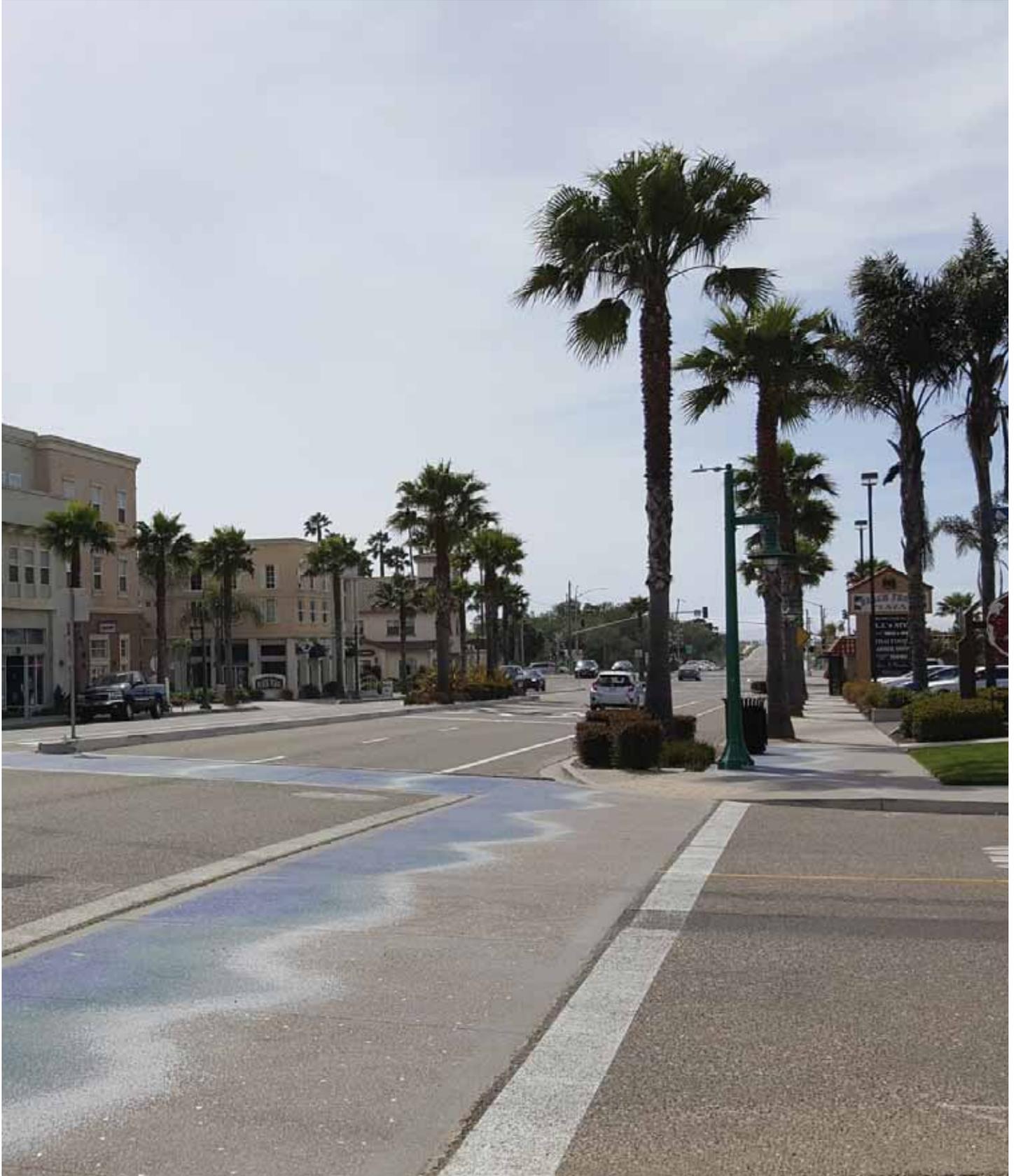


CITY OVERVIEW



City Overview



CITY MANAGER'S ADOPTED BUDGET MESSAGE

I am pleased to present the fiscal year 2018-19 budget for the City of Grover Beach as adopted by the City Council on June 19, 2018. In adopting this budget, the City Council demonstrated a prudent fiscal approach that maintains current service levels and continues to make targeted investments to address Council Goals while retaining reserves consistent with the Council's goal of at least 20% of operating expenditures. As outlined in my transmittal letter, these targeted investments include enhancing fire and emergency medical services staffing to ensure timely response, improving City infrastructure and facilities including street repairs and equipment replacement, and supporting regional and local economic development projects.

There were two specific funding changes to the proposed budget presented to the Council on June 4, 2018 that are reflected in the final adopted budget. The first is the addition of \$10,000 in additional General Fund funding for citywide communication services to promote youth diversion programs in addition to street repairs and other citywide communication needs. There is now a total of \$30,000 budgeted for communication services this fiscal year and staff will work with a contract provider to carry out these services. The second change is establishing a new capital project for sidewalk infill with \$50,000 annually over a five-year period from unallocated Gas Tax funds with infill locations selected by the Council. These funds would be in addition to the \$30,000 budgeted for sidewalk infill in the operating budget and another \$100,000 awarded to the City by SLOCOG for Safe Routes to Schools funding. With these changes, the total adopted City budget for 2018-19 is \$35.4 million with \$19.4 million in the operating budget and \$16.0 million for capital projects.

