City of Pacific Grove

Adopted Operating and Capital Project Budget Fiscal Year 2016-17

Bill Kampe, Mayor

Robert Huitt, Mayor Pro Tempore

Ken Cuneo, Council Member

Rudy Fischer, Council Member

Casey Lucius, Council Member

Daniel Miller, Council Member

Bill Peake, Council Member

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Cover photo courtesy of Jocelyn Francis, City of Pacific Grove Police Administrative Services Manager, 2016

CITY OF PACIFIC GROVE

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May 18, 2016

Honorable Mayor and Members of the City Council:

The Recommended Operating Budget and Capital Improvement Plan for Fiscal Year (FY) 2016-17, which begins on July 1, 2016, is presented herewith for the City Council's consideration and adoption. This budget was developed through the participation and involvement of staff throughout the organization.

Pursuant to Council policy, the Recommended Operating Budget and Capital Improvement Plan is a program budget, not a line item budget. The Council directs the objectives to be achieved, the level of resources it is willing to appropriate to each program to meet those objectives, and directs staff to use its professional expertise to determine how best to assemble and structure the resources to meet the terms of the budget.

The recommended spending plan for FY 2016-17 includes expenditures for all funds of $43.6 million representing an increase of approximately $7.5 million over the current year. The majority of the increases are in the area of capital spending, specifically with the inception of the Local Water Project. Overall financing sources for FY 2016-17 include $40.6 million in revenues and the use of $2.9 million of fund balance. Recommended appropriations for the General Fund are $21.5 million against revenues of $20,101,000 and $1.4 million of fund balance.

One of the primary functions of municipal government is to provide services, infrastructure and offerings that enhance the community's quality of life. In response to the fiscal challenges of the recession, the City Council and City Administration took steps to reduce overhead through staff attrition, under filling positions and creative health benefit offerings. The City achieved additional cost-savings through outsourcing fire services and golf course management, and deferring 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 of approximately $8M, part of which will be used to embark upon much needed repairs to the City's infrastructure and, to a lesser degree, rebuilding the City's workforce. However, a number of critical programs and needs have been

identified that will require significant investment. The following provides a brief review of the challenges the City must be prepared to address in the near future:

Investment in Infrastructure vs. Treasurer Investments – While the return yield on the City's investments has increased slightly over the past 12 months (.244%), the ability to invest in higher yield instruments is curtailed by State law. Using the funds to invest in the City's infrastructure and future needs generates a significantly higher return in savings on maintenance costs.

Health Benefits – The City claimed a one year waiver from the affordability employer mandate in health care offerings under the Affordable Care Act. If the affordability component of the mandate is not met for subsequent years, the City could face monetary penalties. Additionally, building and retaining qualified staff without offering what has become a standard employment practice of providing employee benefits puts the City at risk of being unable to fill and retain key positions within the organization, particularly within the Police Department. This adds to the potential issue of an insufficient succession plan for the future.

Technology Investment – The City's austerity measures have also caused the efficiencies of technologies to be largely absent from City operations. Technology in the workplace is now a consistent and increasing investment that must be factored into operating and long term infrastructure costs. The City has taken some initial steps in revamping the City's website, finance system, and document applications. In addition, the Police Department is prepared to respond to the mandates of the Department of Justice, the FBI, and the Criminal Justice Information System (CJIS) that require public safety records be managed via specific technology practices. The next steps include developing best practices for utilizing technology to achieve what was once accomplished by a greater number of employees. As such, additional focus on implementing efficient technologies is necessary.

Pavement Condition Index (PCI) – A Pavement Condition Index (PCI) is a numerical index that states the general condition of pavement. Based on a survey of the pavement, a numerical value between 0 (worst condition) and 100 (best condition) would be assigned to provide a method of prioritizing future capital expenditures on the pavements. The initial cost of obtaining a PCI is a near future expenditure.

Fee Study – As indicated to the Council at its adoption of the Master Fee Schedule for FY 2016-17, the City continues to move towards full cost recovery in its provisioning of certain services. However, there are likely unidentified or hidden costs which could be revealed by commissioning a fee study in the upcoming fiscal year. It is anticipated that the study will recommend alterations to the Master Fee Schedule and cost recovery policy for the Council's consideration.

Code Enforcement – The City's code enforcement effort declined as that function was absorbed into other City functions. With the amendment to the Short Term Vacation Rental (STVR) ordinance, the need for more code enforcement personnel has been recognized by the Council and is reflected in the FY 2016-17 Recommended Budget. However, there remain a number of code enforcement issues unrelated to the STVR ordinance that will require the addition of a dedicated full-time employee towards the function if the City is to make progress.

Public Outreach and Community Communication – Keeping the community informed as to the workings of the City's government is one of the key services the City provides. Currently, a number of communication vehicles are used to share information with the community: City-

sponsored social media outreach, the weekly newsletter, the City's evolving website, and in the very near future OpenGov will publish financial details. As new media and techniques are developed, and as new social media practices and outlets evolve, the City must analyze and evaluate each for its efficacy in City of Pacific Grove communications and invest in those tools.

Library Hours – The demand for Library services continues to be a high priority for the community. Prior to 2007, the Library was open 7-days per week for a total of 62 hours. In the 2014 Pacific Grove Community Library Survey, 48% of the respondents indicated they would use the library on Sunday, and 24% requested additional open hours. Approximately 12% of the students surveyed indicated they would like the Library open on Sunday, and 21% would like the Library to be open later during the week.

Environmental Challenges – The City strives to improve the water quality for its citizens and preserve the coast for future generations. These water quality efforts rid the water of bacterial loads, improve the state of the food chain, and deter beach closures. The City has a total of 34 outfalls into the bay – far more than its municipal neighbors (Carmel – 13, Monterey – 20, Seaside – one) that may be impacted by Areas of Biological Significance (ASBS) requirements. For example, there is a current requirement for on-site metals testing in 24 of the 34 outfalls. With each passing year, the State regulations under which these programs fall are continuously modified and demand strict adherence. The grant funding that the City takes advantage of whenever possible currently requires a 25% match of City funds. New grant funding opportunities are available and aggressively pursued, but require a 50% match which indicates an increasing cost trend in both the compliance and funding aspects of the City's environmental programs.

Economic Development – The Council recognizes that the City's long-term financial well-being is tied to the health and vitality of the business community, and the strength of thevisitor-based economy. Funding for an economic development strategy that addresses these two areas, while preserving the important characteristics and fabric of Pacific Grove's home town charm, is included within the budget.

Pension Obligations – Past, present and future CalPERS costs continue to be a major expenditure. The unfunded liability expense for FY 2016-17 is $1,379,024. This payment does not include the payroll contribution percentages paid by the employees or the City, the latter of which is included in the departmental operating budgets. The table below shows the payment projections for the next two fiscal years for the unfunded liability and the employer contribution rates.

	FY 2016-17		FY 2017-18 (Projected)	
	Employer Rate	Unfunded Liability	Employer Rate	Unfunded Liability
Classic Miscellaneous	8.88%	$ 498,741	8.90%	$ 625,822
Classic Safety	19.54%	$ 880,155	19.50%	$ 1,072,244
PEPRA Miscellaneous	6.56%	$ 60	6.60%	$ 151
PEPRA Safety	12.08%	$ 68	12.10%	$ 176

Proposition 13 – Property taxes collected by the City are trending higher than anticipated in prior years. Although, Proposition 13 continues to have an impact on the overall property tax revenue

the City receives compared to the services the community has indicated that it desires. The demand for services tends to exceed the net receipts of property taxes.

As your new City Manager, I am excited about the anticipated positive impact that this budget will achieve within the community – for residents, businesses, visitors and key community stakeholders. Infrastructure improvement, expansion of public safety, better customer service, program enhancement in all City departments, and additional community outreach are among the positive impacts that will be experienced within Pacific Grove in Fiscal Year 16-17, through this budget and corresponding Capital Improvement Plan. Working under City Council policy direction, my goal is to preserve and protect all that makes our community unique, while allowing for opportunities that foster growth for a continued high quality of life experience. I hope to build on the successful conservative fiscal stewardship that the City has operated under previously, while looking to projects and initiatives that pave the way for a string of future success. Thank you in advance for your leadership, insight, critique and collaborative partnership along the way!

The recommended budget for FY 2016-17 is a collaborative effort constructed by staff in conjunction with the Council's vision and leadership. As you consider the FY 2016-17 Recommended Operating Budget and Capital Improvement Plan, I welcome your insights and leadership as you continue your commitment to the community and its citizens.

Respectfully,

Ben Harvey

Ben Harvey
City Manager

Strategic Goals Overview

Vision Statement

The City of Pacific Grove is a model of sustainability, adaptability and resilience with a vibrant local business community… a genuine refuge from the hustle and bustle… original, yet constantly renewing

Mission Statement

The City of Pacific Grove's mission is to foster and preserve a sense of community, deliver City services, and support economic and environmental vitality

Strategic Goals

1. Achieve significant and sustained economic development that achieves the appropriate community-friendly and tourist-friendly balance.

2. Achieve long-term financial stability; increase revenue; adopt balanced budgets that include adequate reserves, as well as asset maintenance and replacement; resolve all CalPERS issues.

3. Protect and enhance the city's natural/physical environment and coastline, housing stock, and infrastructure.

4. Develop a sustainable non-potable water delivery system and continue involvement on regional alternative water supply solutions

5. Protect and enhance public health and safety.

6. Enhance the City's governance and the public trust in City government by: making sound and consistent decisions; providing high quality services consistent with our financial resources; maintaining effective two-way communication with our citizens; and operating in an open and ethical manner.

FY 2016-17 All Funds Appropriations Summary

Fund #	Fund Name	Estimated Beginning Fund Balance	Revenues	Expenditures	Budgeted Fund Balance	Ending Fund Balance
01	GENERAL FUND	7,600,000	20,101,000	21,457,476	(1,356,476)	6,243,524
02	CONSOLIDATED INVESTMENT	95,936	40,000	37,500	2,500	98,436
03	CARILLON OPERATIONS	9,359	50	3,030	(2,980)	6,379
04	OCEAN RESCUE PATROL **HYPERBARIC CHAMBER**	32,960	13,000	20,970	(7,970)	24,990
05	COASTAL PARKS GRANT **ENV. ENHANCEMENT**	158,578	150,000	145,938	4,062	162,640
06	PEG FUNDING **STATE FRANCHISE PEG**	342,072	57,240	40,400	16,840	358,912
07	LIBRARY BLDG & EQUIP	42,147	100	10,100	(10,000)	32,147
08	MUSEUM IMPROVEMENT FUND	463,918	2,000	90,900	(88,900)	375,018
09	DOWNTOWN BUS. IMPROVEMENT DIST. (BID)	2,351	30,300	30,300	0	2,351
10	HOSPITALITY IMPROVEMENT DISTRICT (HID)	60,414	490,000	454,500	35,500	95,914
11	LIBRARY BOOK FUND	28,045	80,000	80,000	0	28,045
12	FIRE EMERGENCY EQUIP FUND	160,160	21,800	5,832	15,968	176,128
14	CIVIC CENTER SITE	153,636	20,100	0	20,100	173,736
15	HOUSING FUND	251,035	0	109,215	(109,215)	141,820
18	GAS TAX	86,541	385,000	454,876	(69,876)	16,665
20	RSTP - (TAMC)	0	105,144	105,144	0	0
21	DRUG AWARENESS (D.A.R.E.)	14,186	2,000	8,282	(6,282)	7,904
22	ASSET SEIZURE FUND	1,681	10	0	10	1,691
24	LOVERS POINT POOL	57,367	250	10,100	(9,850)	47,517
25	RECREATION DONATION FUND (YOUTH CTR)	31,467	4,500	4,040	460	31,927
26	CHAUTAUQUA HALL FUND	22,657	2,500	10,100	(7,600)	15,057
27	LIGHTHOUSE MAINT & IMPROVEMENT	83,266	38,300	50,500	(12,200)	71,066
28	SR. HOUSING FUND	9,731	150	9,797	(9,647)	84
31	OPERATING DONATIONS	211,409	450	70,700	(70,250)	141,159
34	CDBG GRANT FUND	43,744	0	40,000	(40,000)	3,744
36	DEPOSIT FUND **CALHOME REUSE**	128,182	0	75,000	(75,000)	53,182
37	2013 CDBG GRANT FUND	(422,363)	580,000	156,442	423,558	1,195
38	CLEAN BEACHES	(20,543)	3,372,433	3,321,890	50,543	30,000
39	GREENING GRANT	(810)	272,500	271,690	810	0
40	POETRY PROMOTION	62,458	300	38,600	(38,300)	24,158
41	YOUNT INCOME FUND	82,576	4,000	23,252	(19,252)	63,324
42	PUBLIC SAFETY AUG FUND	593,716	380,000	303,000	77,000	670,716
43	SLESF FUND	6,871	160,000	157,118	2,882	9,753
45	ABANDONED VEHICLE PROGRAM	(0)	0	0	0	0
46	STRONG FUND DISBURSEMENTS	35,821	43,000	42,420	580	36,401
54	BUTTERFLY BOND DEBT FUND	38,570	95,021	93,000	2,021	40,591
61	BLDGS & FACILITIES IMPROVEMENT	564,372	2,500	351,000	(348,500)	215,872
70	EMPLOYEE BENEFITS FUND	134,577	161,200	55,550	105,650	240,227
71	WORKERS COMP FUND	(1,070,710)	940,000	662,055	277,945	(792,765)
72	LIABILITY INSURANCE FUND	675,891	225,000	298,960	(73,960)	601,931
73	OPEB POST EMPLOYMENT BENEFITS	220,321	100,000	100,000	0	220,321
74	LOCAL WATER PROJECT	(448,778)	7,700,000	7,347,510	448,778	0
75	CEMETERY FUND	588,245	266,000	427,649	(161,649)	426,596
76	SEWER FUND	15,019,463	3,139,088	5,011,562	(1,872,474)	13,146,989
77	GOLF COURSE FUND	2,712,356	345,000	299,530	45,470	2,757,826
78	SEWER LATERAL LOANS	201,885	150	38,500	(38,350)	163,535
79	ASBS GRANT	(137,870)	1,158,340	1,020,470	137,870	0
85	LIBRARY TRUST FUND	533,637	500	4,000	(3500)	530,137
86	CEMETERY ENDOWMENT FUND	1,333,965	74,700	0	74,700	1,408,665
90	YOUNT NONEXP FUND **YOUNT TRUST FUND**	842,898	3,000	200	2800	845,698
92	MCINDOO DONATION	98,664	100	15,150	(15,050)	83,614
93	KOO ESTATE DONATION	355,061	7,500	274,720	(267,220)	87,841
		32,091,114	40,574,226	43,638,968	(2,968,454)	29,122,660

Authorized Staffing Summary

The FY 2016-17 Budget includes a total of 111.5 full-time equivalent (FTE) positions of which 79.50 are full-time and 32.00 are part-time. This is an increase of 4.45 FTE over FY 2015-16 (as modified). A detailed comparison by Department, Division and position title may be found in Appendix D.

