



City of Pacific Grove California

Adopted Capital Budget
Fiscal Years 2025-2026 and 2026-2027



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Cover: Lover's Point: A Coastal Gem of Pacific Grove

Nestled along the rugged coast of California's Monterey Peninsula lies Lover's Point, a picturesque and historically rich landmark. The name itself is said to date back to the late 19th century, when Pacific Grove served as a Methodist retreat and seaside resort. In its early days, the location was referred to as a "Lover's Lane" of sorts — a place where couples could stroll or meet privately.

Ecological and Geological Significance

Located on the Pacific Ocean, Lover's Point is part of the Monterey Bay National Marine Sanctuary. The intertidal zone around Lover's Point offers an excellent opportunity for tide pooling, where visitors can observe marine organisms in their natural habitat. The coastal bluffs and beach provide both aesthetic value and serve as a natural buffer against ocean swells, demonstrating a balance between beauty and ecological function.

Recreational Use and Community Engagement

Today, Lover's Point serves as a recreational hub for the Pacific Grove community and its visitors. The calm waters of the cove are particularly inviting, thanks to its sheltered orientation compared to more exposed coastal areas. Each year, Lover's Point is also a focal point for several community events. Additionally, the point marks the start of the scenic Pacific Grove Coastal Trail, a segment of the larger Monterey Bay Coastal Recreation Trail.

Cultural and Aesthetic Value

Beyond its recreational and ecological roles, Lover's Point has deep cultural resonance. It has been a subject for artists, poets, and photographers who are drawn to its changing light, vivid sunsets, and views of the expansive Pacific.

Preserving the natural beauty of Lover's Point is an ongoing challenge, particularly in the face of increasing tourism and climate-related pressures. Coastal erosion, rising sea levels, and marine pollution threaten the fragile balance of the ecosystem.

Programs like beach cleanups, habitat restoration projects, and citizen science events invite the community to participate in stewardship. These efforts underscore the importance of maintaining Lover's Point for future generations, both as an ecological haven and a cultural landmark.





City of Pacific Grove Capital Budget

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Point Pinos Lighthouse



City of Pacific Grove
Principal Officials
Fiscal Year 2025-26



Nick Smith
Mayor



Joe Amelio
Councilmember



Cynthia Garfield
Councilmember



Lori McDonnell
Councilmember



Chaps Poduri
Councilmember



Tina Rau
Councilmember



Paul Walkingstick
Councilmember



Matt Mogensen
City Manager



Brian Pierik
City Attorney

Department Heads

Administrative Services: Fred Marsh
City Clerk: Sandra Kandell
Human Resources: Leticia Livian
Library: Rachel Gaither

Police: Casey Day
Community Development: Jon Biggs
Public Works: Daniel Gho
Fire (Contract): Andrew Miller



June 18, 2025

Honorable Mayor and City Council Members:

On behalf of staff, it is my honor to present the proposed budget for Fiscal Years 2025-26 and 2026-27, which had no major budgetary changes from the initial budget presented in May. The City's two year budget is intended to serve as a financial plan, a communication tool and an operations guide for the City departments and the community. The revenue estimates incorporated in the budget reflect conservative optimism. The expenditure estimates are aligned with planned revenue growth, along with the use of the available fund balance to support capital improvements and equipment. All funds within the two year budget Budget have been allocated to provide a commitment to the community, supporting the Council focus areas / strategic goals noted below:

Areas of Focus

These areas are designed to address the City's vision and mission statements. These items were developed by the Board and Executive Team with a third party. The City is organized in a way to most effectively implement these values. These values are in sync with the City's vision and mission statements.

1. Financial Sustainability

The City manages its financial resources to ensure the long-term delivery of municipal services. Goals in this area include identifying a program to reduce unfunded liabilities, reviewing and revising reserve policies to meet equipment and facility needs; and identifying and reducing expenditures and enhancing revenues.

2. Infrastructure

The City prioritizes the provision of facility, human, and technology infrastructure that enhances the quality of life for residents and businesses. Goals in this area include completing a five-year capital improvement program to address the completion of priority facility projects, investing in technology and workforce systems and addressing critical physical infrastructure needs.

3. Environmental Stewardship

The City cares for and protects its natural resources and amenities. Goals in this area include completing a climate action and adaptation efforts and protecting and preserving the natural resources of the City.

4. Community Development

The City strategically implements programs to promote housing and economic opportunities. Goals in this area include exploring options for affordable housing and partner opportunities and reviewing all permit processes to eliminate barriers to housing and business development.



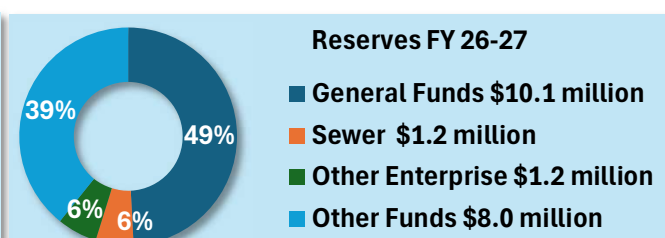
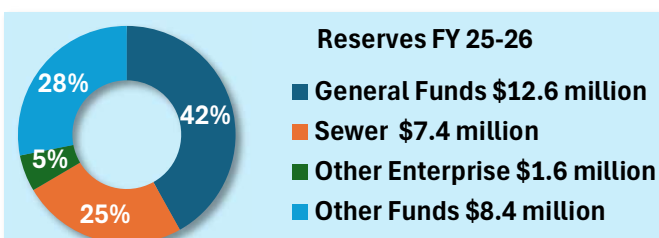
Fund Balance / Working Capital Estimates (In Thousands)

General Fund: Reserves have been established at 25% of recurring operating expenses per Council policy and are impacted by its revenues and expenses discussed in subsequent pages.

Internal Service Funds: These funds assess charges to other funds used to pay insurance premiums and claims and employee benefits, with reserve policies established at 75% of liabilities for the insurance funds.

Sewer/Other Funds: The Sewer fund reserves are targeted to have funding for two years of capital expenditures. A reserve policy has also been established for the Golf Fund (25% of revenues). Other funds reflect the receipt of grant and other funds for eligible projects and programs.

Fund	FY 24-25 Reserves	Projected Revenues / Transfers	Proposed Expenses / Transfers	FY 25-26 Reserves	Projected Revenues / Transfers	Proposed Expenses / Transfers	FY 26-27 Reserves	Trends
General Fund	\$ 13,982	\$ 32,729	\$ 34,689	\$ 12,022	\$ 33,303	\$ 35,876	\$ 9,448	
Recreation/Donations	184	1,027	1,148	63	27	25	65	
Pension Reserve	500	25		525	25		550	
General Funds	14.7M	33.8M	35.8M	12.6M	33.4M	35.9M	10.1M	
General Fund CIP	1,450	507	650	1,307	507	850	964	
Capital Projects Fund	1.5M	0.5M	0.7M	1.3M	0.5M	0.9M	1.0M	
Employee Benefits	79	316	313	82	377	373	86	
Liability Insurance	655	754	882	527	919	957	489	
Workers Compensation	573	925	917	581	1,000	976	606	
Internal Service Funds	1.3M	2.0M	2.1M	1.2M	2.3M	2.3M	1.2M	
Library Trust	584	13		597	13		610	
Cemetery Trust	2,265	122		2,387	129		2,516	
Yount Trust	781	8	8	781	8	8	781	
Permanent Funds	3.6M	0.1M	0.0M	3.8M	0.2M	0.0M	3.9M	
Cemetery	1,027	581	848	759	549	899	409	
Golf	867	957	1,027	797	977	988	786	
Local Water Project	(182)	1,289	1,025	82	1,001	1,066	17	
Sewer	7,244	4,100	3,945	7,398	4,100	10,343	1,155	
Enterprise Funds	9.0M	6.9M	6.8M	9.0M	6.6M	13.3M	2.4M	
Cable Franchise PEG	84	49	120	13	49	60	3	
City Facilities	96	11	48	58	11		69	
Fire	175	25	100	100	25	13	112	
Grants/Special Activities	243	568	562	249	594	588	255	
Housing / Development	1,034	88	464	658	88	207	540	
Library	280	102	87	294	112	70	335	
Lighthouse	221	127	132	216	135	134	218	
Museum Improvement	190	8		198	8		206	
Police	265	798	842	221	798	823	195	
Streets	463	1,620	1,909	173	1,612	1,754	31	
Special Revenue Funds	3.1M	3.4M	4.3M	2.2M	3.4M	3.6M	2.0M	
Total All Funds	\$ 33.1M	\$ 46.7M	\$ 49.7M	\$ 30.1M	\$ 46.4M	\$ 56.0M	\$ 20.4M	

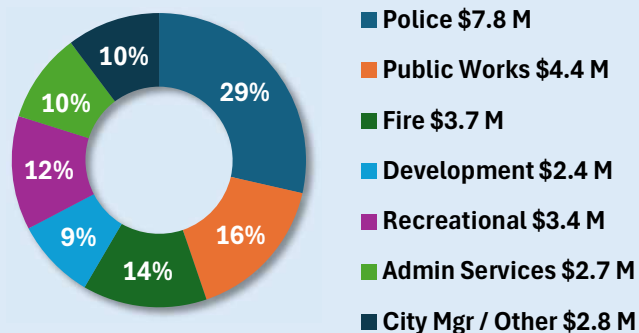


City of Pacific Grove Department Budgets (In Thousands)

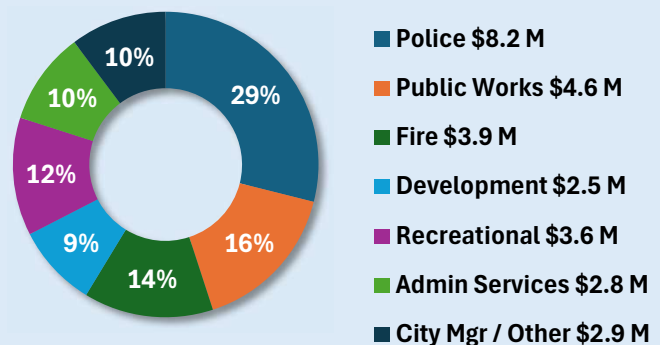
Additional information on General Fund operating expenses by department, including proposed personnel changes and capital outlay contained in the departmental budgets, are discussed in the departmental section of the budget. Community Development includes Building, Planning and Housing. Public Works includes Street Maintenance and Cleaning, Buildings and Grounds and Forestry. Note that Building, Fire, City Attorney and Museum services are provided on a contract basis to the City, and that capital outlay is included in these budgets.

Department	23-24 Actual	24-25 Budget	24-25 Estimate	25-26 Estimate	Variance from CY Budget		26-27 Estimated	Trend
Police	\$6,537	\$7,616	\$7,029	\$7,816	\$201	3%	\$8,235	
Fire	3,313	3,600	3,632	3,734	135	4%	3,900	
Total Public Safety	9,850	11,215	10,661	11,551	336 ↑	3%	12,134	
Public Works	4,055	5,353	5,099	4,416	(937)	-17%	4,579	
Community Development	2,444	3,213	3,150	2,439	(774)	-24%	2,498	
Total Public Works/Dev.	6,499	8,566	8,249	6,856	(1,711) ↓	-20%	7,077	
Recreation	1,146	1,555	1,489	1,793	238	15%	1,833	
Library	1,000	1,098	1,098	1,204	106	10%	1,279	
Museum	346	384	383	424	40	10%	442	
Total Recreational	2,493	3,037	2,970	3,421	384 ↑	13%	3,554	
Finance	1,351	1,355	1,396	1,372	16	1%	1,428	
Information Services	818	1,202	1,133	1,328	125	10%	1,371	
Total Admin Services	2,169	2,558	2,529	2,700	142 ↑	6%	2,799	
City Manager	1,091	1,109	1,080	1,155	45	4%	1,191	
City Attorney	1,098	1,184	915	915	(269)	-23%	915	
Economic Development	299	393	264	455	61	16%	463	
City Council	179	324	293	276	(48)	-15%	340	
Total City Mgr's Office	2,667	3,011	2,552	2,801	(211) ↓	-7%	2,909	

25-26 General Fund Dept Expenses



26-27 General Fund Dept Expenses

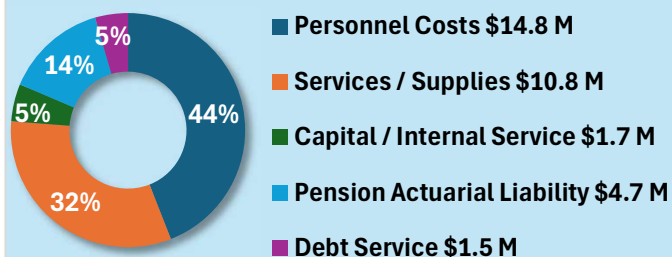


General Fund Expense Estimates by Object Category (In Thousands)

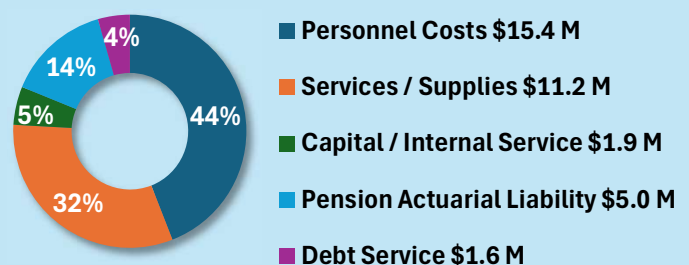
Personnel Costs are based on proposed staffing levels for Fiscal Year 25-26 and 26-27, as shown in subsequent pages of this document. These costs incorporate additional personnel changes noted elsewhere in the transmittal letter. Salaries incorporate a 3% cost of living adjustment (COLA), scheduled step increases for employees and negotiated benefits in accordance with employee memorandums of understanding (MOUs) which are in effect through June 30, 2026. Pension costs incorporate revised estimates from CalPERS for normal pension costs and staff estimates for health insurance costs based upon the terms for cost sharing in the employee MOUs.

Object Category	23-24 Actual	24-25 Budget	24-25 Estimate	25-26 Proposed	Variance PY Budget	26-27 Proposed	Trends
Base Salaries	\$ 8,617	\$ 10,099	\$ 9,239	\$ 10,487	\$ 388	\$ 11,053	
Overtime	253	239	229	264	25	277	
Part-Time Salaries	322	576	451	678	102	688	
Retirement (PERS)	954	1,096	983	1,150	55	1,172	
Health Insurance Cost	870	1,244	1,083	1,369	125	1,387	
Worker's Compensation	269	279	293	280	1	285	
Other Personnel Costs	870	1,244	1,083	1,369	125	1,387	
Total Personnel Costs	11.9M	14.1M	13.1M	14.8M	0.6M ↑ 5%	15.4M	
Internal Service Charges	1,483	1,090	1,090	1,364	274 ↑ 25%	1,632	
Professional / Contract Services	3,513	4,505	3,996	3,020	(1,485)	3,270	
Fire Contract Services	3,087	3,377	3,377	3,437	60	3,574	
Legal Services	1,114	1,293	1,026	966	(327)	969	
Subscriptions / Memberships	229	282	282	285	3	286	
Software Licenses / Support	173	440	532	398	(43)	408	
Meeting / Training / Travel	116	169	126	179	10	187	
Utilities	599	646	688	741	94	756	
Repairs and Maintenance	440	710	681	569	(141)	506	
Other Services and Supplies	1,072	1,342	1,791	1,204	(137)	1,213	
Total Services and Supplies	10.3M	12.8M	12.5M	10.8M	(1,966) ↓ -15%	11.2M	
Total Operating Costs	23.8M	28.0M	26.7M	26.9M	(1,048)	28.2M	
Non-Operating Costs:							
Debt Service	1,424	1,463	1,463	1,513	50	1,558	
Pension-Unfunded Liability	4,006	4,212	4,212	4,747	535	5,031	
Capital Outlay	257	385	286	370	(15)	226	
Total General Fund - Main Fund	\$29.4M	\$34.0M	\$32.6M	\$33.6M	(\$478) ↓ -1%	\$35.0M	

Expenses 25-26 - Total \$33.6 million



Expenses 26-27 - Total \$35.0 million

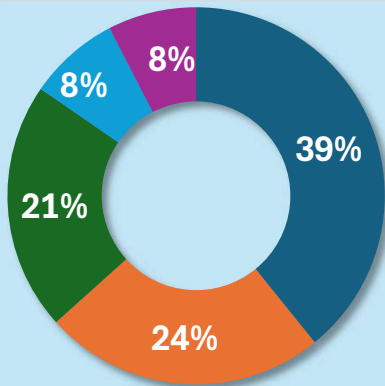


General Fund Revenues by Object Category (In Thousands)

Information on General Fund Taxes are discussed in detail in subsequent pages of this document. Licenses and Permits include construction permits, plan check fees and zoning enforcement which can vary significantly from year to year based upon the expected level of development in the City. Charges for Services include charges for recreation programs, indirect cost reimbursements from other funds and parking meters and enforcement. Interest and rents include facility rentals interest earned on reserves.

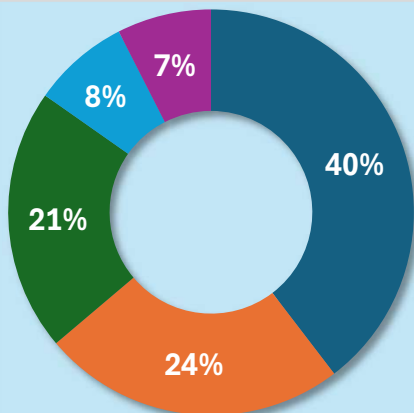
Category / Department	23-24 Actual	24-25 Budget	24-25 Estimate	25-26 Estimate	Variance PY Budget	26-27 Estimate	Trends
Property Taxes	\$ 10,002	\$ 10,296	\$ 10,519	\$ 10,931	\$ 635	\$ 11,360	
Transient Occupancy Taxes	6,820	7,012	6,737	6,737	(275)	6,939	
Sale and Use Taxes	5,975	6,094	5,946	5,946	(148)	6,005	
Utility User Taxes	2,118	2,043	2,156	2,184	141	2,213	
Franchise Taxes	1,636	1,659	1,582	1,603	(56)	1,626	
Business License Taxes	608	393	393	393		405	
Other Taxes	159	240	113	118	(122)	122	
Total Taxes	27.3M	27.7M	27.4M	27.9M	0.2M ↑ 1%	28.7M	
Intergovernmental Revenues	297	61	101	97	36	97	
License, Permits, Fees	1,261	1,274	974	1,013	(261)	1,043	
Charges for Services	2,030	2,279	2,033	2,050	(229)	2,089	
Interest and Rents	1,074	630	748	620	(10)	624	
Other Revenues	1,218	1,267	2,120	1,000	(267)	741	
Fines and Forfeitures	37	115	14	39	(76)	39	
Total General Fund - Main Fund	\$ 33.2M	\$ 33.4M	\$ 33.4M	\$ 32.7M	\$ (0.6M) ↓ -2%	\$ 33.3M	

Tax Revenues 25-26 - Total \$27.9 million



- Property Taxes \$10.9 M
- Hotel Taxes \$6.7 M
- Sale and Use Taxes \$5.9 M
- Utility User Taxes \$2.2 M
- Franchise / Other Taxes \$2.1 M

Tax Revenues 26-27 - Total \$28.7 million



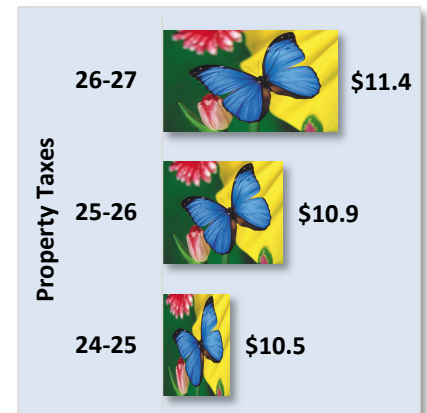
- Property Taxes \$11.4 M
- Hotel Taxes \$6.9 M
- Sale and Use Taxes \$6.0 M
- Utility User Taxes \$2.2 M
- Franchise / Other Taxes \$2.2 M

Economic Factors Affecting General Fund Revenues

Information related to major revenues categories is provided within this section. **All graphs are in millions.** The revenues listed represent over 75% of the General Fund's revenues. Estimates of user fees and other operating revenues and fees are prepared by Finance based upon revenue trends in these categories and economic information for the County of Monterey.

Property Taxes

Proposition 13 sets the Fiscal Year 75-76 assessed values as the base year, with a growth rate limited to 2% for any given year. The County Assessor also reappraises each real property parcel when there are purchases, construction, or other statutorily defined changes in ownership. Proposition 13 limits the property tax to 1% of each property's full value, plus any additional percentages for specific voter approved indebtedness. The City receives approximately 16% of every dollar of property tax, with the balance distributed to the School District, County and local special districts. Property taxes are less likely to quickly respond to changes in the economy. The continued increases in property taxes is attributed to both demand for homes in the area and rising property values; however higher interest rates could impact future home sales.



Sales and Use Taxes

Voters approved Measure A, a new 0.50% transaction and use tax. This increased the combined sales tax rate to 9.25% in October 2022. The General Fund portion of the City sales tax is comprised of a 1% Bradley-Burns statutory sales tax rate; and Measure U, a 1% transaction and use tax that was approved by voters in 2008. The transactions and use tax portion of the rate increased to 1.5% resulting from the passage of these measures. Restaurants and Hotels are the largest providers of sales tax to the City, followed by businesses in the building and construction category and from the County/State sales tax pool. Administrative Services works closely with HdL, the City's sales tax consultant, on tax recovery and projections. Estimates are based on a combination of information from HdL and trends over the past few fiscal years.



Transient Occupancy (Hotel) Taxes (TOT) / Other Taxes

Transient Occupancy / Hotel Tax (TOT) - Is a lodging tax that is collected on overnight rental accommodation stays of 30 consecutive days or less. In 2010, the City updated its municipal code and began collecting TOT on residential or short-term rental properties (STRS). In Fiscal Year 17/18, the City approved an ordinance to reduce the number of short-term rentals, with an effective date of April 30, 2019. In November of 2018 voters approved Measure U, increasing the TOT rate to 12%. This increased tax was partially offset by Measure M, eliminating STR's outside coastal and commercial zones.

Utility Users Tax - The City imposes a utility users' tax to residents and businesses within the City that utilize water, gas, electricity, telephone, and cable services. This tax is assessed at a rate of 5% of the amount charged by the utility paid by the person consuming the service.

Franchise Taxes - The City grants franchises to utilities to construct, maintain, lay infrastructure, or operate transportation on or over streets. Franchises are levied a tax of at least 2% of gross annual receipts.

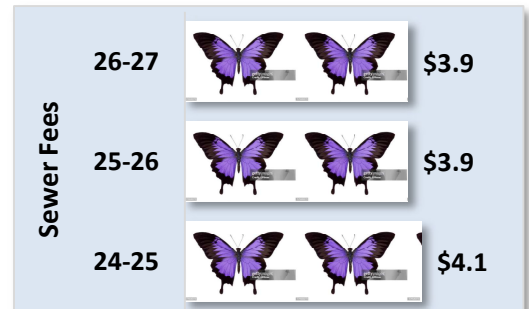


Economic Factors Affecting Other Fund Revenues

Information related to major revenues categories is provided within this section. All graphs are in millions. The revenues listed represent over 75% of non General Fund revenues.

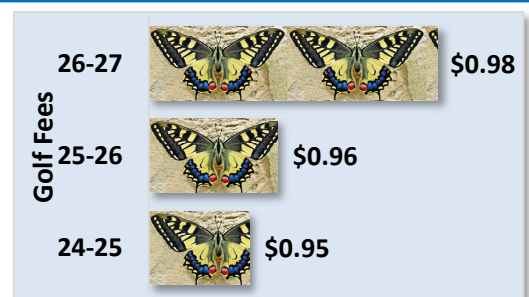
Sewer Fees

In May 2014, a Sewer Collection System Master Plan (SCSMP) was developed to evaluate the existing sewer infrastructure and develop an asset replacement schedule. In February 2015, a Ten-Year Sewer Collection System Financial Plan and Rate Study was prepared to support funding for the capital improvements. These documents were used as the basis to successfully implement multi-year fee increases. The revenues received from the fees are used to support operating costs, as well as the identified improvements.



Golf Course Fees

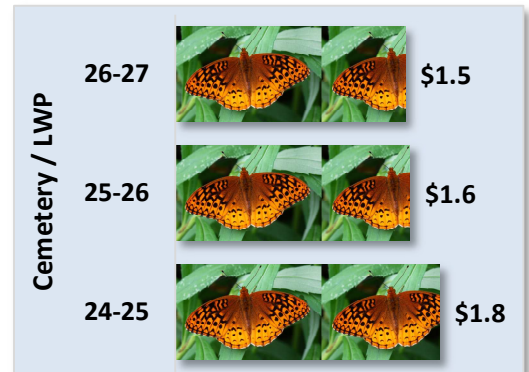
The City contracts the services of the golf course to CourseCo Inc. for the management and operations of the golf course and related facilities. Golf operations are funded entirely through golf fee revenues. CourseCo is responsible for managing the 18-hole golf course, driving range, putting greens and the clubhouse. The golf course restaurant is run by a separate third party. The business model for golf operations provides discounted golf for residents and a direct economic benefit to the community.



Cemetery and Local Water Project (LWP) Fees

The City operates and maintains the El Carmelo Cemetery. The City coordinates with area mortuaries and other individuals for services at the cemetery. The City establishes fees on an annual basis for the services provided at its cemetery.

The City entered into an agreement with PERC Water to design and build the Local Water Project to replace approximately 123 acre-feet/year (.11 million gallons daily average) of irrigation demands with nonpotable supplies for the irrigation of the Municipal Golf Links and the El Carmelo Cemetery and provide toilet flushing for two public restrooms.



Other Restricted Revenues

Public Safety - The City receives a variety of funds from other governments to supplement the funding of police and fire. These are part of the Police Fund restricted for use for specific activities.

Streets - The County passed a supplemental sales tax of 0.5% as overseen by the Transportation Agency for Monterey County (TAMC). These funds are used to support local and regional transportation projects. The City also receives from the State Gas Tax and Road Maintenance and Rehabilitation (RMRA) funds that can be used for street maintenance.