As we begin the new fiscal year, our focus will turn to implementing the policy direction set by the Council in adopting this budget. We will do so knowing that while the City's long-term fiscal outlook is positive with projected revenue growth, there are near-term challenges to address including the potential of an economic downturn, deferred maintenance needs, and increased costs for core City services such as fire, police, and maintenance services. These challenges will lead to projected funding gaps between revenues and expenditures in the next 2-3 years and will require us to look at ways to maintain service levels including seeking additional ongoing revenue for core City services. On behalf of our staff team, we look forward to working with the Council to continue demonstrating fiscal prudence and achieving the results our community expects from their city government.

Respectfully submitted,



Matthew Bronson

City Manager

City Overview

CITY MANAGER'S LETTER OF TRANSMITTAL

Honorable Mayor and Council Members:

I am pleased to present for your consideration the proposed total budget of \$35.4 million for the City of Grover Beach for the upcoming fiscal year 2018-19. As we close our current fiscal year 2017-18, I'd like to take a moment to recognize our progress and accomplishments over the past year in addressing community needs and implementing the Council's Goals and policy direction.

Streets continue to be repaired throughout Grover Beach as we carried out the largest street improvement project in our history this past year along with installing new water and sewer lines, sidewalk, and corner ramps. There has been substantial progress with 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 final plan check and construction beginning next fiscal year. The Train Station Expansion Project is ready to begin construction after years of planning, preparation, and coordination with other agencies. The public-private broadband fiber network with Digital West has now been installed in our industrial and commercial areas and customers will soon be able to use high-speed internet service to meet their business needs. Public safety is one of our core responsibilities and we have made a policy and funding commitment to help provide more effective and responsive fire services along with implementing needed facility and equipment improvements for Police services. Lastly, we have taken steps to improve our business processes most notably conducting a development review study to streamline our process for customers.

Aside from these projects, 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 Council adopted the initial ordinances to allow for commercial medical cannabis businesses after researching leading practices and holding numerous public meetings. After an extensive application and review process this year, the City has issued four commercial retailer permits and four manufacturing permits to date and one year after adopting the initial ordinances, the City welcomed the opening of the first commercial retail storefront. The Council has also taken action to allow adult use cannabis businesses and modified the cannabis tax rate to be competitive with other communities while still generating tax revenues to support our community. With the Council's leadership and staff's execution, Grover Beach is becoming a significant center for commercial cannabis businesses in our region establishing the right approach for this industry to be a significant economic benefit for the city.

This progress is exciting and positions Grover Beach towards realizing the full potential of our community. While current economic trends are positive and there is long-term optimism about our financial future, there are near term fiscal challenges to the City that we will need to address including a significant increase in pension costs and increased funding needs for core services such as fire services. These challenges require us to be diligent and targeted with expenditures with a particular focus on the City's reserves given the temporary use of reserves proposed for next year to close a budget gap. This proposed budget seeks to strike this balance with retaining the current service levels and making strategic investments in key areas while still keeping reserves consistent with the Council's policy goal of 20% of operating expenditures.

City Council Goals

The Council Goals were established in March 2017 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. To guide development of the 2018-19 budget, the Council conducted a Council Goals workshop to receive an update on the implementation status of the current Council Goals and provide direction to staff on potential changes to the Goals and/or key items to implement in 2018-19. In recognition of the progress made in implementing the goals, the Council adopted an updated set of Council Goals on March 19, 2018 that kept most of these goals in place for the upcoming fiscal year 2018-19 with some strategic adjustments. Below is the updated list of Council Goals:

- *Major City Goals.* These represent the highest priority goals for the City to accomplish and resources to achieve them will be included in the 2018-19 budget.
 - » Public Safety
 - » Water Resources and Utilities
 - » Economic Development
 - » Streets Rehabilitation and Related Infrastructure
 - » Development Review

- *Other Important Goals.* These goals are important for the City to accomplish and resources to achieve them should be made available in the 2018-19 budget, if possible.
 - » Transportation, Traffic, and Pedestrian Safety
 - » Homelessness
 - » Parks and Community Facilities
 - » Neighborhood Preservation

City Overview

- *Address As Resources Permit.* While it is desirable to achieve these goals, doing so in the next fiscal year is subject to resource availability.
 - » Community Activities and Engagement
 - » Housing Affordability
 - » Public Art

Building on the Council's updated goals, staff has developed work programs for each of the five Major City Goals to specify what will be done over the next year in carrying out the goal. This work program is particularly important for goals where full achievement will extend beyond next year. Draft work programs were shared with the Council on April 17, 2018 for input and direction and final versions of the work programs are included in the budget document. Adoption of the 2018-19 budget will serve as the final approval of these work programs. 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 5, 2018, staff presented the results of a 10-year General Fund financial forecast developed by an outside consultant. This forecast was built on the City's first long-range forecast conducted the previous year but expanded to 10 years to incorporate 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 5.5% 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. However, the forecast showed projected gaps of approximately (\$557,000) in 2018-19 and (\$141,000) in 2019-20 given higher costs particularly pension costs. Below is additional information about key forecast trends:

- *Projected Cannabis Tax Revenues.* The forecast assumed a multi-year increase in estimated cannabis tax revenues as the commercial medical cannabis industry becomes established in Grover Beach. The forecast assumed \$750,000 in such revenues in 2018-19 increasing to \$2 million in 2021-22 with an inflationary increase beyond then. On May 7, 2018, the Council adopted a lower tax rate structure of 5% for retailers, 3% for manufacturers and other uses, and \$5 per square foot for cultivators in line with other communities. At the same time, the

Council has amended its commercial cannabis ordinances to allow for adult use cannabis businesses and products. Given these changes, staff has revised the revenue estimates to \$700,000 in 2018-19 increasing to \$1.5 million in 2021-22. Changes in the number of cannabis businesses receiving permits and business revenue generated will potentially change these numbers over time.