Authorized Full-Time Equivalent Positions
FY 2014-15 through FY 2016-17

	FY 2014-15	FY 2015-16	Current Year Modified	FY 2016-17	Change Over Current Year Modified
City Council	3.50	3.50	3.50	3.50	0.00
City Manager's Office	4.00	4.00	4.00	4.50	0.50
Finance/Risk Management	6.95	6.45	6.45	5.70	-0.75
Information Services	0.00	0.50	0.50	0.50	0.00
Community Development	8.05	7.65	7.90	8.15	0.25
Police	34.00	33.30	33.30	35.80	2.50
Library	9.50	11.00	12.00	11.75	-0.25
Recreation	14.90	13.65	13.65	13.65	0.00
Public Works	22.00	18.64	19.05	19.35	0.30
Storm Water	0.00	0.63	0.63	0.00	-0.63
Cemetery	1.50	1.45	1.45	1.45	0.00
Sewer	6.00	4.08	4.30	4.80	0.50
Yount	0.00	0.40	0.40	0.40	0.00
SLESF	0.00	0.70	0.70	0.70	0.00
Poetry	0.00	0.00	0.00	0.25	0.25
TOTAL	110.40	105.95	107.83	110.50	2.67

Long-Term Debt Summary

	Outstanding FY Ending June 30, 2016	Original Issue Date	Original Amount	Year of Final Payment (FY Ending)
Debt Outstanding as of June 30, 2016				
General Obligation Bonds, Principal & Interest				
Wastewater Series 2001-B Refunding	$ 1,356,047	2013	$ 1,638,967	2032
Butterfly Habitat Bonds	$ 182,922	2004	$ 1,300,013	2018
Pension Obligation Bonds A-1 & A-2	$ 24,095,000	2006	$ 38,497,099	2029
Total General Obligation Bonds	$ 25,633,969		$ 41,436,079	
Cetificates of Participation, Principal & Interest				
Golf Course COP Refunding Project	$ 3,945,405	2014	$ 4,353,550	2031
Total Certificates of Participation	$ 3,945,405		$ 4,353,550	
Capital Lease/Purchase Obligations				
PNC Equipment Finance Lease	$ 84,646	2012	$ 338,585	2018
Total Capital Lease/Purchase Obligations	$ 84,646		$ 338,585	
TOTAL LONG TERM DEBT OUTSTANDING	**$ 29,664,020**			

Annual Debt Service Requirements	General Obligation Bonds			Certificates of Participation
	Source of Payment			Source of Payment
	Pension Obligation Bond General Fund 01	Butterfly Habitat Bonds Butterfly Fund 54	Wastewater Bond Refunding Sewer Fund 76	Golf Course COP Refunding Project Golf Fund 77
FY 2016-17	$ 1,935,000	$ 91,743	$ 87,936	$272,097
FY 2017-18	$ 2,000,000	$ 91,179	$ 88,254	$272,097
FY 2018-19	$ 2,065,000		$ 88,370	$272,097
FY 2019-20	$ 2,130,000		$ 88,307	$272,097
FY 2020-21	$ 2,200,000		$ 88,117	$272,097
Total Principal & Interest	$ 10,330,000	$ 182,922	$ 440,984	$1,360,485
Less Interest	$ 5,531,956	$ 7,864	$ 155,373	$555,887
Total Principal	$ 4,798,044	$ 175,058	$ 285,611	$804,598

	Capital Lease/Purchase Obligations
	Source of Payment
	General Fund 01
FY 2016-17	$67,717
FY 2017-18	$16,929
FY 2018-19	
FY 2019-20	
FY 2020-21	
Total Principal & Interest	$84,646
Less Interest	$2,112
Total Principal	$82,534

Ordinance Adopting the FY 2016-17 Budget

ORDINANCE NO. 16-010

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE ADOPTING THE OPERATING AND CAPITAL PROJECTS BUDGET FOR THE FISCAL YEAR 2016-17

WHEREAS, the City Council held a public hearing and first reading of an ordinance to adopt the FY 2016-17 Operating and Capital Projects Budget

WHEREAS, the City Manager is recommending adoption of the FY 2016-17 Budget to reflect the City Council's expressed goals for the fiscal year budget; and

WHEREAS, in the enactment of this ordinance, the City followed the guidelines adopted by the State of California and published in the California Code of Regulations, Title 14, Section 15000, et seq. Enactment of this ordinance action does not constitute a "project" as defined by California Environmental Quality Act (CEQA) because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment pursuant to the California Quality Act (CEQA), CEQA Guideline Section 15378.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE:

SECTION 1. The foregoing recitals are adopted as findings of the City Council as though set forth fully herein.

SECTION 2. The appropriation budget for the General fund is adopted as follows:

Fund/Department/Program	Revenues	Expenditures
General Fund	$ 20,101,000	
Other Financing Sources	$ 1,356,476	
City Council		$ 391,659
City Attorney		$ 294,756
City Manager		$ 889,557
Finance		$ 1,075,735
Information Tech		$ 383,113
CEDD		$ 1,637,407
Police		$ 7,797,073
Fire		$ 3,690,929
Library		$ 1,088,585
Museum		$ 266,778
Recreation		$ 511,829
Public Works		$ 3,430,055
Total	$ 21,457,476	$ 21,457,476

SECTION 3. The appropriation budgets for the Enterprise Funds are adopted as follows:

Fund	Revenues	Expenditures
Cemetery Fund	$ 266,000	$ 427,649
Sewer	$ 3,139,088	$ 5,011,562
Golf Course	$ 345,000	$ 299,530
Sewer Lateral Loans	$ 150	$ 38,500
Local Water Project	$ 7,700,000	$ 7,347,510
	$ 11,450,238	$ 13,124,751

SECTION 4. The appropriation budgets for the Internal Service Funds are adopted as follows:

Fund	Revenues	Expenditures
Employee Benefit	$ 161,200	$ 55,550
Workers Compensation	$ 940,000	$ 662,055
Liability Insurance	$ 225,000	$ 298,960
Other Post Employment Benefits (OPEB)	$ 100,000	$ 100,000
	$ 1,426,200	$ 1,116,565

SECTION 5. The appropriation budgets for the Debt Service Funds are adopted as follows:

Fund	Revenues	Expenditures
Pension Obligation Bond	$ 1,935,000	$ 1,935,000
Butterfly Bond Debt Service	$ 95,021	$ 93,000
	$ 2,030,021	$ 2,028,000

SECTION 6. The appropriation budgets for the Permanent Funds are adopted as follows.

Fund	Revenues	Expenditures
Library Trust Fund	$ 500	$ 4,000
Cemetery Endowment Fund	$ 74,700	$ -
Yount Trust	$ 3,000	$ 200
	$ 78,200	$ 4,200

SECTION 7 The appropriation budget for the Capital Fund is adopted as follows.

Fund	Revenues	Expenditures
Buidling & Facilities	2,500	351,000
	2,500	351,000

SECTION 8 The appropriation budgets for the Special Revenue Funds are adopted as follows.

Fund	Revenues	Expenditures
CONSOLIDATED INVESTMENT	$ 40,000	$ 37,500
CARILLON OPERATIONS	$ 50	$ 3,030
OCEAN RESCUE PATROL **HYPERBARIC**	$ 13,000	$ 20,970
COASTAL PARKS GRANT **ENV. ENHANCI**	$ 150,000	$ 145,938
PEG FUNDING **STATE FRANCHISE PEG**	$ 57,240	$ 40,400
LIBRARY BLDG & EQUIP	$ 100	$ 10,100
MUSEUM IMPROVEMENT FUND	$ 2,000	$ 90,900
DOWNTOWN BUS. IMPROVEMENT DIST.	$ 30,300	$ 30,300
HOSPITALITY IMPROVEMENT DISTRICT (	$ 490,000	$ 454,500
LIBRARY BOOK FUND	$ 80,000	$ 80,000
FIRE EMERGENCY EQUIP FUND	$ 21,800	$ 5,832
CIVIC CENTER SITE	$ 20,100	$ -
HOUSING FUND	$ -	$ 109,215
GAS TAX	$ 385,000	$ 454,876
RSTP - (TAMC)	$ 105,144	$ 105,144
DRUG AWARENESS (D.A.R.E.)	$ 2,000	$ 8,282
ASSET SEIZURE FUND	$ 10	$ -
LOVERS POINT POOL	$ 250	$ 10,100
RECREATION DONATION FUND (YOUTH (	$ 4,500	$ 4,040
CHAUTAUQUA HALL FUND	$ 2,500	$ 10,100
LIGHTHOUSE MAINT & IMPROVEMENT	$ 38,300	$ 50,500
SR. HOUSING FUND	$ 150	$ 9,797
OPERATING DONATIONS	$ 450	$ 70,700
CDBG GRANT FUND	$ -	$ 40,000
DEPOSIT FUND **CALHOME REUSE**	$ -	$ 75,000
2013 CDBG GRANT FUND	$ 580,000	$ 156,442
CLEAN BEACHES	$ 3,372,433	$ 3,321,890
GREENING GRANT	$ 272,500	$ 271,690
POETRY PROMOTION	$ 300	$ 38,600
YOUNT INCOME FUND	$ 4,000	$ 23,252
PUBLIC SAFETY AUG FUND	$ 380,000	$ 303,000
SLESF FUND	$ 160,000	$ 157,118
ABANDONED VEHICLE PROGRAM	$ -	$ -
STRONG FUND DISBURSEMENTS	$ 43,000	$ 42,420
ASBS GRANT	$ 1,158,340	$ 1,020,470
MCINDOO DONATION	$ 100	$ 15,150
KOO ESTATE DONATION	$ 7,500	$ 274,720
	$ 7,421,067	$ 7,491,976

SECTION 9. The City Manager is directed to execute all documents and to perform all other necessary City acts to implement and effect this Ordinance.

SECTION 10. In accord with Article 15 of the City Charter, this ordinance shall become effective upon adoption hereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 15th day of June, 2016, by the following vote:

AYES: Mayor Kampe, Councilmember Cuneo, Fischer, Huitt, Lucius, Miller and Peake.

NOES: None.

ABSENT: None.

APPROVED:

Bill Kampe

BILL KAMPE, Mayor

ATTEST:

Sandra Kandell

SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney

General Fund Five-Year Forecast

The Five-Year Forecast provides a foundation on which the Council bases its discussion and direction for the FY 2016-17 budget. The forecast attempts to quantify the City's fiscal status over the next five years by projecting expenditures and revenues. The salary and benefits costs that were included in the operations forecast are based on CalPERS retirement agreements, Memorandums of Understanding, and other personnel policies. The forecast does not anticipate the impact of future Council policies or decisions.

Below is a summary of the forecast on a status quo basis (i.e., no new revenue sources, with a continuation of existing trends and the continuation of existing levels of service). The forecast projects a positive net result of operations in FY 2016-17 of $103,000. This projection assumes the current level of service with no significant increase in appropriations over the current fiscal year and no new revenue sources.

Five-Year Forecast for Status Quo Revenues and Service Levels

	2014-15 Actual	2015-16 Estimate	FY 2016-17 Projection	FY 2017-18 Projection	FY 2018-19 Projection	FY 2019-20 Projection	FY 2020-21 Projection
Beginning Fund Balance	$6,094,823	$8,223,737	$8,352,846	$8,455,810	$8,289,409	$8,426,329	$8,236,241
Revenues and Transfers Total	19,192,238	19,569,000	20,101,000	20,648,000	21,209,000	21,788,000	22,384,000
Expenditures and Transfers Total	16,760,323	19,439,891	19,998,036	20,814,401	21,072,080	21,978,088	22,713,416
Net Results of Operations	2,431,915	129,109	102,964	(166,401)	136,920	(190,088)	(329,416)
Ending Fund Balance	$8,223,737	$8,352,846	$8,455,810	$8,289,409	$8,426,329	$8,236,241	$7,906,825

The following provides additional information with regard to the trends, information, and data utilized to derive specific revenue and expenditure figures included in the forecast.

REVENUES

Property Tax – Pursuant to the County Assessor's report to the Monterey County Budget Committee on January 26, 2016, the Assessor anticipates an increase of 5.425% in the countywide assessment roll. As the City's primary revenue source, property taxes have historically been conservatively forecasted based on the prior year actual receipts. This years' forecast continued this approach anticipating a modest increase of 3% for the upcoming fiscal year.

Transient Occupancy Tax (TOT) – TOT is the 2nd highest revenue source for the City. The following chart shows the gross TOT revenues attributed to both commercial and residential (Short Term Transient Use) properties over the past five years. TOT revenues have been projected to conservatively increase over the five year forecast period (consistent with the City's prior years' trend methodology).

Transient Occupancy Tax	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Commercial	$ 2,709,165	$2,889,126	$ 3,015,919	$3,278,458	$ 3,730,897
Residential	$ 181,955	$ 252,675	$ 343,764	$ 453,048	$ 707,468
TOTAL	$ 2,891,120	$3,141,801	$ 3,359,684	$3,731,506	$ 4,438,365

Sales & Use Tax – Sales and use taxes continue to show modest growth notwithstanding lower gasoline prices. The City's restaurants generate the highest sales and use taxes (33%), with Building Materials (14%) and Food Markets (12%) the next two highest contributors. California's overall inflation rate of 1.5% includes two items that increasingly consume more residents' disposable income and generally do not generate sales tax revenues: Housing and Medical Care. However, retail sales during the holiday season grew by 7.9% and double digit furniture sales appear to indicate consumers have more disposable income.

Utility Users Tax – The City collects utility user tax for wired telecom, wireless telecom, electricity, natural gas, cable television, and water. The City's tax compliance vendor, Muni Services, projects that the City's utility user tax will, overall, have modest growth. However, the following market events have impacted overall utility user tax collections:

- Wired telecom services have increased overall, despite a reduction in the residential service contracts.
- Competition among wireless carriers has driven prices down in wireless service subscriptions.
- Electrical taxes decreased due to a shift from coal to natural gas to generate electricity.
- Nothwithstanding the shift from electricity to natural gas, natural gas taxes decreased due to reduced prices from increased supply.

Charges for Services – Council Policy 400-4 provides a guideline for the recovery of fees for services. However, fees for services have not kept pace with the costs of providing such services. For FY 2016-17, Council directed full cost recovery, with certain exemptions, in the Master Fee schedule. It is anticipated that the fees for services will experience moderate but sustained growth over the forecast period as the fees move closer in line with actual expenditures.

EXPENDITURES

The forecast for FY 2016-17 reflects the growth in General Fund balance that was stated in the independent auditor's report for the prior fiscal year. The following are significant factors with regard to projected operating expenditures.

CalPERS – The forecast includes the unfunded and projected unfunded liability amounts CalPERS projects in the City's annual valuation reports. The unfunded liability expense for FY 2016-17 is $1,379,024. This payment does not include the payroll contribution percentages

paid by the employees or the City, the latter of which is included in the departmental operating budgets. The percentages CalPERS has set for FY 2016-17 are as follows:

	FY 2016-17		FY 2017-18 (Projected)	
	Employer Rate	Unfunded Liability	Employer Rate	Unfunded Liability
Classic Miscellaneous	8.88%	$ 498,741	8.90%	$ 625,822
Classic Safety	19.54%	$ 880,155	19.50%	$ 1,072,244
PEPRA Miscellaneous	6.56%	$ 60	6.60%	$ 151
PEPRA Safety	12.08%	$ 68	12.10%	$ 176

Some employees currently pay a portion of the employer rate pursuant to Memorandums of Understanding: General Employee Association (GEA) members, Management Employees Association (MEA) members, and Management staff pay 12% (7% employee share and 5% employer share). Classic Police Officers Association (POA) members pay 9% employee share and PEPRA POA members pay 11.5% employee share. The City currently pays the employer rates of 18.524% for Classic Safety members and 11.153% for PEPRA Safety members.

Pension Obligation Bond (POB) – The POBs were issued in 2006 to pre-fund CalPERS pension plans. The debt will not be retired until July 2028.

Other Debt – The forecast predicts a negative net result in FY 2017-18, although other debt that is retired in that year will result in a positive net of operations and capital in FY 2018-19. The Butterfly Bond debt will be retired in August 2017 and the Next Generation (NGen) radio equipment financing lease final payment will be made September 2017.

Operations – One time budget modifications in the current year are not carried forward in the out years. One-time expenses that have been authorized by Council but not included in the out years of the operating budgets are: personnel recruitments, police chief vehicle, General Fund contributions to the Local Water Project, and Project Bella reimbursements.

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Capital Improvement Plan (CIP) Budget Summary

Beautification, street maintenance and buildings and grounds improvements typically come from the General Fund. Allocations for capital improvements the last three years have been substantially higher than previous years, as it was recognized that maintenance was being deferred. In order for the City to continue with projects such as road and building maintenance, City staff recommends that the use of funding sources set aside for onetime expenses should again be allocated in this year's budget.

Reiko Koo Bequest Fund 93:
There are no restrictions associated with the Reiko Koo Bequest. If authorized by Council, funds may be used for one-time project costs.

Buildings and Facilities Improvement Fund 61:
The City's Capital Improvement Fund currently has sufficient fund balance to finance a number of capital improvement projects in FY 2016-17. The Capital Improvement Plan (CIP) Budget Summary provides specific projects that are recommended for funding.

