



California

# CITY OF OCEANSIDE

## MINUTES OF THE CITY COUNCIL

January 28, 2004

### ADJOURNED MEETING                      10:00 AM                      COUNCIL CHAMBERS

**Mayor**

Terry Johnson

**Deputy Mayor**

Rocky Chavez

**Councilmembers**

Jack Feller

Esther Sanchez

Jim Wood

**City Clerk**

Barbara Riegel Wayne

**City Treasurer**

Rosemary Jones

The adjourned meeting of the Oceanside City Council was called to order by Mayor Johnson at 10:00 AM, January 28, 2004 for the purpose of a Mayor and Council Workshop. The Pledge of Allegiance was led by Deputy Mayor Chavez.

#### **ROLL CALL**

Present were Mayor Johnson, Deputy Mayor Chavez and Councilmembers Feller, Sanchez and Wood. Also present were City Manager Steven Jepsen, City Attorney Anita Willis, City Treasurer Rosemary Jones and City Clerk Barbara Riegel Wayne.

#### **WORKSHOP ITEM**

##### **1. Mid Year Budget Review and Financial Trends and Forecast**

**CAROL SWINDELL**, Financial Services Director, explained that the purpose of this presentation is to give Council some comparative indicators that let Council know how the City stands on certain revenue sources and other measures of relative economic conditions compared to other cities in San Diego County. They will also give Council an update on where the City is 6 months into the fiscal year budget and what staff expects with the upcoming budget preparation, especially the information staff has received so far regarding the State budget and how that impacts the City. This presentation will provide a forecast predicated on certain assumptions, and those assumptions will likely change between now and when the budget is adopted. It gives Council an idea and a baseline, given certain assumptions, on what Council can expect to see over the next 5 years as far as revenues and expenditures go.

Using a Power Point Presentation, she presented the following indicators:

- The average median resale home price for December 2003 in Oceanside was just under \$400,000. Oceanside is at the low end of its coastal North County neighbors, which means that Oceanside is somewhat behind them in property values.
- Oceanside has a lot of potential for growth. Coastal property is limited, and there has been tremendous appreciation in the real estate evaluations over the past several years. She reviewed the percentage change in the single-family resale home prices over the past year and noted that Oceanside is second only to Del Mar with a 23% increase in home values.
- The census from 1990 to the census in 2000 showed that Oceanside is one of the fastest growing cities in San Diego County, with a 25% increase in population. The SANDAG estimated population growth between 2000 and 2010 shows Oceanside as a strong growing city with a 17% projected increase in population. That is ahead of the regional average of 14%. Chula Vista is the winner at 43%. This means that

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Oceanside will have a continued increase in demand for services, particularly in public safety.

- Median Household Income projections prepared by SANDAG put Oceanside slightly below the average for San Diego County at \$52,000. Solana Beach has the highest at \$89,000, and the regional median household income average is \$54,000.

The Economic Development Department is now subscribing to a service that provides other economic data. Staff will be working on putting together a comparison showing that information. They are showing some higher income figures for Oceanside. As the City begins to see an increase in property values, there may be some change in the income demographic. She continued with the comparatives.

- Property taxes per capita are at \$116 in Oceanside, which is higher than the median for San Diego County, and staff would expect it to be higher since Oceanside is a coastal community. Del Mar is the highest at \$485 per capita, and Carlsbad is at \$277 per capita. In response to Mayor Johnson, she said that the City of Vista's property taxes per capita are below those of Oceanside.
- Sales tax per capita is the one area where there is a particular challenge in Oceanside. Oceanside's sales tax per capita, based on the June 30, 2003 Fiscal Year, put the City at \$86. That is significantly less, almost half as much as the median of \$167. Del Mar has the highest sales tax per capita at \$301. Oceanside is second lowest only to Imperial Beach and Coronado. The largest driver of sales tax revenue tends to be business to business and car sales. Staff is limited as to what they can do in attracting or landing new car dealerships. However, this is an area that Council may want to continue to focus attention on.
- Regarding Transient Occupancy Tax (TOT), Carlsbad and Coronado have significantly more TOT revenue than Oceanside. This is an area that, if the City were to get some additional hotels, particularly ones with higher room rental rates, would be a tremendous growth potential for the City.

Ms. Swindell then presented the Budget Overview for the City. The City is at the beginning of preparing the 2-year budget for the fiscal years 2004-2006. Our 2 main challenges for the next 2 years and beyond are the continuing State fiscal crises and the dramatic increase in the City's Public Employees' Retirement System (PERS) rates. As the State budget stands right now, the Governor's proposal includes an additional Educational Revenue Augmentation Fund (ERAF) shift that would impact the City by approximately \$1,500,000. That would be a permanent loss to the City's property tax. In addition, the State budget is predicated upon an economic recovery bond that is going to the voters in March. That would provide \$12,000,000,000 in proceeds for the State to close their funding gap. This is a significant portion of the State's recovery plan. If it does not pass, then there is an expectation that the impact to the cities would be more severe than is proposed under the Governor's budget. The City may lose some or all of the Vehicle License Fee (VLF) backfill. Right now with the Economic Recovery Bond, there is the Triple Flip. The State is looking to dedicate a source of revenue to pay for that bond issue debt service. They would propose to take a quarter cent of the City's sales tax revenue and replace it with property tax revenue. However, the replacement that they give the City on property tax is based on the prior year's sales tax. Therefore, the City would be losing a quarter cent sales tax in this year and be backfilled with the equivalent of a quarter cent of the previous year. The City would have some cash flow impact from that as well.

The FY 2003-04 budget projection gives Council an overview of where the City is right now and what the projections are for the fiscal year. She also provided Council with the Quarterly Financial Report that gives them more detail. Staff is projecting the City to come in at \$81,696,623 in revenue. The City will lose \$3,000,000 because of the backfill gap on the VLF. However, the City has strong growth in other revenue sources.

In addition, the City has the booking fees, which total approximately \$500,000. Because we knew it was a particularly volatile revenue source, we did not budget for it this year. Indeed, it is one of the items that the Governor is proposing to eliminate in his budget. However, we do have that one-time bump this year. Staff also eliminated the

credit for business license taxes, and that will give the City approximately another \$400,000. Expenditures are coming in slightly under projection because the City Manager, in preparation for the impending challenges that the City will have, has held employee vacancies frozen except for critical positions. The City will end the year, even with a \$3,000,000 loss in VLF, approximately \$800,000 to the good.

Looking at the revenue trends for the upcoming year and this year, the revenue estimates are ahead of projections. We are expecting about an 11% increase in property tax value, which is tremendous. If that continues, it will certainly help the City in closing the gap between revenue and expenditures. As she mentioned earlier, the non-Vehicle License Fee revenues are up. We are expecting about \$21,000,000 in property tax revenue this year, which is approximately \$660,000 above last year. Staff is projecting an overall growth of 4.5% in sales tax. The VLF backfill loss is \$3,000,000. Business license revenue, as she mentioned earlier, is going to increase by \$400,000 because of the elimination of the credit. Staff has included in their projections and in this year's adopted budget a continued shift of interest income on the Enterprise Funds to the Water and Sewer Utilities Funds. Right now, that accumulative shift is approximately \$1,300,000 annually. The Water Fund is currently retaining 100% of the interest, and the Sewer Fund is retaining 55%.

The VLF revenue has also been one of the City's strong growing sources of revenue over the past several years. If it is cut to any significant extent, it will impact the City greatly because it also slows down our overall revenue momentum. In the projections, staff is assuming that, based on the Governor's budget, Oceanside will continue to get all of the VLF revenue, including the backfill. In addition to the PERS cost, we have several commitments that we do not have in the budget that we will have to include for this year -- the San Luis Rey River Maintenance at \$325,000; the operations cost for the new senior center at \$350,000; and Morro Hills Park maintenance at \$55,000.

The City has had a significant increase of the PERS rate over the past couple of years. Council will recall when they did the budget last year, staff gave the projections in a 2-year window because PERS gives the City 2 years worth of rate estimates at a time. As the stock market has declined, and PERS uses a 3-year average, PERS has seen a significant decline in their expected earnings. PERS assumes they will earn 8.25%. If instead, as was the case last year, they lose 6% that is an equivalent of a 14.25% loss. This translates into higher rates, not only for Oceanside but for cities all over California. In this year's budget, Oceanside had a \$1,000,000 additional cost. Next year, because the Miscellaneous Plan was super funded, it will now have a PERS cost assigned to it and as the Public Safety Plan continues to increase, the City will have a \$3,000,000 additional PERS cost. In addition, the estimates that PERS has given Oceanside for the next fiscal year 2005-2006 will translate into another \$1,100,000 in costs.

The 5-year forecast assumes that the City will have, except for our stronger revenue growth line items, relatively moderate growth as the economy recovers. Then in several years, staff is assuming that the economy will be fully recovered. Again, the State funding impact is uncertain. Therefore, this forecast is based on assumptions that will very likely change this year and will certainly change over the 5 years. Oceanside's major revenue drivers are property tax, sales tax, and the VLF. The major expenditure drivers are personnel costs, including PERS. Staff is assuming an 8% property tax revenue growth for next year, that eventually valuations will start to level off, growth will not continue at the rate it has been, and that the City will eventually be at a 5.5% growth. Revenue includes the ERAF shift of \$1,500,000. Staff has also included the impact of the Triple Flip. The TOT revenue does not assume any new hotels. Again, this is an area where the City has tremendous opportunity for not only TOT revenue but also revenue associated with tourism created by new hotels. The other revenue growth is averaging 3-5% in the assumptions. Staff has included the continued accrual of interest earning to the Utilities Funds, but they have not included any impacts of potential fee studies.

