

**NOT OFFICIAL  
UNTIL APPROVED AT SUBSEQUENT  
MEETING BY CITY COUNCIL**



California

## CITY OF OCEANSIDE

### MINUTES OF THE CITY COUNCIL

June 18, 2003

ADJOURNED MEETING \_\_\_\_\_ 10:00 AM \_\_\_\_\_ CIVIC CENTER COMMUNITY ROOMS  
330 N. Coast Highway

Mayor  
Terry Johnson

Deputy Mayor  
Esther Sanchez

Councilmembers  
Rocky Chavez  
Jack Feller  
Jim Wood

City Clerk  
Barbara Riegel Wayne

City Treasurer  
Rosemary Jones

This adjourned meeting of the Oceanside City Council was called to order by Mayor Johnson at 10:03 AM, June 18, 2003 for the purpose of a Mayor and Council Workshop. The Pledge of Allegiance was led by Deputy Mayor Sanchez.

#### ROLL CALL

Present were Mayor Johnson, Deputy Mayor Sanchez and Councilmembers Chavez, Wood and Feller. Also present were City Clerk Wayne (left sick at 11:09 am), City Treasurer Jones, City Manager Steve Jepsen, City Attorney Anita Willis, and Assistant City Clerk Hughes.

#### WORKSHOP ITEM:

##### 1. El Corazon Planning Issues

**MIKE BLESSING**, Deputy City Manager, introduced the facilitator, Rick Alexander with Rick Alexander Company, who has been in the San Diego region for over 20 years. Prior to 1990, he worked at the San Diego Association of Governments (SANDAG). From 1990 to the present time he has been working as a facilitator on projects throughout the region and other parts of California related to public issues such as what to do with City property, what to do with major opportunities in the community and how to reach consensus. The topics of discussion for today are outlined in the handout.

**RICK ALEXANDER**, The Rick Alexander Company – Environmental and Public Policy Consulting, stated he has lived in San Diego County since 1970, with 18 years on the staff of SANDAG. He specializes in public policy development and helping groups, such as this. He was also on the MHCP (Multiple Habitat Conservation Plan) project team to help the City construct its draft Subarea Plan.

He has no pre-conception of what the right answer to El Corazon might be or the

decision that this body should make. Unquestionably, at some point today there will be some suggestions that he would be glad to make if Council would like to hear them.

To determine Council's expectations in the major areas, he will present some of the expectations he and staff put together, try to establish parameters for how to construct a citizens planning committee if Council does decide to put it together.

He had the opportunity to interview 3 Councilmembers over the past couple of weeks, which was very helpful to understand the situation, the issues and the opportunities and constraints of El Corazon. So on the handout the first item listed is:

1. Citizens Planning Committee Expectations

This is regarding the establishment of a citizens committee itself. The basic questions are:

- Should a citizens planning commission be appointed to work on solutions to the El Corazon issue.
- If so, how should that committee be empowered by the City Council?
- Should it be constructed as more of an ad hoc committee or a group that the Council officially appoints and is empowered by the Council within a schedule and time frame to make decisions.

**COUNCILMEMBER WOOD** suggested that Council give the committee the power to do the job but with some kind of timeframe. It should not be strict and should be done properly with a lot of citizen input. He would not want the Council to be the body that controls it, but some guidelines from Council or another governing entity would be appropriate. He would like the public to trust that these people will get the right thing done and find the right answers.

**MR. ALEXANDER** repeated that once Council assembles this group, Council would empower them and set them loose, give them the tools they need, provide time guidelines, and have them report back to Council within a specified time.

**COUNCILMEMBER WOOD** concurred.

**DEPUTY MAYOR SANCHEZ** indicated that the citizens being appointed and empowered by the City Council is directly related to the make up of a committee. In order for this committee to be successful, it must have representation. If that means 15 or 20 people and if it truly has this type of representation, then the City should empower the citizens committee to take on the very difficult task of really looking at this area, deciding some foundational questions, and coming up with a solution as to how to balance the two interests: public space/recreational areas and the need for a revenue-producing source.

**MAYOR JOHNSON** agreed with the comments from Councilmember Wood and Deputy Mayor Sanchez. However, he is not sure about the number of 15 or more committee members. He was leaning more toward 11 as a working number.

**MR. ALEXANDER** recommended holding comments regarding composition and size until the end, because as we go through the discussion that issue may become more obvious.

**COUNCILMEMBER FELLER** suggested an ad hoc advisory committee. Ultimately, Council must decide if the citizen's input is all that they want or if it is too much, etc.

**COUNCILMEMBER CHAVEZ** concurred with everything previously stated but added that we should look at functional areas when empowering this group. The functional areas should include the environmentalists, business communities, School District, senior communities, etc., to figure out where we want to go. He sees empowerment of this committee as a 3-phase process: 1) this committee will be empowered to provide

whatever product to the Council; 2) whatever product comes to the Council as we make our decisions, then 3) we take it to the voting public and put it on the ballot. So when we say we are empowering this committee, it is empowering this group of functional area experts or personalities to develop options to the Council, and from the Council to the public.

**MAYOR JOHNSON** added that this committee, as most committees and commissions, would be advisory to the Council.

**DEPUTY MAYOR SANCHEZ** stated she would hope that most of the discussion would take place by the committee. The committee would have the public meetings to hammer out something that we can all live with. Her hope is this committee would come up with something that Council could adopt without having to put it on a ballot. Ballot measures are expensive and can also be very divisive. She hopes that one of the steps we could possibly take is that this could be the finished product – it could be something we could consider adopting. It is a big charge for this committee to deal with every aspect that needs to be dealt with, such as business and open space issues; however, if we are going to empower a committee, she hopes they will do the hard work so we don't have to do this via the ballot or at the Council dais. She would like to see members from the public, with this kind of representation - Chamber of Commerce, Citizens for Parks and Beaches, etc., so that everyone feels that they are being heard.

**MR. ALEXANDER** summarized that Council is describing a citizens committee appointed by the Council, and the committee would be directed to develop a recommendation to bring back to Council to advise what to do with this public property and how it can fit into the future fabric of Oceanside. They will discuss later how the committee is composed. In summary, the committee would be appointed and return to Council with a product. The product would be a series of well developed recommendations that Council could consider for action. Regardless of size, there needs to be a significant opportunity for public input. If Council would like the citizens committee to reach their conclusions on these recommendations through a consensus process, the City needs to be sure that the major issue areas are represented on that panel of people.

The question is: if Council would like the citizens group to work through a consensus process to see if they can cooperatively reach an agreement on these recommendations, this would automatically assume that voting would only be done as a last resort.

**MAYOR JOHNSON** agreed that the group should work toward reaching a consensus.

**MR. ALEXANDER** inquired how the citizens group should work with the Council. Obviously, State law requires Council to appoint the members, and their meetings are open to the public. You could envision a process where a couple of things would happen:

- The committee would return to Council on a regular basis to report to Council on their progress
- The committee could utilize resources to put together public workshops for the public to give feedback on what the committee had come up with to date. The public can always give feedback on what they like best and least.

In his experience, that process works very, well but he would like to hear from Council on that public approach.

**MAYOR JOHNSON** liked that process because it has worked very well in the past for this City and other cities, so we are not reinventing the wheel. The end result would be the Council abiding by the will of the people.

**DEPUTY MAYOR SANCHEZ** agreed that this must be a very public process. Additionally, with the assistance of staff, the committee should be able to have these public

meetings/hearings to gather input from the public on what they want and need, and to inform and educate the public about certain issues, for example the amount of land, etc. The committee could have the meetings, and at some periods make a short oral report to the Council via the City Council meetings or KOCT to let the public know how they are doing.

**MR. ALEXANDER** reiterated that the idea is that when the citizens committee has developed some draft ideas that are ready for presentation, it is their judgment as to when to bring it before Council.

**COUNCILMEMBER FELLER** agreed we need as many public workshops as possible. We as the Council should not be involved in those in any way; we should not attend the meetings. It is part of the process for the committee to accomplish the goals set forth without input from Council.

**COUNCILMEMBER CHAVEZ** added that once the committee members are established, it is important to ask staff to bring the facts to the group so that the committee can better understand. For example, from watching the debates, one of the areas of confusion was how much parkland the City actually has. The word "parkland" should have been defined, as well as the current and future number of acres. The committee should be educated on the facts before proceeding with the public process.

He agrees that the committee needs to return to Council periodically, along the line of milestones. For example, after staff presents the facts, have the Committee Chair tell the Council what the facts are, and Council gives the go ahead to proceed. The committee then completes the public process and returns to Council with a report of what the public wants. Council would give the go ahead to proceed, and the committee would return to Council with options and recommendations for Council to provide direction. The focus is on milestones rather than the calendar to be better able to track them. The only other issue he would like to see is that as input is brought in, the input needs to be weighted. For example, if there are 10 people who come to each meeting and express their issues, it could be conceived that 170,000 people think these are the issues when in reality the same 10 people continue to show up for the meetings expressing the same concerns. So he would like these weighted, so we can be sure to hear from the silent majority who are those working 2 jobs, 60 hours a week trying to live in Oceanside, along with those who have the tendency to show up to all the meetings.

**MR. ALEXANDER** reviewed Councilmember Chavez's suggestion to make sure that there is an equal opportunity for everyone to have an equally weighted point of view. Additionally, if Council authorizes the process to move forward, the first thing the staff would need to establish is the facts and ground rules so that everyone is working from the same data.

**MAYOR CHAVEZ** concurred because El Corazon is a big issue and how much is actually buildable, etc. So we need to define and measure the terms so we all know what they are.

**MR. ALEXANDER** inquired about Councilmember Feller's earlier statement that Council should have strictly a "hands off" policy regarding Council not attending the public workshops, and if the remaining Councilmembers agree with that suggestion.

**COUNCILMEMBER WOOD** agreed. He further noted that the people chosen for this committee would be savvy about the issues and know what is going on. They may return to Council or staff as needed for input or guidelines, but Council should have a "hands-off" policy. If they need input, it should come from the public and not Council.

**MAYOR JOHNSON** agreed adding that for the most part he does not like to attend other commission meetings because your presence as an elected person, even without you saying a word, can alter decisions and how the meeting is being conducted. The committee members need to have a free environment to work without feeling intimidated.

**DEPUTY MAYOR SANCHEZ** commented that she has not had the experience of citizens being intimidated by Councilmembers; they pretty much tell us what they think. Councilmembers should not participate in any of the debates or the discussions; she will go along with the consensus as to whether or not Council can even observe. It would be beneficial for her to get a feeling as to whether or not an idea is working, etc. However, if the rest of Council feels we should not even see what is going on, she is in agreement.

**MR. ALEXANDER** advised that, because of the regular reporting that the citizens group will provide to Council, Council will see the same information at the same time; there is great value to that. It sounds like Council is reaching consensus that the dealings of the group is essentially "hands-off." It would be unavoidable and a bad idea if the constituents felt they could not come to Council with issues and suggestions, which is your job. But as far as the official process is concerned, Council would prefer to leave them alone.

**COUNCILMEMBER FELLER** stated that we are kidding ourselves if we think we are not going to be hounded by everyone in the group telling them everything that is going on. A meeting like that allows them a lot of freedom.

**COUNCILMEMBER CHAVEZ** questioned if they had a committee meeting and 3 of us showed up individually to hear the discussion, that would be a violation of the Brown Act.