Bertha Strong Trust Fund 46:
The City receives an annual distribution from the Bertha Strong Trust in an amount equal to 5% of the average fair market value of the trust. The trust restricts the use of the distributed funds to specific purposes which included the acquisition of a new City Hall. The City utilized the distributed funds to pay the debt service on the Civic Center improvements until that debt was retired in 2014. The distribution for FY 2016-17 of $30,000 is recommended to fund beautification, recreation, and educational capital improvements as specified in the CIP Budget Summary.

Capital Improvement Recommendation Highlights:
Staff recommends using $275,000 of the Reiko Koo funds for the trail at the Great Tide Pool site and the coastal access project. Staff also recommends using $351,000 from the Buildings and Facilities Improvement Fund 61 to fund sidewalk replacements, repair the "Cave" at Lovers Point, and the Seawall Construction. The Bertha Strong annual trust distribution of $30,000 will be used to evaluate/prepare a coastal development permit application and install low level lighting along the recreation trail. By using these alternative funding sources in the amount of $656,000, Public Works accomplishes needed capital improvements without utilizing General Fund dollars. Use of the Koo and Strong trusts, and the Capital Projects fund will not deplete the fund balances. The Reiko Koo fund will retain a balance of approximately $88,000 and the Fund 61 balance will be approximately $216,000 which will be available for future Capital projects. Finally, the Strong Trust disbursement fund balance is anticipated to be $36,400. (The res of the trust managed by Wells Fargo is valued at approximately $900,000).

Expenditures and revenues for the Capital Improvement Plan have been budgeted for in the General Fund and Outside Funds as specified in the following summaries.

CIP Projects Budget Summary - General Fund

Priority	Project	Department	Description	FY 2016-17
1	Annual Street Crack Seal / Slurry Seal /Asphalt Overlay	Public Works	Various streets throughout the City based on condition assessment.	$200,000
2	Drainage and storm drain repairs	Public Works	Del Monte and Esplanade storm drain replacement.	$150,000
3	Drainage and storm drain repairs	Public Works	15th and Laurel.	$60,000
4	Storm Drain	Public Works	Requires installation of full capture devices in in storm drains that capture runoff from priority land uses/facilities/sites.	$25,000
5	Recreation Trail/Coastal Access Project	Public Works	Engineering, design and construction of Coastal Access at Lovers Point.	$90,000
6	Upgrade Traffic Signals	Public Works	Forest Ave at Sinex Ave., Forest Ave at Pine Ave. locations	$22,000
7	Pine Avenue Safety	Public Works	Design elements to make pedestrian traffic safer but also to incorporate aesthetics and storm water infiltration into the project. City Staff and traffic engineer will present conceptual designs for review by Traffic Commission and Council.	$80,000
8	Washington Park Playground	Public Works	Remove and replace the older playground equipment with new structure.	$15,000
9	Annual Street Light Pole Inventory Replacement	Public Works	Replace damaged or aging, restore inventory of approximately 5 poles.	$20,000
10	Streetlights for safety, at select locations within Candy Cane Lane and other	Public Works	Purchase and install solar lights for the Candy Cane Lane neighborhood to install at key locations to improve safety for residents and visitors.	$30,000
11	IBM Server for TracNet	Police	Replace IBM Server for Records Management System.	$20,000
12	Police Station Exterior Paint	Police	Paint Exterior of Police Station	$60,000
13	Public Works Administration Office Upgrade and Remodel	Public Works	Reconfigure and remodel/update the administration office at the Public Works yard. New windows, carpet, configuration and restroom.	$15,000

CIP Projects Budget Summary – General Fund (cont'd)

Item	Project	Program	Description	Proposed Fund / Account Numbers	5-Year Projection	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
13	Public Works Administration Office Upgrade and Remodel	Buildings and Grounds	Reconfigure and remodel/update the administration office at the Public Works yard. New windows, carpet, configuration and restroom.	01-503 Bldgs & Grounds	$15,000	$15,000				
14	Interior Building Paint	Facility	Re-paint Interior of Police Station.	01-301 Police	$20,000	$20,000				
15	Finance Department Security	Finance	Install a polycarbonate barrier for the front desk, panic button and	01-503 Bldgs & Grounds	$18,500	$18,500				
16	Annual Fleet/Equipment Replacement	Streets	Replace older vehicles and equipment in fleet to reduce maintenance costs.	01-505 Streets	$210,000	$50,000	$40,000	$40,000	$40,000	$40,000
17	Tennis Court Resurfacing at Community Center		Evaluate and resurface tennis courts at the community center.	01-503 Bldgs & Grounds	$20,000	$10,000	$10,000			
18	License Plate Readers (2)	Tech	Purchase (2) Automated License Plate Readers for Patrol/Parki	01-301 Police	$40,000	$40,000				
19	Public Works Corp Yard	Storm Water	Install oil/grease separator, repair and replace the storm drain and manholes.	01-505 Streets	$90,000	$90,000				
20	Upgrade Animal Pens & Kennels	Facility	Remodel / Rebuild Animal Pens & Kennels.	01-301 Police	$25,000	$25,000				
21	Construction of Permanent Restroom at Monarch Sanctuary	Buildings and Grounds, Wastewater	Design and construct a permanent restroom at the Pacific Grove Monarch Sanctuary.	01-503 Bldgs & Grounds	$20,000	$20,000				
22	Police Vehicles (2)	Fleet	Purchase (2) Vehicles for Patrol Use.	01-301 Police	$600,000	$60,000	$180,000	$120,000	$60,000	$60,000
23	Upgrade Shooting Range	Facility	Update Shooting Range, including updating (2) Target Retrievers and adding Rubber Berm Trap.	01-301 Police	$110,000		$110,000			
24	Lighthouse Avenue Hanging Planters	Beautification	Purchase hanging planters for the light poles along Lighthouse Avenue.	01-503 Bldgs & Grounds	$35,000		$35,000			
25	Lighthouse Avenue Median Project	Streets	Add design elements to improve visual, quality, and safety of median parking lane on Lighthouse Avenue.	01-505 Streets	$632,000		$125,000	$169,000	$169,000	$169,000
26	Heating System Upgrade	Facility	Upgrade Boiler Heating System.	01-301 Police	$208,800		$208,800			
						$1,120,500				

CIP Projects Budget Summary – Outside Funds

Item	Project	Description	Proposed Fund / Account Numbers	5-Year Projection	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	Heater Replacement	Replace aging heater system at the Pacific Grove Municipal Library.	Library Bldg & Mtce Fund 07	$35,000	$35,000				
2	Local Water Project	Replacement of Potable Irrigation Water at the golf course and El Carmelo Cemetery	LWP Fund 74	$7,700,000	$7,700,000				
3	Cemetery & Mausoleum Roof repairs	Roof replacement on all structures at the El Carmelo Cemetery	Cemetery Fund 75	$125,000	$125,000				
4	Chautauqua Hall	Interior and exterior repairs and painting.	Chautauqua Fund 26	$10,000	$10,000				
5	Library Renewal Project: Interior renovation	ADA, safety and accessibility upgrades; lighting upgrade; interior painting; ceiling, walls and door repair; interior construction and modifications; and flooring.	Fund 31: $150,000 Fund 07 (Fndtn Grant): $20,000 Stewardship Fund: $550,000	$720,000	$720,000				
6	Recreation Trail Lighting	Install landscape lighting along trail from Eardley Ave to Lovers Point Park.	Fund 46 Strong Trust	$30,000	$30,000				
7	Adventures by the Sea (the "Cave") at Lovers Point	Structural repairs to the cave's roof. (City owned property)	Fund 61 Bldgs. & Grds.	$60,000	$60,000				
8	Annual Sidewalk Replacement	Various location, Safe Routes to School, neighborhoods south of the downtown	Fund 61 Bldgs. & Grds.	$250,000	$50,000	$50,000	$50,000	$50,000	$50,000
9	Seawall Construction	Esplanade and Perkins Park (engineering, design, and construction).	Fund 61 Bldgs. & Grds.	$241,000	$241,000				
10	Great Tidepool Site Construction	Trail system linking Great Tide Pool Site to Rocky Shores.	Fund 93 Reiko Koo	$175,000	$175,000				
11	Recreation Trail/Coastal Access Project	Accessible ramps at Forest and Ocean View	Fund 93 Reiko Koo	$100,000	$100,000				
12	Street Asphalt /Crack and Slurry Seal Overlay	Street resurfacing, preventive maintenance, sidewalks and pedestrian safety improvements.	RSTP Fund 20	$105,144	$105,144				
13	City Council Chambers Technology Update	Update audio visual technology in Council Chambers	State Franchise PEG Fund 06 (Pending legal review)	$100,000	$100,000				
14	Street Asphalt /Crack and Slurry Seal Overlay	Various locations throughout the City	Gas Tax Fund 18	$737,000	$137,000	$150,000	$150,000	$150,000	$150,000
15	Sewer Line Replacement	Mermaid Avenue, Ocean View and side alleys from Mermaid to Ocean View to Sea Palm (SCSMP)	Sewer Fund 76 (Div 612)	$757,000	$757,000				
16	Sewer Line Replacement	17 Mile Drive: Upgrade sewer main (SCSMP)	Sewer Fund 76 (Div 612)	$1,624,000	$1,624,000				
17	Sewer Pump Station Repair	Equipment replacement	Sewer Fund 76 (Div 612)	$209,000	$110,000	$35,000	$64,000		
					$12,079,144				

Guide to Program Budgets

Program budgets are presented with an emphasis on each program's purpose and objectives for FY 2016-17. To the extent applicable, budgets include the following information:

Mission: The fundamental purpose for the program.

Services and Responsibilities: Describes the functions performed to fulfill the mission.

Budget Summary: Displays the budgeted expenditure level for FY 2016-17 compared with the estimated actual and budgeted expenditures for FY 2015-16 and the actual expenditures for FY 2014-15 summarized by expenditure categories: Salary and Benefits, Services and Supplies, non-operating transfers, debt service (including lease payments), and capital. The section also includes the number of full-time equivalent (FTE) staffing positions that were authorized for each year.

Major Budget Changes: Describes significant changes in the budget, organization, or staffing level, compared with the prior year's budget.

Key Initiatives: Specific goals and initiatives that will be completed in the budget year.

Workload and Performance Indicators: Objective, quantitative measures that can help clarify the relationship between resources and services. Over time, with a series of high-quality performance measures and explanatory management information, budget decisions can be made with a clearer understanding of budget consequences. Budgets for departments that provide direct services to the public include a sampling of performance information currently available; mostly of the "workload" or "output" type of indicator. Staff will continue to develop this information, with the goal of providing more robust performance information in coming years.

City Council

Mission

Provide overall policy direction for all City services and programs. Develop the City's long-term goals; oversee the City's fiscal and organizational management; adopt the annual operating and capital improvement budget; engender respect for the community, its citizens, and each other; and fulfill the community's commitment to protecting the environment and quality of life for Pacific Grove. Serve on regional and statewide policy bodies, and serve the public as ambassadors.

Budget Summary

City Council Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	302,190	397,211	357,332	391,659
Total Revenues	**302,190**	**397,211**	**357,332**	**391,659**
Expenditures				
Salaries and Benefits	40,789	41,120	41,120	41,531
Services and Supplies	248,979	320,897	281,018	324,106
Non-Operating Transfers	10,852	33,552	33,552	24,265
Debt Service	**1,571**	**1,642**	**1,642**	**1,756**
Capital	-	-	-	-
Total Expenditures	**302,190**	**397,211**	**357,332**	**391,659**
Authorized Staffing (FTE)	**3.50**	**3.50**	**3.50**	**3.50**

Major Budget Changes

The budget includes a slight decrease increase in non-operating transfers due to a reduction in the general liability internal service fund charges.

Key Initiatives for FY 2016-17

- Direct the development and approve the implementation of major initiative(s) to generate additional City revenues and to stimulate economic development in the City.
- Continue the City's efforts to restore best practice maintenance efforts for the City's infrastructure (including streets and sidewalks, parks and open space, and facilities).
- Make needed decisions to achieve an organizational structure and staffing levels that provide stability and effective services over the long-term.
- Ensure that development of the local water project stays on schedule.

City Manager / Human Resources / City Clerk

Mission

Assist the City Council in achieving its goals for the community by developing recommendations and facilitating policy decisions. Provide organizational leadership for ongoing City services and implementing City Council decisions.

Services and Responsibilities

The City Manager's Office provides leadership and management for all city operations. The Department is directly responsible for providing information to the City Council and managing requests for service and information from the City Council. The Department also performs all City Clerk and Human Resources functions and provides management services for many major City initiatives, including economic development, water projects, and others.

Budget Summary

City Manager Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	684,962	769,345	769,345	889,557
Total Revenues	**684,962**	**769,345**	**769,345**	**889,557**
Expenditures				
Salaries and Benefits	441,697	585,285	585,285	615,160
Services and Supplies	167,452	104,764	104,764	183,462
Non-Operating Transfers	22,475	22,877	22,877	30,630
Debt Service	**53,339**	**56,419**	**56,419**	**60,305**
Capital	-	-	-	-
Total Expenditures	**684,962**	**769,345**	**769,345**	**889,557**
Authorized Staffing (FTE)	**4.00**	**4.00**	**4.00**	**4.50**

Major Budget Changes

The City Manager's budget for FY 2016-17 is increased from the prior year, and contains funding for additional resources to implement best practices and innovative strategies for improving the management and operations of the City.

Key Initiatives for FY 2015-16

- Achieve necessary changes in the organization's structure, functions, staffing, compensation, and benefits.
- Ensure the organization's effectiveness and stability into the future.
- Focus City efforts on several key economic development strategies and opportunities.
- Establish a brand identity for the City via the use of social media.
- Promote transparency in City operations and reporting.
- Review and address public safety expenditures - especially fire - to ensure that the total City expenditure on public safety services does not exceed 50% of the general fund (or operating budget)

Finance

Mission
Assist the City Council, City Manager and operating departments/programs in prudently managing financial resources and planning for the future by providing high-quality information and financial management services.

Services and Responsibilities
The department achieves its mission through its core functions:

- Account for the City's resources and disclosing the financial condition of the City in the year-end Comprehensive Annual Financial Report (CAFR).
- Prepare the Five-Year Forecast.
- Prepare and monitor the annual operating budget.
- Assist in the development of the 5-Year Capital Improvement Plan.
- Provide accounts payable, accounts receivable, and payroll functions for all departments/programs.
- Support HR/Labor Relations activities with financial analysis and alternative proposal evaluations.
- Assist departments by calculating costs of proposals and their financial impacts that are recommended to the Mayor and City Council as well as assisting with the financial assessment of new legislative and legal developments.
- Collect and audit all revenues, including taxes, fees, charges and fines.
- Administer the City's business license program.
- Manage the City's debt, treasury/investment, and banking functions.
- Manage risk management activities, workers compensation program, general liability insurance issues, and claims management.
- Oversight and administration of Cemetery operations (other than grounds maintenance).

Major Budget Changes
The Finance department has eliminated the Chief Accountant position and will continue to use a contract accountant for a variety of tasks. A part time Administrative Technician will be funded by General Fund departments to provide procurement and accounts payable assistance. Optimization of the financial system and the utilization of OpenGov to provide public access to the City's financial data has increased the department's professional contract expenses for FY 2016-17.

Key Initiatives for FY 2016-17

- Implement electronic timesheets.
- Publish City financial data via OpenGov
- Continue to upgrade the functionality of the financial system by integrating the existing human resources, payroll, purchase order, accounting and budgeting modules.
- Transition the Workers' Compensation claims from the current Third Party Administrator to Public Agency Risk Sharing Authority of California (PARSAC).

- Issue a Request for Proposal for Sales Tax administration.
- Integrate the finance, payroll, human resources, and purchasing

Budget Summary

Finance Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	898,893	997,982	960,919	1,075,735
Total Revenues	**898,893**	**997,982**	**960,919**	**1,075,735**
Expenditures				
Salaries and Benefits	494,043	782,865	745,802	734,381
Services and Supplies	309,186	113,340	113,340	225,273
Non-Operating Transfers	24,329	22,877	22,877	32,297
Debt Service	**71,335**	**78,900**	**78,900**	**83,784**
Capital	-	-	-	-
Total Expenditures	**898,893**	**997,982**	**960,919**	**1,075,735**
Authorized Staffing (FTE)	**6.95**	**6.45**	**6.45**	**5.70**

Workload Indicators

Description	FY 2015-16*	FY 2016-17*
Accounts payable invoices processed per fiscal year	10,500	10,750
Payroll transactions	4,500	4,500
Number of Funds (independent cost centers) Administered	44	90
Dog Licenses Issues	285	233
Business Licenses Issued/Renewed	1840	2041
Debt Managed	$33.2 million	$29.7 million
Treasury Assets Managed	$17.7 million	$19.1 million

*Estimated

Community and Economic Development

Mission

Work in partnership with the community to protect the beauty, sustainability, economic vitality and environmental integrity of Pacific Grove. Preserve the existing housing stock and support new affordable housing in order to help meet the housing needs of Pacific Grove residents and to support current and new commercial development. Consistently pursue high quality, architecturally sound development that is in keeping with the community's land use and design goals.