Business Districts - Fees collected from businesses to support the Chamber of Commerce and Visitor's Bureau.



Five Year General Fund Forecast and Assumptions Used for General, Enterprise, Internal Service Major Funds

The table below summarizes the City's projected General Fund revenues and expenses over the next few years. **This forecast does not include any revenues associated with pending new hotels. Actual results will vary from this forecast.** The forecast assists the City in making the necessary plans to ensure adequate funding for addressing its focus areas and strategic goals as established by Council. The forecast for the General, Enterprise and Internal Service major funds includes the following assumptions:

Revenues

Property Taxes: Assumes to grow at an annual rate of 4%, based upon Proposition 13 restrictions and assumed property transfers and some minimal growth within the City.

Other Taxes and Revenues: Assume to grow at a rate of between 1-3% based upon historical trends and analysis from other third parties.

Economic Environment: Assumes no recession during the five year period.

GF Revenues (Millions)



Expenses

Wages: Assumes no additional staffing for the five year period, assumes future annual COLA adjustments to be similar to those in the employees' MOUs.

Other Operating Expenses: Increases of 3% annually, similar to the assumed future rate of inflation. Assumes no additional contributions to pension or capital reserves.

Debt Service: Incorporates debt service on debt through their maturities. for the General Fund and Enterprise funds. Note that the Pension Obligation Bonds in the General Fund matures in FY 2029.

Pension Actuarial Liabilities: Pension includes estimated amounts from CalPERS actuarials. Assumes CalPERS will attain its annual assumed rate of return of 6.8%.

GF Expenses (Millions)



General Fund 5 Year Forecast (In Thousands)	Proposed Two Year Budget		Future Trends (Not accounting for new hotels)		
Category	Proposed 25-26	Projected 26-27	Projected 27-28	Projected 28-29	Projected 29-30
Revenues:	\$ 32,729	\$ 33,303	\$ 34,385	\$ 35,505	\$ 36,663
Expenses:					
Operating Expenses	26,942	28,233	29,080	29,953	30,851
Pension / Debt Obligations	6,260	6,588	7,154	7,708	6,199
Capital Outlay / Transfers	1,488	1,056	1,087	1,119	1,153
Total Expenses	34,689	35,876	37,321	38,780	38,203
Net Change for Fiscal Year	\$ (1.96M)	\$ (2.57M)	\$ (2.94M)	\$ (3.28M)	\$ (1.54M)
Projected Ending Reserves	\$ 12.02M	\$ 9.45M	\$ 6.51M	\$ 3.24M	\$ 1.70M
Projected Reserve Level	36%	27%	18%	9%	5%

Other Post Employment Benefits (OPEB) Liabilities

The City also has an OPEB liability for its Public Employees Medical and Hospital Care Act (PEMHCA) contributions (the required minimum amount) to CalPERS for eligible retired employees enrolled in one of the medical plans offered by CalPERS. Retirees contribute any premiums amounts in excess of these contributions.

Key OPEB Statistics	Amount
% of Gross Liability Funded / Maturity	0% / 2044
Contributions made during FY 23-24	188,543
Current Retirees / Future Participants	56 / 163

OPEB Liability (In Millions)



Pension Liabilities

Information contained in this section is based on the most recent risk analyses from CalPERS and the City's third party actuarial consultant. Per the most recent CalPERS actuarial schedule, the Net Pension Liability is scheduled to be paid off in 2044. The City will look into establishing a pension trust fund to assist with the repayment of this liability. The \$5.5 million of outstanding Pension Obligation Bonds have an interest rate of 6% and mature in 2029.

CalPERS targeted annual rate of return is 6.8%, its 5 and 20 year rates of return were 8.0% and 6.7% respectively. If CalPERS reduces this discount rate by 1%, the City's projected liability would increase by \$21 million. Reducing the amortization of this debt would result in projected savings of \$4 million and \$16 million by reducing the amortization period to either 15 and 10 years respectively. The payments in these scenarios would be \$6.0 million and \$7.78 million respectively.

The City requires employees to pay the entire amount of the employee pension contribution, plus between 3-5% of the City's employer contribution for classic members (Normal Cost), whereas employees covered under PEPRAs pay ½ of the Normal Cost for their plan.

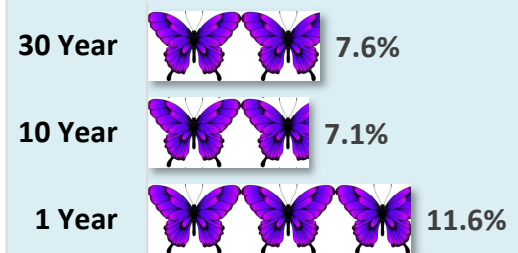
Funding Status



Net Pension Liability (Millions)



CalPERS Rate of Return



Payments on UAL



Key Pension Statistics	Amount
Pension Bond Balance (6/30/25)	\$5.0 million
Debt Service on Pension Bonds	\$1.5-1.6 million
City Contributions - Active Employees	\$1.0 million
Number of Classic / PEPRAs Employees	30/59
Active Employees	89
Retired Employees	272

Normal Cost by Pension Plan	City / Staff Share
Classic – Miscellaneous (2% at 55)	7.5% / 12.0%
Classic – Safety (3% at 50)	24.4% / 12.0%
PEPRA – Miscellaneous (2% at 62)	7.9% / 7.8%
PEPRA – Safety (2.7% at 57)	13.8% / 13.7%

Other Long Term Debt

The City's Budget and Financial Management Policy provides guidance on long-term borrowing. This includes limiting the use of long-term financing to fund capital improvement projects and equipment. The City is projecting sufficient revenues to fund all debt service requirements.

S&P Global
Ratings

Standard and Poor's Rating Services and Moody's Investors Services, Inc., assigned a rating of SP-1+ and MIG 1, respectively to the City's 2006 Pension Obligation Bonds. The City has not received any updates to this rating. The City does not have any General Obligation (GO) Bonds. The California Government Code, Section 43605 caps GO debt at 15% of the assessed value of all real and personal property within the City. The legal debt margin based on the Fiscal Year 23-24 ACFR is \$714 million. Good credit ratings are essential for the City to continue to be able to issue debt for future projects and to minimize interest costs on future



Description of Bonds Outstanding

Pension Obligation Bond: To refund a prior CalPERS actuarial liability (i.e. side fund).



Wastewater Refunding Bond: To refinance prior bonds, debt coverage of 125%.

Golf Course Lease: To refinance prior bonds, required debt coverage of 125%.

State Clean Water Loan: To fund the construction of a recycled water treatment plant and related infrastructure, with a required debt coverage of 125%.

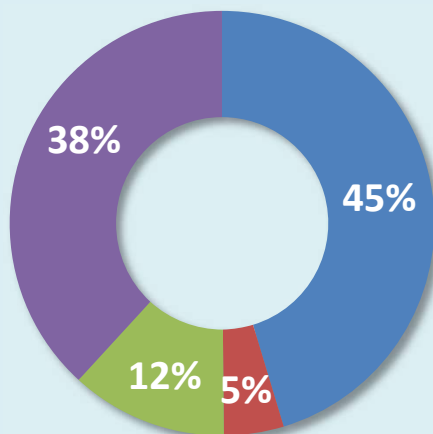


PG&E Financing Loan: Repayable from various sources, to fund a lighting project.

Outstanding Debt Issues as of June 30, 2025 (In Millions)

Bond Issue	Funding Source	Interest Rate	Maturity	Bonds Outstanding	Debt Service
Pension Obligation Bond	General Fund	5.67%-6.12%	6/1/2029	\$ 5.01M	\$1.5-\$1.6 million
Wastewater Revenue	Sewer Fund	3.35%	10/1/2031	\$ 0.50M	\$88K
Golf Course Site Lease	Golf Fund	4.35%	8/1/2030	\$ 1.32M	\$272K
Clean Water State Loan	Local Water	1.00%	12/1/2048	\$ 4.22M	\$206K
PG&E Financing Loan	General Fund	None	12/1/2026	\$ 0.02M	\$13K

Debt Outstanding at June 30, 2025



- Pension Obligation Bond \$5.0 M
- Wastewater Revenue \$0.5 M
- Golf Course Site Lease \$1.3 M
- Clean Water State Loan \$4.2 M

Capital Program

A significant amount of capital improvements and capital outlay are planned in a two year time frame, all of which are designed to address some of the City's strategic goals. The capital improvements are based upon asset management studies and are designed to improve operations and address capital reinvestment in infrastructure at the City's facilities.

The Capital Improvement Program (CIP) is designed to meet community needs, with special emphasis on those projects that contribute to the City's economic vitality and quality of life. In addition to the items mentioned below, several capital projects originally authorized in FY 24-25 will be carried over to Fiscal Year 25-26, as discussed in detail in the capital program section of the budget.



Chautauqua Hall

Major Projects and Capital Outlay Funded in Proposed Two Year Plan

Streets / Wastewater Infrastructure

• Street Rehabilitation Project	\$3.4M
• Mandated ADA Improvements	\$450K
• Crack and Slurry Seal	\$450K
• Sewer Force Main Replacement	\$600K
• Sewer Collection System (SCSMP) Projects	\$7M
• Urban Diversion Station Repair	\$100K

Information Services Projects / Capital Outlay

• VOIP Phone System Improvements	\$10K
• Network Upgrade	\$62K
• City Council Chambers Equipment	\$10K
• Police Door Access Upgrade	\$100K
• City Hall Door Access	\$140K
• Redundant Internet And Firewall	\$43.5K

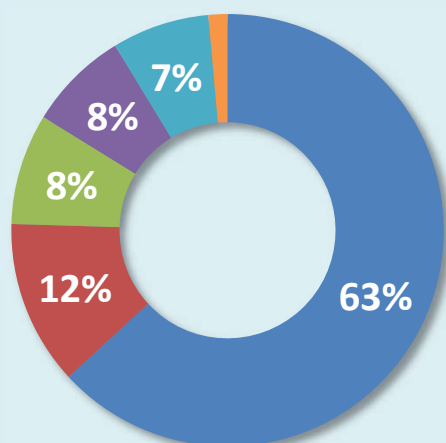
Facilities

• Library Backup Power System	\$80K
• Chautauqua Hall Building Improvements	\$700K
• City Hall Window and Door Replacement	\$32K
• Fire Station Alerting System	\$100K
• Roof Repairs Police Department	\$70K
• Youth Center Roof Repair	\$32K

Other Projects and Capital Outlay

• Chinese Pavillion / Moon Gate	\$200K
• Point Pinos Grill Boiler Replacement	\$40K
• Recreation Trail Improvements	\$16K
• Equipping New Fire Engine	\$50K
• Purchase Of Radios	\$80K
• Light Fixtures, Poles for Solar Lights	\$100K

Funding Sources for Two Year Capital Projects Plan



2 Year CIP by Fund - \$13.3 million

■ Sewer	\$8,400,000
■ Measure X	\$1,638,000
■ Donations	\$1,107,000
■ CIP Fund	\$1,000,000
■ RMRA/SB1	\$970,000
■ Other	\$188,000

Staffing

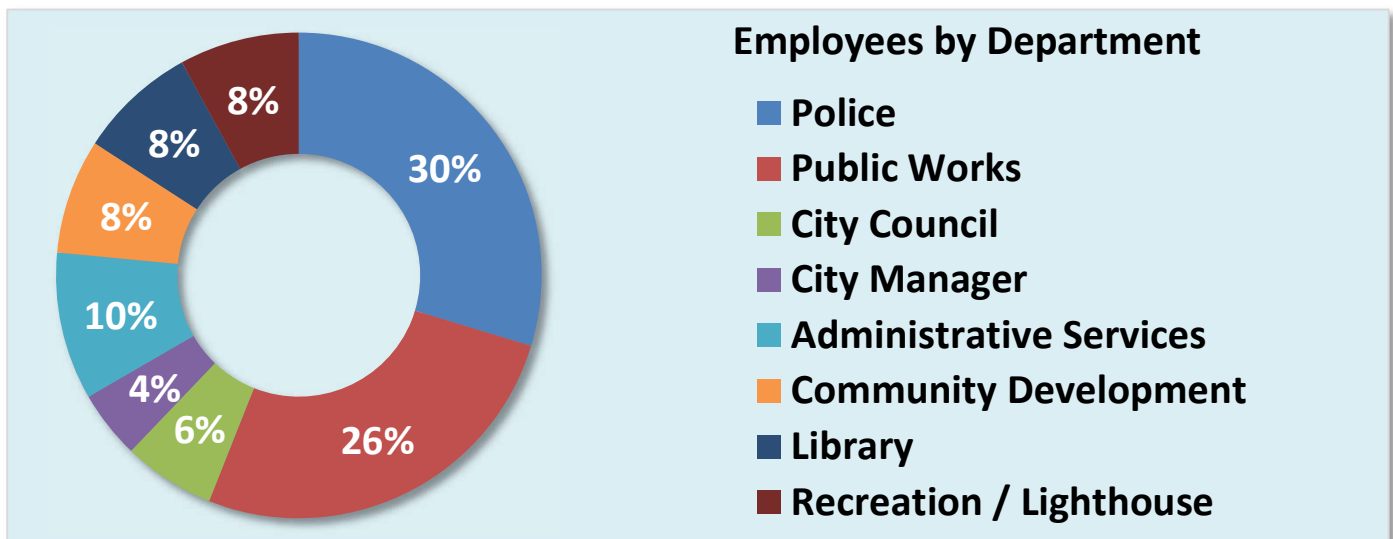
To address on-going needs of the organization, the City has added several positions during the past couple of fiscal years, including a Deputy City Manager to provide additional assistance to the City Manager and oversee outreach, the promotion of a Program Manager to a Senior Program Manager in Recreation to oversee increased recreation program activity, the addition of a Senior Library Assistant to assist with the expansion of library programs, the addition of a Urban Forester (to take over duties previously handled through a third party contract) and a Deputy Director / Civil Engineer in Public Works to handle capital projects. **Due to projected deficits, no significant personnel changes are proposed for the next two fiscal years.**

Department	23-24	24-25	25-26	26-27
Police	34.00	34.00	34.00	34.00
Public Works	28.20	30.15	30.15	30.15
City Council	7.00	7.00	7.00	7.00
City Manager	4.43	5.18	5.18	5.18
Administrative Services	11.27	11.27	11.27	11.27
Community Development	8.50	8.75	8.75	8.75
Library	8.50	9.00	9.00	9.00
Recreation / Lighthouse	8.90	8.90	9.15	9.15
Totals	110.80	114.25	114.50	114.50

Funded by	23-24	24-25	25-26	26-27
General Fund	97.87	101.37	100.67	100.67
Other Funds	12.93	12.88	13.83	13.83
Totals	110.80	114.25	114.50	114.50

City Volunteer Program

The City's Volunteer Program oversees the organization and management of various city volunteer programs including the Point Pinos Lighthouse, the Pacific Grove Library, the Hyperbaric Chamber, the Perkins Park and Chautauqua Hall Gardening Clubs, the Parks and Recreation Student Experience Program, the International Internship Program, the CSUMB Service Learning Program and various individual volunteers that assist city departments. Management of the programs include tracking hours, promoting programs and recruiting volunteers, providing volunteer orientations, planning recognition events and assisting programs with a variety of administrative duties. The volunteer program hosts an annual Volunteer Appreciation Event each year in April in recognition of National Volunteer Month.



The City's local economy is supported by residents, regional visitors, and a strong tourism base. Economic development and revitalization of the commercial corridors, particularly the downtown, will continue to be a focus. The addition of a new 100-room boutique hotel in the downtown, promises to bring needed additional foot traffic to the downtown. This new hotel is anticipated to increase property, sales and transient occupancy tax revenues once the project is complete and occupancy commences. The hotel developers

National Economy

As the midyear point of 2025 quickly approaches, economic data for the first half has indicated an easing of inflationary pressure. Nevertheless, core prices remain above target levels, and tariff related disruptions may surface in the second half of the year. In May, job creation was robust; however, initial and continuing jobless claims trended slightly higher. Thus, the labor market continues to reflect an improved balance between supply and demand for workers.

The Federal Open Market Committee (FOMC) left the Federal Funds Rate unchanged, as projected, at 4.25 - 4.50% at the May meeting. Progress on inflation, paired with a softening labor market and uncertainty surrounding fiscal policy, leaves Fed policy makers reluctant to express firm conviction for the direction of near-term monetary policy. Fed Chair Powell continues to emphasize the Committee's "wait and see" data-dependent approach.

Consumer Prices, Retail Sales and Labor Market

Consumer Prices : Price increases measured by both the Consumer Price Index (CPI) and Core CPI, which excludes volatile food and energy components, showed more progress against inflation in May coming in at or below consensus expectations. CPI rose 2.4% year-over-year, while the Core CPI rose 2.8% year-over-year. The Personal Consumption Expenditures (PCE) price index was lower on a year-over-year basis, rising 2.1% in April. The Core PCE deflator, which is the Fed's preferred gauge, was at 2.6% year-over-year.

Retail Sales: In May, retail sales fell from the the prior month, which resulted in a 3.1% increase year-over-year. The slowdown was led by a mean-reverting effect following the sharp increase in vehicle sales in March as consumers anticipated price increases due to tariffs. Furthermore, there was a notable drop in sales at restaurants and grocery stores, and lower gas prices creating a drag on gas station sales. The Conference Board's Consumer Confidence Index jumped to 98.0.

Labor Market: Job growth topped forecasts in May as the the U.S. economy added 139,000 jobs in May, topping expectations. Job gains were led by healthcare and social assistance, underscoring continued strength in service-related sectors. Despite the headline beat, the labor market showed signs of cooling. The unemployment rate remained unchanged at 4.2%, while the labor force participation rate edged down to 62.4. Broader underemployment, measured by the U-6 rate, remained unchanged at 7.8%. Nominal and real wage growth continued to converge in May, with nominal average hourly earnings

Economic Key Data (As of May 2025):

Market Indexes

Dow Jones / S&P 500
↑ 3.9% / ↑ 6.4%

Consumer Confidence
98.0 ↑ 12.3

Trade Deficit
(\$61.6B) ↓ \$77B

Interest Rates

U.S. Treasuries

3 Mo. - 4.34% ↑ .05%

2 Yr - 3.90% ↑ .29%

30 Yr - 4.93% ↑ .25%

Price Indexes

Consumer Price Index
2.4% ↑ 0.1%

Producer Price Index
1.4% ↑ 1.0%

Euro/Dollar
1.13 ↔

Retail Activity

GDP
-0.2% ↓ 2.6%

Retail Sales
↑ 3.1%

Housing Starts
↓ 9.8%

Labor Market

Unemployment Rate
4.2% ↔

Hourly Wage Rates
↑ 3.9%

Community Attractions and Events

The City is home to many attractions, including Point Pinos Lighthouse, Hopkins Marine Station, Asilomar State Beach, Lovers Point Park and Beach, Butterfly House, the Monterey Bay Coastal Recreation Trail and Shoreline Park. The city also offers many special events during the year, including:

- Good Old Days
- Butterfly Parade
- Butterfly Ball
- City 4th of July Celebration
- Monterey Bay Half Marathon
- Pet Parade
- Christmas at the Inns
- Farmers' Market
- Holiday Parade of Lights
- Little Car Show
- Holiday Tree Lighting
- Summer Lights



Holiday Parade

City Profile / Demographics

The City is a small coastal community located in Monterey County that occupies just under three square miles, with a population of approximately 15,000 residents, ranked number 327 in size in California, ↓ 0.4% for the current year and ↓ 0.2% since 2020. Of the adults, 97% have high school degrees and 59% have college degrees, with an average household income of over \$100K and median sales price of over \$1 million, with 49% of the residential properties owner occupied.

Climate / Location

The City is situated on a peninsula which is bordered by Monterey, Pebble Beach, the Pacific Ocean, and Monterey Bay with a County unemployment rate of approximately 7%. Pacific Grove has a very temperate climate year round, with high temperatures ranging from the 70s in the late summer to the 50s in the winter. Pacific Grove has over 1,300 registered historical homes built prior to 1926.



Education

The Pacific Grove Unified School District (PGUSD) has received the highest overall ranking of all public schools on the Monterey Peninsula. Schools within the district include Pacific Grove High and Middle Schools, and Robert Down and Forest Grove Elementary Schools. Residents can take advantage of nearby colleges, including Monterey Peninsula community college, the Middlebury Institute of International Studies and California State University Monterey Bay.



Businesses / Additional Demographics

Tourism is a key economic driver for the City. Top employers include the City, PGUSD and Asilomar Conference Center. Top Taxpayers include Monarch Pines HOA, ROIC California LLC and Rutherford 17 Mile LP. The closest hospital is the Community Hospital of the Monterey Peninsula (CHOMP), while airports in the vicinity include Monterey Regional Airport and San Jose International Airport.



Category	Amount	Category	Amount
Persons 65 and older	29%	White	75%
Persons 0-18 / 19-64	16% / 55%	Poverty Level	7.1%
Median Monthly Rent	\$2,384	Mean Travel Time to Work	21 minutes
Persons per household	2.09	% in Workforce	56%

City Government Structure and Services

Pacific Grove is a Charter City which was incorporated in 1889. The City operates under the Council-City Manager form of government with a seven-member City Council elected by the citizens. The Mayor is directly elected to serve a two-year term and Council members are elected to alternating four-year terms. The Council has the authority to establish all laws and regulations, subject only to the limits of the City Municipal Code and State legislation. The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager provides direction to all City departments and ensures that all Council policies are implemented.



The City provides police protection, street, park and facility maintenance, recreational, planning, zoning, economic development, library, administrative and financial services for Pacific Grove. Fire protection services are provided through a contract with the City of Monterey. Additional services include sewer operations, a municipal golf course, Point Pinos Lighthouse, cemetery, a monarch butterfly sanctuary and habitat preserve, several local parks, trails and open space and a local water reclamation facility.

History

1850s-1860s: In 1852, development began when Congress commissioned the building of eight lighthouses on the West Coast. Pacific Grove's Point Pinos location was selected as one of the first seven sites in California to receive a lighthouse. The construction of the Point Pinos Lighthouse was completed in 1854, with the lens installation taking place in 1855. The first lighthouse keepers lived a rugged life, with the town only accessible through forest and sand dunes.



1870s - During this time many small towns were founded in California. During that period, Pacific Grove was founded for a religious retreat. David Jacks, a wealthy landowner and rancher, owned most of the land that now constitutes Pacific Grove. In 1875, he consented to the development of a Methodist Christian Seaside Retreat on 100 acres of pine-covered coastal land. The Retreat was conceived as a place to worship in a quiet and beautiful natural environment. The first two-week Methodist camp meeting was held in August 1875, with annual meetings following for several decades. Other inhabitants included Chinese immigrants who established a thriving fishing village.



1880s - Gradually, sections of Mr. Jacks' property were divided into lots, which later were sold for year-round homes and stores. By 1883, David Jacks sold his remaining Pacific Grove land, which included Point Pinos to the Pacific Improvement Company (PIC). The PIC was a subsidiary of the Southern Pacific Railroad which supported the development of a seaside resort to attract railway passengers. One of the PIC's first accomplishments in Pacific Grove was to connect the town's water supply to the Carmel River to ensure an adequate water system. The PIC also graded and leveled streets; surveyed lots, and established sewage, drainage, and trash pick-up.



1890s-1910s - As time went on, Pacific Grove began enticing more visitors. The first hotel opened in 1887, followed by the incorporation of the City and the addition of a railroad in 1889. Within ten years, the Pine Street School, the Hopkins Seaside Lab, and the Pacific Grove Bath House were built; and the community began to benefit from electric lights and a telephone exchange. Through a \$10,000 Carnegie grant and a land donation, the City opened a public library in 1908. The Mission style Library is still serving the community.



