



CITY OF PACIFIC GROVE

FY22/23 Measure X Annual Compliance Report

Report Components:

- FY22/23 Project Report & Balance Summary Sheet
- Attachment 1: Independent Audit of Financial Statements for Measure X Funds, Prior Fiscal Year
- Attachment 2: Five-Year Capital Improvement Program
- Attachment 3: Pavement Management Program Report
- Attachment 4: Before & After Photos

**CITY OF PACIFIC GROVE
FY22/23 PROJECT REPORT & BALANCE SHEET**

REVENUES	
Carryover from Previous Year	\$955,564
Measure X Revenues	\$786,743
Earning on Interest	\$7,570
TOTAL REVENUES:	\$794,313
EXPENDITURES	
(Listing of Program Expenditures)	
TOTAL EXPENDITURES:	\$595,120
FUND BALANCE, END OF PERIOD:	\$1,154,757

PROJECT 1
STREET REHABILITATION ON OCEAN VIEW BLVD

Project Title: Street Rehabilitation on Ocean View Blvd

Scope of Work: This project serves as a vital road rehabilitation project that addressed two segments of Ocean View Blvd:

1. Ocean View Blvd from 2nd St to Carmel Ave, and
2. Ocean View Blvd from 17th St to Sea Palm Ave

The scope of work includes:

- 182,000 SF of asphalt concrete (AC) overlay
- 3,000 SF of pavement patching
- Various stormwater improvements including installation of 184 LF of storm water pipe, reconstruction of 5 catch basins, construction of 2 new catch basins, and 3 storm drain manhole access points
- Reconstruction of 300 SF of sidewalk and 140 LF of curb/gutter
- Reconstruction of 3 curb ramps, construction of 1 new curb ramp
- Thermoplastic pavement markings
- Replacement of 725 LF of sanitary sewer pipe, and
- Rehabilitation of 8 manholes

Benefits: These heavily trafficked road segments of Ocean View Blvd were in "poor" condition with a Pavement Condition Index (PCI) rating ranging from 33-40. Rehabilitation of these segments vastly improved road conditions and allowed for aging stormwater and sewer infrastructure to be addressed prior to road treatments.

The City also worked closely with California American Water to coordinate vital water main replacements to occur on segments Ocean View Blvd within the project area, between 17th St and Mermaid Ave and 1st St to 11th St, prior to the pavement improvements. Project coordination with California American Water allows for improved long-term pavement preservation.

Other Funds Leveraged/Expended: This project was funded from various sources including the City's General Fund, Measure X, Senate Bill 1 (SB1) Road Maintenance and Rehabilitation Account (RMRA), and the Sewer Fund. Below is a breakdown of expenditures in the FY22/23 year.

Please note, construction commenced in FY21/22 and was carried forward into FY22/23 to allow for project completion. Construction was deemed complete on October 25, 2022. Expenditures below are reflective of costs incurred in FY22/23.

FY22/23 Expenditures:

- Measure X: \$236,647.03
- RMRA/SB1: \$250,688.32

- General Fund: \$2,562
- Sewer Fund: \$265,233.42
- **TOTAL FY22/23 EXPENSES: \$750,120.77**

Before and After Photos: Before and after photos are included in Exhibit A.

PROJECT 2 FY21/22 Crack & Slurry Seal
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Project Title: FY21/22 Crack & Slurry Seal

Scope of Work: The City's Pavement Management Program was utilized to identify approximately 631,000 SF of street surface, at various locations across the city, to receive a crack and slurry seal treatment. This included 17 road segments. This cost-effective maintenance treatment allows the City to ensure these roads remain in good condition by preventing rapid pavement deterioration and potholes due to inclement weather.

STREET NAME	LIMITS
17 MILE DR	LIGHTHOUSE AVE TO SINEX AVE
ASILOMAR AVE	JEWELL AVE TO PICO AVE
OCEAN VIEW BLVD	ASILOMAR AVE TO SEA PALM AVE
OCEAN VIEW BLVD	17 TH ST TO CARMEL AVE
SINEX AVE	17 MILE DR TO ASILOMAR AVE
AVALON PLACE	17 MILE DR TO END
PEDERSON COURT	CEDAR ST TO END
3 RD ST	OCEAN VIEW BLVD TO CENTRAL AVE
3 RD ST	OCEAN VIEW BLVD TO LIGHTHOUSE AVE
4 TH ST	CENTRAL AVE TO END
4 TH ST	CENTRAL AVE TO LIGHTHOUSE AVE
5 TH ST	OCEAN VIEW BLVD TO CENTRAL
UPPER LIGHTHOUSE	13 TH ST TO EARDLEY AVE
9 TH ST	OCEAN VIEW BLVD TO CENTRAL AVE
14 TH ST	OCEAN VIEW BLVD TO CENTRAL AVE
CHESTNUT ST	LIGHTHOUSE AVE TO LAUREL AVE
WALNUT ST	LIGHTHOUSE AVE TO LAUREL AVE

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

Other Funds Leveraged/Expended: This project was funded by the City's General Fund (\$200,000) and Measure X Funds (\$104,757). This project commenced in FY21/22 and

was carried forward to FY22/23 for completion. The figures above represent full project expenses. The figures below represent expenses in the FY22/23 reporting year.