Services and Responsibilities

The Community and Economic Development Department is organized into six work units: advance planning, economic development, current planning, building, housing, and code compliance, which collaborate to achieve the Department's mission. The Advance Planning function involves proactive maintenance of the City's General Plan, Local Coastal Program, Zoning Ordinance, and other documents that guide the City's development and that provide a framework for regulation of the built environment. The Economic Development function seeks to retain and attract new businesses to the City. The Current Planning function processes a variety of permits to ensure compliance with the City's Zoning Ordinance, including the Historic Preservation Ordinance and Architectural Design Guidelines. The Building function administers permit and inspection services for all construction activity to ensure compliance with local and state building codes. The Housing function administers programs that provide affordable housing for low-income households and that rehabilitate aging or deteriorating housing stock in the community as grant funding is available. The Code Compliance function works to resolve potential Municipal Code violations by seeking to achieve compliance through the most collaborative means, with enforcement measures used when necessary.

Budget Summary

Community Development Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	1,386,450	1,356,469	1,356,469	1,637,407
Total Revenues	**1,386,450**	**1,356,469**	**1,356,469**	**1,637,407**
Expenditures				
Salaries and Benefits	429,849	600,969	600,969	732,299
Services and Supplies	856,141	641,500	641,500	753,440
Non-Operating Transfers	30,867	32,900	32,900	59,675
Debt Service	**69,593**	**81,100**	**81,100**	**91,993**
Capital	-	-	-	-
Total Expenditures	**1,386,450**	**1,356,469**	**1,356,469**	**1,637,407**
Authorized Staffing (FTE)	**8.05**	**7.65**	**7.90**	**8.15**

Key Initiatives for FY 2016-17

Advance Planning

- Conduct a Buildout Study for the Theater Parking Lot
- Update & Certify the City's 1989 Local Coastal Plan/Land Use Plan/Implementing Ordinances (ongoing)
- Pursue permission from the Coastal Commission to install paid parking on the coast.
- Complete a cleanup and reorganization of the Zoning Code to clarify sections and to make it more user-friendly (ongoing)
- Prepare Commercial Design Guidelines for the Downtown and Forest Hill
- Seek funding to development a Downtown Specific Plan
- Find a solution for tour bus parking
- Seek to fund a review and update of the Historic Resources Survey
- Begin to budget for new streetscape design for Lighthouse Avenue median.
- Participate through AMBAG on the regional growth forecast and a Sustainable Communities Strategy.
- Participate through TAMC on the development of local and regional transportation plans.
- Work with other City Departments to develop a Pedestrian & Bicycle Master Plan
- Implement Historic Resources Ordinance
- Revisit the Floor Area Ratios for parts of the City.
- Prepare/update Historic Design Guidelines
- Work with the Planning Commission to update elements of the Zoning Code
- Work with TAMC on the Highway 68 Study
- Look at State relinquishment of Highway 68.
- Seek funding for the Coastal Parks Plan.
- Continue staff development on CEQA.

Economic Development

- Fund a Façade Improvement Program
- Consider a higher and better use for our Municipal Parking Lots
- Continue to make beautification improvements in the downtown
- Seek to improve the image of the City's entry points
- Manage and attend the Economic Development Commission meetings
- Meet with and work with the Business Improvement District
- Continue to seek the development of the lower Holman Block
- Hire a part-time Economic Development manager
- Implement a Lovers Point Tribute Catalog
- Seek to locate an electric car charger or two in the downtown area

Current Planning

- Maintain a strong public service ethic in all interactions with the community, and seek early and continuous public participation in the planning and permit processes
- Provide permit assistance to encourage local business development and retention.
- In the review of development projects, ensure preservation of historic buildings, protection of special status endangered species and areas of archeological significance and compliance with the California Environmental Quality Act (CEQA) while also providing comprehensive permitting services for property owners to make needed improvements.
- Support other City departments with permit processing and CEQA review services.
- Process Project Bella through the CEQA and Architectural Review Board (ARB) process.
- Continue to develop process improvements for short term vacation rentals.

Building

- Educate the public about safe building practices and the current building codes.
- Provide comprehensive building permitting process, plan check review and building inspection services.
- Carry all related activities to insure ADA compliance.

Housing

- Implement ongoing housing programs and projects, based on funding availability.
- Pursue grant funds to expand implementation of housing programs and for other action items in the City's adopted Housing Element.
- Manage the Housing Rehabilitation Loan and Private Sewer Lateral Replacement Loan portfolios.
- Provide public education about Fair Housing protections.
- Repayment of $600,000 Community Development Block Grant (CDBG) loan to the General Fund.

Code Compliance

- Address municipal code violations by seeking to achieve compliance through education and escalating enforcement.
- Add one FTE Code Compliance Officer
- Implement ongoing Abandoned Property Registration Program, Housing Monitoring Program, and Transient Use Occupancy Program and continue to recommend and implement changes to procedures and possible Municipal Code amendments.
- Implement a rental property inspection and registration program.
- Support other City departments with the enforcement of the Municipal Code.

Workload and Performance Indicators by Calendar Year

	2013	2014	2015
Architectural approvals (includes Aps, AAPs, and ADPs)	63	56	59
Other planning approvals (includes TUL applications reviewed @ 68)	209	323	416
Building permits issued Value of building construction	427 $12,170,756.00	350 $12,706,192	525 $12,469,905
Number of Housing Rehabilitation Loans Value Number of Sewer Lateral Loans Value	2 128,084.00 3 $14,132	3 $56,847.60 3 $9,950	3 $195,706 0
Value of housing grants awarded to City Value of housing revolving loan accounts Value of Sewer Loan Portfolio Value of Housing Loan Portfolio	$600,000	$600,000 $208,952 $101,887 $1,711,411	 $47,730 $104,864 $1,903,848
Number of housing units monitored	112	112	112

Information Services

Mission

Provide technical support services, and coordinate the installation and maintenance of hardware and software functions for the City information system infrastructure and applications.

Services and Responsibilities

Through a contract for IT service and support, Information Services provides expertise in current system maintenance and facilitates the transition to hosted technologies. Information Services is the primary contact for day to day help desk support and technology projects throughout the City.

Budget Summary

Information Services Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	207,850	182,500	182,500	383,113
Total Revenues	**207,850**	**182,500**	**182,500**	**383,113**
Expenditures				
Salaries and Benefits	45,569	26,325	26,325	85,220
Services and Supplies	162,281	156,175	156,175	296,137
Non-Operating Transfers	-	-	-	-
Debt Service	**-**	**-**	**-**	**1,756**
Capital	-	-	-	-
Total Expenditures	**207,850**	**182,500**	**182,500**	**383,113**
Authorized Staffing (FTE)	**-**	**0.50**	**0.50**	**0.50**

The primary reason for the increase in appropriations for Information Services is the City's prior austerity measures neglecting the use of technology as an efficiency tool. Investment in technology will generate sufficient operational time savings so that employee time is spent on substantive work versus administrative tasks. Additionally, certain partner organizations require reporting protocols that assume the use of technology tools for compliance.

Key Initiatives for FY 2016-17

- Improve the quality and reliability of the City Council video streaming of Council meetings (completed)
- Migrate the City from servers to Google Docs (completed)
- Redesign City's website (completed)
- Obtain a copier and document management system. (in progress)
- Provide Verizon connectivity for police vehicles. (in progress)
- Key Initiatives for FY 2016-17
- Complete a thorough assessment of City technology needs
- Prepare and distribute an RFP for technology service based on the assessment report
- Draft an agreement with selected technology firm
- Work with selected technology firm to implement recommendations from the assessment report

Fire and Emergency Medical Services

Mission

Protect life, property and the environment from the adverse effects of fire, medical emergencies, accidents, the release of hazardous materials, natural and man-made disasters and exposure to hazardous conditions.

Services and Responsibilities

Through a contract for service with the City of Monterey, the City provides a broad range of emergency response, preparedness, and loss prevention services. These services include (but are not limited to) emergency response and impact mitigation of fires, fire alarm activations, vehicle collisions, rescues, medical emergencies, hazardous materials, severe weather, hazardous conditions, ocean rescue and other miscellaneous service requests.

The contract amount for FY 2016-17 is $2,179,586

The Fire and Emergency Services budget includes appropriations for: the contract amount of $2,179,586, a proportional share of the Pension Obligation Bond debt of $595,487, Unfunded Pension Liability costs of $316,856, Workers' Compensation Internal Service Funding of $374,699, and Fund transfers of $155,338 for 911 Services.

Fire Department prevention services include community education initiatives, building construction plan review for fire code compliance, and fire cause and origin investigations. Community education initiatives include: Community Emergency Response Team (CERT) program coordination, fire and life safety education for schools, care facilities and businesses, and an annual Open House at the Fire Station. The City also provides smoke detector/battery installation assistance.

Budget Summary

Fire and EMS Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	2,944,718	3,369,840	3,369,840	3,690,929
Total Revenues	**2,944,718**	**3,369,840**	**3,369,840**	**3,690,929**
Expenditures				
Salaries and Benefits	-	281,702	281,702	316,856
Services and Supplies	2,029,180	2,124,089	2,124,089	2,248,549
Non-Operating Transfers	404,574	407,180	407,180	530,037
Debt Service	**510,965**	**556,869**	**556,869**	**595,487**
Capital	-	-	-	-
Total Expenditures	**2,944,718**	**3,369,840**	**3,369,840**	**3,690,929**

Major Budget Changes

An increase in the Monterey Fire Contract reflects potential separations that include leave payoffs (resulting in a reduction of Pacific Grove's debt on transferred leave), a <2% increase in general costs for services, and the reinstatement of Fire Prevention inspection services.

Key Initiatives for FY 2016-17

- Meet or exceed National Fire Protection Association (NFPA) recommended response times of 5 minutes or less 90% of the time for all fire, rescue and EMS responses.
- Explore options for significant cost reductions in collaboration with other fire services partners.
- Complete assessment of capital assets (station, apparatus, and equipment) to evaluate long term needs and develop strategies to address those needs.
- Re-implement Fire Prevention inspection program.

Golf

Mission

Provide outstanding and memorable golf experiences for Pacific Grove residents and visitors with a business model that provides discounted golf for residents and a direct economic benefit to the community in the form of revenue for general City services.

Services and Responsibilities

In Fiscal Year 2013-14, the City contracted the services of CourseCo Inc. for management and operations of the golf course and related facilities. CourseCo is responsible for managing the 18-hole golf course, driving range, putting greens, golf shop, and clubhouse. Golf operations are funded entirely through golf fee revenues.

Budget Summary

Golf Course Fund Summary (Enterprise Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
Fund 77 Appropriation	405,552	300,000	325,000	345,000
Expenditures				
Salaries and Benefits	9,652	-	-	3,600
Services and Supplies	490,426	95,437	95,437	96,391
Non-Operating Transfers	100,453	33,513	33,513	33,848
Debt Service	**244,981**	**136,050**	**136,050**	**137,411**
Capital	-	28,000	28,000	28,280
Total Expenditures	**845,512**	**293,000**	**293,000**	**299,530**
Authorized Staffing (FTE)	**-**	**-**	**-**	**-**

Key Initiatives for FY 2016-7

- Work with CourseCo Inc. to develop a Capital Improvement Plan and implement identified projects.
- Assist in development of non-potable irrigation sources of city-owned facilities.
- Continue marketing efforts to raise the profile of Pacific Grove Golf Links in the regional golf market and increase the number of tournaments and events at the course and clubhouse.

CourseCo Contract Terms

- Contract with CourseCo Inc. for a ten-year term with two, five-year options
  - *Base Rent* of $300,000 for the first three years increasing to $305,000 in year four. In years five through ten, and the option period, the base rent is increased by $5,000 a year.
  - *Percentage Rent*. The City will receive 65% of the gross golf revenues in excess of a $2,350,000 baseline. The baseline is increased on an annual basis by the Consumer Price Index (CPI)
  - *Capital Improvement*. In years one and two, CourseCo contributes 1% of gross revenues (from all sources) to the CIP fund. Beginning in year three, the contribution amount increases to 1.5%

Legal Services

Mission

Provide timely legal advice and support to the City through its officials, commissions and committees, represent the City's interests and positions before judicial and administrative agencies in civil proceedings, and enforce misdemeanor and civil violations of the Municipal Code.

Services and Responsibilities

The City Charter requires appointment of a City Attorney by the City Council, and sets qualifications and duties for the incumbent. The City Attorney exercises independent discretion to charge and prosecute any Charter or ordinance violation as either a misdemeanor or an infraction under California law. He supervises his assistants and any special counsel retained on behalf of the City, and is lead counsel for all civil actions filed by or against the City. The City Attorney holds a fiduciary responsibility to represent the City as a client within the mandates of the State Bar Rules of Professional Conduct, not individual officers or employees. The City Attorney provides general advice to commissions, committees, individual officers, and employees, but may not represent their interests if in opposition to the interests of the City.

Budget Summary

Legal Services Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	329,517	291,838	291,838	294,756
Total Revenues	**329,517**	**291,838**	**291,838**	**294,756**
Expenditures				
Salaries and Benefits	-	-	-	-
Services and Supplies	318,665	280,877	270,700	283,686
Non-Operating Transfers	10,852	10,961	10,961	11,071
Debt Service	-	-	-	-
Capital	-	-	-	-
Total Expenditures	**329,517**	**291,838**	**281,661**	**294,756**

Library

Mission

The mission of the Pacific Grove Public Library is to provide a welcoming place and a balanced collection while preserving the past and planning for the future.

Services and Responsibilities

Pacific Grove Public Library (PGPL) provides library services to the community through online and print collections, programs for all ages, a comfortable, accessible building and knowledgeable, friendly and dedicated staff.

Along with traditional library formats, PGPL also provides access to streaming video, online magazines, electronic books and audiobooks. These free services are accessible through the Internet and are available with a PGPL library card.

Budget Summary

Library Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	728,300	978,311	978,311	1,088,585
Total Revenues	**728,300**	**978,311**	**978,311**	**1,088,585**
Expenditures				
Salaries and Benefits	559,061	811,667	811,667	863,877
Services and Supplies	86,323	83,970	83,970	91,290
Non-Operating Transfers	16,324	21,074	21,074	65,479
Debt Service	**66,593**	**61,600**	**61,600**	**67,939**
Capital	-	-	-	-
Total Expenditures	**728,300**	**978,311**	**978,311**	**1,088,585**
Authorized Staffing (FTE)	**9.50**	**11.00**	**12.00**	**11.75**

Major Budget Changes

Significant changes to the Library budget is due to an increase in non-operating transfers and salary schedule adjustments.

Projects Completed FY 2015-16

- Opened Nancy and Steve Hauk Gallery / Meeting Room
- Received $20,000 grant from the Peninsula Foundation for the Library Renewal Project
- Received $30,000 Grant for CENIC Broadband Connectivity Project
- Implemented Shelf to Shore Program: Partnering with Monterey Bay Aquarium to provide free Aquarium passes to low income PG residents
- New Spanish Language collection for children
- Extended loan period from 2 to 3 weeks
- Implemented Strategic Plan as developed by the Library Board and Library staff

- Continued collection management plan based on use, currency, and community needs
- Continued to partner with the school district and the Friends of the Library to support a technology training program for the community
- Coordinated with the Friends of the Library to provide iPads to outreach patrons
- Conducted a Summer Reading Program for young people aged 2 to 15, with approximately 500 participants
- Completed "Edge of the Sea" juried art show and program series (706 participants)

Key Initiatives for FY 2016-17

- Create partnership with State Parks, National Parks, volunteers and for "This Land is Your Land" exhibition and juried art show
- Install 1Gb CENIC Broadband service through $30,000 State Library Grant
- Complete Library Renewal project
- Continue partnership with PG High for "Tech Drop-in" technology assistance
- Add open hours to include 10 - 7 on Monday
- Increase services to Children and families.
- Develop a comprehensive Poetry Appreciation/Poet's Perch Policy and Program

Workload and Performance Indicators

Metric	2013-14	2014-15	2015-16*
Total Circulation of Library Materials	259,252	283,462	310,500
Visitors (Door Count)	121,855	130,124	144,936
Events and Programs (Attendance)	9,202	8,596	9662
Questions Answered	24,225	25,294	25,480
Website Hits	32,720	70,607	92,288

*Estimate

Museum

Mission

To inspire discovery, wonder, and stewardship of our natural world.

