ITEM NO. 3

California

CITY OF OCEANSIDE

MAYOR AND COUNCIL WORKSHOP

SEPTEMBER 27, 2011

ADJOURNED MEETING 4:00 PM COUNCIL CHAMBERS

NOT OFFICIAL
UNTIL APPROVED AT SUBSEQUENT
MEETING BY CITY COUNCIL

Mayor
Jim Wood

Deputy Mayor
Esther Sanchez

Councilmembers
Jack Feller
Jerome M. Kern
Gary Felien

City Clerk
Barbara Riegel Wayne

Treasurer
Gary Ernst

City Manager
Peter Weiss

City Attorney
John Mullen

The adjourned meeting of the Oceanside City Council was called to order at 4:03 PM, Tuesday, September 27, 2011. The Pledge of Allegiance was led by Assistant City Clerk Trobaugh.

ROLL CALL

Present were Mayor Wood, Deputy Mayor Sanchez and Councilmembers Feller, Felien and Kern. Also present were City Manager Weiss and Assistant City Clerk Trobaugh.

WORKSHOP ITEMS

1. **Presentation of Structural Deficit Reduction Plan, approval of two professional services agreements, approval of a budget appropriation, and authorization for the City Manager to execute the two agreements**

PETER WEISS, City Manager, stated we're here to go over a correction plan to address the City's ongoing structural deficit, as directed by the Council for us to come back by October. The City's projected expenses are greater than our projected revenues and have been for the last several years. Several years ago, as part of the budget process, we were looking at about a $6,500,000 reduction. At that time, staff had recommended a $10,000,000 cut to try to address the ongoing reductions. Council reduced the budget by $6,500,000 and also restored an additional $1,000,000 in services. That, over the years, resulted in the City looking at year-to-year reductions in our budget, and those decisions were based on the Council's direction to look at a structured reduction where the various services and programs that the City was offering would be reduced on a structured basis with the goal being to not eliminate any one of those.

As part of this last budget approval process, the Council directed that the City come back and provide you the opportunity to address and correct the ongoing structural deficit. At this point, given our ongoing retirement and health benefit

increases along with other increases due to contracted pay and benefits, we're looking at about a $2,000,000 - $2,500,000 a year deficit moving forward. We're also seeing some slight increases in revenues which are accounting from those numbers.

As we've discussed with Council before, there are 3 basic ways to look at the ongoing structural deficit. We can shift the future cost increases from the City to the employees; we can look at the wholesale elimination of programs; or a $4,500,000 one-time reduction in costs.

In regards to shifting future cost increases from the City to employees, any of those do require an agreement with the various bargaining units. We did just recently enter into contracts with several of those bargaining units. All of the bargaining units, with one exception at this point, have provisions in place where they will be paying the full cost of the employee share of their PERS, and the Fire Association and unrepresented employees are on the hook for all future increases of their health benefits. All of the other bargaining units, although they are paying their full PERS, the future increases to PERS and health benefits are going to be shared by the City and the employee. Once the employees pay the employee share – for miscellaneous employees it's 8% and for public safety it's 9% – and unless the bargaining units agree to pay more, the City cannot require any further contributions.

The other option that was discussed in a previous workshop several months ago was the wholesale elimination of programs. That is still an option. It is not presented, nor will there be much discussion about it today, based on Council's direction at that time to not look at wholesale elimination, i.e. parks and recreation, libraries, etc. A graphic was used to show the shift of the future cost increases and the wholesale elimination of programs where we would be providing basic services only. Council's prior direction was to not wholesale eliminate those programs. Should Council wish to change that direction, we could look at that.

That leaves us with a $4,500,000 one-time reduction in costs. If you take a one-time reduction of $4,500,000, it would address your deficit through 2015-2016, which is the basis by which we are using our forecast. That forecast is based on the January, 2010, financial forecast that we had prepared. At this time, taking $4,500,000 out of the City's budget will impact public safety programs and services.

The Council also directed us to commission an overall study, which was done by PFM. They identified 16 initiatives and findings, and those have all been addressed specifically in Council's report. They recommend outsourcing a number of City services to the private sector. Staff did an assessment of those cost-savings, and in the non-public safety General Fund savings, we are estimating to be in the $300,000 - $500,000 range. You have limited savings in non-public safety programs moving forward. There were a number of other suggestions and initiatives that we are still looking at. We have limited capacity anymore in the non-public safety programs. In fact, at this point, in regards to your discretionary General Fund, public safety costs are approximately 70% of the City's total General Fund spending.

