of the City's street, sidewalk and waste water infrastructure; and
- Improve customer service.

The following are recommended budget goals for each City department:

City Manager

- Complete design and construction of Downtown Plaza project.
- Implement second phase of Façade Enhancement Program.
- Complete implementation of Comprehensive Plan to End Youth Violence measures.
- Implement funding strategy to acquire a new fire apparatus with a ladder component.
- Complete sale of 1023 Broadway Street and proposed development.
- Coordinate development of tourism program in conjunction with Salinas Valley cities.
- Develop new agreement for operation of the Golf Course.

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- Partner with Monterey County Parks Department on submittal of grant application for path improvements at San Lorenzo Park.
- Establish a City Twitter page.
- Establish a work development training program in conjunction with Salinas Valley cities.
- Coordinate with a private developer to obtain grant funding for affordable housing project on San Antonio Drive.
- Establish a new beautification grant program for improvements to parkway areas.
- Establish new streetlight project utilizing funding from the Community Choice Energy program.
- Establish a program to increase deliveries of online purchases to residents and employees within King City to increase sales taxes from point of sale.
- Update Personnel Regulations.
- Install and organize a dedicated records storage container at the Public Works Corporation Yard and update the records management log.
- Establish citywide calendar sharing and scheduling procedures.
- Establish an e-mail retention and usage policy.
- Establish and coordinate a new annual City volunteer appreciation barbeque.

City Attorney

- Develop new procedures for consulting with staff at the initial stages of drafting resolutions and ordinances.
- Prepare a comprehensive review of the Municipal Code to identify, if any, legal and/or structural concerns.
- Conduct a code enforcement case preparation training.

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- Provide ethics training.
- Draft new cleanup ordinances to address new State legislation and case law regarding signage, street vendors, and cannabis regulations.

Building

- Conduct all non-engineered and most engineered plan checking in-house.
- Train and cross-train all front counter staff to take in building permit applications, payments, plan reviews, permit submittals and issue building permits in HDL.
- Implement new construction and demolition forms into the building permit application process.
- Create and implement a departmental standard operating procedural manual.
- Adopt the 2019 CA Building Codes.
- Conduct annual review of Building Permit files to ensure documents are purged per the City's records retention policy.
- Update all building permit applications with current state mandated information.
- Explore and expand the use of the HDL permit tracking system to include the inspection module.
- Improve turn-around time on all plan reviews.
- Update the Building Department's web page and handouts.

Community Development

- Create a standardize permit procedure for Landscaping Ordinance Title 15.50.
- Prepare an update to Title 17 Zoning Code.

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- Review and develop recommendations to simplify the itinerant vendor business license process.
- Update Zoning Maps and General Land Use Maps to include all recent amendments and any process any corrections.
- Purchase ESRI geographical information system software.
- Update checklists for all general applications and cannabis permit application forms.
- Establish an automated cannabis permit review and tracking system.
- Amend Title 5 and the Historic Corridor Revitalization Plan definition on restaurants to address live music and hours of operation.
- Begin update of General Plan elements.
- Coordinate outreach and assistance for Census 2000.
- Reorganize the Community Development electronic files.

Finance

- Coordinate contract for Transient Occupancy Tax audit program.
- Complete the Fiscal Year Audit by November 30th.
- Assess transition of business licenses to the Fund Balance Business License module of the current financial suite.
- Implement a new Fleet Management system.
- Continue the process of consolidating general ledger accounts and sub-accounts.
- Provide quarterly financial reporting.
- Provide monthly financial reporting to leadership team for continued budget management.

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- Monitor the King City Community Power costing and prepare reporting of performance.

Fire

- Replace Engine 8511 a with newer engine.
- Update / replace outdated equipment and PPE gear (turnouts, helmets/gloves).
- Provide updated training (CPR, AED, basic first aid).
- Increase public awareness through school tours.
- Address safety issues at the Fire Station.
- Maintain Engines with regular serving by professional diesel engine repair mechanics.

Police

- Develop and implement a Police Sports Outreach program, including creation of incentives for police officers to participate as assistant coaches in local sports programs.
- Develop and implement a comprehensive youth outreach program, including police officer participation in school and community activities, High School Cadet Program, and a Police Youth Academy.
- Create a Boots on the Ground campaign, including a bi-weekly program involving the Chief of Police, command staff and District Officers walking neighborhoods door-to-door in each district to better engage community.
- Develop and implement a rebranding of the Police Department, including new car graphic design for all vehicles.
- Implement concepts of "Extreme Ownership" by completing the Field Training Exercise with Echelon Front.
- Complete a remodel of the Police Department to improve the public waiting room area.
- Replace the Police Department tazers.