On the expenditure side, the City has Memorandum of Understanding (MOU)

contracts in place that are included in the forecast and then, as a place holder, they have assumed an average 4% increase in personnel costs beyond that. Staff assumed other operating expenditures are generally going to increase 3-4%. Staff has been given guidance that the City's insurance rates, which is another area that is going to be a challenge, will increase 25%. Oceanside is a member of SANDPIPA, which is a regional joint powers authority pool, and the City shares risk up to a self-insured retention amount. However, the insurance market in the wake of 9-11 and with the rising Workers' Compensation costs has been what they call "hard," which means that it is more difficult for the City to get insurance. Those costs are going up. Staff will give Council more information on that once they receive the actual rates.

It is important to note that last year Council made spending adjustments in the budget of about \$2,300,000. Those adjustments have positioned the City to be able to respond to the challenges they are going to face over the next several years. If those adjustments had not been made, the gap between revenues and expenditures by 2008-2009 would have been \$6,500,000. Instead, the gap right now, without any further adjustments for 2008-2009, is at \$3,800,000. For next year, staff expects it will be between \$2,500,000 and \$3,000,000 (2004-2005).

Responding to Councilmember Feller, Ms. Swindell stated that staff is projecting that expenditures will increase by an average of 4%, and revenue, based on these assumptions, will increase by about 4.5%. However, the PERS increase the City will have the year after next and next year contribute to that. By the time the City gets to the 5<sup>th</sup> year of the forecast, there is a \$3,800,000 gap.

**DEPUTY MAYOR CHAVEZ** asked if the assumption of the revenue did not include the Watkins hotel project, and **MS. SWINDELL** replied affirmatively.

**DEPUTY MAYOR CHAVEZ** asked if the Watkins Project is anticipated to generate \$1,100,000.

**FINANCIAL SERVICES DIRECTOR SWINDELL** replied that some of that goes to the Redevelopment Area. However, the City would certainly get any sales tax revenue and TOT.

**DEPUTY MAYOR CHAVEZ** asked when the City would start seeing some impact from the Watkins Project and the other 2 projects. Right now, the City is doing a Request for Proposal, and there is a lot of discussion on that.

**MAYOR JOHNSON** understood that on the Watkins Project, the City will only see approximately \$500,000 in property tax from the timeshare component itself.

**CITY MANAGER JEPSEN** explained that the Watkins Project property tax would accrue back to the Redevelopment Agency until the year 2025. Therefore, the City would not see any property tax return. However, the City would get sales tax and room tax from that. There are approximately 32-36 hotel rooms and 136 timeshares. When the project first opens up, a number of rooms will be rented out on a transient basis, and the City would get somewhere between \$300,000 and \$500,000 in return. As they sell out the timeshares, that would taper off. The real gain for the City in TOT is the construction of the hotel. If the City were to fast track that, the City could have a hotel developer identified in the latter part of this year. It probably would take 1 or 2 years to negotiate all of the details and get the entitlements. Council is probably looking at 2½ years, if the City could fast track a hotel, before it would be up and operating.

**DEPUTY MAYOR CHAVEZ** referred to the impact as far as the \$21,500,000 that the City has put into the Redevelopment Area and the 3 parcels of land that they are putting in there. He asked if staff had a chance to see those numbers from the Economic Development Commission.

**MS. SWINDELL** said they have not factored any of that into this. They have done this based on some broad-brush assumptions that include historical trends, as well

as what they know for certain will be included. However, staff can certainly get with the Economic Development Department and give Council some examples of what staff might see given those assumptions.

**DEPUTY MAYOR CHAVEZ** stated that they do know that the total revenue line will be higher than currently depicted for 2006-2007.

**CITY MANAGER JEPSEN** replied that part of the discussion was for Council to understand the opportunities available to this community to dramatically change the City's revenue profile. The enhancement of TOT is one of those areas where it is not a burden on the local tax base, and there is a tremendous opportunity for growth in this community in the development/retention of hotels. There is also tremendous growth potential to retain retail markets to help recapture sales tax dollars that are leaking out of this community into other jurisdictions. That should factor into some of Council's decisions and discussions at the dais as they move forward. Council can dramatically alter what this looks like in the final years over the next several years of policy decisions that Council makes at the dais.

**DEPUTY MAYOR CHAVEZ** referred to the number of businesses at the corner of Oceanside Boulevard and College because of the Ocean Ranch Development. He knows that the City has put out a Request for Proposal for the airport, and there will be a restaurant and other things out at the airport. These will change the revenue dramatically. If the City had not settled on the Manchester Project and had not put out a Request for Proposal for the airport, then Council probably could not have structured the City for this.

**CITY MANAGER JEPSEN** noted that the assumptions built into the expenditure side are based on a continuation of the existing services, plus those few things that staff built in such as the San Luis Rey River maintenance, the new senior center and Moro Hills Park Maintenance. This Council has expressed an interest in expanding safety services. That, of course, would also change the gap and increase the expenditures. It is important that they stay diligent on the revenue side so that the City has funds available to provide the services that Council would like to see.

**COUNCILMEMBER SANCHEZ** thanked staff for clarifying the revenues that the City will hopefully see from the Watkins Project. She had often heard it at \$1,000,000. She was wondering where that had come from because she had understood it to be, as the Mayor indicated, \$300,000 to \$500,000 a year. They were really talking about the hotel and the TOT regarding the \$1,000,000.

She asked about the expenditures and whether or not, because staff has shown Council projections in population increase and costs, these lines included some adjustments for providing services to that increased population. What she is hearing is no. Certainly, she understands that the Redevelopment Area is requesting additional public safety. Other communities are going to be popping up in the City that are going to require public safety. She asked what staff anticipates the gap to be if we were to have to include projections in rise of population and the necessary public safety and services.

**CITY MANAGER JEPSEN** noted that Oceanside does not have the same luxury as the State to deficit spend. Council would have to shift their priorities for expenditures, which means that if Council wished to emphasize public safety, there would have to be other areas in the organization where staff would have to cut back or eliminate services. We have to make those lines match every year. There may be a year or two if the City is going through a spike that Council would want to look at some reserves to support it until the lines came back together. However, we do not have any option but to make sure that the City budget balances.

**COUNCILMEMBER SANCHEZ** asked if staff has an estimate as to whether or not the housing coming in is actually going to pay for itself in terms of providing services with the taxes, or if there is a gap that the City will need to fill to provide services.

**CITY MANAGER JEPSEN** said that other than estate housing, if they take the total cost including the schools into consideration, there are very few housing development projects that are going to pay their own way. People would argue that there are spin-off sales tax dollars. However, just in terms of property tax, the City will be providing more services to them than they generate back to the City. The City gets 13% of 1% of property tax; it is not a huge amount of money. As the City continues to develop and add population in the area of 2.5% a year, the City needs to keep pace with the required public services - public safety and infrastructure maintenance. Staff is trying to do that. As the City is hit with unanticipated costs, Council will see some of those shifts this coming year where they continue to emphasize public safety and are looking to the rest of the City to have to support that.

With respect to the housing costs and property taxes, **COUNCILMEMBER SANCHEZ** asked if staff would say that the gap is stable or growing in terms of being able to pay for itself in services. That would include, not just public safety, but other services that the City provides.

**CITY MANAGER JEPSEN** believes this will be a challenge for every city in California. Oceanside is better off than most. There is not an easy answer. He is encouraged on one hand by the increase in property values. On the other hand, it is a limiting factor as Council tries to provide affordable housing to people that want to come into the community. It is a mixed bag. Oceanside is doing all right in comparison with other California cities, although he would like to see Oceanside do a lot better. This Council can help to change that profile a lot through their decisions with regard to things that come in that economically benefit the City besides housing.

In terms of having more housing built, **COUNCILMEMBER SANCHEZ** asked if the City is falling behind in being able to provide services for existing residents, as well as new residents.

**CITY MANAGER JEPSEN** said that if Council wanted, staff would probably have to get some assistance on this because it is a complicated question. It has to do with the economic profile of the people moving into the community. As housing values go up, people moving in theoretically have more disposable income, which should affect the City's other tax bases as well.

**COUNCILMEMBER SANCHEZ** said if they are going to plan and see if the City is meeting the needs of the community, Council needs to look at that. If they are not, then Council needs to make the adjustments such as in housing starts. She would like to know as soon as a neighborhood is built whether or not the City can provide services. If the City cannot provide services to that neighborhood, the City will somehow need to cut back on services to that neighborhood or other neighborhoods. She needs to know that to be able to see what the bigger plan is here.

**MAYOR JOHNSON** noted that Councilmember Sanchez touched on the issue of housing. A year ago, Council was going to increase the Housing Development Fees. There was a decision to put it off until they do a study. A year later, Council still has not increased those fees. He asked staff for an estimate of what the City has lost by not increasing the Housing Development Fees a year ago.

