

The Budget Challenge for a Sustainable Pacific Grove



January 27, 2007

Jim Colangelo, City Manager

Jim Becklenberg, Dir. of Mgmt. and Budget

Meeting Purpose

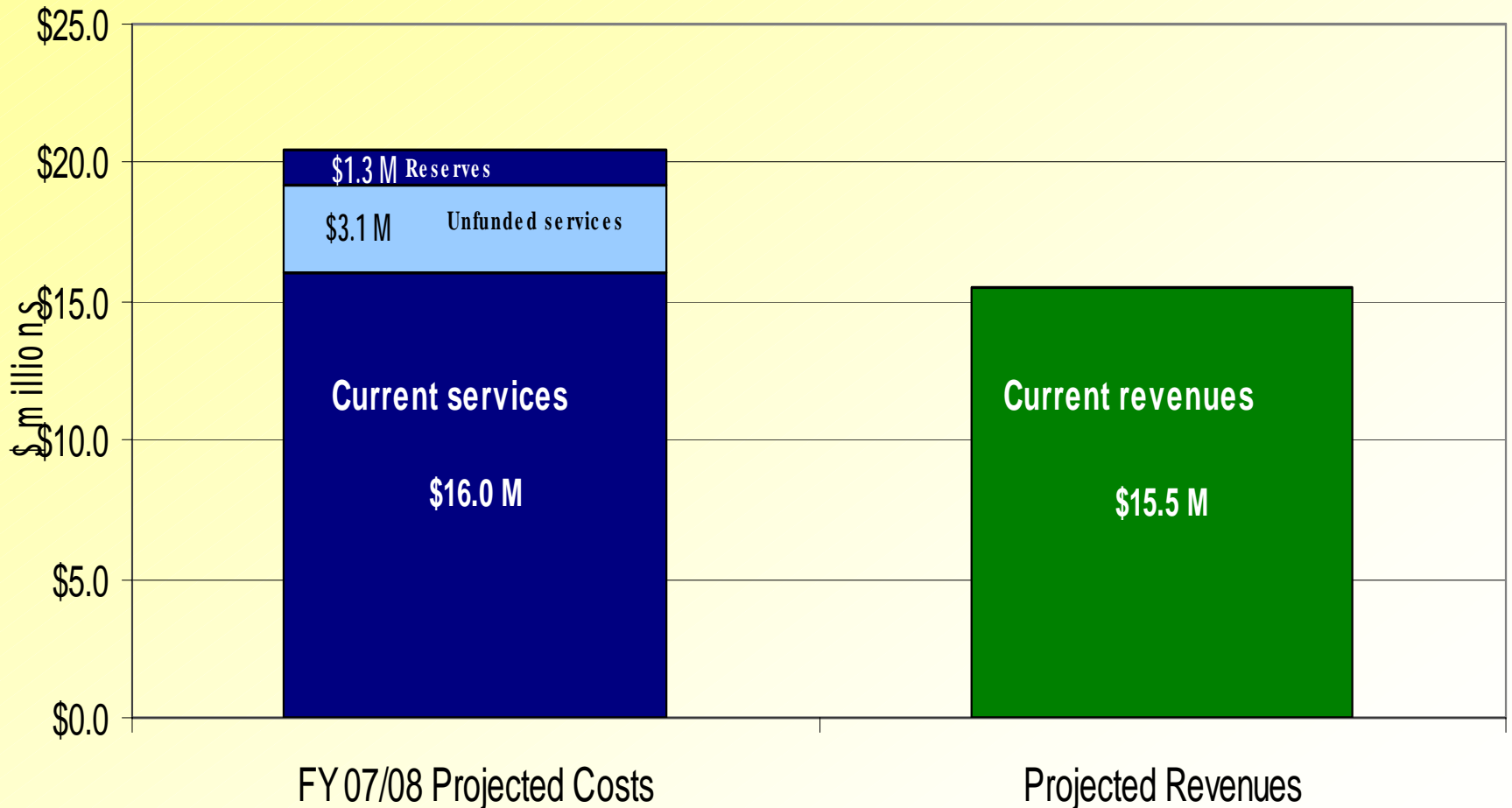
Inform the community about the City's financial challenges and the options for solving them

Overview

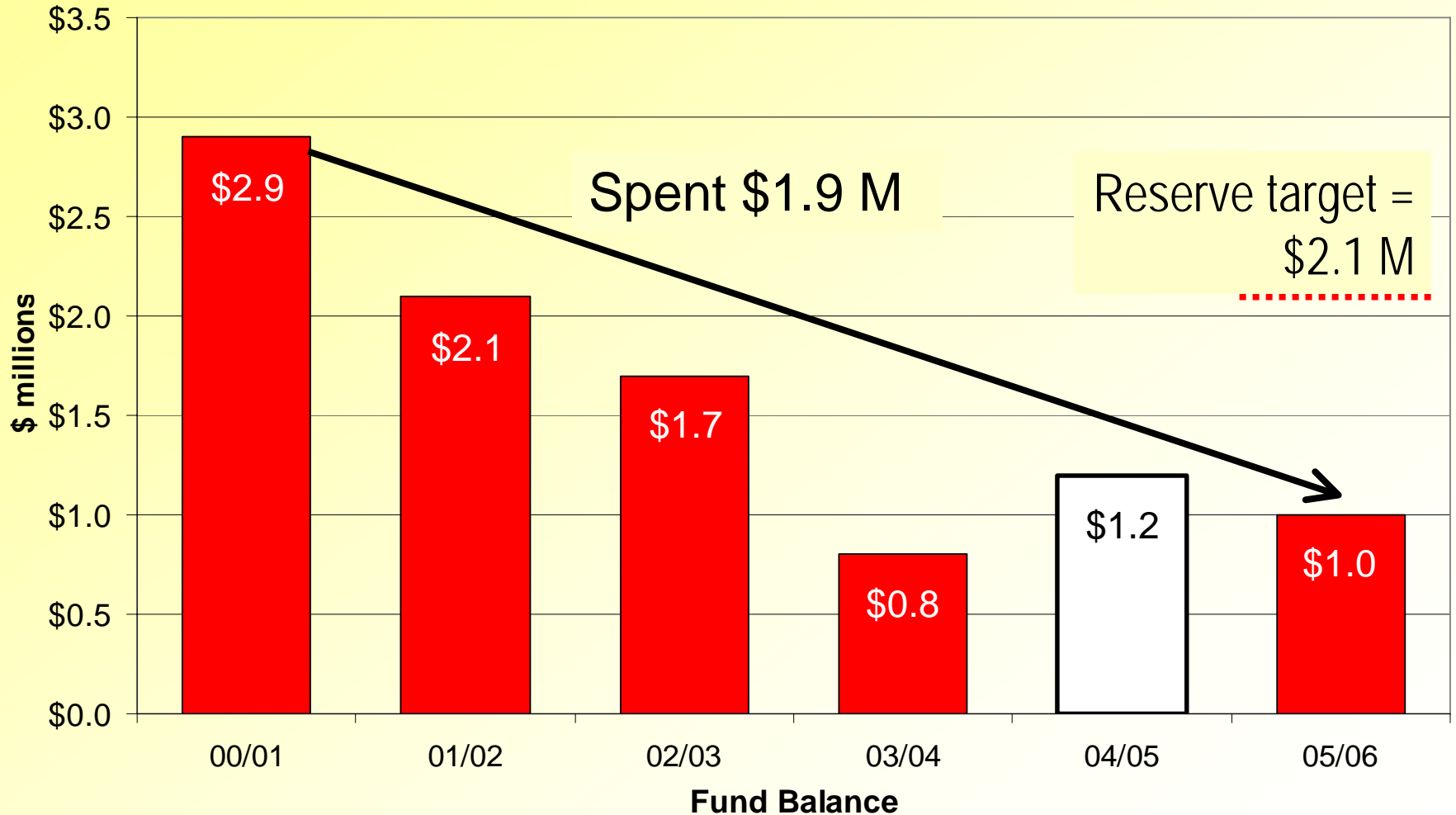
- Current path is unsustainable
 - Over-spending in recent years to preserve services
 - Must Live Within Our Means
- Community identity/choices drive tax base
- Tough choices ahead
 - Service cuts
 - New revenue opportunities