**CITY ATTORNEY WILLIS** responded affirmatively.

**COUNCILMEMBER CHAVEZ** noted it is probably best that we are not there. His initial reaction would be to prefer to sit in the back and listen to what is going on, but he would not want to violate the Brown Act so he will stay out.

2. Overall goals of the El Corazon Citizens Committee Process

**MR. ALEXANDER** stated the 2<sup>nd</sup> item is, whether Council wants to set an overall goal this morning or would prefer a written goal statement at the end of this process.

**MAYOR JOHNSON** commented that all the Councilmembers understand what can and cannot be done at the El Corazon location. We all want walking trails, soccer fields, ball fields, and some type of funding mechanism to support what needs to be done. We know we have to preserve, by law, around 100 to 110 acres of habitat. There is no question as to the goal of the Council, which will rise to the top as we proceed with the process. Maybe the committee will work on that also.

**MR. ALEXANDER** reviewed the suggestion that Council would charge the citizens committee with a group of responsibilities, and they can come up with a goal statement on their own.

**COUNCILMEMBER FELLER** noted that the overall goal is to make sure that whatever product is presented needs to be self-funded and, at the very minimum, with some contribution to the services that are going to be needed throughout the City.

**DEPUTY MAYOR SANCHEZ** stated that the goal she sees is the master plan of the El Corazon site. There has already been some work done via the Vision of El Corazon and various meetings. Whether El Corazon is completely self-sufficient or partially self-sufficient, she would like to see both presented -- explorations of how this could be funded if it is not completely funded by the revenue-producing units there; if there are funds available at a State or Federal level or a fund that the public would like to get involved with. To her it does not have to be completely self funded by the businesses or whatever would also be located there.

**COUNCILMEMBER CHAVEZ** stated if he had to take a stab at a goal statement, he would ask the committee to provide a master plan for El Corazon with a minimum of 3 options to accomplish the master plan. If they brought those 3 options back to Council for

discussion, Council would choose 1 of those options and put it to the public for the vote. That way it would codify the whole process and put it within the General Plan as part of the Parks and Recreation plan, and it would be part of the City to last for 20 years.

**MR. ALEXANDER** followed up with the idea that those options could also be variations on a central theme. They don't have to be stand-alone concepts such as Disneyland on one side and the Wild Animal Park on a different side.

**COUNCILMEMBER CHAVEZ** concurred.

**MR. ALEXANDER** further commented that Councilmember Chavez's suggestion fuels Deputy Mayor Sanchez's suggestion about coming up with various financial options, because if you are looking at land use options like that, you are going to invariably produce different kinds of financial goals.

**DEPUTY MAYOR SANCHEZ** hoped that whatever the consensus is, there will be 1 plan with various suggestions as to how to fund the project.

**MR. ALEXANDER** responded that is consistent with what Councilmember Chavez stated regarding the master plan recommendation having multiple options for consideration.

He suggested that rather than trying to craft a goal statement and objectives today, staff will return in a few days to present a goal statement and a series of objectives based on this discussion. This would be easier than trying to wordsmith something on the spot. Council concurred.

3. El Corazon Concept Plan Parameters

**MR. ALEXANDER** continued to Item 3 regarding further extending the parameters to enable staff to report back to Council with a report that capsulizes what Council's direction is and how to approach this. The first step is to define the conceptual plan area boundaries. Regarding the original U.S. Silica property, it is shown inside the red boundary; the blue area shows the Collins Property, and it also shows the Rancho Del Oro Road extension. Based on the geography shown on the map, where would Council like the committee to focus their attention on? He cautioned that you cannot design a conceptual approach to something like this in a vacuum; you will have to think about the impacts on the transportation system, the Multiple Habitat Conservation Plan (MHCP), the surrounding community, etc. Taking that into account as part of the process, Council will ask the committee to come back with a specific recommendation on what the City should do here with sub-options. Council must establish the geography they would like the group to focus on.

**MAYOR JOHNSON** suggested it should remain as it always has been, which is the property we received from the mining company. That is primarily the area in the red on the geographical map.

**DEPUTY MAYOR SANCHEZ** commented that the Collins property located on the west side of Rancho Del Oro Road should be included since it is also under the City's ownership, but to only focus on the part that is west of Rancho Del Oro Road.

**COUNCILMEMBER CHAVEZ** noted that is a good observation. This was one of the big contentious issues in the last election -- whether the Collins property should be in or out. Because Rancho Del Oro Road clearly delineates the two properties, putting that in would bring a lot of consensus within the City. Though he agrees with the Mayor, to bring the City together, if we did everything to the west of Rancho Del Oro would be a commitment from the City.

**MR. ALEXANDER** commented that this would enable the group to think about a design for a continuous parcel.

**COUNCILMEMBER WOOD** agreed that this would be a visual boundary for the public.

**MAYOR JOHNSON** mentioned that 17,000 people voted "yes" and 17,000 people voted "no." Possibly, those who voted "no" may not want to deal with the Collins piece because the Collins piece was purchased by the City years ago with the intent for future commercial development and investment. If we are talking about using Rancho Del Oro as the new boundary line, are we also considering swapping land for land at the location at the top right corner of the original El Corazon?

**COUNCILMEMBER SANCHEZ** and others responded yes.

**MAYOR JOHNSON** noted that needs to be clearly articulated.

**MR. ALEXANDER** responded affirmatively.

**COUNCILMEMBER FELLER** asked what kind of value we would have on the property located between the road and the edge of the silica sand mining and what kind of development is available for the piece of land located west of Rancho Del Oro Road that is the Collin's piece.

**MAYOR JOHNSON** commented that we were looking to sell that property.

**CITY MANAGER JEPSEN** noted that the property was identified as commercial in the Vision Plan, which would require re-zoning from its current industrial zoning. This is also the parcel where the Senior Center is located. Planning this all together allows some flexibility on how far the Senior Center can go on to the silica sand property.

**DEPUTY MAYOR SANCHEZ** suggested that, when the boundary parameters of this committee are reviewed, we look at the land west of Rancho Del Oro Road, which would mean some trade-offs since there are some red and blue crossovers. So how would that affect any present plans for development?

**CITY MANAGER JEPSEN** believed that you cannot plan all of El Corazon without considering everything that is to the west of Rancho Del Oro Road, because it is all together. Although there is a lot of potential for it to be commercial, the only decision would be how much revenue from the sale of the property to use.

**COUNCILMEMBER FELLER** inquired if we own the small piece of property.

**CITY MANAGER JEPSEN** advised that Ocean Ranch owns the area depicted, and since it is zoned industrial, we have tremendous leverage. He would be amazed if the developers did not come back to ask to change that zoning and suggested they include it in the planning efforts for this property with the understanding that this property cannot be included as part of the park. There must be an alternative use for it.

**COUNCILMEMBER FELLER** inquired if the entire property has to be re-zoned if it is all industrial land west in the silica area.

**CITY MANAGER JEPSEN** noted that there are different land uses in that area, but if you do a master plan, his guess is that the zoning will be changed to match the master plan.

**COUNCILMEMBER CHAVEZ** inquired about the northeast corner of land, currently part of El Corazon, and the value of the land if we made it commercial/industrial.

**CITY MANAGER JEPSEN** replied the value of land there is selling at \$350,000 an

acre. It probably would not be worth that much because it is a strange shape and has limited access. That area is about 4 acres.

**MAYOR JOHNSON** added that part of that land is habitat.

**COUNCILMEMBER CHAVEZ** inquired from a staffing standpoint whether it is a good trade for us to look at taking the northeastern portion of land and swapping it for the Collins property located west of the yellow line.

**CITY MANAGER JEPSEN** advised that it is a great trade for us, which is why the Ocean Ranch people are not interested. They had visions of putting in a restaurant or something, overlooking a park or some nice setting.

**COUNCILMEMBER CHAVEZ** stated the concept of moving everything from the west side of Rancho Del Oro has some validity to it, from a staffing and planning perception.

**CITY MANAGER JEPSEN** responded yes.

**MR. ALEXANDER** confirmed Council's unanimity on the issue of allowing the planning group to be charged with focusing on everything west of the yellow line.

Councilmembers agreed.

**MR. ALEXANDER** mentioned a few other areas regarding the parameters to help focus the work of the citizens planning group. He inquired if Council would like to provide any initial direction to the planning group on a few issues - one would be the location for a Senior Citizens Center.

**MAYOR JOHNSON** advised that, by law, at least 100 acres must be pulled out of the total acreage for habitat.

**MR. ALEXANDER** agreed there are some opportunities and constraints such as the habitat issue, and the group needs to be aware of where those habitat areas are.

**COUNCILMEMBER WOOD** commented that the Senior Citizens Center needs to be taken out of this equation because it might take quite some time for this committee to review the entire El Corazon property, yet we would like to move forward with the Senior Citizens Center; that should be waived in some sense so the committee understands that it will be started as soon as possible without consideration of the committee.

**MR. ALEXANDER** reiterated that the Senior Center is a pre-existing condition. So that footprint is to be excluded from the committee process.

**COUNCILMEMBER WOOD** would like it to be that way.

**DEPUTY MAYOR SANCHEZ** would like to see that as part of the master plan if that is the best site for it. We need the time to figure out how we are going to fund the operation of the Senior Center. We have the funds to build it, but we still have to come up with a plan for how to operate it. We will certainly rely heavily on volunteers, much like with the current Senior Center. She would like to see the committee include that as part of the master plan to determine if that is the best site for the Senior Center. They are going to have to review public transportation issues and things like that. Whatever they come up with must also include what is best for the seniors and how that relates to the rest. There is the plan we reviewed, which talked about having a view towards future open space; is that where the open space is actually going to be. The committee needs to have the flexibility to decide the best place for the site. After discussions, they may decide to relocate it to a slightly different location.

**COUNCILMEMBER FELLER** disagreed. We have already heard that this is where

we want the Senior Center, and the committee can plan around the existing location. The northwest corner is a very valuable location on Rancho Del Oro Road and Oceanside Boulevard, and there is some grading going on there. So that has a huge value for possible commercial development, which should be taken under consideration ahead of the planning process.

**MR. ALEXANDER** reviewed a couple of the ideas:

1. Use the site that is currently identified and use as a constraint; or
2. give direction to the committee, but they have the opportunity to re-evaluate as they go through the planning process.

He requested Council's desires on this.

**COUNCILMEMBER WOOD** is willing to compromise. This might be one of the first items that the committee will address, and they can get feedback immediately. His first thoughts are to move forward and leave it out of the agenda, but to compromise, he doesn't mind if the committee decides about the location at one of the first meetings.

**COUNCILMEMBER CHAVEZ** agreed with some of Deputy Mayor Sanchez's thoughts about funding and operation, but he recalled a few Council meetings ago there were renderings of possible Senior Centers. Timeline wise, when would construction begin on the Senior Center.

**MR. ALEXANDER** summarized that the direction to the planning group is that the northwest corner area [at Rancho Del Oro/Oceanside Boulevard] is the preferred site; the City will continue the planning for development of a senior center on that site; and they should take this issue up as an early action.

**COUNCILMEMBER CHAVEZ** assumed we had time to do that, but preferred to have the timeframe confirmed by staff.

**ANA ALVAREZ**, Parks and Recreation Director, did not have the timeline with her but believed we are looking at the Senior Center opening some time in 2005, which is a real fast-track project. We will be finishing the geotechnical and environmental preparation work by the end of this year, 2003. If Council decides to have a construction plan, it will be available sometime in March 2004. Therefore, the first shovel should be put in the ground in the middle of fall of 2004.