**CITY COUNCIL
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- Explore and implement less lethal force options for the Police Department.
- Provide more inhouse training for the Police Department in areas of weaponless defense.
- Establish a Police Reserve Program.
- Establish a Police Chaplain Program.
- Explore a police career pathway program for local students in partnership with the POA and SPA for scholarship pathway to law enforcement.
- Begin program of updating Mobile Data Computers in police vehicles.

Public Works

- Coordinate environmental review for Wastewater Treatment Plant Upgrade project.
- Complete Roundabout Project design plans and seek funding sources.
- Design and construct annual street pavement improvements for the 2019 King City Street Project:
- Replace all stop signs, No Parking signs, and street signs in need of replacement in the northwest quadrant of the city.
- Complete turf renovation projects for Creekside Soccer and Softball parks.
- Repaint City Hall.
- Establish an annual contract-based pavement marking and restriping program.
- Establish a numbering and tracking system for encroachment permits.
- Conduct a citywide speed survey with recommended speed limit changes.
- Prepare a report with recommendations for policies for stop sign placement, speed humps and striping uniformity.

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- Repair and restore the Broadway Circle water fountain.
- Complete prioritized Americans with Disabilities Act (ADA) improvements at various city facilities within budget parameters.

Recreation

- Develop plan for renovation of the tennis courts to be ADA accessible, and expand uses to include basketball and pickleball.
- Partner with other regional recreation programs to collaborate and expand programming in King City such as the YMCA, South County Youth Soccer, King City Youth Football and club sports teams.
- Develop joint use agreement with Salinas Valley Fairgrounds to expand the facility and expand programming for youth and adults.
- Identify opportunities for new senior activities, including exercise and activity classes.
- Establish online payment system for program registration.
- Develop a fundraising team to strategize and plan funding opportunities to refurbish the Skate Park, including grants and private donors.
- Identify and apply for swimming lesson grants to provide King City children free swimming lessons.
- Obtain Lifeguard Instructor Certification, so the City can provide low-cost pool certifications to pool staff.
- Implement the Sports Field Improvement Plan.
- Continue to implement bi-monthly pool staff in-service program.

A copy of the proposed budget calendar is attached. Please note that the Budget Workshop is scheduled for Thursday, May 30, 2019 at 6:00 p.m.

COST ANALYSIS:

There is no fiscal impact of the recommended action. However, the major citywide goals are intended to be areas where additional funding is allocated in the future.

**CITY COUNCIL
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ENVIRONMENTAL REVIEW:

This matter is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Approve the recommended goals for FY 2019-20 and FY 2020-21 and provide direction to maintain the existing Sales Tax Citizen Review Committee;
2. Modify some of the proposed goals, but priorities will need to be established and other goals potentially deleted in order increase goals with existing resources;
3. Appoint new members for the budget review committee and provide terms as established with commissions;
4. Delay the discussion for more discussion and public input; or
5. Provide other direction to staff.

Exhibits:

1. Budget Calendar

Prepared and Approved by:



Steven Adams, City Manager



**FY 2019-20/ FY 2020-21
BIENNIAL BUDGET**

CALENDAR

- Mid-year Accomplishments and Proposed Department Goals for FY 2019-20/ FY 2020-21 Due January 15, 2019
- FY 2018-19 Mid-Year Budget Review February 12, 2019
- Approval of Budget Goals/Priorities February 12, 2019
- Distribution of Department Budget Worksheets February 12, 2019
- Budget Worksheets and Forms Due March 8, 2019
- Budget Meetings March 18 - 22, 2019
- 5-Year Capital Improvement Program Meeting March 28, 2019
- Final Projected FY 2018-19 Accomplishments Due March 29, 2019
- Completion of Revenue Projections April 5, 2019
- Staff Budget Review April 23, 2019
- Community Budget Committee Meeting May 15, 2019
- Draft Budget Document Issued May 23, 2019
- **Budget Workshop** **May 30, 2019**
- City Council Budget Consideration June 11, 2019