- *Higher Transient Occupancy Tax Revenues.* Similar to the previous forecast, this forecast included higher TOT revenues from two new hotel projects, the Holiday Inn project on El Camino Real and the Grover Beach Lodge project. The Holiday Inn project is an entitled project under preliminary construction and projected to begin generating approximately \$350,000 in TOT revenues annually in fiscal year 2019-20. The Grover Beach Lodge project is also an entitled project in planning and permitting in conjunction with California State Parks and projected to generate approximately \$520,000 in TOT and other revenues annually beginning in fiscal year 2020-21. The final construction schedule for both projects will determine the timing of receiving these higher TOT revenues. The forecast does not include additional revenues from other potential hotel projects such as a proposed project at 1598 El Camino Real given the early nature of these projects.
- *Change in Grover Beach Lodge Project.* As shared previously with the Council, the Grover Beach Lodge project will now consist of a 144-room hotel with 4,000 square feet of meeting space inside the hotel with a standalone conference center as a potential future project. The City's financial contribution for the project is now projected to be approximately \$700,000 consisting of direct funding support of a de minimis amount to the concessionaire pursuant to the Council's adopted economic development assistance framework. Additional financial support proposed for the project such as installation of public improvements and construction of a standalone conference center will not be expended at this time which will limit the City's costs while the project still generates the estimated tax revenues. Further information on this revised scope and key considerations will be shared with the Council on June 18, 2018 as part of considering a related amendment to the project's Coastal Development Permit.
- *Pension Cost Increases.* Pension costs are expected to significantly rise given the implementation of recent 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 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 from the current \$1.1 million to \$2 million or 82%. The estimated annual cost of the City's unfunded pension liabilities previously incurred will increase from \$490,000

City Overview

this year (45% of the total pension cost) to \$1.1 million in 2027-28 (57% of the total pension cost). In 2024-25, pension costs will comprise 47% of payroll costs for public safety employees compared with 30% today and 31% for non-public safety employees compared with 21% today. Simply stated, it will cost the City more to pay for pensions for our existing retirees and current employees despite the actions previously taken to address our pension costs. 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 “Ensure Sustainability of Public Pension and Retirement Health Benefits” as one of its 2018 Strategic Goals.

- *Five Cities Fire Authority Strategic Plan Implementation.* As shared with the Council on March 19, 2018, the Five Cities Fire Authority (FCFA) has developed a five-year strategic plan to create sustainable and responsive emergency services in the communities the FCFA serves (Arroyo Grande, Grover Beach, and Oceano). The strategic plan indicated that the current Reserve Firefighter model is unsustainable and additional funds will be needed from the partner agencies to provide consistent emergency services to the public. These costs are expected to increase over the next five years with a phased transition to replace Reserve Firefighters with full-time Firefighters. The cost to the City next year for an initial transition to three full-time Firefighter positions plus a new Battalion Chief is an estimated \$306,000 above the current \$1.5 million cost for the FCFA with the cost of this phased transition increasing each year to approximately \$800,000 in 2021-22. While this added cost was not included in the City’s forecast, the Council provided policy direction to include this strategic plan budget increase in the 2018-19 budget along with future years.

2018-19 Budget Overview

The proposed budget for 2018-19 assumes the moderate revenue growth that we have seen in the past several years from property taxes, sales taxes, and other revenues. The residential housing market is strong and both tourism and sales tax activity continues to be high. In addition, next year’s budget is the first full year when the new commercial cannabis tax revenues are projected to be generated for an estimated \$700,000. TOT revenues are expected to gradually increase next year while significantly increasing beginning in 2019-20 with the Holiday Inn and Grover Beach Lodge projects.

The budget for next year builds on this revenue growth and current fund balance 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 Major City Goals:

Public Safety

- *Fire services staffing and facility improvements.* As referenced earlier, the proposed budget includes a significant funding increase of \$306,000 to begin the implementation of the Five Cities Fire Authority (FCFA) strategic plan. This increase will predominantly fund the transition of three Reserve Firefighters to full-time Firefighter positions 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. In addition to this strategic plan implementation, the budget includes funding for continued maintenance improvements to the Grover Beach fire station.
- *New Police vehicle leasing.* The proposed budget also includes funding to begin a multi-year leasing program to replace existing high-mileage vehicles and begin multiyear scheduled replacement. Two Police patrol vehicles were scheduled to be replaced in 2018-19 given their mileage and a third was recently replaced as it was totaled in an accident. Staff is proposing to purchase these new patrol vehicles plus related equipment and fund them over a five-year period similar to the lease-purchase arrangement this year with the Public Works maintenance trucks. The sale of the existing vehicles to outside agencies will help offset the cost of this leasing program to \$22,000 for 2018-19 with an annual cost of \$78,000 for the subsequent four years.

Water Resources and Utilities

- *Construction of water and sewer infrastructure and update of master plans.* The City will continue its multi-year work to upgrade water and sewer infrastructure over this next year to better serve our customers. Numerous projects will be constructed next year including water main upgrades and sewer system and lift station upgrades for a total of approximately \$3 million. The City will also update its water and sewer master plans to have a more current picture of significant needs for the water and sewer systems. Funding for these improvements will come predominantly from a 10% increase in water rates and 5% increase in sewer rates approved by the Council beginning on July 1, 2018 along with a \$2 million Community Development Block Grant to improve water infrastructure in specific parts of the city.
- *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 \$85,000 this year towards the preliminary engineering work for the EIR along with funding from other regional partners with \$500,000 requested in 2018-19 to fund the final design and project management costs. The project, which is expected to be operational with the initial phase in 2020, is expected to cost a total of \$60 million with grants and low-interest loans expected to be a significant part of the total funding.

