

**MINUTES
JOINT CITY COUNCIL / IMPROVEMENT AGENCY MEETING
TUESDAY, FEBRUARY 22, 2011**

CALL TO ORDER Mayor/Chair Shoals called the meeting to order at 8:13 p.m. in the City Hall Council Chambers, 154 South Eighth Street, Grover Beach, California.

ROLL CALL

Council/Agency: Council/Board Members Bright, Molnar, Peterson, Mayor Pro Tem/Vice Chair Nicolls, and Mayor/Chair Shoals were present.

City/Agency Staff: City Manager/Executive Director Perrault, City Attorney/General Counsel Koczanowicz, City Clerk/Agency Secretary McMahon, Administrative Services Director/Finance Officer Chapman, Community Development Director/Deputy Director Buckingham, and Police Chief Copsey were also present.

Also present was Bob Fasulkey from Digital West, Inc.

PUBLIC COMMUNICATIONS The Mayor/Chair opened the floor to any member of the public for comment on items of interest which were within the jurisdiction of the City Council / Improvement Agency, but were not listed on the agenda. No one responded and the Mayor/Chair closed the Public Communications segment for this portion of the meeting.

ORDER OF THE DAY: Upon consensus of the City Council/Improvement Agency, the Order of the Day was amended to first consider Improvement Agency Item Nos. IA-1 and IA-2.

IMPROVEMENT AGENCY - BUSINESS

IA-1. Discussion of the Affordable Housing Project Status on South 10th Street and Farroll Road.

Deputy Director Buckingham provided an overview of property purchased by the Agency with the intent of constructing an affordable housing project with Agency financing. In response to a Request for Proposals, in May 2010 the Board authorized staff to negotiate an agreement with Vernon and Associates to construct four low-income units on the Agency-owned property. However, now due to financing constraints, Mr. Vernon requested modifying the terms of that agreement and increasing the project from four units to five low-income units.

Deputy Director Buckingham displayed two conceptual site plans for a four- and five-unit low-income project, and noted that a five-unit project would be eligible for additional incentives/concessions under the State's Affordable Housing Incentive law. He outlined the proposed modified terms to the agreement as follows: 1) the applicant would secure a loan for all construction costs; 2) the Agency would provide the property at no cost; and 3) the Agency would pay \$120,000 of the City's building and planning fees.

General Counsel Koczanowicz clarified that the primary issue before the Board for consideration this evening was whether the modified financial terms were acceptable, based on a five-unit design concept, not design details of any specific project. He noted that the final proposed project would be required to go through the entitlement process.

Brief discussion was held with staff responding to questions regarding Agency funds dedicated for affordable housing projects; other five-unit affordable housing projects constructed by private developers that qualified and received incentives/concessions; and the four-unit affordable housing project constructed on Longbranch Avenue that was partially financed with Agency funds in partnership with Habitat for Humanity.

Chair Shoals invited comments from those in the audience who wished to be heard on this matter.

Brad Vernon, applicant, Vernon & Associates, spoke in support of his request to modify the terms of the agreement and increase the number of units to five, stating that it would then be a more affordable project for him to finance and develop, and to keep his construction crews working. Upon request, he reviewed estimated project costs.

Jerry Rioux, Executive Director, San Luis Obispo Housing Trust Fund, described how the Housing Trust Fund provided financing for affordable housing projects. In reference to concessions to the City's parking standards with a five-unit project, he observed that one benefit of open space parking was it would be primarily used for parking, whereas, enclosed garages were often used for storage.

Brief discussion was held regarding whether to reissue the Request for Proposal with modified financing and project terms, as well as the less restrictive parking requirements allowed under the State's Affordable Housing Incentive law.

General Counsel Koczanowicz confirmed that the Board could authorize modifying the terms of the agreement and project proposal without reissuing a Request for Proposal.

Action: Upon unanimous consensus, the Agency confirmed that the concept of a five-unit project and the proposed modified financial terms were acceptable.

IA-2. Status Report and Recommendations Regarding the Implementation of the Grover Beach Municipal Network.

Executive Director Perrault provided a brief overview of the adopted Technology Master Plan that called for the development of a broadband fiber network to connect businesses with the trans-Pacific cable that directly links North America with Asia. The network would be developed in phases, with the initial phase focused on installation of fiber in the South Industrial Area located south of Farroll Road, followed later by installation of fiber along 4th Street and West Grand Avenue as resources were available for construction. He stated that the network would provide a "Point of Presence" to the World Wide Web with a preferred connection with Pacific Crossing and a network operations center to house the necessary equipment.

Executive Director Perrault reviewed the proposal submitted by Digital West to assist the City with completing the initial design and construction phase, procure equipment, and provide technical assistance during the network's installation. He also reviewed the proposal from MuniServices to assist with designing the network's governance, administration and operational structures, and analyze the network's potential to be financially successful. MuniServices would also conduct a survey of potential users. Executive Director Perrault then reviewed estimated costs to complete the initial project phase, introduced Bob Fasulkey from Digital West, and stated that Fran Mancica of MuniServices could not attend this meeting as he was out of the state. Mr. Fasulkey and staff responded to questions from the Board.

Brief discussion was held regarding project timelines, potential benefits of either co-locating a network operations center at the Pacific Crossing facility or at a separate site, and when to begin marketing efforts to developers and potential businesses.

Action: It was m/s by Board Members Peterson/Bright to adopt Resolution No. IA-11-02 authorizing the Agency to enter into agreements with Digital West and MuniServices, LLC, as recommended. The motion carried on the following roll call vote:

AYES: Board Members Bright, Molnar, Peterson, Vice Chair Nicolls,
and Chair Shoals.
NOES: Board Members - None.
ABSENT: Board Members - None.
ABSTAIN: Board Members - None.

