

State of the City

Mayor Bill Kampe, Pacific Grove, February 23, 2016

Good evening Ladies and Gentlemen. Thank you for joining me here this evening. I'm going to discuss the State of our City in three parts. First, I want to step back from current challenges, and remind us of some of the virtues of our city, including some recent improvements. It is easy to lose sight of why we live in this very privileged place, and it is important to refresh our memories.

Second, I'll describe the progress the city has made on top priorities during the past year and some plans for those same priorities for the coming year. Third, I'll talk about the special topics of Project Bella, short term rentals, water, and the recruitment process for the city manager.

Before diving in, let me make some introductions of Councilmembers and Ben Harvey, our interim City Manager. We are fortunate to have Ben Harvey come forward to serve as Interim City Manager, bringing his energy and insights from both public and private sector leadership roles. There is always value to having a new set of eyes.

A Great Place to Live and Visit

Let's start with some things that make the quality of life, and enjoyment of our city, so special. Our shoreline is the finest city shoreline in the state of California. At the Double Road Race several months ago, the event producer agreed and said "the only thing better would be to get permission to shut down Yosemite Valley." Our coast brought HBO to shoot scenes of "Big Little Lies" at several locations in PG. And of course, the BBC mini-series Big Blue embraced the wonders of our coastal waters.

The past year has been a very good one for Pacific Grove. We received recognition as a top destination from Trip Advisor, CNN, Travel and Leisure Magazine, and the Seattle Times. Such national recognition builds from the efforts of many people in our City. We rely on city staff who maintain the coast and infrastructure, our citizen volunteers who enhance the surrounding beauty, and our Chamber of Commerce and businesses that extend superior service and hospitality. May I ask the many citizens who volunteer on our boards and commissions and elsewhere to raise their hands? Also I want to acknowledge our Chamber of Commerce, represented here tonight by our Chamber President, Chairman of the Board, and multiple Members of the Board of Directors. And we also have several members of the City staff. Thanks to all of you.

The monarchs are having another good year, though some have diverted to new roosting sites further north as a result of El Nino weather patterns.

We have become one of the leading cities in protecting Harbor Seals during the pupping season, which draws nearly 30,000 visitors to view this spectacle.

Our Golf Course thrives under private management and players report improved conditions.

Asilomar has completed extensive renovations, both to the landscaping and to historic buildings, making the Conference Center a world-class hospitality destination for groups.

The Holman Building is moving ahead to create 25 condos on the upper floors while retaining commercial retail at the ground level. The project will restore and refresh this previously underutilized site in our downtown, yielding a much more attractive building that preserves its historic qualities. You may have seen the local fire crews that gathered recently at the Holman Building for a hands-on multi-agency training exercise. The building lent itself perfectly to this training opportunity. Our thanks to the developer, and our own Fire Chief for putting this exercise together.

The Cal-Am Pump House is now gone; in its place we see an attractive park featuring an old gate valve, with a commemorative plaque soon to be installed.

In our Library, visits and circulation continue to rise. The Steve and Nancy Hauk Gallery and Meeting Room are new renovations. We have applied for a grant for a Broadband Connectivity Project. We have just launched the Library Renewal Project with funding from the Library Foundation.

My wife and I still wake up each morning and think how wonderful it is to live in this amazing community. It continues to be this special place because so many work so hard to make it this way. Again, I offer my sincere appreciation for your tireless efforts.

City Council Priorities

A year ago, the city council adopted 3 top priorities. These are Infrastructure for the Future, Financial Sustainability, and Effective Public Engagement. We will continue to focus on these priorities. I want to describe progress on each, and some of our remaining challenges.

Infrastructure for the Future

The infrastructure for everyday life in our city includes roads, sidewalks, water, storm drains, sewer systems, and other basic common services.

Sewer Maintenance Plan

We are also making very good progress on our sewer line upgrades and have completed Phase 7 of the previous Sewer Improvement Plan. Phase 7 replaced remaining pipes rated D or F – that’s over 6,000 linear feet of sewer pipe and multiple manholes.

In this past year we received a comprehensive new report on the condition of the sewer system. That report now provides the basis for a revised sewer system master plan. Sewer fees have been adjusted to support that new master plan.