He used a graphic to show the City's primary tax receipts and expenditures. Regardless of where you're going, if your goal is to correct the structural deficit and take $4,500,000 out of the organization, you have limited capacity in the non-public safety programs.

In looking at some other opportunities in addition to the PFM study, because to take $4,500,000 out as we've identified you possibly have only $500,000 in non-public safety programs. You have the opportunity, and it was recommended in the PFM study, although we think their numbers may be a little high, to privatize ambulance services. In order to get to the $4,500,000 you would still need to look at additional reductions. One option would be to look at consolidating fire stations and reducing fire staffing during non-peak hours. In the absence of a detailed statistical assessment and

deployment study, these are just estimates at this point. As part of the recommendation, should Council wish to pursue the reductions, we would be recommending that we actually commission a deployment study and statistical analysis of fire calls for service and look at options in regards to how to staff and deploy our resources.

The other option that was presented in the PFM study would be to contract our police services to the San Diego County Sheriff's Department. Looking at the comparison data, that would be a savings of approximately $10,000,000 per year. That study did not look at any type of service comparisons, it was just a gross analysis of true costs.

The first question is whether you want to pursue the development implementation of a structural deficit correction plan, which would be looking at taking $4,500,000 out of the organization over this next budget year. If so, we would recommend that we contract with PFM to initiate the RFP's for outsourcing City services, the ones that are identified in the staff report; Council approve a contract with Tri-Data for statistical assessment of fire services to identify potential cost savings and alternate deployment options; and we need some direction in regards to whether they want to outsource the police services to the San Diego County Sheriff's Department.

Public input

JIMMY KNOTT, 127 Sherri Lane, stated that the *Los Angeles Times* reported what the salaries and benefits are for all Councils throughout the State and also made recommendations as to what the appropriate salaries should be. They found that Oceanside's City Council is receiving $3,220 too much in pay and Council also receives a huge amount of health care benefits, way beyond what should be acceptable. Of the 400 cities that were reported on, Oceanside is in the top 38. There were 38 cities at the bottom of the list that had chosen to receive zero salary or benefits because of the budgets. He would like to see Council and all City employees take at least a 10% cut. That way there is no cut in services or staffing, and it saves money.

JOAN BRUBAKER, 1606 Hackamore Road, hopes that, even though the people on the dais aren't necessarily listening to what's said here, some in the audience here or listening at home will listen because they need to think of the things that are said at these meetings when they go to the ballot box. That's where decisions are made that form your government. It's difficult to encompass the idea of cutting so many services when not too long ago the Council worked feverishly to eliminate a couple of programs that were producing some income; it wasn't millions, but one was only in its infancy and might have improved if given the proper time.

Regarding outsourcing the police to the Sheriff's Department, she'd think twice about this. If you look at the newspaper, you'll notice that Baca and his group are already involved in 3 investigations, one with the FBI. This is very questionable.

Some suggestions have been made by Fire Department personnel, but for some reason they didn't receive much of an audience, nor were they listened to. She suggested that, if suggestions are made for reductions in pay or benefit and the conditions of the contract can be altered, Council should listen with an open ear. She hates to think about outsourcing these safety things and consolidating fire stations. She has never known of an off-peak hour at the Fire Department. Oceanside has improved its image, and she would like to see that stay.

She would also ask that no more money be spent on studying how we can save money. We can save money by not spending it in the first place.

NADINE SCOTT, 550 Hoover Street, stated we don't want the Sheriff's Department, we don't want to lose our paramedics and we don't want an ambulance

service. Ambulance services give you zero medical care. One of these days all of us are going to be in need of medical attention, and we're going to want those paramedics at our house immediately. We don't want to close fire stations. We did a study not long ago that said we need more fire stations. It was specific, done by experts and paid for by the City. We have cooperative agreements with cities that all have paramedics. Not having paramedics would probably be a breach with them, and they will no longer come to Oceanside.

Spending money on more consultants is ridiculous; we've already done that 2 or 3 times. The City Manager needs to serve the people of Oceanside and not the 3 right-wing conservative Councilmembers who are ruining our City. When is the war on police and fire going to stop? It will have to be at the ballot box. We are not in favor of any of these ideas regarding police and fire.

DONNA McGINTY, 2405 Mesa Drive, sees in the budget apparatus how old the bonds and structural issues that deal with long-term indebtedness are; they have to be paid and paid on time. There is a lot of expense involved in that. It's one of those discussions that isn't held. People have no idea how deep that indebtedness goes, how it affects what goes on here and what you're left with to make decisions about.