The Challenge

Balancing Revenues with Services



Spending Reserves Since 2001

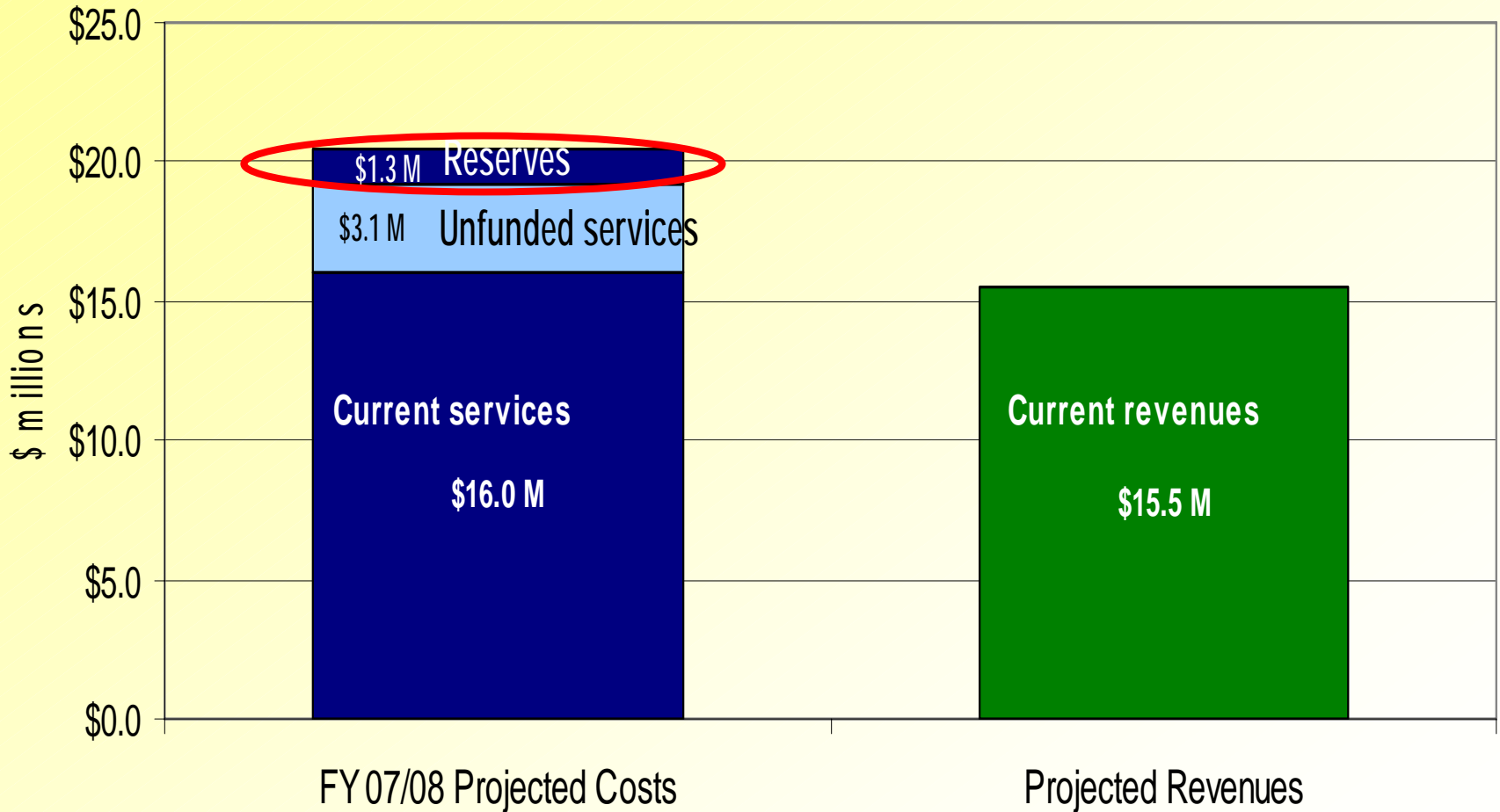


FY 2006/07 Projection

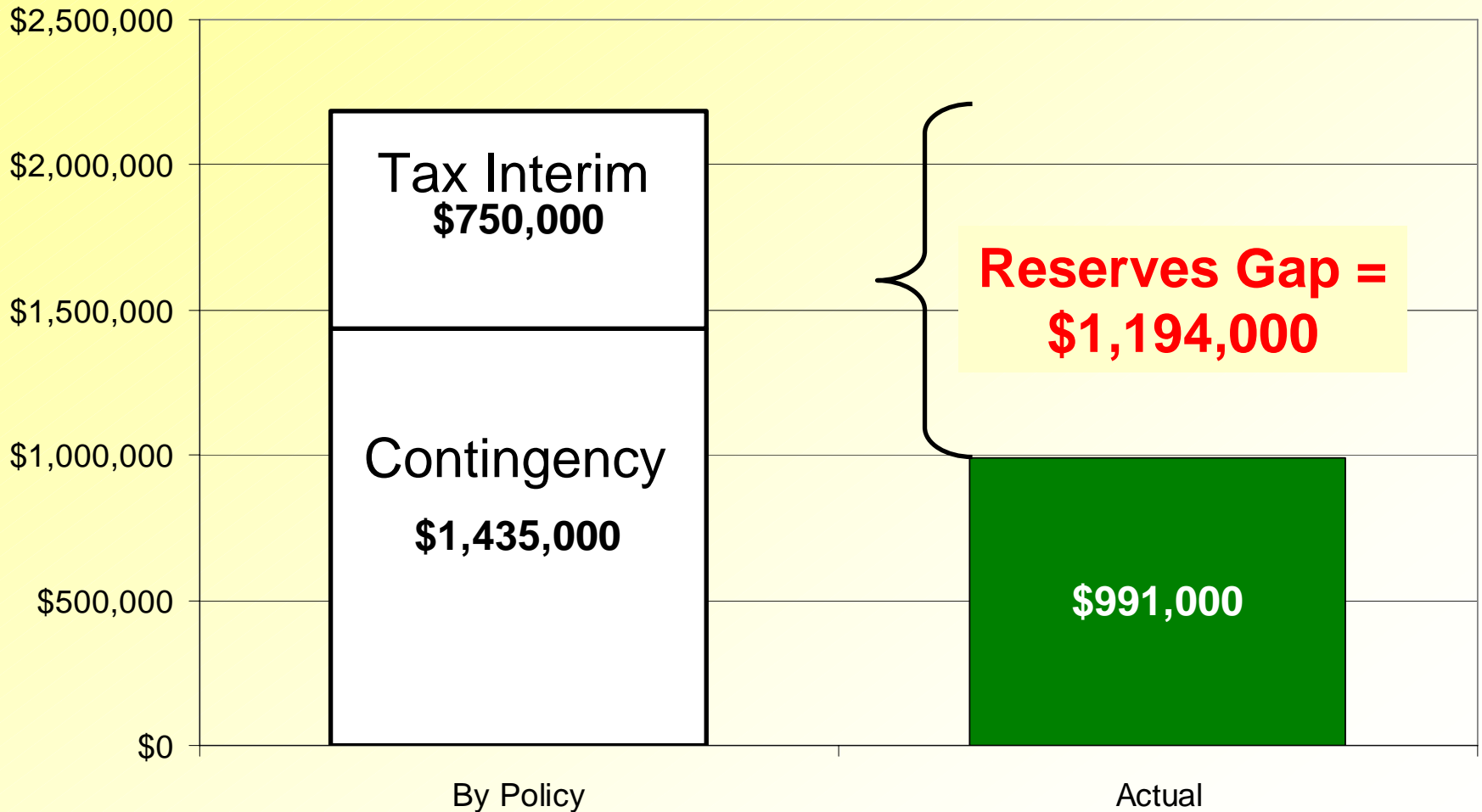
(Million)	December estimate	Current estimate
Beginning Fund Balance	\$1.0	\$1.0
Revenues	15.1	15.1
Expenditures	-15.6	-15.0
Net Results of Operations	-0.5	0.1
Ending Fund Balance	\$0.5	\$1.1