Selected Departmental Achievements – Current Fiscal Year

The City strived to make progress on a number of significant goals previously established including the following, which address all of the City's areas of focus. A significant portion of these goals are funded by the General Fund, with applicable portions being funded by grants and the City's enterprise, capital and special revenue funds:

Administration

- **Evaluations:** Implemented an electronic performance management system
- **Document Management:** Ongoing importing of contracts into Laserfiche
- **Employees:** Continued implementation of the retention and recruitment plan
- **Cybersecurity:** Completed Cybersecurity Assessment project
- **Hotel Tax Audit:** Worked with a third party to complete a tax audit
- **Internet:** Enhanced reliability and performance at the City Hall, PD, and Library
- **GIS/Network:** Completed upgrades, implement maps application
- **Annual Financials:** Received an award for excellence from GFOA for the ACFR
- **Budget:** Received awards for the City's operating budget from GFOA and CSMFO
- **Website:** Enhanced the transparency of the department's section of the website



Police



Downtown Pacific Grove



Fire Contract with Monterey

Fire and Police

- **Fire Station:** Completed significant upgrades, including roof and tower repair
- **Paramedics:** Began Advanced Life Support (ALS) paramedic service
- **Inspections:** Began a Defensible Space program to inspect high fire severity zones
- **Technology:** Installed new mobile data computers on apparatus
- **Transparency:** Maximized social media presence, expanded community outreach
- **Education:** Facilitated educational workshops on the dangers of opioids/fentanyl
- **Traffic Safety:** Hosted workshops on traffic safety and increased enforcement
- **Crime Prevention:** Created a problem oriented policing team



Lovers Point

Community Development and Public Works

- **Housing Element:** Submitted third draft to the California Department of Housing
- **Inspections:** Offered next day inspection services, focusing on new downtown hotel
- **Housing:** Sought qualifying housing rehabilitation projects for use of CDBG funds
- **Website:** Updated website to receive online applications for permits and payments
- **Roads/Safety:** Maintained over 600,000 SF of roadway, enhanced pedestrian safety
- **Downtown:** Finalized sidewalk dining guidelines, did sidewalk extension project
- **Facilities/Parks:** Completed five Facility Conditions Assessments
- **Forestry/Wildlife:** Did tree planting initiatives, commenced fuel load mitigation



Esplanade Park

Library and Recreation

- **Fundraising:** Successful efforts helped to support additional events and programming
- **Partnerships:** Opened dialogue with local libraries about establishing partnerships
- **Facility:** Investigated the feasibility of developing a private meeting space for users
- **Special Events:** Collaborated with several organizations for several local events
- **Summer Sports:** Added new Junior Golf Camp and Basketball Camp
- **Youth Center:** Ensured continued availability throughout the school year
- **Youth Soccer:** Expanded existing League adding an additional 70 registrations
- **Youth Basketball:** Launched League with 73 registrations in the first season



Elmarie Dyke Open Space

Key Departmental Goals – Next Two Fiscal Years

Despite limited resources available, the City has developed an ambitious work plan for the next two years including the following, which address the City's Areas of Focus of Financial Sustainability, Infrastructure, Environmental Stewardship and Community Development. A significant portion of these goals are funded by the General Fund, with applicable portions being funded by grants and the City's enterprise, capital and special revenue funds:

Administration

- **Employee MOUs:** Negotiate new MOUs for all bargaining units
- **Business License:** Streamline the application process
- **Community Outreach:** Implement a comprehensive community outreach program
- **Cybersecurity:** Complete Next Phase of Cybersecurity Assessment project
- **Security Cameras:** Implement at certain key locations
- **Cloud Backup Solution:** Implement to enhance Disaster Recovery capabilities
- **Accounting System:** Select a vendor to assist with the selection of a new system
- **Interim Reports:** Issue financial and investment reports on a quarterly basis
- **Website:** Continue to update the City website on a timely basis
- **Financials:** Submit ACFR, PAFR and budget for awards for excellence



Chautauqua Hall



Senior Center



Farmers Market

Fire and Police

- **Fire Station:** Install a new Station Alerting system compliant with County upgrades
- **Fire Engines:** Place new fire engine in service
- **Education:** Continue efforts towards education and community fire risk reduction
- **Technology:** Develop uniform digital dashboards, streamline work order processes
- **Social Media:** Expand and modernize the department's digital presence
- **Staff Development:** Modernize internal training and leadership development
- **Crime Prevention:** Strengthen through technology and community-led models
- **Traffic Safety:** Enhance through the use of technology and collaborative solutions



Platt Park



Arnett Park

Community Development and Public Works

- **Housing:** Achieve HCD certification of the 6th Cycle housing element
- **Zoning:** Initiate zoning ordinance amendments to streamline project reviews
- **Coastal Plan:** Complete Coastal Commission plan amendments addressing hazards
- **General Plan:** Complete update for consistency with Housing Element
- **Facilities/Parks:** Finalize facility assessments, incorporate into 5 year Capital Plan
- **Climate:** Finalize Climate Action and Adaptation Plan
- **Sewer:** Begin development 10-year master plan and associated user fee study
- **Outreach:** Promote projects and initiatives through enhanced public engagement



Morris Dill Tennis Courts

Library and Recreation

- **Website:** Enhance with improved design and navigation, and updated content
- **Literacy:** Look to develop a partnership with organizations to implement a program
- **Programming:** Increase the number of intergenerational programs by 50%
- **Partnerships:** Look into adding Carmel into the collective library agreement
- **Programming:** Evaluate programming to maximize participation
- **Youth:** Continued with expanded youth basketball and soccer programs
- **Website:** Enhance the online rental portal, to ensure seamless customer service
- **Outreach:** Increase marketing and outreach through the use of website enhancement

Ten Year Trend Information

Trend information is in the Annual Comprehensive Financial Report (ACFR) and budget. This data can show trends in operating revenues and expenses, which will impact the City's (PG) ability to increase its reserves and fund capital projects in the future. In comparing with others in certain key financial areas, the following was noted:

Below Average		Above Average
• Revenues Per Capita	• Pension Reserves	• % Pension Funded
• Operating Reserves	• OPEB Liability	• Pension Liability
• Capital Reserves	• Tax Revenues	• GF Debt Service

Budgetary Controls



Seven Gables Inn

The City Manager recommends the budget and presents it to the City Council in May and June. After public input and discussion is received, the City Council may request modifications to the budget or introduce an ordinance adopting the budget. The City's budget is then adopted by ordinance and becomes effective on July 1st of each fiscal year. Budgetary controls are set at the

department level and are maintained to ensure compliance with the budget approved by the Board. The City Manager or the Administrative Services Director has the discretion to transfer between activities. City Council approval is required for any overall increase in the budget for any fund or changes to the Capital Improvement Program.

All governmental, enterprise, and internal service funds are appropriated annually. The governmental funds include general, special revenue, capital project, and permanent funds. The Annual Comprehensive Financial Report includes all financial activities of the City. Financial data for all funds through which services are provided by the City have been included in this report. The City maintains an encumbrance accounting system as part of maintaining budgetary control. Encumbered amounts lapse at the end of the fiscal year. However, outstanding encumbrances are reappropriated as part of next year's budget after staff review to determine if they are still needed.

Budget Policies



Butterfly House

The City has established financial policies regarding the development of its budget. The operating budget should include revenues sufficient to fund operating expenditures. Reserves may be used as a resource to fund operations, with City Council approval of such use and a plan for funding future operations within annual anticipated revenues.

General Fund revenue projections for a year may include a negative contingency reserve of up to 2% of total revenues, depending on the direction of the economy. The budget may include an expenditure contingency in the General Fund up to 2%, designed to account for unexpected costs or to spend on projects required to advance Council goals.

In any fiscal year where revenues and transfers in exceed expenditures and transfers out, the annual surplus for the fiscal year should be allocated first to help meet the reserve policies for the General and Insurance Internal Service Funds. Any remaining surplus should be allocated $\frac{1}{3}$ towards reserves for capital, technology and vehicle replacement, $\frac{1}{3}$ towards addressing unfunded pension and long-term liabilities, and $\frac{1}{3}$ towards other Council priorities or to build up reserves for the future.

Reserve Targets

- ✓ General Fund - 25% of Expenditures
- ✓ Sewer Fund - Two years of Capital Expenditures
- ✓ Golf Fund - 25% of Revenues
- ✓ Pension Reserves - \$1 million
- ✓ Capital Reserves - \$1 million
- ✓ Workers' Comp Fund - 75% of total liabilities
- ✓ Liability Fund - 75% of total liabilities
- ✓ Expense Contingency - Inclusion of 2% in Operating Budgets
- ✓ Surplus - Allocation of 2/3 of any to Capital and Pension Reserves

Risk Management

The City is a member of the California Joint Powers Insurance Authority (the “Authority”). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The Authority arranges and administers programs for the pooling of self-insured losses, purchases excess insurance and reinsurance, and arranges for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978.



Each member government has an elected official as its representative on the Authority’s Board of Directors. The City is self-insured for the first \$150K of each workers’ compensation claim and \$200K of all other insurance claims. During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage.

Appropriations Limit

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Beginning in Fiscal Year 1990-91, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for a.) either the annual percentage change of the jurisdiction’s own population or the annual percentage change in population of the county where the jurisdiction is located and b.) an inflation factor either being the annual percentage change in per capita personal income or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The City’s appropriations are well under this limit, with details contained in the appendix to the budget.



Lovers Point

Appendix

Included in the appendix of the Budget is a list of key acronyms, a glossary with key terms used in the documents and an index to key sections of the documents. The appendix of the Budget also includes the budget calendar, detailed information on debt obligations, and resolutions adopting the budget and appropriation limit.



Recreation Trail

Awards

The City has received from GFOA and from the California Society of Municipal Finance Officers (CSMFO) awards for excellence in reporting for its budget and from GFOA for its ACFR. These awards focus on providing high quality documents for the citizens, City Council, customers, regulators and other interested parties. The City will submit the budget to GFOA and the California Society of Municipal Finance Officers (CSMFO) and the ACFR to GFOA in accordance with their award programs.



Acknowledgements

We wish to recognize the City Council for their leadership, support and commitment to fiscal sustainability and long-term financial planning. We also express appreciation to all departments for providing sound fiscal management and their assistance with preparation of the ACFR and budget, with special thanks to the staff of the Finance Division of the Administrative Services Department who assisted with the preparation of both.

Respectfully submitted,

Matt Mogensen
City Manager

Fred Marsh
Administrative Services Director



City of Pacific Grove

Mission, Vision and Core Values

Fiscal Years 2025-2026 and 2026-27

Vision Statement

Pacific Grove will thoughtfully grow as an inclusive seaside community that protects residential character, historic resources, promotes multi-beneficial development, and ensures respect for the environment.

Core Values

Leadership

We strive to uphold the highest work ethic, treat everyone fairly, empower people to do their best, promote continuous improvement, foster teamwork, communicate openly and respectfully so as to achieve trust and accountability throughout our community.

Inclusiveness

We cultivate an environment of trust and respect for all residents and visitors alike. We strive to ensure that our actions are inclusive and reflective of the diverse community of which we aim to be.

Mission Statement

Deliver quality professional public services to all residents in the Pacific Grove community and the region, while ensuring high value and quality results.

Core Values

Integrity

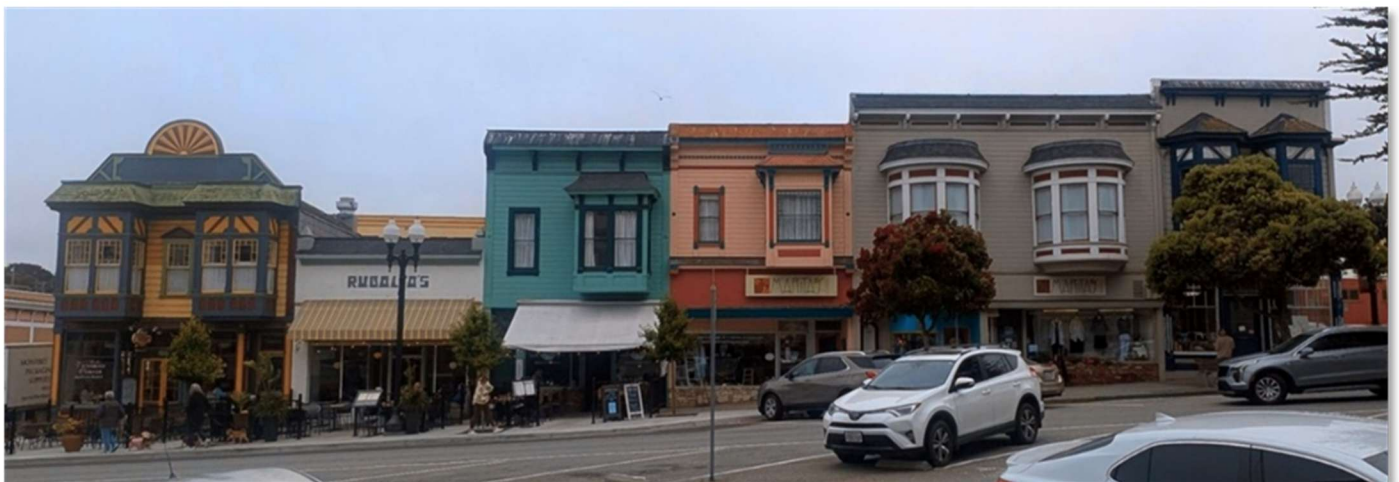
We safeguard public trust through honest business practices and open communication. Our credibility with the public depends on our strong ethical stewardship of all resources.

Collaboration

We promote transparent engagement with citizens and stakeholders and expect our managers and consultants to understand the needs and values of our community.

Stewardship

We protect our unique natural environment and the habitat it provides. We facilitate a culture of sustainable practices. We maintain and preserve our municipal assets.



Downtown Pacific Grove



City of Pacific Grove

Focus Areas / Strategic Goals with Supporting Tasks

Fiscal Years 2025-2026 and 2026-27

Financial Sustainability

Policy Value Statement: Manage financial resources to ensure the long-term delivery of City services

Goal 1: Identify ways to reduce unfunded liabilities

- *Pensions* - Develop a plan to reduce our long-term pension obligations
- *Local Water Project* - Secure funding to repay the debt service for the water reclamation facility
- *Storm Drains* - Develop options for a long-term storm drain infrastructure funding plan

Goal 2: Review and revise reserve policies to meet equipment and facility needs

- *Policies* - Update to revise the City's reserve fund policies and present to the City Council
- *Capital Plan* - Create Capital Replacement Funds to plan for regular maintenance and replacement

Goal 3: Identify and reduce expenditures and enhance revenues

- *Cost Recovery* - Review low/no cost recovery programs for effectiveness and improvements
- *Revenue Enhancement* - Identify potential new revenue sources and present to the City Council
- *Revenue Enhancement* - Identify potential new revenue sources and present to the City Council

Overview

City Council has developed goals (focus areas) which have been incorporated into the budget.

Staff creates a related work plan to measure progress on these goals. Periodic progress reports are presented to Council to provide status updates on these goals

Community Development

Policy Value Statement: Strategically implement programs promoting housing and economic opportunities

Goal 1: Explore options for an affordable housing project and partner opportunities

- *ADUs* - Present findings and recommendations to Council for direction on unpermitted ADUs
- *Affordable Housing* - Identify a preferred affordable housing project location

Goal 2: Review all Permit processes to eliminate barriers to housing and economic development

- *Water Allocation* - Evaluate the City's current and future water allocations and facilitate a City Council discussion on the prioritization of water credits
- *Business License* - Review business license process and implement efficiency measures
- *Permit Processes* - Evaluate timelines and permit processes for commercial and residential permits and implement efficiency measures where feasible



Accessory Dwelling Unit (ADU)



City of Pacific Grove

Focus Areas / Strategic Goals with Supporting Tasks

Fiscal Years 2025-2026 and 2026-27

Infrastructure

Policy Value Statement: Prioritize the provision of facility, human, and technology infrastructure that enhances the quality of life

Goal 1: Complete a five-year capital improvement program to address the completion of priority public facility projects

- *Capital Plan* - Present 5-year CIP plan to Council
- *Asset Management* - Develop a new database
- *Sidewalk Policy* - Include a plan for City property and a sidewalk repair process for property owners

Goal 2: Invest in technology and workforce systems

- *Accounting System* - Develop RFP and select vendor for new Enterprise Resource System
- *Disaster Recovery* - Develop a business continuity plan for IT infrastructure and databases
- *Staff Retention* - Develop a plan to develop and retain key staff members

Goal 3: Address critical physical infrastructure needs

- *Schools* - Develop a safe route to school plan and present it to the City Council
- *Streetscape Plan* - Create a downtown streetscape improvement plan
- *Wastewater* - Release a sewer master plan RFP



Grove Park Elementary School

Environmental Stewardship

Policy Value Statement: Caring for and protecting the City's natural resources and amenities

Goal 1: Complete Climate Action / Adaptation Efforts

- *Climate Plan* - Present a Climate Action and Adaptation Plan to the City Council for approval
- *Fire Management* - Provide fire safety inspection services for residents living near George Washington Park and in High Fire Severity Zones
- *George Washington Park* - Complete a George Washington Park Master Plan

Goal 2: Protect and Preserve the Natural Resources of Pacific Grove

- *Municipal Code* - Complete the comprehensive update to Title 12 of the municipal code; revisions to focus on replanting compliance and tree appeal process; to be presented to the City Council for approval
- *Wildlife Protection* - Assess efforts within the City that can be achieved, within available resources, and present feasible measures to the City Council for consideration



George Washington Park



City of Pacific Grove Map of Pacific Grove and the Monterey Peninsula

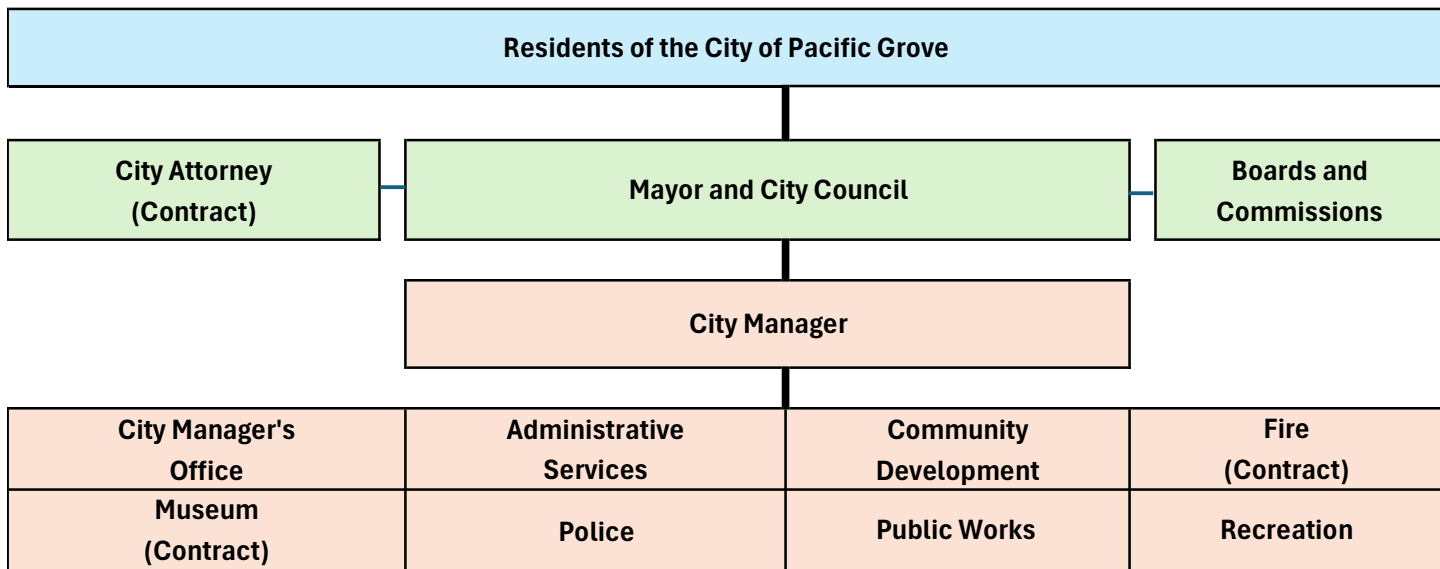




City of Pacific Grove Budget

City Organization Chart

Fiscal Year 2025-26



City Manager's Office • City Clerk • Economic Development • Human Resources • Outreach	Fire • Plan Review • Fire Suppression • Disaster Preparedness • Emergency Medical Aid	Boards/Commissions • Administrative Enforcement Hearing Officer • Architectural Review • Beautification and Natural Resources • Diversity, Equity and Inclusion • Downtown Business Improvement District • Historic Resources • Hospitality Improvement District • Library • Museum • Planning • Recreation • Site Plan Review • Traffic Safety • Other Ad Hoc Committees • Zoning Administrator
Administrative Services • Administrative Services • Finance / Risk Mgmt • Cemetery • Information Services	Police • Police • Animal Control • Records • Parking	
Community Development • Community Development • Planning • Building (Contract) • Code Compliance	Public Works • Public Works • Buildings / Grounds • Capital Improvements • Golf Course / Lighthouse	





City of Pacific Grove Capital Budget

Financial Summaries and Staffing

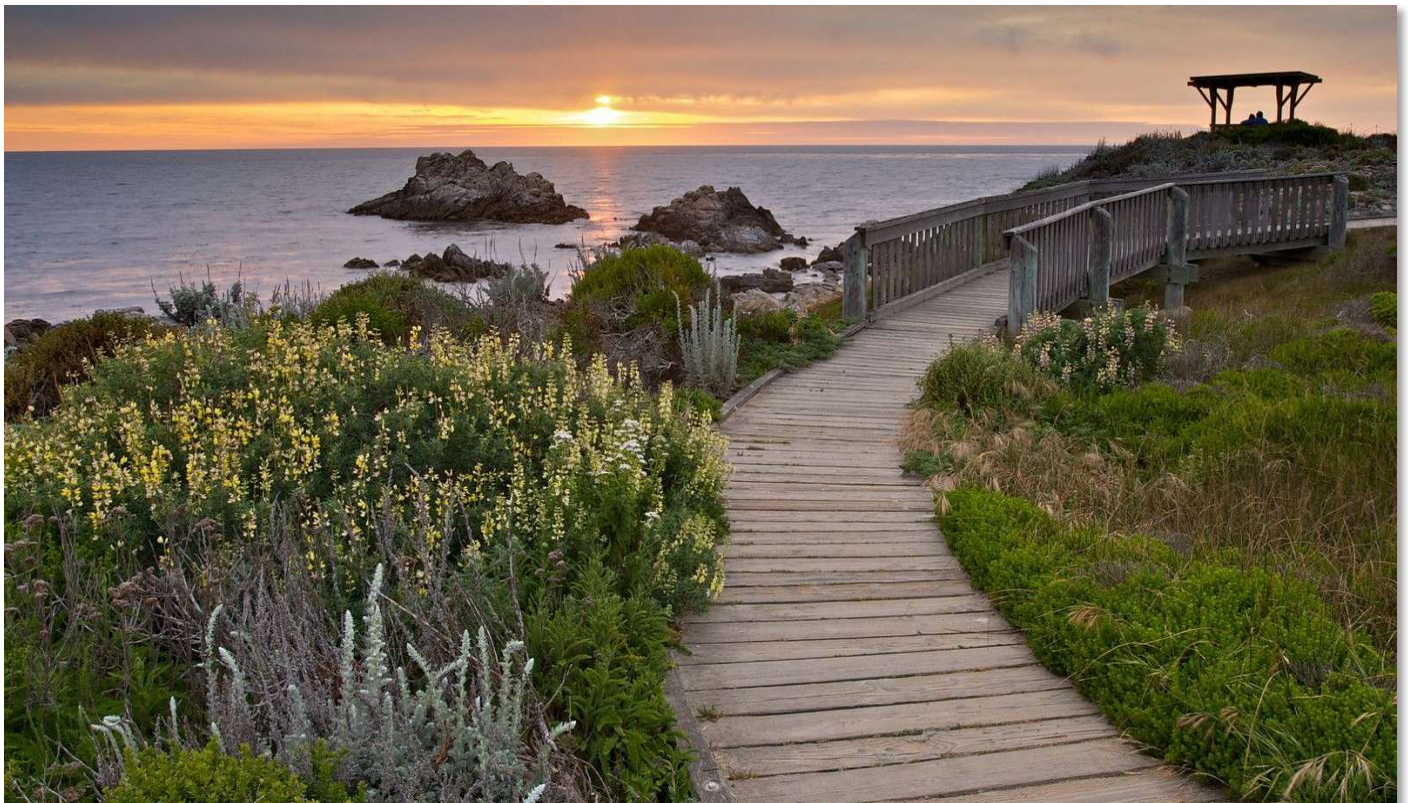
The financial section provides an overview and detail of all of the City's funds by fund type. It also includes a section on staffing by department, position and fund, and on employee compensation. See the financial policy section for the budget guidelines used in the development of the forecast.

Fund Information

30	Fund Type Descriptions
31	Revenues and Expenses by Fund
33	Fund Summaries by Fiscal Year

Staffing

36	Staff Positions by Department
37	Staff Positions by Position



Asilomar State Park



City of Pacific Grove Budget

Fund Types

The City receives revenue from numerous sources, many have restrictions on the use of the funds. Separate funds are established to account for the different types of revenues and their allowable uses. All funds listed below are budgeted and separated by fund type, as defined below:

General Fund

The General Fund is the main operating fund for the City. Generally, this fund is used to account for those traditional government services of the City, such as police and fire protection, public works, recreation, planning, and general government services and the general, non-restricted revenues of the City. This is considered a Major Fund under GAAP for budgeting purposes.

Internal Service Funds

Internal Services Funds are an accounting mechanism used to accumulate and allocate costs internally among the City of Pacific Grove's various functions. The City uses three internal service funds to account for the management of its retained risks associated with liability self-insurance, workers compensation, and employee benefits. Departments are charged for these services based on their utilization.

Enterprise Funds

The City's enterprise activities include cemetery, sewer, water reclamation, and golf course operations. These services are supported by charges paid by users based on the type of services that are rendered. These funds are established to function as self-supporting operations wherein expenditures are entirely offset by charges for services.

Capital Projects Fund

This fund is considered a Major Fund under GAAP for budgeting purposes and supports projects that are funded by the General Fund. These projects are distinct from projects funded by the Enterprise or Special Revenue Funds.

Special Revenues Funds

These funds account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to specific purposes. Of these funds, the Housing and Community Development Fund is considered a major fund under GAAP for budgeting purposes.

Permanent Funds

These funds account for financial resources that are restricted, committed, or assigned to expenditures for specific activities, including the acquisition or construction of capital facilities and other capital assets in governmental funds.

City Parks



Andy Jacobsen Park



Platt Park



Perkins Park



City Baseball Field



George Washington Park



Greenwood Park



Caledonia Park



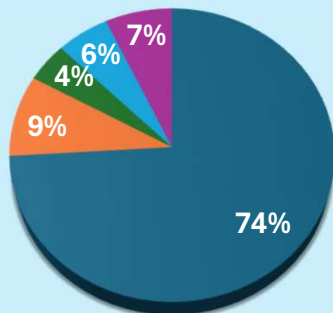
City of Pacific Grove Budget

Revenues by Fund - All Funds

Through Fiscal Year 2026-27

The table below shows the revenue trends and budgets for the General Fund and all funds for the next few fiscal years.

