

## STAFF REPORT

**TO: HONORABLE MAYOR AND CITY COUNCIL**  
**FROM: ROBERT PERRAULT, CITY MANAGER**  
**SUBJECT: PRELIMINARY PRESENTATION OF THE PROPOSED FY 14 BUDGET**

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### BACKGROUND

Staff has been working over the past several months to prepare the City budget for FY 14. The purpose of this report is to provide the Council with a preliminary budget discussion and to distribute the draft document. The discussion will include an overview and update on the City's fiscal status, as well as a brief discussion of each of the City's major funds. Upon completion of the presentation, staff will respond to initial Council questions and then request the Council to set aside a hearing time at the next City Council meeting for formal consideration of the FY 14 Budget. In accordance with the City's fiscal policies, staff is recommending the Council adopt the budget prior to July 1, 2013.

### DISCUSSION

**Budget Overview** - As the Council is aware, the City experienced decreases in General Fund revenues in FY 10, FY 11, and FY 12. These decreases were largely related to the ongoing recession. During this three-year period, specific reductions were noted in a number of line items, including property and sales taxes. In FY 13, the City budget was further impacted with the dissolution of the Grover Beach Improvement Agency by the State of California and the decision to merge the Community Development Enterprise Fund with the General Fund. In both FY 11 and FY 12, the City used Reserve funds to balance the General Fund budget. Early in 2012, and following a Proposition 218 Public Hearing, the City Council authorized the implementation of a Storm Water Fee. The subsequent revenue collected has been used to cover the costs for implementation of storm water requirements and discontinue deficit spending related to this program. Additionally, the Council authorized an adjustment in the water rates in both 2012 and 2013 that have assisted in keeping the Water fund balanced.

Last year, the City Council directed that the City's budget be balanced and the use of Reserve funds in the General Fund be discontinued. In order to achieve a balanced budget a number of actions were authorized by the Council, including the sale of property, a reduction in staffing, and the consolidation of services and programs within City Hall. As a result of these actions, the entire organization has benefited and, in particular, an originally identified (\$300,000) deficit in the General Fund was eliminated. Additionally, in FY 13 the General Fund was the recipient of one-time revenue that was unexpected. This one-time revenue included the receipt of the City's share of tax distribution proceeds resulting from the dissolution of the Improvement Agency's

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### APPROVED FOR FORWARDING

  
\_\_\_\_\_  
ROBERT PERRAULT  
CITY MANAGER

### Please Review for the Possibility of a Potential Conflict of Interest:

- |  |                                   |
|--|-----------------------------------|
| <input checked="" type="checkbox"/> None Identified by Staff | <input type="checkbox"/> Lee      |
| <input type="checkbox"/> Peterson                            | <input type="checkbox"/> Marshall |
| <input type="checkbox"/> Bright                              | <input type="checkbox"/> Nicolls  |

Meeting Date: May 20, 2013

Agenda Item No. 8

Housing Fund (\$180,000) and the return of funds from the County (\$128,000) resulting from a Court decision regarding property tax administration fees. The receipt of this one-time revenue will assist in replenishing Reserves used during previous years.

In preparing a spending plan for FY 14, staff is recommending the City Council maintain the same conservative and sustainable approach that was initiated last year. In April 2013, the City Council approved the City's Goals and Work Program. (*Please see Attachment 1.*) The Goals and Work Program provided direction to staff in the finalization of the Preliminary Budget document.

Within the General Fund, revenues are expected to be flat with only a very modest increase in sales tax and in building-related revenues. No additional one-time revenues are expected to be received during the coming year. Cost increases are expected across the board for workers compensation, health care, and the California Public Employees Retirement System (CalPERS). It is also likely that costs associated with implementation of the Affordable Care Act will further impact the budget during the coming fiscal year, although specific costs are unknown at this time.

The City Council and staff have indicated it is a priority to reduce employee concessions and to replace key personnel where possible. Employee concessions are the subject of the meet and confer process. Management discussions with labor groups have been initiated. It is Management's opinion that, while it is possible to reduce employee concessions, it is not possible to eliminate the concessions entirely during the course of FY 14 without the use of Reserve funds.