Economic Development

- *Regional economic development study.* Given the impending closure of the Diablo Canyon Power Plant, public agencies and business groups have worked together to develop a plan for a regional economic development study. This study would be conducted over the next 2-3 years by the Economic Vitality Corporation as a public-private partnership given the collective interest in adapting our regional economy with the loss of a significant economic engine. The study is funded by both the public and private sectors with the City's share totaling \$21,760 based on percentage of population within the county.
- *Business development support.* The proposed budget also includes \$10,000 at the Council's direction to work with the Arroyo Grande-Grover Beach Chamber of Commerce on business development activities. 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.
- *Commercial cannabis regulatory costs.* Approximately \$300,000 in ongoing costs in the Community Development, Police, and other departments is recommended to provide staff capacity and resources to effectively regulate the new commercial cannabis industry beginning to operate in Grover Beach as part of our economic strategy. These costs include an estimated \$100,000 in auditing the new businesses and the costs are intended to be cost-covered by permit and tax revenue from commercial cannabis businesses.

Streets Rehabilitation and Related Infrastructure

- *Long Branch Avenue and Newport Avenue improvements.* Two major components of next year's street improvement efforts are the improvement projects on Long Branch Avenue from 3rd to 10th streets and on Newport Avenue from 3rd to the eastern city limits. The \$1.8 million project on Long Branch Avenue involves narrowing the street in addition to repaving while providing continuous sidewalks, bike lanes, and on-street parking. The project construction

began in May 2018 and will continue through fall 2018. The Newport Avenue project is in design stage following Council direction to also narrow the street while repaving and install pedestrian features where possible. Approximately \$3.5 million is currently set aside for this project with this cost to be refined with the final design.

- *Smaller street projects.* In addition to the improvements on Long Branch and Newport, next year's budget includes funding to complete a smaller (roughly 10-20 block) street project next year and begin two other ones. The first project is a 10-block section of streets in the northwest area of the city along Front Street, 1st Street, and others which started in May 2018 and will continue through fall 2018. The second project is a nearby 17-block (\$2.5 million) section of streets including Atlantic City Avenue west of 8th Street while the third is a 9-block (\$1.3 million) section of South 16th Street. The second and third projects will be designed this next year with the first one under construction this year and the second one in the following year.
- *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 \$600,000 in funding for major streets including \$300,000 from the new SB 1 transportation funding. This funding, while limited, will help improve the condition of major streets for residents, businesses, and visitors.

Development Review

- *Development review implementation.* A key priority for the Council continues to be to improve the City's development review process to make it more streamlined and predictable for customers. Following a study conducted by an outside consultant this year, staff will carry out implementation actions this next year to make demonstrable progress in improving the process. Much of this work can be carried out in-house by staff with some targeted consulting assistance as needed funded in our operating budget.
- *Update of General Plan elements.* Updating General Plan elements that are outdated is a key aspect of improving the development review process. Over the next year, staff intends to begin updating the Conservation and Open Space and Noise Elements and complete the update to the Safety Element. The budget includes \$60,000 in funding for outside consulting assistance which is primarily carry-over funding for this task in the current fiscal year.

City Overview

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

- Electronic document management system (\$30,000)
- Chamber of Commerce support for Stone Soup Festival (\$20,000)
- Video production for Planning Commission meetings (\$10,000)
- Replacement forklift (\$32,000)
- Grand Avenue median landscaping (\$10,000)
- Beach boardwalk maintenance (\$10,000)
- Communication support for street repair projects (\$10,000) – Measure K-14
- 1.0 FTE Maintenance Worker I position (\$71,300) – Measure K-14
- Street and park tree maintenance (\$30,000) – Gas Tax
- Storm drain inlet cleaning (\$13,000) – Wastewater

These operating budget items represent a targeted set of investments to carry out key projects and improve services provided to our community. Out of the approximately \$528,000 in General Fund operating budget increases recommended for next year beyond baseline or cost of living adjustments to current services, approximately \$306,000 provides ongoing funding to the Five Cities Fire Authority for fire services staffing while \$140,000 is for one-time budget items. Another \$200,000 in increases is funded outside the General Fund by the Wastewater Fund, Gas Tax, or Measure K-14 funds. While the cost of the proposed investments in the 2018-19 budget produces a General Fund budget gap, the City has the financial capacity to absorb these costs for next year, while adhering to Council's 20% reserve policy as shown in the chart below. However, there are budget gaps projected in the two subsequent fiscal years particularly in 2019-20, which leads to lower reserves below the policy goal before beginning to rebound in 2022-23 given projected additional TOT and cannabis tax revenues. There is a degree of uncertainty in future projections and staff will refine these numbers in preparation for the upcoming 2019-21 two-year budget process.

Table 1 – General Fund Budget and Updated Projections

	2017-18 Original	2017-18 Estimated	2018-19 Budget	2019-20 Projection	2020-21 Projection	2021-22 Projection	2022-23 Projection
Beginning Reserves	\$4,238,721	\$4,238,721	\$2,820,680	\$2,198,866	\$1,642,844	\$1,594,639	\$1,648,312
Revenues/Transfers In	\$15,307,001	\$9,614,216	\$10,748,249	\$11,366,100	\$12,380,000	\$13,059,600	\$13,444,600
Operating Expenditures	\$10,258,605	\$10,103,720	\$11,071,069	\$11,464,822	\$11,972,205	\$12,551,227	\$12,664,561
CIP/Debt Service	\$949,534	\$688,537	\$148,994	\$163,900	\$163,900	\$163,900	\$325,600
Transfers Out/Other	\$6,457,986	\$240,000	\$150,000	\$293,400	\$292,100	\$290,800	\$289,400
Surplus (Deficit)	-\$2,359,124	-\$1,418,041	-\$621,814	-\$556,022	-\$48,205	\$53,673	\$165,039
Ending Reserves	\$1,879,597	\$2,820,680	\$2,198,866	\$1,642,844	\$1,594,639	\$1,648,312	\$1,813,351
Percent of Expenditures	18%	28%	20%	14%	13%	13%	14%