**COUNCILMEMBER CHAVEZ** noted that if they will be looking at geographical issues; that means the site has already been selected.

**MS. ALVAREZ** advised that the Council appointed a steering committee for the conceptual development of the second Senior Center, which identified the west Rancho Del Oro Road corner with Oceanside Boulevard. We are looking at the overall area, and we are trying to work with the process to identify the specific area. In general we are looking at a large pad, but we haven't pinpointed it specifically.

**COUNCILMEMBER CHAVEZ** suggested if there is flexibility, we should try what Councilmember Wood suggested.

**COUNCILMEMBER FELLER** noted that he is only in agreement with this if it does not postpone the development of the Senior Center within the timeline that Ms. Alvarez stated.

**COUNCILMEMBER CHAVEZ** agreed.

**MR. ALEXANDER** felt there was agreement on that; we will tell the group that the Senior Center is a given; there is a preferred site; the City is proceeding to get it under

construction by fall of 2004; and that the committee should take this up as an early action and reach closure quickly, with the understanding that nothing will cause that timeline to slip.

Councilmembers concurred.

He asked if there are any other areas of focus or initial parameters that Council would like to place on this for the committee. Financial restraints will be discussed later, but are there certain geological constraints other than the habitat, i.e. any facility constraints; or is Council willing to leave those kinds of constraints to the committee's initial findings and observations. Would Council like to share anything else about the site.

**MAYOR JOHNSON** stated they need to have a clear understanding of the geographical issues, along with the other issues mentioned.

**MR. ALEXANDER** would advise the committee to take a field trip early on to get a real understanding and to bring along those people who know what they are looking at.

**COUNCILMEMBER WOOD** stated we have a compost site out there too, which should be considered.

**MR. ALEXANDER** noted the green waste facility is obviously extremely successful right now, although it may not be the kind of thing that you would want to keep in the middle of a major urban, redevelopment area. He inquired how Council would like to treat that site.

**COUNCILMEMBER WOOD** was not sure how to handle the site; however, the committee members should understand that it is a moneymaker that sits in the middle of the property and needs to consider it.

**MR. ALEXANDER** recommended that the group should consider a schedule of how long it can stay there and what the long-term location might be if it cannot stay there.

**DEPUTY MAYOR SANCHEZ** would like the committee to address that. It is very successful, and there is a lot of support for it.

**MR. ALEXANDER** next wished to talk about financial constraints. Does Council want to charge the citizens group with broad financial principles or some broad financial directives. The options are that whatever is considered should be:

- Economically self-sufficient;
- Needs to generate revenue in excess of operational costs;
- Needs to be partially self-sufficient economically; or
- Council would not provide this direction, and let the group figure this out on their own.

**COUNCILMEMBER FELLER** absolutely believes that it has to be 100% self funding and even more, with the requirement that it pays for the services that will be necessary to support it beyond that.

**MR. ALEXANDER** responded, so capital and long-term support is needed.

**DEPUTY MAYOR SANCHEZ** did not think it necessarily had to be on-site revenue-producing units. The committee should be able to discuss the funding and how the various activities can be funded. For example, National Little League relies on having a snack bar to support their activities. Different organizations will have their own ideas about how they can be self-funding and won't necessarily depend on a business located on-site. There needs to be flexibility to let this discussion continue with all those who are interested in the different uses.

**MR. ALEXANDER** reviewed Deputy Mayor Sanchez's idea for the groups who use that space to generate revenue to drive their own purpose. What Councilmember Feller mentioned are uses that occur on the land will remunerate the City for its costs of both development and long-term operations. These ideas are not conflicting ideas; they are actually complimentary.

**DEPUTY MAYOR SANCHEZ** thinks the committee should still be able to discuss how to fund the project. If the funding is from outside sources, then identify those sources. If it is a local organization that will put together a fund, include that information as well. It would be too restrictive to require whatever businesses are located in this area to say that whatever they produce has to be enough to support this.

**COUNCILMEMBER WOOD** commented that Mr. Alexander mentioned earlier some of the options being brought back to us — most wanted, would like to have, and need to have. The Committee understands that. If the land sits empty for a while, we understand that financially. He has had people tell him that they would like a golf course on that particular property, and that they would be willing to give up the golf course at I-5 and Oceanside Boulevard for land sales to the City. There are a lot of options they can consider, which most people on this committee will already understand. He would like to have that feedback. He agrees that it should be self-supporting because we are in a budgetary crunch, but there is always the option that some pieces of that land can sit empty for a while until we get to the financial aspects within the City, or trade or swap property. They can consider that.

**COUNCILMEMBER CHAVEZ** recommended it be financially supported. Is this area going to be similar to the harbor that generates its own revenue and operates itself, or is this is going to be another park within the City where the operational expense comes out of the general fund and will have an impact for years. So he does not want to build a Taj Mahal when we cannot afford to turn on the lights. We need to have a fiscal understanding that this will be able to be maintained and not just be an area that will eventually be run-down with the homeless sleeping there. How do we accomplish this without saddling our children with this large area that we cannot operate.

**COUNCILMEMBER FELLER** clarified that his point was not how to get to 100% funding. He realizes Little League will be in one space, and there is the possibility of a golf course in another location; however, it is the committee's job to figure it out. We cannot expect to draw on anything outside of that area for City services or Parks and Recreation or Police Services. It has to be funded within the parameters of that property.

**COUNCILMEMBER SANCHEZ** wondered why this park would be different from any other parks within the City. We currently have no self-funding parks, and she does not why we are placing this burden. It is the right thing to talk about in terms of a mix of uses there, but in terms of requiring whatever we do for recreation has to be supported completely is not a requirement for any other recreational parks. That is why she would like the Committee to be charged with this. If parks were self-sufficient and revenue generating, government would not have anything to do with parks. The private sector would be involved with parks and make money off them. We were already talking about a private sector sports complex. If this park is the same as any other park in our system, we should let the committee look at it. The Parks and Recreation Director has been looking into possibly doing some revenue generating to meet the needs of the public. The private sector is not jumping to help us do this. We need some kind of a partnership, but this park should be treated as any other park.

**MAYOR JOHNSON** commented that we all know that the City maintains all parks within the City; the funds come out of the general fund. Whatever the size of the park we decide to build -- 10 acres, 20 acres, or 30 acres, there will be land leftover for other development. Maybe out of that other development there will be revenue generated that could go back into the general fund to help operate this public park.

**MR. ALEXANDER** proposed that an objective of the citizens group is to look closely

at the economics to see if they can figure out a way to allow this facility to supply the citizen's needs and to make it self-supportive or as close to that as possible, and charge them with going through that fact finding process. They will go through iterations of this, some of which will be economic, etc. With that general direction, one of their objectives would be to see if they can't make this self-supporting.

Additionally, Councilmember Wood proposed letting them include in the economic balance the potential for off-site tradeoffs if Council is in agreement.

**COUNCILMEMBER FELLER** agreed, adding that it is one way to help make this thing work.

**MR. ALEXANDER** noted that it does not tie their hands if you give them that freedom.

**DEPUTY MAYOR SANCHEZ** noted that the committee should look at the entire Parks and Recreation Master Plan. Some people complained about parking lots being included as part of parks. We also discussed the future use of Center City Golf Course, which is coming up in 7 years. There is a definite need for a public golf course, so the committee should be able to look at these options.

**MR. ALEXANDER** summarized that Councilmembers concur that when it comes to trying to meet this expectation, they are encouraged to think outside the box.

#### 4. Citizens Committee Appointment

**MR. ALEXANDER** next discussed how to appoint/create this group and how to populate it. If Council has unanimity of opinion this could be decided today, or the discussion could continue to a subsequent meeting. There are a couple of options in establishing the make up of the citizens committee. There are a couple of options he would like to discuss, but staff also had suggestions when hespoke to them. One was that:

- Each of the Councilmembers would appoint a given number of members or a given number plus 1 since there are 5 Councilmembers;
- Council appoints a given number and once the group is decided, everyone re-evaluates the group to see if it is broadly represented with the idea that the functions that are necessary to be on the committee should be adequately represented, such as a spokesperson from the seniors, the business community and the environmental groups, etc. So you would make draft appointments and analyzes whether to change or add to it for balance; or
- Come up with a list of all the interests that should be represented and try to appoint by individual or by organization to that list.

He petitioned Council for ideas.

**DEPUTY MAYOR SANCHEZ** commented that 3 appointments per Councilmember would be a way of getting that kind of representation. She was not concerned about it being odd or even. With 15, it needs to be at least that large. Not everyone will be able to meet at the same time, so you will have a smaller group, but the important part is that there is representation and exchange.

**COUNCILMEMBER FELLER** initially thought 1 appointment per Councilmember would be enough, but he could go as high as 3 per Councilmember.

**COUNCILMEMBER WOOD** preferred Mr. Alexander's opinion since he has more experience in this arena.

**MR. ALEXANDER** commented that the size is not as important as the functions that are represented. He has worked with groups as large as 60 people and as small as 7

or 8. The goal for this group is to reach a consensus on a recommendation and return to Council to make the decision. His only suggestion is that it is really important to have the people who are necessary to that consensus represented. As long as those issues/public interest areas and economic areas are adequately and fairly represented, then it is the right size.

At the end of the day, anyone who had a significant interest in the outcome would be able to have their say and that everyone participated in the consensus and got enough of what they wanted to be able to support this. The group would then be able to report back that they did their work and came to an agreement. Making sure the parties necessary to the consensus are at the table is as important or more important than size.

**COUNCILMEMBER CHAVEZ** suggested we focus on functionality, which is his biggest issue. His other point is that, if we do get a big group, and he was originally thinking 10, there needs to be a percentage of attendance. The group could be dysfunctional if someone did not attend the meeting when the fact finding issues are presented, and then they suggested many ideas when they don't know what they are talking about due to lack of meeting attendance. We should perhaps require 80% attendance, otherwise we'll put someone else in there. The group members should be required to attend a percent of the meetings to be part of the process.

**MR. ALEXANDER** noted then that there is the expectation that if appointed these folks will serve. One of the ground rules would be that, if at some point someone is not serving, the entire group should come up with a recommendation of how they can be replaced.

**COUNCILMEMBER WOOD** is not concerned about the numbers; he will go with the consensus. The issue is important enough that the committee will understand it. It would be ridiculous to have 10 people on the committee and the ratio is 5 to 4. They must all realize there must be some give and take on the issues, otherwise the decision will come back split.

**MR. ALEXANDER** explained that in order to craft a compromise, there will need to be enough people to work with on different sides of the issues to fuel the conversation.

**COUNCILMEMBER WOOD** would like to see the list of appointees, so we can modify the list of names and come up with a final consensus on the group makeup.

**MR. ALEXANDER** suggested that one of the ways to do this would be to create a list of functions and return with that list and then the Council can discuss how to appoint to those functions. The other way to do it is to take the names of people, say 5 from each Councilmember, and compare that to the list of functions to make sure all the issues are represented. If Council could reach closure on this issue, that would offer the feeling of accomplishment.

**COUNCILMEMBER SANCHEZ** preferred the idea of each councilmember appointing 3 people. We are obviously trying to represent the residents, but how will the different interests be represented. She did not want to get pigeonholed into having to appoint someone in a certain area. She was unsure if Council would be able to come up with just 15 areas, etc. We have a sense of what people do and what recreational and business activities they are involved with. Each Councilmember will be looking at how their appointees can work with others and what kind of interests they represent. Therefore, 3 per Councilmember would work without getting into certain little boxes.