FY22/23 Expenses:

- Measure X: \$53,194
- Total FY22/23 Expenses: \$53,194

Before and After Photos: Before and after photos are included in Exhibit A.

PROJECT 3 FY22/23 STREET REHABILITATION PROJECT
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Project Title: FY22/23 Street Rehabilitation Project

Scope of Work: The FY22/23 Street Rehabilitation Project was approved as part of the FY22/23 Capital Improvement Plan (CIP) to address the aging road infrastructure network on:

1. 13th Street, between Lighthouse Ave & Central Ave (PCI 16)
2. 15th Street, between Lighthouse Ave & Ocean View Blvd (PCI 9)
3. 16th Street, between Central Ave & Ocean View Blvd (PCI 46)
4. 16th Street, between Pine Ave & Spruce Ave (PCI 47)

These segments were selected for rehabilitation based on a thorough review of the City's Pavement Management Program, existing road conditions, and in-field observations.

The scope of work included:

- Reconstruction of 63,900 SF of deteriorated pavement
- Construction of 303 LF of curb and gutter
- Reconstruction of 1,675 SF of sidewalk, construction of 395 SF of sidewalk
- Reconstruction of 22 curb ramps
- Various sewer improvements including 1,240 LF of sewer line replacement, 1 sewer line spot repair, and reconstruction of 3 manholes
- Various stormwater improvements including installation/replacement of 288 LF of storm drainpipe, construction of 8 storm drain inlets
- Thermoplastic pavement markings

Benefits: This project significantly improved road conditions on 4 heavily used road segments. The segments of 13th St and 15th St, noted above, were classified as "failed" roadways, with PCIs of 16 and 9 respectively, and were in dire need of repair. Both segments of 16th St were classified in "poor" condition, with PCIs of 46 and 47 respectively, and were also in need of rehabilitation.

Prior to this project, none of these roadways have received formal rehabilitation treatment since being constructed. Only one of the above noted segments, 16th St (from Ocean View Blvd to Central), had ever received a maintenance treatment, a crack & slurry treatment over 10 years ago. Despite the maintenance treatment, the road had significantly deteriorated.

The City also incorporated vital underground sewer infrastructure repairs to City-owned sewer infrastructure and coordinated closely with California American Water (CalAm) to allow for them to make vital water main replacements on the segments of roadway within the project area. Project coordination with CalAm and replacement of underground City infrastructure allows for improved long-term pavement preservation.

Other Funds Leveraged/Expended: This project was funded by the General Fund (\$300,00), Measure X (\$1,015,304), RMRA/SB1 (\$354,138), and the Sewer Fund (\$380,935).

Please note, construction commenced on FY22/23 and was carried forward into FY23/24 to allow for project completion. Construction was deemed complete on August 28, 2023. Expenditures below are reflective of costs incurred in FY22/23. As noted above, the project was formally carried into the 23/24 Fiscal Year to allow for project completion.

FY22/23 Expenditures:

- City General Fund: \$290,178.50
- Measure X: \$199,954.50
- RMRA/SB1: \$221,899.68
- Sewer Fund: \$321,041.25
- **TOTAL FY22/23 EXPENDITURES: \$1,033,073.93**

Before and After Photos: Before and after photos are included in Exhibit A.

PROJECT 4 FY22/23 Crack & Slurry Seal
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Project Title: FY22/23 Crack & Slurry Seal

Scope of Work: The City's Pavement Management Program was utilized to identify 629,100 SF of street surface, at various locations across the city, to receive a crack and slurry seal treatment. This included 12 road segments. This cost-effective maintenance treatment allows the City to ensure these roads remain in good condition by preventing rapid pavement deterioration and potholes due to inclement weather.

ID #	STREET NAME	LIMITS OF WORK	APPROX. AREA
①	17TH STREET	OCEAN VIEW BLVD. TO LIGHTHOUSE AVE.	29,000 SF
②	EARDLEY AVENUE	CENTRAL AVE. TO PINE AVE.	36,000 SF
③	EARDLEY AVENUE	GIBSON AVE. TO SINEX AVE.	23,000 SF
④	JUNIPERO AVENUE	FOUNTAIN AVE. TO CITY LIMITS	114,000 SF
⑤	ASILOMAR AVENUE	SINEX AVE. TO PICO AVE.	62,000 SF
⑥	PATTERSON LANE	DAVID AVE. TO FUNSTON AVE.	50,500 SF
⑦	LAUREL AVENUE	EARDLEY AVE. TO FOUNTAIN AVE.	102,000 SF
⑧	LIGHTHOUSE AVENUE	DEL MONTE AVE. TO ASILOMAR AVE.	137,000 SF
⑨	SPRUCE AVENUE	CEDAR ST. TO LOCUST ST.	5,500 SF
⑩	17 MILE DRIVE	LIGHTHOUSE AVE. TO SEA PALM AVE.	48,000 SF
⑪	WILLOW STREET	LAUREL AVE. TO PINE AVE.	10,500 SF
⑫	WILLOW STREET	PINE AVE. TO SPRUCE AVE.	11,600 SF
		TOTAL	629,100 SF

Benefits: Crack and slurry sealing is a vital maintenance activity that helps preserve the City's roadways against rapid deterioration due to inclement weather. This is a cost-effective maintenance treatment that helps ensure roads in good condition, remain in good condition for years to come. Streets that received the crack and slurry seal treatment were identified via the City's 2019 Pavement Management Program, maintenance logs and in-field observations.