Services and Responsibilities

The City of Pacific Grove owns the Pacific Grove Museum of Natural History and the Museum Foundation of Pacific Grove, Inc. operates the Museum and stewards the Museum collection through a public/private partnership.

Budget Summary

Museum Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	203,000	200,032	200,032	266,778
Total Revenues	**203,000**	**200,032**	**200,032**	**266,778**
Expenditures				
Salaries and Benefits	-	7,158	7,158	7,230
Services and Supplies	178,060	165,662	165,662	221,010
Non-Operating Transfers	10,878	11,865	11,865	22,128
Debt Service	**14,062**	**15,347**	**15,347**	**16,411**
Capital	-	-	-	-
Total Expenditures	**203,000**	**200,032**	**200,032**	**266,778**

Major Budget Changes

Under the agreement with the Museum Foundation of Pacific Grove, the City's contribution to the Museum's operations is fixed at 1.01% of total general fund expenditures in a given fiscal year. This program budget also is responsible for a portion of common General Fund expenditures such as liability insurance, interfund transfers, and a prorated portion of the Pension Obligation Bond debt.

Police

Mission

The Pacific Grove Police Department's Mission is to maintain the public peace, safeguard lives and property, and to provide for a quality of life whereby people within the City of Pacific Grove have a sense of security and freedom in their daily activities.

Services and Responsibilities

The Pacific Grove Police Department will seek and embrace traditional and non-traditional strategies to provide services more efficiently. The Police Department embraces the philosophy of "community policing" which encourages an open-minded partnership with citizens to identify problems and develop strategies to prevent crime before it occurs. This approach is integrated with all facets of the department's services: patrol, investigations, animal control, and parking enforcement.

Budget Summary

Police Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	5,388,059	6,517,830	6,517,830	7,797,073
Total Revenues	**5,388,059**	**6,517,830**	**6,517,830**	**7,797,073**
Expenditures				
Salaries and Benefits	3,153,865	4,307,565	4,207,000	4,892,427
Services and Supplies	704,419	586,485	586,485	510,560
Non-Operating Transfers	527,496	515,510	515,510	998,016
Debt Service	**792,605**	**862,270**	**862,270**	**922,610**
Capital	209,675	246,000	246,000	473,460
Total Expenditures	**5,388,059**	**6,517,830**	**6,417,265**	**7,797,073**
Authorized Staffing (FTE)	**34.00**	**33.30**	**33.30**	**35.80**

Outside Funds	Fund #	Expenditures
Drug Awareness (DARE)	21	$ 8,282
Asset Seizure	22	$ -
Public Safety Augmentation	42	$ 303,000
Supp Law Enforcement Fund	43	$ 157,118
Total		$ 468,400

Major Budget Changes

The Police Department continues efforts in filling police officer vacancies and sending newly hired police recruits to the police academy, increasing in-service training for existing employees, and adding a police detective. In addition, the Police Department will complete overdue building maintenance projects and upgrading technology capabilities.

Service Objectives

- Maintain the City of Pacific Grove's status as one of the safest city in Monterey County.
- Enhance our community policing initiatives through training and public outreach.
- Enhance our ability to staff and train for our Emergency Operations Center and our City's emergency preparedness.
- Work with area agencies to expand collaborative services.
- Enhance special operations such as traffic enforcement, special events, parking and investigations.
- Attract and retain qualified personnel to the fully authorized staffing level of 33 full-time employees, thereby creating more efficient police and support services operations.
- Improve organizational development to achieve recognition as the police department that serves as the standard for law enforcement.
- Expand and enhance the Reserve Officer Program and Citizen Volunteer Program to more effectively and efficiently meet the needs of the department and the community.
- Integrate technology to enhance service delivery and refine operations.

Performance/Workload Indicators

2012- 2015 Part I Uniform Crime Reports

	2012	2013	2014	2015
Homicide	0	0	0	0
Rape	4	4	9	1
Robbery	7	6	1	4
Aggravated Assault	16	15	24	7
Burglary	99	89	51	52
Larceny	147	216	236	230
Auto Theft	5	19	26	18
Arson	1	4	3	0
Part I Totals	*281*	*353*	*350*	*312*
Subtotal Violent	27	25	34	12
Subtotal Property	277	328	316	300

Computer Automated Dispatch(CAD) Incidents Defined

Priority Type	2012	2013	2014	2015
E-Multiple Discipline Response (incl. Medical)	1,203	1,167	1,343	1,439
1-Emergency-Immediate Threat to Life/Property	232	211	234	230
2-Serious Incident-Dispatched ASAP	7,138	7,116	8,087	7,955
3-Routine-Held for Available Officer	3,595	3,339	3,346	3,660
4-Found Property, Breaks, Reports, Admin., etc.	3,916	3,574	3,070	4,343
Total Incidents	*16,084*	*15,407*	*16,080*	*17,627*

Key:

Priority E – Requires a multiple discipline response (usually medical).
Priority 1 – Emergencies, dispatched immediately due to immediate threat to life or property.
Priority 2 – Serious incidents, dispatched ASAP.
Priority 3 – Routine, can be held for available officer.
Priority 4 – Found property, meal breaks, reports, telephone calls, admin tasks, information, etc.

Public Works

Mission

Ensure stewardship and maintenance for the City's natural and constructed environment, including streets, parks, open space, forested areas, storm water program and facilities, public buildings and vehicles, sanitary sewer system, and El Carmelo Cemetery.

Services and Responsibilities

The Public Works Department is responsible for all activity in public rights-of-way. To achieve its mission, the department provides the following services:

- Maintenance of streets, city-owned streetlights, traffic signs, pavement markings, trees on city property, and street and directional signs.
- Maintenance of City parks, open space areas including trees on public lands, the coastal recreation trail, and City buildings.
- Storm water and dry-weather flow management, so as to collect and re-use water, protect the Pacific Grove Area of Special Biological Significance, and achieve compliance with Federal and State laws and storm water discharge permits.
- Maintenance and upgrades of sewer and wastewater infrastructure.
- Maintenance of City vehicles and equipment.
- Operation of the City-owned El Carmelo Cemetery.
- Special event logistics, set-up, and clean-up

For budget purposes, the sewer and cemetery operations are funded in enterprise funds, and are not included in the Public Works Department budget.

Budget Summary

Public Works Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	3,060,178	3,432,160	3,432,160	3,430,055
Total Revenues	**3,060,178**	**3,432,160**	**3,432,160**	**3,430,055**
Expenditures				
Salaries and Benefits	1,226,248	1,518,311	1,518,311	1,658,705
Services and Supplies	743,058	798,628	798,628	674,537
Non-Operating Transfers	509,451	510,691	510,691	170,858
Debt Service	**210,499**	**130,678**	**130,678**	**139,652**
Capital	370,923	473,852	473,852	786,304
Total Expenditures	**3,060,178**	**3,432,160**	**3,432,160**	**3,430,055**
Authorized Staffing (FTE)	**22.00**	**18.64**	**19.05**	**19.35**

Major Budget Changes

In FY 2016-17, the Public Works budget is focused on implementation of the second year of the five year, Citywide Capital Improvement Plan that has been approved by the Council to serve as a roadmap for investment in the City's infrastructure assets. Capital project expenditures for the fiscal year 2015-16 had been administered at a total of $1,300,000 million for streets, city facilities, and open space improvements. As the City progresses into FY 2016-17, capital projects expenditures are planned to increase, allocating funds for street improvements, facilities improvements, and continued upgrading of our parks and open spaces.

This year is the fourth year of the new Statewide Municipal MS4 Phase 2 Storm water Permit, which incorporated the Areas of Special Biological Significance Special Protections that places a higher regulatory burden on Pacific Grove due to the number of direct ocean outfalls and an aging storm system. The City is progressing with the Pacific Grove Local Water Project (PGLWP), a project to replace potable water irrigation at the City-owned golf links, cemetery, and other open spaces. The City has been successful in obtaining several grants to help with the implementation these otherwise unfunded regulatory requirements. The $2.4M SWRCB Proposition 84 grant already in implementation and the Clean Beach Prop 84 Grant at $3.29 million will continue to aid the City in Storm Water improvements. The City also received a grant from the California Coastal Conservancy for the construction of the trail system at the Great Tide Pool Site and the planning, engineering and design of the trail system from The Tide Pool Site to Asilomar Blvd.

Key Initiatives for FY 2016-17

- Carry out the Second Year of the five-year Capital Improvement Plan to serve as a roadmap for investment in the City's infrastructure assets.
- Complete design and construction for repaving, slurry seal and/or crack sealing of at least one linear mile of City streets.
- Develop a sidewalk repair management plan that incorporates complete streets and handicap access upgrades in the downtown area and school zones.
- Implement Year 4 of the SWRCB newly adopted National Pollution Discharge Elimination System (NPDES) Phase II Municipal Storm water permit, including continued regional collaboration with other local agency permittees in Monterey County.
- Conduct water quality monitoring and prepare compliance plans to meet the requirements of the State mandated Area of Special Biological Significance (ASBS) Special Protections.
- Finalization of the Proposition 84 grant funded storm drains improvements within the Greenwood Park watershed and the Residential Retrofit project.
- Continue the design, engineering, and construction of the Pacific Grove Local Water Project.

- Construct the Storm Water and Sewer Improvements that are funded by the Clean Beach Initiative.
- Seek proposals for a Pavement Condition Index based on the results of the November 2016 Transportation Agency of Monterey County (TAMC) sales tax measure.

Workload and Performance Indicators

Workload Indicators	2016-17
Linear-miles of streets maintained	55
Linear miles of sewer line maintained	58
Number of storm drains (all cleaned twice per year)	332
Number of streetlights in the City	699
Number of vehicles (rolling stock) maintained	123

Activity Indicators	2013-14	2014-15	2015-16
Number of potholes patched	700	725	600
Number of bulb replacements	74	48	12
Number of streetlight repairs	13	14	4
Number of City sewer overflow spills	3	6	3

Cemetery Enterprise Function

Services and Responsibilities

The City operates and maintains El Carmelo Cemetery. The City coordinates with area mortuaries and other individuals for services at the cemetery.

Budget Summary

Cemetery Summary (Enterprise Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Expenditures				
Salaries and Benefits	87,343	111,825	-	127,956
Services and Supplies	103,389	76,062	-	121,794
Non-Operating Transfers	32,273	55,304	-	37,749
Debt Service	**8,258**	**10,000**	**-**	**10,100**
Capital	-	5,000	-	130,050
Total Expenditures	**231,264**	**258,191**	**-**	**427,649**
Authorized Staffing (FTE)	**1.50**	**1.45**	**1.45**	**1.45**

The Cemetery is funded by fees for service and interest earnings on the Cemetery Endowment fund. Budgeted revenue for FY 2016-17 is consistent with the prior year and set at $266,000. Increased revenues are anticipated if the City is successful in retaining a qualified, cemetery management firm with national marketing experience.

Major Budget Changes

The 2016-17 budget includes $125,000 for roof replacement of the cemetery buildings and mausoleums. Otherwise, the budget is structured to continue correcting the cemetery business model. For several years, costs in the enterprise fund exceeded revenues. The cemetery has shown a modest profit in the past two fiscal years and in FY 2014-15 the City purchased eight columbaria which increased the City's capacity for additional burials. Cemetery irrigation will be part of the Local Water Project, but until this project is on line, utilities (irrigation) are paid by the enterprise.

Key Initiatives for FY 2016-17

- Contract with a national cemetery management company to broaden the exposure of the Cemetery.
- Exceed FY 2015-16 sales.

Sewer Enterprise Function

Services and Responsibilities

The City owns and maintains the sanitary sewer system that collects and delivers sewage to the Monterey Regional Water Pollution Control Agency (MRWPCA) treatment facility. In addition to performing maintenance activities, the City also manages the **Sewer Lateral Loan Program** that provides low-interest loans up to $10,000 to repair or replace private sewer lateral facilities.

Budget Summary

Sewer Fund Summary (Enterprise Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Expenditures				
Salaries and Benefits	316,723	287,465	285,500	400,130
Services and Supplies	945,014	4,202,553	4,200,000	4,244,578
Non-Operating Transfers	79,048	-	75,609	81,900
Debt Service	**65,749**	**89,349**	**89,349**	**90,242**
Capital	285,742	192,784	192,775	194,712
Total Expenditures	**1,692,276**	**4,772,151**	**4,843,233**	**5,011,562**
Authorized Staffing (FTE)	**6.00**	**4.80**	**4.30**	**4.80**

The Sewer Enterprise is funded entirely by sewer bill surcharge revenues. For FY 2016-17 Revenues are projected at $3,139,088 (October 2015 Sewer Pro Forma Update). The Sewer Fund contains a non-spendable fund balance in the amount of $90,000. Non-spendable amounts are those that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The $90,000 is a contractual limitation on the funds that is required by the State Revolving Loan Fund for the Local Water Project.

Major Budget Changes

In FY 2014-15, a Sewer Collection System Master Plan (SCSMP) was certified and in FY 2015-16 the plan had begun being implemented. The SCSMP is the basis for sewer capital project planning for the next ten years. Through the SCSMP, the City's local sewer fees had been evaluated and adjusted to reflect the costs of both O&M and long term planned capital expenditures.

While the SCSMP effort is underway, the City will continue to implement sewer pipeline repair and replacement projects in strategic locations with planned storm drainage improvements. The $2.5 Million Capital Maintenance Plan for FY 2016-17 will address infrastructure and noted deficiencies identified in the SCSMP. Capital projects to be constructed in FY 2016-17include the reconstruction of Pump Station 15.5, as it relates to the Local Water Project, complete reconstruction of the sewer mains along Ocean view & Mermaid, and upgrade sewer mains through Pebble Beach that serve the Del Monte Park residence.

Key Initiatives for FY 2016-17

- Complete hydro-jet cleaning of all sewer line (58 miles) and additional root-foaming on highest risk sections of system to reduce clogged lines and reduce chances of sewer spills.
- Continue support of the Local Water Project.
- Complete the design and construction components to replace approximately 6,000 linear feet of City main sewer line(s) and spot repairs in various locations citywide.

Local Water Project

Mission

The City has made significant progress toward the completion of the engineering design of a recycled water project, known as the City of Pacific Grove's Local Water Project (LWP or Project). The Project will replace approximately 125 acre-feet / year (0.11 million gallons annual daily average) of irrigation demands with non-potable supplies for the irrigation of the Municipal Golf Links and the El Carmelo Cemetery and provide toilet flushing for two public restrooms.

Services and Responsibilities

The City entered into an agreement with PERC Water to Design and Build the Local Water Project. PERC Water will finalize the design and the construction of the Local Water Project during fiscal year 2016/17.

Budget Summary

Local Water Project Summary (Enterprise Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
Revenues	-	**7,907,000**	605,000	7,700,000
Total Revenues	**-**	**7,907,000**	**605,000**	**7,700,000**
Expenditures				
Salaries and Benefits	-	-	-	
Services and Supplies	-	349,000	573,333	7,347,510
Non-Operating Transfers	-	-	-	-
Debt Service	-	-	-	-
Capital	-	-	-	-
Total Expenditures	**-**	**349,000**	**573,333**	**7,347,510**
Authorized Staffing (FTE)	**-**	**-**	**-**	**-**

Major Budget Changes

The City has been approved to fund the project through a State Revolving Fund Loan and a construction grant. The Overall project has a budget of $7.7 Million. $2.4 Million will be available in form of the construction grant and $5.3 will be available as the SRF loan at 1%.