**CITY MANAGER JEPSEN** explained that the loss in impact fees would be based on what Council raised the fees to. Assuming Council would have increased the fees to what was recommended at the time, which he believes was from \$10,000 to \$15,000 a unit, and based on the housing starts the City has had in that period, the City would have had another \$2,000,000.

**MAYOR JOHNSON** emphasized that by not raising those fees a year ago, the City has lost \$2,000,000.

**CITY MANAGER JEPSEN** replied affirmatively.

**COUNCILMEMBER FELLER** noted that probably kept Oceanside from having higher priced houses, too. He said that 13% of 1% on a \$500,000 home is \$650, which is not very much money for property tax. He referred to the \$350,000 for the San Luis Rey River maintenance and asked if the City should take possession of the river from the Army Corps of Engineers.

**CITY MANAGER JEPSEN** explained that the City does not have an option. When the Army Corps of Engineers decides they are going to turn it over to us, it is ours. Every indication is that they are getting close to an agreement with the environmental groups, and that probably is going to happen sometime during the next fiscal year. They will give it to us in a maintainable condition, so the City may save a portion of a year or maybe a whole year in maintenance. However, staff will have to go out and provide a clear channel in that river every year.

**COUNCILMEMBER FELLER** said that the Army Corps of Engineers does not have any money. So, whether they want to go in and try to give it to us in a maintainable condition once they get clearance from the environmental groups, they may not do that right away.

**CITY MANAGER JEPSEN** shares some community concern that we built a 250-year flood channel that is full of vegetation and has a limiting effect on the capacity of a flood that we will be able to handle in the future. Something needs to happen out there within the next year or so that would allow a channel to be maintained through that river valley. It is important to the City to be able to maintain the design capacity of the channelization of the San Luis Rey River. Whether the Army Corps of Engineers does it or the City goes out and does it, it needs to be addressed.

**COUNCILMEMBER FELLER** agreed, and we need to take into consideration why the channel was built. He questioned the dramatic increase on PERS and asked if there is a ceiling on the increases and if someday the City will never have to look at another PERS increase.

**MS. SWINDELL** replied that we hope we are reaching the end of the increases. The market is now turning around, and that will factor into rates in future years. PERS also looks at the payouts and what our actuarial profile is, and that will impact the rates as well. We are hopeful that we are seeing the end of these dramatic increases.

**CITY MANAGER JEPSEN** commented on the City's reserves. At some point, PERS will have to consider alternatives, which may include buying down or bonding to pay the PERS commitments. This is a burden, not just for Oceanside but for every jurisdiction in California included in the PERS system. The financial markets hurt all retirement funds. The City of San Diego, who has their own retirement system, is in worse shape than PERS. There will be some options in the next couple of years, and we need to be open to looking at those.

**COUNCILMEMBER FELLER** stated the hotel and TOT, the \$1,000,000 that they are referring to, with Watkins is probably for Watkins in a roundabout way through sales tax and increased business. It is not directly related to what the timeshare pays for. The new hotel is probably going to pay a lot more than \$1,000,000 once it is built. He wanted to clear that up. He asked for a clear definition of "Triple Flip".

**FINANCIAL SERVICES DIRECTOR SWINDELL** explained that "Triple Flip" is the proposal by the State to dedicate the equivalent of a quarter cent of the City's sales tax to pay the debt service on the bond issue that the State is proposing. The total amount of the bond issue is approximately \$15,000,000,000. The State is expecting \$12,000,000,000 in proceeds. The way it would work is that the State would take a quarter cent of Oceanside's sales tax, dedicate it to debt service and backfill that with an equivalent amount of property tax revenue.

**MAYOR JOHNSON** asked Council to hold their comments and/or questions until

after staff's presentation.

**MS. SWINDELL** continued her presentation by reviewing a snapshot of Council's reserves as of June 30, 2003. As part of the last budget cycle, Council had set up reserves for 2004 as well. As of June 30, 2003, we have the cash flow, capital projects, revenue, economic stabilization, and infrastructure reserves in place. For 2004, the proposal is to increase those reserve balances, particularly the Revenue/Economic Stabilization, knowing that the City would be facing some loss of the VLF. That was in fact \$3,000,000. However, the City was able to offset that by stronger than expected property tax and other revenue growth. As of right now and given where staff expects to end this year, there is an unreserved balance of approximately \$3,300,000 and reserved balances of approximately \$26,000,000. This is money available to pay for one-time expenditures and to pay for unforeseen emergencies. It also provides funding for cash flow. Expenditures tend to be regular every month because most of it is payroll. However, the property tax revenue comes in twice a year in chunks, and there can be a timing difference that can create some cash flow challenges for the City. We have not had to borrow money via a Revenue Anticipation Note because the City has had adequate cash flow to get through those spots. That is partly due to the reserve balance.

Reviewing the timeline, she noted that the State Ballot Initiative is March 2<sup>nd</sup> and will be a critical lynchpin in the State's economic recovery plan. The Governor will release his May budget revision on May 15<sup>th</sup>. This is important because income tax receipts will be included in that May revision, which has been an area where the State has seen quite a decline because of the Dot Com bust. If those income tax receipts change significantly, that may change the State's fiscal outlook. The Constitutional deadline for the State to adopt their budget is June 15<sup>th</sup>. However, we have had years, particularly during these tough economic times, where that deadline is not met. Right now, the City's budget calendar has a scheduled adoption date by Council of June 18<sup>th</sup>. There will be a lot of discussion between now and then on how to address the City's budget.

**COUNCILMEMBER FELLER** noted that the unreserved funds for June 30, 2003 are \$10,988,969. However, for 2004 they are \$3,295,623. He asked where the difference went.

**FINANCIAL SERVICES DIRECTOR SWINDELL** said a significant amount of it was reallocated to the reserve balances.

#### Public Input

**JIMMY KNOTT**, 124 Sherri Lane, said this budget forecast is overly optimistic. He asked about the effect of Council's adjustments as identified in the slide "Effect of 2003 Council Adjustments." If this is an cumulative effect over the years, there would be a projected loss each and every year of approximately \$1,000,000 to \$3,000,000. That would be cumulative, if that is true, of about a \$15,000,000 loss. It is best to take a conservative approach of limitation to certified income versus optimistic income. When other cities have done optimistic incomes, they have ended up in trouble. He referred to revenue trends and asked what would be the effects of potential property value stagnation or devaluation that is currently being speculated. He asked if the interest from the City's investment in reserves calculated into this General Fund budget and what is the amount. Given the national trend of outsourcing to other countries instead of domestic jobs, only 1,000 new jobs have been created for the whole nation versus 100,000 projected. The cost of the State budget and the new jobs that are now being developed are averaging only \$35,000 per year versus \$51,000 per year. The cost of the war in Iraq, the national debt and indicators for this make it look like it is good for business internationally. Domestically, it is poor, and the effects upon us could be dramatic. He asked what would be the impact of these net situations on the budget. What is the total amount of property owned and partially owned by the City, and what is the value of that property in case the City has to sell it? Recent polls say that the State's \$15,000,000,000 loan proposition is headed for defeat. He asked about plans that they

have in case it does go to defeat. It is best to anticipate the best but prepare for the worst. He would like to have those answers because this would effect the consideration of this budget dramatically, if the worst case comes about.

**COUNCILMEMBER SANCHEZ** would like someone to answer those questions for Mr. Knott. Regarding losing money every year, the City has to have a balanced budget and does not ever carry any losses from one year to the next. As to the other questions that Mr. Knott had, she asked that his questions be answered.

**MAYOR JOHNSON** asked if City Manager Jepsen would like to reply.

**CITY MANAGER JEPSEN** explained that staff is presenting to Council an estimate of what the future would look like if there were not any adjustments made just so that Council has an understanding of the decisions that they will make in this upcoming year and how that would impact the City's financial situation down the road. It does not take into account per se the macroeconomics on a national scale and the national debt. It is hard to predict the impacts of that. We have not been in debt before to the extent we are now, but the nation has carried huge national debt for years and years prior to the Clinton Administration.

**COUNCILMEMBER SANCHEZ** asked about the possible rejection of the bond initiative.

**CITY MANAGER JEPSEN** hopes that Governor Schwarzenegger's popularity prevails, and he is successful. It is important to Oceanside that the bond measure pass. If it does not pass, the State is going to have to regroup, and their fallback position would be the same position that Governor Davis had. It would be legally challenged, undoubtedly, but they would likely move forward on that basis. Staff will bracket what he calls the "Armageddon Scenario" for Council next year. However, he is not recommending that Council develop a budget on that basis nor is he going to ask the departments to develop a budget on that basis. When those circumstances unfold, staff will be in a position to address them if we need to and move forward, as devastating as that might be. The reserves could carry the City for a short period of time; the reserves are very healthy. If necessary, the reserves could be used to allow the transition that would be necessary in the employment base to deal with whatever the State hands the City.

