



CITY OF PACIFIC GROVE AGENDA REPORT

300 Forest Avenue, Pacific Grove, CA 93950

To: Honorable Mayor and Members of the City Council
From: Ben Harvey, City Manager
Meeting Date: May, 4 2016
Subject: Potential Revenue Opportunities

CEQA: This action does not constitute a “project” as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

RECOMMENDATION Discuss potential revenue opportunities and provide direction to staff. Any direction to staff related to a proposed ballot measure for the November 2016 General Election should be provided within the month of May 2016.

DISCUSSION

In order to address neglected infrastructure needs, properly fund and staff essential municipal services, pay down obligations, and attract the best and most-qualified candidates to the City workforce, the City of Pacific Grove needs to embellish and expand its current revenue streams.

One of the primary functions of municipal government is to provide services, infrastructure and offerings that enhance the community's quality of life. Prudently responding to fiscal challenges over the last several years, the City Council and City Administration have taken bold measures to reduce overhead through staff attrition, under filling positions and creative health benefit offerings. The City has further achieved cost-savings through contracting traditional municipal functions such as fire suppression and golf course management and limiting capital improvement expenditures where possible. As a result of these austerity measures, the City has a lean workforce that puts its best foot forward to serve the community through its limited available resources.

One positive outcome of these austerity measures (and as a result of the recovering economy) is that the City has been able to build a cash reserve that now sits at approximately \$8M. However, the City is now at a tipping point. City infrastructure needs significant upgrades and maintenance, staffing levels are not able to sustainably provide exemplary customer service and quality of life improvements to the community, and staff recruitment/retention has become challenging due to non-competitive health benefit offerings. Without significant investment in these areas, the City risks falling further behind.

Due to the austerity measures enacted years ago, further City workforce and service cutbacks are not a viable option to provide additional revenue. Accordingly, it is recommended that the City Council discuss and consider embellishing its revenue stream.

Some potential revenue opportunities include:

1. Incremental revenue through expanded economic development;
2. Incremental revenue through expanded or additional special events;
3. Implementation of an Admissions Tax;
4. Increase Business License Tax;
5. Implement Real Estate Transfer Tax;
6. Increasing the commercial and residential transient occupancy rate from the current rate of ten percent (10%) to twelve percent (12%);
7. Expanding passive income measures, such as installing additional computer-based parking meters;
8. Exploring creative income measures, such as an honorary secondary street sign adoption program, and/or the sale of surplus historic street signs; and
9. Working to further increase cost recovery for selected municipal services to 100%;

Note that full financials on any of the aforementioned options will take City staff time to develop for Council review. Further, the Council may not base the Fiscal Year (FY) 2016-17 budget on any revenue source not yet been adopted as policy. Any potential tax revenue source that may be considered and decided upon by the voters as part of the November 2016 general election would not be realized until FY 2017-18. Certain revenue opportunities that the Council considers – particularly expanded economic development – may require yet unavailable water resources. Finally, should the City Council wish to pursue a revenue measure(s) that would be required to go before the electorate for consideration at the November 2016 General Election, staff would need to be provided direction within the month of May 2016 in order to have requisite filings completed and appropriate election materials drafted and submitted.

ALTERNATIVES CONSIDERED

1. User fees
2. Expansion of existing utility user tax
3. Parcel tax

OPTIONS

Take no action.

FISCAL IMPACT

To be provided by City staff in a subsequent report following direction provided by Council.

ATTACHMENTS

None

RESPECTFULLY SUBMITTED:

Ben Harvey

Ben Harvey
City Manager