Key Initiatives for FY 2016-7

- Finalize the Design
- Obtain all necessary remaining permits
- Secure Operator
- Complete Construction
- Initiate field testing
- Plant Online

Recreation

Mission

Make Pacific Grove the best possible place to live, by providing high-quality recreational programs that enhance the quality of life, health, fun and lifelong learning, while keeping people active and engaged in our community, while providing exceptional customer services.

Services and Responsibilities

The department provides a broad range of recreational services through programs, contract instructors and collaboration with outside agencies. Citizens are offered sports leagues for youth and adults, leisure and educational programs for all ages, programs and services for teens, management of the historic Chautauqua Hall, Community Center, the Youth Center, rental of City parks and facilities, a range of summer camps and programs for children and teens, and involvement with a wide range of special events in the City. The Recreation Department also coordinates City approval and services required for special events.

Budget Summary

Recreation Appropriations Summary (General Fund)	FY 2014-15 Actual	FY 2015-16 Budget	FY 2015-16 Estimated	FY 2016-17 Budget
Revenues				
General Fund Appropriation	405,157	487,840	487,840	511,829
Total Revenues	**405,157**	**487,840**	**487,840**	**511,829**
Expenditures				
Salaries and Benefits	238,642	372,894	372,894	390,550
Services and Supplies	141,260	90,100	90,100	95,001
Non-Operating Transfers	9,971	8,346	8,346	8,634
Debt Service	**15,285**	**16,500**	**16,500**	**17,644**
Capital	-	-	-	-
Total Expenditures	**405,157**	**487,840**	**487,840**	**511,829**
Authorized Staffing (FTE)	**14.90**	**13.65**	**13.65**	**13.65**

Major Budget Changes

The FY 2016-17 budget includes authorization of a full time recreation coordinator to operate the Youth Center and to manage the City's social media, a campaign that the City has recently launched and will be managed through the recreation department.

Key Initiatives for FY 2016-17

- Maintain and expand existing program offerings through pursuit of partnerships and professional providers
- Continue to identify cost savings in Special Events programming
- Ensure the sustainability of the Youth Center through pursuit of partnerships with local non-profit organizations
- Continue to develop sustainable swimming instruction and recreational swimming programs at the Lover's Point Pool.

Appendix A

Funds Organizational Charts

General Fund	Internal Service Funds	Special Revenue Funds
• General Fund Operating • Hyperbaric Chamber • DARE (Drug Awareness) • Asset Seizure • Lovers Point Pool • Recreation Donation • Operating Donations • Storm Water • Koo Donation	• Employee Benefits • Workers Compensation • Liability Insurance • Other Post Employement Benefits (OPEB)	• Carillon • State Franchise PEG • Library Building & Equipment • Museum Improvement • Downtown Business District • Hospitality Improvement District • Library Book • Fire Dept Emergency Equipment • McIndoo Donations • State Gas Tax • RSTP - (TAMC) • Coastal Parks Grant • Chautauqua Hall Preservation • Lighthouse Maintenance • Senior Housing Fund • Housing Program - Funds 15, 28, 34, 36, and 37 • Yount Trust Income • Public Safety Augmentation • Supplemental Law Enforcement • Poetry Promotion • ASBS Grant • Clean Beach Prop 84 • Greening Grant • Strong Trust Disbursements • Abandoned Vehicle Program

Enterprise Funds	Capital Projects	Debt Service	Permanent
• Cemetery • Golf Course • Sewer Operating • Sewer Lateral Loans • Local Water Project	• Buildings & Facilities Improvement	• Butterfly Habitat Bond • Pension Obligation Bond	• Library Endowment Trust • Cemetery Endowment Trust • Yount Trust

Appendix B
Summary of Inter-fund Transfers

	Liability Insurance Fund	Public Safety Augmentation Fund	Other Post Employment Benefits	Employee Benefits Fund	Workers' Compensation Fund	Library Book Fund	Transfers Out Total
City Council	$ 12,310						$ 12,310
City Attorney							$ -
City Manager	$ 12,310		$ 6,365	$ 6,365			$ 25,040
Finance	$ 12,310		$ 8,032	$ 8,032			$ 28,374
Police	$ 26,660	$ 250,800	$ 46,220	$ 107,420	$ 417,001		$ 848,101
Fire	$ 31,650	$ 129,200			$ 338,109		$ 498,959
Public Works	$ 11,315		$ 14,945	$ 14,945	$ 142,368		$ 183,573
Community Developm	$ 12,310		$ 6,889	$ 6,889	$ 28,022		$ 54,110
Recreation	$ 4,475		$ 4,159	$ 4,159			$ 12,793
Library	$ 2,560		$ 8,359	$ 8,359	$ 14,500	$ 40,000	$ 73,778
Museum	$ 11,250						$ 11,250
Cemetery	$ 9,650		$ 1,331	$ 1,331			$ 12,312
Sewer	$ 78,200		$ 3,700	$ 3,700			$ 85,600
Transfers in Total	$ 225,000	$ 380,000	$ 100,000	$ 161,200	$ 940,000	$ 40,000	**$ 1,846,200**

Summary of Indirect Cost Allocation

Department	Total Budget	Capital	Other Adj	Direct Service	Indirect Service	Indirect Cost Allocation
City Council	$391,659	$0	$0	$0	$391,659	$0
City Atty	$294,756	$0	$0	$0	$294,756	$0
City Manager	$889,557	$0	$0	$0	$889,557	$0
Finance	$1,075,735	$0	$0	$0	$1,075,735	$0
Information Service	$383,113	$0	$0	$0	$383,113	$0
Comm Dev	$1,637,407	$0	$0	$1,637,407	$0	$204,676
Police	$7,797,073	$225,000	$0	$7,572,073	$0	$946,509
Fire	$3,690,929	$0	$0	$3,690,929	$0	$461,366
Library	$1,088,585	$0	$0	$1,088,585	$0	$136,073
Museum	$266,778	$0	$0	$266,778	$0	$33,347
Recreation	$511,829	$0	$0	$511,829	$0	$63,979
Public Works	$3,430,055	$495,424	$0	$2,934,631	$0	$366,829
Golf Course	$299,530	$165,990	$33,848	$99,692	$0	$12,462
Cemetery	$427,649	$125,000	$77,376	$225,273	$0	$28,159
Sewer	$5,011,562	$2,636,100	$623,302	$1,752,160	$0	$219,020
Local Water	$7,347,510	$5,143,257	$73,475	$2,130,778	$0	$266,347
Non-Dept	$8,037,739	$3,618,914	$2,025,478	$2,393,347	$0	$299,168
TOTAL	**$42,581,466**	**$12,409,685**	**$2,833,479**	**$24,303,482**	**$3,034,820**	**$3,037,935**
	Column A	Column B	Column C	Column D	Column E	Column F

Indirect Cost Rate Calculation:

Rate = Total Overhead Cost/ Total Direct Service Costs
= Column E/ Column D
= 0.1249 12.5%

Indirect Cost Charges to Enterprise Funds Programs

Program	Direct Cost	Indirect Charge Calculation
Cemetery	$225,273	$28,159
Sewer	$1,752,160	$219,020
Golf	$99,692	$12,462
Local Water	$2,130,778	$266,347
Total		$525,988

Appendix C

General Fund Revenues and Background

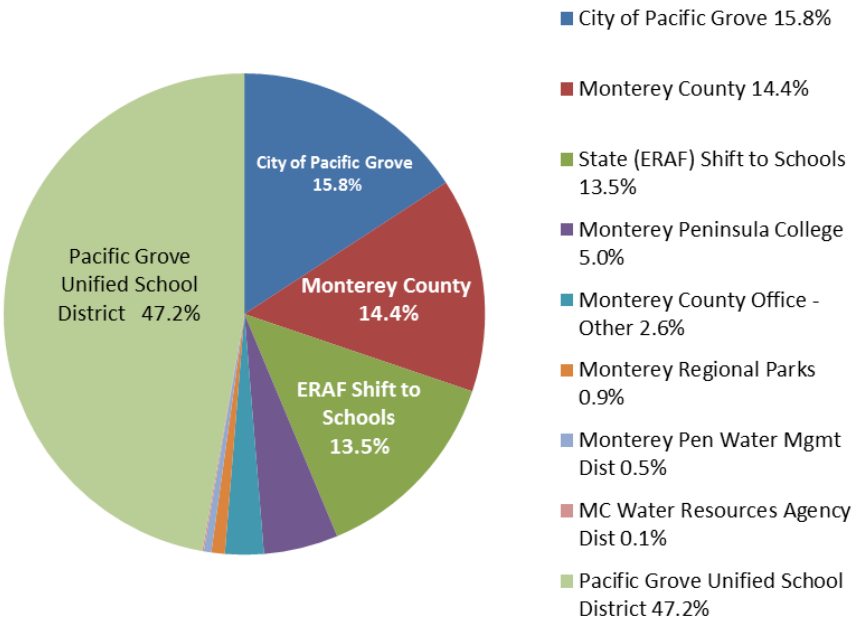
Fiscal Year 2016-17 General Fund estimated revenues are forecast at $20,101,000, which is $532,000 or 1.02% higher than estimated revenues for FY 2015-16. Approximately 72% of General Fund revenues come from three sources: property taxes, transient occupancy tax, and sales taxes. This section provides additional background and forecast information for these revenues.

Property Tax

Property tax is an ad valorem tax (based on value) imposed on real property (land and permanently attached improvements such as buildings) and personal (movable) property. Proposition 13, adopted by California voters on June 6, 1978, created a comprehensive system for the assessment and limitation of real property taxes. Property owners pay the tax based on their real property's adjusted assessed full value. Proposition 13 set the FY 1975-76 assessed values as the base year from which future annual inflationary assessed value increases would grow (not to exceed 2% for any given year). The County Assessor also re-appraises each real property parcel when there are purchases, construction, or other statutorily defined, "changes in ownership." Proposition 13 limits the property tax rate to 1% of each property's full value plus overriding rates to pay voters' specifically approved indebtedness. Property taxes are the City's single largest revenue source; comprising approximately 30% of total FY 2015-16 projected revenues, or $5.8 million.

The City of Pacific Grove receives approximately 16 cents of every dollar of property tax paid (see graph below). Monterey County and the Pacific Grove Unified School District receive the majority of the revenue from property taxes assessed on real property located in the City.

Jurisdictional Property Tax Allocations



Proposition 13 (Section 1. Article XIIIA of the State Constitution) transferred control and accountability for property tax rates from city and county government to the State Government. It allowed the State legislature to apportion property tax collections among the various cities, counties, and special districts "according to law." In the late 1970s the State Legislature settled on an allocation method under which each local government's percentage share of property taxes was the same as that government's prorated share of the entire county's property taxes in the mid-1970s. Beginning in 1992, the legislature reduced city allocations through the ERAF I and ERAF II legislation which transferred millions of dollars in City property taxes to the schools. To deal with the State's fiscal crisis In FY 2003-04, the legislature adopted ERAF III, which resulted in another allocation change that caused the City of Pacific Grove to lose $418,000 between FY 2004-05 and FY 2005-06.

California voters passed Proposition 1A on November 4, 2004 giving California cities some relief from future State adjustments to historically local revenues. Now, the State Legislature can only change city property tax allocations in emergencies and by a two-thirds vote in both legislative bodies, and then for only two years before the revenue must be repaid. These provisions reduce the City's revenue uncertainty.

Property tax revenues are projected to total $6,012,000 in FY 2016-17. This projection is partially based on the amount of "secured" property tax received by the City which is the portion commonly understood by taxpayers as "property tax".

Sales and Use Tax

The City receives both Bradley-burns statutory sales tax and local sales and use tax. The City's sales and use tax rate went from 8.5% to 8.625% effective April 1, 2015 and is unchanged as of April 1, 2016. The Transportation Agency for Monterey County (TAMC) has proposed a tax rate measure to increase sales tax by 3/8 percent on the November 2016 ballot. The sales tax, if approved by the voters, will be used by TAMC to fund a variety of local and regional transportation projects. The prior years' sales tax increase of .125% increase is utilized by Monterey Salinas Transport (MST) to fund senior, veteran, and persons with disabilities services. The Bradley-Burns Uniform Sales and Use Tax Law provides for a city/county rate of 1.25%. One-quarter cent of the levy is sent to the countywide regional transportation fund. The balance goes to support local government general funds.

Effective July 1, 2004, 0.25 of the one percent local sales and use tax was diverted to guarantee state deficit bonds approved by Proposition 57. The withheld funds are backfilled from county property taxes each January and May per the state's "Triple Flip" borrowing plan. The Triple Flip ended in Fiscal Year 2015-16 and a series of rewinding and true ups will revert the 0.25 of the one percent local sales and use taxes that were shifted to the State to guarantee the bonds.

In 2008, Pacific Grove voters approved Measure U, which enacted a 1.0% sales tax (technically a district tax) which applies only to purchases in Pacific Grove. Due to the rules governing district taxes, the City also realizes sales tax revenues from automobile purchases by Pacific Grove residents.

Combined, sales and use taxes, including the Triple Flip, (collectively, "Sales Taxes" in the budget) are the City's third-largest revenue source and comprise 19% of FY 2016-17 projected General Fund revenues.

Forecast. FY 2016-17 revenues from the statutory sales tax, including the triple flip replacement, is projected to total $3.7 million.

Transient Occupancy Tax

Transient Occupancy Tax (TOT) is charged on hotel and motel room occupancies of fewer than 30 days. It is paid by hotel and motel customers in addition to the room rate so that visitors to Pacific Grove may contribute to the cost of the public services they enjoy during their stay. Pacific Grove's TOT rate has been 10% since 1985. In 2010, the City began collecting TOT on residential transient uses which is a residential property rental for fewer than 30 days. While traditional TOT has generally remained consistent (with the exception of Fiscal Year 2010-11), residential TOT is the fastest growing revenue source for the City. From its inception in 2010, residential TOT has grown from $50,000 to nearly a $.5 million in FY 2014-15. In April 2016, the Council modified the ordinance and established a tiered license rate structure, placed a cap of 250 on type A licenses, and established density restrictions on licenses in R-1 and R-2 zoning districts. It is unknown at this time what the impact of the ordinance may have on residential TOT.