As noted, this staff report serves as the transmittal of the draft budget document for FY 14. The budget document consists of the following subparts:

1. Citywide Budget – A summary of revenues and expenditures for the entire organization
2. General Fund
3. Special Revenue Funds
4. Enterprise Funds
5. Capital Improvement Program

In the Citywide Budget, the Council will note the combined revenues are projected to be \$15,486,667 and the combined expenditures are listed at \$15,402,514

**General Fund Discussion** - Revenues for the General Fund have been estimated at \$7,269,104 and expenditures have initially been budgeted at \$7,356,032. There is an imbalance reflected in the General Fund of (\$86,928). This preliminary budget has been based on the following:

- *Revenues* - The budget includes a modest increase in sales tax and building-related revenues
- *Employee Concessions* - Initial expenditure level does *not* contain employee concessions.
- *Five Cities Fire Authority* - The Five Cities Fire Authority has maintained the same level of contribution as last year at \$1,206,000.

- *Addition of a Police Officer* - In keeping with the adopted Work Program, the budget includes authorization to fill one Sergeant's position through internal promotion (this position was not previously filled when it became vacant due to a hiring freeze) and the hiring of one additional Police Officer, increasing the number of sworn positions from 16 to 17.
- *Street Rehabilitation Program* - A combination of \$200,000 in Gas Tax Funds and an additional \$200,000 in Local Transportation Funds is recommended for use in the Street Rehabilitation Program. No General Fund dollars are recommended for use this year in the Street Rehabilitation Program.
- *Grover Beach Municipal Network* - The franchise fee from Pacific Crossing in the amount of \$44,000 is being set aside to assist with the financing of costs for implementation of the First Phase of the Grover Beach Municipal Network.
- *Agency Requests* - The City has received agency requests from the Arroyo Grande & Grover Beach Chamber of Commerce and "Visit San Luis Obispo County" (previously known as the San Luis Obispo County Visitor's & Conference Bureau). (*Please see Attachment 2.*) Staff has included \$5,000 for the Chamber of Commerce and \$5,443 for Visit SLO County. Also, in accordance with the City's adopted Work Program, the following has also been included in the budget: Economic Vitality Corporation - \$5,000; Housing Trust Fund - \$5,000; and Savor the Central Coast event - \$5,000.

As noted, there remains an imbalance within the General Fund of (\$86,928). In order to resolve this deficit, staff is recommending that some level of employee concessions remain in place. It should be noted that the City Council could use Reserve funds to cover the costs. However, staff is recommending that the Council continue to avoid the use of Reserves whenever possible.

**Wastewater Fund** - Budgeted wastewater revenues total \$2,123,002 with expenditures of \$2,142,959. Expenditures are expected to increase to \$2,142,959 from the FY 13 amended budget of \$2,106,171. Most of this increase is due to the implementation of the Storm Water Program, which is now a part of the Wastewater Fund. Sufficient revenues are realized from the collection of the Storm Water Fee to offset this increase. Cash reserves within the Wastewater Fund are expected to be \$2,721,504.

**Water Fund** - Revenues in the Water Fund have been estimated at \$3,115,463. Expenditures are budgeted at \$3,113,784. The budget in this fund is balanced. The budget reflects a planned capital expenditure of only \$143,600. The majority of these funds (or \$125,000) will be used for the upgrade of water mains in keeping with the Water Master Plan. This expenditure level could change dramatically in the event the City receives the requested CDBG grant funds to complete a major water main project. For the upcoming fiscal year (FY 14), the City intends to return to manually reading meters and will avoid the cost of replacing the meter radios. The City's Financial Policies require that a reserve be maintained in the Water Fund at 10% of the fund's operating budget. At the end of the fiscal year (FY 14), the City is projecting a cash reserve of \$396,189 which is slightly above the required minimum. The annual rate review for the Water Fund will be completed in January of 2014. During the rate review, the Council will need to keep in mind the City is required to maintain a coverage ratio of 125% of revenues versus operation costs for Lopez Lake Improvements Debt Service.

**Capital Improvement Program** - The Capital Improvement Program contains a list of 18 projects, most of which will either be undergoing design or construction in the coming year. All total, the Capital Improvement Program is expected to spend a total of \$4,958,230 on capital projects. The single largest project will be the construction of West Grand Avenue, Phase 3. This project will provide street improvements on West Grand Avenue between Highway 1 and the beach. The project is expected to cost \$912,466. All of the funds for this project (save a \$20,000 local match) will come from state and federal sources. As mentioned earlier, a total of \$400,000 is projected to be spent on the Local Street Rehabilitation Fund.