**MR. ALEXANDER** summarized that Council would appoint 15 people, 3 each, as a draft appointment, and then Council would take a look to make sure all of the interests were represented. If a group is not represented Council will change out people.

**DEPUTY MAYOR SANCHEZ** agreed.

**COUNCILMEMBER FELLER** was not suggesting that at all. Each Councilmember has 3 names that they could give right now, and probably that would cover most of what we are trying to cover. He doesn't think we can give the 3 names and then discuss the situations, and if there are too many seniors for example, someone has to go.

**MR. ALEXANDER** did not mean handling it that way. Once Council agrees to 3 names each, they will take those 15 names as givens, and then determine what function is missing. If Council then agreed to add 2, 3 or 4, that would not be a bad thing.

**DEPUTY MAYOR SANCHEZ** does not want to leave anyone out. If the majority feels they do not need to add to this list, so be it. At least entertain the question if anyone is being left out. This is very important to many people, so if it adds a couple of people, so be it.

**COUNCILMEMBER WOOD** commented that to move this forward, we need to decide on 3 or 2 people per Councilmember or have more discussion.

**MR. ALEXANDER** noted that the current consideration is for Council to decide, for example, if it is important to have a representative on the committee, then Council will consider adding to the group based on that function, not based on the person.

**COUNCILMEMBER CHAVEZ** inquired if Mr. Alexander will be the leader of the group or will someone in the group be selected as Chairperson.

**MR. ALEXANDER** advised there are a couple of options to that:

- The committee could select a chairperson from among themselves;
- Council could try to find a Chairperson to direct and encourage their efforts;
- Council can decide upon an acknowledged community leader who will pledge to remain neutral; or
- Choose to have a facilitator.

The advantage to the community leader approach is if you get someone who has power and a good reputation in the community. Once the group reaches an agreement, they have an automatic spokesperson who can go to the community to report that he/she was there, saw it happen and can personally support this effort.

**COUNCILMEMBER CHAVEZ** commented that he thinks a community leader is a very good suggestion based on the last statement that Mr. Alexander made. He does not care if each Councilmember chooses 2 or 3 people. He does not have a list of people yet, but he will get one. If a particular group is not represented once Council reconvenes, that could then be added.

Regarding choosing a chairperson, maybe the Councilmembers can give names to the Mayor of people who have such a stature, and he can look at these, provide names and we can all vote on the spokesperson, etc.

**DEPUTY MAYOR SANCHEZ** prefers the idea to empower the committee with the decision of who will be their chairperson. She likes the goals and criteria that we have come up with, but the committee should decide who to pick as their chairperson. We will probably be asked about providing a facilitator, which is probably a good idea.

**MR. ALEXANDER** suggested getting the committee together and asking them to make recommendations on who they think the Chairperson should be and not confine it to one of them. Let the committee suggest a community leader and devise a list.

**COUNCILMEMBER WOOD** preferred to let the people decide on a Chairperson.

**MR. ALEXANDER** reviewed that each Councilmember would propose 3 names for a total of 15 committee members. The Council will then compare that list to a list of

important functions/issues that need to be represented to see if someone needed to be added. Council would be willing to defer the issue of a Chairperson until they are all seated. Council will request a Chairperson recommendation from the committee.

**COUNCILMEMBER CHAVEZ** agreed with everything except choosing a Chairperson. The skills required to chair a large organization may not come out of the 15 people suggested by Council, because when we are asking people to come forward to do this, you will be looking at people who have certain functions but also availability. The person needed to chair this organization may require a different skill. He/she may be within the 15 chosen, or may not. He supports the flexibility that, if it is not there, they need to have the wherewithal to go outside, and the Council needs to be in that loop on the decision.

**MR. ALEXANDER** reiterated that the Chairperson could be one of the committee members or another member in the community; in any event they would come up with either a recommendation or a short list to bring back to Council.

**COUNCILMEMBER WOOD** thought the committee would be coming back to Council frequently, and this is a prime example of that.

**CITY MANAGER JEPSEN** noted that there are two different things being discussed. As for Council, it has a process leader, which is the Mayor. You can have a process leader for this group as well that they can select, but you have seen the benefit of having a facilitator. The committee can pick their own facilitator, but it is important to have someone that has that skill that does not have ownership in this and does not really care where it goes.

**COUNCILMEMBER CHAVEZ** reiterated that we are then talking about a chairperson and a facilitator.

**MR. ALEXANDER** asked Council to agree that each Councilmember choose 3 committee members each; compare it to a list of known issues and functions they have to have; put them together and then allow them to bring a recommendation back to Council on who their chairperson might be, whether from their own group or someone else within the community. Additionally, upon Council approval, the committee will have a neutral facilitator.

**COUNCILMEMBER CHAVEZ** moved approval as stated by Mr. Alexander; **COUNCILMEMBER WOOD** seconded the motion.

**COUNCILMEMBER FELLER** inquired when each Councilmember would present their 3 names.

**DEPUTY MAYOR SANCHEZ** called for public input prior to voting.

[The vote was tabled for public input]

#### Public Input

**CARA LOU WICKS**, 3724 Ginger Way, had worked on the Vision plan. There are several things that could be self-funding for the City in the form of a park. She would love to be on a group that actually saw the future and is able to leave it for the future residents.

**JEAN KUJAWA**, 4914 Glenhaven Drive, suggested Lou Fenton as a candidate for the El Corazon Committee. Mr. Fenton instigated the idea of making a park in El Corazon. He is also very knowledgeable and familiar with what areas you can and cannot build on.

Regarding the funding of the park, the soccer and ball fields should be large enough to draw enough revenue to support these athletic events. The big events draw people, and businesses support some of the athletic groups. Since we have so much industry and

business in the area, they will support these kids. People will pay to come and see these events. Eventually we will have the Sprinter, which will help with transportation to these events. Additionally, there must be an administration building located on solid ground, even if the park is not on solid ground. The public would have to notify the administration building to use the location for events, etc.

**CYNTHIA CHANEY**, 1212 S. Pacific Street, #10, commented that Oceanside's goal is to become a tourist destination, and we need these locations for tourists to visit. El Corazon might be one of those locations. She had a suggestion for a possible use of creating a water recreation area supplied by the desalination system.

**GEORGE McNEIL**, 2153 Anda Lucia Way, congratulated Council on this meeting, working together well and concluding with a tremendous product. The key focus of this group should be to reach a consensus and not vote on things.

**ARDY CARLSON**, 3755 #48 Vista Campana North, would like to be considered for this committee. His is Vice President of the Neighborhood Watch in his community and he is involved in City activities.

[Public input was concluded]

To reiterate the motion, **MR. ALEXANDER** advised the selection process includes 3 names per Councilmember for a total of 15 names to start, and the list of 15 names would be compared to the important issues/functions; defer the issue of a Chairperson until the group is seated and let them make a recommendation back to Council on a chairperson or a short list of people; you would also employ a neutral facilitator in this process as well as a chairperson who can provide guidance and public exposure for the group; and once you have compared your list of functions to your group of 15, the Council could then add people that they thought would fill up those functions needed which were not covered.

**MAYOR JOHNSON** inquired if adding to the number of 15 is part of the motion.

**MR. ALEXANDER** responded affirmatively if there is an important issue or function area not covered by the other 15.

**MAYOR JOHNSON** would be voting against the motion because 15 is as large as it should be.

**DEPUTY MAYOR SANCHEZ** thinks that is a consensus. She is a little hesitant about imposing a chairperson on the group when on the one hand we are saying to empower them and de-politicize this and let them decide these very important issues. But on the other hand, she hopes the committee will come up with someone we all can agree on. She will support the motion.

Regarding adding revenue-generating activities, this is a great opportunity for a tourist destination. We have this potential.

**COUNCILMEMBER WOOD** had seconded the motion to have more discussion. He is not at odds with much on here except it is tough to come back to Council and vote on a chair; he can see complications if the committee is supposed to be empowered, and they come back with a recommendation for a chair that Council does not approve.

He also agrees with the Mayor that the number of committee people should remain at 15 people, with the understanding that we must choose people who will cover certain areas of the community, and they need a consensus from that group within that group.

**COUNCILMEMBER CHAVEZ** preferred 10 people on the committee instead of 15, but he would go with the consensus. Additionally, if after reviewing functionality, a group was not represented, Council would have to pull someone off the list in order to add someone. The list would need to remain quiet in order not to hurt feelings. He didn't want

to put someone on, and then take him/her off. He would rather add then delete. He is not excited about the number.

The reason to bring the Chairperson forward is not that we do not trust the group for empowerment, but by the Council ratifying the chair, it gives the chair an elevated status.

**COUNCILMEMBER FELLER** agreed that the committee should not be any higher than 15 persons; we name the people to this group; and the functions will remain the same as selected. If that is part of the motion, he will not support the rest of the motion.

**COUNCILMEMBER WOOD** commented that we can each submit 3 names and keep the total number at 15 and make the necessary changes or keep the 3 names and go forward as is.

**COUNCILMEMBER CHAVEZ** modified his motion for 15 members with no additions.

**COUNCILMEMBER WOOD** seconded the modified motion.

**CITY MANAGER JEPSEN** requested Council get their names to Michelle Lawrence so that they can be placed on the dais for the Mayor prior to the next Council meeting.

**COUNCILMEMBER CHAVEZ** modified his motion to have their suggested names in to Michelle Lawrence prior to the next Council meeting.

**COUNCILMEMBER WOOD** seconded the modified motion.

The motion was approved 5-0.

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

**JUNE KRISTOPOVICH**, 727 Rivertree Drive, reported that the branch library is supposed to get the Council agenda on the Friday before the Wednesday Council meeting; now they are lucky if they get them on Saturday or Monday. This is a disservice to the large number of people in her end of town. They have now decided to have a volunteer pick up the agendas so that we can have them on Friday, but this should not be necessary. She would appreciate receiving the agendas on Friday.

**ADJOURNMENT**

**MAYOR JOHNSON** adjourned this Mayor/Council Workshop at 11:59 AM on June 18, 2003. [The next regularly scheduled meeting is at 2:00 PM, today.]

**ACCEPTED BY COUNCIL:**

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Barbara Riegel Wayne  
City Clerk, City of Oceanside

**NOT OFFICIAL  
UNTIL APPROVED AT SUBSEQUENT  
MEETING BY CITY COUNCIL**



California

# CITY OF OCEANSIDE

## MINUTES OF THE: CITY COUNCIL

**WEDNESDAY, AUGUST 8, 2007**

### **ADJOURNED MEETING 6:00 PM COUNCIL CHAMBERS**

(to immediately follow the 6:00 PM Regular City Council/Community Development Commission and Harbor District Board Meeting)

Mayor	Deputy Mayor
Jim Wood	Rocky Chavez
Councilmembers	City Clerk
Jerome Kern	Barbara Riegel Wayne
Jack Feller	
Esther Sanchez	Treasurer
	Rosemary Jones

The adjourned meeting of the Oceanside City Council was called to order at 6:54 PM on Wednesday, August 8, 2007 by Mayor Wood. The Pledge of Allegiance was led by Lonnie Thibodeaux.