General Fund 5-Year Revenue Forecast

	2014-5 Actual	2015-6 Estimate	FY 2016-7 Projection	FY 2017-8 Projection	FY 2018-9 Projection	FY 2019-20 Projection	FY 2020-21 Projection
REVENUES AND TRANSFERS IN							
Property Tax	5,750,806	5,837,000	6,012,000	6,192,000	6,378,000	6,569,000	6,766,000
Transient Occupancy Tax	4,468,965	4,558,000	4,695,000	4,836,000	4,981,000	5,130,000	5,284,000
Sales and Use Tax - Taxes	3,534,495	3,605,000	3,677,000	3,751,000	3,826,000	3,903,000	3,981,000
Utility User Taxes	1,428,360	1,457,000	1,501,000	1,546,000	1,592,000	1,640,000	1,689,000
Franchise Taxes	919,377	929,000	938,000	947,000	956,000	966,000	976,000
Business License Tax	327,463	337,000	347,000	357,000	368,000	379,000	390,000
Other Taxes	102,627	106,000	109,000	112,000	115,000	118,000	122,000
Intergovernmental Revenues	163,543	168,000	173,000	178,000	183,000	188,000	194,000
License, Permits & Impact Fees	440,403	454,000	468,000	482,000	496,000	511,000	526,000
Fines & Forfeitures	49,714	51,000	53,000	55,000	57,000	59,000	61,000
Charges for services	983,061	1,013,000	1,043,000	1,074,000	1,106,000	1,139,000	1,173,000
Interest, Rents & Concessions	433,491	446,000	459,000	473,000	487,000	502,000	517,000
Other Revenues	589,932	608,000	626,000	645,000	664,000	684,000	705,000
Revenues and Transfers Total	19,192,238	19,569,000	20,101,000	20,648,000	21,209,000	21,788,000	22,384,000

Appendix D

			FY 2016-17 AUTHORIZED STAFFING				
			GENERAL FUND AUTHORIZED STAFFING		FTE 2014-15	FTE 2015-16	FTE 2016-17
City Council	Dept	Division	Positions	Position #	FTE%	FTE%	FTE%
Part-time							
	10	101					
			COUNCILMEMBER	002-000	3.00	3.00	3.00
			MAYOR	001-001	0.50	0.50	0.50
			TOTAL CITY COUNCIL		**3.50**	**3.50**	**3.50**
					3.50	**3.50**	**3.50**
City Manager/Human Resources/City Clerk							
Full-time							
	12	121	CITY MANAGER	301-001	1.00	1.00	1.00
			HUMAN RESOURCES ANALYST	208-003	1.00	0.00	0.00
			HUMAN RESOURCES MANAGER	210-001	0.00	1.00	1.00
			CITY CLERK	243-001	1.00	1.00	1.00
			MANAGEMENT ANALYST	208-003	0.00	0.00	0.25
			ADMINISTRAVIE TECHNICIAN	170-000	0.00	1.00	1.00
			RECREATION COORDINATOR	118-001	0.00	0.00	0.25
			OFFICE ASSISTANT II	104-001	1.00	0.00	0.00
			TOTAL MANAGER-FULL TIME		**4.00**	**4.00**	**4.50**
Part-time							
	12	121	INTERN III		0.00	0.00	0.00
			TOTAL MANAGER PART-TIME		0.00	0.00	0.00
					4.00	4.00	4.50
Finance/Risk Management							
Full-time							
	13	131	FINANCE DIRECTOR	256-000	1.00	1.00	1.00
			FINANCE ANALYST/SENIOR-CHIEF ACCOUNTANT		1.00	1.00	0.00
			MANAGEMENT ANALYST	208-003	0.00	1.00	1.75
			ACCOUNTING ASSISTANT III	125-01	3.00	0.00	0.00
			ACCOUNTING ASSISTANT SENIOR	125-01	0.00	1.00	1.00
			ACCOUNTING ASSISTANT	120-001	0.00	1.00	0.00
			ASSISTANT FINANCE MANAGER	216-002	0.20	0.20	0.20
			ACCOUNTANT	124-001	0.75	0.75	0.75
			TOTAL FINANCE FULL-TIME		5.95	**5.95**	**4.70**
Part-time							
	13	131	OFFICE ASSISTANT	104-001	0.00	0.50	0.50
			ADMINISTRATIVE TECHNICIAN	170-000	0.00	0.00	0.50
			INTERN III	66-000	1.00	0.00	0.00
			TOTAL FINANCE PART-TIME		**1.00**	**0.50**	**1.00**
					6.95	**6.45**	**5.70**
Community Development							
Full-time							
	20	201	COMMUNITY & ECONOMIC DEVELOPMENT DIRECTOR	168-001	1.00	1.00	1.00
			CODE COMPLIANCE OFFICER	164-002	0.00	0.00	1.00
			ASSOCIATE PLANNER	168-002	2.00	1.00	1.00
			ASSISTANT PLANNER	165-001	0.00	1.00	1.00
			SENIOR PLANNER	169-001	0.00	0.90	0.90
			CHIEF PLANNER	229-001	1.00	0.00	0.00
			ADMINISTRATIVE TECHNICIAN	229-001	0.50	1.50	1.75
			HOUSING PROGRAM COORDINATOR	170-000	0.50	0.50	0.50
			TOTAL COMMUNITY DEVELOPMENT FULL-TIME		**5.00**	**5.90**	**7.15**
Part-time							
	20	201	Part-time 201		0.00	0.00	0.00
		204	HOUSING PROGRAM COORDINATOR	169-002	0.50	0.50	0.50
			CODE COMPLIANCE AID	168-004	0.50	0.00	0.00
			HOUSING REHABILITATION INSPECTOR	71-001	0.05	0.50	0.50
			ADMINISTRATIVE TECHNICIAN	170-000	0.50	0.50	0.00
			PLANNING AID-HOUSING	152.002	0.50	0.00	0.00
			INTERN III	66-000	1.00	0.50	0.00
			Part-time COMMUNITY DEVELOPMENT 204		**3.05**	**2.00**	**1.00**
			TOTAL COMMUNITY DEVELOPMENT		**8.05**	**7.90**	**8.15**

Police Department							
Full-time							
	30	301	POLICE CHIEF	602-001	0.00	0.00	1.00
			POLICE COMMANDER	601-001	1.00	1.00	1.00
			POLICE ADMINISTRATIVE SERVICES MANAGER	201-000	1.00	1.00	1.00
			POLICE SERGEANT	524-001	4.00	4.00	4.00
			POLICE CORPORAL	520-001	4.00	4.00	4.00
			POLICE OFFICER	516-001	10.00	10.30	11.30
DEFUNDED FY 15-16			POLICE OFFICER	516-001	1.00	0.00	0.00
			RECORDS SUPERVISOR	514-002	1.00	1.00	1.00
			POLICE SERVICES TECHNICIAN II	508-001	3.00	0.00	0.00
			PARKING ENFORCEMENT OFFICER/CSO	506-001	2.00	2.00	2.00
			ANIMAL CONTROL OFFICER	505-001	1.00	1.00	1.00
			POLICE SERVICES TECHNICIAN	508-001	0.00	5.00	5.00
			POLICE SERVICES TECHNICIAN I	504-001	1.00	0.00	0.00
			TOTAL POLICE DEPARTMENT FULL-TIME		**29.00**	**29.30**	**31.30**
Part-time							
	30	301	POLICE RESERVE OFFICER	65-001	3.50	3.00	3.00
			POLICE SERVICES TECHNICIAN	504-001	1.00	0.00	0.00
			PROGRAM MANAGER	219-001	0.00	0.50	0.50
			CROSSING GUARD	40-1	0.50	0.50	0.50
DEFUNDED FY 15-16			POLICE SERVICES TECHNICIAN	504-001	0.00	0.00	0.50
			TOTAL POLICE DEPARTMENT PART-TIME		5.00	4.00	4.50
			TOTAL POLICE DEPARTMENT		**34.00**	**33.30**	**35.80**
Library							
Full-time							
	40	401	LIBRARY DIRECTOR	217-001	0.75	0.00	0.00
			LIBRARY & INFO SERVICES DIRECTOR	213-000	0.00	0.75	0.75
			LIBRARIAN II	208-002	1.00	0.00	0.00
			LIBRARY ASSISTANT II	122-001	1.00	0.00	0.00
			OFFICE ASSISTANT II	100.001	0.25	0.00	0.00
			LIBRARIAN	208-002	0.00	1.75	1.75
			ADMINISTRATIVE TECHNICIAN	170-000	0.00	0.75	0.75
			LIBRARY TECHNICIAN	123-000	0.00	1.00	0.75
			SENIOR LIBRARY ASSISTANT	144-002	2.00	2.00	2.00
			TOTAL LIBRARY FULL-TIME		**5.00**	**6.25**	**6.00**
Part-time							
	40	401	LIBRARIAN	208-002	0.00	3.00	3.00
			LIBRARY CLERK	199-000	0.00	2.75	2.75
			LIBRARIAN I	200.001	1.00	0.00	0.00
			LIBRARY ASSISTANT I	112-001	3.00	0.00	0.00
			SHELVER/VOLUNTEER COORDINATOR	168-004	0.50	0.00	0.00
			TOTAL LIBRARY PART-TIME		**4.50**	**5.75**	**5.75**
			TOTAL LIBRARY		9.50	12.00	11.75
Information Services							
Full-time		133	LIBRARY & INFO SERVICES DIRECTOR	213	0.00	0.25	0.25
			ADMINISTRTIVE TECHNICIAN	170-000	0.00	0.25	0.25
			TOTAL INFORMATION SERVICES FULL-TIME		**0.00**	**0.50**	**0.50**
			TOTAL INFORMATION SERVICES		**0.00**	**0.50**	**0.50**
Recreation							
Full-time							
	42	421	RECREATION				
			PARKS & RECREATION MANAGER	219-001	0.10	0.00	0.00
			PUBLIC WORKS DIRECTOR		0.30	0.20	0.20
			SENIOR RECREATION COORDINATOR	217-003	1.00	1.00	1.00
			ADMINISTRATIVE TECHNICIAN	170-000	0.00	0.20	0.20
			RECREATION COORDINATOR	118-001	0.75	0.75	0.75
			TOTAL RECREATION FULL-TIME		**2.15**	**2.15**	**2.15**
Part-time							
		421	RECREATION ASSISTANT II	51-001	0.25	4.25	4.25
			RECREATION ASSISTANT (Incl. Lifeguards)	10-001	8.00	6.00	6.00
			MAINTENANCE WORKER	132-000	0.00	0.50	0.50
			POOL INSTRUCTOR/LIFEGUARD	10-001	3.00	0.00	0.00
			RECREATION COORDINATOR (Pool Manager)	118-001	0.00	0.25	0.25
			PRE-SCHOOL AID	60-1	0.50	0.00	0.00
			PRE-SCHOOL DIRECTOR	62-0	0.50	0.50	0.50
			PRE-SCHOOL TEACHER	61-001	0.50	0.00	0.00
			TOTAL RECREATION PART-TIME		12.75	11.50	11.50
			TOTAL RECREATION		**14.90**	**13.65**	**13.65**

Public Works							
Full-time							
	50	501	PUBLIC WORKS DIRECTOR		0.30	0.30	0.30
			ENVIRONMENTAL PROGRAMS MANAGER	219-001	0.00	0.25	0.25
			ENGINEERING TECHNICIAN	102-000	0.30	1.00	0.10
			ADMINISTRATIVE TECHNICIAN	170-000	0.40	0.40	0.40
		502	SAFETY OFFICER	153-000	0.20	0.20	0.20
			EQUIPMENT MECHANIC	156-001	0.00	2.00	2.00
			EQUIPMENT MECHANIC I		1.00	0.00	0.00
			EQUIPMENT MECHANIC II	156-003	1.00	0.00	0.00
		503	MAINT FIELD SUPERVISOR - BLDG & GROUNDS	154-003	0.70	0.50	0.50
			MAINTENANCE WORKER	132-000	0.00	6.05	6.05
			ENGINEERING TECHNICIAN	102-000	0.00	0.00	0.20
			PUBLIC WORKS DIRECTOR	207	0.10	0.10	0.10
			SAFETY OFFICER	153-000	0.20	0.20	0.20
			SENIOR MAINTENANCE WORKER	146-001	1.00	0.80	0.95
			MAINT WORKER II - BLDG & GROUNDS	132-001	6.00	0.00	0.00
		505	MAINT FIELD SUPERVISOR - STREETS	154-002	0.40	0.40	0.40
			SAFETY OFFICER	153-000	0.40	0.20	0.20
			ENGINEERING TECHNICIAN	102-000	0.00	0.00	0.20
			MAINTENANCE WORKER	132-000	0.00	2.30	2.30
			PUBLIC WORKS DIRECTOR	207-000	0.00	0.00	0.05
			MAINT WORKER II -STREETS	132-002	1.70	0.00	0.00
			MAINT FIELD SUPERVISOR - BLDG & GROUNDS	154-003	0.00	0.00	0.40
			SENIOR MAINTENANCE WORKER - STREETS	146-003	0.40	0.00	0.00
		508	MAINT WORKER II - STREETS	132-002	0.30	0.00	0.00
			MAINTENANCE WORKER	132-000	0.00	1.05	1.05
			ENGINEERING TECHNICIAN	102-000	0.00	0.00	0.20
			MAINT FIELD SUPERVISOR - STREETS	154-002	0.30	0.30	0.30
			SENIOR MAINTENANCE WORKER - STREETS	146-003	0.60	0.00	0.00
		510	MAINT WORKER II - BLDG & GROUNDS		0.20	0.00	0.00
			PUBLIC WORKS FULL-TIME		**15.50**	**16.05**	**16.35**
Part-time							
		501	LIGHTHOUSE PROGRAM COORDINATOR	50-004	0.50	0.50	0.50
			INTERN III	66-000	1.00	0.50	0.50
		503	MAINTENANCE WORKER I - PT BLDG & GROUNDS	116-004	2.50	0.00	0.00
			MAINTENANCE WORKER	132-000	0.00	0.50	0.50
			CUSTODIAN	115-000	0.00	1.50	1.50
		508	MAINTENANCE WORKER I - PT STREETS		2.50	0.00	0.00
			TOTAL PUBLIC WORKS PART-TIME		6.50	3.00	3.00
			TOTAL PUBLIC WORKS		22.00	19.05	19.35
			OUTSIDE FUND AUTHOURIZED STAFFING				
Storm Water Runoff							
Full-time							
		512	PUBLIC WORKS DIRECTOR		0.00	0.05	0.00
			ENVIRONMENTAL PROGRAMS MANAGER	219-001	0.00	0.23	0.00
			TOTAL STORM WATER RUNOFF FULL-TIME		**0.00**	**0.28**	**0.00**
Part-time							
		512	ASSISTANT PLANNER	165-001	0.00	0.35	0.00
			TOTAL STORM WATER FUNOFF PART-TIME		**0.00**	**0.35**	**0.00**
			TOTAL STORM WATER RUNOFF		**0.00**	**0.63**	**0.00**
Cemetery							
Full-time							
	60	601	MAINTENANCE WORKER	132-000	1.00	0.75	0.75
			MAINT FIELD SUPERVISOR - BLDG & GOUNDS	154-003	0.00	0.20	0.20
			TOTAL CEMETERY FULL-TIME		**1.00**	**0.95**	**0.95**
Part-time			CEMETERY OFFICE ASSISTANT	136-1	0.50	0.50	0.50
			TOTAL CEMETERY PART-TIME		**0.50**	**0.50**	**0.50**
			TOTAL CEMETERY		**1.50**	**1.45**	**1.45**

Sewer							
Full-time							
	60	611	ENVIRONMENTAL PROGRAMS MANAGER	217-004	0.25	0.50	0.75
			ADMINISTRATIVE TECHNICIAN	170-000	0.00	0.40	0.40
			MAINT FIELD SUPERVISOR - SEWER	154-004	1.00	1.00	1.00
			MAINT FIELD SUPERVISOR - STREETS	154-003	0.30	0.60	0.30
			MAINT WORKER II - STREETS		0.05	0.00	0.00
			MAINTENANCE WORKER	132-000	0.00	0.25	0.25
			ENGINEERING TECHNICIAN	102-000	0.00	0.00	0.30
			PUBLIC WORKS DIRECTOR		0.35	0.35	0.35
			SENIOR MAINTENANCE WORKER		1.05	0.05	0.05
			PUBLIC WORKS SUPERINTENDANT	220-002	0.30	0.00	0.00
			SAFETY OFFICER	153-000	0.20	0.40	0.40
			TOTAL SEWER FULL-TIME		**3.50**	**3.55**	**3.80**
Part-time		611	MAINTENANCE WORKER	132-000	2.00	0.50	0.50
		613	ASSISTANT PLANNER		0.50	0.25	0.50
			TOTAL SEWER PART-TIME		**2.50**	**0.75**	**1.00**
			TOTAL SEWER		**6.00**	**4.30**	**4.80**
Yount							
Full-time		510	MAINTENANCE WORKER	132-000	0.00	0.20	0.20
			SENIOR MAINTENANCE WORKER	146-001	0.00	0.20	0.20
			TOTAL YOUNT FULL-TIME		**0.00**	**0.40**	**0.40**
SLESF Police Officer							
Full-time							
		304	POLICE OFFICER SLEFS	516-001	0.00	0.70	0.30
			TOTAL SLESF FULL-TIME		**0.00**	**0.70**	**0.70**
			TOTAL SLESF		**0.00**	**0.70**	**0.70**
Poetry							
Part-time							
	40	405	LIBRARIAN		0.00	0.00	0.25
			TOTAL POETRY PART-TIME		**0.00**	**0.00**	**0.25**
			TOTAL POETRY		**0.00**	**0.00**	**0.25**
			TOTAL FULL-TIME EMPLOYEES		71.10	75.98	78.50
			TOTAL PART-TIME EMPLOYEES		39.30	31.85	32.00
			GRAND TOTAL ALL DEPARTMENTS		110.40	107.83	110.50

Appendix E

Budgetary and Financial Policies

The annual budget is the City's statement of financial goals and priorities for the upcoming fiscal year. In order for the budget to be used as a strategic document, mid-year changes should be limited to minor adjustments and responses to unforeseen emergencies. Major program changes should only be considered as part of the annual budget process.