**COUNCILMEMBER SANCHEZ** noted that there would be other changes as well on the positive side, such as the hotel, etc.

**CITY MANAGER JEPSEN** replied in the affirmative.

**MS. SWINDELL** answered some of the other questions. Regarding the effective property tax devaluation, right now the City still has tremendous growth potential just in the difference between what people are paying in assessed value and what their property is actually worth. Property tax revenue is driven by turnover as well as new construction. To the extent that the rate continues, staff will continue to see the growth and appreciation. Obviously, this is something that we will be watching carefully. We have seen some tremendous growth in assessed values and in property values overall. Because Oceanside is still a coastal community that is relatively affordable compared to our coastal neighbors, we believe we still have some potential, at least in the immediate future.

**COUNCILMEMBER SANCHEZ** asked if there has been an increase in turnover.

**MS. SWINDELL** said the City has not been able to get actual turnover rates from the County. That is one of the things she would like to see so that staff can do more fine-tuning of the City's revenue estimates. However, we do know that the properties have been turning over. We are still in a relatively low interest rate environment, and the prediction is that the Fed will not raise the rates in the near term. With the continuing relatively affordable mortgage interest rate environment, we are

continuing to see properties turn over. Oceanside is somewhat of a mobile community to the extent that we have military here that are moving frequently. That impacts property values as well.

The interest income is included in the revenue projections. For the General Fund we are estimating \$1,700,000 in interest income, which includes the continued phasing of the interest income on the Enterprise Fund dollars back to those funds.

She does not know about the impact that outsourcing to other countries will have on the job market in Oceanside. However, she did want to clarify that the \$51,000 income figure that she referred to earlier was a median household income figure, not per job. She does not have immediately available the value of property in the City, but that is something we can put together. City Manager Jepsen addressed the potential impact of the bond issue not passing.

**DEPUTY MAYOR CHAVEZ** asked about the timeline. Having gone through the budget process for the 1<sup>st</sup> time last year, he asked staff to discuss the budget process. Last time they had approximately 12 workshops to review each department's budget. He asked if they would be doing something like that. He remembers in June or July when they came to closure on the budget, there was some discussion on the dais about not being involved in the process and the need for more community involvement and a lot of other discussions. So, he asked staff to outline to Council the process for the budget.

**CITY MANAGER JEPSEN** addressed the later part of the question first, then the Financial Services Director could go through the schedule for the budget, which we do have.

For last year's budget, there were some issues related to rate increases and tax adjustments, with a request that those be singled out and addressed separately. It is important as they move forward and there are changes in the budget, that the public have an opportunity to know what those are and be able to come in and address them. Last year there was the suspension of the Business License Fee and rate increases in the Harbor and solid waste rates. As the budget comes forward, there are things that Council will have to consider outside of what we are talking about today, which is the General Fund. We need to make sure that those things are clear to the public; that they have every opportunity to discuss those items; and that the items are not collectively rolled into all of the other things Council will consider. They have to come through on the same schedule, and we need to put a flag on those things that are different so the public has an opportunity to know what they are and to discuss them. That was part of the controversy last year, and we can address and take care of that. He is a little concerned about our ability to get some proposals in front of the Council in time for this March election so that the public knows what the potential impacts are related to that bond measure. So, we may have to accelerate some level of public review of the potential reductions that the City might be facing for the upcoming budget year in addition to the schedule that Ms. Swindell will review with Council right now.

**MS. SWINDELL** explained that the City Manager has a budget team, a subset of the directors that is working on evaluating alternatives for responding to the expected gap between revenues and expenditures. They will be looking at alternatives both on the expenditure side and on the revenue side. There will be a series of workshops with the departments and Council in May. Council will consider the budget and is scheduled to make the final adoption on June 18<sup>th</sup>.

**DEPUTY MAYOR CHAVEZ** brought that up because City staff did a wonderful job last year with having many meetings. However, at the end of the whole process, there was discussion that we did not communicate as well to the public. He asked staff to look at what they did last year and if there is any way to enhance it so that everyone feels like they have been involved in the process. He saw this year's calendar and just wanted to highlight to everybody that we are going through this. Hopefully in June or July, somebody will not say that they did not know of the meetings.

Regarding the unbudgeted commitments, the Senior Center and police are 2 areas that he cares about.

The last issue is as he mentioned over a year ago - the City needs to have a balanced approach to budgets. A key element that we need to do is to empower the City staff. He spoke to a number of Directors and the City Manager, and it would be good to establish some sort of recognition of the employees as they participate in process improvement. Through process improvement and use of technology, we can provide quality services and possibly save some resources. As staff goes through this, perhaps there is some way to include this when they talk about expenditures. Normally there is an initial expenditure to save resources down the years. He would like to see some sort of process improvement empowerment to the City employees to do that.

**COUNCILMEMBER FELLER** asked what departments are not affected by the General Fund.

**CITY MANAGER JEPSEN** replied that all departments are affected by the General Fund, some more than others. He explained that there are enterprise departments such as water and sewer; however, they could be affected depending upon the policy direction of this Council by a shift in General Fund offset. The Housing Department is primarily funded by federal money. The General Fund money that the Housing Department has is directed to resource centers and Code Enforcement. The Harbor is a district, although the beach and pier services they provide are primarily paid for through the General Fund. So, there are a number of departments that are not affected as much as other departments. In the Building Department, some of the planning services are funded with money that is derived from the activities in plan check and processing. We have an obligation to continue those services based on the funds collected that support that service.

**COUNCILMEMBER FELLER** just wanted to state that government, from the city to the state to the federal, was only created for the health and safety of the public. The things that the City has are sure nice to have, such as the parks and libraries. But in crunch time, if there is an issue with whether the safety of the public is primary, that is what it is. Definitely primary for him is the public safety. We need to be looking at public safety as the most necessary thing to take care of and work as hard as they can to cover the rest of the expenditures in this budget process.

**COUNCILMEMBER WOOD** explained that last year the Mayor and City Manager addressed the issue of employee groups being able to sit in at the meetings. There are several out in the audience today. He hopes that in the future they will be welcomed and able to show up to the workshops regarding the budget. The labor groups and employee service groups have a lot of knowledge of what is behind the scenes and maybe where there is some fat. They can give input. He would appreciate that in the future either the Mayor or City Manager invite and welcome the labor groups and employee service groups without any problems.

He has been with the City for over 30 years and has seen the ups and downs, and we always get through them. This, quite frankly, as he looks at the budget, without scenario number 2 where the bond issue does not pass, as a whole Council was looking at last year's budget and looking forward to this one, and it appeared to be a lot worse. It is not that bad in the big scheme of things, which he is happy to say. For the employees out there, it is something that can be addressed with little difficulty. Hopefully Council can go forward and not scare anybody. Staff explained that on a rainy day the City has a reserve, and that it what it is for. It is kind of rainy in the State right now. The speculation last year for this year is a lot worse than this. It is something that people can look at and say that this is something like what has been seen over again throughout the years. They will get through this, and everything will be fine.

**MAYOR JOHNSON** commented that every Council will always say that public safety is first, as they should. He referred to the list of unbudgeted commitments: The San Luis Rey River Maintenance at \$325,000; the new senior center at \$350,000; and,

the Moro Hills Park Maintenance at \$50,000. Over the next couple of years, Council is looking at an additional \$5,100,000 expense due to the PERS increase. We will not really know until the May revise from Sacramento exactly how much impact Oceanside will receive from the Sacramento budget. He asked when staff needs to hear from this Council, individually or collectively, regarding what they would like to have addressed, if need be, regarding any possible reductions to accommodate public safety, as a result of the future PERS increase.

**CITY MANAGER JEPSEN** rephrased what the Mayor just asked. In terms of reductions to accommodate public safety or anything else that Council might choose to accommodate, we hope to have some preliminary information back to Council by the end of February. Council can then give them direction, which they will use to develop priorities. Council has asked them to put together a workshop for setting priorities, discuss some of those things, and give staff direction as to what Council feels are priorities in terms of the City's obligations to maintain public safety and infrastructure. That all will happen during the month of February as staff moves into the schedule that Ms. Swindell outlined for the formal adoption of the budget. Staff is going to ask Council for conceptual direction in the month of February.

**MAYOR JOHNSON** thanked City Manager Jepsen for the adjustment. He meant public safety and any other services because most of Council has been through this before. 1994 was a very bad year; the City had to tighten their belt. There were some reductions in services and some elimination of services, but the City bounced back. Here Council is facing it again. He is just asking as a body when staff needs to hear from Council. He is hearing Councilmembers say that public safety is number one, and it should be. If it is, he asked what Council would be willing to address as far as reduction of services or elimination of services, if it comes down to that.

**CITY MANAGER JEPSEN** believes that even within the public safety arenas that there are opportunities to shift resources. That they, as well as other City Departments, can help with this collective issue that the City has.

**MAYOR JOHNSON** noted that last month, they all sat in Closed Session and had the discussion about what is going to happen over the next year or 2 regarding increases of the Public Employees' Retirement System. It is not cheap.

**CITY MANAGER JEPSEN** explained that last year the City went through some reductions, and part of that was to continue to hold the line on vacancies. The City currently has 82 vacancies. Coupled with the reductions that Council took action on last year, that leaves the City in a position that is better than most of the other jurisdictions in San Diego County. The leadership position Council took last year has left the City in a much better position than they otherwise would be in. He agrees with Councilmember Wood. Although the City is looking for \$3,000,000, which is 4% of our General Fund budget, it is manageable. We will deal with this in a manner that preserves the City's services to the extent possible. We are not at a point yet where there are going to be devastating reductions. Staff will be able to deal with this in a very positive, straightforward manner. The departments will step up to the task as they have done in the past. He appreciates the actions that this Council has taken that have left the City in a relatively good position and that staff is looking at just a 4% hit to the General Fund. Many communities around Oceanside are looking at 2 to 3 times that amount. Council will see that come forward in the next few months. Council is ahead of the curve. According to the newspaper, a lot of cities are still holding their breath and have not taken the action to bring forward and start dealing with this issue. He complimented Council on being able to address this issue early on for the community.