Along 14th and Sinex we have a special project underway to replace aging storm drain and sewer mains over the next 6 months. This project will fix contamination issues and improve discharge quality to the protected Monterey Bay.

Local Water Project

You may know about our Local Water Project. This project will treat waste water from the western part of our city and produce 125 acre feet of irrigation water for the Golf Course and Cemetery. Design is 50% complete using loans and grants from the State. The project will reduce the cost of irrigation water, and also avoid a potential ban on our use of potable water for irrigation. This project helps ensure our golf course remains a viable asset for the City,

Landscape Progress

The City completed a tree survey, mapping all trees on Public Property. This included street trees and trees within our parks. The survey identified locations, conditions, recommendations for actions, vacant locations for plantings, and species type. The City planted 300 trees, with 100 in George Washington Park in collaboration with the community high school.

This year we completed a ten-year project to restore native plantings in the coastal dunes on the back nine of our golf links. This restoration was required when the City accepted the deed to this property. The City has eradicated all Ice plant and restored native plant life. The results are fantastic. Native plants are flourishing. It's a true enhancement for the coastal environment and to the golf course.

In the Candy Cane Lane neighborhood, City crews have installed 3 more solar lights this fiscal year, at the corners of Forest and Beaumont, Beaumont and Fountain, and Hillcrest and Forest. We have installed a total of 11 lights in the neighborhood, where no operational lights existed as recently as 2 years ago.

Central Avenue Traffic Calming

You've seen roadwork where Central Avenue enters Pacific Grove. The purpose of that project is to calm traffic, improve safety, and beautify this gateway to Pacific Grove. It will help differentiate our City from Monterey and provide visitors a better sense of "place".

Holman Highway (Hwy 68) Roundabout

Under the topic of infrastructure, I need to mention the Holman Highway Roundabout project at the Pebble Beach off-ramp near the intersection of Hwy 1. The project starts this summer. The project is carefully planned to best avoid busy visitation periods and to minimize traffic disruptions. It will be undertaken in phases. Still, we know any construction can cause some difficult periods. Traffic at the intersection to Highway 1 is seriously backed up at rush hours today. The project promises much improved traffic flow at completion. Some short-term pain will yield long-term gain. Thank you in advance for your patience and understanding.

Challenges into the Future

Street maintenance, sidewalk repairs and extensions, and storm water management remain as pressing needs. Some grant money may be available. Still, our current budget limits what we can do, and the deferred maintenance needs continue to grow.

One possible bright spot for funding comes from the Transportation Agency of Monterey County (TAMC), which proposes a 3/8 cent sales tax to make Monterey a "self-help" county for transportation projects. About 50% of these revenues would go directly to cities. By becoming a self-help county, we

will also become eligible for state funds. The measure creates a high leverage method for improving roads and sidewalks in PG.

Financial Sustainability

Let's move to our financial situation, and the eternal quest for financial stability. In each of the past 7 years, the city has become stronger in our general fund. When we take a snapshot in time, our numbers look very healthy.

The City added \$5.5M to its General Fund Balance over the past 5 years, reaching \$8.2M today. These improvements come from reductions in staff, selective outsourcing, and a number of actions to reduce wage and benefit costs. We have done well at cost trimming over many years.

On the revenue side, we made selective fee increases for city services toward 100% cost recovery, and experienced a strong increase in Transient Occupancy Tax. We installed 101 parking meters that accept credit cards and generated some additional revenues for the City.

Our recent audit gave very high marks to Pacific Grove. We are pleased our finances are stronger in several ways. We also need to recognize areas where we are underspending today and be aware that future costs are rising.

We must also recognize our staff is stretched thin and we need to add carefully. Benefit options offered to our employees, especially healthcare, have created challenges for recruitment and retention -- particularly in the safety and management ranks. The Affordable Care Act adds new requirements. We need to review and update our compensation practices to attract and maintain a strong and resilient city workforce.

