

State of the City

Mayor Bill Kampe, Pacific Grove, February 21, 2017

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 challenges for the coming year. Third, I'll talk about the special topics of short term rentals and water for the peninsula.

Before diving in, let me make some introductions. (Council, City Manager, City Attorney, ...)

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.

The Library thrives. Open hours increased by 8. Children's programs attendance increased by 30%. The library added 19,000 new eBook titles. The exhibit of "This Land is Your Land" was hosted in the new Hawk Gallery drawing 1000+ people to 17 programs. The restoration and renovation projects continue. It looks great, and will become even better thanks to funding from the Library Foundation.

The Beach House Deli opened in January of this year. The Deli adds to the food services available to the many visitors at Lovers Point and offers a wonderful menu in a great location.

The Monarch butterfly count is up this year, based on the Thanksgiving count. Our site is the 3rd largest of the 253 sites listed for Western Monarchs.

During the past summer, we have seen two tree stumps in Berwick Park transform into breaching whales. The PG Rotary-funded project evolved and adapted with some unanticipated conditions of the trees. A few of our residents were highly critical. Yet in its final form, both residents and visitors find delight in the sculpture. It's become a favorite photo location. One of our citizens has documented the public reaction of families, children, and adults. It's uplifting to see these reactions.

The HBO series of "Big Little Lies" has just had its first showing and features locations in Pacific Grove. The producers were especially fond of our shoreline and appreciative of the support they received from city staff.

Dr. John Pearse led tours of our coastline during the super low tides at the end of last year. Once again, we had the chance to appreciate the incredible treasure of our shoreline and tide zones. This time we added the deeper insights regarding the habitats and diverse species we find there.

In the past year, we have filled some very key positions on City Staff. That includes our City Manager Ben Harvey, our HR Manager Leticia Livian, and our Chief of Police Amy Christey. We also filled the roles

of Code Enforcement Officer and Environmental Program Manager. These key employees add to the excellent city staff that is so central to keep our town in the condition that we desire.

I also add my thanks to the many enthusiastic and selfless volunteers who help keep the city beautiful, organize events, provide needed resident services, and serve on city boards and commissions.

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 people work so hard to make it this way.

Current City Council Priorities

Two years ago, the City Council adopted 3 top priorities. These are Infrastructure for the Future, Financial Sustainability, and Effective Public Engagement. 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

A positive element for our infrastructure is the sewer system program. It's separately funded, at an adequate level, and guided by a rational plan based on engineering assessments, not just the latest crisis.

A little over a year ago, there was a spill from the pump station at the foot of 15th Street. The Civil Grand Jury investigated the spill, fully expecting Pacific Grove to be the culprit, and I'm guessing, in need of chastising. Fortunately, the jury conducted a very thorough study of the incident. In the end, they recognized that it was not a responsibility of Pacific Grove. They learned about the very thorough plans and the solid funding the City now has in place for systematic upgrades to our sewer system. The final Report was very complimentary to the city. You have been seeing some of the related work in progress over the summer and into the fall. Thanks for your patience while this essential work goes on.

Local Water Project

In December, we had the groundbreaking for our Local Water Project. This project will take wastewater from the western part of our city and treat it so it can be used to irrigate our golf course and cemetery, replacing precious potable water that is currently used for irrigation at these locations. The recycled water will be at lower cost than potable water and will protect our course against drought restrictions that might ban the use of potable water.

Other Infrastructure Improvements

We've completed the traffic calming and aesthetic improvements in the Central Avenue entry. It looks much better and makes a pleasing corridor out of and back into our home town. 4.1 miles of roadway were rehabilitated in Del Monte Park. In the Candy Cane Lane neighborhood, City crews have installed 5 more solar streetlights bringing the total to 12.

Central Avenue at Greenwood Park was blocked for several weeks for the installation of a Continuous Deflection System (CDS) in a major storm drain. The CDS will remove solid materials and protect the Bay. It's part of a project to repair both sewer and storm drain piping from the area of 14th and Sinex. A similar project is underway for the Lovers Point Watershed.

Last year Pacific Grove completed a Highway 68 corridor study in partnership with Caltrans. To cap things off, the study received a 2016 TAMC Transportation Excellence Award for its extensive engagement of the community in developing a "complete streets" plan. The plan will make Sunset and Forest safer for all modes of travel, and more attractive as a gateway to the City.

Finally, 796 work orders were completed by Public works. The majority were requests by PG residents.