**MAYOR JOHNSON** asked City Manager Jepsen not to take his comments wrong. He understands what Council has to do because they have done it before. Council can increase development fees. Council can, as they have in the past, address the Enterprise interest, and they have the reserves.

2. **Public Communication on City Council Matters (Off Agenda Items)**

**JUNE KRISTAPOVICH**, 727 Rivertree Drive, has 2 short items that she would like to be considered and will undoubtedly bring it up in greater detail at a later meeting.

First, every meeting that affects the public in any way, unless considered a public negotiation should be televised. The public has a right to know. Since there are fewer meetings, she is sure that arrangements can be made to include these extra meetings at a time previously allotted to general Council Meetings.

Second, the City cannot afford to remove the invocation at meetings. The attitude seems to have become that we don't need God's blessing. Even Congress prays before meetings. The City treads on dangerous ground when they turn away from asking for God's blessing. Council needs to return the invocation to all of the Council Meetings.

**MAYOR JOHNSON** asked City Clerk Wayne, for the record, if Council has eliminated the invocation at the Council Meetings.

**CITY CLERK WAYNE** said that Council has on their agenda for each regular Council Meeting the invocation. Even at the last meeting Council had an invocation at 6:00 PM. Typically, on all Council Agendas at the beginning of the meeting they do have an invocation.

**COUNCILMEMBER FELLER** asked if Council is allowed at this point to request items to be placed on the Council Retreat agenda or if they need to do that in some other way.

**MAYOR JOHNSON** noted that Council is still struggling trying to find a date for the Council proposed one-day retreat.

**CITY MANAGER JEPSEN** noted this is not an item for discussion. Council can give him input directly with regard of what Council would like to see on the Council Retreat Agenda, and staff will try to accommodate as many of those things as they can.

**COUNCILMEMBER FELLER** would like to discuss at the retreat the Councilmembers' use of staff and that whole aspect of staff time.

**COUNCILMEMBER SANCHEZ** had interpreted Ms. Kristapovich's statements about the invocation at meetings to include the workshops. That is what she had understood her to say. She does not know if Council has a policy on that. Perhaps staff can look into that. Council does have policy regarding regular Council Meetings. This is a workshop, and a workshop is considered a meeting. She asked that they have that addressed at some future date.

#### **ADJOURNMENT**

**MAYOR JOHNSON** adjourned this adjourned meeting of the Oceanside City Council at 11:55 AM on January 28, 2004.

ACCEPTED BY CITY COUNCIL:

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Barbara Riegel Wayne, CMC  
City Clerk, City of Oceanside



California

# CITY OF OCEANSIDE

## MINUTES OF THE CITY COUNCIL

February 18, 2004

**ADJOURNED MEETING                      10:00 AM                      COUNCIL CHAMBERS**

**Mayor**

Terry Johnson

**Deputy Mayor**

Rocky Chavez

**Councilmembers**

Jack Feller  
Esther Sanchez  
Jim Wood

**City Clerk**

Barbara Riegel Wayne

**City Treasurer**

Rosemary Jones

The adjourned meeting of the Oceanside City Council was called to order by Mayor Johnson at 10:00 AM, February 18, 2004 for the purpose of a Mayor and Council Workshop. The Pledge of Allegiance was led by Deputy Mayor Chavez.

**ROLL CALL**

Present were Mayor Johnson, Deputy Mayor Chavez and Councilmembers Feller, Sanchez and Wood. Also present were City Clerk Wayne, City Manager Steve Jepsen and City Attorney Anita Willis.

**WORKSHOP ITEM**

1. **Presentation on Draft Regional Comprehensive Plan**

**GERALD GILBERT**, Planning Director, introduced Bob Leiter.

**BOB LEITER**, Director of Land Use and Transportation Planning, SANDAG, gave a computer presentation of the Draft Regional Comprehensive Plan, stating that over the last several years, SANDAG has been working on regional growth management and regional land use planning. This Regional Comprehensive Plan (RCP) was started about 2 years ago as a way to integrate a lot of the various plans that SANDAG has prepared over the years, such as the Transportation Plan, Habitat Plan, how land use and transportation connect with each other, etc. The RCP looks at the interrelationships of all 18 cities in the county, their own local plans and how they fit together. It also is comprehensive in that it looks at a variety of different subjects such as land use, transportation, public facilities, environment, social equity and environmental justice. It tries to create an overall vision and set of policy objectives that address all of those issues and tries to integrate all of those single-purpose plans that we have developed over the years. The planning process included broad participation in putting this plan together with public workshops and a lot of outreach and a wide range of input into this plan as a result of those efforts. A policy focus of the plan is to direct growth to urban areas. In our studies, we find that when growth is directed to urban areas, it creates more compact development, more efficient urban services, and pressure is taken off rural land areas being preserved for habitat or agricultural purposes. There is really a more fiscally sound approach to development.

Transportation funding, particularly regional transportation funding, can provide an incentive for that kind of smart growth. We try to integrate land use and transportation, using funding as an incentive for that kind of planning. If we integrate our land use and transportation plans from a geographic point of view, those can guide other regional plans and

NOT OFFICIAL  
UNTIL APPROVED AT SUBSEQUENT  
MEETING BY CITY COUNCIL

investments. SANDAG plans for energy, water supply, solid waste management and sewer service on a regional level. Right now, each of those plans is based on different assumptions and forecasts of the future. We want to try to create a single land use and transportation vision and then tie those other regional and local plans to that regional vision. This will lead to more efficient provision of urban services and more cost effective investments in infrastructure.

Finally, in this planning process we note the importance of engaging our regional neighbors. That includes our neighbors in Mexico, Imperial County, western Riverside County, Orange County and the tribal governments within our region. There are 19 tribal governments within our region, and one of the focuses of this Plan is to improve our collaboration with those tribal governments on land use, transportation and economic development issues.

In developing the plan, SANDAG started with creating a vision for the future. In our first round of public workshops, we focused on what your vision is for the future of this region in the year 2030, which was to preserve and enhance this region's unique features, promote sustainability, economic prosperity and a high quality of life for everyone in the region, while recognizing that growth is going to continue.

He displayed several computer slides illustrating the growth that has occurred in our region over the last 20 years with the main point that there is a direct connection between where we have made our major transportation investments and where urban growth has occurred. The slides showed the progression of urban development in a portion of the region and how it was connected to the expansion of our transportation system. In the case of South County, I-805 was extended through that part of the county in the late 1970s and led to explosive growth in the South Bay area, eastern Chula Vista, San Ysidro and Otay. There has been major growth within the Tijuana region during the last 20 years. From a regional point of view, we look at that connection between the transportation improvements that were made in the 1970s and the subsequent land use development that occurred from the 1980s to the year 2000.

The same phenomenon occurred in the central part of the region. Again, the extension of I-805 and other major highway improvements led to major development. In this case, it was more in-fill development. A lot of development was facilitated by the construction of transportation facilities during that period. The same thing is happening in Oceanside, San Marcos and Escondido, and that is in relation to some of the highway improvements that were made, particularly in the inland area. The extension of I-15 during the late 1970s led to major development and expansion along the I-15 corridor through Poway, Saber Springs, Carmel Mountain Ranch and into Escondido. Finally going further north, explosive growth occurred in western Riverside County that was linked directly to the extension of I-15 during the late 1970s. Therefore, there is a direct connection.

The County has grown by about 1,000,000 people in the last 20 years. We are predicting that the County will grow by another 1,000,000 people during the next 25 years. If we need to continue to focus on that connection between transportation and land use, we need to start with the vision of our transportation plan and then tie our land use planning and investments in infrastructure more directly to that. In the RCP if we continued with the existing and adopted local plans out to the year 2030, it points out that most of the existing general plans will pretty much be built out by around the year 2020. That leads to major pressure on undeveloped areas in the eastern part of the county, continued increase in interregional commuting into western Riverside County and Mexico. We even foresee some increase in interregional commuting into Imperial County. We are starting to see signs of major developers from this region moving out into Imperial County and starting to develop subdivisions to support jobs in San Diego. It could replicate what has been going on in Temecula and Murrieta during the last 10 years. What that could lead to in San Diego County would be continuing high housing prices, more traffic congestion and less open space.

Therefore, what we looked at then in the Regional Plan is what they call the "road less traveled." It is based on 3 themes: (1) to improve the connections between our land use and transportation plans; (2) using those land use and transportation plans to guide other plans; and, (3) implementing our Plan through incentives and collaboration. This is a very important point. This is not a regulatory plan; it is not a regional plan that dictates land use policies to

local governments. What it does is create incentives for local governments to make land use decisions that connect with the Regional Transportation Plan and collaboration, having SANDAG, Caltrans and local jurisdictions work together to solve sub-regional transportation and land use problems. This is a focus that we continue to make throughout the Plan. The Regional Transportation Plan was recently updated by SANDAG with input from the cities. It provides a good framework for what our transportation system is going to look like over the next 25 years. What we need to do now is a better job of connecting local land use plans and updating local transportation plans to fit within that framework and to resolve any inconsistencies between those plans.

