City Overview

CITY MANAGER’S LETTER OF TRANSMITTAL

Honorable Mayor and Council Members:

I am pleased to present the fiscal year 2019-20 budget for the City of Grover Beach as adopted by the City Council on June 17, 2019. The fiscal year 2019-20 budget totals $28.6 million including $12.3 million in the General Fund. As we close our current fiscal year 2018-19, I'd like to take a moment to recognize our continued progress and accomplishments over the past year in addressing community needs and implementing the Council’s Goals and policy direction.

We have continued our strong record of building an even better city from the ground up. Streets continue to be repaired throughout the city as we have now improved over 40% of local streets (150 blocks) through Measure K-14 bond funding approved by voters in 2014. We have also installed new water and sewer lines, sidewalks, and corner ramps to improve our utility system and enhance pedestrian accessibility. The train station expansion project is currently under construction after years of planning, preparation, and coordination with other agencies to create a regional multi-modal transportation facility. The public-private broadband fiber network with Digital West is now operational in our industrial and commercial areas for customers to utilize high-speed internet service to meet their business needs. We have continued to make progress towards enhancing our tourism infrastructure with over 400 new hotel rooms in the development pipeline including the catalyst Grover Beach Lodge project, a unique public-private beachfront hotel progressing to permitting and construction beginning next fiscal year. Public safety is one of our core responsibilities as city government and we have continued to make a policy and funding commitment to ensure effective and responsive fire, emergency medical, and police services. Lastly, we were pleased to have voter approval of Measures L and M in November 2018 to increase the transient occupancy tax and modernize the business license tax in order to provide additional revenue to support City services and programs addressing community needs.

Similar to the previous year, a particular focus this past year has been establishing the commercial cannabis industry in a thoughtful and responsible way. At the end of last fiscal year, the City had issued eight permits for commercial cannabis businesses with one retail business operating. By the end of this fiscal year, the City will have issued 26 permits for cannabis businesses with eight businesses operating including two retailers. These businesses are establishing a new industry within our community and bringing in additional jobs, economic activity, and tax revenues. Under the Council’s leadership, Grover Beach is seen as a model in establishing this industry in a careful and thoughtful manner to enhance economic development within our city while ensuring community safety.
This progress continues to position Grover Beach to help fully realize the potential of our community as we approach the 60th anniversary of our city’s incorporation later this year. Current economic trends continue to be positive and there is optimism about our financial future given increased revenue growth in a variety of sources including the new cannabis tax. At the same time, there are still significant long-term fiscal challenges to address including the growing likelihood of an economic downturn and a significant increase in pension costs. These challenges require us to be diligent with our expenditures and focus projected revenues on targeted one-time and ongoing investments to make our community even better. Next year’s budget seeks to achieve this by retaining current service levels and making strategic investments in key areas while producing sizeable ending reserves with a recommendation to designate a portion of these reserves over the next year towards paying down the City’s pension liability costs.

City Council Goals

In March 2017, the City Council approved a set of Council Goals that were established as part of a new goal-setting process to determine the highest priorities for the City organization to implement in the upcoming fiscal year 2017-18. These goals were later updated for the subsequent fiscal year 2018-19. The Council undertook a similar process to develop goals to guide development of the fiscal year 2019-20 budget and engaged the community through a City Priorities Community Forum and an online survey. After submitting individual goal suggestions and reviewing and ranking them at a goal-setting workshop, the Council adopted the following set of collective goals for fiscal year 2019-21 into three priority categories:

- **Major City Goals.** These represent the highest priority goals for the City to accomplish and resources to achieve them will be included in the fiscal year 2019-20 budget.
  - Economic Development
  - Environmental Sustainability
  - Public Safety
  - Street and Other Capital Improvements

- **Other Important Goals.** These goals are important for the City to accomplish and resources to achieve them should be made available in the fiscal year 2019-20 budget where feasible.
  - City Beautification
  - Code Enforcement
  - Homelessness
  - Pedestrian and Bicycle Safety
City Overview

- Address As Resources Permit. While it is desirable to achieve these goals, doing so in the next 2-3 years is subject to resource availability.
  » Community Engagement
  » Housing Affordability
  » Recreation and Community Programs

Building on the Council's updated goals for fiscal year 2019-21, staff has developed work programs for each of the four Major City Goals to specify what will be done over the next year in carrying out the goal. This work program is particularly important given that full achievement of these goals will extend beyond next year. Draft work programs were shared with the Council on April 15, 2019 for input and direction and final versions of the work programs are included in the budget document. Adoption of the fiscal year 2019-20 budget serves as the final approval of these work programs and staff will begin implementing these work programs in the new fiscal year and provide a progress report to Council throughout the year.

Financial Background

On February 4, 2019, staff presented the results of an updated 10-year General Fund financial forecast developed by an outside consultant. This forecast was built on the City's long-range forecasts conducted the past two years to identify and address long-term revenue and expenditures trends. The continued economic growth both statewide and locally has helped the City with strong revenue growth in the top five revenue categories comprising 85% of the City's General Fund revenues: property tax, sales tax, franchise fees, transient occupancy tax (TOT), and utility users' tax. Property tax revenues in particular have continued to perform well given the strong housing market with a 5.7% increase in assessed valuation over the past five years.

Overall, the forecast indicated the General Fund is in a relatively good position over the 10-year period given projected revenue increases. The forecast showed a projected temporary funding gap of approximately ($503,000) in the next fiscal year 2019-20 given projected cost increases though continued revenue growth was projected to produce a budget surplus of $202,000 in the subsequent fiscal year 2020-21 with continued budget surpluses projected annually through fiscal year 2028-29. Below is additional information about key forecast trends:

- Projected Cannabis Tax Revenues. Similar to last year’s forecast, this year’s forecast assumed a multi-year increase in estimated cannabis tax revenues as the commercial cannabis industry becomes established in Grover Beach. Building on the revised revenue estimate of $750,000
for the current fiscal year 2018-19, the forecast projected the revenues to increase to $1.2 million in fiscal year 2019-20 and to $1.75 million in fiscal year 2021-22 with an inflationary increase beyond then. These estimates were based upon the current businesses who are either operational or are in the development process and expected increases in the number of businesses over time along with updated projections on annual business revenues. The estimates still represented a degree of caution in identifying these relatively new revenues given the timing of the permitting process and construction yet reflects the initial success and growth rate of this new industry in Grover Beach.