Financial Sustainability

Our financial picture always needs attention. It's the cornerstone of our ability to provide essential services to our citizens and to maintain the core public infrastructure of the city. That includes our natural resources such as our wonderful coastline, our parks, and the public trees of our city.

In November, the city received the Comprehensive Annual Financial Report and Audit. For the 9th year in a row, the city has achieved an operating surplus and built reserves. Our strong general fund balance allowed us to launch a major infrastructure effort for the current fiscal year.

A Brief History

How did we do that? We did it by a dramatic downsizing of staff from peak levels in 2004. We did it by shortening service hours in the Library and at some departments in city hall. We did it by selectively outsourcing city functions. Staffing remains thin.

We reduced infrastructure maintenance. For several years, from about 2004 to 2009, the Capital Improvement Program was ZERO dollars.

After a 1% sales tax measure passed in 2008, we resumed some modest level of maintenance, mostly slurry seal on our roads. The short-term rental program that our city started in 2010 has exceeded expectations and is now producing a vitally needed \$1M per year.

We also raised some service fees to more fully recover costs, and there's probably an additional step to go on that front.

The Situation Today

When we look at what we should be spending for infrastructure maintenance, it's at least \$2 million per year more than our recent average. That's why the council included a surge in the maintenance budget for the current year and into next year. Even that \$1.4M is short of what we need to maintain status quo. And we are very dependent on grants for special projects to upgrade portions of our city.

In the recent general election, County voters approved Measure X, a Transportation Sales Tax. The tax receipts will be shared between cities and the county. We estimate that it will bring about \$400k per year of much need funding for upkeep of our roads and sidewalks. But it's only part of what we need.

That's why we will continue to look at revenue possibilities. Some of the needed increment will come from the new transportation tax. Some will come from a review of the master fee schedule. Still, I predict a shortfall in the near term compared to our needs.

The CalPERS Factor

Part of the reason is CalPERS and pension costs. First, I want to acknowledge that many of you are frustrated with our pension costs, and some of you feel that your council should "just solve it." Our council is also frustrated, and I certainly wish I had the magic wand for this one. Despite all the energy that citizens and the city put into solving the CalPERS challenge, in the end, we did not move the needle very much. It needs state-level action, either from the legislature or the courts. Meanwhile, we are working very hard to use what little flexibility we do have locally.

CalPERS is at last admitting that their expectations for investment returns are too optimistic. Therefore, they are lowering the rate of return. That means that the unfunded liability gets bigger...much bigger. Typical for CalPERS, they are phasing it in over several years, because they don't want to stress the cities. They are not giving us a break; they are kicking the can down the road. Eventually we will pay more later.

The core message, though, is that we need to plan for an increase, and if they won't tell us what we should expect, we are going to have to estimate it and plan for it.

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

Community Development

The health of our built infrastructure and our business vitality depend on the constant refurbishment of residential and commercial properties. Here are some of the highlights in this arena:

After many months and 23 meetings of the Planning Commission, we now have a draft Local Coastal Plan that will go to the council in March. A big thanks to the Planning Commission for their diligent and grueling work. The Local Coastal Plan is an important document. Once it gains Coastal Commission approval, the City can process and act on development applications in the Coastal Zone, without the necessity for the property owner to also go to the Coastal Commission separately.

Work continues on the Holman Building. The development team has encountered some unanticipated challenges with the structure, but is moving ahead.

More renovation proposals are under consideration in our city. First, there is a group considering higher density housing in a mixed-use concept for the block with the Lighthouse Cinema. Next, we have an application for a 125-room hotel on the lower portion of the Holman block. Then there is planning underway for mixed use redevelopment of the corner lot that includes Goodies. Taken together these projects are a good sign for PG as these under-utilized sites gain new life.

Last spring, PG voters passed Measure X for the American Tin Cannery. It allows hotel usage at the site. This action creates new options for a long-underutilized property. I believe that a premium quality hotel can be a far better use of the site than the current retail operations, and certainly better than the original use of the ATC.

You may have heard of disagreements and accusations within the Project Bella development team. At this point, we need to remember that the City is not the property owner or the developer on this project. Domaine Hospitality remains the partner for Foursome Development / Cannery Row. Domaine remains committed to moving forward with the project, as described in a recent edition of the Cedar Street Times. When a developer comes forward with an application for one of the permitted uses at that location, we will receive and review it through the City review process. That includes a close look by citizen panels of the Planning Commission and the Architectural Review Board.

It's been a busy year for Community Development: 624 building permits issued; 1100 planning permits; 428 tree permits.

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.