Looking at it geographically, what we note first is that within this region in the last 10 years, we have done a pretty good job of planning for the preservation of large-scale habitat areas within the western part of our region. Under the Multiple Species Plan and the Multiple Habitat Conservation Plan (MHCP) for North County and the future unincorporated North County Plan, they would be protecting over 300,000 acres of habitat areas as permanent open space. Also in the eastern part of the County, most of those areas are either public lands or are currently planned for rural types of land use. They are lower density, lower intensity and really not urban type development. So, the real focus of the land use transportation connection is to connect the existing and future transportation network that serves primarily the urban third of this region with the future and existing changes in land uses. Those areas are already developed or are future urban development areas within the western third of the region. The focus is how to connect the land uses and transportation planning within those areas.

Some of the key concepts addressed in the RCP that deal with that connection include the implementation of what they call their "Mobility Network," the 2030 Regional Transportation Plan. The Plan does not call for any major new highway corridors; it really relies on existing corridors and increasing the capacity of those corridors. In order to do that effectively, it makes use of managed lanes in a lot of circumstances. That includes adding lanes within existing highway corridors and using those flexibly for bus rapid transit and high occupancy vehicles, and making better use of the existing corridors rather than trying to establish new highway corridors that are more expensive and create environmental impacts that would be very difficult to mitigate. So, we focus on creating these managed lanes in our existing corridors and then connecting those to land uses that are supportive of that kind of service. He presented an illustration of a future bus rapid transit station in Rancho Bernardo that would be connected to the future managed lanes system in the I-15 corridor showing how it is possible to create a bus access ramp that connects the managed lane in the center of the freeway to adjoining urban areas. There can then be a Park & Ride, transit facilities, and over time transit supportive land use development within that area. We have plans for those throughout the region coming out of our Mobility Network Plan.

They also recognize the importance of planning ahead to integrate transit into urban development. For example, in Otay Ranch in Chula Vista, rights-of-way are being reserved for future bus rapid transit service to the various villages that are being developed. SANDAG also focuses on the importance of creating walkable communities within walking distance of regional transit stations and providing other ways for people to get around, like bicycles and pedestrian access as well as automobile access.

Those are some of the key concepts in land use and transportation planning that the RCP identifies and addresses. The way that looks from a regional planning point of view is that the adopted Mobility Network shows all of the major regional transit corridors that are intended to be built by 2030 under our adopted Regional Plan. They extend throughout the region; there are several located within Oceanside and North County. These would be developed either on existing rights-of-way or future improvements to rights-of-way over the next 25 years under this long-range plan. That also leads then to the siting of transit stations along those corridors, and the transit stations then becoming smart growth opportunity areas. They become areas where SANDAG can consider putting compact urban development that will be supportive and make use of transit to take some of the pressure off our highway system as development continues over the next 20-25 years throughout the region.

The next major theme of the Plan is to use transportation and land use to guide our other plans. We have a number of other regional plans that we have looked at in the RCP, and

we have tried to integrate the policy approaches that we take to those other plans with our local land use and transportation planning framework. We look at open space, wastewater, storm water, solid waste management, educational facilities, water supply and energy. Those are some of the key regional facilities that have a connection with the regional land use and transportation plan. The idea is not that SANDAG would then develop individual regional plans for each of those facilities. We already have entities within the region that plan for water supply, educational facilities and solid waste. SANDAG will work with those regional entities to use the land use and transportation plans from the RCP as a framework for their own planning. So, when they make their plans and investments, they can be connected to the Regional Plan and know that the investments are going to be well served by where development is going to occur in the next several years.

The third theme is making it happen through incentives and collaboration. Incentives would link back to transportation funding and other opportunities for smart growth development in the region. The other part of that is collaboration. One of the strong ideas that came out of this planning process was the importance of doing sub-regional planning. This is connecting the local and regional planning on the ground and coordinating those plans in a different way than we have done in the past. Some of the things this would lead to would be updating our corridor and network plans for all of the major highway corridors and also for transit corridors and networks that we plan for in the next 25 years. It would also lead to doing jobs and housing analyses of sub-regional areas and trying to look at the best mix of land use for transportation and housing to meet some of our housing and economic development goals. They would be refining the smart growth plans and then working together to develop implementation strategies where we can leverage regional money and local money to make some of these things happen more quickly than if we were all working in isolation.

Those are the 3 major themes. We also have chapters in the Plan that look at a number of individual issues. We look at housing strategies for improving the quantity and affordability of housing in the region. We look at policies regarding a healthy environment, including shoreline preservation, habitat protection, air quality and water quality. We talk about economic prosperity, creating better quality jobs, a high standard of living and improving the fiscal health of the communities to provide services. Efficient public facilities include water supply, energy, waste management and open space and recreation facilities.

Then we have a whole chapter on border issues. As mentioned earlier, SANDAG has over the last several years focused on improving our coordination with our border partners. We have a number of strategies related to the International Border, Riverside and Imperial County jurisdictions and tribal governments. We hope eventually to make some sort of connection with Orange County, too, and have some collaboration with them, particularly on some of the transportation issues that we share.

We also have a chapter on social equity and environmental justice and have done some initial policy development in that area. We have also suggested a framework that SANDAG and local governments could use as they review projects to address social equity and environmental justice issues. We have an integrated regional infrastructure strategy. Part of our plan lays out the cost of developing all of the major regional infrastructure that would be needed in this region by the year 2030 and some strategies and recommendations for how best to fund those types of regional facilities. We see some good opportunities for some economies of scale and some coordination of funding strategies for regional facilities over the next several years.

Finally, we have a chapter on performance measurements to keep track of our progress. There will be performance measures that we will be monitoring on an annual basis to see how well we are doing and to make adjustments in our strategies over time.

He addressed the next steps in this planning process. We released the draft in December. We are making these presentations through March and looking for comments through the month of March. We are currently preparing a Draft Environmental Impact Report (EIR). When that is released, we will have another round of community workshops and take additional input on the Draft Plan and the Draft EIR. We will be taking the Final Draft EIR and Final Draft Plan back to the SANDAG Board of Directors on June 25 and asking them to adopt it. We are also developing what we are calling "strategic initiatives," which are implementation

actions that SANDAG, other regional agencies and local governments can take to implement the plan. We are working with the Planning Directors and staff of all of the regional and local agencies to coordinate some strategic initiatives that will help us work together to start to implement some of the recommendations in the plan, starting at the beginning of the next Fiscal Year. So, we are anxious once this plan is adopted to move forward and start to implement it. We look forward to collaboration with Oceanside and other cities in this part of the region to implement some of the ideas in this plan.

#### Public Input

**JIMMY KNOTT**, 124 Sherri Lane, stated the plan is quite comprehensive. However, there are 3 main things that need to be addressed in this: 1) the electronic access to government in order to help reduce traffic and to increase public input for more effective means for those people who cannot attend meetings, such as the elderly seniors, disabled, etc.; 2) emergency services - since there are a lot of small impediments between the regional aspects of handling disasters; and 3) bio-solids, which needs to be covered because they did not address the merger and the opportunities available that bio-solids and composting can bring. Oceanside has done an excellent study on this.

Those 3 things need to be commented on in order to address issues like seniors and mobile homes as an option for housing. They could take land that could not be used for too much or is marginal at best and could put housing on that, along the railway, along the freeways, in industrial areas, etc.

#### Public Input Concluded

**COUNCILMEMBER FELLER** stated the Executive Committee talked about illegal immigration and the effect it had on all of San Diego County and the State of California. He asked where that fits in the plan. The suggestion was made to possibly take a stand as far as SANDAG.

**MR. LEITER** said to his recollection, immigration is not directly addressed in the plan, although the borders chapter talks about issues of security at the border in general terms and has some suggested strategies in that regard. If there is an interest in addressing that issue more specifically, it would probably best fit in the borders chapter. However, they would need some direction on specifically what the issues of concern are. That might be something we can take back to the Borders Committee to ask them for some input.

**COUNCILMEMBER FELLER** would like to see something like that included. During the presentation, it looked like there was a lot of habitat even in the urban areas, and he thinks it is plenty. He referred to the money from transportation dollars in the incentive and said the strategy seems to be focused on incentives. He asked how this would affect the City.

**MR. LEITER** explained that the Draft RCP suggests 2 major types of incentives, and we are continuing to work on this. As we set priorities for actually developing the mobility network for building new improvements to highways, but particularly as we build expansion of the regional transit system, those priorities would be set in part by how well cities along those corridors are planning for Smart Growth development along those corridors. The priority system would give priority to building facilities first in the corridor that has a stronger land use connection. That would be one of the incentives.