Other Funds Leveraged/Expended: This project was funded by the City's general fund (\$200,000), Measure X Funds (\$100,000), and Senate Bill 1/RMRA Funds (\$65,000). This project commenced in FY22/23 and was carried forward to FY23/24 for completion. The figures above represent full project expenses. The figures below represent expenses in the FY22/23 reporting year. The project was deemed complete on August 31, 2023 (FY23/24).

FY22/23 Expenses:

- General Fund: \$170,943.43
- **Total FY22/23 Expenses: \$170,943.43**

Before and After Photos: Before and after photos are included in Exhibit A.

PROJECT 5
DAVID AVENUE ROAD REHABILITATION

Project Title: Dave Avenue Road Rehabilitation Project

Scope of Work: This project addresses David Ave from Divisadero Ave to Forest Ave. This segment of the roadway is currently in "poor " condition with a Pavement Condition Index rating of 48. This segment serves as a main arterial in and out of the City and provides access to local schools, neighborhoods and commercial/shopping areas.

The project will allow for the reengineering and reconstruction of the roadway to withstand the heavy usage and natural underground moisture. This project has been identified via in-field observations and maintenance logs.

In addition to reengineering the roadway, the project will entail ADA improvements and installation of sidewalk and curb/gutter. This will significantly improve access and safe walking routes on a major thoroughfare. This project will require coordination with Caltrans.

In FY22/23 the project remained in the engineering phase. The project has been carried forward to FY23/24 for completion.

Benefits: This project will address a poor segment of roadway that poses a constant repair problem for Public Works Crews. Chunks of pavement are frequently dislodged from the road creating potholes and road hazards. The underground moisture and heavy traffic volumes further deteriorate road conditions. Public Works maintenance crews regularly perform hot mix patches on this segment of roadway, this merely serves as a temporary fix and is not a long-term solution; rehabilitation is needed.

Other Funds Leveraged/Expended: This project is funded by Measure X. This project commenced in FY22/23 and was carried forward to FY23/24. The project remained in the engineering and project development phase in FY22/23. The figures below represent expenses in the FY22/23 reporting year.

FY22/23 Expenses:

- Measure X: \$19,495.40
- **Total FY22/23 Expenses: \$19,495.40**

Before and After Photos: Before and after photos are included in Exhibit A.

**Attachment 1: Independent Audit of
Financial Statements for Measure X Funds**

**City of Pacific Grove
Transportation Safety and Investment Plan
Account Fund**

Pacific Grove, California

**Independent Auditors' Reports
and Financial Statements**

For the Year Ended June 30, 2023



**City of Pacific Grove
Transportation Safety and Investment Plan Account Fund**

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INDEPENDENT AUDITORS' REPORT



To the Honorable Mayor and the Members of City Council
of the City of Pacific Grove
Pacific Grove, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Safety and Investment Plan Account Fund (the "Fund") of the City of Pacific Grove, California (the "City"), which comprise the balance sheet as of June 30, 2023 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standard applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Honorable Mayor and the Members of City Council
Of the City of Pacific Grove
Pacific Grove, California
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

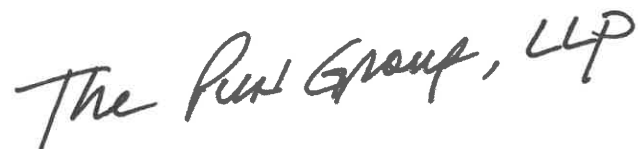
To the Honorable Mayor and the Members of City Council
Of the City of Pacific Grove
Pacific Grove, California
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Supplementary Information

Our audit was conducted for the purpose forming an opinion on the financial statements of the Fund. The Supplementary Information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Fund’s financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the Fund’s internal control over financial reporting and on our tests of its compliance with the requirements described in the Transportation Agency for Monterey County’s (“TMAC”) Ordinance No. 2016-01 and in the agreement between TMAC and the City. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund’s internal control over financial reporting and compliance.