She remembers a time when we had privatized ambulance service in the past, and they did a pretty good job. That should be looked at again. The Police and Fire Departments have accepted that they're going to have to start paying a fair share of their own pension plans, and that's a tremendous amount of money. She doesn't envy Council in having to do any of this.

NELDA BRINDLEY, 1329 Dubuque Street, lives at the end of the street right next to the canyon. Almost on a daily basis we see 7 or 8 people congregating who are obviously dealing drugs. Without our Police Department she doesn't know what we would do. When we call them they're right there, and when the police are patrolling, these people disappear. We need them for our safety and our protection, and she hopes Council will consider that.

MARIA RUSSELL, 1323 Lemon Street, is President of the Eastside Neighborhood Association and a resident of Eastside for the past 10 years. Since 2008 when our economy collapsed and our lives changed, we've all had to learn to adjust and stretch our budgets, but certain things in life you can't really cut like food, water, shelter and public safety. Safety is a basic need and is fundamental to our community. Our neighborhood consists of about 300 households, about 1,500 to 2,000 people. In the past 4 months we've experienced 2 homicides, and the gang activity has increased. Also, cuts have really crippled our programs for our at-risk youth, and we have problems now redirecting them. As a community, we are organizing our neighborhood watch to empower the residents, and our community police team has really helped. She would hate for all of the cuts to mean those people leave us. She urged Council to exercise their better judgment so all of our citizens feel safe in our community.

TIM BROOM, 1429 Papin Street, moved here recently from Long Beach where the police and fire departments were cut. They had riots in the 1990's and would call the police, and no one showed up. History shows us that scorched earth policies do not work. He's lived in many places and finds that the Oceanside Police Department is the best police department around. When he calls them, they come to his house very quickly, and the problem goes away. We're trying to get a community watch set up in the Eastside neighborhood to make it a nice place to live. He read that the small business fee was rolled back. If we're having budget problems, how can you roll those fees back? He urged Council to take a close look at how much the police and fire departments are benefitting residents.

CLINT RUSSELL, 1323 Lemon Street, understands that the City is under duress with the budget, and cuts have to be made. However, cutting the vital services to our

community would be unconscionable. Safety is paramount. He has a severely disabled child who requires 24/7 attention. If you were to cut the fire department, the response time would be a lot longer and would jeopardize the life of his son, along with seniors and other disabled people in the community. This is not going to work, and you will be destroying the quality of life here by doing this. He can't even imagine Council thinking about outsourcing our police department when they do such a good job.

CHARLYN DUVIC, 1329 Dubuque Street, saw on Fox News this morning that we have a drug war along the Texas border, where drug lords are trying to take over property on our side of the border. But that's not only in Texas; that's here as well, and our police department has been doing a fantastic job. This is the best police department she's ever worked with. The Eastside and the police department have been working closely together to keep the gang activity down. If we're complaining now about crime and problems, it's nothing compared to what we used to have. We want a better future for our citizens and we need to continue to make changes; we need that police department. If you pull that police department out, it's a green light and an open door for other influences to be in control. She urged Council to consider that. There's got to be a better way. If she were a police officer, she would rather take a temporary pay cut than lose her job.

CHUCK LOWERY, 812 Alberta Street, stated it is time for more budget cuts. There are the program cuts that harm Oceanside residents. You've already cut developer fees, which amount to millions of dollars in giveaways to your political cronies. You've cut housing programs for seniors, veterans and working families. You've eliminated City services for at-risk youth and to help stop gang activity. You're working to get rid of those bothersome mobile home parks. You warned them when you were running last year, but they didn't listen and they elected you. Now you want to get rid of our highly trained paramedics, who are also firefighters, and replace them with rental technicians. He's concerned that we won't have the best help when any of you have a heart attack.

You told us the City has no business operating public parks, and that makes a negative impression on people. If you want to shut down a fire station, he asked Council to close the ones in their neighborhoods; we want ours to stay open. You want to get rid of the entire police department patrol officers and replace them with rental cops. How will you explain that to voters when you run for re-election. You still want to spend money building the Melrose extension at a minimum cost of $30,000,000, and you want to hire more consultants to tell us how to spend more money.

He suggested the following steps to start saving money right now, including getting rid of your Council aides and reinstating developer fees. Don't spend money on your personal political operatives and stop buying new vehicles we won't use if you're going to shut down the police department.

He understands that you've made commitments to the Building Industry Association (BIA). They interviewed him when he was running for Council last year, and all they are interested in is taking money from the residents and putting it in their own pockets. Would you tell that small wealthy group of campaign donors that there is no money right now, or would you prefer to explain to 175,000 taxpayers that we can't afford police officers, paramedics, parks, swimming pools, street repairs, etc.? He asked Council to cut programs that do not harm the residents.