### **ROLL CALL**

Present were Mayor Wood, Deputy Mayor Chavez and Councilmembers Feller, Kern and Sanchez. Also present were City Clerk Wayne, Interim City Manager Peter Weiss, City Treasurer Jones and City Attorney John Mullen.

### **WORKSHOP ITEM**

1. **Presentation on the history of the Citizens Advisory Committee Process and the Proposed 2007-2008 Water and Wastewater User Rate and Buy-in Fee Increases**

**LONNIE THIBODEAUX**, Water Utilities Director, presented an overview of the history of the Citizens Advisory Committee (CAC) process. The members worked for over a year on the financial plan and the Integrated Water Utilities Master Plan. It was a collaborative effort among the users of our community, the Utilities Commission, staff, and Carollo Engineers, as the consultant. At the end of the year-long process, the CAC voted approval of the Financial Plan and the Integrated Water Utilities Master Plan. In July, the Utilities Commission reviewed these 2 plans and approved the documents. The Master Plan is in environmental review now, which will be completed in a few months. They will be coming forward to the Council with the Master Plan and the complete Financial Plan at that time.

After the approval by the Utilities Commission, staff sent out public notification regarding the first year of rate increases, which are included in that plan. Pursuant to Proposition 218, they gave a 45-day notice. The first year of the rate increases of the Financial Plan will be brought to Council on September 12, 2007 for approval.

**ROBB GRANTHAM**, Carollo Engineers, City's consultant, reviewed the subjects

he would cover, including underlying rate drivers, rate structures, etc. As background, he reported that 1999 was the last Master Plan. The 2007 Integrated Water Utilities Master Plan consists of several components: the Water Master Plan, Recycled Water Master Plan, Wastewater Master Plan, Sanitary Sewer Management Plan, Information Management Technology Plan and the Financial Master Plan.

The CAC played an integral role in this process. They were originally formed in 1995 to give oversight to the rate structure development process. They reconvened in 1999 for the current buy-in fees and currently provide oversight for this process. The CAC has 12 members representing different stakeholder groups throughout the City. At the beginning of the process, the CAC provided their objectives, which included promoting rate equity, maintaining affordable basic water and wastewater service, encouraging water conservation through rate structures, developing long-term revenue stability of the utilities, satisfying the bond covenant requirements and developing adequate fund balances.

Regarding buy-in fees and how much we are requiring the developer to pay to join our system, the recommended fee maintains a current methodology; it is a buy-in fee approach. It promotes equity between existing and future users. Typically, when talking about rates and user fees, we are talking about one customer class versus another customer class in existing customers. This is equity between future users and existing users in the system. We are asking new development to reimburse existing users for the value of the current system. They are buying in par with what current users have contributed based on rate equity, or the value of the system. The buy-in fee calculation is rate payer equity. It is the value of the system contributed by current rate payers divided by the number of existing users in the system. Rate payer equity is the value of the existing system, what the asset records show.

We also need to account for current cost and construction work in progress that is not yet on our asset books, as well as any monetary assets. Fund balances that will be used to fund capital projects are real contributions made by existing users. We want to take into account costs that have not been contributed by existing users. For example, contributing capital is where developers have built the trunk line and donated it to the City. That has not been paid by current users, therefore, it will not be included in the calculation.

There is also outstanding debt principal. We build a facility, amortize it over time and pay through debt service. As a user, we are going to pay that off in time. That is historic, and it is a future cost. Therefore, in this case we are only talking about those costs that have been incurred or paid for by existing users. In terms of existing capacity, we are talking about the number of meter equivalents; meter equivalents are a single-family residential user. The number of equivalent single-family residential users on the system is the total value divided by those numbers of users. That is what we are asking new development to contribute to buy into our system.

Based on this methodology and updated value of the system, we are asking that the water buy-in fee be increased from \$3,746 to \$4,395, which is about a \$650 increase. On the wastewater side, the fee would be increased from \$4,587 to \$6,035. Each subsequent year, the fee is escalated based on inflation. We want to make sure that this fee keeps pace with construction cost escalation. One key element is that we are using our buy-in fees to pay off debt service so the revenue program being presented includes that assumption; there is an assumption that these fees will be increased.

He explained that rate increases are necessary for the following reasons:

- We are trying to promote dependable water and wastewater infrastructure. There needs to be an investment over time to make sure that we have a system. The City has been very successful at reducing overflows; that is based on funding wastewater improvements.
- We have debt service payments. As of this past fiscal year, we have roughly

\$3,000,000 in increased debt service on the wastewater side for the San Luis Rey Plant.

- The pass-through charges are the increases in cost for the wholesale purchase of water.
- Operation and maintenance (O&M) increases have really only captured the cost of buying water; there have been no increases on the O&M side since 2002.
- There are more stringent regulatory requirements. Looking at the Weese Treatment Plant, we are required to go to a higher level of treatment. Otherwise, the State may downgrade the capacity of our treatment plant.

As of last year, water and wastewater rates are now subject to Proposition 218. That does not create a major concern for us because the City's existing rate structure meets Proposition 218 requirements. It is a cost-of-service based structure. It is very well developed. Implications of Proposition 218 include the 45-day notices. In terms of low-income discounts, they are specifically not available. We need to look at re-allocation to make sure that each customer class is paying their fair and equitable share. The rate structure will be maintained, but we need to make sure within that rate structure, that costs are really being recovered equitably from multi-family users, single-family users, commercial, etc. This is in concurrence with the State Revolving Fund (SRF) loan prohibiting senior low-income discounts. There is no cost basis for those discounts.

Regarding wastewater, as of this year there is about \$72,000,000 in outstanding debt principal and \$2,900,000 beginning last year for the San Luis Rey SRF loan. The legal bond coverage requirement is a 1.15%. However, the CAC is recommending a 1.25%. This is good fiscal policy, and it also mirrors what the rating agencies are looking for in terms of giving us the highest possible bond rating.

On the water side, there is \$20,500,000 in outstanding debt principal, with the same recommendation of the 1.25% coverage. Bond coverage is equal to the annual revenues, and the annual revenues must exceed O&M expenditures, plus 125% of annual debt service. When we are setting our annual revenue requirements, we are looking at 2 tests:

- How much money do I need to recover to pay for my cash expenses
- How much money do I need for my bond coverage

The larger deficit of either of those 2 tests will drive a rate increase. For example, if our bond coverage requirement says that we need to collect \$30,000,000, but our cash requirements require us to collect \$29,000,000 then we would have to recover \$30,000,000.

Relative to the bond coverage test, we still are not quite sure; we just finished fiscal year 2006-07. We are fairly close in terms of our bond coverage requirement. That will be sorted out fairly soon. With the proposed rate increases we are doing fairly well. We have coverage ratios that the bond rating agencies will favor. Without the rate increases, we are not even close to meeting our coverage requirement, and that has implications not only to the utilities, but potentially has implications in terms of the general fund. Regarding those consequences of insufficient debt coverage, the issuer can require us to immediately raise rates to meet the debt obligations. The utilities rating will definitely be affected, and there is a potential that the general fund's rating could be affected as well. With the lower credit rating, costs of borrowing are more expensive, the cost of our projects are more expensive and that is if we can even borrow money. The bond coverage test is on a fiscal year basis; it is 12 months during the fiscal year.

We do have significant water pass-through costs. These pass-through charges are designed to recover those costs, specifically the San Diego County Water Authority (SDCWA) water purchase costs, as well as the infrastructure access charge. Without adjusting those pass-through charges, we will be depleting our fund balances. The cost of water purchases is going up. One thing to note in terms of the water utility is that

roughly half of our costs are based on the purchase cost of water. By fiscal year 2011, we are talking about annually a \$5,000,000 increase in the purchase cost of water; it is significant.

The rate structure is designed to equitably recover costs from all system users, meet Proposition 218 requirements, meet industry requirements, and also meet Council's requirements and the CAC requirements. Using the same methodology, updated to reflect current costs and the current system, the structure is based on 2 elements: 1) fixed charges - costs that will be there every month regardless of how much water you take or wastewater produced, and 2) the commodity flow charge, which varies based on what you are taking or using. A key element is that costs are recovered from users based on actual usage and reserved capacity in the system.

Within the fixed charges, there are 2 components: 1) the customer cost for sending out a utility bill, administrative costs and customer service; and 2) capacity costs, which is the cost of providing capital for providing the system to serve the users. The customer charge for water is \$3.78, and wastewater is \$2.74. It costs us the same to send a bill to a single-family user as it does to a large multi-family complex or an industrial user. We are charging the same to each of those customers. The capacity costs are designed to recover a customer's potential demand on the system. When a customer comes on board, we have to have a certain amount of capacity in our water and wastewater systems to serve that user. We are requiring them to pay based on their potential demand on the system. We are talking about capital related costs, including debt service and replacement funding and equipment. The customer charge is based on the potential demand, and the metric for that is hydraulic capacity of the user's meter. There is a nexus with the buy-in fee.

Meter hydraulic capacity is the metric for potential demand. The meter size limits the amount of water consumption. For example, if I am a single-family residential user, my meter allows me to take 20 gallons of water per minute. If I have a 1½ inch meter, I can take 100 gallons of water per minute. Basically, we have 5 times the potential demand on the system relative to a single-family residential user. In terms of charging the costs, we are saying that the monthly capacity charge is the base charge, for example \$10 per month, times the number of equivalent single-family users. If it is 5 and based on a 1½ inch meter, it is \$50 per month. There is a direct relationship.

Buy-in fees recover the cost of funding facilities. Our debt finances past expenditures. Our future expenditures or debt service is going to be recovered through our user charges. The majority of our system has been funded through user fees and buy-in fees. There is another component, which is contributed capital from developers or grant funding; it is not a cost to existing users. Finally, the last component is the outstanding debt service that existing users have not paid for yet. However, they reserve that capacity; therefore we are asking them to pay for that last component over time through their user rates.

Typically when you are dealing with a single-family residential, the meter is sized to provide pressures and irrigation. Multi-family units typically have separate meters for irrigation. It is the combination of the 2 uses that really represents the full cost that we are charging the units for that capacity. Additionally, single-family residences use more water. It is indoor usage and average monthly usage, as well as on a peak factor. The variable costs depend on how much water is taken or wastewater is contributed. These charges recover the costs based on consumption. Water is the base and peak usage, and wastewater is the flow - how much and what is in that wastewater, or the wastewater strain.

On the water commodity charge, we are dealing with base usage and peak usage. Base usage is defined as the average annual usage, or how much we are taking for indoor usage, etc. The peak usage is how much we are taking during those perennial months where you require more capacity in our system. Wastewater utilities have to provide the capacity for our users. If you look at the cost of providing that capacity over the relative units of water taken, it is pretty expensive water relative to

the base usage. We need to look at how each of our customer classes use this peak capacity and allocate costs appropriately.

Looking at our different customer classes on the water side, for single-family residential, 17% of their annual usage is peak usage. Multi-family, in contrast, is much smaller at 7%, and commercial/agricultural is similar to single-family residential at 21%. It is really multi-family users who put the smallest peak demand on the system, which is going to be reflected in their rate.

The rate structure has been maintained. The rate methodology has been maintained from the existing rate structure methodology. It is very sound and very ubiquitous throughout the country. There is a differentiation, as in the existing rate, between the size of the tier, so we are requiring 2 different rates based on base usage and peak usage, with a 15% differential. For single-family residential, the base is roughly \$13.60 after CCF (unit of water), which is 748 gallons. Multi-family is about 7 CCF. Because multi-family has a lower peak demand on the system, a smaller amount of the peak costs have been allocated to them. The current rate structure for single-family/multi-family tier 1 and tier 2 are commensurate. We have made that adjustment to now reflect how multi-family had a smaller peak demand; we do not want to be charging the same rates for those tiers.