**Status of General Fund Reserves** - The City's Financial Policies require that the City strive to maintain a minimum reserve of 20% of the General Fund's operational expenditures. The reserves are to be used in the event of emergency expenditures and unforeseen or unanticipated major or minor expenditures. Cash reserves are also used to cover normal obligations from the beginning of the fiscal year until the first property tax receipts arrive in December from the County. At the beginning of FY 12, reserves fell below the minimum 20% level. In December 2012 available cash for the General Fund had decreased to \$327,822. Fortunately, with the City's receipt of anticipated General Fund revenue and the receipt of one-time revenue as noted in the Overview section of this report, the anticipated year-end cash balance in the General Fund will be restored to \$1,831,769 (or approximately 25.2%) of the General Fund operating budget.

Staff is pleased to present the draft of the FY 14 Budget to the City Council for further review.

### **ALTERNATIVES**

The Council has the following alternatives to consider:

1. The Council could receive the draft budget and set the formal budget hearing for Monday, June 3, 2013;
2. The Council could receive the draft budget and set another date for the formal budget hearing; or
3. The Council could provide staff with additional direction.

### **RECOMMENDED ACTION**

It is recommended that the City Council by motion receive the draft FY 14 Budget and set the formal budget hearing for Monday, June 3, 2013.

### **FISCAL IMPACT**

The receipt of the draft budget and the setting of a formal hearing for further consideration of the budget will not result in direct fiscal impacts to the City (other than costs associated with notification of the Public Hearing). The City Council's formal adoption of the budget will set appropriations by fund for the coming fiscal year.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

**Attachments**

1. FY 14 Goals and Work Program
2. Agency requests for funding.
3. FY Budget document - distributed under separate cover



# City of Grover Beach

## Goals and Work Program - FY 14

(Approved by the City Council on April 15, 2013)

### 1. ECONOMIC VITALITY

**Goal:** *Develop a strong, vital municipal organization empowered to maximize current and future resources and to work with its partners to deliver quality services to its citizens and improve infrastructure.*

#### 1A - ECONOMIC DEVELOPMENT

**Goal:** *Continue to strengthen the City's economic base by promoting the City for business and tourism, cooperatively with economic development organizations and business owners to retain existing jobs, and create employment opportunities.*

- **Move the Grover Beach Lodge through the pre-construction process necessary for the issuance of building permits.**
  - Complete and Implement Financing Agreement with Pacifica Companies. (09-30-13)
  - Complete City plan check of construction plans and coordinate plan review with the State. (06-30-14)
  - Modification of Agreement between the City / State and Concessionaire. (12-01-13)
- **Complete Implementation of Municipal Broadband Network.**
  - Complete discussions with Digital West. (07-01-13)
  - Complete installation of the Network. (06-01-14)
  - Establish a marketing plan directed at new businesses and coordinating promotion efforts with partners and agencies within the area. (06-01-14)
- **Maintain the existing marketing program by continuing to support and work collaboratively with local businesses and organizations, focusing on local events and public relations efforts.**
  - Support Savor the Central Coast, Stone Soup / Dune Run Run, Train Day, and Car-free events. (09-30-14)
- **Strengthen the City's economic base by supporting existing businesses, and modifying existing goals and policies to facilitate business development.**
  - Update the Economic Development Strategy to focus on economic efforts based on available resources, identifying one or two project areas. (06-30-14)
  - Continue to implement a program to meet with new businesses in order to acquaint them with services and resources available through the City and other economic development organizations. (ongoing)
  - Make recommendations to City Council regarding revisions to current infrastructure requirements associated with new development. (04-01-14)

### **1B - FINANCING AND FUNDING**

***Goal: Implement a strategy that increases revenues and makes the best use of existing resources to sustain and improve core City services and meet infrastructure funding requirements.***

- **Review current and future revenue options.**
  - Continue to explore options to revise the Business Tax Certificate Program. (10-01-13)
  - Review with the City Council financing options for the Long-term Street Rehabilitation Program for discussion with the public. (08-30-14)
  - Continue solicitation of grant alternatives. (ongoing)
  
