



## **ACHIEVING COUNCIL OBJECTIVES January 2010**

The Mayor Pro-Tem and I have prepared this seventh Annual Report looking back on progress achieved on the primary goals established by Council for the 2008-09 budget year and the first half of 2009-10. We also look forward to challenges ahead.

Revenue context for this report: For the fiscal year ending June 30, 2009, the City of Carmel-by-the-Sea had an operating deficit of \$130,000, which was covered by monies in our reserves, which totaled about \$10 million. Of the top three revenue sources, only Property Tax exceeded the previous fiscal year and, for the first time, was the top revenue producer. In addition, the City was awarded state grants of more than \$303,000 and donations of about \$30,000. These latter monies directly supplement revenues in that projects relating to the City are being funded with non-City funds. Through December of the current fiscal year as compared to the previous year, Property Tax is up 2% and TOT down 10%. Sales Tax figures are not yet available through December '09.

**2009-2010 BUDGET YEAR:** Following are the priority goals established by Council:

1. Explore Fire Department options and implement what is ultimately decided.

Progress: Initially Pacific Grove managed the Carmel-by-the-Sea Fire Department. When it merged with Monterey Fire, we shifted focus to see whether that or another fire service might be an option for Carmel. Before that comparative study could be completed, and echoing moves toward more consolidation of functions, another option appeared on the table in the form of a Peninsula-wide fire service (brought about by efforts to merge Seaside and Marina). This option is much more complex and will take some time to study as it could also include the military and airport fire services, among others. In the meantime, Fire Department management by the City of Monterey will remain in place. A new fire engine was purchased and the auto-pulse cardiac support (the first in the County) was put into service.

2. Actively manage the City's finances in a challenging environment:

Progress: While as noted in the above Revenue Context, the results were not solidly in the black, we did minimize our losses through conservative budgeting, reducing expenses, seeking grants and putting off some projects to the future.

Perhaps the auditor said it best in his report to Council: "Our audit is an unqualified opinion, which is the highest type of opinion you can get...In the past year, the United States, California and all its cities experienced one of the most challenging economies since 1979-80. Only a few California cities have had the wisdom in past years to set aside money for uncertain economic times. Carmel-by-the-Sea is, fortunately, one of them. The City reduced expenditures everywhere possible and ended up spending \$335,000 less than what was budgeted. Because the City had set aside reserves for such situations, the City did not have to further reduce services to its citizens." (We might note that the City also provides services to some two million visitors annually.)

It is interesting that in 2009, the County Assessor increased the assessed value of Carmel-by-the-Sea to a total of just under \$3 billion. Similarly, Standard and Poor's upgraded the City's credit rating to AA+ from AA- (one of only 12 cities in the state whose credit strength was raised) while Fitch affirmed its rating for Carmel's Sunset Center bonds at AA-.

3. Concentrate efforts on the short-term to fill hotel rooms in 2009, for marketing and economic development:

Progress: Over the past two to three years we have added the following events to Carmel-by-the-Sea: Concours on the Avenue; Authors and Ideas Festival; Art and Film Festival, and just this past December, came the announcement of the move of the "Blue Ocean Film Festival" from the East to the West Coast, and specifically to the Monterey Peninsula, where it will be held the end of August 2010 and every other year after that.

We also are working with Sunset Community Center, Inc. to bring small "boutique" conferences to Sunset. We now have two booked and will aggressively look for more. Such multi-night events also help to fill our inns.

4. Complete General Plan and Housing Element and submit them to the Coastal Commission:

Progress General Plan Update: The City Council adopted updates of five elements of the General Plan not addressed during preparation of the Local Coastal Program (Circulation, Public Facilities, Open Space/Conservation, Environmental Safety and Noise) plus the Del Mar Master Plan. The latter plus the Circulation Element achieved the required certification by the Coastal Commission in January. Now all elements of our General Plan are current and will provide policy guidance for the next 20 years. The Carmel-by-the-Sea Garden Club has once more come forth and is offering to fund a portion of the Del Mar Master Plan.

Housing Element: The Housing Element, which must be updated every five years, is again in process and on schedule. The City Council approved a draft update which the Department of Housing and Community Development is currently reviewing. The City will likely consider the final version in April.

5. Finalize and implement plans for the Forest Theater renovation and develop financial options to pay for it once a final decision is made:

Progress: While plans have been tweaked, they necessarily had to take a back seat to the public vote on the sale of Flanders and other projects that will be discussed shortly. We are now researching the availability of funding/grants for the renovation or phasing the project over several fiscal years. We also hope that the celebration of the Theater's centennial in the summer of 2010 will spur interest in the renovation and its funding.

6. While it was not on our work program per se, the City did take the question of the sale of Flanders to a public vote. The sale was approved by a 62% to 37% vote.