Taken together, current deferred spending plus looming cost increases tell us we need increased revenue. We now need to ask if we, as a community, are prepared to support essential and desired services that make our city such a privileged place to live. For reference, Carmel has 3 times the revenue per capita as Pacific Grove, and Monterey has double the revenue per capita. While we have done well to maintain our city on a modest budget, it is now time to take new steps.

The primary options would be a new admissions tax or an increase to the Transient Occupancy Tax. The city recently completed a citizen survey to examine prospects for these alternate possibilities.

Business Vitality

Business vitality is an important part of Financial sustainability. About 60% of our city budget comes from taxes and fees on business activity; 35% of our budget comes from visitors. That's why top recognition in the travel press is important. Our inns and restaurants are doing well.

We've also enjoyed a year of outdoor dining in our downtown. The actual business impact is uncertain. What is very clear is that there is a sense of vitality that has not been seen in a while, and it is attractive for visitors.

First Friday in our downtown has become a lively event, with music everywhere. A Cash Mob adds a fun element in converging on a featured business. The PG Cash Mob has earned national recognition on the Jim Kramer website.

We have also limited the spread of thrift stores downtown to ensure a more balanced mix of retail.

Pension Costs

Now to pension costs. CalPERS recently changed its methods for charging cities for pension liabilities. PG is one of the cities that received the biggest increment. Very simply, we have far fewer active current employees than we have retired, transferred, and separated employees, relative to other cities. We are paying for excessive staffing practices and policies from the past.

Agreements with our employee associations now provide for increased employee contributions into the retirement plans. The compensation plan is also designed to reduce future pension burdens for the city, while improving the take-home pay of employees. Pacific Grove has taken steps that put us among the leaders for pension cost action in California. In fact, we have reached the practical limits of what any city can do locally. We will continue to work with the League of California Cities at the state level. The public pension situation in California is dire, yet very few elected officials show an interest in pursuing reform.

For those of you interested in additional insight and background on this issue, I strongly recommend reading Councilmember Peake's recent whitepaper. It is available on the City's website.

Effective Public Engagement

Now I'll move to Effective Public Engagement. For the most part, this topic is not so much a budget issue. It's a matter of process and personal interaction in how we engage with the public. I see this priority as having two parts.

Transparent Processes

The first goal is to make sure public information about our government and our activities is accessible to our residents and staff in a timely, reliable, and accurate manner.

Our website is a cornerstone for public information and is evolving. About 6 months ago the city activated a completely new website. All planning department applications and our Historic Resources Inventory are now in databases that can be searched by the public. The city also received and responded to 120 public record requests this past year.

The City has assembled an internal Technology Team, composed of our computer-savvy employees. This group is actively engaged in working to launch a true social media presence for the City. Look for new and improved Twitter accounts and feeds, plus robust Facebook, LinkedIn and Instagram pages in the near future. We recognize our need for an online and social media presence not only to engage and serve our residents and businesses, but also to attract visitors.

Contact Experience

The other part of public engagement is the experience of those who interact with the city. We would like those experiences to be *professional, pleasing, and productive*. That doesn't mean we say "yes" to every request. It does mean we strive to be courteous, responsive, helpful, and timely. It also means reviewing processes to make sure that even complex interactions are well understood by staff and explainable to the public so that we have reliable and reasonable results. The open challenge is to find ways to measure that experience and then use the measurement to continually improve.

City staff has hosted public outreach booths at our farmer's market, as well as Good Old Days, to promote emergency preparedness, bicycle safety, library programs, fire safety, environmental programs, and fair housing.

We continue to have the lowest crime rate on the peninsula, thanks to a dedicated and professional police force, including 2 recent recruits who are now fully qualified and on the beat. An alert and engaged citizenry also fosters this environment.

After sharing a police chief for several years with the City of Seaside, it was felt that we needed to have our own dedicated police chief. We have hired an interim chief who is doing an assessment of the department. The interim chief along with a professional recruiting firm will soon begin the process of recruiting for a permanent police chief.

Other Topics

Now I'd like to touch on a couple of current topics, and I'll start with Project Bella at the American Tin Cannery.

Project Bella

The Project Bella development team proposes a premier quality hotel harmonizing with the heritage of the American Tin Cannery location and built at the LEED Platinum standard. The LEED Platinum label is reserved for only the most environmentally responsible buildings that are designed, built and operated to minimize use of energy and water.