The Challenge

Balancing Revenues with Services



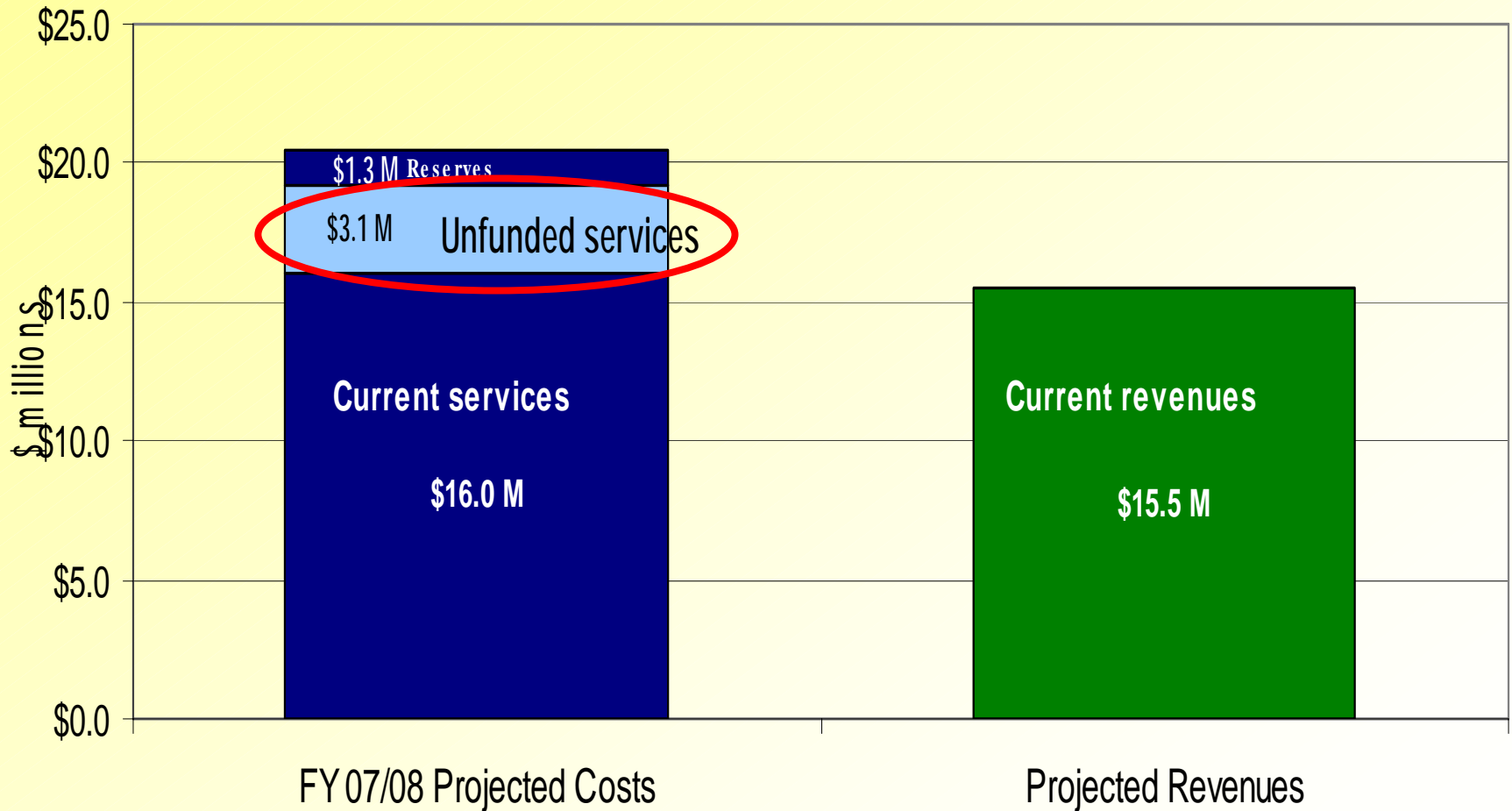
FY 2006/07 Reserves Gap \$1.2 Million



January 2007

The Challenge

Balancing Revenues with Services



Under-Funded Services

Trees	\$250K	Parks	\$150K
Storm water	\$250K	Long-range land use planning	\$200K
Streets	\$500K	Faster construction services	\$150K
Sidewalks	\$85K	Code Enforcement	\$200K
Rec. trail	\$15K	Capital replacement fund	\$300K
Library hours	\$100K	Police and Firefighter Wage Competitiveness	\$900K