Future Challenges

Prudent fiscal management and a continued strong economy have provided an opportunity to make key investments in our future. At the same time, there are several challenges we must be aware of that may impact our financial position so the City can take appropriate actions if needed:

Potential of Economic Downturn

Today's economic environment is 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 cautious optimism. However, based on long-term trends, there is a reasonable likelihood that we will experience some level of economic downturn in the next five years impacting the City given the high percentage of our revenues from property, sales, and transient occupancy taxes. The City should demonstrate caution in allocating future 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.

Uncertainties with Commercial Cannabis Revenue and Higher TOT Revenue

Related to the first challenge are 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 particularly in the later years of the financial forecast is due in large part to revenues from these two sources. These revenues also are key to not facing greater deficits over the next two fiscal years. The commercial cannabis industry is beginning to operate in Grover Beach and the

City Overview

annual tax revenues are projected to be significant once these businesses are operating. However, there are still uncertainties with these future revenues given the evolving nature of this new industry. 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 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 \$16 million or almost half of the total City budget for next year. We are making great strides in improving streets and other infrastructure and are beginning to make improvements at other facilities such as Ramona Garden Park and 16th Street Park. However, substantially more funds are needed to fully address deferred maintenance needs throughout the city and improve the condition and durability of our facilities. This is particularly true for the water system where replacing outdated infrastructure is important yet challenging with an anticipated Water Fund deficit that will need to be closed over this next year.

Increased Costs for Core City Services

The City's General Fund is the fund for carrying out most City services and programs such as police patrols, fire and emergency medical services, maintenance of parks and City facilities, and other general services. These services are funded primarily through general tax revenues such as property taxes, sales taxes, TOT, business tax certificates, and other sources. The City already has the lowest General Fund budget in the county and the costs for providing core services to meet community needs are increasing to the point where additional funding may be needed to carry out desired service levels. The recommended increase for fire services is an example of these higher costs to provide a higher and more responsive level of service to the community given staffing challenges. Police services are also in need of additional support given a high call volume and relatively low patrol staffing levels. Other services including park and facility maintenance are also in need of additional funding. As shown earlier, the City is projecting deficits for the next 2-3 years along with reduced reserves in funding current service levels and additional ongoing revenue is increasingly important in supporting core City services.

Conclusion

The signs of progress are all around us in Grover Beach. From repaved streets to redeveloped and

City Overview

renovated properties, from new businesses opening to a new industry taking shape, there is a sense of vitality and a “can do” spirit abounding in our city and noticed throughout our region. This is a time for city government to continue making needed investments in public infrastructure and services to help our community flourish and encourage private investment to grow our economy. This proposed budget is a financial blueprint to help us achieve this and I’d like to recognize the outstanding work of our staff particularly our Administrative Services Department. While we face some near-term financial challenges, I am confident that we will address them with the City Council’s leadership and City staff’s execution and help create an even more prosperous and vibrant community with a high quality of life for residents, businesses, and visitors.

Respectfully submitted,

A handwritten signature in blue ink that reads "Matt Bronson". The signature is stylized and cursive.

Matthew Bronson

City Manager

City Overview

CITY COUNCIL GOALS

MAJOR CITY GOALS

Public Safety

Ensure a quality, contemporary public safety program (police, fire and medical) by providing the resources needed to meet existing demands (e.g. staff, facilities, equipment, training); and seek ways to engage the community and local businesses in addressing public safety challenges, including reducing vagrancy problems near commercial areas, neighborhoods and City parks.

Water Resources and Utilities

Meet existing and long term water needs by implementing the City's updated water and sewer master plans, upgrading city infrastructure, and developing long term, reliable water sources such as water reclamation at the South San Luis Obispo County Sanitation District, Regional Groundwater Sustainability Project, and storm water recharge.

Economic Development

Strengthen the City's economic base by implementing an economic development strategy that includes construction of the Grover Beach Lodge and other hotels, establishment of commercial cannabis businesses, implementation of broadband fiber in industrial and commercial areas, and opportunities to generate additional transient occupancy and business tax revenues.

Streets Rehabilitation and Related Infrastructure

Continue the implementation of major street and road improvements using Measure K-14 funds and other available resources, incorporating where feasible other desirable improvements (e.g. fiber optic, sewer, storm water, water and electrical lines, curb, gutter and sidewalk, bike lanes, traffic calming, and lighting); and ensure updated public information during all project phases.

Development Review

Implement the development review study to improve and streamline the development review process to enhance service and community investment, and to provide clearer guidelines for permit applicants, to include environmental, planning, engineering and construction standards.

OTHER IMPORTANT GOALS

Transportation, Traffic, and Pedestrian Safety

Improve transportation mobility and traffic safety by completing the train station expansion; improving bus service and facilities; and implementing various traffic calming strategies (e.g. sidewalks, pedestrian friendly streets); and pursuing added funding sources.

Homelessness

Address homeless challenges by partnering with others (e.g. the Five Cities Homeless Coalition, other government agencies) to provide enhanced services, such as a warming station, daytime services and nighttime shelter.

Parks and Community Facilities

Enhance implementation of parks and facilities improvements and deferred maintenance needs, which includes the timely completion of Ramona Garden Park improvements and an assessment of additional park and facility needs including consideration of improvements to the City's cultural center around Ramona Garden Park.