• **Higher Transient Occupancy Tax Revenues.** Also similar to last year's forecast, this forecast included higher transient occupancy tax (TOT) revenues from two new hotel projects, the Urban Commons project on El Camino Real and the Grover Beach Lodge project on State property at Pismo State Beach. The Urban Commons project is an entitled project with offsite construction completed and projected to begin generating approximately $428,000 in TOT revenues annually in fiscal year 2020-21. The Grover Beach Lodge project is also an entitled project overseen and permitted by the State of California given the location at Pismo State Beach. The project is currently in plan check and projected to generate approximately $600,000 in TOT and other revenues annually beginning in fiscal year 2023-24 given the timing of the State permitting process and construction schedule. While the forecast reflected the 2% increase in the TOT rate approved in November 2018, the forecast did not include revenues from other hotel projects not yet entitled such as the 1598 El Camino Real project nor additional revenues from potential citywide regulations and revenue collection related to short-term rentals.

• **Pension Cost Increases.** Pension costs are expected to continue rising significantly given the implementation of decisions by the CalPERS Board to reduce the assumed rate of return (discount rate) on investments to 7%. The reduction of this discount rate is being phased in by CalPERS to lessen financial impacts to participants with full implementation over a five-year period. The forecast assumes that over the 10-year period, the City’s annual cost to CalPERS will increase 64% from the current $1.1 million to $1.8 million. The cost increase for next fiscal year 2019-20 is approximately $160,000 or a 14% increase. Grover Beach is not alone in facing this issue as every CalPERS agency locally and throughout the state is facing significant increases in pension costs and the League of California Cities has established “Promote Sustainability of Public Pension and Retirement Health Benefits” as one of its 2019 Strategic Goals. Given projected revenue increases, Grover Beach’s pension costs at this time are manageable though sizeable and will require significant funding over the next several years.
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- **Capital Project Expenditures.** Another cost driver in the fiscal year 2019-20 projection related to completed and programmed capital projects. The projection assumed the beginning of an annual repayment of approximately $140,000 over the next five years from the General Fund to the Wastewater Fund for the broadband fiber network construction funding. The network was completed and operational in December 2018, and thus the loan repayment is programmed to begin in fiscal year 2019-20. In addition, the fiscal year 2019-20 projection included $312,500 originally programmed in the fiscal year 2019-20 Capital Improvement Program (CIP) for improving major streets ($200,000) and moving the City Hall restrooms to a more accessible location for the public ($112,500).

- **Five Cities Fire Authority Strategic Plan Implementation.** Lastly, another significant cost driver in the Fiscal Year 2019-20 projection was an increase of $175,000 for continued implementation of the Five Cities Fire Authority (FCFA) five-year strategic plan to ensure more consistent, sustainable, and responsive emergency services in FCFA member communities (Arroyo Grande, Grover Beach, and Oceano). The Council indicated its conceptual support of the strategic plan in March 2018 and provided direction for staff to assume these cost increases in the fiscal year 2018-19 budget and future financial projections which led to a cost increase of $306,000 in fiscal year 2018-19. This increased cost in 2019-20 converts another three Reserve Firefighter positions to Permanent Firefighters at the Grover Beach Fire Station following the conversion of three Reserve Firefighters at the Arroyo Grande station this year.

**Fiscal Year 2019-20 Budget Overview**

The budget for fiscal year 2019-20 assumes the moderate revenue growth that we have seen in the past several years from property taxes, sales taxes, and other revenues as the residential housing market is strong and both tourism and sales tax activity continues to be high. The adopted budget also reflects additional growth in cannabis tax revenues given the level of business activity at cannabis businesses. Staff now projects $850,000 in cannabis tax revenue will be generated by the end of the current fiscal year 2018-19 with $1.5 million generated in fiscal year 2019-20 along with higher sales tax revenues tied to cannabis businesses. On the expenditure side, staff reduced the General Fund contribution in fiscal year 2019-20 to the Capital Improvement Program from $312,500 to $118,000 by using additional gas tax funding for improving major streets and scaling down City Hall restroom improvements while increasing the additional contribution for FCFA services from $175,000 to $217,000 given the updated funding formula negotiated by the three member agencies subject to Council/Board approval.
The budget for next year builds on this revenue growth and makes targeted investments in community and organizational needs. Below is a summary of major investments in next year’s budget listed by each of the four Major City Goals.

**Economic Development**
- **Economic and business development support.** The proposed budget includes $25,000 to support business development efforts in Grover Beach in conjunction with regional partners such as the South County Chambers of Commerce and Economic Vitality Corporation. Potential opportunities include business retention and attraction efforts and promotion of the new broadband fiber network and the creation of an incubation/co-working space for new businesses to utilize the faster internet service. This $25,000 amount does not include an estimated $192,000 in a one-time economic development funding to the City from passage of SB 1090 to mitigate regional impacts from the closure of the Diablo Canyon Power Plant. Staff will bring an agenda item to the Council in fiscal year 2019-20 to discuss potential uses of this one-time allocation along with other potential funding sources to support the City’s Economic Development goal.
- **Tourism development.** While not a specific budget item, staff will continue to invest considerable time in the next year to support three catalyst hotel projects that will add approximately 400 new rooms to the city. These projects include the Grover Beach Lodge along with hotels at 950 El Camino Real and 1598 El Camino Real. Future funding support for these projects could be considered by the Council consistent with the City’s adopted policy on providing financial assistance for catalyst economic development projects.
- **Commercial cannabis regulatory costs.** Approximately $377,000 in ongoing costs in the Community Development, Police, and other departments is recommended in fiscal year 2019-20 to provide staff capacity and resources to effectively regulate the growing commercial cannabis industry in Grover Beach as part of our economic development work. With 12 businesses expected to be operating by fall 2019, and several others currently in plan check, the City will carry out greater regulatory activity than carried out to date. These costs are intended to be cost-covered by permit revenue from commercial cannabis businesses.