The other incentive would actually be to have funding in the Program, and this is being discussed in the TransNet extension in the Livable Communities Program. This Program would actually have funding that could be used by local communities to build infrastructure in the Smart Growth opportunity areas. For example, funding could be used to make improvements to the pedestrian or local street system or improve the parking situation near a transit station in a way that would help to improve the walkability and the compact urban development within that area. So, there would actually be a funding allocation that would be available annually for that purpose. Those are the two incentives that we have identified so far. One of the things that we are looking at now as we refine the plan is whether there are other funding sources outside

of TransNet that could be used for the same purpose. We are updating a study we did a few years ago that showed there may be some other funding opportunities either now or in the future that we could use as an incentive in the same way.

**PLANNING DIRECTOR GILBERT** stated that Oceanside is positioned very well. According to the presentation, Oceanside has 3 significant transportation corridors. One is the Sprinter line and the stations along there. The City also has I-5, which also correlates with the Sprinter line and the rail line. The third one is the El Camino Real connection. As Council knows, there is a whole lot of interest in Oceanside to capitalize on those attributes, such as with mixed-use projects. So, in relationship to the incentives, when this plan gets prepared and finalized, Oceanside will be one of the cities that will be first in line to reap the benefits. Oceanside is pretty far ahead in relationship to many of the neighboring communities on some of the concepts that we are trying to deal with. Oceanside's position is pretty good.

**COUNCILMEMBER FELLER** noted that on the map shown in the presentation, there did not appear to be anything on I-5 from about Manchester north. He thought there was some discussion regarding bus rapid transit on I-5.

**MR. LEITER** would double check on that. To refresh Council's memory on the Regional Transportation Plan, there was initially a \$67,000,000,000 Plan that showed a lot of bus rapid transit routes. However, once SANDAG did the revenue analysis, we had to develop a revenue-constrained version of that. We call it the "reasonably expected revenue version," which is the one that assumes the extension of TransNet but is constrained by other reasonably predictable revenues. That has shrunk down the overall system significantly. What is now in the plan in Oceanside is that the Coaster Route remains intact, and there could be improvements to that service. The other major north/south route is shown on El Camino Real. Over time that could be developed as a significant bus rapid transit system, and then there is the Sprinter Route. His recollection was that in the unconstrained plan, there may have been additional service on I-5 north, but that it may have been removed in the reasonably expected revenue Plan.

**COUNCILMEMBER FELLER** asked for a definition of social equity and environmental justice.

**MR. LEITER** explained that the broad concept of social equity is that, as we develop plans and agree to develop projects in relation to these plans, we look at those plans to make sure they do not disproportionately affect any particular community, be it on an ethnic or income level. From a social standpoint, it is making sure that our plans and projects do not disproportionately either impact or benefit one part of the community over another. In the Draft RCP we did a preliminary analysis of that, looked at some of the policies in the plan, looked at some of the directions the plan is headed in, made some recommended adjustments, and also suggested a framework that could be used as the plan is implemented and as local projects are reviewed. We were asked to focus on this by CalTrans, which provided a major grant that supported this RCP development. One of the specific areas they asked SANDAG to look at, and we thought it was a great idea, was to evaluate this issue of social equity and environmental justice in planning from a regional standpoint and make some recommendations as to how best to implement that. So, the draft RCP groundwork lays for being able to look at social equity issues as projects are developed.

**MAYOR JOHNSON** said Mr. Leiter might want to touch more on that. There really have not been many issues that address environmental justice. Historically where there are clusters of low-income people and people of color, they find landfills, toxic dumps, airports, facilities and operations that negatively impact their quality of life. The South is historically known for that.

Also, Mr. Leiter talked about the border issue and illegal immigration. Yesterday the Mayor was in a meeting with Senator Dianne Feinstein in San Diego, who was meeting with the mayors of San Diego County. One issue that is particularly important to her is the issues that affect our region as a whole and illegal border migration. She is going to see to it that the Director of Homeland Security, Tom Ridge, comes back to the region. This time instead of doing a public relations type of summit just with residents and citizens, he could maybe have a meeting with the mayors in the County to seriously address the issue of Homeland Security and funding. Yesterday they noticed that the City of Santa Ana received more funding to address

Homeland Security than the City of San Diego. There is something wrong with that picture.

**MR. LEITER** replied that those are all issues that SANDAG should be addressing. The RCP did not focus on public safety in this current draft. In the future, as a result of creating the public safety committee at SANDAG and integrating ARJIS and the other criminal justice programs, our regional approach to public safety issues, including Homeland Security, will be augmented. He anticipated that the next update of the RCP would probably have a greater focus on all the public safety related issues that have been mentioned. In the meantime, we can start to address some of those.

**COUNCILMEMBER WOOD** said the concern in North County is traffic. The TransNet Tax is not going to cover it or make up for traffic congestion and building. He asked if that has been discussed by SANDAG in any length to address a speedy recovery for the traffic congestion problem.

**MR. LEITER** replied affirmatively. Impact fees were discussed in the Draft of the RCP and were recommended as a policy objective to be looked at and implemented by SANDAG and local agencies. More specifically though, as part of the TransNet extension discussions, there has been serious discussion about adding a Regional Traffic Impact Fee that would be implemented in conjunction with the extension of TransNet. There is a lot of work going on right now to evaluate at what level that fee should be, how that money should be used, and how it would interrelate with Traffic Impact Fees that are charged by local governments. So, that is being looked at closely right now. Within the next 2 or 3 weeks, a firm proposal on that should be developed and discussed by the Transportation Committee and the Board of Directors.

**COUNCILMEMBER WOOD** asked if adjacent counties such as Riverside County are addressing impact fees.

**MR. LEITER** replied affirmatively. As part of Riverside County's recent approval of a 1/2 cent sales tax measure, they included what they call a "uniform impact fee" that was basically required of all the cities within that region that would receive their equivalent of TransNet dollars. For the first time, most of the cities in that region are now going to collect impact fees that go toward regional facilities.

**MAYOR JOHNSON** noted that over the next few weeks some language will possibly be finalized that will go on the ballot this November. Before we can put it on the ballot, we need the support from the County Board of Supervisors. This Friday SANDAG's Transportation Committee has another meeting, and he is on that committee. On March 5<sup>th</sup> we have another TransNet Ad Hoc Policy Committee meeting. We have been meeting for over a year trying to hammer out these issues and looking at the numbers that keep coming back from the polls that D.J. Smith has been doing over the past year or so. This time around for passage of TransNet, it will take a 2/3 vote. It is very important that Highway 76, along with the interchange at I-5 and Highway 78 be at the top of the list in order to get North County support. Once we have the finalized language that will be on the ballot for this November, Gary Benelli, Information Director for SANDAG, will go throughout the County with his SANDAG support team to City Council to give presentations and hopefully get support for the extension of the existing TransNet.

**MR. LEITER** noted that the Highway 76 Project has been included in the Draft Expenditure Plan and discussed by the Committee. Part of the Draft Expenditure Plan is an Environmental Mitigation Program. A significant part of the dollars in that Environmental Mitigation Program would be allocated to the Highway 76 Project to acquire open space, mitigation, or adjusting the routing to avoid habitat. The Highway 76 Project has been looked at very closely to make sure there is adequate funding, not just for the highway improvements but also for the habitat mitigation that will be a requirement for that project to move forward through the various reviews.

**DEPUTY MAYOR CHAVEZ** noted that the RCP is really dependent upon the General Plan from the County and the different cities' general plans. He asked what SANDAG is sensing when they look at the cities and what is the clarity or depth of the general plans as far as how

they tie into each other 10 – 50 years into the future.

**MR. LEITER** replied there is a lot of consistency in several respects because the cities, County and SANDAG have been working together for the last several years through the Regional Growth Management Program. There has been a lot of work that has gone on in the past to try to make sure there is coordination. But, there are a couple of the areas where SANDAG has noted some challenges. One is that whereas the RCP is a 2030 Plan, most city general plans either go out to 2010 or 2020 at the longest. He was formerly the Planning Director in Chula Vista. They were just in the process, when he left 6 months ago, of updating the General Plan that had a 2010 time horizon, adopted in 1989, to a general plan that has a 2020 time horizon. The RCP has a 2030 time horizon. There is a bit of disconnect there, and SANDAG is talking to the planning directors to see whether there is a way to somehow bridge that gap. It would be helpful if SANDAG had at least a conceptual vision of each city that goes beyond the year 2020. It would be helpful in planning transportation facilities and some of these long-term strategies that we are talking about.

Another area is more prevalent in North County than South County or the Central City Area. While SANDAG has had some initial discussions on the bus rapid transit concept, we have not gone into the same level of detailed analysis and planning in North County on that that we have in South County and the Central City. There are a number of reasons for that. The bottom line is that the way to make bus rapid transit work is to do a general plan level analysis collaboratively, with SANDAG and CalTrans to work with local jurisdictions, probably at a sub-regional level. We need to look at this concept and how it could be physically applied along the corridors in Oceanside, what it would take in terms of right-of-way reservation, and what it would take in terms of different ways of dealing with intersection connections. In our draft overall work program for next fiscal year we have submitted a request for a project that would support doing some of that sub-regional planning in North County and would allow SANDAG to start to do a more refined bus rapid transit network plan for Oceanside, Vista and the other cities in North County. If there is one area where we probably need to do some improvements in those connections, that is probably the area. There is a good opportunity over the next couple of years to work on that.