Santa Ana, California
December 19, 2023

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FINANCIAL STATEMENTS

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City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Balance Sheet
June 30, 2023

ASSETS

Cash and investments	\$ 1,228,038
Intergovernmental receivable	<u>204,458</u>
Total assets	<u><u>\$ 1,432,496</u></u>

**LIABILITIES,
AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 277,739
Total liabilities	<u>277,739</u>

Fund Balance:

Restricted	<u>1,154,757</u>
Total fund balance	<u>1,154,757</u>
Total liabilities, and fund balance	<u><u>\$ 1,432,496</u></u>

City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2023

REVENUES:	
Transportation Safety and Investment Plan Account revenue	\$ 786,743
Investment earnings	7,570
Total revenues	794,313
EXPENDITURES:	
Capital outlay	595,120
Total expenditures	595,120
NET CHANGE IN FUND BALANCE	199,193
FUND BALANCE:	
Beginning of year	955,564
End of year	\$ 1,154,757

City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Transportation Safety and Investment Plan Account Fund (the “Fund”) of the City of Pacific Grove (the “City”) is a governmental fund type. Governmental funds are accounted for using a “*current financial resources*” measurement focus. The application of this measurement focus provides that, in general, only current assets and current liabilities are present on the balance sheet. Operating statements of these funds present revenues and expenditures.

The modified accrual basis of accounting is used for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Measurable means that the amount of the transaction can be determined. Available means the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

Reporting Entity

The Transportation Safety and Investment Plan Account Fund from the Transportation Agency for Monterey County (“TMAC”) was approved on November 8, 2016. The revenue from the Measure X sales tax measure will be used to fund transportation safety and mobility projects in Monterey County. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

The Fund financial statements and related accounting policies of the City conform with accounting principles generally accepted in the United States of America (“US GAAP”) applicable to governments in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements present only the Fund of the City and do not purport to, and do not present, the City’s financial position and changes in financial position. The City’s basic financial statements are available from the Finance Department at City’s address and website.

A. Fund Balances

The Fund reports fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent. Fund balances are categorized as follows:

Restricted - This amount indicates the portion of fund balances which has been restricted; a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; b) imposed by law through constitutional provisions or enabling legislation.

The County Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Fund Balances (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the County's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the County's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

B. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Note 2 – Cash

The City follows the practice of pooling cash and investments for all funds (including the Fund) under its direct daily control. Interest earned on pooled cash and investments is allocated periodically to the various funds based on average cash balances. Detailed disclosure regarding the City's cash and investment is included in the notes to City's basic financial statements.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Certain disclosure requirements, if applicable, for deposits and investment risks in the following areas:

- Interest rate risk
- Credit risk
 - Overall
 - Custodial credit risk
 - Concentration of credit risk
- Foreign currency risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Maintenance of Effort

The Measure X Master Programs Funding Agreement between the City and the TAMC as amended, requires that the City must expend each fiscal year from its General Fund for street and highway purposes an amount not less than the annual average of its expenditures from its General Fund during the 2009-10, 2010-11, and 2011-12 fiscal years, but not less than what was expended in 2016-17 (when Measure X passed), as reported to the Controller pursuant to Streets and Highways Code section 2151 (“Maintenance of Effort”). This baseline amount is indexed annually to the Engineering News Record construction index.

The following expenditures were made:

Fiscal year ended June 30:	
2010	\$ 326,756
2011	396,862
2012	720,604
Total	<u>\$ 1,444,222</u>
Three-year average	\$ 481,407
Fiscal year ended June 30, 2017	\$ 912,274
Maintenance of effort baseline	\$ 912,274
Engineering News Record construction index FY 2020/21	1.27%
Engineering News Record construction index FY 2021/22	2.05%
Engineering News Record construction index FY 2022/23	7.34%
Index-adjusted maintenance of effort requirement	\$ 1,025,842
Current year eligible expenditures	\$ 1,429,478
Compliant (Yes or No)	Yes

Total expenditures from the General Fund for street and highway purposes for the fiscal year ended June 30, 2023 were \$1,429,478 and consisted of salaries and construction costs. The City was in compliance with the Maintenance of Effort requirement of the Measure X Master Programs Funding Agreement between the City and the TAMC.

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SUPPLEMENTARY INFORMATION

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City of Pacific Grove
Transportation Safety and Investment Plan Account Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
REVENUES:				
Transportation Safety and Investment Plan Account revenue	\$ 769,992	\$ 769,992	\$ 786,743	\$ 16,751
Investment earnings	5,000	5,000	7,570	2,570
Total Revenues	<u>774,992</u>	<u>774,992</u>	<u>794,313</u>	<u>19,321</u>
EXPENDITURES:				
Capital outlay	896,304	1,705,146	595,120	1,110,026
NET CHANGE IN FUND BALANCE	<u>\$ (121,312)</u>	<u>\$ (930,154)</u>	199,193	<u>\$ 1,129,347</u>
FUND BALANCE:				
Beginning of year			<u>955,564</u>	
End of year			<u>\$ 1,154,757</u>	

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Pacific Grove
Pacific Grove, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Safety and Investment Plan Account Fund (the "Fund") of the City of Pacific Grove, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated December XX, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (the "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

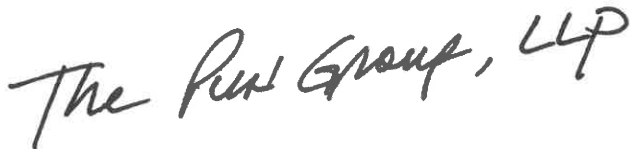
To the Honorable Mayor and the Members of City Council
of the City of Pacific Grove
Pacific Grove, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of that report is solely to report our opinion on compliance and to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is intended solely for the information and use of City Council, management of the Transportation Agency for Monterey County and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