- **Identify and implement best municipal practices to efficiently and prudently use existing resources.**
  - Provide City Council with recommendations for placement of the Charter Measure on the ballot in 2014. (07-30-13)
  - Work with community partners to improve the use of energy resources for public facilities. (ongoing)

### **2. STREETS, UTILITIES, AND INFRASTRUCTURE**

***Goal: Develop and maintain a modern street and infrastructure system that will provide for the safe and continuous movement of traffic and anticipates future demands for water distribution, wastewater, and stormwater collection and drainage.***

- **Continue to implement short- and long-term strategies for the rehabilitation of streets.**
  - Identify proposed program and funding sources for short-term street rehabilitation, including curb, gutter, and sidewalk in FY 14. (07-01-13)
  - Review with the City Council long-term strategy and funding options for street rehabilitation. (08-31-13)
  - Explore alternative methods for improving City streets. (08-31-13)
  - Complete construction of West Grand Avenue Enhancement Project, Phase 3. (06-30-14)
  - Continue to seek funding for the repair of Oak Park Boulevard. (ongoing)
  
- **Install shadow conduit as a part of all major infrastructure projects where feasible and practical. (ongoing)**
  
- **Complete final design for the undergrounding of utilities on West Grand Avenue between Highway 1 and the Pacific Ocean. (03-30-14)**
  
- **Continue to maintain a water system that complies with State health requirements, and maintain sewer and stormwater systems that comply with Regional Water Quality Board requirements. (ongoing)**
  - Update the Stormwater Ordinance. (08-01-13)
  
- **Develop and present to the City Council a program to restore and maintain municipal facilities. (06-01-14)**

### **3. PUBLIC SAFETY - POLICE DEPARTMENT / FIVE CITIES FIRE JPA**

***Goal: Maintain a safe community by providing well-trained and equipped public safety / emergency medical services personnel (police and fire).***

- **Increase sworn personnel to a full 19-officer complement.**
  - Fill one of the vacant positions, bringing the current complement to 17 sworn officers. (10-01-13)
- **Support Five Cities Fire Authority's effort to establish an additional long-term and stable funding source for the Authority.**
  - Assist Five Cities Fire Authority in the development of a funding mechanism that will ensure the continued delivery of quality services to the public. (06-30-14)

### **4. COMMUNITY DEVELOPMENT AND HOUSING**

***Goal: Develop and implement plans consistent with the General Plan and the community's vision for the future of the City, balanced land uses, economic vitality, the creation of a wide range of housing opportunities, and improve the quality of life.***

- **Continue the comprehensive update of the Zoning Code, as prioritized by the City Council. Zoning Code sections to be updated include:**
  - Sign Ordinance (FY 14)
  - Parking Standards (FY 15)
  - Planned Unit Development Standards (FY 15)
- **Complete State-mandated updates to the following documents:**
  - Housing Element (06-30-14)
  - Climate Action Plan (09-30-13)
  - Building and Fire Codes (10-01-13)
- **Partner with a non-profit organization to develop an affordable housing project.** (03-30-14)

### **5. PARKS, RECREATION, AND BEAUTIFICATION**

***Goal: Maintain existing park facilities and develop new park facilities that will contribute to improving the quality of life for residents and visitors to Grover Beach.***

- **Update the City-approved street tree list.**
  - Forward list approved by Parks, Recreation & Beautification Commission to the City Council. (08-01-13)
- **Explore opportunities to partner with community organizations and locate community garden sites throughout the community.** (02-01-14)

- Update inventory of park facilities and complete Parks, Recreation & Beautification Commission recommendations to the City Council regarding rehabilitation priorities. (03-01-14)
- Increase use of online registration and reservations with the ActiveNet Program for park facilities and programs. (06-30-14)

## 6. TRANSPORTATION

*Goal: Develop a multi-modal transportation system (to include automobile, transit, rail, etc.) and support infrastructure that facilitates the safe movement of goods and people through the community and the South County area.*

- Complete preliminary design and construction plans for expansion of the Train Station. (07-30-13)
- Work with South County Area Transit (SCAT) to implement an alternative bus route to improve service from the Ramona Transit Center to the Pismo Beach Outlet Center. (ongoing)

## 7. PUBLIC ADMINISTRATION

*Goal: Facilitate the implementation of the City Council's vision for the community through the effective and efficient use of City resources and personnel.*