**Environmental Sustainability**
- **Central Coast Blue regional groundwater project.** The City is continuing its partnership with Pismo Beach, Arroyo Grande, Oceano Community Services District, and the South San Luis Obispo County Sanitation District on a regional project to inject treated wastewater into the groundwater basin and produce additional water supply. This is a long-term project with
City Overview

the Environmental Impact Report (EIR) currently underway. The City previously committed to funding $500,000 from the Water Fund this year towards the preliminary engineering work for the EIR along with funding from other regional partners and given a delay in the EIR process, this funding is now recommended to be carried out in fiscal year 2019-20 to fund the final design and project management costs. The project is expected to be operational within the next three years and cost approximately $35-40 million with grants and low-interest loans expected to be a significant part of the total construction funding.

- **Community Choice Energy.** A policy initiative for the City under this new Council Goal is participating in a Community Choice Energy program by joining Monterey Bay Community Power (MBCP). The Council has approved the City's participation as a way of offering existing PG&E residential and business ratepayers in the city an opportunity to choose MBCP for a cleaner energy source while matching PG&E's rates and providing cost savings through a rebate program. The City's participation would be consistent with other cities in the county that are also considering joining MBCP. There is a $5,000 cost included in next year's budget to develop an implementation plan with MBCP participation set to begin in January 2021 pending final approval by MBCP and the California Public Utilities Commission later this year.

Public Safety

- **Fire services staffing and facility improvements.** As referenced earlier, the budget includes a funding increase of $217,000 for the second-year implementation of the Five Cities Fire Authority (FCFA) strategic plan. This increase next year will fund the transition of three additional Reserve Firefighters to full-time Firefighter positions at the Grover Beach station along with other FCFA expenses. The other FCFA partner agencies (City of Arroyo Grande and Oceano Community Services District) are also including funding increases in their respective budgets based on the FCFA funding formula. Over the past two years, the City will have increased its contribution to the FCFA by over $500,000 to ensure the level of responsive and effective fire and emergency medical services that our community expects. Next year's contribution is based on a revised funding formula negotiated by the three member agencies to provide better equity in the funding contribution amounts. This revised formula was approved in June 2019 by the Grover Beach and Arroyo Grande City Councils along with the Oceano Community Services District Board of Directors.

- **Police staffing increases.** The budget also includes $142,000 in funding to increase Police staffing by 1.5 FTEs in response to recommendations from the department audit completed in 2018. The increases include adding a 1.0 FTE Sergeant position beginning in January 2020 to enhance field and detective supervision and increasing two part-time positions (0.75 FTE
Cannabis Detective and 0.5 FTE Property/Records Technician) to full-time 1.0 FTE positions. 50% of the new Sergeant position and the full-time Cannabis Detective position would be paid for by cannabis permit fees. The new Sergeant position will lead to five Sergeant positions consistent with both Arroyo Grande and Pismo Beach and is the City’s first sworn officer position added in over 15 years.

Streets Rehabilitation and Related Infrastructure

- **Newport Avenue improvements.** A major component of next year’s street improvement work is the project on Newport Avenue from 3rd to Oak Park Boulevard. The $2.5 million Measure K-14 project involves narrowing the street in addition to repaving while providing continuous walkways, bike lanes, and on-street parking. The project construction began in May 2019 and will continue through the end of 2019.

- **Improvements to major streets.** Given the intent of Measure K-14 to improve local streets, funding to improve major streets such as South Oak Park Boulevard, West Grand Avenue, and Farroll Road comes from other sources including Local Transportation Funds and Gas Tax funds. Next year’s budget includes approximately $1.2 million in funding for major streets including $500,000 from the new SB 1 transportation funding along with Local Transportation and Gas Tax funding. This funding, while limited, will help begin improving the condition of major streets for residents, businesses, and visitors. Engineering design work on the three major streets identified above will start at the beginning of the new fiscal year with construction anticipated to begin on the first street segment in early 2020.

- **Smaller street projects.** In addition to the improvements on Newport and major streets, next year’s budget includes additional Measure K-14 funding to complete one smaller (roughly 10-20 block) street project and begin two other ones. The first project is a 16-block section of streets in the northwest area of the city including Atlantic City Avenue and nearby streets which started earlier in 2019 and will be completed by fall 2019. The two new projects will be South 16th Street from Grand Avenue to Farroll Road ($1.5 million) and a series of street segments around Grover Beach Elementary School ($1.5 million). The South 16th Street project will be designed by fall 2019 with construction to start in winter 2019 while the Grover Beach Elementary School project design will begin in early 2020. These smaller street projects along with the Newport Avenue improvements and major street improvements will help achieve the Council’s goal of more continuous street repair activity.

- **Other capital improvement projects.** In addition to street improvements, there are a multitude of capital improvement projects programmed to be carried out or initiated in fiscal year 2019-
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20. These projects include park improvements at 16th Street Park, Mentone Basin Park, and Ramona Garden Park; facility improvements at City Hall and the Corporation Yard; completion of the train station expansion project, and water and sewer system improvements. Additional water infrastructure projects beyond what is current programmed may be carried out in the second half of fiscal year 2019-20 with the issuance of a bond funded by water rate revenues which will be considered by the Council in fall 2019.