Santa Ana, California
December 19, 2023



**REPORT ON COMPLIANCE WITH TAMC ORDINANCE NO. 2019-01 TRANSPORTATION SAFETY
AND INVESTMENT PLAN FUND; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
Of the City of Pacific Grove
City of Pacific Grove, California

Report on Compliance with TAMC Ordinance No. 2019-01 for Transportation Safety and Investment Plan Fund

Opinion

We have audited the City of Pacific Grove, California's (the "City") compliance with the types of compliance requirements described in Transportation Agency's for Monterey County's (the "TAMC") Ordinance No. 2019-01 and Measure X Master Programs Funding Agreement between TAMC and the City (the "Agreement"), for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Agreement for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and TAMC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the TAMC. Our audit does not provide a legal determination of the TAMC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City.

To the Honorable Mayor and the Members of City Council
of the City of Pacific Grove
Pacific Grove, California
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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

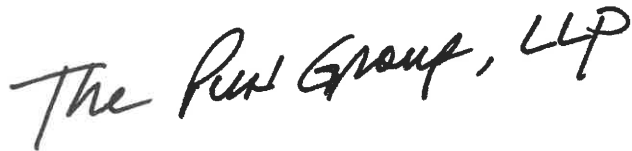
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

To the Honorable Mayor and the Members of City Council
of the City of Pacific Grove
Pacific Grove, California
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Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of TAMC Ordinance No. 2019-01. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 19, 2023

City of Pacific Grove
Transport Safety and Investment Plan Account Fund
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Audit Findings and Questioned Costs

A. Current Year Findings and Questioned Costs

No current year findings were noted

B. Prior Year Findings and Questioned Costs

No prior year findings were noted

**Attachment 2:
Five-Year Capital
Improvement Program**

**CITY OF PACIFIC GROVE
MEASURE X FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM
FOR FISCAL YEARS 2023/24 – FY2027/28**

YEAR 1 – FY23/24

Project	Description & Phase	Total Cost	Measure X	PCI
<p>FY23/24 Street Rehabilitation</p>	<p>This project will address the aging road infrastructure network, increase the PCI on five (5) road segments that are in "failed" condition, address underground aging infrastructure, and ensure the City meets Maintenance of Effort (MOE) requirements.</p> <p>This project will address the following "failed" segments of roadway: (1) Locust St, Sinex to Junipero (PCI 3) (2) Willow St, Sinex to Junipero (PCI 7) (3) Wood St, Sinex to Junipero (PCI 19) (4) Grand Ave, Gibson to Junipero (PCI 10) (5) Pearl St, 8th St to Monterey Ave (PCI 0)</p> <p>None of these road segments have ever received a formal rehabilitation treatment since construction; they are all in a failed state and in dire need of replacement.</p> <p>These road segments were identified based on the City's Pavement Management Program and in-field observations of existing conditions.</p> <p>The underground sewer infrastructure on each of these road segments will be videoed and addressed as an aspect of this project via the sewer fund.</p> <p>Additionally, this project will help ensure the City remains eligible for continued Measure X and Senate Bill 1 (SB1) funding by meeting Maintenance of Effort (MOE) requirements.</p> <p><i>(Phases include engineering and construction)</i></p>	<p>\$1,641,137</p>	<p>\$536,088</p>	<p>0-19</p>
<p>FY23/24 Crack & Slurry Seal</p>	<p>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.</p> <p>Streets to receive the crack & slurry seal treatment were identified via the City's Pavement Management Program, maintenance logs, and in-field observations. This project will address approximately 28 road segments.</p>	<p>\$300,000</p>	<p>\$100,000</p>	<p>Various</p>

	<p>This project will help ensure the City remains eligible for continued Measure X and Senate Bill 1 (SB1) funding by meeting MOE requirements.</p> <p><i>(Phases include engineering and construction)</i></p>			
TOTALS:		\$1,941,137	\$636,088	

YEAR 2 – FY24/25

Project	Description & Phase	Total Cost	Measure X	PCI
FY24/25 Street Rehabilitation/Maintenance	<p>Various street maintenance and rehab treatments per the City's Pavement Management Program</p> <p><i>(Phases include engineering and construction)</i></p>	TBD	TBD	TBD
Totals:		TBD	TBD	TBD

YEAR 3- FY25/26

Project	Description & Phase	Total Cost	Measure X	PCI
FY25/26 Street Rehabilitation/Maintenance	<p>Various street maintenance and rehab treatments per the City's Pavement Management Program</p> <p><i>(Phases include engineering and construction)</i></p>	TBD	TBD	TBD
Totals:		TBD	TBD	TBD

Year 4 – FY26/27

Project	Description & Phase	Total Cost	Measure X	PCI
FY26/27 Street Rehabilitation/Maintenance	<p>Various street maintenance and rehab treatments per the City's Pavement Management Program</p> <p><i>(Phases include engineering and construction)</i></p>	TBD	TBD	TBD
Totals:		TBD	TBD	TBD