Fund	FY 23-24 Actual	FY 24-25 Budget	FY 24-25 Estimated	FY 25-26 Estimated	Variance from CY	FY 26-27 Estimated	Trends
General Fund - Main Fund	\$ 33,235,654	\$ 33,363,027	\$ 33,433,785	\$ 32,729,400	\$ (633,627)	\$ 33,302,700	
Recreation and Donations	35,877	24,200	28,616	1,027,424	1,003,224	27,010	
Total General Funds	33,271,531	33,387,227	33,462,401	33,756,824	↑ 369,597	33,329,710	
General Fund CIP	150,002	67,500	9,281	6,682	(60,818)	6,682	
Total Capital Funds	150,002	67,500	9,281	6,682	↓ (60,818)	6,682	
Cemetery Trust	177,927	113,000	119,776	121,734	8,734	129,319	
Library Trust	43,196	22,000	18,252	13,141	(8,859)	13,141	
Yount Trust	16,675	8,000	8,000	8,000		8,000	
Total Permanent Funds	237,798	143,000	146,028	142,876	↓ (124)	150,460	
Employee Benefits	348,321	265,000	278,379	316,299	51,299	377,424	
Liability Insurance	1,143,440	752,000	755,478	753,944	1,944	918,944	
Workers Compensation	568,519	722,113	731,511	925,299	203,186	1,000,299	
Total Internal Service Funds	2,060,280	1,739,113	1,765,368	1,995,542	↑ 256,429	2,296,667	
Cemetery	764,656	653,000	633,098	580,902	(72,098)	548,988	
Golf	837,625	762,000	952,920	956,538	194,538	977,149	
Local Water Project	1,029,933	935,000	1,157,177	1,001,146	66,146	1,001,146	
Sewer	4,197,415	3,901,000	4,348,106	4,099,809	198,809	4,099,809	
Total Enterprise Funds	6,829,630	6,251,000	7,091,300	6,638,396	↑ 387,396	6,627,092	
American Rescue Plan	49,418	15,000	15,395		(15,000)		
Cable Franchise PEG	51,111	48,000	50,015	49,171	1,171	49,171	
City Facilities	28,211	49,650	44,039	2,548	(47,102)	2,548	
Grants and Special Activities	1,101,320	696,650	554,447	567,532	(129,118)	593,893	
Fire	29,729	27,200	25,709	24,575	(2,625)	24,575	
Housing / Development	163,566	51,200	116,776	88,111	36,911	88,111	
Library	101,942	97,283	114,476	101,677	4,394	111,677	
Lighthouse	127,997	90,000	120,815	126,916	36,916	135,350	
Museum	16,939	4,000	11,212	8,073	4,073	8,073	
Police	395,004	455,275	464,387	467,503	12,228	467,503	
Streets	1,711,967	2,247,695	2,257,717	1,619,540	(628,155)	1,612,195	
Total Special Revenue Funds	3,777,206	3,781,953	3,774,987	3,055,646	↓ (726,307)	3,093,096	
Total Revenues - All Funds	\$ 46,326,447	\$ 45,369,793	\$ 46,249,366	\$ 45,595,965	↑ 226,172	\$ 45,503,708	



Revenues FY 25-26 - Total \$45.6 million

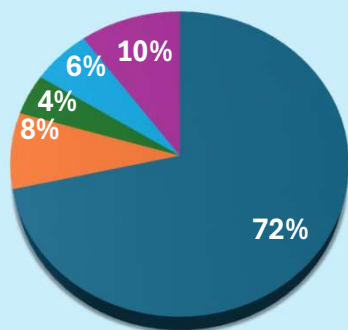
- General \$33.8 million
- Sewer \$4.1 million
- Internal Service \$2.0 million
- Other Enterprise \$2.5 million
- Other Funds \$3.2 million



City of Pacific Grove Budget
Expenses by Fund - All Funds
Through Fiscal Year 2026-27

The table below shows the expense trends and budgets for the General Fund and all funds for the next few fiscal years.

Fund	FY 23-24 Actual	FY 24-25 Budget	FY 24-25 Estimated	FY 25-26 Estimated	Variance CY Budget	FY 26-27 Estimated	Trends
General Fund - Main Fund	\$29,439,586	\$ 34,049,158	\$ 32,626,087	\$ 33,571,522	\$ (477,636)	\$35,046,464	
Recreation and Donations	26,975	26,193	28,567	1,148,250	1,122,057	25,250	
Total General Funds	29,466,561	34,075,351	32,654,654	34,719,772	↑ 644,421	35,071,714	
General Fund CIP	562,432	1,937,033	1,937,033	650,000	(1,287,033)	850,000	
Total Capital Funds	562,432	1,937,033	1,937,033	650,000	↓ (1,287,033)	850,000	
Cemetery Trust							
Library Trust							
Yount Trust							
Total Permanent Funds	-	-	-	-	-	-	
Employee Benefits	282,458	332,000	359,082	312,700	(19,300)	373,485	
Liability Insurance	464,021	717,003	703,552	882,167	165,164	957,102	
Workers Compensation	651,041	735,949	903,326	916,948	180,999	975,966	
Total Internal Service Funds	1,397,519	1,784,952	1,965,959	2,111,815	↑ 326,863	2,306,553	
Cemetery	559,532	720,349	707,011	848,109	127,760	899,192	
Golf	485,080	755,057	953,833	1,026,682	271,625	987,833	
Local Water Project	972,048	1,010,925	1,407,077	1,025,105	14,180	1,066,388	
Sewer	1,588,358	6,032,635	5,992,306	3,920,269	(2,112,366)	10,317,679	
Total Enterprise Funds	3,605,018	8,518,966	9,060,227	6,820,166	↓ (1,698,800)	13,271,092	
American Rescue Plan	228,414	828,872	910,564		(828,872)		
Cable Franchise PEG	26,000	81,000	82,000	120,000	39,000	60,000	
City Facilities	17,387	65,000	65,000	48,003	(16,997)		
Fire	5,527	46,080	46,080	100,000	53,920	12,880	
Grants / Special Activities	1,076,359	632,400	576,166	561,700	(70,700)	588,060	
Housing / Development	102,088	317,718	331,467	464,284	146,566	206,852	
Library	85,290	100,571	95,571	87,400	(13,171)	70,400	
Lighthouse	99,058	141,500	123,611	131,908	(9,592)	133,946	
Museum Improvement		165,800	165,800		(165,800)		
Police	729,964	776,297	693,650	842,209	65,912	823,182	
Streets	1,375,912	3,773,841	3,737,819	1,909,283	(1,864,558)	1,754,452	
Total Special Revenue Funds	3,745,999	6,929,079	6,827,728	4,264,787	↓ (2,664,292)	3,649,772	
Total Expenditure	\$38,777,529	\$53,245,381	\$ 52,445,601	\$ 48,566,541	↓ (4,678,840)	\$55,149,131	



Expenses FY 25-26 - Total \$48.6 million

- General \$34.7 million
- Sewer \$3.9 million
- Internal Service \$2.1 million
- Other Enterprise \$2.9 million
- Other Funds \$4.9 million



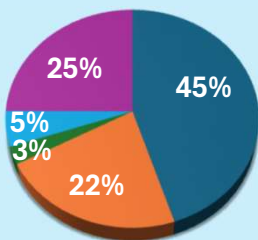
City of Pacific Grove Budget

Fund Balance / Working Capital Estimates

Fiscal Year 2024-25

The table below shows a financial summary and budgets for the General Fund and all funds for the noted fiscal year.

Fund	Beginning Fund Balance	Projected Revenues	Projected Expenses	Projected Transfers In	Projected Transfers Out	Change for Fiscal Year	Projected Ending Balance
General Fund	\$ 17,396,190	\$ 33,433,785	\$ 32,626,087		\$ 4,222,220	(3,414,522)	\$ 13,981,668
Recreation / Donations	183,822	28,616	28,567			49	183,871
Pension Reserve				\$ 500,000		\$ 500,000	500,000
General Funds	17,580,012	33,462,401	32,654,654	500,000	4,222,220	↓ (2,914,473)	14,665,539
General Fund CIP	361,196	9,281	1,937,033	3,017,033		1,089,281	1,450,477
Capital Projects Fund	361,196	9,281	1,937,033	3,017,033		↑ 1,089,281	1,450,477
Employee Benefits	159,520	278,379	359,082			(80,703)	78,817
Liability Insurance	603,210	755,478	703,552			51,926	655,136
Workers Compensation	294,000	731,511	903,326			(171,815)	122,185
Internal Service Funds	1,056,730	1,765,368	1,965,959			↓ (200,591)	856,139
Library Trust	565,637	18,252				18,252	583,889
Cemetery Trust	2,145,254	119,776				119,776	2,265,030
Yount Trust	781,371	8,000			8,000		781,371
Permanent Funds	3,492,262	146,028			8,000	↑ 138,028	3,630,290
Cemetery	1,100,618	633,098	707,011			(73,913)	1,026,705
Golf	867,594	952,920	953,833			(913)	866,681
Local Water Project	42,876	1,157,177	1,407,077	375,187	350,000	(224,713)	(181,837)
Sewer	8,537,880	4,348,106	5,992,306	350,000		(1,294,200)	7,243,680
Enterprise Funds	10,548,968	7,091,300	9,060,227	725,187	350,000	↓ (1,593,740)	8,955,228
American Rescue Plan	895,169	15,395	910,564			(895,169)	(0)
Cable Franchise PEG	116,177	50,015	82,000			(31,985)	84,192
City Facilities	108,848	44,039	65,000	8,000		(12,961)	95,887
Fire	195,633	25,709	46,080			(20,371)	175,262
Grants/Special Activities	265,116	554,447	576,166			(21,719)	243,397
Housing/Development	1,249,140	116,776	331,467			(214,691)	1,034,449
Library	260,992	114,476	95,571			18,905	279,897
Lighthouse	223,970	120,815	123,611			(2,796)	221,174
Museum	344,823	11,212	165,800			(154,588)	190,235
Police	164,599	464,387	693,650	330,000		100,736	265,335
Streets	1,943,221	2,257,717	3,737,819			(1,480,102)	463,119
Special Revenue Funds	5,767,688	3,774,987	6,827,728	338,000		↓ (2,714,741)	3,052,946
Total All Funds	\$38,806,856	\$46,249,366	\$52,445,601	\$ 4,580,220	\$ 4,580,220	↓ (6,196,236)	\$32,610,620



Reserves by Major Fund / Fund Type FY 2024-25

- General / Pension Trust \$14.7 million
- Sewer \$7.2 million
- Internal Service \$0.9 million
- Other Enterprise \$1.7 million
- Other Funds \$8.1 million



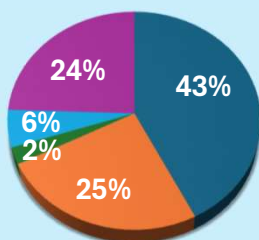
City of Pacific Grove Budget

Fund Balance / Working Capital Estimates

Fiscal Year 2025-26

The table below shows a financial summary and budgets for the General Fund and all funds for the noted fiscal year.

Fund	Beginning Fund Balance	Proposed Revenues	Proposed Expenses	Proposed Transfers In	Proposed Transfers Out	Change for Fiscal Year	Projected Ending Balance
General Fund	\$ 13,981,668	\$ 32,729,400	\$33,571,522		\$1,117,600	\$ (1,959,722)	\$ 12,021,945
Recreation / Donations	183,871	1,027,424	1,148,250			(120,826)	63,045
Pension Reserve	500,000		-	\$ 25,000		25,000	525,000
General Fund	14,665,539	33,756,824	34,719,772	25,000	1,117,600	↓ (2,055,549)	12,609,990
General Fund CIP	1,450,477	6,682	650,000	500,000		(143,318)	1,307,159
Capital Projects Fund	1,450,477	6,682	650,000	500,000		↓ (143,318)	1,307,159
Employee Benefits	78,817	316,299	312,700			3,599	82,416
Liability Insurance	655,136	753,944	882,167			(128,223)	526,914
Workers Compensation	122,185	925,299	916,948			8,351	130,536
Internal Service Funds	856,139	1,995,542	2,111,815			↓ (116,273)	739,866
Library Trust	583,889	13,141	-			13,141	597,030
Cemetery Trust	2,265,030	121,734	-			121,734	2,386,765
Yount Trust	781,371	8,000	-		8,000		781,371
Permanent Funds	3,630,290	142,876			8,000	↑ 134,876	3,765,166
Cemetery	1,026,705	580,902	848,109		-	(267,207)	759,498
Golf	866,681	956,538	1,026,682			(70,144)	796,538
Local Water Project	(181,837)	1,001,146	1,025,105	287,600	-	263,641	81,803
Sewer	7,243,680	4,099,809	3,920,269		25,000	154,540	7,398,220
Enterprise Funds	8,955,228	6,638,396	6,820,166	287,600	25,000	↑ 80,830	9,036,058
City Facilities	95,887	2,548	48,003	8,000		(37,455)	58,432
Cable Franchise PEG	84,192	49,171	120,000			(70,829)	13,363
Fire	175,262	24,575	100,000			(75,425)	99,837
Grants/Special Activities	243,397	567,532	561,700			5,832	249,229
Housing / Development	1,034,449	88,111	464,284			(376,173)	658,277
Library	279,897	101,677	87,400			14,277	294,174
Lighthouse	221,174	126,916	131,908			(4,992)	216,181
Museum	190,235	8,073	-			8,073	198,308
Police	265,335	467,503	842,209	330,000		(44,706)	220,629
Streets	463,119	1,619,540	1,909,283			(289,743)	173,376
Special Revenue Funds	3,052,947	3,055,646	4,264,787	338,000		↓ (871,142)	2,181,805
Total All Funds	\$32,610,620	\$45,595,965	\$48,566,541	\$1,150,600	\$1,150,600	\$ (2,970,576)	\$29,640,044



Reserves by Major Fund / Fund Type FY 2025-26

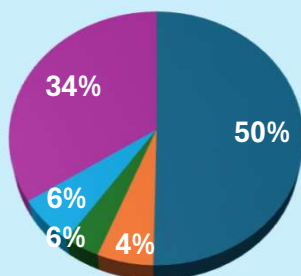
- General / Pension Trust \$12.6 million
- Sewer \$7.4 million
- Internal Service \$0.7 million
- Other Enterprise \$1.6 million
- Other Funds \$7.3 million



City of Pacific Grove Budget
Fund Balance / Working Capital Estimates
Fiscal Year 2026-27

The table below shows a financial summary and budgets for the General Fund and all funds for the noted fiscal year.

Fund	Beginning Fund Balance	Proposed Revenues	Proposed Expenses	Proposed Transfers In	Proposed Transfers Out	Change for Fiscal Year	Projected Ending Balance
General Fund	\$ 12,021,945	\$ 33,302,700	\$ 35,046,464		\$ 830,000	\$ (2,573,764)	\$ 9,448,181
Recreation / Donations	63,045	27,010	25,250			1,760	64,805
Pension Reserve	525,000		-	\$ 25,000		25,000	550,000
General Fund	12,609,990	33,329,710	35,071,714	25,000	830,000	↓ (2,547,004)	10,062,986
General Fund CIP	1,307,159	6,682	850,000	500,000		(343,318)	963,842
Capital Projects Fund	1,307,159	6,682	850,000	500,000	-	↓ (343,318)	963,842
Employee Benefits	82,416	377,424	373,485			3,939	86,355
Liability Insurance	526,914	918,944	957,102			(38,158)	488,756
Workers Compensation	130,536	1,000,299	975,966			24,333	154,869
Internal Service Funds	739,866	2,296,667	2,306,553		-	↓ (9,886)	729,980
Library Trust	597,030	13,141	-			13,141	610,172
Cemetery Trust	2,386,765	129,319	-			129,319	2,516,084
Yount Trust	781,371	8,000	-		8,000		781,371
Permanent Funds	3,765,166	150,460			8,000	↑ 142,460	3,907,626
Cemetery	759,498	548,988	899,192		-	(350,205)	409,293
Golf	796,538	977,149	987,833			(10,684)	785,854
Local Water Project	81,803	1,001,146	1,066,388		-	(65,242)	16,561
Sewer	7,398,220	4,099,809	10,317,679		25,000	(6,242,870)	1,155,350
Enterprise Funds	9,036,058	6,627,092	13,271,092		25,000	↓ (6,669,000)	2,367,058
Cable Franchise PEG	13,363	49,171	60,000			(10,829)	2,534
City Facilities	58,432	2,548	-	8,000		10,548	68,980
Fire	99,837	24,575	12,880			11,695	111,532
Grants/Special Activities	249,229	593,893	588,060			5,833	255,062
Housing / Development	658,277	88,111	206,852			(118,741)	539,536
Library	294,174	111,677	70,400			41,277	335,451
Lighthouse	216,181	135,350	133,946			1,405	217,586
Museum	198,308	8,073	-			8,073	206,380
Police	220,629	467,503	823,182	330,000		(25,679)	194,949
Streets	173,376	1,612,195	1,754,452			(142,257)	31,119
Special Revenue Funds	2,181,805	3,093,096	3,649,772	338,000		↓ (218,676)	1,963,129
Total All Funds	\$ 29,640,044	\$ 45,503,708	\$ 55,149,131	\$ 863,000	\$ 863,000	\$ (9,645,423)	\$ 19,994,621



Reserves by Major Fund / Fund Type FY 2026-27

- General / Pension Trust \$10.1 million
- Sewer \$1.2 million
- Internal Service \$0.7 million
- Other Enterprise \$1.2 million
- Other Funds \$6.8 million



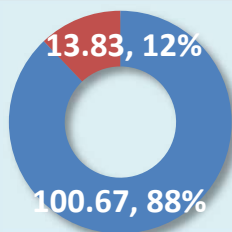
City of Pacific Grove Budget

Employee Summary by Fund and Department

Through Fiscal Year 2026-27

Dept / Funding Source	FY 23-24		FY 24-25		FY 25-26		FY 26-27	
	FTEs	PT	FTEs	PT	FTEs	PT	FTEs	PT
General Fund								
Administrative Services	9.67		9.67		9.62		9.62	
City Council		7.00		7.00		7.00		7.00
City Manager	4.43		5.18		5.18		5.18	
Community Development	8.50		8.75		8.75		8.75	
Police	33.30		33.30		33.30		33.30	
Library	8.50		9.00		9.00		9.00	
Recreation	6.65		6.65		6.90		6.90	
Public Works	18.45	1.37	19.32	2.50	18.67	2.25	18.67	2.25
Total General Fund	89.50	8.37	91.87	9.50	91.42	9.25	91.42	9.25
Other Funds								
Administrative Services								
Cemetery	1.00		1.00		1.00		1.00	
Worker's Compensation	0.35		0.35		0.50		0.50	
Liability	0.25		0.25		0.15		0.15	
Police Department								
SLESF	0.70		0.70		0.70		0.70	
Recreation								
Lighthouse		2.25		2.25		2.25		2.25
Public Works								
Cemetery	1.30	0.25	1.30	0.25	1.30	0.25	1.30	0.25
Sewer	5.48		5.30	0.13	6.20	0.13	6.20	0.13
Streets (Gas Tax)	1.35		1.35		1.35		1.35	
Subtotals	10.43	2.50	10.25	2.63	11.20	2.63	11.20	2.63
Grand Total All Funds	99.93	10.87	102.12	12.13	102.62	11.88	102.62	11.88
Change for Fiscal Year			↑ 2.20	↑ 1.26	↑ 0.50	↓ (0.25)	↓ 0.00	↓ 0.00

* Note: The above excludes seasonal employees hired each year by the Recreation Department.
City Manager includes Economic Development and Admin Services includes Information Services



Positions Funded by Fund

- General Fund
- Other Funds



**City of Pacific Grove Budget
Employee Position Listing - By Division and Fund
Through Fiscal Year 2026-27**

Division	Status	Positions	Position	FY 23-24	FY 24-25	FY 25-26	FY 26-27
				FTE	FTE	FTE	FTE
101	Part-time	Council Member	002-000	6.00	6.00	6.00	6.00
	Part-time	Mayor	001-001	1.00	1.00	1.00	1.00
	Total	Total City Council		7.00	7.00	7.00	7.00
121	Full-time	City Manager	301	0.85	0.85	0.85	0.85
	Full-time	Human Resources Director	210	1.00	1.00	1.00	1.00
	Full-time	City Clerk	243	1.00	1.00	1.00	1.00
	Full-time	Management Analyst	208	1.18	1.18	1.00	1.00
	Full-time	Senior Accounting Assistant	125			0.18	0.18
	Total	City Manager / HR / City Clerk		4.03	4.03	4.03	4.03
130	Full-time	City Manager	301	0.15	0.15	0.15	0.15
	Full-time	Deputy City Manager	219		1.00	1.00	1.00
	Full-time	Associate Planner	168	0.25			
	Total	Total Economic Development		0.40	1.15	1.15	1.15
131	Full-time	Administrative Services Director	304	0.80	0.80	0.80	0.80
	Full-time	Senior Program Manager	206	0.65	0.65	1.00	1.00
	Full-time	Program Manager	219	0.75	0.75	0.75	0.75
	Full-time	Management Analyst	208	1.00	1.00	0.60	0.60
	Full-time	Accounting Assistant	120	0.75	0.75	0.75	0.75
	Full-time	Senior Accounting Assistant	125	1.67	1.67	1.67	1.67
	Full-time	Senior Accountant	218	1.00	1.00	1.00	1.00
	Total	Total ASD - Finance - General Fund		6.62	6.62	6.57	6.57
133	Full-time	Program Manager, Senior	206	1.00	1.00	1.00	1.00
	Full-time	Management Analyst	208	1.00	1.00	1.00	1.00
	Full-time	Administrative Services Director	304	0.05	0.05	0.05	0.05
	Full-time	It Support Specialist	105	1.00	1.00	1.00	1.00
	Total	Total ASD - Information Services		3.05	3.05	3.05	3.05
701	Full-time	Senior Accounting Assistant	125	0.15	0.15	0.15	0.15
	Full-time	Program Manager, Senior	206	0.15	0.15		
	Full-time	Management Analyst	208			0.30	0.30
	Full-time	Administrative Services Director	304	0.05	0.05	0.05	0.05
	Total	Total ASD - Worker's Compensation		0.35	0.35	0.50	0.50
702	Full-time	Program Manager, Senior	206	0.20	0.20		
	Full-time	Management Analyst	208			0.10	0.10
	Full-time	Administrative Services Director	304	0.05	0.05	0.05	0.05
	Total	Total ASD - Risk Management		0.25	0.25	0.15	0.15
201-204	Full-time	Community Development Director	205	1.00	1.00	1.00	1.00
	Full-time	Code Compliance Officer	164	1.00	1.00	1.00	1.00
	Full-time	Associate Planner	168	1.75	2.00	2.00	2.00
	Full-time	Principal Planner	241	1.00	1.00	1.00	1.00
	Full-time	Office Assistant	136	0.50	0.50	0.50	0.50
	Full-time	Administrative Analyst	170	0.75	0.75	0.75	0.75
	Full-time	Management Analyst	208	0.50	0.50	0.50	0.50
	Full-time	Senior Program Manager	206	0.50	0.50	0.50	0.50
	Full-time	Office Assistant	136	0.50	0.50	0.50	0.50
	Full-time	Management Analyst	208	0.50	0.50	0.50	0.50
	Full-time	Senior Program Manager	206	0.50	0.50	0.50	0.50
	Total	Total Community Development		8.50	8.75	8.75	8.75



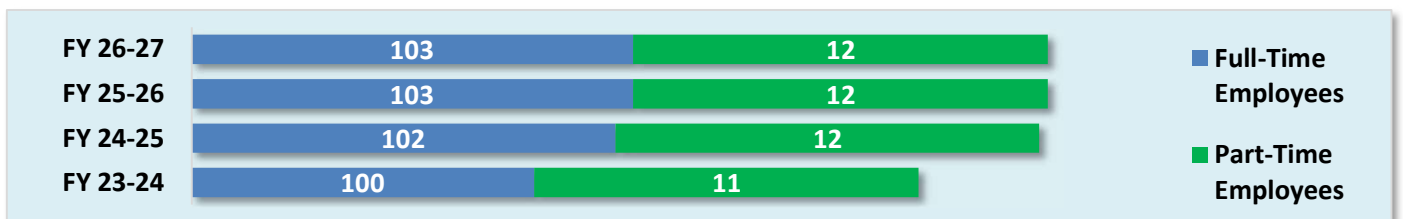
City of Pacific Grove Budget
Employee Position Listing - By Division and Fund
Through Fiscal Year 2026-27

Division	Status	Positions	Position	FY 23-24 FTE	FY 24-25 FTE	FY 25-26 FTE	FY 26-27 FTE
	Full-time	Police Chief	602	1.00	1.00	1.00	1.00
	Full-time	Police Commander	601	2.00	2.00	2.00	2.00
	Full-time	Police Sergeant	524	4.00	4.00	4.00	4.00
	Full-time	Police Officer	516	15.30	15.30	15.30	15.30
	Full-time	Management Analyst	208	1.00	1.00	1.00	1.00
	Full-time	Community Service Officer	507	3.00	3.00	3.00	3.00
	Full-time	Parking Enforcement Officer	506	1.00	1.00	1.00	1.00
	Full-time	Administrative Analyst	170	1.00	1.00	1.00	1.00
	Full-time	Property & Evidence Technician	509	1.00	1.00	1.00	1.00
	Full-time	Police Services Technician	508	4.00	4.00	4.00	4.00
301	Total	Total Police Department - GF		33.30	33.30	33.30	33.30
	Full-time	Police Officer	516	0.70	0.70	0.70	0.70
304	Total	Total Police - SLESF		0.70	0.70	0.70	0.70
	Full-time	Library Director	217	1.00	1.00	1.00	1.00
	Full-time	Librarian	208	3.50	2.75	2.75	2.75
	Full-time	Library Clerk	199	1.50	1.50	1.50	1.50
	Full-time	Administrative Analyst	170	0.75	1.00	1.00	1.00
	Full-time	Library Assistant II	122	0.75	0.75	0.75	0.75
	Full-time	Senior Library Assistant	144	1.00	2.00	2.00	2.00
401	Total	Total Library		8.50	9.00	9.00	9.00
	Part-time	Lighthouse Docent Coordinator	50	1.00	1.00	1.00	1.00
	Part-time	Cashier	90	1.00	1.00	1.00	1.00
	Part-time	Maintenance Worker	132	0.25	0.25	0.25	0.25
413	Total	Total Recreation - Lighthouse		2.25	2.25	2.25	2.25
	Full-time	Public Works Director	207	0.20	0.20	0.20	0.20
	Full-time	Senior Program Manager	206			1.00	1.00
	Full-time	Program Manager	219	1.00	1.00		
	Full-time	Recreation Program Supervisor	620	0.75	0.75	0.75	0.75
	Full-time	Superintendent	220	0.20	0.20	0.20	0.20
	Full-time	Recreation Coordinator	118	3.75	3.75	4.00	4.00
	Full-time	Office Assistant	104	0.75	0.75	0.75	0.75
421	Total	Total Recreation - General Fund		6.65	6.65	6.90	6.90
501	Full-time	Construction Project Manager	209	0.10	0.10	0.10	0.10
	Full-time	Program Manager, Senior	206	0.25	0.25	0.25	0.25
	Full-time	Programs Manager	219	0.50	0.50	0.50	0.50
	Full-time	Public Works Director	207	0.30	0.30	0.30	0.30
	Full-time	Superintendent	220	0.40	0.40	0.40	0.40
	Part-time	Administrative Assistant	104	0.13	0.13	0.13	0.13
502	Full-time	Equipment Mechanic	156	1.00	1.00	1.00	1.00
	Full-time	Equipment Mechanic, Senior	157	1.00	1.00	1.00	1.00
503	Full-time	Construction Project Manager	209	0.20	0.20	0.20	0.20
	Full-time	Maintenance Supervisor	154	0.50	0.50	0.50	0.50
	Full-time	Maintenance Worker	132	8.20	8.20	8.20	8.20
	Full-time	Maintenance Worker Senior	146	0.95	0.95	0.50	0.50
	Full-time	Public Works Director	207	0.10	0.10	0.10	0.10
	Part-time	Administrative Assistant	104	0.24	0.24	0.24	0.24
	Part-time	Custodian	115	0.50	0.50	0.50	0.50