In addition to these investments tied to Major City Goals, below are examples of other recommended budget increases to address key organizational and community needs. These items are primarily one-time increases in the General Fund except for the last two items which are ongoing commitments:

- Consultant funding for Housing Element update ($60,000)
- Funding for additional parks maintenance work ($50,000)
- Replacement of aging computer servers ($25,000)
- Public art one-time funding support ($10,000)
- Citywide licensing of Microsoft Office 365 software ($27,000)
- Low-income subsidy for utilities customers ($25,000)

These budget items represent a targeted set of investments to carry out key projects and improve services provided to our community. Even with these investments, the City’s strong revenue growth and prudent fiscal management leads to a significant surplus anticipated for the current fiscal year and a balanced budget for next year with ending reserves of 28% along with continued surpluses for the subsequent four years as shown in Table 1:

Table 1 – Updated General Fund Projections

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<td>REVENUES:</td>
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<td>Revenues/Transfers in</td>
<td>9,668,712</td>
<td>10,888,749</td>
<td>11,437,400</td>
<td>12,515,400</td>
<td>12,897,000</td>
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<td>EXPENDITURES:</td>
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<tr>
<td>Operating Expenditures</td>
<td>10,368,565</td>
<td>10,991,744</td>
<td>10,531,646</td>
<td>11,899,790</td>
<td>11,988,451</td>
<td>12,497,553</td>
<td>12,870,571</td>
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<td>CIP/Debt Service</td>
<td>952,026</td>
<td>245,781</td>
<td>187,441</td>
<td>273,434</td>
<td>278,900</td>
<td>260,200</td>
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<td>Transfers Out/Other</td>
<td>140,000</td>
<td>150,000</td>
<td>150,000</td>
<td>293,400</td>
<td>296,400</td>
<td>298,200</td>
<td>300,000</td>
<td>551,800</td>
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<td>TOTAL EXPENDITURES</td>
<td>11,460,591</td>
<td>11,487,525</td>
<td>10,869,087</td>
<td>12,466,624</td>
<td>12,563,751</td>
<td>13,055,953</td>
<td>13,430,771</td>
<td>13,903,832</td>
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<td>ANNUAL SURPLUS (GAP)</td>
<td>($1,791,879)</td>
<td>($628,814)</td>
<td>$568,313</td>
<td>$487,776</td>
<td>$334,249</td>
<td>$304,047</td>
<td>$187,229</td>
<td>$583,326</td>
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<tr>
<td>Percent of Operating Expenditures</td>
<td>26%</td>
<td>20%</td>
<td>31%</td>
<td>28%</td>
<td>30%</td>
<td>32%</td>
<td>32%</td>
<td>36%</td>
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The budget for next year not only produces a balanced budget after previous temporary gaps between revenues and expenditures, but it also produces estimated ending reserves that are substantially higher than the Council policy goal of 20%. This is a strong fiscal position for the City to be in and underscores the Council’s leadership in seeking revenue opportunities and staff’s diligence in managing costs and vacancies. While generating this degree of reserves can enable additional expenditures, staff would recommend caution with allocating these reserves given the future challenges described below including potential uncertainty with the scale of cannabis revenues and consider using such reserves for one-time needs such as infrastructure, equipment, or pension liabilities. It is important to be aware of these future challenges and how they may impact our financial position so the City can take appropriate actions if needed:

**Potential of Economic Downturn**

Today’s economic environment continues to be strong and at over 100 months, the nation is in its second longest economic expansion since the Great Depression and is closing in on the other one (120 months). Most economists do not see significant economic concerns in the near term and the City’s budget reflects this optimism. However, based on long-term trends, there is a growing likelihood we will experience some level of economic downturn in the next 3-5 years impacting state and local governments including the City. As recommended by our financial forecast consultant, the City should demonstrate caution in allocating additional resources to focus on one-time needs and targeted service changes rather than a broader expansion of City programs and services that may not be financially sustainable with an economic downturn. Ensuring adequate reserves to buffer the effects of an economic downturn without significant service reductions is also important.

**Uncertainties with Commercial Cannabis Revenue and Higher TOT Revenue**

Related to the first challenge is future uncertainties in the new commercial cannabis tax revenue along with higher TOT revenue due to additional hotel projects. The City’s favorable economic outlook for next year and subsequent years of the financial forecast is due in large part to revenues from these two sources. These revenues are key to balancing our budget for the next several years and making key investments in services and infrastructure. The scope of the commercial cannabis industry is beginning to take shape in Grover Beach and the initial annual tax revenues are proving to be significant as these businesses begin operating. However, there are still uncertainties with these future revenues given the evolving nature of the cannabis industry and broader market implications along with nearby cities establishing the industry such as San Luis Obispo. Likewise, the significant increase in TOT revenues due to the new Holiday Inn and Grover Beach Lodge projects is tied to the successful completion of both projects along with the continued strength of the tourism
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economy. An economic downturn as described above would have a significant effect on tourism revenues which underscores the need to further diversify our economic base.

Deferred Maintenance Needs
The City has invested considerable funding in recent years to address deferred maintenance needs. Capital improvement projects total $10.2 million or over a third of the total City budget for next year. The City continues to make great strides in fixing streets and other infrastructure and is beginning to make long-awaited improvements at other facilities such as Ramona Garden Park and 16th Street Park. However, more funds are needed to fully address deferred maintenance needs throughout the city and improve the condition and durability of our facilities for years to come including City Hall, Corporation Yard, Police Station, Fire Station, and community centers. These needs also include replacing outdated vehicles and equipment such as the citywide phone system. This is particularly true for the water system where it is increasingly necessary though challenging to replace outdated infrastructure given funding limitations from the Water Fund and requires new solutions such as long-term financing backed by ratepayer revenues.

Pension Cost Increases
Lastly, CalPERS pension cost increases will be the most significant cost driver over the next 10 years for Grover Beach and other cities around the state. Over the 10-year period, the City’s annual cost to CalPERS will increase 64% from the current $1.1 million to $1.8 million with a 14% or $160,000 cost increase for next fiscal year 2019-20. The cost of the City’s unfunded pension liabilities previously incurred is now more than the costs for current employees and will increase from $588,000 this year (51% of the total pension cost) to $701,000 next year (54% of pension costs) and to $1 million in fiscal year 2024-25 (59% of the total pension cost). By fiscal year 2024-25, pension costs will comprise 56% of payroll costs for public safety employees compared with 45% today and 32% for non-public safety employees compared with 29% today. This scenario also assumes that the CalPERS discount rate remains at 7% despite a negative 3.5% return in 2018 and a forecast return of only 6% over the next 10 years.