Year 5 – FY27/28

Project	Description & Phase	Total Cost	Measure X	PCI
FY27/28 Street Rehabilitation/Maintenance	<p>Various street maintenance and rehab treatments per the City's Pavement Management Program</p> <p><i>(Phases include engineering and construction)</i></p>	TBD	TBD	TBD
Totals:		TBD	TBD	TBD

**Attachment 3:
Pavement Management
Program Letter**



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, CA 93950

December 21, 2023

To: Todd Muck
Deputy Executive Director
Transportation Agency for Monterey County
55-B Plaza Circle
Salinas, CA 93901

RE: Pavement Management Program Annual Report Letter

The City of Pacific Grove confirms that it has a Pavement Management Program (PMP) that conforms to the criteria established by the Transportation Agency for Monterey County (TAMC) and included in the Measure X Agreement with the local agency. An approved Pavement Management Program must be in place to be eligible for Measure X funds.

In May 2017, the City joined the Transportation Agency of Monterey County's regional pavement assessment efforts to obtain a PMP that meets the requirements for continued Measure X funding.

The Pavement Management Program utilizes a software system developed by:

- Metropolitan Transportation Commission StreetSaver
 Other

The system was updated by Nichols Consulting Engineers (NCE) in 2022 and contains, at a minimum, the following elements:

- Inventory of all existing pavements under the local agency jurisdiction:

Centerline miles:	65.18
Total lane miles (or equivalent units):	121.33
The last update of the inventory was completed on:	December 2022
- Average Pavement Condition Index (PCI) 59
- Identification of sections of roadways brought up to acceptable PCI levels for the current year:

Project	Road Segment	PCI at Onset of Project	PCI after Project Completion	Notes
FY21/22 Street Rehabilitation -	Ocean View Blvd (2nd St to Carmel Ave)	33-40	100	<i>This project commenced in</i>

Ocean View Blvd	Ocean View Blvd (17th St to Sea Palm Ave)			<i>FY21/22 and was carried forward into FY22/23 to allow for completion.</i>
FY21/22 Crack & Slurry Seal	17 road segments at various locations in the City.	Varies	Varies	<i>This project commenced in FY21/22 and was carried forward to FY22/23 for completion.</i>
FY22/23 Crack & Slurry Seal	12 road segments at various locations in the City.	Varies	Varies	<i>This project commenced in FY22/23 and was carried forward to allow for completion in FY23/24.</i>
David Avenue Street Rehab Project	David Avenue from Divisadero Ave to Forest Ave	48	100	<i>This project commenced in FY22/23 and was carried forward to allow for completion in FY23/24.</i>
FY22/23 Street Rehabilitation Project	13th St (Lighthouse Ave to Central Ave)	16	100	<i>This project commenced in FY22/23 and was carried forward to allow for completion in FY23/24.</i>
	15th St (Lighthouse Ave to Ocean View Blvd)	9	100	
	16th St (Central Ave to Ocean View Blvd)	46	100	
	16th St (Pine Ave to Spruce Ave)	47	100	

- Amount of Measure X funds spent to rehabilitate or replace deficient sections for the current year: \$595,120
- Total MOE eligible expenditures: \$1,429,478

You may direct any questions regarding the system to Joyce Halabi, Deputy Public Works Director at (831) 648-5722 x 4201.

Sincerely,

DocuSigned by:

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Daniel Gho
 Public Works Director/Deputy City Manager