Neighborhood Preservation

Preserve and protect neighborhoods by proactively expanding and enforcing the Code Enforcement Program and regulating vacation rentals (Vacation Rental Ordinance) in the city.

ADDRESS AS RESOURCES PERMIT

Community Activities and Engagement

Maintain existing quality of life programs, and develop new and innovative ones to enhance involvement in special events, youth services and other community activities.

Housing Affordability

Collaborate with developers and non-profits on housing projects that increase the availability of affordable housing in Grover Beach.

Public Art

Seek opportunities to increase public art, including in conjunction with other projects (e.g. street/park projects) by adopting clear policies and guidelines that encourage the installation of public art.

City Overview

MAJOR CITY GOALS WORK PROGRAMS

PUBLIC SAFETY

Goal Statement

Ensure a quality, contemporary public safety program (police, fire and medical) by providing the resources needed to meet existing demands (e.g. staff, facilities, equipment, training); and seek ways to engage the community and local businesses in addressing public safety challenges, including reducing vagrancy problems near commercial areas, neighborhoods and City parks.

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

Task	Date
1. Consider increased recruitment incentives for lateral police officer employment	June 2018
2. Begin initial transition from Reserves to full-time Firefighter positions	July 2018
3. Begin leasing program for replacement of Police vehicles to standardize replacement schedule	July 2018
4. Begin work with Fire Cities Fire Authority partner agencies on JPA Agreement restructuring	September 2018
5. Implement additional facility improvements for Fire station	January 2019
6. Conclude initial phase of strategic planning/forecasting process for the Police Department to inform the upcoming two-year budget process	January 2019
7. Finalize amended Fire Cities Fire Authority JPA Agreement with partner agencies	April 2019
8. Attend/hold recruitment events to promote public safety employment opportunities to fill vacancies	Ongoing

Key Policy/Operational Issues

- Continued difficulty in recruiting for police officer positions similar to other police agencies
- Police staffing levels lower than recommended given the annual volume of service calls
- Continued use of Reserve Firefighters impacts emergency services response time and consistent staffing levels. Planning initial transition to Full Time Firefighter position

Financial Resources Required

2018-19 Cost Summary	
First-year implementation of Fire Strategic Plan including initial transition of Reserve Firefighters to full-time Firefighters	\$306,000
Facility improvements to Fire station	\$10,000
Police vehicle replacement leasing*	\$22,000
Police Department strategic planning/forecasting	\$5,000
Total	\$343,000

**Net cost for 2018-19 after sale of existing vehicles*

2018-19 Funding Sources	
General Fund	\$343,000
Total	\$343,000

City Overview

WATER RESOURCES AND UTILITIES

Goal Statement

Meet existing and long term water needs by updating the City's water and sewer master plans, upgrading City infrastructure, and developing long term, reliable water sources such as the Central Coast Blue Project and storm water recharge.

Task	Date
1. Water and Sewer Master Plan Updates	
a. Complete Updates	January 2019
b. Impact Fee Updates	January 2019
2. Urban Water Management Plan Update	
a. Complete Update	August 2018
b. Modify Conservation Program and Penalties	November 2018
3. Water Infrastructure Upgrades:	
a. Main Upgrades related to K-14 Streets	
i. Complete Design	September 2018
ii. Start Construction	March 2019
b. Upgrade 2" and 4" Water Mains, CIP 4267	
iii. Complete Design	December 2018
iv. Start Construction	March 2019
c. Lopez Water Grover Beach Pump Station	
v. Complete Design	February 2019
d. Major Reservoir Maintenance	
vi. Complete Design	July 2018
vii. Construct	December 2018
4. Regional Recycled Water Project (Central Coast Blue)	
a. Phase 1 EIR completed	December 2018
b. Start Phase 2 EIR support engineering and studies	December 2018
5. Emergency Water Supply	
a. Participate in emergency State water development if needed	Ongoing
6. Lopez Lake Storage Contract Changes and Low Reservoir Response Plan	
a. Participate in development of a modified contract that allows for individual management of surface water supply	Ongoing
7. Sewer System Upgrades	
a. Start construction on improvements to support future development	February 2019
8. Front Street Lift Station Upgrades	
a. Start Design	September 2018
9. Citywide Sewer Lining Project	October 2018

Key Policy/Operational Issues

- Updated water and sewer master plans will provide blueprint for water and sewer system needs
- Condition of aging water infrastructure and backlog of maintenance needs
- Funding shortfalls in the Water Enterprise Fund and need for further rate increases or other revenues to meet system needs
- Lack of rainfall this winter and impact on water supply and conservation needs
- Central Coast Blue recycled water project will become more defined and lead to key decision points for the City about long-term water supply and additional funding needed

Financial Resources Required

2018-19 Cost Summary	
Water and Sewer Master Plans Consultant Fees	\$120,000
Water and Sewer System Impact Fee Study Update Consultant Fees	\$50,000
Water and Sewer Infrastructure Upgrades	\$2,413,995
Central Coast Blue Project Final Design and Program Management	\$500,000
Total	\$3,083,995

2018-19 Funding Sources	
Water and Sewer Enterprise Funds	\$1,264,500
Impact Fees	\$58,000
CDBG and Other Grants	\$1,761,495
Total	\$3,083,995

City Overview

ECONOMIC DEVELOPMENT

Goal Statement

Strengthen the City's economic base by implementing an economic development strategy that includes construction of the Grover Beach Lodge and other hotels, establishment of commercial cannabis businesses, implementation of broadband fiber in industrial and commercial areas, and opportunities to generate additional transient occupancy and business tax revenues.