Simply stated, it will cost the City more to pay for pensions for our existing retirees and current employees despite previous cost increases to address our pension liabilities. The City is in relatively better shape than other cities with a funded ratio of 73% and a $12 million unfunded pension liability, which is sizeable but relatively smaller than other communities on a per capita basis. The City currently pays its pension expenditures on an annual basis but given the extent of pension costs, I am recommending that the Council consider using one-time reserves to help pay down a portion of
the City’s unfunded liabilities during the next fiscal year as projected revenues meet expectations. Staff would recommend the Council consider a sizeable amount for this pension payment such as $500,000 which represents just under 0.5% of the City’s unfunded liability. Such a payment would still leave reserves above the Council policy goal of 20% and allow for additional one-time uses of reserve funds to meet key community needs.

Conclusion
The signs of progress continue to abound all around us in Grover Beach. From repaved streets to redeveloped and renovated properties, from broadband fiber operating to a new industry emerging, there is a strong sense of vitality and a “can do” spirit in our city that is noticed throughout our region. This is a time for our city government to continue making investments in infrastructure and services to help our community flourish and encourage private investment to grow our economy. The budget for fiscal year 2019-20 is a financial blueprint to help achieve this and I would like to recognize the outstanding work of our City staff particularly the Administrative Services Department under the leadership of our new Administrative Services Director Deanne Purcell. While there are significant challenges to address, I am confident that we will address them with the City Council’s leadership and City staff’s execution and continue working with our community to create an even more prosperous and vibrant city today and for years to come.

Respectfully submitted,

Matthew Bronson
City Manager
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FISCAL YEAR(S) 2019-21 CITY COUNCIL GOALS

MAJOR CITY GOALS

Economic Development
Develop and implement economic development strategies that support business retention and attraction, tourism including hotel development, revenue generation and effective permit processing.

Environmental Sustainability
Integrate environmentally sustainable principles and practices into City operations and new development plans and standards; increase resource conservation and reduce carbon emissions through initiatives such as Central Coast Blue, Community Choice Energy and electric vehicle charging stations.

Public Safety
Ensure quality, contemporary public safety services (police, fire, emergency medical) by providing adequate resources to meet existing demands; and by engaging businesses and the community in addressing public safety challenges, such as vagrancy problems near commercial areas, neighborhoods and parks.

Street and Other Capital Improvements
Continue improvements to major and local streets using Measure K-14 funds, SB1 funds and other resources, incorporating where feasible other desirable capital improvements (e.g. upgrade/maintenance of water, sewer, storm water and curb, gutter and sidewalk); and improve other infrastructure such as City parks, recreation facilities and other public buildings.

OTHER IMPORTANT GOALS

City Beautification
Enhance the appearance of the community through tree maintenance and landscaping, utility undergrounding, public art and signage, especially along the Grand Avenue corridor.
Code Enforcement
Strengthen the code enforcement program to be more proactive in inspecting and addressing such issues as overgrown landscaping, short term rental violations, illegal advertising/business signage, conflicting right-of-way encroachments and continued monitoring of the cannabis industry.

Homelessness
Partner with regional agencies and organizations to address homelessness challenges, potentially through joint efforts to provide daytime services, warming stations, transitional housing, shelter, and mental health support.

Pedestrian and Bicycle Safety
Make Grover Beach a more pedestrian and bicycle friendly community by adding and/or enhancing bicycle lanes, sidewalks, street lights, street and crosswalk striping and enhancements, and other traffic calming measures.

ADDRESS AS RESOURCES PERMIT
Community Engagement
Provide opportunities for community members to engage and be involved with their community through programs, initiatives and events.

Housing Affordability
Collaborate with developers and non-profits in efforts to increase affordable housing availability, and pursue other strategies such as State housing density incentives, added accessory dwellings units, and grants that support affordable housing programs/projects.

Recreation and Community Programs
Provide viable recreation, youth, and special event programs designed to meet current and emerging needs, while avoiding duplication of programs offered by other providers.
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MAJOR CITY GOALS WORK PROGRAMS

ECONOMIC DEVELOPMENT

Goal Statement
Develop and implement economic development strategies that support business retention and attraction, tourism including hotel development, revenue generation and effective permit processing.

Staff Lead: Matthew Bronson, City Manager; Bruce Buckingham, Community Development Director

<table>
<thead>
<tr>
<th>TASK</th>
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<tbody>
<tr>
<td><strong>Business Retention and Attraction</strong></td>
<td></td>
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<tr>
<td>1. Work with Chamber to meeting periodically with local businesses on key issues facing business community</td>
<td>Ongoing</td>
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<tr>
<td>2. Work with Chamber to promote use of new Grover Beach co-working space as business development strategy</td>
<td>Ongoing</td>
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<td>3. Collaborate with partner agencies to identify economic development strategies to support regional economy</td>
<td>Ongoing</td>
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<tr>
<td>4. Work with Digital West on marketing efforts to promote broadband use by businesses as initial service begins</td>
<td>Ongoing</td>
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<tr>
<td><strong>Tourism Development</strong></td>
<td></td>
</tr>
<tr>
<td>1. Begin oversight and construction management for Urban Commons hotel on El Camino Real</td>
<td>July 2019</td>
</tr>
<tr>
<td>2. Process development application for 1598 El Camino Real hotel project for Council consideration and entitlement</td>
<td>August 2019</td>
</tr>
<tr>
<td>3. Finalize plans and issue City permits for Grover Beach Lodge in conjunction with State Parks plan checking and permit issuance</td>
<td>January 2020</td>
</tr>
<tr>
<td>4. Initiate discussions regarding formation of a Tourism Business Improvement District to promote tourism to Grover Beach</td>
<td>Spring 2020</td>
</tr>
<tr>
<td><strong>Commercial Cannabis Activities</strong></td>
<td></td>
</tr>
<tr>
<td>1. Continue compliance activities and revenue collection for commercial cannabis businesses</td>
<td>Ongoing</td>
</tr>
<tr>
<td>2. Process additional development applications for commercial cannabis businesses</td>
<td>Ongoing</td>
</tr>
<tr>
<td>3. Review current ordinances, regulatory costs and fees, and tax structure and engage the Council on potential changes</td>
<td>April 2020</td>
</tr>
<tr>
<td>4. Revise ordinances as directed by Council and present revised ordinances for adoption</td>
<td>June 2020</td>
</tr>
</tbody>
</table>
Permit Processing