Resolution No. IA-11-02: A Resolution of the Grover Beach Improvement Agency Authorizing the Agency to Enter Into Agreements with Digital West and Muniservices, LLC, to Assist with the Implementation of the Grover Beach Municipal Network.

ORDER OF THE DAY: At this time, the Order of the Day resumed to the agenda as posted.

JOINT CITY COUNCIL / IMPROVEMENT AGENCY – BUSINESS

CC/IA-1. Mid-year Budget Review and Recommendations.

City Manager/Executive Director Perrault provided detailed information regarding an analysis conducted of revenues and expenditures through the mid-point of the first fiscal year of the biennial budget regarding:

- *General Fund* - Revenues were projected to exceed original budget estimates by \$104,183; and expenditures were expected to be lower than originally projected. This fund was expected to be balanced and the use of Reserve Funds avoided, provided that revenue estimates were realized and the sale of a City-owned property was completed by June 30th. He noted that FY 12 had a projected deficit of (\$811,000).
- *Wastewater Enterprise Fund* - This fund was expected to remain balanced. Staff recommended transferring funds to cover the final retention payment to the contractor for CIP Project 326 - the South 4th Street Project that was made in FY 11.
- *Storm Water Enterprise Fund* - Expenditures were expected to be lower than budgeted.
- *Water Enterprise Fund* - Revenues and expenditures were both expected to be less than anticipated. This fund was anticipated to have a positive balance at the end of the fiscal year.
- *Building and Planning Fund* - Revenues and expenditures were both lower than anticipated. This fund was anticipated to be at a deficit by the end of the fiscal year.
- *Improvement Agency* - Revenues were anticipated to be less than anticipated. Staff recommended increasing the appropriation for this fund to complete the West Grand Avenue Master Plan and implement the associated zoning changes, as well as cover the full cost of an analysis regarding a potential bond issue. Modifications were also recommended for Supplies and Services to carry out Agency objectives.
- *Special Events Fund* - This fund ended FY 10 with a negative balance of \$14,000. Expenditures for FY 11 continue to exceed revenues. Staff recommended transferring funds from the General Fund to subsidize this fund.
- *Skate Park Fund* - Including an annual subsidy from the City and a grant to be received from the Nichols Foundation, this fund was anticipated to be at a near zero cash balance by the end of the fiscal year.

Staff then responded to questions from the Council/Agency Board regarding the budget.

Mayor/Chair Shoals invited public comments on this matter. There was no response and he closed the public comment period for this item.

Brief discussion was held regarding potential fiscal negative impacts if the Governor's proposal to eliminate redevelopment agencies was successful, retaining consultant services to prepare highly technical zoning changes rather than in-house staff as a more efficient and expedient use of resources, additional opportunities for energy efficiency improvements at City facilities, and re-examining whether to continue subsidizing special events. Additional discussion was held regarding impacts to staff work loads from the employee furlough program and vacant positions that were to remain unfilled. It was noted that the Grover Beach Lodge and Conference Center was a high priority project that demanded a significant amount of staff time.

Action - City Council: It was m/s by Mayor Pro Tem Nicolls/Council Member Peterson to adopt Resolution No. 11-19 amending the Annual Appropriation Resolution to subsidize \$14,000 from the General Fund to the Special Event Fund and \$60,957 from the Sewer Fund to the South 4th Street Capital Improvement Project. The motion carried on the following roll call vote:

AYES: Council Members Bright, Molnar, Peterson, Mayor Pro Tem Nicolls,
and Mayor Shoals.
NOES: Council Members - None.
ABSENT: Council Members - None.
ABSTAIN: Council Members - None.

Resolution No. 11-19: A Resolution of the City Council of the City of Grover Beach, California, Adopting the 1st Amendment to the Annual Appropriation Resolution No. 10-47 by Providing Changes to the Wastewater System for \$60,957 for Project 326 Final Expenditures Not in the FY 11 Budget and to Provide a Subsidy to the Special Event Fund in the Amount of \$14,000 to Cover FY 10 Expenditures.

Action - Improvement Agency: It was m/s by Vice Chair Nicolls/Board Member Peterson to adopt Resolution No. IA-11-03 amending the Annual Appropriation Resolution to appropriate an additional \$55,300 to the Agency Fund. The motion carried on the following roll call vote:

AYES: Board Members Bright, Molnar, Peterson, Vice Chair Nicolls,
and Chair Shoals.
NOES: Board Members - None.
ABSENT: Board Members - None.
ABSTAIN: Board Members - None.

Resolution No. IA-11-03: A Resolution of the City of Grover Beach Improvement Agency Adopting the 1st Amendment to the Annual Appropriation Resolution No. IA-10-09 by Providing Various Changes to the Improvement Agency Area One - Administrative Fund to Assist the Agency Board in Carrying Out Its Objectives.

ADJOURNMENT

There being no further business to come before the City Council / Improvement Agency, Mayor/Chair Shoals adjourned the meeting at 9:34 p.m.

City Council:

/s/ JOHN P. SHOALS, MAYOR

Attest:

/s/ DONNA L. McMAHON, CITY CLERK
(Approved at CC Mtg 04/18/2011)

Improvement Agency:

/s/ JOHN P. SHOALS, CHAIR

Attest:

/s/ DONNA L. McMAHON, AGENCY SECRETARY
(Approved at IA Mtg 05/02/2011)