Attachment 4: Before & After Photos

PROJECT 1 - STREET REHABILITATION ON OCEAN VIEW BLVD



After – Ocean View Blvd at Sea Palm



After – Ocean View Blvd Sharrows



Before – Pedestrian & Road Improvements



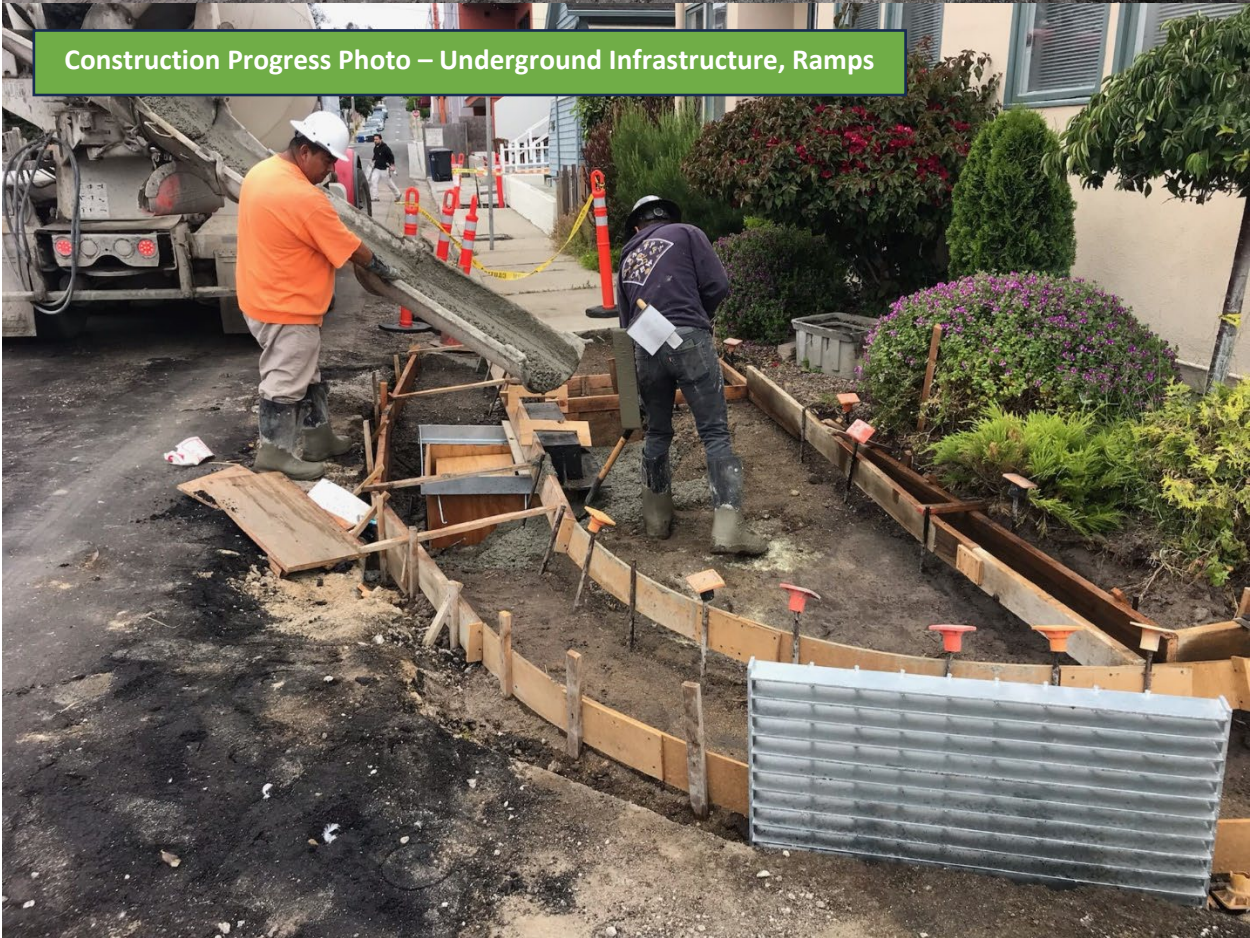
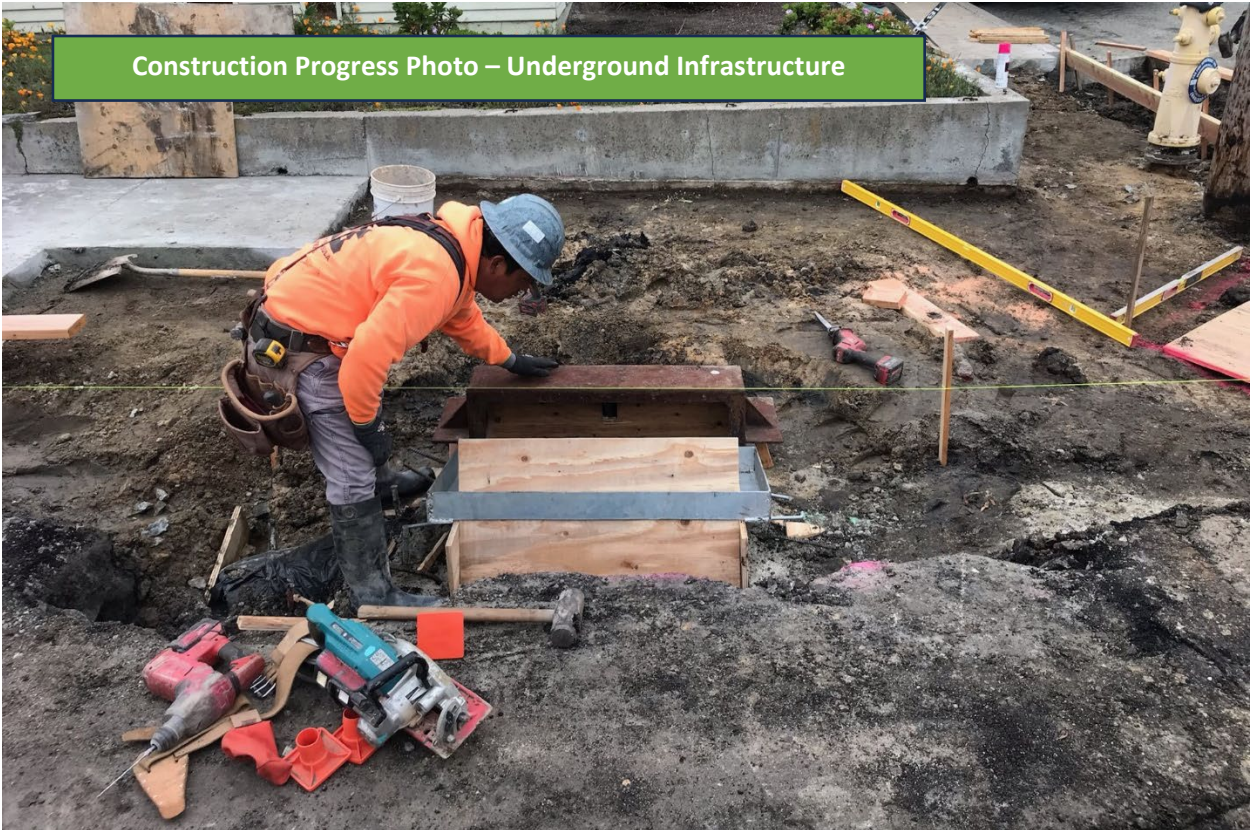
Afterer – Pedestrian & Road Improvements