- Reduce employee concessions and budget impacts. (ongoing)
- Prepare Charter Measure for consideration by voters. (01-30-14)

###

Arroyo Grande & Grover Beach  
Chamber of Commerce

CITY OF GROVER BEACH

April 1, 2013

APR -3 2013

**RECEIVED**

Mayor Debbie Peterson  
City of Grover Beach  
154 South 8<sup>th</sup> Street  
Grover Beach, CA 93433

Dear Honorable Mayor and members of the Grover Beach Council:

The Chamber of Commerce would like to request funding to cover the cost of membership with the Chamber and sponsorship for the 22<sup>nd</sup> Annual Stone Soup Music Festival and Street Faire. Our request includes in-kind support for providing barricades and street closures. The following is a breakdown of this proposal.

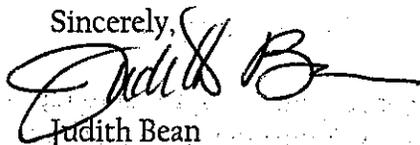
Membership investment:	\$350.00
Cash sponsorship:	\$5,000.00
In-kind staff support:	\$2,500.00

The Chamber membership would include an enhanced marketing package. We have attached a separate sheet outlining your membership investment. The Stone Soup sponsorship would include the following benefits:

- 10x10 booth space with electricity for promoting City events
- Name and/or City logo on advertising and promotional materials
- Press releases include promotion of the Dune Run Run.
- Acknowledgement from the stage prior to performances
- The ability for a designated City representative to introduce a performing act
- Banner with City name displayed on Grand Avenue during July/August

It is our goal to make Stone Soup a premier music festival that attracts visitors to Grover Beach each year. We hope to leverage our partnership with Amtrak and our other sponsors to help make that goal a reality.

Sincerely,



Judith Bean  
President/CEO

# Arroyo Grande & Grover Beach Chamber of Commerce

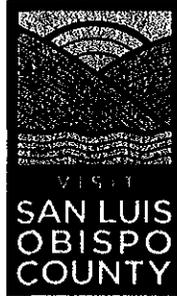
## MEMBERSHIP BENEFITS

### INCLUDED WITH BASIC MEMBERSHIP—

- Listing in newsletter, eblast and website upon joining
- Listing on website fully searchable by business name, rep name, or category
- Monthly newsletter emailed and hard-copy mailed\* (*\*to main representative*)
- Referrals from the Visitor Center
- The ability to post hot deals coupons, events and job listings
- Nationwide MyChamberApp—mobile membership directory
- Listing on Official Area Map
- Two listings (*alpha & category*) in printed Membership, Relocation and Visitor Guide
- Welcome visit and photo with ambassadors (*photo posted on website, social media and in the hard copy newsletter*)
- Free listing in newsletter upon renewal
- Discount on business compliance materials
- Voice in political actions that affect business
- Ambassador “buddy” to help you connect with other members
- Networking at membership events
- Free table top display at Chamber luncheon (*one time*)
- Membership Directory, Relocation and Visitor Guide display advertising
- Area Map advertising
- Business Tradeshow and Event Sponsorships
- Tradeshow booth displays (*Mega Mixer and 50+ Expo*)
- Flyer inserts in newsletter and e-news blasts and posted on website
- Newsletter ads (*business card sized*)
- Website banner ads
- 3 minute “soapbox” at luncheon

### ADDITIONAL BENEFITS FOR ENHANCED MARKETING PACKAGE—

- 1600 business description (*200 for basic membership*)
- 16 key words (*8 for basic listing*)
- Additional bulleted descriptions allow you to link directly to a page on your website
- Ability to post You Tube videos
- Ability to include a picture gallery to your listing
- Ability to add multiple logos
- Add photos to hot deals, events and job listings
- Direct link to Google maps
- Listing always remains as one of the top three displayed (*listings are rotated when viewed*)



February 27, 2013

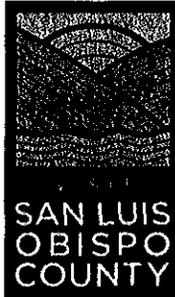
City of Grover Beach  
Attn: Bob Perrault  
154 S. Eighth Street  
Grover Beach, CA 93433