Total estimated annual cost = \$3.1 million

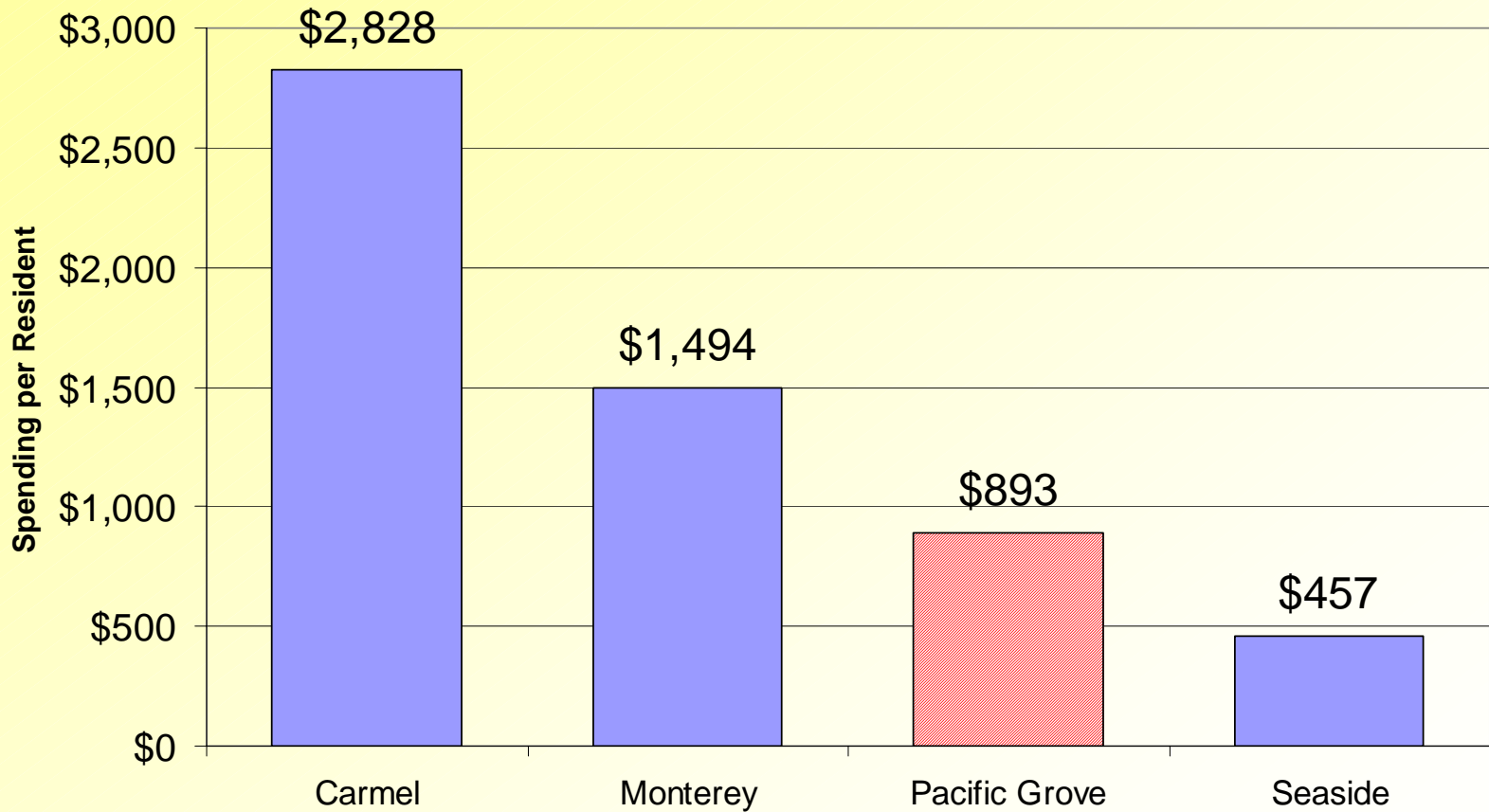
Defining the Budget Gap for a Sustainable Pacific Grove

Revenue	\$15.5 M
Expenditures	-\$16.0
Operating Gap (FY 07/08) =	-\$0.5
PLUS:	
Under-funded services	-\$3.1
THEN, Gap=	-\$3.6
PLUS:	
Reserves (one-time)	-\$1.3
THEN, Gap=	-\$4.9 M

How Do We Compare With Other Cities?

Spending Less than Neighbors

General Fund Expenditures per Resident, FY 2004/05



Service = People = Expensive

Total Cost for Police Officer and Firefighter

	Police	Firefighter
Base salary	\$67,656	\$63,495
Health insurance (included in salary)	\$9,816	\$9,236
Uniform allowance	\$870	\$700
Shift/other incentive pay	\$9,548	6,361
Total pay	\$87,890	\$79,792
Retirement contribution (approx. 30%)	\$23,242	\$21,819
Workers' Comp. Premium	\$11,366	\$11,644
Other benefits (Medicare, life insurance, disability)	\$1,609	\$1,665
Total cost	\$124,107	\$114,920

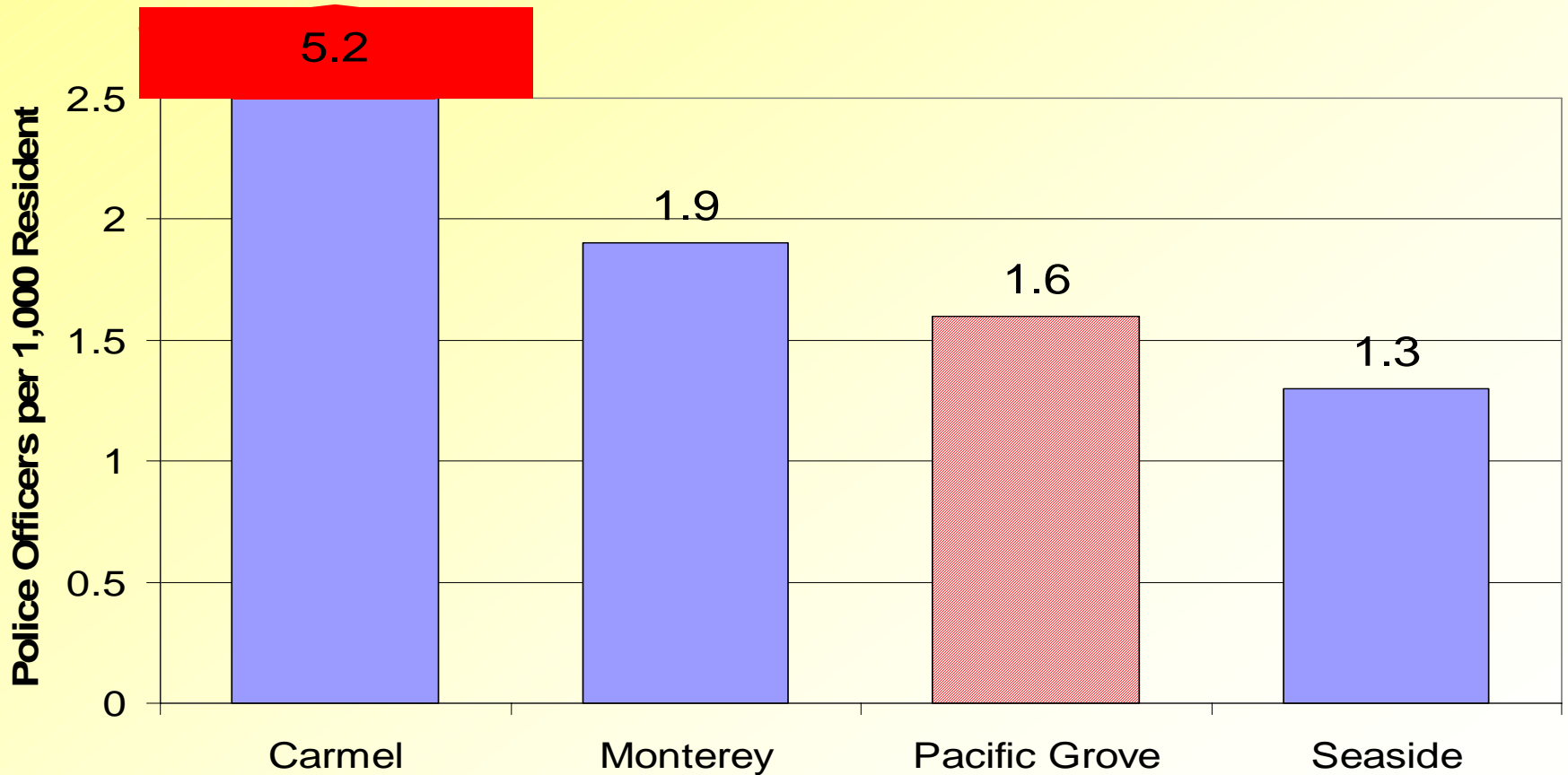
CalPERS Retirement System Facts

- Police Officer and Firefighters eligible at 50:
25 years of service = 75% of salary
- All other employees eligible at 55:
25 years of service = 50% of salary
- No social security
- Employees pay 7-9% of salary
- City cost fluctuates with CalPERS investments (stock market)