Medium use for single-family residential is roughly 15 units of water. We request that for FY 2007-08, rates be increased by roughly \$6.25. Based on other rates around here in terms of commercial customers, Oceanside is in the middle.

Regarding wastewater, we are looking at 4 components on the variable side:

- Flow - how much wastewater is going through the system
- Biochemical Oxygen Demand (BOD<sub>5</sub>) - the amount of air they need to pump to treat the water
- Total Suspended Solids (TSS) - letting things settle out of the water
- Nitrogen - ammonia

Critical to this methodology and this process is that they are charging every user the same unit cost for wastewater. Those flow charges, as calculated for the different user classes, are based on this unit cost of water.

We have a total budget, and we go line item by line item. Of this line item, how much is relative to flow and how much is relative to BOD<sub>5</sub>, TSS, and Nitrogen. We create an allocation. We drop the different costs into those different buckets, with flow having the largest component. We then ask how many units for each one of those categories we have, how much flow, how many pounds of BOD<sub>5</sub>, etc. Then we come up with a unit cost. For every customer in Oceanside, we are proposing to charge \$1.30 for flow, 40 cents for BOD<sub>5</sub> and 23 cents for both TSS and Nitrogen.

Giving an example of how this applies to a medium use, single-family user, we are talking about nearly 8 units or 8 CCF, 9 pounds of BOD<sub>5</sub>, 13 pounds of TSS and over a pound of nitrogen. Multiplying by each on those unit costs gives a total of \$17.37. We apply the same methodology to master metered users and manufactured homes. What we know from looking at the billing is that master metered and manufactured homes use less wastewater. Based on concentration, there is a commensurate reduction in the monthly commodity charge that we would require those customers to pay.

For a medium use, single-family residential, we are proposing for FY 2007-08 a \$5.36 increase. Looking at the comparison of different systems, Oceanside is toward the bottom. Again this is an April 2007 survey compared to our 2008 rate; we expect that there might be a drop in terms of those comparisons.

Regarding risks of rate deferral and why we want to adopt these rates as proposed, we want to ensure that we have dependable infrastructure. The City is very proud of the fact that the sanitary spills have been reduced significantly over the years. That is based

on an investment in the system.

In terms of tourism, it is a matter of providing a good healthy environment and good, clean drinking water. If we do not have the money to invest in our system, we are talking about delays in those capital projects. The Utilities has gone through its capital improvement program to see where that is possible. Non-compliance with regulatory requirements may result in potential downgrading of the capacity of the Weese treatment plant. Our revenue program assumes that we will have an increase in the buy-in fees. Any increases delayed for the buy-in fees will result in an impact to the existing users and their rates.

We are asking for the FY 2007-08 water and wastewater rates to be adopted [\$3.78 water rate increase and \$2.74 wastewater rate increase]. The wastewater rates as presented represent October rates, and we are trying to ensure that we meet our bond coverage requirement. We will be coming back to Council after the completion of the Environmental Impact Review with the entire package, which would include the 3 years of water/wastewater rates, the request for the adoption of the buy-in fees, as well as an annual escalator.

#### Public Input

**LOU BALES**, 3615-34 Vista Bella, agrees with the proposed water and wastewater increases, except for the wastewater flow charge. The methodology of determining the wastewater flow charge based on the 2 wettest months of the year is incorrect, unless the 2 months receive enough rain so that no irrigation water is used. We can all agree that no more wastewater leaves a home through the home sewer line than the amount of water that enters the home. Our master metered home residential associations have meters that measure both the amount of water to the home and the irrigation water outside the home. For us, a portion of the wastewater flow charge is based on irrigation water that never enters the home and never leaves in a sewer line. Master metered associations such as Oceana have numerous slopes that must be watered to prevent slope failure and loss of homes. Manufactured home parks have no slopes and little turf compared to Oceana. A geographic study made in August 2006 for Oceana showed 1,243 people living in 932 homes. That amounts to an average of 1.33 people per home, which is probably about the same as for mobile home parks. Based on the information presented above, the actual waste water flow charge for Oceana and the other master metered associations should be no more than that for manufactured homes, or \$9.31 per month per home, instead of \$13.62.

Medium use, single-family homes average 4 persons per home. Therefore, their water flow charge should be much more than manufactured homes or master metered homes. The low use, single-family homes, which constitute 39% of the single-family homes, the master meter homes and manufactured homes, pay only \$8.06 per month/per home, which is \$5.56 per month/per home less than master metered homes. He does not think this is fair. Overall, he agrees with the rates, but he disagrees with the wastewater flow charge.

**JIMMY KNOTT**, 124 Sherri Lane, member of the CAC, commented that a lot of the increases were a result of developer fees being improperly adjusted for inflation and other costs over the years. The fees that are reflected here are the real costs. It reflects the real build-out costs. We are 1 of the few groups that looked at what the consequences are and at the final results of build-out in the City; we looked at the projection and those figures, and we prepared.

The public has brought to his attention the infrastructure pipe replacement plan. Part of this will be the slip lining. The public has questions on specific time tables for specific communities, and afterwards, the time table for replacement after the life span of the slip lining. Also, there is an opportunity now, using State and regional funding to start as a long range effort, to have individual meters for multi-family and master metered communities for conservation efforts as a goal. We can start doing that as a regional effort. The regional water authority was looking for something to do, and we

can start pointing to that. It is something that they can fund.

Regarding the water supply reliability, it was not disclosed that there is a gap that was brought to our CAC that San Diego and those points south will be getting service, and they have the reliability that we will not have. They will have priority over us.

**LARRY MUNGER**, 952 Royal Tern Way, is President of Oceana Mission 1, which is the smallest Oceana. They have 70 units plus their club house. His main concern is to maintain our present water structure. His justification for this is that he does not think they should be charged the same as a single-family dwelling because, per the Utilities Commission and considering peak usage, they use 10% less water than the single-family dwellings (page 29 of the staff report). It costs Oceanside the same dollar amount to bill each account \$6.52 from the billing department. Considering the cost of 70 units, we would be at \$6.52 because we have 1 meter and 1 billing. For all 70 single family units, the cost would be \$456.40. This is a just request that multiple residents like the Oceana's maintain the same billing structure that we now have.

**RITA OJA**, 1126 Turnstone Way, is on the board of Oceana Mission 3 Homeowners Association. They are 1 of the master metered communities. We have 114 units that are attached and are approximately 1,050 square feet, with a limit of 3 people per household per our Covenants, Conditions and Restrictions (CC&R's). There are some significant differences between us and single-family homes. Our units have 2 bathrooms, rather than 2½ or more bathrooms for single-family homes. As seniors, we cook and eat less, so less kitchen water is used. Less laundry water is used because we will not have work clothes and school clothes to be washed. Most of our units have 1 person per household, and at any given time there are several that are vacant for extended periods of time, up to a year or more because the resident is in a skilled nursing facility or an assisted living facility, or if there is a probate situation where the unit cannot be rented or sold. We do not have yards, pools or spas, and we do very little car washing on the premises. We use a lot less water than single families. Please consider that when determining your rate structure.

**JOHN ZYLSTRA**, 3747 Vista Campana, is the President of Oceanside Community Association, the largest and oldest of the Oceana groups. We have 932 units. We agree with the recommendations of the CAC and of the Oceanside Utility Commission, with the exception of the wastewater flow rate. We have an infrastructure in Oceana. When we receive a bill from the City for water and wastewater, that passes through and is portioned out according to the number of homes in their community. In addition to that, they have to add to that bill the cost of maintaining our infrastructure. They have 10,400 feet of water mains, which is almost 2 miles of water mains. We have 50 fire hydrants, 192 water main valves and we are served by 15 master water meters. We also have 10,200 feet, or almost 2 miles of sewer mains, and we have to maintain all of that. Our community is 40 years old; this infrastructure is declining. We exercise our valves, clean out our sewer lines, etc. This is an additional cost to a rate that is charged by the City. We also agree with the other Oceana folks that we should have the reduced rate that has been recommended by 2 Commissions.

**LINDA SMITH**, 4432 Kittiwake Way, is Vice President of the Oceana Mission 2 Board. They agree with and support everything that has been said so far. They support the recommendation of the CAC. They have already taken steps for water conservation in their community. We have installed the smart landscaping system; we are replacing plants with drought tolerant plants, and we have asked for a landscaper to come in and give us some recommendations as to what we can do about the grassy areas that we have in order to put in drought tolerant plants or something else that will help conserve water.

In Council's consideration of the water increases, please give careful consideration to the CAC recommendations; we support them wholeheartedly.

**RICH MIRO**, 231 Bluebird Lane, is a resident of San Luis Rey Homes and a

member of the CAC. All of the members of the CAC spent significant time and are very intelligent people. Regarding all of the analysis that we did with the help of Corollo Engineers, what the Council has on their plate right now is what the City needs. If Council does not approve this particular CAC recommendation, he feels that all of us are going to suffer the consequence for the infrastructure and all of the other needs that the City has with regard to water and wastewater needs.

**JERRY MCLEOD**, 1517 Del Mar, reiterated that the charge is the same going out as coming in. We do irrigate. Maybe they should offer an incentive for established homes to change out to more water tolerant things.

A couple of homes in his neighborhood have had slab leaks. He wants to know if there is any possible way to check for leaks in the City's delivery system. The City is going to have to replace some pipes for wear and tear. If the City is going to have a project, organize it and get it done. This has been going on for several months.

Water is a problem, and it is going to become more of a problem nationwide and worldwide. We need more reservoirs.

**MIKE MELLANO**, 462 Wilshire, was on the CAC, representing the agricultural interests. He is in favor of the rate increase, although he dislikes rate increases as much as anybody. Our company is going to be hit significantly by this rate increase because of the change in the law. However, he likes an underfunded water and sewer department even less than the rate increase. We cannot have a water and sewer system that is underfunded as it is going on right now. We have to have this rate increase, and he believes that, after all of the number crunching that we did over the course of the last year, the distribution of the cost is fair and equitable and meets the letter of the law. He believes that we have to do this, even though he does not like it.

[Public input concluded]

**MR. THIBODEAUX** stated that the senior community was active throughout the CAC process, with several members of Oceana providing input. Each of the issues were voted on separately through the process of deliberations, to look at the equity issue and how the cost allocations were determined for the flow and the commodity charge in the wastewater category. It is less than a single family, because they do use less of the system. The manufactured home uses even less than Oceana does, and that is why their rate is lower. There is the issue of irrigation in the single-family residence. We do not have separate irrigation meters on our yards in single-family residences, so they use a peaking factor; that is the driver for their rate being higher. That was the logic that went into it. Mr. Grantham did a thorough analysis of the actual consumption of each of the rate categories.

In terms of water consumption, **MR. GRANTHAM** clarified that multi-family users tend to have separate irrigation meters, so anything that is being taken for outside irrigation is not being reflected in the wastewater charge. He would support the drought resistant landscaping, etc. It is a critical element, and we are really talking about indoor usage and returning to the sewer. In that regard, they do not have separate meters. The most equitable thing would be to have a separate wastewater meter on every unit, but it is not practical. They do look at a return factor, or how much water would reasonably be returned from indoor usage to the wastewater system for multi-family and single family separately. For single family, the irrigation usage is included in their water consumption. It is not perfect. Perfect is individual meters, but we think it is fairly reflective of what is being contributed to today's water system.

