

January 2007

Dear Pacific Grove Resident,

I want to let you know about a serious challenge facing the community. The costs of providing public services are exceeding the revenues we receive to pay for them. Important City services -- such as police, fire, street and park maintenance, the Library, and the Natural History Museum -- that are critical to the fabric and character of our community may need to be reduced. While we are always looking for ways to be more efficient, these measures alone will not solve this problem. City revenues haven't kept pace with the costs for delivering services. In fact, the City has spent down reserves (from \$2.9 million to \$1.0 million) since 2001 to avoid severe service cuts. This trend cannot continue. We must live within our means.

In recent years, the City Council has worked to clarify the City's financial picture, so that the community can have meaningful input into the decisions that will determine Pacific Grove's future. In the current fiscal year and next, we expect to face a budget gap of approximately \$500,000 each year, just to continue current services. In addition, a committee comprised of City Council members, residents, professional accountants, and City staff identified approximately \$3 million in important services that are severely under-funded, if funded at all. Together, the amount needed for long-term sustainability is more like \$3.5 million annually, which is equal to 25% of the City's General Fund. In addition, we need to begin rebuilding our reserves that will enable us to weather the next economic downturn or continue services during a natural disaster.

Some suggest that simply reducing employee salaries and benefits will solve the problem. We must consider this alternative. At the same time, we must understand the implications of such an action. The City is in business to provide services, and service quality is directly related to the quality of the people delivering the services. We are in a highly competitive market for qualified professionals; as evidenced by our current difficulties in filling Police Officer, land-use planner, and arborist positions. Staffing vacancies such as these are creating salary savings that will help us to balance this year's budget, but are reducing our ability to prevent and solve crime, process construction projects in a timely way, and take care of the City's trees. The Cities of Monterey and Marina have significantly increased employee salaries recently to remain competitive.

We will balance the budget. We can do this by cutting costs and services or increasing revenues. The solution will likely require a reasonable combination. Later this year, City staff will make a series of recommendations to the City Council for their consideration. Those recommendations and decisions will greatly benefit from your participation. If you would like more information on this issue, and to learn more about the next steps, please plan on attending the upcoming community meetings. For your convenience, the informational meetings are scheduled for different times. I hope to see you there.

- **Wednesday, January 24 at 7:00 pm at the Sally Griffin Senior Center**
- **Saturday, January 27 at 11:00 am at the Sally Griffin Senior Center**  
700 Jewell Avenue, Pacific Grove

Sincerely,

James J. Colangelo  
City Manager



City Hall  
300 Forest Avenue  
Pacific Grove, CA 93950