POLLY FUKUHARA, 520 South Ditmar Street, stated when she and her husband moved to San Diego 20 years ago, she wanted to move here, but her husband said Oceanside had a bad reputation. Ten years later they moved here because the City had turned around, and it felt safe here. In the last 18 months she's seen a lot of changes coming down the pike, a lot of them because of decisions that the Council majority has made where they are giving away money and cutting services that are impacting the City in a poor way.

She can't imagine giving up our City's police department. When she's called them, they always show up right away. She doesn't know if that would happen if we used the Sheriff's Department. They're spread thin and have a lot of internal problems. She's called the paramedics twice since she's been here, and they were right there and got her to the hospital in a timely manner. She can't imagine having to wait a longer time for hired EMT's coming in an ambulance from who-knows-where and paying a great deal more for that ride to the hospital because they're expensive. It's unbelievable that you would consider cutting the fire/paramedics and the police department.

SUZANNA RAY, 200 North El Camino Real #271, is speaking for herself and all persons of her general age. We are at risk, and the response of our public safety is paramount in what we consider. We have a good alternative that was presented by Jimmy Knott and that ought to have some serious consideration. She would like to see a little bit of sacrifice by everybody. Once we lose our paramedic structure and our police department, we will never get them back. She does not want to lose that and most of the people here have said that. Do not be penny-wise and pound-foolish.

DANA CORSO, representing ACTION 4 Oceanside, stated in the past 9 months we've seen no improvements for the citizens and taxpayers of Oceanside. In fact, it's the opposite. You tripled our boating fees at our harbor; you cut our parks, pools, libraries and senior programs; you lowered the building standards while raising building heights; and you reversed a unanimous decision by our Planning Commission that will ultimately cost the taxpayers millions of dollars, will destroy part of Guajome Park and take the homes of 14 residents to put 35,000 cars a day next to the only equestrian development in Oceanside. Our own Traffic Engineer said it would only benefit traffic by seconds. You are now challenging all of our seniors and veterans with vacancy decontrol and trying to destroy our water by placing the Gregory Landfill next to our river, which the entire Utilities Commission voted against. At the same time, you cut the developer fees and voted to subsidize building. The things you have done only benefit the builders and the special interest groups who don't even live in Oceanside.

Now it's public safety, our police and fire officials. No matter what, our safety should be first. By cutting these departments you are not only putting the citizens at risk, but you're putting our police and fire officials at risk. Our research shows that in 1992 the fire department had 32 fire personnel with about 128,000 residents to handle 8,000 calls. The fire department call volume now is 18,000 calls per year with about 180,000 residents, and we are still equipped with only 32 fire personnel. This is ridiculous. EMT's are trained in 3 months to change bandages and address broken bones: basic support. The paramedics are trained for a year, licensed by the State and able to handle advanced life support. They can administer advanced medications and deal with internal organs.

We have a lot of seniors and a lot of people who are getting sick of the decisions being made by our Council majority. You are supposed to be representing the taxpaying citizens, your constituents. This is not happening. ACTION researched the last year from January of 2010 until now, and the City has spent close to $2,000,000 in studies and consulting, which could be cut. We do not need to outsource anything. We have enough qualified people working for the City to handle this. Let's not cut our public safety. We need them first and foremost.

SHEILA KADAH, 5301 Village Drive, has lived all over the United States, and Oceanside's paramedics are fantastic. She's called the police, and they were there in a minute. Council needs to understand that if you get rid of the police force, crime will increase, as will lawsuits against the City. When the paramedics don't come and somebody dies when they shouldn't have, people will sue, and there are going to be a lot of people ready to come after the City. The smart thing to do is keep the police and fire departments here in Oceanside.

Public input concluded

DEPUTY MAYOR SANCHEZ stated this was at the request of a majority vote that staff was directed to bring this forward, above and beyond what we've been doing in terms of our budget. She feels like she is along for a horrible ride here because it does not make sense to her that we're even here talking about this or have spent the money on this study.

The PFM study is grossly inaccurate. She spoke to several directors, and they were not even talked to about their departments. Numbers were used that were maybe 10 years old and did not take into consideration any of the cuts that we've had these last few years. She had asked the City Manager why we had such an inaccurate report that was actually sent out publicly. Apparently we had done an RFP for an efficiency study of the Water Department, but that got trailed. So when we came forward with this, we just expanded on the work with PFM. Unfortunately, the principals of PFM had changed. All of the people that we had been working with initially were now gone, and we had a lot of junior people who probably had very little experience doing any of this. That explains this inaccurate report.