1. Begin update of Engineering City Standards and Specifications  
   - July 2019
2. Work with Arroyo Grande to explore opportunities for shared building inspection and plan check resources  
   - July 2019
3. Complete sign ordinance update with amended ordinance for Council adoption  
   - September 2019
4. Present additional development code updates to Council for consideration  
   - November 2019
5. Complete Engineering City Standards and Specifications  
   - January 2020
6. Continue to implement other recommendations from 2018 development review study to streamline development review process  
   - Ongoing

Key Policy/Operational Issues

- Continued need for focus on hotel development projects given additional tax revenues and development opportunities
- Continued high level of staff time and focus on commercial cannabis industry given its complexity and additional tax revenues
- Importance of maximizing potential of broadband network for business attraction and retention
- City’s involvement in regional economic development strategies to ensure community economic vitality in the future
- SB 1090 allocation expected in 2019-20 would provide approximately $192,000 in one-time economic development funding and lead to workplan revisions pending Council direction

Financial Resources Required

<table>
<thead>
<tr>
<th>FY 2019-20 Cost Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic and business development assistance (not including SB 1090 allocation)</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$25,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 2019-20 Funding Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund funding</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$25,000</strong></td>
</tr>
</tbody>
</table>
City Overview

ENVIRONMENTAL SUSTAINABILITY

Goal Statement
Integrate environmentally sustainable principles and practices into City operations and new development plans and standards; increase resource conservation and reduce carbon emissions through initiatives such as Central Coast Blue, Community Choice Energy and electric vehicle charging stations.

Staff Lead: Matthew Bronson, City Manager; Greg Ray, Public Works Director

<table>
<thead>
<tr>
<th>TASK</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Coast Blue</strong></td>
<td></td>
</tr>
<tr>
<td>1. Finalize benefit sharing framework including agency participation, SSLOCSD participation, and funding strategies</td>
<td>July 2019</td>
</tr>
<tr>
<td>2. Complete preliminary engineering necessary to complete Environmental Impact Report (EIR)</td>
<td>July 2019</td>
</tr>
<tr>
<td>3. Release EIR Notice of Preparation and Initial Study</td>
<td>July 2019</td>
</tr>
<tr>
<td>4. Continue working on governance model</td>
<td>Ongoing</td>
</tr>
<tr>
<td>5. Finalize local groundwater model to identify sea water intrusion threats, benefits of injecting recycled water, and basin management needs</td>
<td>January 2020</td>
</tr>
<tr>
<td>6. Develop final groundwater management strategy</td>
<td>June 2020</td>
</tr>
</tbody>
</table>

| **Community Choice Energy** | |
| 1. Consider approving participation in Monterey Bay Community Power (MBCP) beginning in January 2021 | June 2019 |
| 2. Begin working with MBCP on community notification efforts about CCE including opt-out provisions pending Council action on participation | January 2020 |
| 3. Work with other cities in the county to begin involvement with MBCP policy-making and operational processes | June 2020 |

| **Environmentally Sustainable Principles and Practices** | |
| 1. Begin working on opportunities to purchase greener City vehicles and equipment | July 2019 |
| 2. Review existing Climate Action Plan to determine needed updates to plan | January 2020 |
| 3. Work with MBCP on environmental sustainability programs for the City such as electric vehicle charging stations pending Council action on participation | June 2020 |
### Key Policy/Operational Issues
- Relatively limited work program initially for new Major City Goal given early nature of this new goal for the City and staff resource limitations
- Primary focus on potential participation in a Community Choice Energy program and formalizing the City’s costs and governance role with Central Coast Blue
- Climate Action Plan needs to be updated with an initial staff review this next year with formal update anticipated in the following year

### Financial Resources Required

<table>
<thead>
<tr>
<th>FY 2019-20 Cost Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Coast Blue engineering design</td>
<td>$487,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$487,000</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 2019-20 Funding Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Fund</td>
<td>$487,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$487,000</strong></td>
</tr>
</tbody>
</table>
City Overview

PUBLIC SAFETY

Goal Statement

Ensure quality, contemporary public safety services (police, fire, emergency medical) by providing adequate resources to meet existing demands; and by engaging businesses and the community in addressing public safety challenges, such as vagrancy problems near commercial areas, neighborhoods and parks.

Staff Lead: John Peters, Chief of Police; Steve Lieberman, Five Cities Fire Chief

<table>
<thead>
<tr>
<th>TASK</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Transition from Reserve (part-time) Firefighters to Permanent Firefighters at Grover Beach station (3 personnel)</td>
<td>July 2019</td>
</tr>
<tr>
<td>2. Continue work on FCFA JPA revisions along with potential reprioritization of Five Cities Fire Authority Strategic Plan</td>
<td>July 2019</td>
</tr>
<tr>
<td>3. Increase Police Department staffing to convert the part-time Property/Records Technician position to permanent full-time, convert part-time Cannabis Detective position to permanent full-time and add a Sergeant position to increase supervision and oversee Detectives (January 2020)</td>
<td>July 2019</td>
</tr>
<tr>
<td>4. Implement software programs for Detective Case Management, tracking of citizen complaints, and updating use of force reviews</td>
<td>October 2019</td>
</tr>
<tr>
<td>5. Increase community engagement by updating the Police Department website capabilities to increase transparency and provide additional information to the community</td>
<td>January 2020</td>
</tr>
<tr>
<td>6. Plan for potential FCFA JPA restructuring</td>
<td>March 2020</td>
</tr>
<tr>
<td>7. Complete a Police Department Strategic and Succession Plan</td>
<td>June 2020</td>
</tr>
<tr>
<td>8. Ensure adequate resources to support commercial cannabis regulatory activities</td>
<td>Ongoing</td>
</tr>
<tr>
<td>9. Increase capabilities of Community Camera Program through collaborative partnerships with public/private industries and the addition of cameras to schools, parks and commercial areas</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
City Overview

Key Policy/Operational Issues

• Continued focus on providing required resources to provide consistent and effective response to increasing fire and emergency services needs
• Completion and approval of FCFA Joint Powers Agreement revisions and contingency planning for a potential change in JPA membership
• Development of public/private partnerships to increase capabilities of Community Camera Program
• Identify funding opportunities to meet existing demands for Police Department staffing
• Efficient use of grant funds to plan, develop, implement, and report on Police Department programs