Staff Lead: Matthew Bronson, City Manager

Task	Date
Hotel Developments	
1. Begin oversight and construction management for Urban Commons hotel on El Camino Real	Summer 2018
2. Process development application for 1598 El Camino Real hotel project for Planning Commission and Council consideration	Summer/Fall 2018
3. Finalize plans and issue local permits for Grover Beach Lodge in conjunction with State Parks plan checking and permit issuance	Fall 2018
4. Begin City coordination with construction management for Grover Beach Lodge construction	Fall/Winter 2018
Commercial Cannabis Activities	
1. Begin compliance activities and revenue collection as initial cannabis businesses begin operating	July 2018
2. Process additional development applications for commercial cannabis businesses	July 2018
3. Review current ordinances, regulatory costs and fees, and tax structure and engage the Council on potential changes	January 2019
4. Revise ordinances as directed by Council and present revised ordinances for adoption	Spring 2019
Broadband Network	
1. Work with Digital West on marketing efforts to promote broadband use by businesses as initial service begins	July 2018
2. Work with Digital West on additional opportunities to expand the broadband network beyond the initial industrial and commercial areas	December 2018

City Overview

Business Development	
1. Work with Chamber to begin meeting periodically with local businesses on key issues facing business community	July 2018
2. Conduct outreach with hotels and businesses on potential changes to the transient occupancy tax and business tax certificate tax to support core City services	Summer/Fall 2018
3. Begin working with partners on regional economic development study to identify future economic strategies after the closure of the Diablo Canyon Power Plant	Summer 2018
4. Work with the Chamber and other partners on business development opportunities	Fall 2018

Key Policy/Operational Issues

- Continued focus on the Grover Beach Lodge along with two other catalyst hotel projects on El Camino Real
- Significant staff time and focus on commercial cannabis industry given its complexity and financial importance
- Importance of maximizing potential of broadband network to demonstrate return on the City's funding investment
- City's involvement in regional economic development strategies to ensure economic vitality following closure of Diablo Canyon

Financial Resources Required

2018-19 Cost Summary	
Commercial cannabis regulatory activities	\$290,000
Regional economic development study	\$21,000
Business development assistance`	\$10,000
Total	\$321,000

2018-19 Funding Sources	
Commercial cannabis regulatory permit fees	\$290,000
General Fund funding	\$31,000
Total	\$321,000

City Overview

STREET REHABILITATION AND RELATED INFRASTRUCTURE

Goal Statement

Continue the implementation of major street and road improvements using Measure K-14 funds and other available resources, incorporating where feasible other desirable improvements (e.g. fiber optic, sewer, storm water, water and electrical lines, curb, gutter and sidewalk, bike lanes, traffic calming, and lighting); and ensure updated public information during all project phases.

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

Task	Date
1. Identify key streets and intersections for implementation of sidewalk infill, traffic calming and safety enhancements	July 2018
2. Complete construction on CIP 2295-4 street project (57 blocks on South 8 th , Mentone, South 13 th , North 16 th , and others)	July 2018
3. Begin design of CIP 2295-8 (10 to 15 blocks to be determined)	July 2018
4. Complete paving on CIP 2295-7 (10 blocks situated in northwest area)	September 2018
5. Complete paving on CIP 2295-5 (Long Branch Avenue)	September 2018
6. Complete preliminary design of Ramona Square Parking Lot, CIP 3393, and confirm property owner involvement in reimbursement mechanism	September 2018
7. Complete design and start construction on CIP 2295-6 (Newport Avenue)	October 2018
8. Complete design and begin construction of CIP 2283 (Major Street Maintenance) based on Council prioritized street segments	November 2018
9. Complete design and start construction on CIP 2295-8 (10 to 15 blocks)	November 2018
10. Complete design and begin construction of sidewalk infill, traffic calming and safety enhancements	December 2018
11. Start construction of initial phase of Ramona Square Parking lot improvements	March 2019
12. Begin design of CIP 2295-9 (10 to 15 blocks to be determined)	April 2019

Key Policy/Operational Issues

- Achieving accelerated pace of improvements with limited engineering and field maintenance staff resources
- Growing cost of water line improvements and the scope and timing of these improvements relative to street improvements
- Degree of sidewalk infill, traffic calming, and other safety enhancements with street improvement work
- Effective use of Pavement Condition Index (PCI) street ratings to inform future decisions on street improvements

City Overview

- Need for street improvements on arterials and major streets with limited funds from Gas Tax, and Local Transportation Funds
- Improving 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

Financial Resources Required

2018-19 Cost Summary	
2295-4 Street Project Construction (57-block project)	\$662,916
2295-4 Water and Wastewater Improvements	\$89,840
2295-4 Sidewalk Improvements	\$11,382
2295-5 Street Project Construction (Long Branch Avenue)	\$1,232,071
2295-5 Sidewalk Improvements	\$37,500
2295-6 Street Project Construction (Newport Avenue)	\$3,000,000
2295-6 Water Improvements	\$433,000
2295-7 Street Project Construction (10-block project situated in northwest area)	\$724,134
2295-7 Water Improvements	\$5,000
2295-8 Street Project Design (10 to 15 block project TBD)	\$150,000
2295-8 Street Project Construction	\$1,500,000
2295-9 Street Project Design (10 to 15 block project TBD)	\$150,000
2283 Design and Construction (Major Street Maintenance)	\$626,696
3393 Design and Phase 1 Construction (Ramona Square)	\$227,690
Total	\$8,850,229

2018-19 Funding Sources	
	Source
2016 Street Bond	\$662,916
2017 Street Bond	\$7,107,460
Water Fund	\$89,249
Wastewater Fund	\$10,591
Gas Tax	\$121,352
Gas Tax (RMRA)	\$298,846
Local Transportation Fund (LTF)	\$532,135
Total	\$8,850,229

City Overview

DEVELOPMENT REVIEW

Goal Statement

Implement the development review study to improve and streamline the development review process to enhance service and community investment, and to provide clearer guidelines for permit applicants, to include environmental, planning, engineering and construction standards.