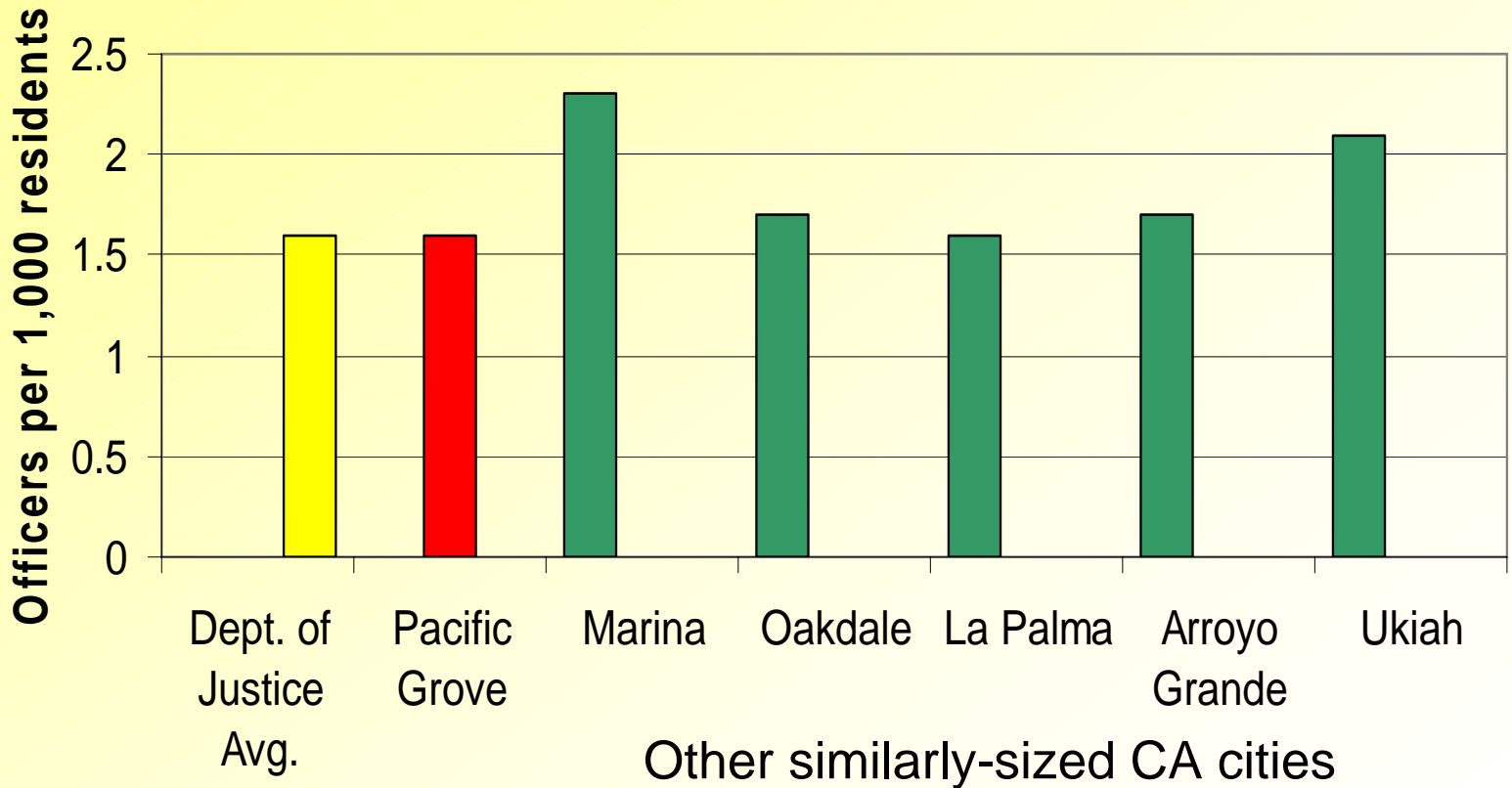
PG Police Officer Salaries Not Competitive

Monterey	\$81,696
County Sheriff's Office	\$79,584
Watsonville	\$79,560
Salinas	\$78,588
Seaside	\$73,968
Marina	\$71,016
Sand City	\$70,944
Pacific Grove	\$67,656
Carmel	\$64,116
Average	\$74,125