City of Pacific Grove Budget
Employee Position Listing - By Division and Fund
Through Fiscal Year 2026-27

Division	Status	Positions	Position	FY 23-24 FTE	FY 24-25 FTE	FY 25-26 FTE	FY 26-27 FTE
505	Full-time	Administrative Analyst	170	0.50	0.50	0.30	0.30
	Full-time	Construction Project Manager	209	0.20	0.20	0.20	0.20
	Full-time	Maintenance Worker	132	3.30	3.30	3.30	3.30
	Full-time	Maintenance Worker Senior	146	0.40	0.40	0.40	0.40
	Full-time	Program Manager, Senior	206	0.25	0.25	0.25	0.25
	Full-time	Public Works Director	207	0.05	0.05	0.05	0.05
	Full-time	Administrative Analyst	170	0.25	0.25	0.25	0.25
513	Full-time	Deputy Director/ Civil Engineer	206		1.00	0.50	0.50
	Full-time	Urban Forester	206		1.00	1.00	1.00
	Part-time	Administrative Technician	170			0.25	0.25
	Part-time	Maintenance Worker	132	0.50	0.50	0.50	0.50
501-513	Total	Total Public Works - General Fund		19.82	21.82	20.92	20.92
	Full-time	Maintenance Worker Senior	146	0.30	0.30	0.30	0.30
	Full-time	Maintenance Worker	132	0.60	0.60	0.60	0.60
	Full-time	Administrative Analyst	170	0.45	0.45	0.45	0.45
508	Total	Total Public Works - Gas Tax		1.35	1.35	1.35	1.35
	Full-time	Maintenance Worker	132	0.80	0.80	0.80	0.80
	Full-time	Management Analyst	208	0.20	0.20		
	Full-time	Maintenance Supervisor	154	0.20	0.20	0.20	0.20
	Full-time	Program Manager, Senior	206	0.05	0.05		
	Full-time	Program Manager	219			0.25	0.25
	Full-time	Cemetery Office Assistant	136	1.00	1.00	1.00	1.00
	Full-time	Administrative Services Director	601	0.05	0.05	0.05	0.05
	Part-time	Maintenance Worker	132	0.25	0.25	0.25	0.25
601	Total	Total Public Works / ASD - Cemetery		2.55	2.55	2.55	2.55
	Full-time	Deputy Director/ Civil Engineer	206			0.50	0.50
	Full-time	Programs Manager	217	0.50	0.50	0.50	0.50
	Full-time	Program Manager, Senior	206	0.50	0.50	0.50	0.50
	Full-time	Administrative Analyst	170	0.05	0.05	0.25	0.25
	Full-time	Construction Project Manager	209	0.50	0.50	0.50	0.50
	Full-time	Superintendent	220	0.40	0.40	0.40	0.40
	Full-time	Maintenance Supervisor	154	1.30	1.30	1.30	1.30
	Full-time	Maintenance Worker Senior	146	0.65	0.60	0.80	0.80
	Full-time	Maintenance Worker	132	1.10	1.10	1.10	1.10
	Full-time	Public Works Director	207	0.35	0.35	0.35	0.35
	Part-time	Administrative Assistant	104	0.13	0.13	0.13	0.13
611	Total	Total Public Works - Sewer		5.48	5.43	6.33	6.33
		Full-Time Employees		99.80	102.12	102.62	102.62
		Part-Time Employees		11.00	12.13	11.88	11.88
		Grand Totals All Departments		110.80	114.25	114.50	114.50





Public Art – Pacific Grove





City of Pacific Grove Capital Budget

Capital Program

This section provides details on the City's capital plan for the next two fiscal years, including costs and how they are funded, benefits of each project and how the priority for each project was established. See the City's separate five year capital plan for details on the City's capital improvement program.

Capital Background Information

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43	Summary by Funding Source
43	Summary by Revenue Source
44	Overview of Capital Program
49	Capital Projects
65	Technology / Capital Outlay
66	CIP Anticipated Accomplishments
68	CIP Location Map
69	Unfunded Projects

Major Capital Projects \$100K or more

49	Sewer Master Plan Projects
51	Street Rehabilitation Project
52	Mandated ADA Improvements
55	Chautauqua Hall Improvements
56	Chinese Pavillion and Moon Gate
59	Fire Station Alerting System
62	Sewer Main Replacement - Arena Ave.
63	Urban Diversion Station Repair
64	Crack and Slurry Seal



Chautauqua Hall Improvements



City of Pacific Grove Budget

Capital Improvement Summary (In Thousands)

Fiscal Years 2025-26 and 2026-27

Category / Revenue Source		Project	Funding Sources	2025-26	2026-27	Project Totals*
Transportation						
CIP26-01	GF Transfers	Street Rehabilitation Project	CIP Fund	\$ 300	\$ 300	\$ 600
	Sales Tax		Measure X	570	568	1,138
	Grants		RMRA/SB1	570	400	970
	Sewer Chgs		Sewer	350	350	700
			Totals	1,790	1,618	3,408
CIP26-02	GF Transfers	Mandated ADA Improvements	CIP Fund	200		200
	Sales Tax		Measure X	250		250
			Totals	450	-	450
CIP27-01	GF Transfers	Crack and Slurry Seal	CIP Fund		200	200
	Sales Tax		Measure X		250	250
			Totals	-	450	450
		Total Transportation		\$ 2.24M	\$ 2.07M	\$ 4.31M

Facilities						
CIP 26-03	Donations	Library Backup Power System	Op. Donations	\$ 80		\$ 80
CIP 26-04	Donations	Pillar Privacy / Study Booth ADA	Op. Donations	25		25
CIP 26-05	Donations	Chautauqua Hall	Op. Donations	700		700
		Building Improvements				
CIP 26-06	Donations	Chinese Pavillion / Moon Gate	Op. Donations	200		200
CIP 26-07	Donations	Youth Center Roof Repair	Rec. Donations	32		32
CIP 26-08	Donations	City Hall Window and Door Replacement	Mcindoo Donation	23		23
	Other		Yount Income	9		9
			Totals	32	-	32
CIP 26-09	Other	Fire Station Alerting System	Fire Emergency Equipment	100		100
CIP 26-10	Donations	Roof Repairs Police Department	Op. Donations	70		70
CIP 26-11	Golf Fees	Point Pinos Grill Boiler Replacement	Golf	40		40
Total Facilities				\$ 1.28M	\$ -	\$ 1.28M

Wastewater						
CIP 26-12	Sewer Fees	Sewer Main Replacement - Arena Ave.	Sewer	\$ 600		\$ 600
CIP 26-13	Sewer Fees	Urban Diversion Station Repair	Sewer	100		100
CIP 24-04	Sewer Fees	Sewer Collection System Master Plan (SCSMP) Projects	Sewer		\$ 7,000	8,800
Total Wastewater				\$ 0.70M	\$ 7.00M	\$ 9.50M

Parks and Recreation						
CIP 25-10	Other	Recreation Trail Improvements - Esplanade Park	Yount Income	\$ 16,003		\$ 36,003
Totals Recreation		Totals Recreation		\$ 16,003	\$ -	\$ 36,003



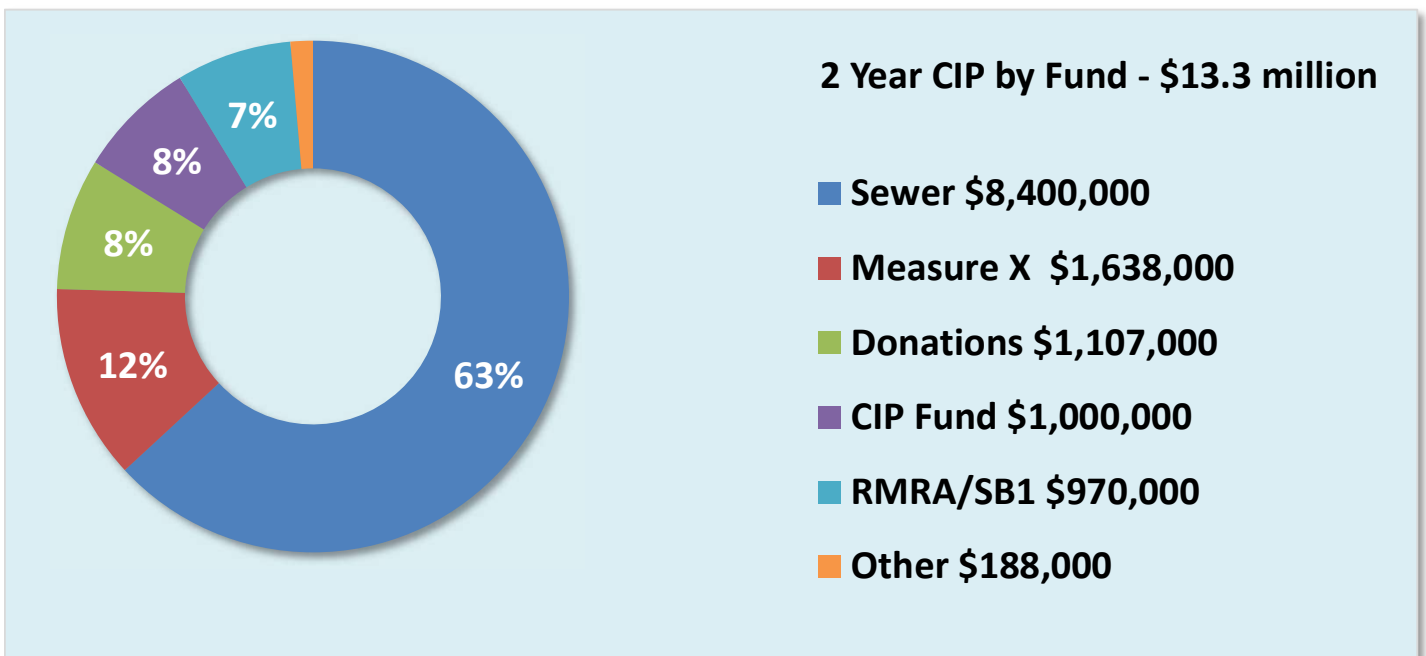
City of Pacific Grove Budget Capital Improvement Summary (In Thousands) Fiscal Years 2025-26 and 2026-27

Category	Addresses Council Areas of Focus	Prior Years	2025-26	2026-27	Project Totals
Transportation	Infrastructure		2,240	2,068	\$ 4,308
Facilities	Infrastructure		1,279		1,279
Wastewater	Infrastructure, Stewardship	1,800	700	7,000	9,500
Parks/Recreation	Infrastructure	20	16		36
Totals by Category		\$ 1.82M	\$ 4.24M	\$ 9.07M	\$ 15.12M

Fund Number	Fund Name	Fund Category	2025-26	2026-27	Project Totals
12	Fire Emergency Equipment	Fire	\$ 100		\$ 100
17	Measure X	Streets	820	818	1,638
25	Recreation Donations	Rec & Donations	32		32
31	Operating Donations	Rec & Donations	1,075		1,075
41	Yount Income	City Facilities	25		45
47	RMRA/SB1	Streets	570	400	970
63	CIP Fund	Capital Projects	500	500	1,000
76	Sewer	Sewer	1,050	7,350	10,200
77	Golf	Golf	40		40
92	Mcindoo Donation	City Facilities	23		23
Totals by Fund			\$ 4.24M	\$ 9.07M	\$ 15.12M

Funds	Revenue Category	Prior Years	2025-26	2026-27	Project Totals
63	Transfers from General Fund		\$ 500	\$ 500	\$ 1,000
25,31	Donations		1,107		1,107
47	Grant Revenue		570	400	970
17	County Sales Tax		820	818	1,638
76	Sewer Charges	\$ 1,800	1,050	7,350	10,200
77	Golf Fees and Revenues		40		40
12,41,92	Other Revenues	20	148		168
Totals by Revenue Category		\$ 1.82M	\$ 4.24M	\$ 9.07M	\$ 15.12M

* Includes amounts from prior years.





City of Pacific Grove

Capital Improvement Plan Overview

Capital Policies

The City's capital improvement plan (CIP) is an integral part of the City's annual budget process. The CIP focuses on preserving infrastructure while ensuring efficient use of public funds. Council Policy 400-6 defines a Capital improvement as buildings, machinery, or equipment, with an original cost more than \$50,000, and other capital outlay as items with an original cost of more than \$5,000. Capital improvements include projects that are related to facilities, streets, and infrastructure. The scheduling of projects in the CIP is designed to achieve the City's goals and focus areas, adhere to its financial policies and be achievable with available staff.

Development of Capital Plan / Budget Process

As part of the annual budget process, City departments submit project requests to the Public Works Department. Projects are identified based on input received from the community, the Mayor and City Council, asset management studies and City staff. Staff identify projects that are based on critical needs, including those due to safety issues or to comply with new mandates. Each project proposal is reviewed and prioritized based on the following criteria:

- Greatest need (e.g. mandates and public safety)
- Meeting the Council's Priority Areas
- Consequences of delay (increased costs, asset preservation)
- Ability to accomplish multiple goals or align timing with other project(s)
- Readiness and Availability of funding (ex: grants)

The City prepares a capital improvement plan that includes the following information:

- Capital projects and equipment purchases
- An implementation schedule
- Project Location
- Funding Sources
- Budgetary information
- Project justification

Under the direction of the City Manager, the Public Works and Finance Departments reviewed the proposed projects and prepared the CIP for submittal to the Mayor and City Council. The proposed CIP is then presented, discussed, and acted upon by the City Council in public sessions during the budget hearings. Project costs are based upon current year dollars, with future budgets increased by either the Engineering News Record construction cost index or the San Francisco Bay Area Consumer Price Index.

Budget Basis for Capital Plan

The CIP budget differs from an operating budget in that projects can span multiple years and the funding for each project may be carried forward until the project is finished or is no longer needed. Each project includes annual depreciation costs, which are factored into the department's annual maintenance budget. Capital projects are funded through various sources of funding. When possible, the City uses alternate sources of funding, such as through partnerships and grants, to minimize the financial impact on its funds.

Priority Factors

- ✓ Addressing Greatest Needs
- ✓ Addressing Council Priority Areas
- ✓ Ability to Align Timing With Other Projects
- ✓ Impacts of Project Delay
- ✓ Availability of Funding

Aspects of Plan

- ✓ Proposed Projects
- ✓ Project Schedule
- ✓ Project Budget
- ✓ Justification for Project
- ✓ Funding Sources



City of Pacific Grove Capital Improvement Plan Overview

Overview of Proposed FY25/26 - FY26/27 CIP

The proposed two-year CIP includes 16 projects for a total of \$13.3 million:

- **Three Multi-Funded Projects totaling \$4.3 million**
 - Funding is from the General Fund and non-general fund sources.
 - The General Fund's total contribution is limited to \$1 million.
- **Eleven Non-General Fund Projects totaling \$9 million**
 - Funding is from donations, enterprise and special revenue funds.
 - These projects do not impact the General Fund.

The projects span a variety of categories addressing needed upgrades to multimodal transportation, facility, parks and recreation, and wastewater infrastructure. Due to funding limitations, the proposed project list contains only the most critical infrastructure needs, mandated items, or requirements necessary to maintain eligibility for external funding.

General Fund

Due to limited availability, General Funds have been harnessed solely for expenditures required to meet annual Maintenance of Effort (MOE) eligibility requirements that allow the City to receive a combined \$1.2 million of SB1/RMRA and Measure X funds annually. The General Fund contributions are part of the Capital Improvement Fund.

Non-General Funds

These funds are contributing a total \$12.3 million, equating to 92% of the CIP budget. Most of these funds, \$11.3 million, come from enterprise and special revenue funds for critical and urgent repairs of infrastructure -- from degraded and leaking roofs and failed HVAC/plumbing systems to vital sewer upgrades and lifesaving systems for our first responders. The non-general fund figure also includes generous community donations, totaling \$1 million, that will fund enhancements to existing facilities and meet community needs; these enhancements would otherwise go unfunded, as limited funding is prioritized for mandates and essential repairs.

Key Projects

- Street Rehabilitation
- Crack and Slurry Seal
- Mandated ADA Improvements
- Sewer System Improvements
- Chautauqua Hall
- Roof Repairs Youth Center / Police Station
- City Hall Repairs
- Golf Course Restaurant
- Fire Station Alerting System
- Recreation Trail



Crack and Slurry Seal



City of Pacific Grove Capital Improvement Plan Overview

Overview of Projects with Multiple Funding Sources

There are three projects with multiple funding sources:

- Street Rehabilitation
- Mandated ADA Improvements
- Crack and Slurry Seal

These projects, funded from a combination of General Fund and non-general fund sources, address the city's aging road infrastructure network, pedestrian amenities and accessibility.

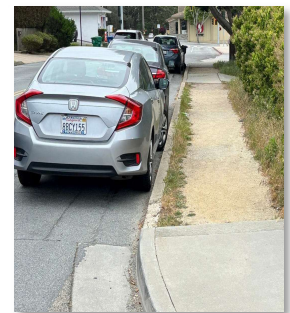
Street Rehabilitation and Crack and Slurry Seal Projects - are critical investments in the aging road infrastructure. They will assist in maintaining the pavement condition index and overall pavement health. The Street Rehabilitation Project targets roads that are rapidly deteriorating or in a failed state, while the Crack and Slurry Seal Project protects and preserves good roads for long-term durability.

Mandated ADA Improvements Project - will address ADA compliance at Lovers Point and Prescott Avenue and is mandated by court for completion prior to October 31, 2025, and December 31, 2025, respectively. These projects are essential not only to address aging and deficient pavement and pedestrian infrastructure, but also for meeting MOE requirements necessary to secure ongoing Measure X and SB1/RMRA funding. Collectively, these three projects include a total General Fund contribution of \$500,000 per year to meet MOE requirements.

These are the only proposed projects that include a General Fund contribution.



Street Rehabilitation



ADA Improvements

Overview of Non-General Fund Projects

There are eleven non-general fund projects:

- Four projects are proposed to address failed facility infrastructure, including:
 - **Roof repairs at the Youth Center and Police Station** - to resolve known leaks and replace roofing systems that have exceeded their useful life.
 - **City Hall** - Replacement of a deteriorated and damaged door and non-functional windows that allow water intrusion and present security concerns.
 - **Golf Course** - Replacement of aged and non-repairable HVAC infrastructure critical for heating the Golf Course restaurant.



City Hall Windows



Golf Restaurant HVAC



City of Pacific Grove Capital Improvement Plan Overview

Overview of Non-General Fund Projects (Continued)

- Three projects address infrastructure deficiencies, including:
 - **Arena Avenue** - Replacing the deteriorated force main on Arena Avenue. This segment is in dire need of replacement and has experienced two failures in recent years.
 - **Urban Diversion System** - Repairing pumps and recalibrating meters, which is critical for stormwater diversion and reporting compliance.
 - **Fire Station Emergency Alerting System** – This will replace the outdated, unrepairable system. It will ensure compatibility with Monterey County's system and improve response times and clarity of alert messaging.
- Two projects will continue multi-year efforts which have been divided across fiscal years due to their large scope or permitting timelines. Engineering work for both proposed projects was funded in prior year CIPs and is in progress. The proposed additional funding allocations will allow for construction and support the prior investments of Council. These projects include:
 - **Recreation Trail Improvements Project** - is adjacent to Esplanade Park. This project addresses pedestrian safety and access to the coastline and recreational amenities.
 - **Sewer Collection System Master Plan (SCSMP) Projects 1, 6 & 9** These projects address large-scale sewer deficiencies that were identified in the 10-year SCSMP plan. These are the last of the 10 sewer projects identified in the plan that have yet to be implemented. Engineering is underway and the additional funding will allow for construction in FY26/27.
- Four projects are proposed to address desired upgrades to facilities and parks/recreation infrastructure utilizing donations, including:
 - **Library** - Two facility upgrades to the Pacific Grove Public Library funded by the Pacific Grove Library Friends and Foundation.
 - **Chautauqua Hall** – Upgrades funded by the Heritage Society's Friends of Chautauqua Hall.
 - **Chinese Pavillion and Moon Gate Project** - At El Marie Dyke Park is funded by the Monterey Bay Chinese Association (MBCA).



Urban Diversion System



Sewer System Improvements



Recreational Trail Improvements



Chinese Pavilion



City of Pacific Grove Capital Improvement Plan Overview

Senate Bill 1 Road Project List

SB1, the Road Repair and Accountability Act of 2017 was passed by the Legislature and signed into law by the Governor in April 2017. This is the eighth year the city will receive SB1 funding, which will enable essential road maintenance and rehabilitation projects, safety improvements, and increase access and mobility options for the traveling public that would have otherwise not been possible without SB1.

The city is estimated to receive \$392,975 in RMRA funding in FY25/26. As indicated in the attached Project List, the city is planning to use this funding in conjunction with Measure X, the General Fund, and the Sewer Fund to complete essential road rehabilitation and maintenance as prescribed in the Pavement Management Program. Specifically, SB1/RMRA funds will be allocated to the Street Rehabilitation Project which will address the following road segments:

- 10th Street from Central Ave to Lighthouse Avenue (PCI 10)
- Del Monte Ave from Asilomar St to Coral Ave (PCI 21)
- Beacon Ave from Coral St to Esplanade St (PCI 0)



Funding Needed Maintenance

Unfunded Projects

Annually, available funding falls short of overall infrastructure needs. This results in many vital projects remaining unfunded and deferred. Projects submitted but not recommended for funding are listed in a subsequent section of the capital budget. This list includes:

- Critical infrastructure needs, identified by conditions assessment reports, asset schedules, and the Public Works staff, and
- Non-essential improvements that support long-term efficiency or address anticipated needs, prioritized (high, medium and low priority) based on the critical nature of the infrastructure.

The development of a 5-year CIP is underway. The five year outlook will illustrate the overall needs across the city's expansive infrastructure portfolio, including facilities, pavement, wastewater, parks and recreation, and more. It will also identify needed plans and/or studies to help fill existing data gaps in long-term infrastructure needs.

Significant progress on the 5-year CIP has been made, including initiating the assessment of ten additional city-owned facilities. This effort builds upon the five Facility Conditions Assessments completed in early FY24/25 and will help fill the gap in understanding the scale and cost of long-term facility needs.



Needed Road Maintenance



Lover's Point Pier



Two Year Capital Improvement Plan

Sewer Master Plan (SCSMP) Projects 1, 6 & 9 (CIP24-04)

Category: Facilities

Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Various Locations	Project Development:	FY 2026-27
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2026-27
Total Estimated Costs:	\$8,800,000	Work in Progress:	FY 2026-27
Depreciation / Life:	\$126,000 / 70 years	Est. Completion Date:	FY 2026-27

Project Description / Funding Notes

The City provides sewer collection services for residences and commercial businesses over an area of approximately 1,414 acres with a population of approximately 15,040 residents. The City's collection and conveyance system is comprised of approximately 58 miles of pipelines. The Sewer Collection System Master Plan (SCSMP) helps drive the City's long-term sewer collection system asset management needs by identifying CIP projects and necessary upgrades to the collection system. Over the years the City has completed several of the noted SCSMP CIP Projects and only the following three remain. This multi-year project will allow the City to complete SCSMP Projects 1, 6 & 9:

SCSMP #1 - 17 Mile Dr - Upgrade ~3,000LF of sewer main due to capacity deficiencies

SCSMP #6 - Hilcrest Ave - Replace ~4,250LF of sewer main due to root intrusion

SCSMP #9 - Highway 68 - Protect exposed pipe from damage

This project will allow completion of these projects. These are large scale, multi-year projects. As an element of the FY23/24 budget, \$1.8M of sewer funding was allocated to allow for engineering, permitting and environmental. This is currently underway and will continue through FY25/26 using the initial funding allocation. Construction is anticipated to begin in FY26/27 with a preliminary cost estimate of approximately \$7 million. This is a rough estimate and may be updated prior to the start of FY26/27 as an engineers estimate is developed.

Funding Information

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
Sewer Fund - Improvements	76-612-6051	\$ 1,800,000		\$ 7,000,000	\$ 8,800,000
Totals		\$ 1,800,000	\$ -	\$ 7,000,000	\$ 8,800,000

Project Photos



**General Project Information**

Managing Department:	Public Works	Operating Impact:	None
Location:	Trail by Esplanade Park	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$36,003	Work in Progress:	FY 2025-26
Depreciation / Life:	\$2,000 / 20 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

In Perkins Park, the Recreation Trail adjacent to Esplanade Park from Beach Street to Coral Street consists of a thin band of land which keeps getting thinner due to coastal erosion, particularly around Esplanade Park. Just east of Esplanade, the otherwise continuous shoreline trail essentially disappears for a stretch, forcing pedestrians onto a thin strip of dirt right next to Ocean View Boulevard. The Shoreline Management Plan (SMP) proposed conceptual improvements. The SMP suggest eliminating the ocean-side parking lane and shifting the street curb inland by 7–8 feet, reclaiming approximately 500 feet of space for a pedestrian trail. This would entail the potential loss of about 25 on-street parking spaces. The SMP stated design details would be refined with efforts to mitigate the loss of parking where possible.