Dear Mr. Perrault,

**Visit San Luis Obispo County (Visit SLOC), the new name of your countywide tourism-marketing agency continues its work to achieve results for its partner destinations and individual hospitality members. Our focus on key practice areas -- county brand management, website/digital marketing, public relations, group sales and film commission to name a few -- is in cooperation with you, our partners, to position San Luis Obispo County as the choice destination for leisure, business and group travel.**

As we are mid-way through our calendar year to produce the results we set to achieve, we realize you are evaluating your budgets for FY: 2013-14. This letter is a formal request for your continued financial support. The Visit San Luis Obispo County Board of Directors has again adopted a funding model based on taxable rents. We are requesting 2/10 of a percent (.002) of each area's taxable rents. The definition of taxable rents is the area's cumulative revenue subject to transient tax (TOT). This model is a fair and equitable plan for all municipalities involved, which allow us to provide the services and support countywide that works in cooperation with your programs raising the awareness for San Luis Obispo County.

<b>2013-2014 Visit SLOC Funding Formula</b>			
<b>Jurisdiction</b>	<b>Taxable Rents FY 11-12</b>	<b>0.002</b>	<b>TOT Rate %</b>
Atascadero	6,381,110	12,762	10
Arroyo Grande	6,299,610	12,599	10
City of SLO	52,498,410	104,997	10
Grover Beach	2,721,410	5,443	10
Morro Bay	20,260,380	40,521	10
Paso Robles	32,222,990	64,446	10
Pismo Beach	68,580,530	137,161	10
<b>Total City Funding</b>	<b>188,964,440</b>	<b>377,929</b>	



In addition, if your city chooses to pay your entire lodging dues Visit SLOC will offer you a 25% discount on your total dues payment for FY: 13-14. New this year is an opportunity to bring your restaurants into this membership discount. If you choose either of these membership offers, please let us know and we can work out details with you.

The attached one-pager provides you a summary of the key programs executed on behalf of your countywide bureau, Visit San Luis Obispo County. If you would like a formal presentation of Visit SLOC programs and benefits, please let us know and we will schedule a time.

Tourism is the largest industry in our county and working together we can continue to keep the industry strong and growing. Thank you for your partnership and dedication to growing tourism in San Luis Obispo County. We look forward to continuing the collaboration to achieve great results for the region.

Regards,

Stacie Jacob,  
Executive Director

CC: Jeff Lee



## Visit San Luis Obispo County Member and Partner Benefits

Marketing Practice	Major Tasks
Member Relations	<ul style="list-style-type: none"> <li>• Visitor Guide</li> <li>• Tourism Vision Workshop</li> <li>• Holiday Guide</li> <li>• Event Calendar</li> <li>• This Week in SLO</li> </ul>
Group Sales	<ul style="list-style-type: none"> <li>• SMART Meetings FAM</li> <li>• Cal SAE</li> <li>• NTA</li> <li>• PowWow</li> <li>• SMART Meetings Mini-FAM</li> </ul>
Public Relations/Media Relations	<ul style="list-style-type: none"> <li>• Black INK Contractors</li> <li>• Ongoing media pitches</li> <li>• SLO County FAM</li> <li>• Pet Friendly FAM</li> </ul>
Brand Management Countywide Themed Programs	<ul style="list-style-type: none"> <li>• New Name</li> <li>• Updated logo</li> <li>• Co-Op Advertising</li> <li>• Silverado Billboard</li> <li>• 12-Month Thematic Campaign: Restaurant Month, Valentine's, Day, Film Festival, Farmers Market, Wine Month, etc.</li> </ul>
Digital Marketing/Website	<ul style="list-style-type: none"> <li>• Website redesign underway – May launch.               <ul style="list-style-type: none"> <li>○ Mobile Enhanced</li> <li>○ Portal to all destination partners</li> </ul> </li> <li>• Social Media</li> </ul>
Event Marketing <i>Sunset SAVOR the Central Coast</i>	<ul style="list-style-type: none"> <li>• Four-Day Experience based Lifestyle Event</li> <li>• <i>Sunset Magazine</i> partnership</li> <li>• \$3.6M Economic Impact</li> </ul>
Film Commission	<ul style="list-style-type: none"> <li>• Rebuilding tools – location library, permits, etc.</li> <li>• Cooperation with SLOIFF</li> <li>• Film Scout FAM</li> </ul>

***FY 14 Budget Document - Provided Under Separate Cover.***