PROJECT 2 – FY21/22 CRACK & SLURRY SEAL



PROJECT 3 – FY22/23 STREET REHABILITATION PROJECT



Construction Progress Photo – Pavement Rehab



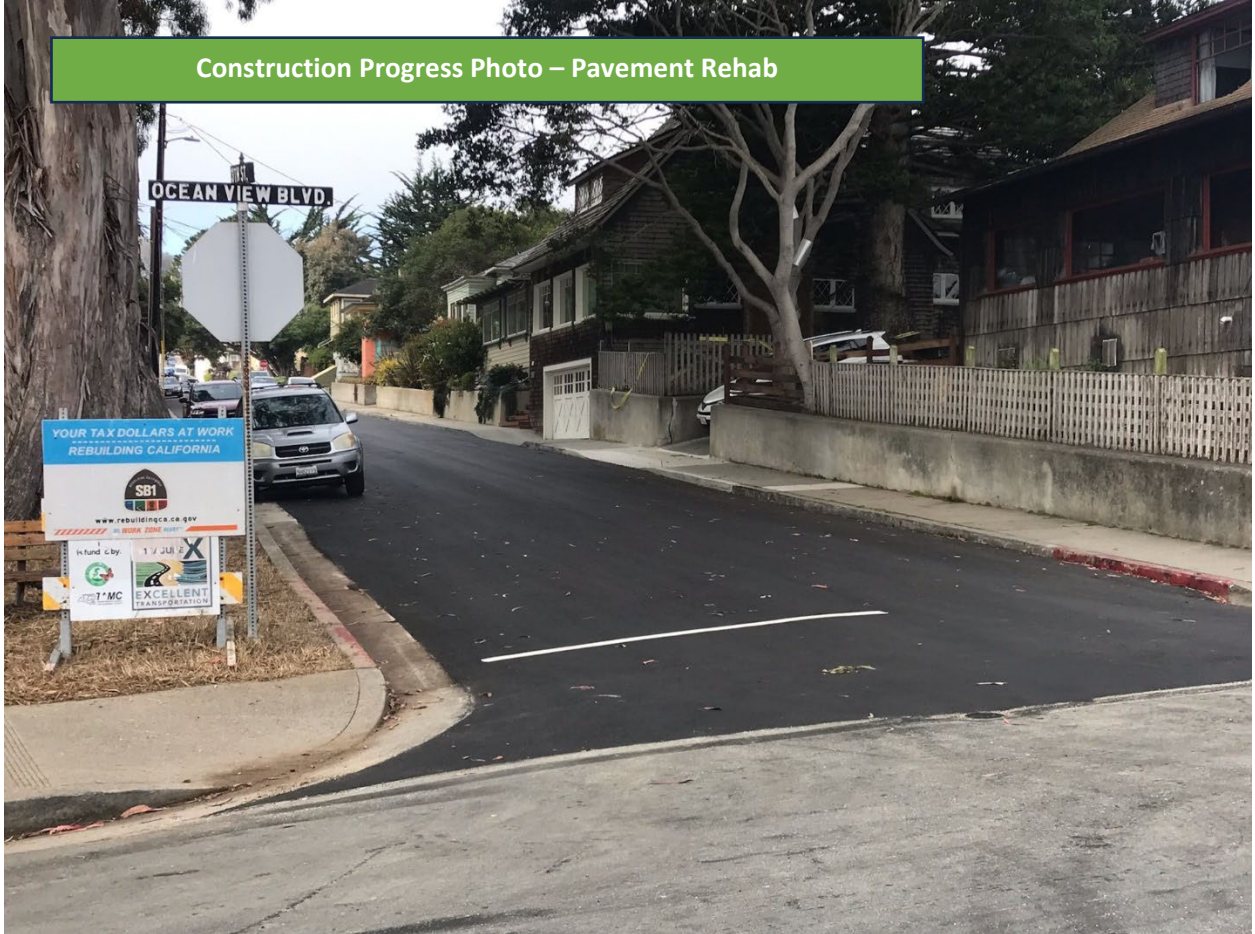
Construction Progress Photo – Pavement Rehab



Construction Progress Photo – Pavement Rehab



Construction Progress Photo – Pavement Rehab



Construction Progress Photo – ADA Ramp



Construction Progress Photo – Curb, Gutter & Sidewalk



PROJECT 4 - FY22/23 CRACK & SLURRY SEAL