This multi-year project initiates the process of addressing the unsafe conditions on the Recreation Trail at this specific location. Year 1 will involve public outreach and design, while Year 2 will focus on permitting, bidding, and construction. In the FY 24-25 CIP, \$20,000 was allocated from the Strong Disbursement Fund to allow for design/engineering of these vital pedestrian improvements. To date, minimal funding has been expended. Although the remaining unused funding will be carried forward, additional funding is needed to accommodate construction, which is anticipated to be ~\$35,000. The initial funding source, the Strong Disbursement Fund, has been depleted. The Yount Income fund is proposed to bridge the gap needed for construction.

Funding Information / Estimated Project Timeline

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
Yount Income Fund - Improvements	41-510-6021	\$ 20,000	\$ 16,003		\$ 36,003
Total		\$ 20,000	\$ 16,003	\$ -	\$ 36,003

Project Photos



Two Year Capital Improvement Plan
Street Rehabilitation Project (CIP26-01)

Category: Transportation
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Various Road Segments	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$3,408,096	Work in Progress:	FY 2025-26
Depreciation / Life:	\$136,000 / 25 years	Est. Completion Date:	FY 2026-27

Project Description / Funding Notes

This project allows rehabilitation of road segments identified by the Pavement Management Program (PMP) as being in poor or failed condition, addressing and improving the aging road infrastructure network. This project also plays a vital role in ensuring MOE requirements are met to remain eligible for over \$1M of external funding for roadways (see funding notes). This project helps maintain eligibility for ongoing Measure X and SB1/RMRA funding by meeting Maintenance of Effort (MOE) requirements.

FY25/26 - This project targets three road segments that have not received formal maintenance or rehabilitation in over 30 years. These segments have Pavement Condition Index (PCI) scores between 0 and 21, placing them in the "failed" category due to severe deterioration. The compromised pavement allows water intrusion, leading to dislodged sections and frequent potholes. Although crews perform regular patching to address safety hazards, these are only temporary fixes. Full rehabilitation is necessary to restore the integrity of these roadways. The underground sewer infrastructure will be videoed and addressed as an aspect of this project via the sewer fund. The segments to be addressed are:

- (1) 10th Street (Central Ave to Lighthouse Ave) - PCI 10
- (2) Del Monte Blvd (Asilomar St to Coral St) - PCI 21
- (3) Beacon (Coral St to Esplanade St) - PCI 0

FY26/27 - In May 2026, staff will return with the annual SB1 project list and resolution for Council approval which specifies the segments to be addressed in FY26/27. This is an annual requirement of the California Transportation Commission (CTC) protocols for SB1/RMRA funding eligibility.

Funding Information / Estimated Project Timeline

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
CIP Fund - Improvements	63-631-6041		\$ 300,000	\$ 300,000	\$ 600,000
Measure X Fund - Improvements	17-522-6041		570,000	568,000	1,138,000
RMRA/SB1 Fund - Improvements	47-471-6041		570,096	400,000	970,096
Sewer Fund - Improvements	76-612-6051		350,000	350,000	700,000
Totals		\$ -	\$ 1,790,096	\$ 1,618,000	\$ 3,408,096

Project Photos

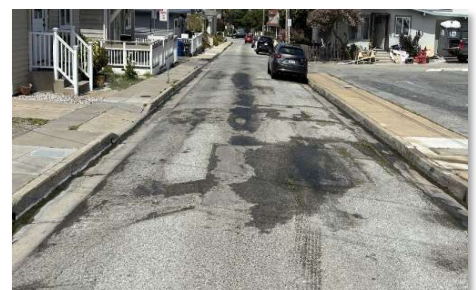
Beacon Street (PCI 0)



Del Monte Blvd (PCI 21)



10th Street (PCI 10)





General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Lovers Point / Prescott	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$450,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$9,000 / 50 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project addresses ADA compliance mandates from a court order requiring completion by specified deadlines in FY25/26. The locations for improvements are Lovers Point and Prescott Ave (between Divisadero and Forest). This project has been budgeted using all anticipated remaining balances for streets and pedestrian infrastructure in FY25/26. Due to the limited availability of these funds, actual costs are expected to exceed the proposed budget. At this time actual costs are unknown. Once the project is engineered and formally bid, staff will return with options to address potential funding deficits which may include project savings from road and infrastructure projects from prior years.

Lovers Point Scope of Work:

Replace existing ADA ramps and construct new sidewalk at the triangle parking lot to comply with ADA standards. These improvements must be completed by October 31, 2025.

Prescott Ave Scope of Work:

Sidewalk infill, repairs, installation of ADA-compliant curb ramps, and upgrades to driveway approaches to meet accessibility standards. These improvements must be completed by December 31, 2025.

Maintenance Of Effort Compliance:

This project helps the City maintain eligibility for ongoing Measure X and SB1 funding by meeting Maintenance of Effort (MOE) requirements.

Funding Information / Estimated Project Timeline

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
CIP Fund - Improvements	63-631-6041		\$ 200,000		\$ 200,000
Measure X Fund - Improvements	17-522-6041		250,000		250,000
Totals		\$ -	\$ 450,000	\$ -	\$ 450,000

Project Photos

Prescott Ave

Lovers Point





General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Pacific Grove Public Library	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$80,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$5,000 / 15 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will allow for the purchase and installation of a backup power system for the Pacific Grove Public Library. The Library is a beloved community facility that has the potential to serve as a vital community resource during prolonged power outages and/or emergencies. Today, the library has no generator or backup power source to support it's operations during outages.

Options for back up power sources include, but are not limited to, battery storage (e.g. Tesla Powerwall 3 or similar) and a natural gas generator connected to an existing gas line. These options will be further explored for feasibility following project approval. The Pacific Grove Library Friends and Foundation have dedicated \$80,000 to fund this project.

Funding Information / Estimated Project Timeline

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
Operating Donations - Improvements	31-516-6021		\$ 80,000		\$ 80,000
Totals		\$ -	\$ 80,000	\$ -	\$ 80,000

Project Photos



**General Project Information**

Managing Department:	Public Works	Operating Impact:	None
Location:	Pacific Grove Public Library	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$25,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$2,000 / 15 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will create a dedicated privacy/study booth in the Pacific Grove Public Library. The Library currently lacks a private meeting space, and users have consistently requested one. This project responds to that need and enhances the Library's ability to support virtual meetings, telehealth, and focused work.

The scope of work includes the purchase of the privacy booth, prep work and installation. It is anticipated that the private/study booth will be located near the existing DVD shelving. The Pacific Grove Library Friends and Foundation have dedicated \$25,000 to fund this project.

Funding Information / Estimated Project Timeline

Fund Name / Account Category	Account	Prior Years	FY 25-26	FY 26-27	Totals
Operating Donations - Improvements	31-516-6021		\$ 25,000		\$ 25,000
Totals		\$ -	\$ 25,000	\$ -	\$ 25,000

Project Photos



General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	El Marie Dyke Park	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$200,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$8,000 / 25 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will support the construction of a traditional Chinese Pavilion and Moon Gate at El Marie Dyke Park, replacing the existing deteriorated gazebo.

The proposed location was approved by the City Council in 2024 following an assessment of locations. The project will be funded through donations from Monterey Bay Chinese Association. Following design development, the project will undergo the required permitting and review process by the appropriate boards/commissions.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Operating Donations - Improvements	31-516-6021		\$ 200,000		\$ 200,000
Totals		\$ -	\$ 200,000	\$ -	\$ 200,000

Project Photos



**General Project Information**

Managing Department:	Public Works	Operating Impact:	None
Location:	Chautauqua Hall	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$700,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$28,000 / 25 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will address the facility infrastructure improvements and maintenance tasks outlined in the 2024 WJE Chautauqua Hall Building Assessment Report.

Built in 1881, this facility has served generations and remains a designated historic landmark and community resource. The project ensures needed upgrades and improvements are made to allow the building's continued function, in the long-term, and allow preservation of its historical integrity.

With strong community support, the Heritage Society's Friends of Chautauqua Hall has raised funding to carry out a wide range of improvements noted in the report, including repairs and upgrades to the drainage system, wood deck, roofing elements, cladding, windows, and doors. The Heritage Society's Friend of Chautauqua Hall have raised \$700,000 of community donations to facilitate this project.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Operating Donations - Improvements	31-516-6021		\$ 700,000		\$ 700,000
Totals		\$ -	\$ 700,000	\$ -	\$ 700,000

Project Photos



Two Year Capital Improvement Plan
Fire Station Alerting System (CIP26-09)

Category: Facilities
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Pacific Grove Fire Station	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$100,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$7,000 / 15 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will replace the existing 14-year-old Fire Station alerting system, which dispatches emergency incidents from Monterey County Communications. The current system and speakers are outdated, no longer repairable, and incompatible with the IP-based paging system Monterey County is transitioning to. Since the manufacturer ComTech ceased operations in 2022, replacement parts are unavailable, and most vendors are unfamiliar with the legacy system, reducing reliability.

The new system will be fully compatible with Monterey County's upgraded dispatch platform and will allow simultaneous unit dispatching, improving response times. Additional features include a mobile app for customizable alerts, a digital display with dispatch information, automated text-to-speech for location details, and enhanced audio clarity to reduce the need for repeated communication.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Fire Equipment Fund - Fire Building	12-353-6022		\$ 100,000		\$ 100,000
Totals		\$ -	\$ 100,000	\$ -	\$ 100,000

Project Photos



**General Project Information**

Managing Department:	Public Works	Operating Impact:	None
Location:	City Hall	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$32,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$1,000 / 30 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will replace the front door and first-floor office windows in kind to match the original design of the City Hall Entrance. The front door and surrounding trim have sustained significant termite damage, and the office windows no longer close properly. Water intrusion from the damaged windows is causing ongoing deterioration to interior plaster.

Timely replacement is necessary to prevent further structural and interior damage and ensure building security. This project was called out as an "immediate need" in the 2024 City Hall Facility Conditions Assessment.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
McIndoo Donation Fund - Improvements	92-519-6021		\$ 23,006		\$ 23,006
Yount Income Fund - Improvements	41-510-6021		8,994		8,994
Totals		\$ -	\$ 32,000	\$ -	\$ 32,000

Project Photos



Two Year Capital Improvement Plan
Youth Center Roof Repair (CIP26-07)

Category: Facilities
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Youth Center	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$32,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$1,000 / 30 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will address a known roof leak in the Youth Center above the restroom facility where deterioration has led to water intrusion through the light fixtures. The scope of work will include the replacement of the damaged roofing and rain gutters to restore the roof's integrity and prevent further damage. Timely repairs are essential to avoid more costly future repairs and to ensure the continued operation of the recreational facility. Without a functional restroom, youth programming at this site would be unable to continue.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Recreation Donations Fund - Improvements	25-422-6021		\$ 32,000		\$ 32,000
Totals		\$ -	\$ 32,000	\$ -	\$ 32,000

Project Photos





Two Year Capital Improvement Plan
Police Building Roof Repairs (CIP26-10)

Category: Facilities
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Police Station	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$70,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$2,000 / 30 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will address a known roof leak caused by the deterioration of the existing hot mop tar and rolled asphalt roofing, which is over 40 years old and beyond its serviceable life. While the roof has been temporarily patched, permanent repairs are essential to prevent further damage. The project will involve the installation of a new PVC membrane roof, ensuring long-term durability and avoiding more costly infrastructure repairs down the line.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Operating Donations - Improvements	31-516-6021		\$ 70,000		\$ 70,000
Totals		\$ -	\$ 70,000	\$ -	\$ 70,000

Project Photos



General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Golf Course Restaurant	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$40,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$3,000 / 15 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will replace the existing 20-year-old boiler with a new high-efficiency unit. The current boiler has exceeded its serviceable life, is leaking significantly, and replacement parts are no longer available, making repairs unfeasible.

The boiler is essential for providing baseboard heating to the restaurant. Previous facility upgrades, funded via the CIP, included installing a separate water heater for hot water needs, reducing the boiler's load. As a result, a smaller, more energy-efficient boiler can now be installed, creating a more efficient and redundant system.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Golf Fund - Improvements	77-622-6021		\$ 40,000		\$ 40,000
Totals		\$ -	\$ 40,000	\$ -	\$ 40,000

Project Photos





Two Year Capital Improvement Plan
Urban Diversion Station Repair (CIP26-13)

Category: Facilities
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Various Locations	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$100,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$10,000 / 10 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project will allow a contractor to repair pumps and recalibrate meters for the Urban Diversion System. The Urban Diversion System diverts stormwater runoff from storm drain outfalls to Monterey One Water via the Sewer System.

Repairs are required to ensure accurate reporting to Monterey One Water regarding the amount of stormwater being placed into their systems. Completion of this work is necessary to maintain compliance with reporting requirements and regulatory standards.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Sewer Fund - Improvements	76-612-6051		\$ 100,000		\$ 100,000
Totals		\$ -	\$ 100,000	\$ -	\$ 100,000

Project Photos





Two Year Capital Improvement Plan
Crack and Slurry Seal (CIP27-01)

Category: Transportation
Priority: High

General Project Information

Managing Department:	Public Works	Operating Impact:	None
Location:	Various Road Segments	Project Development:	FY 2026-27
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2026-27
Total Estimated Costs:	\$450,000	Work in Progress:	FY 2026-27
Depreciation / Life:	\$45,000 / 10 years	Est. Completion Date:	FY 2026-27

Project Description / Funding Notes

Crack and Slurry sealing is a vital maintenance activity that helps preserve the City's roads against rapid deterioration and potholes due to inclement weather. This is a cost effective maintenance treatment that helps ensure roads remain in good condition for years to come. Streets to receive the crack & slurry seal treatment are identified via the City's Pavement Management Program, maintenance logs, and in- field observations.

Maintenance Of Effort Compliance

This project helps the City maintain eligibility for ongoing Measure X and SB1 funding by meeting Maintenance of Effort (MOE) requirements.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
CIP Fund - Improvements	63-631-6041			\$ 200,000	\$ 200,000
Measure X Fund - Improvements	17-522-6041			250,000	250,000
Totals		\$ -	\$ -	\$ 450,000	\$ 450,000

Project Photos



**General Project Information**

Managing Department:	Public Works	Operating Impact:	None
Location:	Arena Avenue	Project Development:	FY 2025-26
Council Focus Area:	Infrastructure	Bidding / Contract:	FY 2025-26
Total Estimated Costs:	\$600,000	Work in Progress:	FY 2025-26
Depreciation / Life:	\$9,000 / 70 years	Est. Completion Date:	FY 2025-26

Project Description / Funding Notes

This project involves installing a new force main on Arena Avenue (from Sunset Dr to Asilomar Ave) to address known deficiencies in the sewer system. The replacement is critical to maintaining reliable sewer service, protecting the environment, and preventing spills.

The existing line has experienced two failures in this area and is in urgent need of repair to ensure continued safe operation.

Funding Information / Estimated Project Timeline

Fund Name and Number	Account	Prior Years	FY 25-26	FY 26-27	Totals
Sewer Fund - Improvements	76-612-6051		\$ 600,000		\$ 600,000
Totals		\$ -	\$ 600,000	\$ -	\$ 600,000

Project Photos



City of Pacific Grove Capital Budget
Capital Outlay (In Thousands)
General and CIP Funds

Project Manager: Each Dept
Council Goal: Infrastructure

Capital Outlay by Department

Department	Item	Useful Life	FY 25-26	FY 26-27	Totals
ASD - IT	VOIP Phone System Improvements	7 Years	\$5.0	\$5.0	\$10.0
ASD - IT	Police Door Access Upgrade	20 Years	100.0		100.0
ASD - IT	City Hall Door Access	20 Years	140.0		140.0
ASD - IT	Redundant Internet And Firewall	7 Years		43.5	43.5
ASD - IT	Network Upgrade	7 Years		62.0	62.0
City Council	City Council Chambers Equipment	7 Years	10.0		10.0
Fire	Equipping New Fire Engine	15 Years	25.0	25.0	50.0
Police	Purchase Of Radios	10 Years	40.0	40.0	80.0
Public Works	Light Fixtures, Poles, Solar Light Batteries	10 Years	50.0	50.0	100.0
Total General Fund			\$370.0	\$225.5	\$595.5
ASD - Finance	Replacement ERP System - CIP Fund		\$150.0	\$350.0	\$500.0
Grand Totals - All Funds			\$520.0	\$575.5	\$1,095.5

Additional Information on IT Capital Outlay Items

Redundant Internet and Firewall - The firewall devices and internet connections are critical components of the city's IT infrastructure; however, the city currently lacks redundancy in these areas. This implementation aims to prevent downtime of city services caused by firewall or internet connection failures by providing a redundant internet and firewall. The High Availability Assessment report identified this as a high priority.

Network Upgrade - The network switches that interconnect all the IT equipment at City Hall, the Police Department, and the Library are nearing the end of their operational life and require replacement. This issue was flagged as a high-priority item in the City's High Availability assessment. The implementation plan involves replacing the outdated switches and introducing redundancies to ensure failover and enhance overall availability.

VOIP Improvements - The city's current Voice Over IP (VoIP) phone system lacks proper failover configuration. As a result, a VoIP controller failure could potentially cause communication disruptions. This project focuses on addressing these failover configuration issues to ensure continued communications even in the event of equipment failure.

Police and City Hall Door Access Systems - This is a crucial request to upgrade an obsolete and non-compliant access control system at PD to a newer security-compliant system. Staff is unable to perform updates or make any key card changes; and the current system is no longer supported. This upgrade is essential for the increased security of the Police Department; and addresses the urgent need for enforced security measures. A similar type of system is also being proposed for City Hall.

Capital Outlay Photos





Current Capital Projects
Fiscal Year 2024-25 (In Thousands)

Project Manager: Public Works

Council Goal: Infrastructure

Significant progress is expected to be made on the following projects from the current year's capital budget, with any outstanding encumbrances at the end of the fiscal year carried over to Fiscal Year 2025-26 with a corresponding adjustment to the City's budget. These projects addressed the City's focus area of Infrastructure.

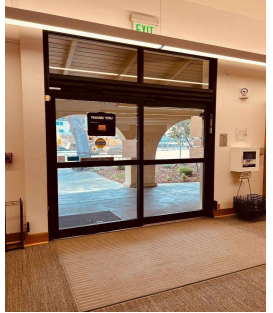
Project	Project Name	Project Status	Project Budget	Project Pictures
	<u>Street, Sidewalk Improvements (Object 6041)</u>			
CIP23-03	Cedar, Sunset, & Congress Intersection	In Progress	\$1,000.0	
CIP23-04	David Ave Street Rehabilitation	In Progress	422.2	
CIP23-16	Safety Lighting at Robert Down Elementary	Complete	4.7	
CIP23-21	David Ave Sidewalk	Complete	662.4	CIP 25-01
CIP24-01	FY23/24 Street Rehabilitation Project	Complete	2,213.1	
CIP24-02	FY23/24 Crack & Slurry Seal Project	Complete	400.3	
CIP24-06	Design of Sidewalk Extension for Outside Dining Uses	Complete	50.0	
CIP25-01	FY 24/25 Street Rehabilitation Project	Development	1,716.1	CIP 25-02
CIP25-02	FY 24/25 Crack & Slurry Seal Project	Development	400.0	
CIP25-03	Pedestrian Safety - Central Ave & Fountain Ave	Development	270.0	
CIP25-14	Sidewalk Ext at Lighthouse & Fountain	Complete	340.0	
CIP25-15	Sidewalk Projects at Sinex & Sunset	Development	175.0	CIP 25-03
	Total Streets		\$ 7.65M	
	<u>Park, Open Space Improvements (Object 6031)</u>			
CIP22-13	Backstop Replacement Municipal Ball Park	Complete	\$146.3	CIP 23-06
CIP22-21	GW Park Playground & ADA Compliant Playground	Complete	107.0	
CIP23-22	Recreation Board's Park Inventory	Complete	25.1	
CIP24-05	George Washington Park (GWP) Enhancement Project	Complete	50.0	
CIP25-11	Pico Ave & Crocker Ave Stormwater Improvements	Complete	45.0	
CIP25-16	Butterfly Sanctuary Fencing	Development	75.0	
CIP25-17	GW Park Ball Field Drainage	Complete	50.0	
CIP25-18	Pickleball/Tennis Court Resurfacing & Sound Fencing	Contract	47.0	
CIP25-19	ADA Access at GW Park	Development	25.0	
	Total Parks/Open Space		\$ 0.57M	CIP 25-08



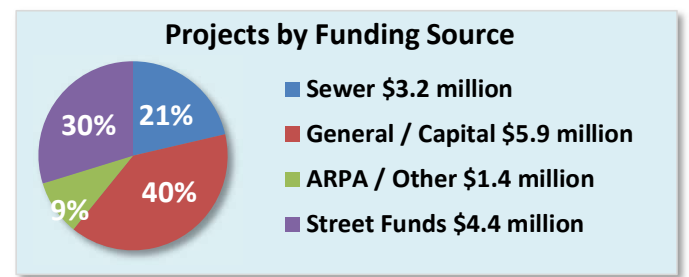
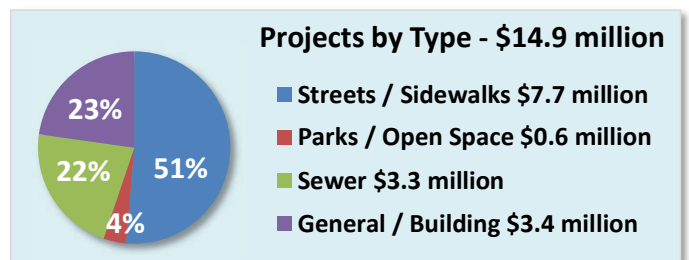
Current Capital Projects
Fiscal Year 2024-25 (In Thousands)

Project Manager: Public Works

Council Goal: Infrastructure

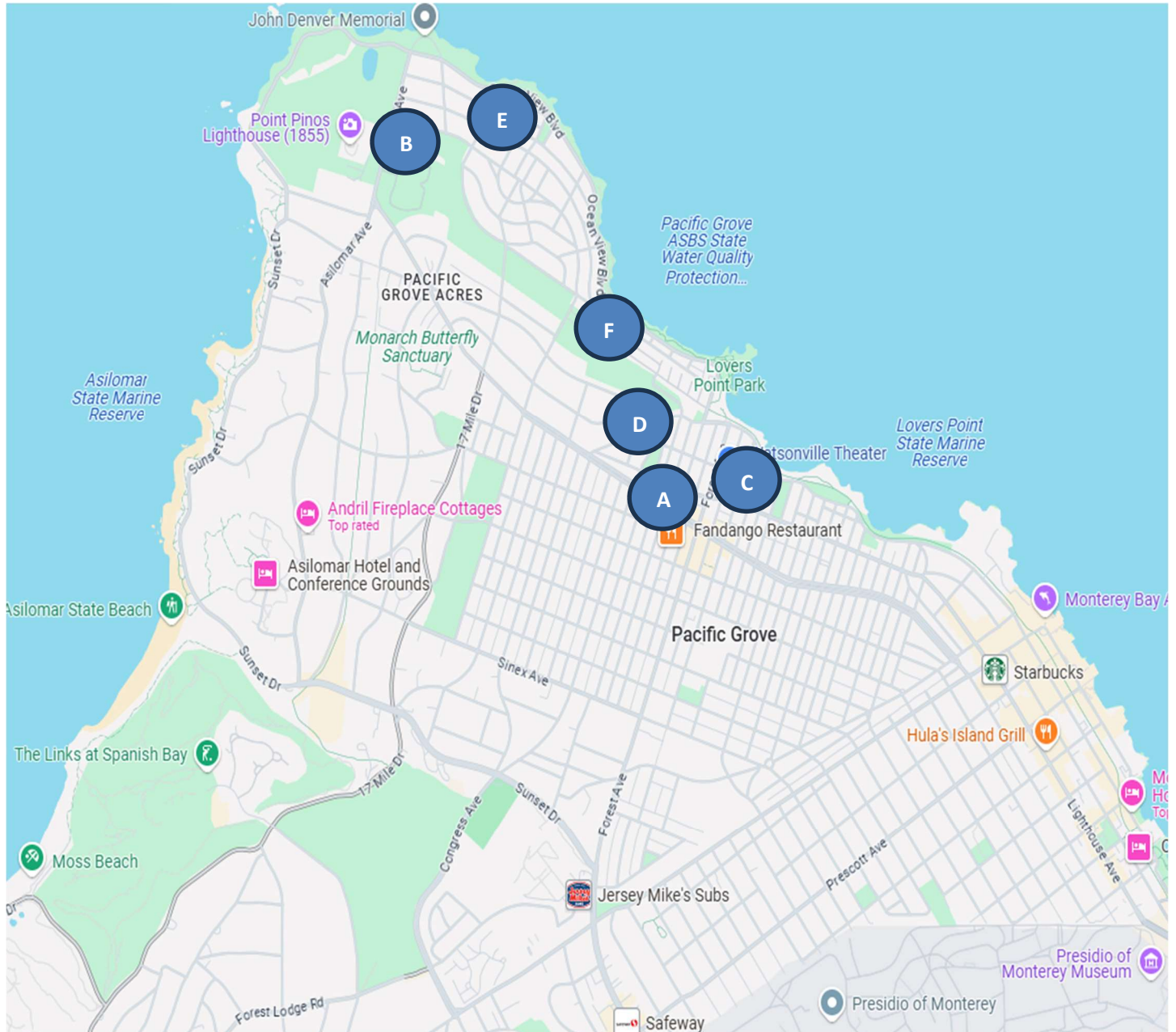
Project	Project Name	Project Status	Project	Project Pictures
<u>General Building Improvements (Object 6021)</u>				
CIP18-46	Tide Pool & Point Pinos	Complete	2,875.2	
CIP23-05	Point Pinos Lighthouse Roof Repair	Development	60.0	
CIP23-07	Museum Mezzanine Upgrades	Complete	75.0	
CIP23-08	Museum Basement Moisture Control	Complete	40.0	
CIP23-10	Fire Station Roof Repair	Complete	59.5	
CIP23-12	Fire Dept. Bathroom & Shower Remodel	Complete	152.3	
CIP25-05	PG Museum Flooring Replacement	Bids/RFP	35.0	
CIP25-06	Museum Roof Repair - Storage Garage	Development	17.0	
CIP25-07	Point Pinos Lighthouse Electrical Panel	Complete	20.0	
CIP25-08	Golf Course Water Heater	Complete	20.0	
CIP25-09	Library Door Repair	Complete	22.0	
CIP25-10	Recreation Trail Improvements - Esplanade Park	In Progress	20.0	
Total Building Improvements			\$ 3.40M	
<u>Sewer System Improvements (Object 6051)</u>				
CIP22-03	Phase 9 Sewer Improvements	Complete	997.4	
CIP23-06	Pump Station Replacement	Bids/RFP	337.1	
CIP24-03	Priority Stormwater Repair Project on Syida Dr	Development	100.0	
CIP24-04	Sewer Collection System Master Plan Projects 1,6 & 9	In Progress	1,800.0	
CIP25-04	Community Center Sewer Repairs	Complete	50.0	
Total Sewer			\$ 3.28M	
Grand Totals			\$ 14.90M	CIP 25-10