#### CAPITAL PROJECTS AND OUTLAYS:

1. New Scenic Restroom: drawings for the new permanent restroom at Santa Lucia and Scenic Road have been received and are being reviewed by staff. Proceeding ahead will be difficult if there is a water moratorium as we will need a small amount of potable water.
2. Storm drains: five storm drain projects were completed; these met all "Clean Water Act" requirements.
3. Street projects totaled \$516,000 in '08-09; some 60 were in the downtown district. Several areas of concrete and sidewalk were replaced with permeable pavers that we will be using exclusively.
4. The underground water tank at Del Mar will be larger and relocated. The whole Del Mar parking area will be resurfaced and the curbs lowered this spring of 2010.
5. The Fourth Avenue riparian habitat project between Monte Verde and San Antonio has been completed except for a substitute source for the City's manual watering by our water truck. (See also number 6.) A ceremonial ribbon cutting was held with the 4<sup>th</sup> Avenue neighbors to celebrate what they are calling the nicest street in the City. The project was awarded "Outstanding Urban Forest Project 2009" by the Urban Forest Council.
6. San Antonio Walkway: We are working with the Pebble Beach Company to construct a San Antonio walkway from Fourth Avenue to the Carmel Gate and from Fourth through the dunes westward to the beach. The Del Mar Project provides for a walkway from Ocean to Fourth along the west side of San Antonio, thus completing a walkway from the city's northern border with Pebble Beach to its southern border with Monterey County.

7. The paving project and realignment of the median strip for Junipero between Ocean and 8<sup>th</sup> Avenues have now been funded by the Transportation Agency for Monterey County and Proposition 172. We adopted a construction truck impact fee to generate new revenue for maintenance of our streets.

#### OTHER PROJECTS:

Tourism: The City is updating its travel website, has printed a compact map of sites and courtyards and has provided funding for a free trolley that runs on a circular route from Ocean Avenue to the Carmel Mission and the beach, with many in between stops. We are grateful to the Monterey Salinas Transit (MST) for its printing of the brochure/map. New pay and display parking meters have been installed at the north end of Sunset and Plaza bus parking that we hope will be more user friendly.

Litigation: Most local governments face challenges to their decisions and actions that, unfortunately, at times result in litigation, and Carmel is no exception:

- A. Flanders: In July 2009, the Flanders Foundation sued the City, again challenging the adequacy of the Environmental Impact Report (EIR). In November 2009, the public voted to authorize the City Council to proceed with the sale of the Flanders Mansion. A trial date of February 10, 2010, has been set for the Court's review of the City's amended EIR. In an ongoing effort to avoid the time and expense of this litigation, the Mayor has taken the initiative in attempting to work with the Flanders Foundation through their attorney to determine if there is a possible common resolution to the Foundation's concerns.
- B. Homescapes (SE corner of Dolores and 7<sup>th</sup>.): The applicant filed a second lawsuit challenging the City's denial of his project. The first lawsuit was heard last year with the City prevailing. That lawsuit was appealed by the applicant. We are currently awaiting a trial date.
- C. Miller: Lawsuits involving personnel issues are handled differently in that the employee and potential witnesses have certain rights of privacy. Such is the case in this instance. The normal course of action in such cases is that the City immediately investigates the charges. There is no reason to assume that the City has done otherwise but because we are in litigation, regrettably we are constrained from commenting.

The "Greening of Carmel": In addition to the reduction of car usage by substituting the trolley, we established a Green Committee which is working on sustainable programs and incentives under the direction of the Planning Department. A green building ordinance has been adopted and incentives are being drafted. This follows banning of smoking on the beach and continuing our pioneering effort of 1989 as the second city in the state to ban polystyrene. Now we have a county-wide ordinance banning such use. We have also recycled 1,400 pounds of household batteries and 69% of our trash collection.

Library: We have almost completed the fire suppression system for the vault at Park Branch. In addition we have acquired on permanent loan from the Frank Devendorf family (founder of Carmel) their chronicles of the development of Carmel-by-the-Sea and the surrounding area. This will be the Library's largest single collection and dates from 1902.

Emergency Preparedness: The new plan was received by Council and is now being implemented. First order of business was the installation of a generator at the Fire Department. With that accomplished, plans for a generator for the Police Department and its Emergency Operations Center are under way. Funding is in place over the next two years for the NGEN or Next Generation of radios for the Police Department and Public Works, which will cost close to \$500,000.

Forest and Beach: For the fifth year, the City has received a Tree City USA Award. A second part-time Forest Care Worker was added to water and plant new trees (160 planted). The City had a demonstration of the Barber Surf Rake which might provide a solution for how we can both continue beach fires and keep the beach clean. Staff and contractors have removed almost 11,000 pounds of charcoal from the beach this year. With partial funding from the Monterey Peninsula Regional Park District, we have completed one footbridge in Mission Trail Park; a second one is planned.

Water: The imposition of a water moratorium on the Water District will have a chilling impact on our economy and way of life until a new source of water is up and running—which will mean several years. The City Attorney has spent much time on this issue and Carmel joined with three other Peninsula mayors to meet with the State Water Resources Control Board for lengthy sessions both on the Peninsula and in Sacramento.

In sum, and in spite of the downturn in the state and national economies, there has been much accomplished by skillfully managing resources. In the process, we appreciate the understanding and support from citizens and staff.



Sue McCloud  
Mayor



Karen Sharp  
Vice Mayor