Budget and Financial Management – Council Policy Number 400-6

Budget Process

Budget management occurs year-round, with ongoing City Council direction and public input. In addition to formal updates on the budget and fiscal forecast, staff provides periodic updates on revenues and expenditures.

The City uses a five-year fiscal planning horizon, in which the annual budget is the first year of the forecast. The forecast is a tool that helps decision-makers identify important trends and understand long-term consequences of budget decisions. Importantly, the forecast is not a budget and does not represent a plan. It is a model based on cost and revenue assumptions that is updated continuously. Since the degree of revenue uncertainty increases with each successive year of the forecast (i.e., we can place much more confidence in projections for the first year of the forecast period than for the last, the forecast is a more viable framework for decision-making in the near-term, and only suggests relative financial health based on stated economic assumptions in the later years.

The annual budget process begins in January or February with City Council discussion of goals for the following year. At this meeting, staff presents an update of the current year budget and five-year fiscal forecast, as well as estimates of revenues for the following year and baseline expenditure assumptions. Baseline expenditures include existing staffing levels and other costs required to continue current service levels. At this meeting, the City Council provides direction to staff on the goals for the following budget year and five-year forecast, which include both goals for services and capital projects as well as the amount of additional funding or expenditure reduction required to achieve the goals.

Based on this direction, the City Manager distributes budget instructions and baseline staffing cost information to department managers for developing the budget. Subsequently, the City Manager and Finance Director work with program managers to develop the budget consistent with Council goals.

In February and March, the City Council reviews evolving revenue information and expenditure assumptions and determines the process for City Council consideration of the budget.

The City Manager finalizes the recommended budget and presents it to the City Council in May. After public input and discussion at this meeting, the City Council either directs modifications to

the budget or introduces an ordinance adopting the budget. At the second reading of the ordinance at a subsequent regular City Council meeting, the budget is adopted and effective July 1st of the fiscal year.

Fiscal Forecast

- Staff shall maintain a five-year General Fund fiscal forecast to include revenues, expenditures, as well as the net results of operations and the beginning and ending fund balances for each year of the forecast.

Operating Budget

- The City Council shall adopt an annual operating budget, pursuant to Article 29 of the City Charter, prior to the start of the fiscal year.

- Revenue projections for a given year shall include a contingency reserve of 1%, either positive or negative, depending on the general direction of the economy. The need for such a contingency can be re-evaluated after January 1 of the budget year.

- Subject to exception for specific circumstances, the City Manager's recommended budget shall include an expenditure contingency in the General Fund equal to 1%, which may only be spent on projects required to advance City Council goals, expressed either explicitly or through the City Council's work plan.

- The operating budget shall include ongoing operating revenues sufficient to fund ongoing operating expenditures. Reserves may be used as a resource to fund operations, with City Council acknowledgement of such use and a plan for re-establishing operations within annual anticipated revenues.

- The budget shall provide for adequate maintenance and the orderly replacement of fixed assets and equipment.

- Each October, staff shall present a report to the City Council estimating the year-end results for the preceding fiscal year. This report shall compare unaudited actual figures with budgeted and the most recently estimated actual figures.

- Appropriations are approved at the fund level, and in the case of the General Fund, at the department or program level. All amendments to the budget at these levels may be approved only by the City Council.

- For budget purposes, programs and departments are defined as follows:
    - City Council
    - Legal Services
    - City Manager/Human Resources/City Clerk
    - Finance
    - Information Systems
    - Community and Economic Development

    - Police and Disaster Preparedness
    - Fire and Emergency Medical Services
    - Library
    - Museum
    - Recreation
    - Public Works

- The City Manager shall have authority to transfer funds within a given fund and department to ensure that programmatic budgets may adapt throughout the year to evolving circumstances. These changes shall have no negative effect on the given fund or the General Fund.

Capital Projects
The City shall adopt a five-year capital improvement and maintenance plan, with the first year of the plan to be appropriated as part of the operating budget. The purpose of the plan is to identify and prioritize capital project needs.

The budget shall also include capital expenditures; where possible, such capital expenditures will be funded with non-recurring revenues or grants.

At least the first two years of the plan shall be fully funded, with funding shortfalls and challenges clearly identified in remaining years.

A Capital Improvement is defined as property, plant, or improvements having a useful life of two or more years and a total amortized acquisition and maintenance cost of $2,500 or more. All estimated construction, maintenance, and operating costs and potential funding sources for each proposed capital improvement shall be identified.

The City shall finance only those capital improvements consistent with the adopted capital improvement plan and City priorities. All capital improvement operating and maintenance costs shall be included in the fiscal forecast.

Basis of Accounting
Financial statements are prepared in accordance with General Accepted Accounting Principles and all relevant Pronouncements promulgated by the Governmental Accounting Standards Board (GASB). All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due. Financial resources usually are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts are not current liabilities of the debt service fund, as their settlement shall not require expenditure of existing fund assets.

All proprietary fund types and nonexpendable trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Basis of Budgeting
The basis of budgeting is the same as the basis of accounting.

Treasury and Cash Management
The City shall manage the treasury in compliance with California Government Code Section 53600 and City Council Policy 400-5, which requires quarterly Treasurer's Reports to the City Council, reconsideration of Policy 400-5 by the Council at least once every two years, and selection of investments based on considerations of safety, liquidity, and yield, in order of decreasing priority.

In circumstances where short-term borrowing (i.e., fewer than 12 months) is required to mitigate the effects of uneven revenue disbursements from the state and ensure expenditure cash-flow demands may be met, the following options shall be considered, with the ultimate course of action dependent on the least cost, greatest security for the City, and administrative efficiency:

- Tax and Revenue Anticipation Notes (TRAN)
- Treasury Loan from Monterey County
- Inter-fund loans
- Commercial line of credit.

Should inter-fund loans be selected as a cash-flow strategy, the following conditions shall apply:

- City Council approval required for all loans;
- Duration of less than 12 months with the loan and repayment occurring within the same fiscal year;
- Fixed loan term (i.e., specific number of months with repayment date);
- Borrowing fund must pay interest at level to result in no loss of interest revenue to the lending fund;
- Specific revenue pledged to repay the loan based on realistic expectations for receipt;
- Funds in the lending fund must not be needed for operations during the period of the loan; and
- Loans must not be made from grant funds or other funds enabled by State or Federal legislation.

The City Council shall receive real-time reports of warrants drawn on the City Treasury.

Reserves
Reserves are established to ensure that sufficient resources shall be maintained in specified funds in amounts sufficient to manage reasonable risks, meet unanticipated needs, capitalize

on opportunities, and provide for reasonable contingencies. Further, reserve balances shall be categorized and prioritized in accordance with GASB Statement #54 (GASB 54).

- In the City of Pacific Grove, "operating reserve" is equivalent to portions of the accumulated fund balance that are classified as either committed, assigned, or unassigned, per GASB 54.

- The order in which spendable reserves may be used is prioritized as follows: restricted, committed, assigned, and then unassigned, per GASB 54. Council action is required to increase, decrease, eliminate or reclassify amounts reported in each category.

- Use of reserves must be authorized in advance by the City Council.

- If reserves are expended for their intended use, the City Council shall prioritize restoration of reserves to levels established by policy before allocating resources to fund new or improved services.

- *General Fund*. The City establishes a target reserve level of 10% of the General Fund annual operating budget, and shall maintain reserves of at least 10%, unless otherwise approved by the City Council for specific purposes. The 10% reflects the following components:

    - Emergency financial need (e.g., capital repair, natural disaster)

    - Economic contingency (to mitigate sudden service and staffing cuts in response to economic shocks and downturns)

    - Economic opportunity (to leverage public resources for public investment opportunities, e.g., downtown property)

    - One-time opportunities to invest in assets (e.g., an expanded Library), as an alternative to debt financing

- *Golf Fund.* The purpose of the Golf Fund is to enable operation of the golf course as an enterprise without operating subsidies from the General Fund, unless deliberately authorized. The City establishes a target reserve level of 25% of revenues of the Golf Fund, as of June 30th of two fiscal years prior, to be used for capital improvements, cash management, and emergency protection. Given the vulnerability of the golf business to recession, 20% of the 25% would be retained for use in mitigating the effects of unexpected revenue downturns, and 5% would be available retained for emergency repairs or other emergencies.

- *Sewer Fund.* The Sewer Fund shall maintain a reserve of at least $500,000.

- *Workers Compensation Fund:* The Workers Compensation Fund shall maintain a balance of current assets equal to 67% of total liabilities, or higher, should actuarial analysis conclude an imminent risk to the City for unanticipated losses.

- *Liability Insurance Reserve*: The Liability Insurance Reserve shall maintain a balance of at least $300,000 in current assets, which is equivalent to the maximum amount the City would be required to pay in the event of two catastrophic losses in a single year (City's Self-Insured Retention Limit is currently $150,000 per claim).

Debt Management

- Long-term borrowing shall be restricted to the purpose of funding capital improvement projects and equipment. The use of long-term borrowing for ongoing operations shall be avoided.

- The term of the debt shall not exceed the expected useful life of the object of the financing.

- Debt obligations shall be prioritized in the budget process and payments shall be made in a timely and efficient manner.

- Refunding techniques shall be employed where appropriate, and with all due City Council approval, to allow for restructuring of outstanding debt to remove or change restrictive covenants, and/or to reduce annual debt service in an amount sufficient to justify the costs related to restructuring the debt.

- Total debt in any fund shall not exceed prudent levels.

Property Acquisition and Disposition

- Acquisition of real property shall be tied to a specific objective, with the source of adequate funds identified and considerations given for the long-term fiscal and policy impacts.

- Disposition of real property shall be considered for those properties without specific deed restrictions and that are unused, under-utilized, economically not viable, or that were acquired for an outdated plan or purpose.

Annual Audit

The City of Pacific Grove shall undertake an annual independent audit.

- The City's Comprehensive Annual Financial Report (CAFR) including accompanying schedules and notes shall be completed no later than December 31 of each contract year.

- All funds of the City shall be audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States.

- The form of the CAFR shall be compliant with the requirements of the Government Finance Officers Association (GFOA) Certificate Program and will include the

independent auditor's opinion on the Government-Wide Financial Statements and Fund Financial Statements.

- A separate "management letter" shall be published that includes recommendations for improvements in internal control, accounting procedures and other significant observations.

Capital Policy

All assets, including land, buildings, machinery and equipment, with an original cost in excess of $5,000 and a useful life of three years or more will be subject to capitalization.

- The capitalization threshold is applied to individual units of fixed assets. For example, ten chairs purchased via a single order, each costing $600 will not qualify for capitalization although the total cost of $6,000 exceeds the threshold of $5,000.

- Repair costs for fixed assets will be subject to capitalization when the repair extends the useful life of the related fixed asset.

- Useful Life Schedule

Description	Useful Life In Years
Buildings	100 Years
Machinery and equipment	5 Years
Furniture and fixtures	5 Years
Improvements other than buildings	3 Years
Sidewalks, curb, gutters, and streets	20-50 Years
Traffic signals	15 Years
Street signs	15 Years
Storm drains	20-50 Years
Park equipment	10-50 Years

- For construction in progress, no depreciation is recorded until the asset is placed in service. When construction is completed, the asset shall be reclassified as building, building improvement, land improvement, or equipment and should be capitalized and depreciated.

- The City shall use the straight-line method for depreciating all fixed assets (the basis of the asset is written off evenly over the useful life of the asset). Depreciation shall begin in the month the asset is placed in service.

- All computer and computer related equipment will be recorded and controlled as inventory and not depreciated. Constant changes in technology, software demands, and system configurations cause this asset class to be obsolete before it reaches its useful life.

Donated Assets

Fixed assets acquired by gift, donation or payment of a nominal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of receipt.

Appendix F

Glossary of Budgetary and Financial Terms

Appropriation
An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

Assessed Valuation
A dollar value placed on real estate or other property by Monterey County as a basis for levying property taxes.

Audit
Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

Balanced Budget
The budget for a fund is balanced when total budgeted resources, including revenues, transfers in from other funds, and unrestricted fund balance from previous years meet or exceed total budgeted use of resources, including expenditures and transfers out to other funds.

Base Budget
Under traditional budgeting, the base budget is that amount carried over from one year to the next. Each year, approved amounts may be added to the base budget.

Beginning Fund Balance
Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

Bond
Capital raised by issuing a written promise to pay a specified sum of money, called the face value or principal amount, with interest at predetermined intervals.

Budget
A fiscal plan of financial operation listing an estimate of proposed applications or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

California Public Employees' Retirement System (CalPERS)
The retirement system, administered by the State of California, to which all full-time long-term City employees belong.

Capital Asset/Capital Outlay
Land, infrastructure, and equipment used in operations that have initial useful lives greater than one year. The City, by provision of the Municipal Code (Section 2.14.020) has set the capitalization threshold for reporting capital assets at $12,500. Expenditures made for Capital Assets are commonly referred to as "Capital Outlay," and are shown in each fund (or at the department level, where applicable).

Certificates of Participation (COPs)
A lending agreement secured by a lease on the acquired asset or other assets of the City.

Debt Service
Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation (COPs).

Deficit
An excess of expenditures over revenues (resources).

Department
An organizational unit comprised of divisions or functions. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

Designated Fund Balance
The portion of fund balance segregated to reflect the City Council's intended use of resources.

Encumbrances
A legal obligation to pay funds for expenses yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. They cease to be encumbrances when the obligations are paid or terminated.

Enterprise Fund
A type of fund established for the total costs of those governmental facilities and services which are operated in a manner similar to private enterprise. These programs are entirely or predominantly self-supporting. The City has three enterprises, including the Golf Enterprise Fund, the Sewer Enterprise Fund, and the Cemetery Enterprise Fund. Also referred to as Proprietary Funds.

Expenditure
The actual spending of governmental funds.

Fiscal Year
A twelve-month period of time to which a budget applies. In Pacific Grove, the fiscal year is July 1 through June 30.

Fund
An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the specific purpose for which the fund was created.

Fund Balance
The difference between fund assets and fund liabilities.

Gann Limit
State of California legislation that limits a City's appropriations growth rate to changes in population and either the change in California per capita income or the change in the local assessment roll due to non-residential new construction.

General Fund
The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to accumulate the cost of the City's general operations.

General Obligation Bond
Bonds backed by the full faith and credit of the City, used for various purposes and repaid by the regular revenue raising powers (generally property taxes) of the City.

Grant
Contributions or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the federal government.

Indirect Cost Allocation
Citywide administrative services are funded directly by General Fund revenues. These services include costs for administrative departments – City Council, the City Manager's Office, and Finance and Information Systems. To ensure that non-General Fund revenues support a proportionate share for these services provided to non-General Fund operations, the cost of these indirect services are allocated across all operational costs. The allocations for enterprise fund operations, which include golf, sewer, and cemetery, are charged to the respective funds and received as revenue in the General Fund.

Infrastructure
Facilities on which the continuance and growth of the community depend, such as roads, sidewalks, parks, public buildings, sewer lines, etc.

Interfund Transfers
Moneys transferred from one fund to another, such as from a fund receiving revenue to the fund through which the resources are to be expended.

Internal Service Fund
An Internal Service Fund provides services to other City departments and bills the various other funds for services rendered, just as would private business. Internal Services Funds are self-supporting and only the expense by an

Internal Services Fund is counted in budget totals. The City maintains internal services funds to manage costs for workers compensation, liability insurance, and vehicle replacement.

Materials, Supplies and Services
Expenditures for operating items which are ordinarily consumed within a fiscal year.

Memoranda of Understanding (MOUs)
The result of labor negotiations between the City of Pacific Grove and its various bargaining units.

Multi-year Forecast
The Finance Department's five-year forecast of revenues and expenditures. The Finance Department updates the forecast three times a year.

Non-departmental
Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

Object Code
The line item where a revenue or expenditure is recorded.

Ordinance
A formal legislative enactment by the City Council. It has the full force and effect of law within the City boundaries.

Reserved Fund Balance
Accounts used to record a portion of the fund balance as legally segregated for a specific use or not available for appropriation.

Resolution
A special order of the City Council, which has a subordinate legal standing than an ordinance.

Special Revenue Fund
This fund type is used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government.

Unrestricted Fund Balance
Accounts used to record a portion of the fund balance not legally segregated for a specific use and available for appropriation.