Addressing the issue of our infrastructure replacement, **MR. THIBODEAUX** stated that we do have a plan, which is the Integrated Water Resources Master Plan that will be coming to you later. We discussed several projects, and we do have areas that we are going to be doing improvements in over the next 20 years. That plan lists out specific projects where there are deficiencies. We will bring that to Council later and go into great detail at that time about the projects. Long range, there was a discussion

about individual meters. What is being looked at now is the use of technology to automatically give us the information on each of the water meters. SDG&E is putting that ability in place, and over the next few years we see a trend towards going in that direction. As technology improves, it gives us the ability to get real time data on water flow as water becomes more critically needed in the community. That is a few years away. Right now, our old technology is that you have to read the meter, and we use that data. That data is important in a drought situation. You get real time information, and you can address these cutbacks with real data.

There were several comments about the infrastructure needs within Oceana. It is a private system that they take care of; it is not funded by the user rates; so they have a master meter. One of the arguments presented at the CAC by 1 of the members on a consistent basis was that they were getting a break because they were dividing up the rate among several users. The logic there is that you get several users on 1 meter, so they are getting less of an individual cost than a single family. The group did not agree with that logic and voted that the rates should be different and lower for Oceana and multi family facilities because they use less water. That rate reflects that utilization of the system that Mr. Grantham was talking about; there is a consistency there.

**MR. GRANTHAM** clarified that the critical issue was separate irrigation, so any reduction on the irrigation side will be reflected on the water charge. The wastewater charge is based on class average. If we were to take the recommendation and incorporate both manufactured homes and master metered into 1 customer class, the cost of that class would have to go up, so the manufactured homes charge would go up. It is a zero sum game. We need to collect the money, and we would have to do it on an average.

Addressing the issue of slip lining, **MR. THIBODEAUX** explained that they do have slip lining that occurs on an annual basis based on the information they get from televising the sewer lines and any failure of the system that they note. The slip lining has reduced infiltration significantly to our system over the last 10 years, which gives us more capacity at our treatment plants during the rainy season.

We do have a replacement program for those lines. So far we have extended the life of a large part of our system, and we estimate the replacement life term within our master plan. It varies from the size of pipe and length of pipe, and those are prioritized in each area of the community, with the critical needs being the hydraulic deficiencies that are necessary to serve the community on an immediate basis. Those are the highest priority. By slip lining, we restore the life of the pipe and maintain the hydraulic capacity. It is the most economical way to extend the life of our treatment system in wastewater.

Regarding the time table, there was a previous plan in the 1980s that had a time table for neighborhoods to have lines replaced. The 1999 Master Plan superseded that and prioritized projects based on experience in the field. We have existing clay pipe in the ground that was built 50-60 years ago that still works really well. We do not replace it unless there is a hydraulic deficiency. The 1980s time table was proved not to be practical and was replaced by a prioritization based on televising, which we do on an annual basis. One of the things in the master plan that we are proposing is to televise the whole system in a year and to prioritize the whole sewer system on a basis of actual inspection. Right now we do a small percentage of it because that is the resources that we have. We have one TV truck, so we focus on the hot spots. From that, televising of the entire system will then set a priority of which areas need replacement first, and that is part of the future process that we are going to do.

**MAYOR WOOD** requested that staff address the issue of a 1 meter system like Oceana.

**MR. THIBODEAUX** responded that it is a difficult situation because it is a private system. We are just charging the master meter. We have no control of anything past that point. The bill goes to that 1 master meter, and the Homeowners

Association divvies it up.

**MAYOR WOOD** expressed concern that Oceana, etc. are replacing and taking care of their own system. He asked if that is taken into consideration.

**MR. THIBODEAUX** responded that it is part of the reduced rate structure that multi-family master metered communities get since we have 1 meter to read, rather than a meter at each facility. It actually reduces the cost on the fixed charges side of it.

**MR. GRANTHAM** concurred. Everything needs to be cost-of-service based. It costs the same to send the bill to that 1 meter as it does to a single-family meter. From the meter onward, in a single-family residential, they have to maintain the lateral. There are infrastructure costs beyond the meter, even in single family and in master metered. That is their responsibility and is not specifically addressed in the cost allocation.

**COUNCILMEMBER SANCHEZ** needs clarification that if you send the bill to 1 place, it will cost the same if you send it to 900 places.

**MR. GRANTHAM** clarified that the bill is received by the owner of the meter. We are sending the bill to Joe Smith, as well as to the master metered, or the owner at Oceana; we are not sending 900 bills to each individual unit at Oceana. We are sending 1 bill. It is 1 postage cost, 1 utility billing cost. Whether the bill is \$1,000 or \$30, it costs us the same to send that bill.

**COUNCILMEMBER SANCHEZ** is seeing a trend. When she gets calls or complaints about multiple families living in single-family homes and multiple cars parked on the street where you cannot park your own vehicle in front of your own house, it seems like there are more people living in single-family homes. This is not in the whole City, but there seems to be that trend. She asked if their model took that into consideration.

**MR. GRANTHAM** responded affirmatively. In the single-family residential class, there are 3 different customer classes: low usage, medium usage and high usage, which would reflect what presumably is being returned to the wastewater system. On the water side, it is reflective of the actual water usage of that household. If you have more folks in a house, presumably they are going to be using more water, and the rates are set accordingly.

**COUNCILMEMBER SANCHEZ** stated that new development should pay for itself in terms of infrastructure. Is this equitable model doing exactly that; is new development paying for itself; or is it doing it on the backs of people who have lived here for a while?

**MR. GRANTHAM** responded that there is capacity in the system, and we are asking new development to pay for that unit at capacity that they would be exhausting as they join the system, commensurate to what every existing user has paid for that capacity. We are asking new development to pay their fair and equitable share of the value of the system.

**COUNCILMEMBER SANCHEZ** stated when we borrow the \$50,000,000 from the State to expand the treatment plant, we are putting a flat fee on everyone to pay it off at \$2,000,000 or \$3,000,000 a year, and yet that is for more capacity. That is for more people coming in. New development is not paying for itself; it is on the backs of everybody who has lived here before that new capacity was created.

**MR. GRANTHAM** clarified that there are 2 ways that as users we pay for this system. One, we pay up front through the buy-in fee, and the second component is to pay over time through our rates. Any cost, for example the amortized value of that loan that has not been retired and that we are not allowed to ask development to pay for, they are going to pay over time through their user rate. That was the at-capacity

component of the fixed charge.

**COUNCILMEMBER SANCHEZ** said it seems like everyone is paying for the people who are not living here yet.

**MR. THIBODEAUX** elaborated that that project was paid for out of 2 sources: buy-in fees and rates because 40% of the project was a replacement of existing infrastructure. 60% of the project was expanding the facility. The actual funds of that project during construction were allocated separately based on the utilization of the system by existing and future rate payers. It is paid for out of those funds based on the allocation of use of the users.

**COUNCILMEMBER SANCHEZ** asked if he is saying that people who were existing users before the expansion were paying less for that than new users.

**MR. THIBODEAUX** responded that before the expansion, there was no cost associated with it. They had paid for the previous plant. When the plant was built with the expansion in mind, there was also some rehabilitation work that happened as part of that massive project. For existing rate payers that were using the plant at the time, the percentage was paid for out of those rates. The expansion component was paid for and is paid for out of the buy-in fees, which is developer and growth based.

**MR. GRANTHAM** elaborated that we are using the buy-in fees to repay the debt. As Mr. Thibodeaux noted, 60% of the cost of the loan is attributable to the expansion of the system. They are taking those buy-in fees as they collect them from users and putting them directly toward paying for the expansion component of the debt. The 40%, which is the rehabilitation of the system, is going to all users. Existing users are paying for the loss of value in the system over time; effectively, new users are paying for that 60% of expansion, while the 40% are paying for having a new and upgraded system.

**COUNCILMEMBER SANCHEZ** asked if the buy-in fees are set to actually cover all of these expansion costs.

**MR. GRANTHAM** replied that it is basically the average cost of the capacity within the system, or how much the average cost is for a single-family residential to have the capacity to serve that unit for the water and the wastewater.

**MR. THIBODEAUX** responded that the biggest driver of this increase in buy-in fees is that we have the new infrastructure at San Luis Rey. That is a component of the overall value of the system that increased when we added that asset. In adding that asset, it drove that buy-in fees up because the basis of the formula is existing assets.

**COUNCILMEMBER SANCHEZ** noted that other users, such as Rainbow are using it.

**MR. THIBODEAUX** responded that we have an existing agreement with Rainbow for 1½ mgd. They actually bought into the facility. They paid a percentage of the cost of that, so they own a percentage of the flow going into that plant. They would like to buy more. They are also developing possibilities with their own treatment system on site. There has not been any recent communication about buying additional capacity at the plant.

In our treatment plan in the future, out 10-15 years and depending on what is happening with water conservation, we may need another phase towards build out. That is in our master plan that we will be reviewing. At that time the project cost will be generated, which will determine the rates at that time. Currently we do not have anybody buying in or asking to buy in additional capacity from any other community. We do have existing contracts with communities, i.e. Vista has an exchange contract. Camp Pendleton only uses our outfall; it is a short-term contract; next December is the end of that contract, unless it is extended.

**COUNCILMEMBER KERN** shared that the first time around he and Mr. Bales were on the committee that set these rates, and we thought we solved them all. That was 12 years ago. Part of these big increases is because past Councils did not have the political will to raise the rates when it was needed. Now we are trying to catch up for something that happened 7-8 years ago. Councils do not raise rates because it might be an election year, then we get slammed with this. Now we have trouble with not being able to cover the debt that we borrow in this plan. Hopefully, we and future Councils will actually keep up with what we need to do and not be swayed by an election year about raising rates. We have to pay for what we use.

It was encouraging that he heard Mrs. Smith talking about drought plants. We may be in mandatory water rationing by next year; it is a very high possibility. All that are behind a master meter probably ought to get together in their homeowner associations and start talking about drought resistant plants, less grass, and more plants that will be able to withstand a drought. By next year we may be in a situation where water is going to be cut drastically.

We are behind on the debt coverage, and hopefully we will catch up on that. He asked how they calculate the cost escalator.

**MR. GRANTHAM** responded that right now the recommendation is that we use a construction cost index, which has roughly been going up by 3½%. It is something that we can pull and point to. In terms of wastewater costs, for the past few years in Southern California, it has been a little more than that at 6-8%. The recommendation would be to use a published cost escalator, probably the *Engineering News* record construction cost index.

**COUNCILMEMBER KERN** stated that is the same one that SANDAG uses.

**COUNCILMEMBER FELLER** wanted the meaning of "hydraulic deficiency" and "maintain the lateral" explained.

**MR. THIBODEAUX** explained hydraulic deficiency, stating that a water or sewer line has a certain amount of flow. If a sewer line is hydraulic deficient, we cannot put more flow through it. It is a limitation on that line. That means it is insufficiently sized. It is too small to take more flow through it, and we call that a hydraulic deficiency.

A lateral is the service line that goes from the force main, which the City owns, to the individual home or service.

**COUNCILMEMBER FELLER** commented that for Oceana, for example, they pay for all of that through their association dues, whereas, single-family homeowners pay from the point where the City brings it to the house.