**DEPUTY MAYOR CHAVEZ** thanked Mr. Leiter for saying that; Oceanside definitely needs to look at their circulation plan. Looking at the circulation plan comprehensively between cities is the key. The other issue is when they look at transportation, it seems to be a little bit light. When he thinks of transportation, he does not think only of ground transportation, but also of air and sea transportation. There are a lot of problems, etc. However, technology has the ability to overcome those when there is an identified need. He asked Mr. Leiter to talk about sea or air transportation as far as vertical lift off and aircraft impact.

**MR. LEITER** explained that the RCP, because it was looking at a whole bunch of different subjects, probably did not look at some of those alternative modes of transportation as closely as our Regional Transportation Plan does. So, we did not focus as much on either air or sea transportation or cargo ports except at a policy level to say that as we plan our ground transportation system, we really need to take into account existing and future facilities in those areas. For example, for freight movement we need to be looking at future plans for expansion of cargo ports and how those can then be served by ground transportation. The same thing applies to a future regional airport or even improvements to existing airports. By the nature of this plan, we focused mainly on the land based, land use transportation connections. However, we will be starting the next update of our Regional Transportation Plan next summer, and we can certainly take a closer look at some of those issues when we update the Regional Transportation plan next year.

**DEPUTY MAYOR CHAVEZ** stated that is really the key because the vision needs to look at technology and air and sea transportation, especially when they look at the location of San Diego next to the ocean. He looked at the circle that talked about the RCP framework. They had energy, water, education, solid waste, storm water and all these little circles, and he understands they are building these. If we are going to have a pyramid system where the cities feed in, then meet with the County and they go regionally with SANDAG, then we have to have some commonality, terminology and time frame so that it in some way ties together.

To that degree, one of the biggest elements of the City's General Plan that needs to be looked at is public safety and how those tie together. When people start talking about the quality of the community and define it, they are not just talking about roads and streets; they are also talking about electronic connectivity, the wireless community that allows people to work, be educated, and communicate throughout, and there is a lot of money being pushed in that area. The recent merger they just saw with AT&T is leaning that way.

From his point of view, the Multiple Habitat Conservation Plan is really an issue of quality of life. If they cement everything from the mountains to the ocean, they will find themselves like Los Angeles. They need to not do that. He would like to preserve those areas as much as possible.

**MR. LEITER** had a follow-up comment on the implementation of the MHCP. One of the proposals in the TransNet Expenditure Plan is the Environmental Mitigation Program. While it is initially focused on transportation projects and meeting the mitigation requirements for transportation projects, the concept is that the money would be used to help local jurisdictions complete their habitat plans in both the acquisition of land and the management and monitoring of the lands that are put into permanent open space. Rather than having a transportation program over here buying habitat, and cities and the County wrestling with how to pay for habitat over there, they are connecting those 2 through this Environmental Mitigation Program. It will lead to a much more predictable program and more cost effective results than what we have been able to do so far.

**DEPUTY MAYOR CHAVEZ** thinks it is a great idea to ensure that we have a circulation plan that promotes economic growth. We also need to make sure that we have quality of life for our community.

**MAYOR JOHNSON** sits on the San Diego County Regional Airport Authority and one of the topics at the top of their list for is the possible siting of a new airport. One of the reasons it is so important is because of the inability of our region right now to move cargo in and out of Lindbergh Field. They see the results of that negative impact every day on the freeways, especially in the morning with the huge number of semi trucks. Because of our location, it is very difficult to compete with the Ports of Los Angeles and Long Beach regarding shipping of cargo. This region has to make a decision this November or November 2006 on what we are going to do regionally to address air transportation and future capacity for shipment of cargo.

**COUNCILMEMBER SANCHEZ** noted that SANDAG is doing presentations on the 2030 vision for RCP from January through March. March is coming up really quickly. The public participation workshops that we had were evening workshops, and she asked what evening workshops SANDAG has planned for this region.

**MR. LEITER** will get the specific dates and times and will send those to her. Basically, we are scheduling 6 workshops - 2 of them will be on Saturdays during the day and 4 of them will be in the evenings. They are all within a week and a half. We are scheduling them for mid-April at the time when the EIR will be out for review. The focus of these workshops will be more on getting comments and getting input rather than brain storming and visioning. We think we have them distributed throughout the region in a way that will provide for good access to the public.

**COUNCILMEMBER SANCHEZ** questioned no thought to bring back the Draft RCP to those folks that participated in the public input but rather to get it out to them during the EIR input period.

**MR. LEITER** replied that we had the draft released and distributed widely. We have made the draft available to all of the various groups that gave SANDAG comments during the initial preparation of the plan. We also have a stakeholders working group that has representatives from a number of different community interest groups throughout the region that has been reviewing the plan and actually working on some of the implementation idea. We will also be having these workshops in April. It is certainly an opportunity, if folks either think that SANDAG got something wrong or there are ideas that are missing in there, to provide input. His point is that there is a progression between the first workshops that were broad

visioning, the second workshops that were really focusing on recommended policies and actions, and the third set of workshops that are really to look at a complete draft plan. Hopefully, it is the wrap up set of workshops, but we will take all of those comments and will address each of them in our report back to the Board when we take it back for final review in June.

**COUNCILMEMBER SANCHEZ** said Mr. Leiter indicated that they would accept beyond March 1<sup>st</sup> comments on the Draft RCP and questioned how far out.

**MR. LEITER** responded we would like to get all of the comments by the end of March during this initial review, with the understanding that there will be another review period after the EIR is released. SANDAG would like to get the first round of comments as soon as possible. We have extended it beyond March 1 because some of our workshops will go into March. If we can get the initial set of comments by March 31, that will give SANDAG a chance to look at those. Then after Council sees the Draft EIR, if they have additional comments, SANDAG will certainly accept and respond to those.

**COUNCILMEMBER SANCHEZ** reviewed a problem that we have had in the region. She works at the courthouse on Melrose Drive where they have pretty much consolidated all the courts and offices there. Now traffic is there. People would like to take public transportation; however, it would too long. At some point she asked for better routes from NCTD. The response she got was that there is a big enough parking lot there, and that is not an issue yet. However, it is not a big enough parking lot, and it is just going from bad to worse. This is a need - having something going that is efficient, cost effective, and that would move a lot of people going to the same place at the same time. She would love to take something like that instead of having to deal with Highway 78. That is an issue that needs to be addressed now that SANDAG has taken on certain duties that fell under NCTD. They really need to work on getting people to and from a regional place like the courthouse.

**MR. LEITER** will take that comment back to SANDAG. As noted, SANDAG is now doing transit planning on a regional scale. NCTD is still doing service planning, which is the specific routing plans for their bus system. SANDAG can at least coordinate on that, talk to NCTD and get back with an answer as to what the current level of service is and what they are looking at as far as improvements over the next few years.

**COUNCILMEMBER FELLER** will also take it to NCTD. This is the first time anybody has said anything about it. He asked how often the RCP would be updated.

**MR. LEITER** said we have not specified that at this point. However, we have put in a request as part of the TEA-21 (Transportation Equity Act) reauthorization - the federal transportation legislation. Right now, we are required to update the Regional Transportation Plan (RTP) every 3 years. However, we think that is probably too often. What we would probably like to end up with is a cycle where we update the RTP every 5 years, update the RCP every 5 years and update the regional forecast every 5 years. We have those staggered so that one leads to the other, and we are in a continuous cycle where improvements in one plan lead to improvements in another. If we can support it financially and it looks like it is going to be worthwhile, we will probably be looking at 5-year cycles for each of those plans. However, we will need to cost that out and look at how quickly things change from year to year.

**COUNCILMEMBER WOOD** said the number one question that he gets asked is regarding Highway 76 and the funding for it, approximate completion time, or how we are in the standing from 1-10 or whatever.

**MR. LEITER** replied that he could not give an educated answer to that. As he mentioned earlier, it is in the Draft TransNet Expenditure Plan. The timing of that would be dependent on a lot of different factors. Part of it is the financial factor. It is the question of the status of TransNet, but it also has to do with the various environmental studies and engineering studies that would lead to that. We can certainly get back to Council with a more educated answer. It is under serious discussion as part of the Draft TransNet Expenditure Plan.

**MAYOR JOHNSON** said that he sits on the SANDAG Transportation Committee, and

Highway 76 is at the top of the list for discussion. There have been a number of public meetings here in this City, other North County cities, and out in the unincorporated areas. Every time they talk about it, everything points to the funding process, the funding cycle, and the environmental issues that need to be addressed. What is being put out there to the public today, for completion of Highway 76 from Oceanside all the way to I-15, they are looking at the year 2011. That is why Supervisor Bill Horn, Mayor Johnson, Congressman Darrel Issa, and all those who have been addressing this issue with the federal, state and county representatives were saying that if they would like to see the successful passage of TransNet extended, they really need to keep Highway 76 at the top of the list. It is vitally critical for this region. Even if the extension is passed, they are still looking at 2011. That is 7 years from now, before Highway 76 is completed all the way to I-15.

**PUBLIC COMMUNICATION ON CITY COUNCIL MATTERS (OFF AGENDA ITEMS)** None

**ADJOURNMENT**

**MAYOR JOHNSON** adjourned this Mayor and Council Workshop at 11:05 am February 18, 2004.

**ACCEPTED BY CITY COUNCIL:**

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Barbara Riegel Wayne  
City Clerk, City of Oceanside