City staff takes great care that agenda postings, agenda packages, and meetings of the boards, commissions, and council meet the requirements and spirit of the Brown Act.

This past year, we have added a software package called OpenGov on the City website. OpenGov allows anyone to look at the city budget and expenses via the internet.

The City Clerk's Office responded to over 150 Public Records Requests in the past year.

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. We seek reliable and reasonable results. The challenge is to find ways to measure that experience and then use the measurement to continually improve.

Our police department initiated several outreach programs including National Night Out and both Facebook and Twitter on the social media front. They destroyed 130 firearms, 70 illegal weapons, and 180 pounds of narcotics. Police communications have been upgraded, now including video cameras in police vehicles and a body-worn camera pilot project.

By the way, we have reached a new labor agreement with the Police Officers Association. The agreement includes a ramping up and restoration of healthcare benefits, an issue that has hampered recruiting and retention. The agreement remains very careful about total compensation and our pension liabilities compared to neighboring cities. With this new labor agreement in place, and through the positive leadership and direct involvement of our new Police Chief Amy Christey, the City has been

able to reverse the large numbers of department vacancies. We've hired 10 new public safety employees. Taken together with the support of an engaged public, these actions keep us the safest city on the peninsula.

Other Topics

Now I'd like to touch on a couple of current topics, and I'll start with STR's.

Short Term Rentals

Short Term Rentals (STR's) have been one of the most controversial topics in our city. STR's are a fact of life even in communities that prohibit them. We came to believe that it is better to regulate than to attempt to prohibit. After many sessions of the Planning Commission, task forces, and City Council, we enacted a major update to our ordinance. Never before have we received so much informed public comment. The new ordinance includes a cap on the number of STR's, density limits, and a commitment to enhanced code enforcement. We also recognized that we would learn even more over the next year, and need to review the effectiveness of the ordinance. That time is approaching. We will gather what we have learned and consider any needed adjustments.

Water on the Monterey Peninsula

The regional water situation on the Monterey Peninsula affects all 6 cities and part of the county. Our traditional sources, the Carmel River and the Seaside basin, are overused. The water fights may seem distant, yet they are vitally important in our City. Fortunately, some good things happened in 2016.

We were facing the "water cliff" for 2017 under the Cease and Desist Order from the state. In July, the State Water Resources Control Board extended the deadline for reduction of water drawn from the Carmel River. We now have until the end of 2021 before we face the sharp reduction. There are stringent milestones that we must meet, or some phased reductions will occur before 2021.

While we have seen delays in the desal project, we have good news for Ground Water Replenishment. A project known as Pure Water Monterey (PWM) gained a key permit from the CPUC in June. PWM will replace 3500 AFY of the water drawn from the Carmel River. It is part of the portfolio of water solutions that Cal Am, the MPWMD, and the MRWPCA are pursuing. PWM, a PCA project, will do advanced treatment of wastewater, inject the purified water into the Seaside Aquifer, and then retrieve it later to provide supplemental potable water. The project includes one of the critical milestones for meeting the CDO requirements. You can see the pipeline work in progress at several locations in Monterey. The same pipeline will also enable greater use of Aquifer Storage and Recovery (ASR). ASR takes water from the Carmel River during peak flows and stores it in the Seaside Aquifer for later use.

The main part of the water portfolio is desal. The leading project is moving forward. The Draft EIR was issued in January. A critical component of the project, a slanted intake well, has proven to meet its goals in over 2 years of test operation.

The process for bringing any of these projects to completion is very complex, with many legal and permitting hurdles along the way.

Looking to the Future

On Saturday, January 28, the council held a workshop to set goals and a workplan for the coming year. That work is still in progress. At the last council meeting, a preliminary list of goals was included in the agenda package. Among the goals are the usual topics of Financial Sustainability and Infrastructure described above. A few of the additional topics are:

- Preserve our Historical, Cultural, and Structural Heritage
- Environmental Stewardship
- Strive for Operational Excellence
- Apply placemaking in key locations where people gather...attractive, welcoming, useful

Tomorrow, February 22, at 6:00 pm, the Council will hold a special meeting to continue the work of refining the goals and making sure we understand some of the work actions needed to achieve them.

I feel we are very fortunate in Pacific Grove to have a City Council that works hard to understand complex issues and to find ways to shape them for our future. We also have a public willing to research topics deeply and bring important insights and perspectives to our deliberations. Together with sound work by city staff, I feel optimistic that we can create the future we want, and deserve, for Pacific Grove.

I'll stop now and go to questions.