Fund No.	Fund Name	Budget	
8	Museum Improvement	\$167.0	Significant progress is expected to be made on these projects from the current year's budget, with outstanding encumbrances at the end of the fiscal year carried over to Fiscal Year 2025-26 with a corresponding adjustment to the City's capital budget. These projects addressed the City's four areas of focus established for fiscal years 2023-24 and 24-25.
17	Local Streets (Measure X)	3,435.6	
20	RSTP (TAMC)	1,000.0	
27	Lighthouse	80.0	
46	Strong Disbursement	65.0	
47	RMRA SB1	0.0	
63	Capital Improvement	5,880.2	
76	Sewer	3,184.5	
77	Golf	20.0	
84	ARPA	1,072.2	
92	McIndoo Donation	0.0	
93	Koo Estate Donation	0.0	
Grand Total		\$ 14.90M	
Project Count			
% of Projects with a Status of		% of Total	
Development		9	
Complete		22	
In Progress		4	
Bids/RFP		2	
Contract		1	
		38	





City of Pacific Grove Budget Map of Capital Project Locations



Location Legend Keys For Projects

Project Name	Legend	Project Name	Legend
City Wide Projects:		City Hall Complex:	
Street Rehabilitation	N/A	Roof Repair – Police Department	A
Crack and Slurry Seal	N/A	Roof Repair - Youth Center	A
Sewer System Projects	N/A	City Hall Window and Door Replacement	A
Mandated ADA Improvements	N/A	Fire Station Alerting System	A
Urban Diversion Station Repair	F	Point Pinos Grill Boiler Replacement	B
Chinese Pavilion / Moon Gate	D	Library Projects	C
Chautauqua Hall Building Improvements	D	Recreational Trail Improvements	E



City of Pacific Grove Capital Budget

Unfunded Projects

#	Project Name	Location / Overseer	Justification	Estimated Cost	Funding Source / Council Goal
High Priority					
1	Del Monte Blvd Stormwater Improvements	Del Monte Blvd. / Public Works	The roadway is in failed state with a PCI of 5. Pavement rehabilitation on this stretch will be deferred until underground stormwater improvements can be made.	710,000	Streets / Infrastructure
2	Stormwater Infrastructure Master Plan	Various Locations / Public Works	This plan will provide the City with a roadmap to address stormwater infrastructure citywide and create a plan of action for future stormwater improvement projects via the CIP.	300,000	Streets / Environmental Stewardship; Infrastructure
3	Lovers Point Pier Repair	Lovers Point Pier / Public Works	The projected cost for the near-term option is \$1.45 million. Staff recommends allocating 15% of this estimate to provide matching funds for grants.	1,450,000	General Fund, Grants / Infrastructure
4	City Hall Balcony Repair	City Hall / Public Works	Temporary repairs can be made to minimize water intrusion but a larger fix is needed. This project is noted in the 2024 City Hall Facility Conditions Assessment as an immediate need.	40,000	General Fund / Facilities / Infrastructure
5	Laurel Avenue Stormwater Improvements	Laurel Ave. / Public Works	This infrastructure is failed causing sinkholes and plugged storm drain inlets.	250,000	Streets / Infrastructure; Environmental Stewardship
6	Fire Station Facility Improvements	Fire Station / Public Works & Fire	This item was listed as an immediate need in the 2024 Fire Station Facility Conditions Report.	8,000	General Fund, Fire / Infrastructure
7	Youth Center Facility Improvements	Youth Center / Public Works	These improvements are listed as immediate needs in the 2024 Youth Center Facility Conditions Report.	75,500	General Fund, Facilities / Infrastructure
8	Public Works Facility Improvements	Public Works Corporation Yard	These improvements are listed as immediate needs in the 2024 Public Works Facility Conditions Report.	450,100	General Fund / Facilities / Infrastructure
9	City Hall Improvements	City Hall / Public Works	These are listed as immediate needs in the 2024 City Hall Facility Conditions Report.	150,000	General Fund / Facilities / Infrastructure
Medium Priority					
10	Main Hall Heater Replacement Youth Center	Youth Center / Public Works	The 2024 Youth Center Facility Conditions Assessment calls out the need for a heater repair in the near term (3-5 years). However, the unit has deteriorated faster than called out in the report and is need of repair.	46,000	General Fund / Infrastructure; Recreation Services
11	George Washington Park Driveway Improvements	George Wash. Park / Public Works	These improvements will enhance environmental protections, improve efficiency, address stormwater issues and reduce maintenance needs.	50,000	General Fund, Donations / Environmental Stewardship



City of Pacific Grove Capital Budget

Unfunded Projects

#	Project Name	Location / Overseer	Justification	Estimated Cost	Funding Source / Council Goal
Medium Priority (Continued)					
12	Cemetery Walkway Replacement	El Carmelo Cemetery / Public Works	Pathways are badly deteriorated with root lifting and uneven surfaces. Currently not ADA accessible.	39,600	Cemetery Fund / Infrastructure
13	Remodel/Update Fire Station Kitchen	Fire Station / Public Works & Fire	The kitchen at the Fire Station has not had significant improvements for over 30 years.	Unknown	General Fund / Facilities / Infrastructure
14	Carmel Ave Alley Approaches	Carmel Avenue / Public Works	This project would address ADA Compliance and Stormwater issues.	100,000	General Fund, Streets / Infrastructure
15	Curb & Gutter Improvements	Various Locations / Public Works	These locations have been identified by Public Works Streets Crews based on service requests and in-field observations due to flooding that impacts adjacent areas.	75,000	Streets / Environmental Stewardship; Infrastructure
16	Pedestrian Safety on Ocean View Blvd	Ocean View (1st to 3rd) / Public Works	This project would enhance pedestrian safety.	300,000	Streets / Infrastructure
17	Pine Avenue Improvements	Pine Avenue/ Public Works	This project would enhance safety and develop safe routes to school.	Unknown	Streets / Infrastructure
Low Priority					
18	David Ave Sidewalk	David Ave. / Public Works	This project would enhance pedestrian safety and improve safe routes to school.	1,585,000	Streets / Infrastructure
19	Cemetery Driveway Improvements	El Carmelo Cemetery / Public Works	This project would address infrastructure concerns.	50,000	Cemetery / Infrastructure
20	Police Women's Locker Room Expansion	Police Station / Public Works & Police	Female officers comprise 35% of the total sworn officer staff, there is inadequate space to store equipment or prepare for shifts.	Unknown	General Fund, Facilities / Infrastructure
21	Police Lobby Remodel	Pol. Station / Public Works & Police	A remodel is proposed to provide enhanced functionality, security, and public perception.	Unknown	General Fund , Facilities / Infrastructure
22	Police Parking Lot Fence Enclosure	Pol. Station / Public Works & Police	The project aims to enhance the security of the police vehicles and personnel by limiting access to this area to city employees.	25,000	General Fund, Facilities / Infrastructure
23	Upgrades to "Bubble- Up" Stormwater Infrastructure	Various Locations / Public Works	Overtime and during rain events, bubble ups become full of stagnant water. Improvements can be made by connecting the bubble ups to the storm drain network, in specific areas where existing pipes have been installed to allow for connection.	100,000	Streets / Environmental Stewardship; Infrastructure



City of Pacific Grove Capital Budget

Financial Policies

This section includes the City's key financial policies and the calendar related to the development of the budget. All of the financial policies of the City are on its website at <https://www.cityofpacificgrove.gov> under the Finance subsection of the Administrative Services section of the website.

Policy

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Policy

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Perkins Park



City of Pacific Grove Financial Policy Summary

A summary is provided below and in Note 1 to the Basic Financial Statements, with all at the City's website and detailed ones for the budget, reserves, debt and investments in the budget document.

Budget / Purchasing

Purchasing and budget amendments over \$40,000 require Council approval:

- ◆ Budget Control: Board approval is required for increases at the fund level
- ◆ Balanced Budget: Revenues should be $\geq$ operating expenses
- ◆ Monitoring: Regular Board reports on financials / budget adjustments



General Fund Reserves

Below are the reserve policy levels set by the Council for the General Fund.

Note that operating expenses include debt service and departmental capital outlay:

- ◆ Operating: Should be at least 25% of Operating Budget
- ◆ Pension: Should be a minimum of \$1,000,000
- ◆ Capital: Should be a minimum of \$1,000,000



Capital Assets

Below are the policies established by the Agency for its capital assets:

- ◆ Basis: Recorded at cost or donated estimated fair market value
- ◆ Threshold: \$5,000 minimum for capital outlay, \$50,000 for CIP
- ◆ Useful Life: 5-100 years based upon type of asset



Debt

Below are the policies established by the City for its long-term debt:

- ◆ Debt Coverage: 125% recommended
- ◆ % Annual Budget: 15% Maximum
- ◆ Term: 30 Years Maximum



Reserves Other Funds

Below are the reserve policy levels set by the Council for Other Funds:

- ◆ Golf Fund: Should be 25% of Revenues of Fund
- ◆ Insurance Funds: Should be 75% of Claims Liabilities
- ◆ Sewer Fund: Should cover 2 Years of Capital Projects





I. Purpose

The purpose of the policy is to guide the City Council's establishment of fees for service, fines, and other charges for service, in order to help ensure consistency in fee setting rationale. The policy is intended to provide overall guidance for service areas, without providing detailed guidance for all fee categories.

II. Policy Of The City

The City establishes fees according to Pacific Grove Municipal Code Chapter 6.02. Pursuant to Article XIII B of the California Constitution, it is the intent of the City Council to recover a portion or all costs reasonably borne for providing government services to the extent such cost recovery reflects the appropriate balance of general revenue support and fees paid by the individual(s) benefiting from the service.

For enterprise services, in which the City is offering products or services for which the customer has broad market choices, the City may choose to set rates based on current market conditions. This market-based approach provides the City with the ability to optimize revenue beyond recovering the cost of providing the service. These market-based rates accurately reflect the value received by the customer.

In setting fees, City staff shall prepare fees for City Council consideration, based on cost recovery levels in the subsequent table. The listed percentage or methodology represents the combined cost recovery level for the department. Individual fees within each department may be established at a lower rate to encourage the desired performance; however, the overall departmental fees should be within the listed ranges. All staff assigned to hourly-based services, such as special events, inspections, or related tasks will be charged at the fully burdened hourly rate. For the recovery percentages listed on the following page, consideration may need to be given to the recovery percentage, such as limitations on certain fees imposed by the State, election code or fees imposed by the State, election code, or similar entities.

Adopted with budget on June 18, 2025
(Ordinance No. 25-010).

Cost Recovery Rates

- ✓ **Administration:**
At Least 30% of Costs
- ✓ **Community Development:**
80-100% of Costs
- ✓ **Public Works:**
80-100% of Costs
- ✓ **Public Safety:**
30-50% of Costs
- ✓ **Hyberbaric Chamber:**
80-100% of Costs
- ✓ **Recreation:**
At Market, at least 30% of costs
- ✓ **Cemetery:**
At Market, at least 80% of costs
- ✓ **Golf:**
Determined by Concessionaire
- ✓ **City Facility Rental:**
 - Private Parties/Non Profit – Market
 - City Sponsored Events – No Charge
 - Ongoing/Unique/Frequent – Discount from Market
- ✓ **Special Events:**
 - For Profit Sponsor – Market, at least 100% of costs
 - Non Profit Sponsor–100% of costs
 - City Council Traditional Events – No Charge



City of Pacific Grove

Council Policy - Budget and Financial Management – Policy 400-6

Budget Process

- ✓ Designed in accordance with GFOA & CSMFO guidelines
- ✓ City develops five year forecasts
- ✓ City develops two year operating and capital budgets
- ✓ Budget process begins by February
- ✓ Mid-Year Reports includes any budget adjustments for current year
- ✓ Draft Budget Presented to Council-May
- ✓ Final Budget adopted in June

I. Purpose

This policy is designed to help ensure that the City's resources should be available to fund ongoing services, incorporating local economic conditions and the City Council's priorities. The operating and capital budgets should be designed in accordance with the budget award programs of the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO).

II. Budget Process

Budget management occurs throughout the year, with ongoing City Council direction and public input. The City uses a five-year fiscal planning horizon, in which the two year budget is the first two years of the forecast. The forecast helps decision makers identify important trends and understand long-term consequences of budget decisions. It is a model based on cost and revenue assumptions that is updated periodically. Since the degree of revenue and expense uncertainty increases with each year, the forecast only suggests relative future financial conditions based on economic assumptions made in later years.

The annual budget process begins by February with City Council discussion of goals for the following year. At this meeting, staff present the mid-year report and if completed an updated five year fiscal forecast, including any mid-year budget adjustments required and estimates of revenues for the following year(s) and baseline expenditure assumptions regarding existing staffing levels and other costs required to continue the current service levels. Using this information, the City Council provides direction to staff on goals for the following budget year and the future five-year forecast, including goals for services and capital projects and the additional funding or expenditure reduction required to achieve the goals.

The Finance Division of the Administrative Services Department distributes budget instructions and baseline staffing cost information to department managers for developing the budget. The City Manager and Administrative Services Director work with department directors to develop the budget consistent with Council goals and guidelines previously approved.

The City Manager and Administrative Services Director finalize the recommended budget and present an overview of the General Fund portion to the City Council in May. The complete budget is presented at the first City Council meeting in June. After public input and discussion at this meeting, the City Council directs any needed modifications to the budget and introduces an ordinance to adopt the budget. At the second reading of the ordinance at a subsequent regular City Council meeting, the budget is adopted and effective July 1st of the fiscal year. The Administrative Services Director may make any non-substantive changes afterwards to meet the GFOA and CSMFO award program criteria.

Key Items

- ✓ A cost allocation plan is incorporated into the budget
- ✓ Budget can include a revenue and expense contingency of 2% each
- ✓ Expense are approved at the fund level
- ✓ Any net changes to an overall fund budget require Council approval
- ✓ Budgets are required to be adopted per Article 29 of the City Charter

III. Cost Allocation

The City uses a formal cost allocation plan and fee study which serves as the basis for allocating central support department costs to operational functions and developing overhead rates. Central support departments include: City Council, City Attorney, City Manager, Administrative Services, Mechanical and Building and Grounds Maintenance. Costs are allocated based on the support activities, including number of financial transactions, square footage of buildings, number of computers, percent of budget, and number of full-time equivalent employees. Indirect costs are charged to the City's enterprise and internal service funds based on this method; however, the basis is unique to each fund.

IV. Operating Budget

Budget Adoption: The City Council shall adopt an annual operating budget as part of a two year budget, pursuant to Article 29 of the City Charter, prior to the start of the fiscal year.

Revenue Contingencies: General Fund revenue projections for a year may include a negative contingency reserve of up to 2% of total revenues, depending on the direction of the economy. The need for such a contingency can be reevaluated after January 1st of the budget year.

Expense Contingencies: The budget may include an expenditure contingency in the General Fund up to 2%, designed to account for unexpected costs or to spend on projects required to advance City Council goals, expressed either explicitly or through the City Council's work plan.

Balanced Budget: The operating budget should include revenues sufficient to fund operating expenditures. Reserves may be used as a resource to fund operations, with City Council approval of such use and a plan for funding future operations within annual anticipated revenues.

Maintenance: The budget should provide for maintenance and timely replacement of fixed assets and equipment working within the fiscal constraints of the City.

Reporting: After the end of the fiscal year, staff shall present a report to the Council estimating the year-end results for the preceding fiscal year. This report shall compare budgeted amounts with the most recent year to date actual figures. Staff shall strive to present to the Council the final Annual Financial Comprehensive Report (ACFR) in January with the final financial figures for the prior fiscal year.

Budget Control: Appropriations are approved at the fund level. All budget amendments where the net impact of the change increases the overall budget of a fund must be approved by the City Council.

Key Items

- ✓ City Manager or designee can transfer budgets between depts
- ✓ Five Year forecast to account for:
 - Inflation
 - MOUs
 - 5 Year CIP
 - LT Debt
 - Pension Obligation
- ✓ Financials prepared in accordance with GAAP
- ✓ Government funds use the modified accrual basis
- ✓ 60 day revenue recognition at year end
- ✓ Proprietary Funds use accrual basis

IV. Operating Budget (Continued)

The City Manager or their designee may transfer funds within a given fund and between department appropriations to ensure that program budgets can adapt throughout the year to evolving circumstances. Departmental appropriations in the 5100 series of the chart of accounts (salary and benefits) that reflect salary and benefit savings, may not be used to offset expenditures in the 5200 series of account codes (services and supplies) or the 6000 series of account codes (capital expense) without the approval of the City Manager or designee.

V. Five Year Forecast

Staff shall maintain a five-year General Fund fiscal forecast to include revenues, expenditures, as well as the net results of operations and the beginning and ending fund balances for each year of the forecast. The five year forecast should include descriptions of the assumptions used for projecting future revenues and expenditures which account for recent trends including inflation, the five year CIP, employee memorandums of understanding (MOUs), debt service schedules and actuarial reports on pension obligations from CalPERS.

VI. Capital Improvement Plan

The City should adopt a five-year capital improvement and maintenance plan, with the first two years of the plan to be appropriated as part of the operating budget. The purpose of the plan is to identify and prioritize capital project needs. The budget shall also include capital expenditures; where possible, such capital expenditures will be funded with non-recurring revenues or grants. At least the first two years of the plan should be fully funded, with funding shortfalls and challenges identified in future years.

All estimated construction, maintenance, and operating costs and potential funding sources for each proposed capital improvement should be identified. The City should finance only those capital improvements consistent with the adopted capital improvement plan as amended and City priorities.

VII. Basis of Accounting and Budgeting

Financial statements are prepared in accordance with General Accepted Accounting Principles and all relevant Pronouncements promulgated by the Governmental Accounting Standards Board (GASB). All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets (usually within 60 days of the end of the fiscal year).

Expenditures are generally recognized for governmental funds under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due. All proprietary fund types and nonexpendable trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Key Items

✓ Budget basis for govt funds same as acct basis, except excluding:

- Depreciation
- Amortization of bond premiums / discounts
- Changes to pension liability

✓ Proprietary Budgets include:

- Capital Exps
- Debt Service
- Debt Proceeds

• Audit to be compliant with GASB

• City to issue these repts:

- ACFR
- PAFR
- Auditors Mgmt Letter
- Single Audit (if needed)
- Other Repts

VII. Basis of Accounting and Budgeting (Continued)

The budgeting basis is the same as the basis of accounting, except for the exclusion of non-cash expenditures, such as depreciation, changes to the pension and OPEB liability, amortization of bond premiums and discounts, and for proprietary funds, the inclusion of capital expenses, debt service and loan proceeds. Finance is authorized to carryover any unspent and encumbered funds from the prior year for operations and capital projects and any other unspent funds for active capital projects, to be reappropriated in the current year's budget for continued use in the same manner so long as there are sufficient available fund balances to finance these commitments.

VIII. Annual Audit and Reporting

The City shall undertake an annual independent audit. The City's Annual Comprehensive Financial Report (ACFR) should be completed no later than December 31 of each year and shall be in accordance with auditing standards established by the Governmental Accounting Standards Board (GASB).

Staff should prepare the ACFR and the related Popular Annual Financial Report (PAFR), a summary of the ACFR, in accordance with the GFOA Certificate Program and include the auditor's opinion. A separate "management letter" will be issued by the auditor to address weaknesses and include recommendations for improvements in internal control and accounting procedures.

Besides the reports mentioned above, the following must be issued annually:

- Single Audit reports are required when the City receives at least \$1 million of direct or pass through federal grants.
- Other reports required by the State, including the Controller's, Employee Compensation, Appropriations (Gann) Limit and Impact Fees reports

IX. Fund Reserves

Reserves are established to ensure that sufficient resources should be maintained in the specified funds listed below in amounts sufficient to manage reasonable risks, meet unanticipated needs, capitalize on opportunities, and provide for reasonable contingencies. Further, reserve balances should be categorized and prioritized in accordance with GASB Statement #54, which are classified as either committed, assigned, or unassigned.

If reserve balances fall below the stated target amount, the City will strive to restore reserves to the stated level within four fiscal years. The actual City reserve balances shall be reported each year, along with City reserve policy levels. The reserve information should appear in the ACFR. Unrestricted fund balance levels will be sufficient to meet funding requirements for approved programs or projects which are carried forward from the prior year; debt service reserve requirements; commitments for encumbrances; and other restrictions required by contracts, state law and generally accepted accounting principles.

Reserve Policies

- ✓ **City Reserve Policy**
Targets:
 - **General Fund (GF) – 25% of Recurring Expenses**
 - **Insurance Funds – 75% of Claims Liabilities**
 - **Golf Fund – 25% of Revenues**
 - **Sewer – Funding of 2 Years of CIP**
 - **Pension Reserve: \$1 million**
 - **General CIP Reserve: \$1 million**
- ✓ **GF Surplus – Allocated Equally 1/3 to Reserves for Pension, CIP, and GF**

X. General Fund Reserves

The City should maintain a minimum unassigned fund balance of at least 25% of operating and debt service expenditures in the General Fund for fiscal stability, cash flow, contingencies and strategic opportunities, including addressing the following in accordance with policies developed by the GFOA:

- Revenue source stability, local disasters and downturns in the economy
- Contingencies for unseen operating or capital needs
- Investment opportunities in the community approved by Council
- The need to provide short-term bridge financing to other funds
- Other, such as State budget takeaways and unfunded mandates

Reserves should not be used to fund ongoing costs or projected systemic “gaps.” on a perpetual basis. They should be restricted to one-time or short-term uses. The Council may also commit or assign specific General Fund balance levels above the reserve target for capital replacement (based upon the five year capital improvement program), technology and vehicle replacement (based upon future expected replacement costs), unfunded pension and compensated absence liabilities or other long-term goals that it determines to be in the best interests of the City, with a minimum reserve level of \$1,000,000 each for unfunded liabilities related to pension and compensated absences, and capital replacement.

In any fiscal year where revenues and transfers in exceed expenditures and transfers out, the annual surplus for the fiscal year should be allocated first to help meet the reserve policies for the General and Insurance Internal Service Funds. Any remaining surplus should be allocated $\frac{1}{3}$ towards reserves for capital, technology and vehicle replacement, $\frac{1}{3}$ towards addressing unfunded pension and long-term liabilities, and $\frac{1}{3}$ towards other Council priorities or to build up reserves for the future.

XI. Golf Fund Reserves

The purpose of the Golf Fund is to enable the operation of the golf course as an enterprise without operating subsidies from the General Fund, unless deliberately authorized. The City should maintain establishes a target reserve level of 25% of budgeted expenditures of the Golf Fund for the fiscal year, to be used for capital improvements, cash management, and for unexpected operating expenses.

XII. Sewer / Insurance Internal Service Funds Reserves

The Sewer Fund should maintain a reserve to fund at least two years of projects to be funded by the Sewer Fund in the City’s five year capital improvement plan and as a rate stabilization reserve. The Insurance funds should maintain a balance of current assets equal to 75% of total liabilities, or higher, should actuarial analysis conclude an imminent higher risk to the City for losses. Note that for the worker’s compensation fund the City’s Self-Insured Retention Limit is \$150,000 per claim and \$200,000 for its Liability fund.

Capital Policies

✓ Capitalizing Policies:

- CIP - \$50K
- Capital Outlay \$5K

✓ Adjusted in future years:

- CIP – ENR in increments of \$5K
- Capital Outlay – Bay Area CPI in increments of \$1K

✓ Donated Asset assigned cost based upon market value

✓ Depreciation:

- Straight-line
- Begins year asset placed in service
- For assets with useful life >1 yr
- None recorded Construction in Progress
- ✓ Capital Budgets in place for life

XIII. Capitalization Policy

All capital outlay with an original cost > \$5,000 and a useful life > one year is subject to capitalization.

The capitalization threshold is applied to individual units of fixed assets:

- To be adjusted in increments of \$1,000 based upon changes in the Bay Area Consumer Price Index (CPI)
- Repair costs for fixed assets to be capitalized when it extends the useful life of the asset
- For construction in progress, no depreciation is recorded until the asset is placed in service
- The City shall use the straight-line method for depreciating all fixed assets
- Depreciation should begin in the fiscal year the asset is placed in service

Any capital Improvement project related to buildings, infrastructure, machinery, or equipment, with a useful life > one year and a total cost (including installation) > \$50,000 or more is subject to capitalization. This amount should be adjusted in increments of \$5,000 in future years, based on changes in the Engineering Construction Index (ENR). Capital project appropriations should remain in effect for the life of the project unless modified by the City Council.

Fixed assets acquired by gift, donation or payment of a nominal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of receipt.

The following represents the useful life schedule to be used for capital outlay and capital projects:

Description	Useful Life (In Years)
Buildings	20-100
Machinery, equipment and furniture	5-7
Infrastructure:	
Improvements other than buildings	5-30
Sidewalks, curbs, gutters, streets, storm drains	20-50
Traffic signals / Street signs	15
Park equipment	10-50

XIV. Property Acquisition and Disposition

Acquisition of real property should be tied to a specific objective, with the source of adequate funds identified and considerations given for the long-term fiscal and policy impacts. Disposition of real property should be considered for those properties without deed restrictions and that are unused, under-utilized, economically not viable, or that were acquired for an outdated plan or purpose.