**MR. THIBODEAUX** agreed. The customer is responsible up to the force line, or main line.

**COUNCILMEMBER FELLER** asked if they can slip line the slip line.

**MR. THIBODEAUX** will check, but thinks there is a limited life expectancy. He has not found it yet, but it has been discussed that it could be 10-20 years. He does not know of an instance where this was done.

**COUNCILMEMBER FELLER** asked if the CAC reviewed with those that will be paying the buy-in fees and asked what their feeling is about it.

**MR. THIBODEAUX** responded that we had several open forums to discuss the buy-in fees with the community. We are working on a notification to the Building Industry Association (BIA) to notify them after the adoption so that they can distribute to their members; we can address it if necessary; and he will go to that facility to conduct a meeting. We advertised all of the meetings and tried to get as much of the

public involved as possible. We did not get a big turn out, but we did get some interested parties.

**COUNCILMEMBER FELLER** clarified that this is an information only item, and that they were not going to do any action tonight.

**MR. THIBODEAUX** confirmed that this item will be coming back on September 12, 2007 for Council's review and potential adoption.

Re-addressing the issue of the escalator, **MR. GRANTHAM** stated that typically the building community prefers having escalators. In Oregon, for example, they had it written into the statutes because it is predictable. If it is going up by a certain percentage every year, they can budget for that. He has worked in 13 states and that is typically the preference -- to calculate and have an annual escalator over time versus having significant jumps.

**INTERIM CITY MANAGER WEISS** stated that one of the big issues is that they are going to send some information to the BIA. The bigger issue, not so much in the buy-in fees, is when they are applicable. That is something we are going to have to look at as far as what is considered to be in the pipeline, what is exempt, when do you pay the fees versus when should you pay them. There are projects going through the system right now, expecting to pay at a lower rate. Simply because they have not pulled their permit or paid the fee, all of a sudden the rate will increase. That is something we are going to have to talk about, and we will be forwarding a very specific recommendation in September to Council.

**COUNCILMEMBER FELLER** stated that pass-through is okay with him. He is not into pass-through and a profit. With our infrastructure projects from Metropolitan Water District and what they are passing through, he hopes we are going to be very diligent in our pursuit of the fairness part of that. As long as we are keeping up with our infrastructure, we can bear with this vs. the City of San Diego's failing infrastructure. He expressed concern that such County Water Authority projects might be passed on to Oceanside. Oceanside better be fairly treated. He asked when bond coverage goes away.

**MR. THIBODEAUX** explained that the current debt is a 20-year obligation on the SRF (State Revolving Fund) funding. There will be other debt issued in the future on future capital projects, which they will talk about in greater detail with the master plan. There are not sufficient funds. There are some important projects that are capacity driven since there won't be the capacity to meet needs, and the infrastructure is failing. The land outfall, as an example, is a big project that we do not have the money in the bank for in the wastewater funds. As those needs become apparent, which they are now, we are going to have to go out for more financing. One of the things that is important is that we show the ability to finance existing debt, as well as support future debt that may be necessary for the continued improvements in the community infrastructure.

**COUNCILMEMBER FELLER** stated that goes along with all infrastructure. Things like peaker plants, asphalt, concrete and all of those things are going to be very important to our community. He asked if the State would reduce our capacity.

**MR. THIBODEAUX** responded that the City has been noticed by the Health Department that they could and will reduce the capacity if we do not improve the treatment at the water treatment plant. We have a cost associated with that project; it is sedimentation and coagulation that they have to add to that facility. That is part of the review that they are going through now on the expansion of the project. We are looking at several options. One is to just do what the State is requiring to maintain the existing capacity. The next is to expand to double the size of the plant so we are more self-reliant on treated water because it is cheaper for us. It would be \$100 less an acre foot than what we would be paying for SDCWA treated water. We save money doing that in the long haul.

It is a business decision, and we will have to look at the financing costs. Vista wants to buy in, which we have talked about in the past. We have to look at the global cost of the project versus the benefit to the community. Those are the issues we will be bringing forward when we talk about that one.

**COUNCILMEMBER FELLER** commented that, as with any project, benefits have to outweigh the burdens. Whenever we do water projects like the pipeline on Mesa Drive, could we finish the streets? The street is a disaster, and there are potholes.

**MR. THIBODEAUX** explained that we have had a lot of problems with that project. It was a developer project done to meet the needs of that development; it was developer managed. The line that was put in place had several line failures upon testing. After it was thought to have been done, the contractor had to go in and redo the line in several areas. We are looking at an extended warranty on that line before we accept it into our system because of the amount of failures. It is very unusual for a line to have to be dug up 5 times in different locations. He agrees that they need to fix the potholes on that road.

**DEPUTY MAYOR CHAVEZ** explained that our effort is to communicate to the public the reasons for the rate increases. We may have missed the mark. Charts and bullets with many pages is great for consultants who want to burn away hours showing us charts, but it does little for presentation. A lot of people are very visual, and we do not have anything visual.

Listening to some of the people making comments who had been involved like Mr. Bales, the 1<sup>st</sup> bullet under CAC recommendations states that the current rate structure should be maintained; the rate structures are consistent with collecting revenues based on the cost of service. However, Mr. Bales is questioning the process in which we determine the cost of service. Mr. Bales thinks we should have a decrease in wastewater rates for seniors and mobile homes. There still has to be a cost, so the burden is placed on the single-family homes, but Mr. Bales thinks that is fair. Somewhere in that discussion we need to show graphically why it is fair or not fair in the process. It is not clear.

Another general question regarding the rate structure is for lower use rates and multi-family units. Basically, if they use less water in a multi-family unit, they should have a reduction. Slide 30 of the staff presentation shows that they are not. When they are presenting this, not everybody is getting it. We are not communicating. For example, page 12 of the staff presentation addresses why rate increases are necessary. When doing his home budget or at school, he knows how much money he is getting, and he knows how much he is going to expend, so there is a shortage. He asked how much the amount is for the total shortage.

**MR. GRANTHAM** responded that he is not sure about the total for water, but wastewater is \$3,700,000.

**DEPUTY MAYOR CHAVEZ** explained that his point is that it would be really good to say that we have a problem. We have x amount of money coming in, and we have x plus whatever that we have to pay. If he looks at the page that says dependable water and wastewater infrastructure, he wonders if his rates are going up because we have to build more dependable water and waste water infrastructure, and how much is that.

Regarding debt service payments and coverage ratios, loan payments, there are the MWD and SDCWA water pass-through increases, and they had a presentation earlier that actually showed what they think the increases are going to be. He had some issues with this presentation, such as: no water rate increases since 2002 does not really increase your rates; if the pie is \$10,000,000, how is that pie divided up; the pie is going to get bigger every year; and we have to make that much money up. He would like to see something different than this presentation before they go to the Council for approval. If a citizen asked him why Council is increasing their rates and the cost, he

could not tell them how much and why he wants to do this.

He is confused and would like this in a different color presentation so that he can tell people how much it is, what they have to do, what the plan is, why they are doing this, and that everybody is treated fairly.

**MAYOR WOOD** explained that seniors on fixed incomes do not want to hear about increases, no matter what the reasons. He understands that nobody wants a rate increase. We are looking at the County and State pass-through. He highlighted pages that stated low income discounts are not permissible, and it prohibits senior citizen discounts, which concerns him. It is a concern because it is not only this rate increase, but water issues for the whole County and State; we are getting pass-throughs. Some of this is mandated.

Referencing page 39 of the staff presentation, regarding sewer spills, he stated that infrastructure is very important to all of us. If we have a sewer line break, some of that sewer flows into things like the Buena Vista Lagoon, etc. When Vista and Carlsbad's line broke, for not keeping up with that infrastructure that could have easily been replaced, it cost millions in fines from all the special agencies. We want to make sure we keep up the system because it can cost us a fortune for a break/spill.

There are a lot of increases coming for water and wastewater for Southern California regions, and it is going to be pass-throughs. We do not want to pass it on, but we have to. He sits on the SANDAG board, and constantly they are approached with issues that are important, like sand replenishment and storm drain issues. They want to filter our storm drains before they go into the ocean; the cost is astronomical. They want us to do it, but they do not want to pay for it. They want us to pay for it, which is another cost aspect. We sometimes get frustrated because State and Federal make us do things, but they do not fund them.

We wanted to have this workshop on this issue because it is coming forward. This presentation tonight is a little complicated. The sad part of it is that a lot of citizens will not attend and listen and will not speak up until the Council has a final vote on it. It is nice to have it discussed now because we can get the information out to the communities, mobile home parks and the senior communities. Those are the ones that feel it the most. This is just for information tonight before we go forward.

**RICH MIRO**, 231 Bluebird Lane, clarified for Councilmember Sanchez, who he thought had difficulty in understanding. Where he lives we have a 4-inch meter that comes into our mobile home community, and they get 1 bill. He does not know how much water goes into a 4-inch line, but it takes care of 328 dwellings comfortably. We are similar to Oceana. We get billed according to prorate, and nobody is up in arms about it. They take care of all of their infrastructure, similar to Oceana. There is more than 1 senior community that pays for things besides the water, as far as the infrastructure part, but the 4-inch meter is working out fine for us.

**MIKE FAULKNER**, Oceana resident, stated that there was a question brought up about drought tolerant plants. He is on the landscape committee, and the big thing for our committee, and has been for the last year, is drought tolerant plants. We are redistributing some of our irrigation, etc. and putting in new types of drought tolerant plants.

**LOUIS BALES**, 3615-34 Vista Bella, explained that if there was 1 thing that our committee was completely agreeable on, it was that we were adamantly opposed to giving the developers a 2-year pipeline like was given to them in 1999; the amount of money that was hoisted there, our users have to pick up. From 1987, Jim Turner wanted to increase those buy-in fees, and the City Council at that time would not do it. Had they increased them according to Carlsbad and Escondido, it was multi-millions of dollars from 1987 to the time that we changed them in 1999. He pleaded with Council not to give developers that 2-year pipeline deal like was given before because the users have to pick up the difference in our rates.

**MR. THIBODEAUX** explained that when the new buy-in fees first were adopted, there was a "pipeline" for existing developments that were in the track. It delayed for approximately 1½ years. We lost about \$3,000,000 in revenue versus instituting it immediately. The CAC had a lot of deliberations about that. Their recommendation, as part of a report, was to institute the buy-in fees that they are recommending as soon as possible and not to defer the pipeline.

**COUNCILMEMBER SANCHEZ** stated no one has said that they do not want Council to increase the rates. She is hearing that everyone understands that the rates must be increased because it is important to have the infrastructure to be able to maintain a good system of water and sewer. She also hears from the CAC that they want to maintain the current rates for wastewater flow, and they make a lot of sense. She is not convinced yet why we are not maintaining the current rates for wastewater flow. It was not clear to her why we are not doing what they are asking us to do. Mobile home parks have zero landscaping, and senior communities have very little landscaping. She has that gap in what they are asking her to do and what she sees as reality.

**MAYOR WOOD** thanked the participants for their input and explained this is for information only and it is not going to be voted on tonight.

2. **Public Communication on City Council Matters (off-agenda items)** - None

**ADJOURNMENT**

**MAYOR WOOD** adjourned this adjourned meeting of the Oceanside City Council at 8:33 PM, August 8, 2007.

**ACCEPTED BY CITY COUNCIL:**

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Barbara Riegel Wayne  
City Clerk, City of Oceanside