Staff Leads: Bruce Buckingham, Community Development Director; Greg Ray, Public Works Director

Task	Date
1. Begin execution of development review process study implementation plan	July 2018
2. Initiate ongoing review and update of select development code sections	July 2018
3. Begin work on updating Conservation, and Open Space General Plan elements	July 2018
4. Complete parking standards update	September 2018
5. Begin staff update of Engineering City Standards & Specifications	September 2018
6. Complete sign ordinance update	October 2018
7. Present initial development code updates to the Council for consideration	November 2018
8. Begin update to Noise Element	May 2019
9. Complete update of Safety Element	June 2019
10. Complete update to Engineering City Standards & Specifications	June 2019
11. Complete Phase 1 of development review implementation	June 2019

Key Policy/Operational Issues

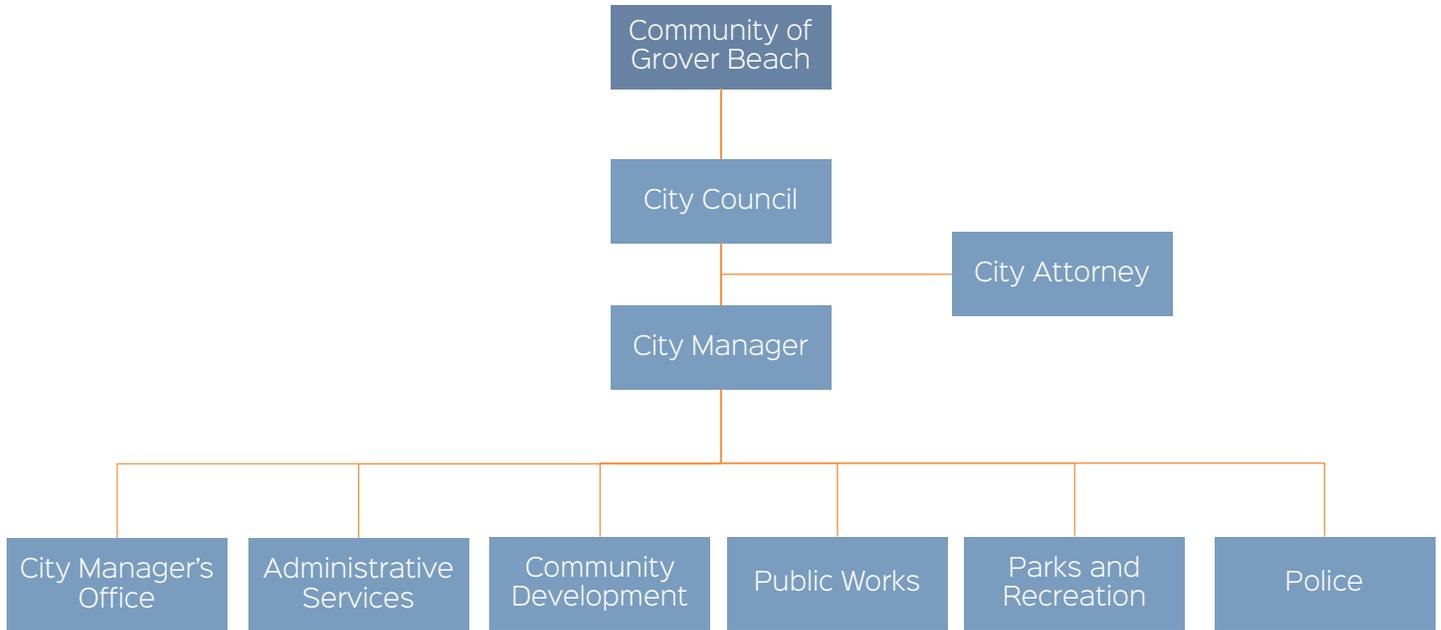
- Implementation of development review study will be major area of focus in 2018-19
- Need to accelerate work to update General Plan elements
- Staffing constraints may slow the pace of implementation of development review changes

Financial Resources Required

2018-19 Cost Summary	
	Estimated Cost
Consultant assistance to update General Plan elements	\$60,000
Total	\$60,000

2018-19 Funding Sources	
	Source
General Fund	\$60,000
Total	\$60,000

CITY ORGANIZATION CHART



City Council

Mayor	John P. Shoals
Mayor Pro Tem	Jeff Lee
Council Member	Barbara Nicolls
Council Member	Debbie Peterson
Council Member	Mariam Shah

Principal Management Personnel

City Manager	Matthew Bronson
City Attorney	David P. Hale
City Clerk/Executive Assistant	Donna L. McMahon
Chief of Police	John Peters
Administrative Services Director	Gayla R. Chapman
Community Development Director	Bruce Buckingham
Public Works Director / City Engineer	Greg Ray
Parks & Recreation Director	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 2016 U.S. Census data, the city's population was 13,641 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 \$30,493 compared with the San Luis Obispo County average of \$32,335 and the California average of \$36,458. 11.0% of residents live below the poverty line compared with 11.0% in San Luis Obispo County and 14.3% in California. The average household size is 2.43 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 Pacific Surfliner train service north to San Luis Obispo and south to Santa Barbara, Los Angeles, and San Diego. 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 eight permits for retail and manufacturing businesses to date with the first retailer business opening in May 2018. Additional applications expected to be submitted in the next fiscal year.