Key Items

- ✓ Debt managed in accordance with policies of CDIAC / SB 1029
- ✓ Use of debt for funding on-going operations to be avoided
- ✓ Term of debt should not exceed useful life of capital asset
- ✓ Annual bonded debt service should not exceed 15% of budget
- ✓ Time the issuance of debt to ensure funds available to fund projects
- ✓ Refunding of debt to be considered when NPV of projected savings is at least 3%

XV. Debt Management

The City should manage its debt in conformance with policies established by CDIAC and SB 1029, which provide the parameters to be addressed in a debt policy, including the purposes for which debt proceeds may be used, the types of debt that may be issued, the relationship of the debt to, and integration with, the capital improvement program or budget, the policy goals related to the City's planning goals and objectives, and the internal control procedures implemented to ensure the proceeds of a proposed debt issuance will be directed to the intended use. All issuance of debt requires prior City Council approval.

Long-term borrowing should be restricted to the purpose of funding capital improvement projects and equipment. The use of long-term borrowing for ongoing operations should be avoided. The term of the debt should not exceed the expected useful life of the object of the financing. Debt obligations shall be prioritized in the budget process and payments shall be made in a timely and efficient manner. The annual bonded debt service should not exceed 15% of the annual budget. Staff will time the issuance of debt to ensure that funds are available as needed for projects in the City's Capital Program and to integrate those costs into its five year forecast and into its projections of fund reserve levels and how they align with reserve goals established by City Council, including ensuring that the debt service has been incorporated into its rate studies as

The types of long-term debt that can be issued include the following:

- Revenue Bonds / Bond Anticipation Notes
- Certificates of Participation or Lease Revenue Bonds
- Federal and State Government Loans (Includes USBR/SRF/WIFIA)
- Lines of Credit / Refunding Bonds / Privately Placed Debt (Bank Loans)
- Loans, including Equipment / Capital Lease Financing and Commercial Paper
- Assessment and Special Tax (Mello Roos) Bonds

Refunding techniques should be employed where appropriate to allow for restructuring of outstanding debt to remove or change restrictive covenants, and/or to reduce annual debt service in an amount sufficient to justify the costs related to restructuring the debt, usually considered to be savings with a net present value of at least 3%.

In circumstances where short-term borrowing (i.e., fewer than 12 months) is required to ensure cash flow demands may be met, either Tax and Revenue Anticipation Notes (TRAN), interfund loans or a commercial line of credit can be used, factoring in costs and administrative efficiencies.

The City will use the following internal controls regarding the use of bond proceeds: a.) Finance staff to review the approved use of bond proceeds with department staff authorized to initiate contracts to ensure proper use of funds. b.) Finance will educate staff responsible for preparing purchase orders and processing payments as to proper account coding and items that can be expended using bond proceeds and c.) the Administrative Services Director will review and approve all draw-down requests.

Key Items

- ✓ **Interfund Loans:**
 - A written agreement and City Council approval should be obtained for those > 1 yr
 - Funds pledged must be above those needed for operations
 - Interest rate should be based on the overall rate of return on the City's investments
 - Can be made from grant funds only with prior approval by the grantor
 - To contain a specific repayment date

XVI. Long-Term Interfund Loans

City Council approval should be obtained prior to the establishment of an interfund loan agreement of more than one year, incorporating the following terms into the interloan agreement;

- A specific repayment date for the loan
- Specific revenue pledged to repay the loan based on realistic expectations for receipt
- Funds pledged for repayment must be above the funds needed for annual operations; and
- Interfund loans may be made from grant funds only if specifically authorized by the grantor
- Borrowing fund(s) should pay interest at least at the rate earned on the City's pooled investments

Acronyms

USBR	United States Bureau of Reclamation
SRF	State Revolving Fund
WIFIA	Water Infrastructure and Innovation Act

Adopted as part of budget on June 18, 2025 (Ordinance No. 25-010).





City Of Pacific Grove

City Council Policy – Council Goals – Policy 000-26

Key Items

- ✓ Council develops goals in 1st quarter of calendar year
- ✓ City Manager reviews for achievability
- ✓ Goals reflect changing city priorities
- ✓ Goals form basis for the budget
- ✓ City Manager directs staff on how to implement these goals
- ✓ A work plan is developed to measure progress with Council updates
- ✓ Based on "SMART"
 - Specific
 - Measurable
 - Achievable
 - Relevant
 - Time-Bound

I. Procedure

1. Following a general election all newly elected Councils will prepare a set of Council goals and accompanying strategies during the first quarter, i.e. January 1 – March 31.
2. Council goals will normally build on prior Councils' goals but reflect changing city priorities.
3. Ideally Council goals are SMART (**S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime- Bound).
4. The council's goals should be reviewed by the City Manager for achievability. For example, goals may require additional resources.
5. Council goals form the basis for the City's spending plan priorities - the adopted annual fiscal year budget.
6. The City Manager is responsible for providing direction to City staff to determine the implementation process.
7. The City Manager, in coordination with staff, creates a corresponding work plan to measure progress and provide a "scorecard" of the effort.
8. City Manager provides periodic work plan updates to Council.

Adopted as part of budget on June 18, 2025 (Ordinance No. 25-010).





City of Pacific Grove Capital Budget

Appendix

This section provides further information on the City, including an explanation (with related website links) of key terms used in the document as part of the glossary and of the acronyms of associated entities. The section also contains the resolution adopted by the Board as part of the approval of the budget, information on debt obligations, including maturity schedules, and an index of sections of the budget document.

Section

84	Budget Calendar
85	Long-Term Debt Obligations
88	Budget Ordinance

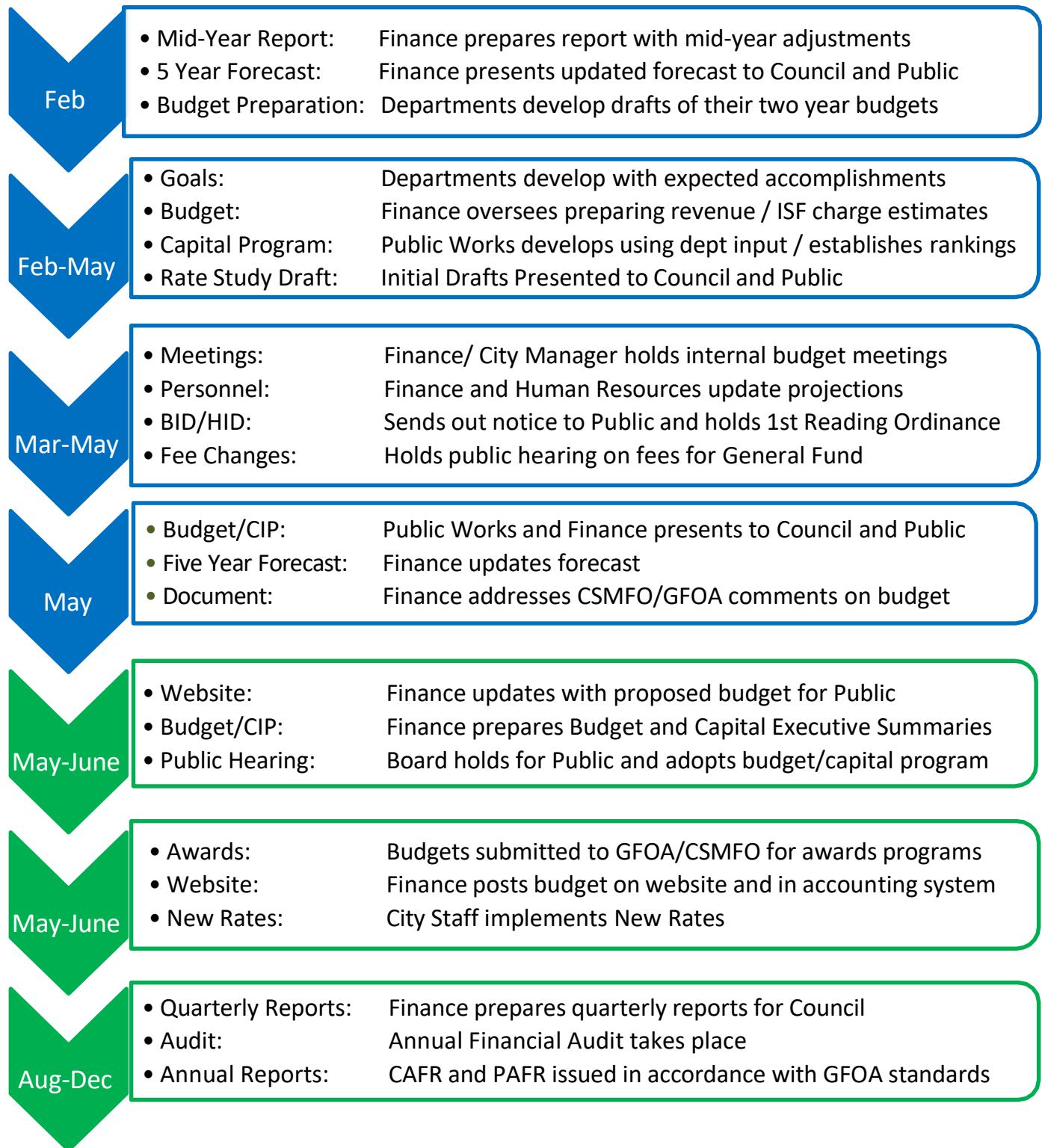
Section

89	Acronyms
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City of Pacific Grove Budget Calendar



Key Budget Dates:

Mid-Year Budget Update: February
Budget Public Hearings: May/June

Fee Public Hearings: May/June
Budget Adoption: June



City of Pacific Grove

Long-Term Debt Obligations per ACFR

For the Year Ended June 30, 2024

Pension Obligation Bonds

Interest:
5.67-6.12%

Annual
Debt Service:
\$1.5-\$1.6
million

Maturity:
2029

Fund
Pledged:
General

PG&E Loan

Interest:
0%

Annual
Debt Service:
\$13K

Maturity:
2026

Fund
Pledged:
General

Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Balance June 30, 2024	Due within One Year	Due in > One Year
Publicly Offered:				
Taxable Pension Obligation Bonds	\$ 2,671,688	\$ 2,193,089	\$ 464,276	\$ 1,728,813
Accreted Interest	4,731,877	4,265,102	985,725	3,279,377
Subtotal	7,403,565	6,458,191	1,450,001	5,008,190
Direct:				
PG&E Loan	51,451	31,403	12,562	18,841
SBITA Liability	317,788	200,738	105,745	94,993
Totals	\$ 7,772,804	\$ 6,690,332	\$ 1,568,308	\$ 5,122,024

Taxable Pension Obligation Bonds - Funding Source General Fund

On June 1, 2006, the City issued Taxable Pension Obligation Bonds in the principal amount of \$19,365,355. The bonds were part of the California Statewide Communities Development Authority Taxable Pension Obligation Bonds Program. The purpose of the bonds is to provide monies to meet the unfunded accrued actuarial liability ("UAAL") to the California Public Employee's Retirement System ("PERS"). Semi-annual payments are due on June 1 and December 1. Interest on the bonds ranges from 5.67% to 6.12% and will mature on June 1, 2029. The annual debt service requirements were as follows for the Pension Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2025	\$ 464,276	\$ 985,724	\$ 1,450,000
2026	451,350	1,048,650	1,500,000
2027	437,699	1,107,301	1,545,000
2028	425,418	1,169,582	1,595,000
2029	414,346	1,235,652	1,649,998
Totals	\$ 2,193,089	\$ 5,546,909	\$ 7,739,998

PG&E Loan – Funding Source General Fund

The City benefited from the on-bill financing program offered by PG&E, which is a non-interest bearing, reimbursement basis loan to install energy-efficient equipment. Individual PG & E loans have been issued for various City locations. All loans mature beginning on February 15, 2022, and conclude on December 15, 2026.



City of Pacific Grove

Long-Term Debt Obligations per ACFR

For the Year Ended June 30, 2024

Subscription Payable

Interest:
1.85-3.25%

Annual
Debt Service:
\$20K-\$113K

Maturity:
2032

Fund
Pledged:
Various

Golf Lease

Interest:
4.35%

Annual
Debt Service:
\$272,000

Maturity:
2030

Fund
Pledged:
Golf

Subscription Payable – Funding Source Various Funds

The City entered into subscription agreements with various vendors for software. The terms of the agreements are ranging from 24 months to 130 months. The calculated interest rates range from 1.85% to 3.25%. As of June 30, 2024, the capitalized right-to-use assets related to SBITAs were \$298,136 and the total subscription liability was \$200,738. The future subscription payments are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 105,745	\$ 7,185	\$ 112,930
2026	18,843	4,481	23,324
2027	12,117	9,540	21,657
2028	12,341	7,255	19,596
2029	12,570	5,130	17,700
2030-2032	39,122	4,164	43,286
Total	\$ 200,738	\$ 37,755	\$ 238,493

Business Type Activities

	Balance July 1, 2023	Balance June 30, 2024	Due within One Year	Due in > One Year
Publicly Offered:				
2013 Wastewater Revenue Refunding Bond	\$ 639,629	\$ 573,704	\$ 70,044	\$ 503,660
Direct Borrowing:				
Clean Water Revolving Fund Loan	4,546,643	4,385,661	162,592	4,223,069
2014 Golf Course Site Lease	1,725,451	1,526,268	207,941	1,318,327
Total	\$ 6,911,723	\$ 6,485,633	\$ 440,577	\$ 6,045,056

2014 Golf Course Site Lease – Funding Source Golf Fund

The City entered into a \$3,130,505 Site Lease dated September 1, 2014 with Umpqua Bank to Refund the 2014 Golf Course Certificate of Participation. The lease bears interest at 4.35% with debt service payments due on February 1st and August 1st through 2030. The lease is secured by the transfer of property rights to Umpqua Bank. The annual debt service requirements were as follows for the 2014 Golf Course Site Lease:

Fiscal Year	Principal	Interest	Total
2025	\$ 207,941	\$ 64,156	\$ 272,097
2026	217,085	55,012	272,097
2027	226,631	45,466	272,097
2028	236,597	35,500	272,097
2029	247,000	25,096	272,096
2030-2031	391,014	17,131	408,145
Total	\$ 1,526,268	\$ 242,361	\$ 1,768,629



City of Pacific Grove

Long-Term Debt Obligations per ACFR

For the Year Ended June 30, 2024

Water Loan

Interest:
1%

Annual Debt Service:
\$206,000

Maturity:
2048

Fund Pledged:
Sewer

Wastewater Bond

Interest:
3.35%

Annual Debt Service:
\$89,000

Maturity:
2031

Fund Pledged:
Sewer

Clean Water State Revolving Fund Loan – Funding Source Local Water Project Fund

In November 2015, the City secured State Water Resources Control Board ("SWRCB") funding from the State Revolving Fund (SRF) for the construction of a recycled water treatment plant, sewer diversion structure, waste pump and force main station, user connections and site retrofits. The SWRCB reimbursed the City for project-related expenditures, as incurred, totaling \$5,328,076. The loan will be repaid with interest at 1% per annum. The loan matures on February 1, 2048. The annual debt service requirements were as follows for the Clean Water State Revolving Fund Loan:

Fiscal Year	Principal	Interest	Total
2025	\$ 162,592	\$ 43,857	\$ 206,449
2026	164,218	42,231	206,449
2027	165,860	40,589	206,449
2028	167,518	38,930	206,448
2029	169,194	37,255	206,449
2030-2034	871,686	160,554	1,032,240
2035-2039	916,152	116,089	1,032,241
2040-2044	962,887	69,356	1,032,243
2045-2048	805,554	20,239	825,793
Total	\$ 4,385,661	\$ 569,100	\$ 4,954,761

2013 Wastewater Revenue Refunding Bond – Funding Source Sewer Fund

On May 6, 2013, the City issued the 2013 Wastewater Revenue Refunding Bonds in the principal amount of \$1,220,588. The purpose of the bond is to refinance the California State Community Development Authority Series 2001B Revenue Bonds. Semi-annual interest payments are due on April 1 and October Repayments are secured by future sewer service revenues. Interest on the bonds is 3.35% and matures on October 1, 2031. The annual debt service requirements were as follows for the 2013 Wastewater Revenue Refunding Bond:

Fiscal Year	Principal	Interest	Total
2025	\$ 70,044	\$ 18,645	\$ 88,689
2026	71,550	16,264	87,814
2027	72,937	13,876	86,813
2028	76,789	11,400	88,189
2029	78,018	8,795	86,813
2029-2032	204,366	10,418	214,784
Totals	\$ 573,704	\$ 79,398	\$ 653,102

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE ADOPTING
THE OPERATING AND CAPITAL PROJECTS BUDGET FOR
THE FISCAL YEAR (FY) 2025-26;**

FACTS

1. The City Council held a public hearing and first reading of an ordinance to adopt the FY 2025-26 Operating and Capital Projects Budget.
2. The City Manager is recommending adoption of the FY 2025-26 Budget to reflect the City Council's expressed goals for the fiscal year budget.
3. Pursuant to Charter Article 15, adoption of the annual budget and or amendment of the budget must be approved by ordinance.
4. A summary of the Ordinance, approved by the City Attorney, was published as required by law.
5. In the enactment of this ordinance, the City followed the guidelines adopted by the State of California and published in the California Code of Regulations, Title 14, Section 15000, et seq.
6. Enactment of this ordinance does not constitute a "project" as defined by California Environmental Quality Act (CEQA) and as such is not subject to/exempt from CEQA because it is an administrative activity that will not result in a direct or reasonably foreseeable indirect physical change in the environment and involves the creation of a government funding mechanism that does not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF PACIFIC GROVE DOES ORDAIN AS
FOLLOWS:**

SECTION 1. The foregoing recitals are adopted as findings of the City Council as set forth fully within the body of this ordinance.

SECTION 2. That the City Council does hereby approve and adopt the operating budget and capital improvement program for the City for FY 2025-26, and that they hereby authorize the City Manager and Administrative Services Director to make any non-substantive changes as needed to meet Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officer (CSMFO) budget award program comments and criteria.

SECTION 3. That the City Council authorizes at the closeout of Fiscal Year 2024-25 by the Finance Division of the Administrative Services Department the carryover of any unspent and encumbered funds for operations and capital projects and any other unspent funds for active capital projects, to be reappropriated in the Fiscal Year 2025-26 budget for continued use in the same manner so long as there are sufficient available fund balances to finance these commitments.

SECTION 4. In accord with Article 15 of the City Charter, this ordinance shall become effective upon adoption hereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this
18th day of June, 2025, by the following vote:

AYES: Mayor Smith, Mayor Pro Tem Amelio, Councilmembers Garfield, McDonnell, Rau, Walkingstick

NOES: None

ABSENT: Councilmember Poduri



City of Pacific Grove Budget

Fiscal Years 2025-26 and 2026-27

Acronyms

ACFR	Annual Comprehensive Financial Report	HID	Hospitality Improvement District
ADA	Americans with Disability Act	HOPTR	Home Owners' Property Tax Relief
ADU	Accessory Dwelling Unit	HUD	US Dept Housing & Urban Development
ARPA	American Rescue Plan Act (2021)	ISF	Internal Services Fund
ASBS	Area of Special Biological Significance	LCP	Local Coastal Program
BID	Business Improvement District	LWP	Local Water Project
CalPERS	California Public Employees Retirement Sys.	M1W	Monterey One Water
CAP	Climate Action Plan	MCWRA	Monterey County Water Resources Agcy
CAPPO	CA Association Public Procurement Officials	MEA	Management Employee Association
CCI	Construction Cost Index	MOU	Memorandum of Understanding
CDBG	Community Development Block Grant	MPWMD	Monterey Peninsula Mgmt Water Dist.
CIP	Capital Improvement Plan	NPDES	National Pollution Dischg Elimination Sys.
CJPIA	California Joint Powers Insurance Authority	NPI	National Purchasing Institute
COLA	Cost of living adjustment	OES	Office of Emergency Services
COPS	Certificates of Participation	O&M	Operations and Maintenance
COVID	Coronavirus Disease	OPEB	Other Post-Employment Benefits
CPI	Consumer Price Index	PARSAC	Public Agency Risk Sharing Authority
CSMFO	California Municipal Finance Officers Assoc.	PCI	Pavement Condition Index
CSO	Community Services Officer	PEG	Public, Educational and Governmental
CUPCCAA	CA Uniform Construction Cost Act	PEPRA	Public Employees' Pension Reform
DEI	Diversity, Equity and Inclusion	POA	Police Officers Association
DOF	State Department of Finance	POB	Pension Obligation Bond
DOJ	Department of Justice	POST	Peace Officer Standards and Training
EPMC	Employer Paid Member Contribution	RMS	Records Management System
ERAF	Educational Revenue Augmentation Fund	RSTP	Regional Surface Transportation Prog.
ERP	Enterprise Resource Planning System	S&P	Standard and Poors
FDIC	Federal Deposit Insurance Corporation	SCSMP	Sewer Collection System Master Plan
FEMA	Federal Emergency Management Agency	SOP	Standard Operating Procedures
FLSA	Fair Labor Standards Act	STR	Short Term Rental
FMLA	Family Medical Leave Act	TAMC	Transportation Agency Monterey County
FTE / FY	Full-Time Equivalent / Fiscal Year	TOT	Transient Occupancy (Hotel) Tax
GAAP	Generally Accepted Accounting Principles	TRAN	Tax and Revenue Anticipation Note
GASB	Governmental Accounting Standards Board	UAL	Unamortized Pension Liability
GEA	General Employees Association	UUT	Utility User Tax
GFOA	Government Finance Officers Association	VLF	Vehicle License Fee
GIS	Geographic Information Systems	VOIP	Voice Over Internet Protocol (Phones)





City of Pacific Grove

Glossary

Appropriation

An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

Arbitrage

Results from interest rate differences of financial instruments on different markets

Assessed Valuation

A dollar value placed on real estate or other property by Monterey County as a basis for levying property taxes.

Available Fund Balance

The net difference between cash, accounts receivable, and current liabilities. The new appropriations are netted to arrive at the estimated ending fund balance.

Audit

Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

Balanced Budget

The budget for a fund is balanced when total budgeted resources, including revenues, transfers in from other funds, and unrestricted fund balance from previous years meet or exceed total budgeted use of resources, including expenditures and transfers out to other funds.

Beginning Fund Balance

Unencumbered resources available from prior years.

Bond Covenant

Requirements placed on the City in the bond document.

Budget

A fiscal plan of financial operation listing an estimate of proposed application or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

CalPERS-Public Employee Retirement System

The retirement system, administered by the State of California, to which all full-time long term City employees belong to.

Capital Asset / Capital Outlay

Land, infrastructure, and equipment used in operations that have initial useful lives greater than one year. The City has set the capitalization threshold for reporting capital assets at \$5,000.

Certificates of Participation (COPs)

A lending agreement secured by a lease on the acquired asset or other assets of the City.

Consumer Price Index / Inflation Index (CPI)

Monitored by the Bureau of Labor Statistics (BLS).

Contingency

A budgetary reserve set aside for emergencies or unforeseen expenses not otherwise budgeted.

Debt Service

Payment of the principal and interest on an obligation resulting from the insurance of bonds, notes, or certificates of participation (COPs).

Deficit

An excess of expenditures over revenues (resources).

Debt Service Coverage

The ratio of net revenues to principal and interest.

Defeasance

To set aside sufficient money to retire outstanding debt when due. A full defeasance results in release from obligations in the bond documents.

Encumbrances

A legal obligation, such as a purchase order, to pay funds for expenses yet to occur.

Enterprise Fund

A self-supporting fund that sells goods and services to the public for a fee.

Fiscal Year

The timeline to which the annual budget applies. For the City, July 1st through June 30th.

Historic Buildings



1883



1886



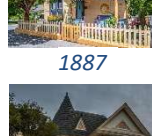
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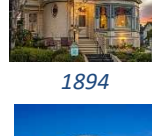
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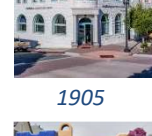
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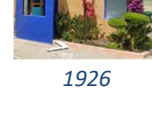
1887



1894



1905



1926



City of Pacific Grove

Glossary

Full-Time Equivalent (FTE)

The amount of time a regular, full-time employee normally works in a year. For example, a full-time employee is budgeted to work 2,080 hours.

Fund

An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the fund.

Fund Balance / Net Position

For budgetary purposes, it is defined as current assets less current liabilities.

Generally Accepted Accounting Principles (GAAP)

Uniform standards for financial reporting. They govern the development of the City's basic financial statements.

Gann Limit

State of California legislation that limits a City's appropriations growth rate to changes in population and the change in California per capita income.

Government Finance Officers Association (GFOA)

Represents public finance officials through the U.S. It provides guidance, consulting, networking and training to its members.

Governmental Fund

Funds used to account for activities primarily supported by taxes, grants, and similar revenue sources.

Grant

Contribution or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity or facility.

Indirect Cost Allocation

To ensure that non-General fund revenues support a proportionate share of administrative services, these costs are allocated across all operational costs.

Infrastructure

Facilities on which the continuance and growth of the community depend, such as roads, sidewalks, parks, public buildings, sewer lines, etc.

Internal Service Fund

A fund providing services to other departments and bills the various other funds for services rendered.

Joint Powers Association (JPA)

An entity created under State law whereby two or more public authorities (e.g. local governments, utility or transportation districts) may jointly exercise any power common to all of them.

Key Performance Indicator (KPI)

These evaluate the activity level or success of the City of a particular program or activity.

Memorandum of Understanding (MOU)

The result of labor negotiations between the City of Pacific Grove and its bargaining units.

Multi-Year Forecast

A five-year projection of revenues and expenditures to assist with planning and identifying milestones. The forecast is a planning tool, not a budget.

Non-Departmental

Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

Ordinance

A formal legislative enactment by the City Council. It has the full force and effect of law within the City.

Permanent Fund

Accounts for financial resources where the principal is restricted, committed, or assigned for a specific usage; and only the interest earnings are transferred for use in the corresponding enterprise or governmental funds. These funds may also be referred to as a Trust Fund.

Resolution

A special order of the City Council, which has a subordinate legal standing than an ordinance.

Special Revenue Fund

This fund type is used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government.

Working Capital

Defined as current assets less current liabilities.

Butterfly House





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Pacific Grove Bed & Breakfasts



Seven Gables



Pacific Grove Inn



Green Gables



Gosby House



Martine Inn



Old St. Angela



Centrella Hotel