Financial Resources Required

<table>
<thead>
<tr>
<th>FY 2019-20 Cost Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Year two of FCFA Strategic Plan transition of Reserve Firefighters to Permanent Firefighters at Grover Beach station</td>
<td>$217,000</td>
</tr>
<tr>
<td>Police staffing increases</td>
<td>$142,000</td>
</tr>
<tr>
<td>Police technology and strategic planning</td>
<td>$75,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$434,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 2019-20 Funding Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$434,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$434,000</strong></td>
</tr>
</tbody>
</table>
City Overview

STREET AND OTHER CAPITAL IMPROVEMENTS

Goal Statement
Continue improvements to major and local streets using Measure K-14 funds, SB1 funds and other resources, incorporating where feasible other desirable capital improvements (e.g. upgrade/maintenance of water, sewer, storm water and curb, gutter and sidewalk); and improve other infrastructure such as City parks, recreation facilities and other public buildings.

Staff Lead: Greg Ray, Public Works Director/City Engineer

<table>
<thead>
<tr>
<th>TASK</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Continue to identify key streets and intersections for implementation of sidewalk infill, traffic calming and safety enhancements</td>
<td>Ongoing</td>
</tr>
<tr>
<td>2. Complete design and begin construction of 16th Street Park improvements (CIP 1004) including lighting, playground and restroom upgrades</td>
<td>May 2020</td>
</tr>
<tr>
<td>3. Complete construction of Mentone Basin Park improvements (CIP 1251)</td>
<td>November 2019</td>
</tr>
<tr>
<td>4. Complete Master Plan and design of Ramona Garden Park improvements (CIP 1258)</td>
<td>December 2019</td>
</tr>
<tr>
<td>5. Complete annual construction of Citywide Sidewalk Improvements (CIP 2273)</td>
<td>June 2020</td>
</tr>
<tr>
<td>6. Complete design of Major Street Maintenance (CIP 2283) including South Oak Park, West Grand Avenue and North 4th Street</td>
<td>November 2019</td>
</tr>
<tr>
<td>7. Begin construction of first phase of Major Street Maintenance (CIP 2283) on North 4th Street</td>
<td>January 2020</td>
</tr>
<tr>
<td>8. Complete construction of CIP 2295-6 (Newport Avenue)</td>
<td>November 2019</td>
</tr>
<tr>
<td>9. Complete construction of CIP 2295-8 (16 blocks in NW quadrant)</td>
<td>July 2019</td>
</tr>
<tr>
<td>10. Complete design and begin construction of CIP 2295-9 (South 16th Street)</td>
<td>November 2019</td>
</tr>
<tr>
<td>11. Begin design of CIP 2295-10 (streets in the vicinity of Grover Beach Elementary)</td>
<td>February 2020</td>
</tr>
<tr>
<td>12. Complete design and begin construction of remaining Facility Monument and Wayfinding Signs (CIP 3001)</td>
<td>April 2020</td>
</tr>
<tr>
<td>13. Begin design of City Corporation Yard Improvements (CIP 3002)</td>
<td>January 2020</td>
</tr>
<tr>
<td>14. Begin construction of City Hall Improvements (CIP 3263)</td>
<td>January 2020</td>
</tr>
<tr>
<td>15. Complete construction of Train Station Expansion Project (CIP 3312)</td>
<td>September 2019</td>
</tr>
<tr>
<td>16. Finalize plan for Ramona Square Parking Lot project (CIP 3393) including confirmation of property owner involvement</td>
<td>February 2020</td>
</tr>
<tr>
<td>17. Complete CDBG water line upgrades (CIP 4267)</td>
<td>June 2020</td>
</tr>
</tbody>
</table>
Key Policy/Operational Issues

- Impacts of accelerated Measure K-14 Street Improvements on limited field maintenance staff resources
- Need for water system improvements and the scope and timing of these improvements relative to street improvements
- Funding and scope of sidewalk infill, traffic calming, and other safety enhancements to be incorporated with street improvement work
- Need for street improvements on arterials and major streets with limited funds from Gas Tax, and Local Transportation Funds
- Continuing to improve communication to the public about the scope and timing of our street improvements
- Sharing preliminary street designs with Council for additional guidance prior to final designs
- Scope and timing of facility and park improvements will be important to balance with street and utilities projects

Financial Resources Required

<table>
<thead>
<tr>
<th>FY 2019-20 Cost Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP 1004 Construction of 16th Street Park Improvements</td>
<td>$22,000</td>
</tr>
<tr>
<td>CIP 1251 Complete construction of Mentone Basin Park Improvements</td>
<td>$40,000</td>
</tr>
<tr>
<td>CIP 1258 Complete Master Plan and design of park improvements</td>
<td>$70,000</td>
</tr>
<tr>
<td>CIP 2273 Construction of Citywide Sidewalk Improvements</td>
<td>$100,000</td>
</tr>
<tr>
<td>CIP 2283 Design Major Street Maintenance Program</td>
<td>$387,000</td>
</tr>
<tr>
<td>CIP 2283 Construct Phase 1, Major Street Maintenance Program</td>
<td>$898,846</td>
</tr>
<tr>
<td>CIP 2295-6 Street Project Construction &amp; Water Improvements (Newport Avenue)</td>
<td>$2,479,587</td>
</tr>
<tr>
<td>CIP 2295-8 Street Project Construction (16 blocks in NW quadrant)</td>
<td>$1,320,896</td>
</tr>
<tr>
<td>CIP 2295-9 Street Project Design &amp; Construction (S. 16th Street)</td>
<td>$1,190,000</td>
</tr>
<tr>
<td>CIP 2295-10 Begin Street Project Design</td>
<td>$20,000</td>
</tr>
<tr>
<td>CIP 3001 Design &amp; Construct Facility Monument and Wayfinding Signs</td>
<td>$25,000</td>
</tr>
<tr>
<td>CIP 3002 Design City Corporation Yard Improvements</td>
<td>$75,000</td>
</tr>
<tr>
<td>CIP 3263 Phased Construction of City Hall Improvements</td>
<td>$55,000</td>
</tr>
<tr>
<td>CIP 3312 Construct Train Station Expansion</td>
<td>$511,813</td>
</tr>
<tr>
<td>CIP 4001 Central Coast Blue</td>
<td>$405,382</td>
</tr>
<tr>
<td>CIP 4265 Water Delivery Upgrade</td>
<td>$75,000</td>
</tr>
<tr>
<td>CIP 4267 CDBG Upgrade of 2&quot; and 4&quot; Water Mains</td>
<td>$1,801,415</td>
</tr>
<tr>
<td>CIP 4391 Reservoir Maintenance</td>
<td>$10,000</td>
</tr>
<tr>
<td>CIP 5001 Sewer Systems Upgrades</td>
<td>$750,000</td>
</tr>
<tr>
<td>CIP 5001 Sewer Systems Upgrades</td>
<td>$22,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,259,439</strong></td>
</tr>
</tbody>
</table>
## City Overview