Police Staffing Levels Average for Peninsula

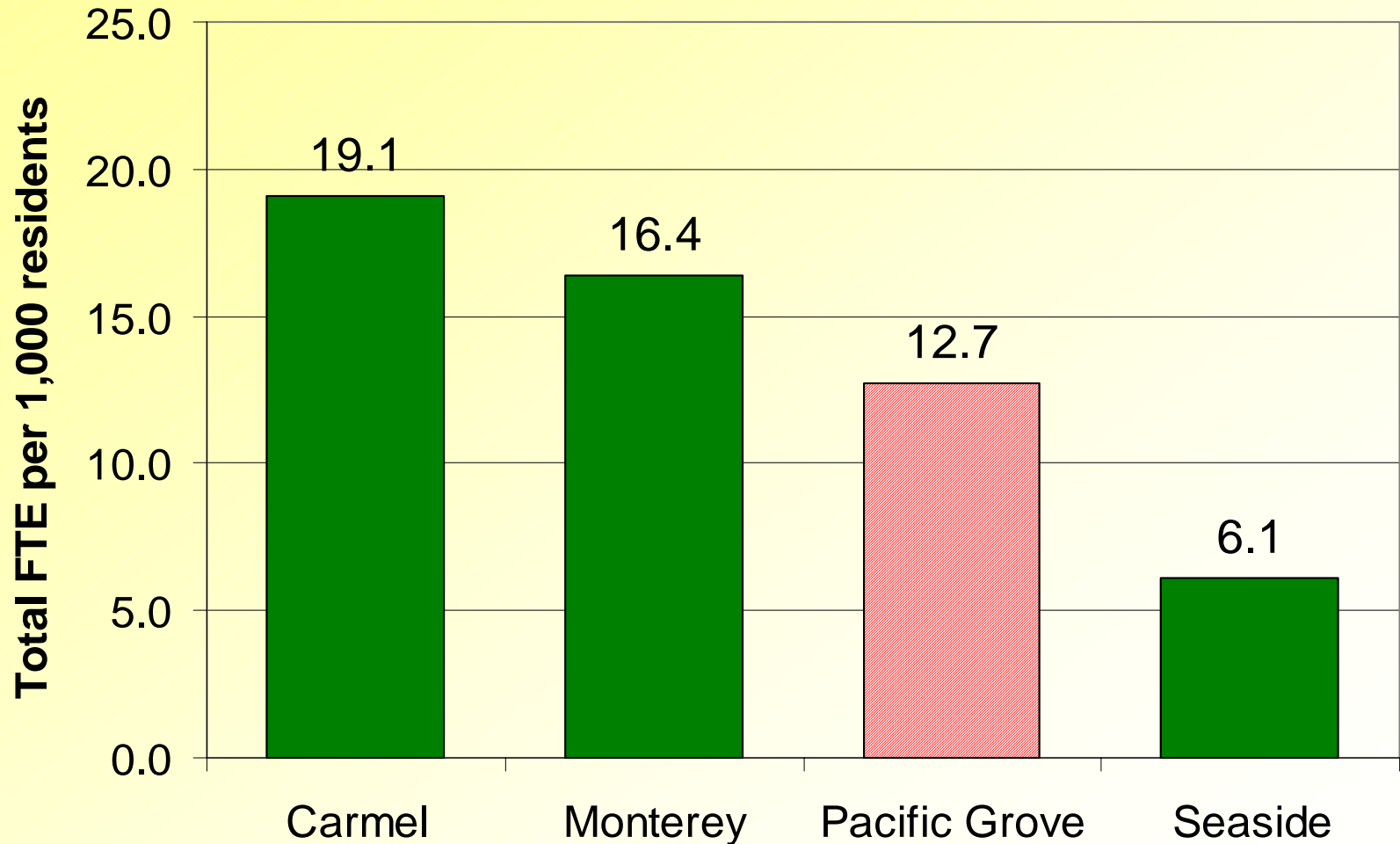


Police Staffing Level Consistent with Standards



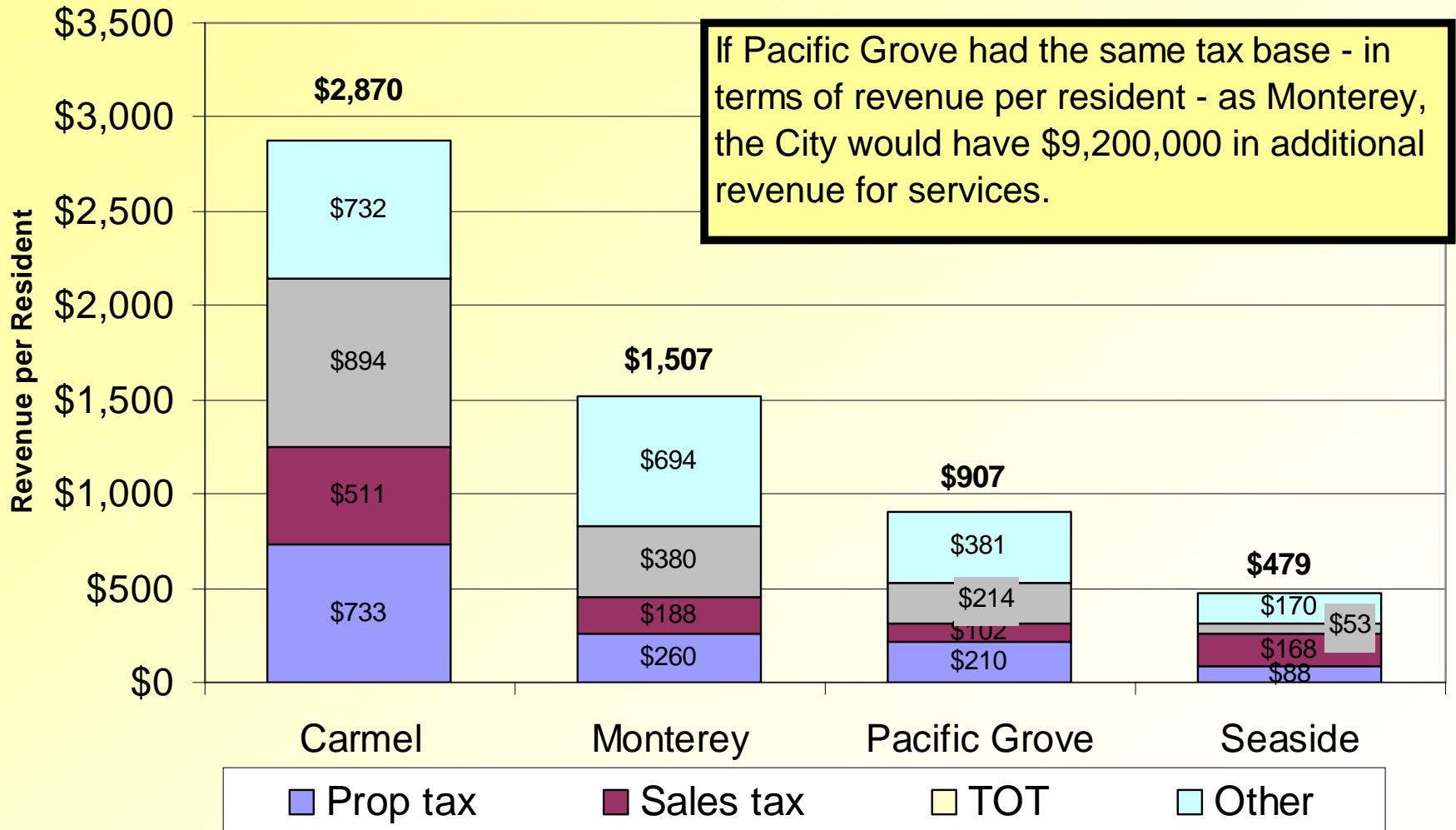
Fewer Staff Than Neighboring Cities

Full-time Equivalent Positions Per 1,000 residents

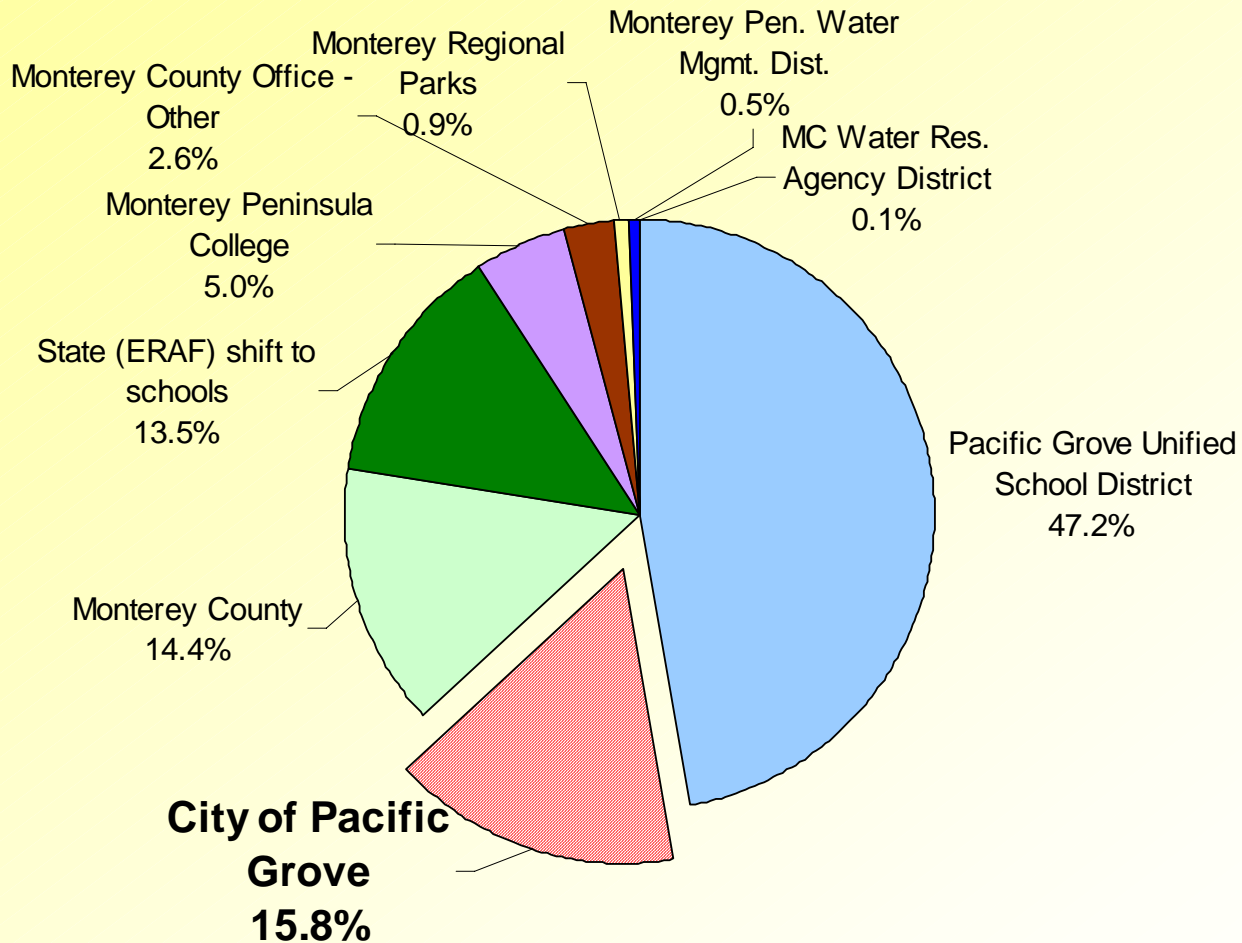


Less Revenue In Pacific Grove