The area is already zoned visitor serving commercial. You will hear about Measure X, an April 19th ballot measure that will allow hotel usage on the site. The ATC site has long been underutilized. Your vote will determine whether a project such as Bella can move forward at the site. Please keep in mind the vote is about zoning, and is a prerequisite for any hotel development there.

Short Term Rentals

Moving to short term rentals, we are facing one of the most divisive topics for the city. With absolute conviction and for good reasons, people have passionately argued for and against STR's. This phenomenon is a product of the internet age, and also a resounding affirmation of all the qualities that make Pacific Grove a great place to live and visit.

It is tempting to believe that STR's could simply go away, and it would be a relief. The truth is that even communities that boast of their bans on STR's are full of them. I believe for now the stronger course is

effective regulation. The city council and the planning commission are working very hard to craft regulations to minimize adverse effects of STR's in our neighborhoods, while recognizing these may be a fact of life. The updated regulations will contain stronger elements of enforcement, density restrictions, and a cap on the number in our city. We must be mindful our significant growth in our TOT income in part can be attributed to our STR experience. STR restrictions will carry corresponding budget impacts.

From what we are learning from other cities, including our neighbors, we are one of the leading cities working to craft an effective ordinance. Never before have we received so much informed public comment.

Water

Moving to water, The State Water Resources Control Board (SWRCB) Cease & Desist Order against Cal-Am continues to threaten the entire Monterey Peninsula. This Order could drastically decrease available water by 2017. We cannot conserve our way out of the situation.

Local cities and agencies are working hard to create alternate sources of water and reduce the draw on the Carmel River. The current efforts include a portfolio of projects. I've already mentioned our local water project. We expect to have it online by January of 2017.

The primary elements for replacement water are Aquifer Storage and Recovery (ASR), Pure Water Monterey, and ocean water desalination (Desal). We are seeing significant progress on a number of fronts.

The Water Management District has increased ASR capacity. ASR takes water from the Carmel River during peak flows and stores it in the Seaside Aquifer for later use. Pray for rain, because we need good flows in the river to achieve the full potential of ASR.

Pure Water Monterey will take waste water at the Pollution Control Agency and apply advanced treatment before injecting it into the ground. Water will later be pumped and used to augment our water supply. The EIR for the Pure Water project has been completed, and the project is on track to produce water by mid-2018. I want to note that CalAm endorses this project, and now includes it in their plans, even though it reduces the role of Cal-Am.

The major part of the plan is desal. The primary project at this point is led by Cal-Am, which is subject to the regulatory oversight of the CPUC. Cal-Am proposes subsurface intakes to conform to state ocean policy. A test well at Cemex is producing very encouraging results -- good flow and high salinity. That project anticipates production of water by late 2018.

The process for bringing any of these projects to completion is very complex, with many legal and permitting hurdles along the way. We will not be able to meet the Cease and Desist Order Deadline. So Cal-Am, with the support of the Water Management District and the Regional Water Authority, has petitioned the State Water Resources Control Board to relax the CDO, contingent on meeting certain deadlines. That review is not yet scheduled.

Search for New City Manager

You know our previous City Manager, Tom Frutchey, departed in January. Ben Harvey is now serving as our interim city manager, and I hope you will be sure to say hello to him before you leave tonight.

Meanwhile, we have retained a recruiting firm to conduct a search for the permanent City Manager. That search process will go thru at least into April. The City Manager is the Chief Executive of the City and plays a very critical role in creating our future. So we are taking this search process quite seriously to find the strongest possible candidates.

Looking to the Future

On the topic of creating the future, your City Council also has a role. In very simple terms, it is to make it possible for good people to do good work for the benefit of the city and the people who live, visit, and work here. Our goal must be to initiate long term and enduring improvements in our infrastructure and our institutions for the benefit of the greatest number of our citizens. I believe we have made good strides in the past year. And with your support, we will continue to adapt to the needs of our future over the coming year. We will continue to make Pacific Grove a truly wonderful place to live.

I'll stop now and go to questions.