<table>
<thead>
<tr>
<th>FY 2019-20 Funding Sources</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Street Bond</td>
<td>$5,000,483</td>
</tr>
<tr>
<td>Water Fund</td>
<td>$506,382</td>
</tr>
<tr>
<td>Wastewater Fund</td>
<td>$500,500</td>
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<tr>
<td>Wastewater DIF</td>
<td>$303,000</td>
</tr>
<tr>
<td>Gas Tax</td>
<td>$250,000</td>
</tr>
<tr>
<td>Gas Tax (RMRA)</td>
<td>$500,846</td>
</tr>
<tr>
<td>Local Transportation Funds (LTF)</td>
<td>$1,146,813</td>
</tr>
<tr>
<td>CDBG</td>
<td>$1,801,415</td>
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<tr>
<td>General Fund</td>
<td>$118,000</td>
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<tr>
<td>Parks DIF</td>
<td>$118,000</td>
</tr>
<tr>
<td>Parks Construction Fund</td>
<td>$14,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,259,439</strong></td>
</tr>
</tbody>
</table>
City Overview

City Organization Chart

Community of Grover Beach

City Council

City Manager

City Attorney

City Manager’s Office

Administrative Services

Community Development

Public Works

Parks and Recreation

Police

Principal Management Personnel

City Manager

City Attorney

City Clerk/Executive Assistant

Chief of Police

Administrative Services Director

Community Development Director

Public Works Director/City Engineer

Parks & Recreation Director

Matthew Bronson

David P. Hale

Wendi Sims

John Peters

Deanne Purcell

Bruce Buckingham

Greg Ray

Kathy Petker
City Overview

PROFILE OF GROVER BEACH

Location
The City of Grover Beach is located in the southern part of San Luis Obispo County on California's Central Coast. Grover Beach is bordered by Pismo Beach to the north, Arroyo Grande to the east, unincorporated Oceano to the south, and the Pacific Ocean to the west. The city is adjacent to Pismo State Beach and serves as the northern entry point to the Oceano Dunes Vehicular Recreation Area. The city covers an area of 2.31 square miles and is mid-way between San Francisco and Los Angeles approximately 90 miles north of Santa Barbara and 150 miles south of Monterey. The city's coastal location provides a temperate climate with mild and dry summers and wet winters.

The City
The City was founded as the Town of Grover in 1887 and incorporated as Grover City in 1959. The city changed its name to Grover Beach in 1992 through a vote of the people. Grover Beach has a Council-Manager form of government with four Council Members serving at-large for four-year terms and a directly elected Mayor serving two-year terms. The Mayor and City Council serve as the legislative and policy making body of the City. The City Manager, appointed by the Council, serves as chief executive officer and is responsible for the day-to-day administration of City affairs. The City Council also appoints a City Attorney. There are three Advisory Boards and Commissions that are appointed by the City Council: Planning Commission; Parks, Recreation, and Beautification Commission; and Traffic Committee.
Services
The City provides a full range of municipal services. These include police protection, planning, building, water, sewer, street maintenance, and general administrative services. Wastewater treatment is provided to residents by the South San Luis Obispo County Sanitation District, a special district which also includes Arroyo Grande and the Oceano Community Services District. Fire protection services are provided by the Fire Cities Fire Authority, a joint powers authority comprised of Grover Beach, Arroyo Grande, and the Oceano Community Services District. In addition, the city maintains five parks and two community recreation centers.

Community Demographics
Based on 2017 U.S. Census data, the city's population was 13,438 up from 13,156 in the 2010 Census. The racial composition of city residents based on 2010 Census data is 76% white, 4% Asian, 1% African-American, 1% Native American, 0.3% Pacific Islander, 12% from other races and 5% from two or more races. Hispanic or Latino residents of any race were 29%. The median age of city residents is 36.9 years. The per capita income for Grover Beach residents is $28,930 compared with the San Luis Obispo County average of $31,060 and the California average of $31,587. 13.8% of residents live below the poverty line compared with 14.4% in San Luis Obispo County and 15.3% in California. The average household size is 2.54 people.

Local Economy
Grover Beach is located in the Central Coast midway between the Bay Area and Southern California and has direct access to a major north-south highway, rail lines with freight trains and inter-city Amtrak service, and public transit routes, and is near the San Luis Obispo County Regional Airport. Grover Beach has the only train station in the South County area with daily Amtrak Pacific Surfliner train service north to San Luis Obispo and south to Santa Barbara, Los Angeles, and San Diego along with related bus service. The community is comprised of residential housing stock of all types and at a range of costs, commercial retail businesses along West Grand Avenue serving both local residents and tourists, and nearly 90 acres of industrial areas currently comprised of light manufacturing and service businesses. The top employers in the city are currently Vons grocery store, Voler cycling apparel, and California Fine Wire. The City is working with private developers to construct three hotels including the beachfront Grover Beach Lodge and partnering with a local Internet provider on a municipal fiber broadband network initially serving industrial and commercial areas. In addition, the City has adopted ordinances allowing commercial cannabis businesses and has issued 26 permits for retail, manufacturing, and distribution businesses to date with seven businesses currently operating and 12-15 businesses expected to be operational in the next fiscal year.