Revenue per Resident, FY 2004/05



Where Property Tax Goes



Value for Taxes

Median monthly property tax payment per household = \$35

Median assessed property value = \$263,000

Total property tax paid = \$2,630

Received by City of Pacific Grove (15.8%) = \$415

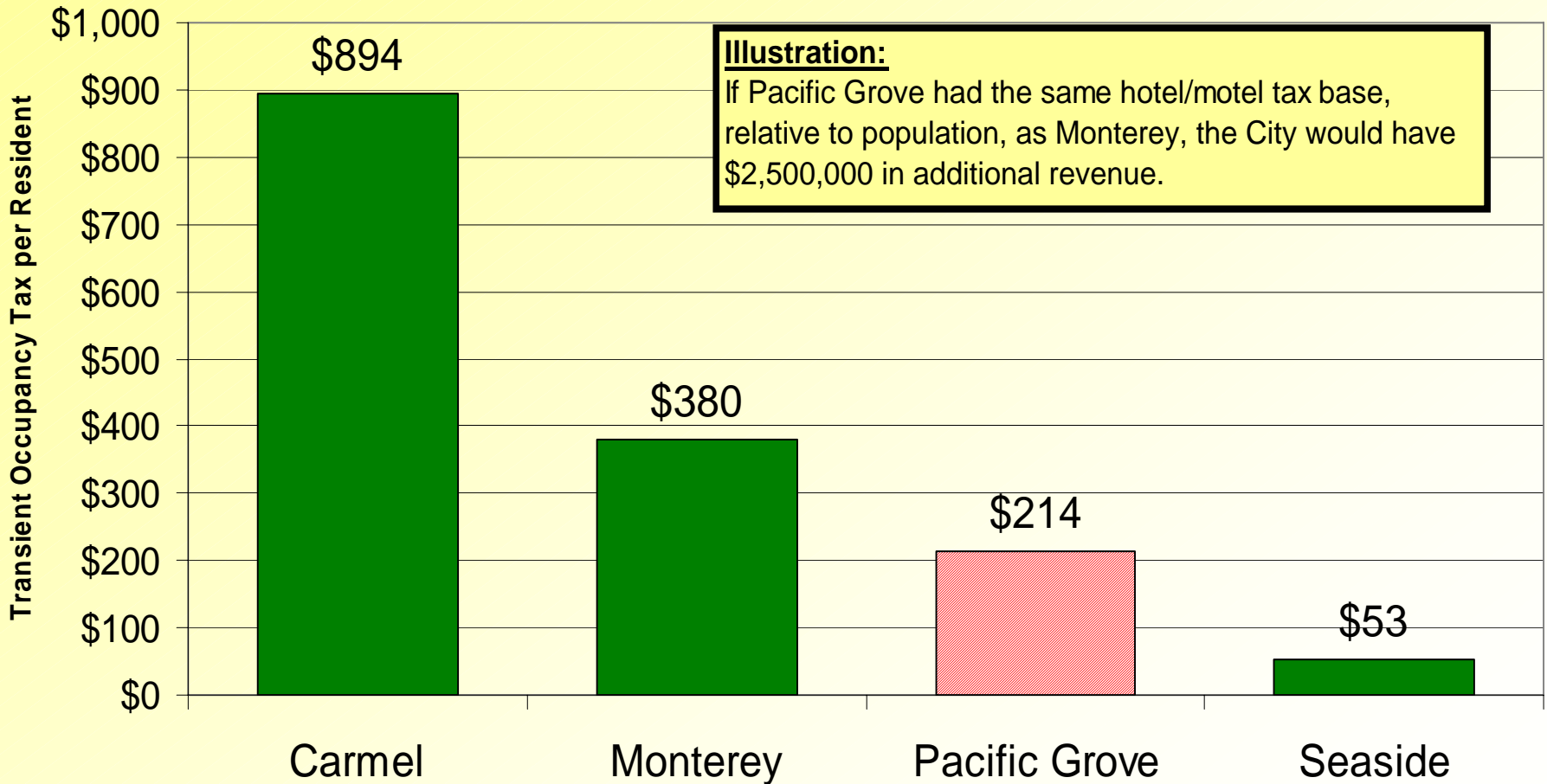
Monthly payment for City services = \$35

Compare with:

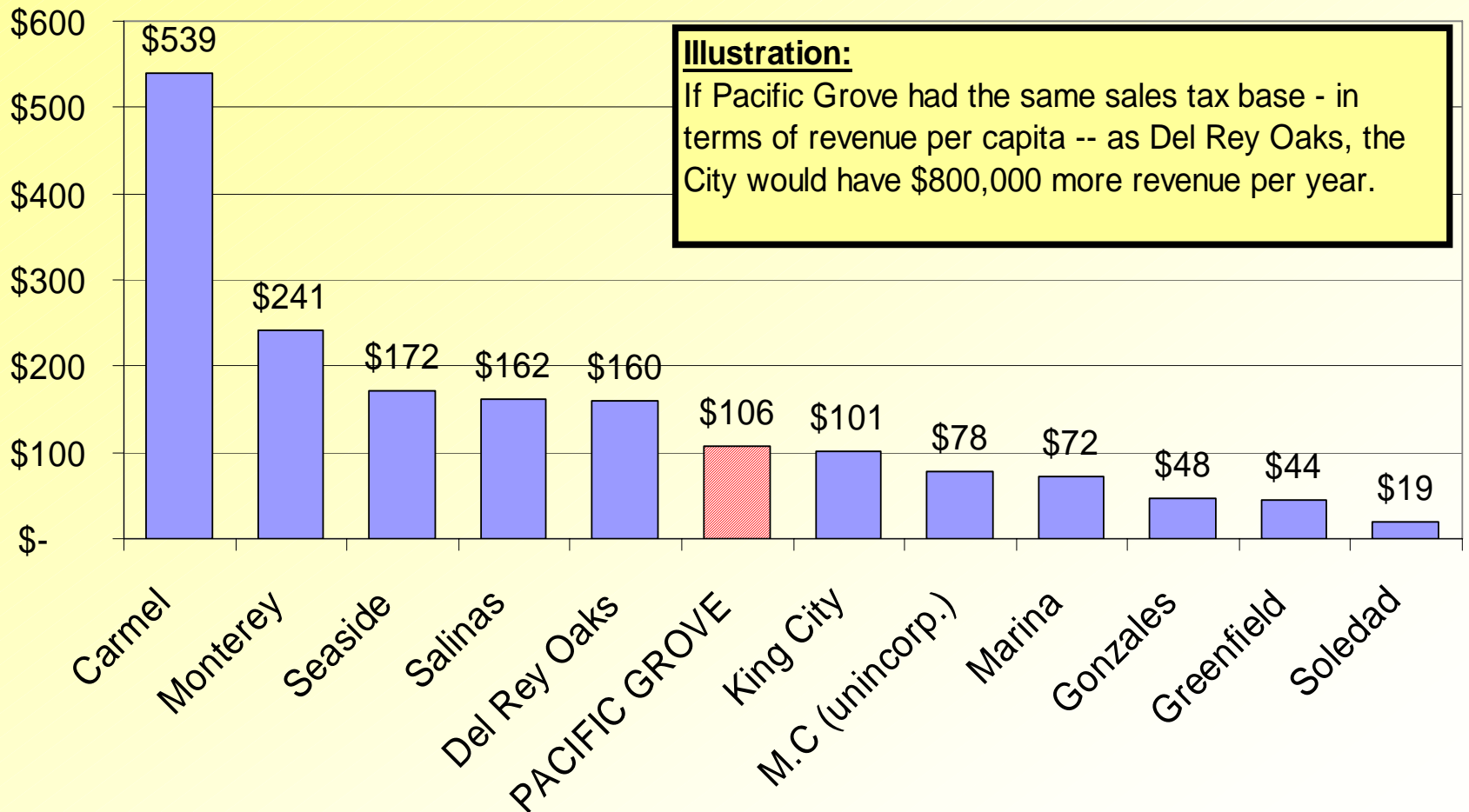
- Water bill
- Cable TV bill
- Internet bill

Non-Residents Paying for Services

Transient Occupancy Tax per resident, FY 04/05



Sales Tax Revenue Lowest On Peninsula



Business Tax

Min/Max Effectively 77% Lower Now
Than When Tax Was Established

	<u>Minimum</u>	<u>Rate</u>	<u>Maximum</u>
Current (est. 1970)	\$15	0.1% Of Gross Receipts	\$3,000
Adjusted for Inflation (CPI)	\$69		\$13,800

Additional Taxes in Area Cities

Del Rey Oaks	Approved local sales tax (1%) for general purposes (2006)
Sand City	Approved local sales tax (0.5%) for general purposes (2005)
Salinas	Approved local sales tax (0.5%) for general purposes (2006)
Carmel	Approved business tax increase to 0.1% (2006)
Seaside	Higher TOT rate: 12%
Monterey County (Unincorporated)	Higher TOT rate: 10.5%

So...
What Do We Do?

CHOICES

Who Pays, and For What?

- What services can we afford?
 - Relatively high-level of amenities (Rec. trail, urban forest, library, museum, special events)
- Balancing costs among all customers
 - Residents
 - Out-of-town shoppers
 - Rec. trail/ocean tourists
 - Businesses
 - Out-of-town golfers
 - Weddings

Potential Budget Cuts Next Year

- Est. budget gap = \$500,000 - \$1,500,000
- Priorities:
 - Preserve current public safety services
 - Limit liability for dying trees, storm water treatment, and failing streets
 - Protect revenue generators
 - Restore reserves (partially)

Examples:

\$1.5 M in Spending Cuts

- 10% across-the-board
 - Fire engine company
 - Police investigations unit
 - Urgency maintenance only on parks and buildings
 - Library hours shortened
 - Plan-check delays
 - City hall customer service virtually eliminated
 - 15% salary cut for all City employees, OR
- OR**
- Cease street, parks, building, and vehicle maintenance, OR
 - Close library and Museum

New Fee-Based Revenue

Examples, with Preliminary Rev. Estimates

	<u>Annual Rev. Est.</u>
More parking meters and enforcement	\$1,000,000
Increase golf rates (while keeping lower rate for P.G. residents)	\$350,000
Museum admission fee (assumes change in deed restriction)	\$300,000
Tree permit evaluation fee	\$50,000
Rent Chautauqua Hall for weddings 3 Saturdays per months	\$40,000
Allow non-golf events at golf clubhouse	\$35,000
Increase rent to MB Aquarium for tidelands	???

Potential Taxes: Require a Public Vote

Examples, with Preliminary Rev. Estimates

	<u>Rate assumption</u>	<u>Annual Rev. Est.</u>
Sales tax	Additional 1%	\$1,300,000
Transient Occupancy tax	Increase to 12%	\$600,000
Property Transfer tax	\$10 per \$1,000	\$2,400,000
Admissions tax	\$1 per admission	\$1,000,000 – 2,000,000
Business tax	Raise minimum, Eliminate cap	\$200,000 - \$500,000
Parcel Tax	\$50 per year	\$150,000

Property Transfer Tax

Revenue Assumptions

- Total current rate = \$1.10/\$1,000
 - City receives \$0.55/\$1,000
 - FY 2005/06 City revenue = \$135,000
- If City implemented new tax = \$10/\$1,000, then total rate = \$11.10 (County keeps \$1.10 “base”)
- City share would be 18 times higher than old tax ($\$10 / \$0.55 = 18$)
- New revenue = \$2,400,000 ($\$135,000 \times 18$)

Example: Assume taxable value of \$1,000,000

Current tax due = \$1,100

New tax due = \$11,100

Next Steps

Long-Term Solution

FY 07/08 Budget

Letter to residents about budget challenges	Mid-January	Budget Comm. discussing priorities for FY 07/08	1/4/07
Community meetings	1/24/07 1/27/07	Strategic direction on Budget	2/7/07
Community survey / polling	March 2007	Budget Comm. developing proposed budget	February
Community input report to Council	4/4/07	Direction on remaining issues	3/7/07
General direction on new taxes and/or restructuring City within existing revenues	5/16/07	City Manager's recommended Budget presentation	4/25/07
Specific direction on new tax or restructuring	June 2007	1 st public hearing	5/2/07
		2 nd public hearing and budget adoption	5/16/07

For More Information...

- Meeting handouts on under-funded services and tax options
- Special budget page on City's website:
http://www.ci.pg.ca.us/budget/budget_index.html
- Questions? Suggestions?
[Call Jim Becklenberg, 648-3170](tel:648-3170)