There are some places where they talked about the number of individuals, i.e. in the Parks Department, and that was absolutely not correct. Community Services includes the Housing and Parks & Recreation Departments, and they somehow had changed the numbers. Housing is mostly not funded by the General Fund. PFM interchanged the numbers so it looked like we had a lot more people working in the Parks & Recreation Department, when in fact we have very few people. We have a lot less people; we've closed parks and the swimming pool; and we've had serious cuts, including tantamount to closing one of our two libraries because we've basically cut the hours to keep both of them open. Now it's like only one full-time library instead of two like we've had before.

So what's before us is still a very inaccurate report. What the report is suggesting and what the majority on the Council have requested is what we would have to do to cut $4,000,000 today. That would be like going to a doctor and saying you have the sniffles, and he suggests cutting off your nose so you won't ever have sniffles again. What's before us today is something that we don't have to do, and the City Manager has basically indicated that we've been dealing with this from year to year just like every other city in terms of what comes in and what we pay out. We have never run on a deficit; we have never passed a budget that was not balanced.

In her first few years at City Hall, money was coming in more than we thought, and we'd have a bit of a surplus in the end. We'd put money away for those times when we wouldn't have enough money so we'd be able to use that money. There are some different policies that changed along the way, i.e. defining more strictly how or when that money is to be used, but as a Council and a City we have done a lot in the last 10 years to make our residents safer and insure the quality of life that our residents will survive in an emergency situation. We have struggled to maintain a certain quality of life because we know that whatever we provide in terms of the programs that we are able to fund for our youth comes back 10 times.

Today this is really about cutting public safety. She has lived here all of her life, and there are times she remembers hitting the ground because of shots being fired in her neighborhood. There have been dozens of people killed. We have been changing our image in the last 10 years. We know that in order to go forward and be the business-friendly community that we want to show ourselves as in order to attract tourism and businesses, we have to have a safe community. Otherwise businesses will come and go. She remembers having a police department that was not adequately trained and was not well paid. We would spend a lot of money training and they'd leave for other police departments in the region. We now have a pretty decent police department. She would rather hear from our Police Chief and the police department

how they feel they can address the coming times and not from the PFM study that is wholly inaccurate and wants to use us as their learning curve.

Regarding firefighters, we have not increased the number of personnel since we had about 120,000 people, and now we have 176,000. Earlier in the decade Council talked about how critical the response times were, which at that time were up to 15 minutes. We are a community that includes a lot of seniors, who are very active and help us through times like these with their volunteerism. They vote close to 100%. Why would we cut off emergency services to them? Contracting out has been experimented by the City a couple of times and did not work. Our firefighters double as paramedics. They are highly trained. They have offered to pay their share of PERS, and we are going to be negotiating that in the coming months. She is whollly against cutting our public safety.

Public safety is essential, like food and water. When someone has been victimized, it is important to have the case resolved as quickly as possible to bring their life back to where it was. We are a town who prides ourselves on our public safety and our military, with many of our police officers having served in the military. How can we do this?

The Council majority are telling the City Manager and staff that we need you to cut off an arm, and which arm is that going to be? We don't need to do that, but they still want staff to consider it. We're talking about saving lives and saving people from being victimized. She would prefer that we move back from this highly advanced position and direct staff to do what they have been doing all along, which is making sure that we are able to meet as much as possible the needs of our citizens within our means.

With respect to Mr. Knott's position that the Council is overpaid, when she first started it was $34,000, and it went down to $25,000. Plus we're paying our full PERS so that takes us down to $21,000. We have been taking up the cuts as everyone else has. If there are any other cuts that the City Manager proposes for the employees, we will also be having those cuts.

MAYOR WOOD stated this is an important issue, and we see it come up in other cities because of the economy. We've done a pretty good job as a City our size to get through this and have a balanced budget. We had to let go of some of our employees and services, but that's a decision made with Council's support. He hates to see any employees leave because they provide services to the public and because he knows them personally.

This issue was brought to the City Manager because of financial issues. We've always come up with a budget that's balanced. We've had to make some cuts, and there's nobody out there who doesn't understand what's going on nationwide with the economy. He hopes it turns around because a lot people are hurting. We're better off than most cities. Sometimes the Council spends too much time talking about things like vacancy decontrol, rent control and water sources. We should focus more attention on bringing businesses to Oceanside that will help pay to make the City run and bring more jobs.

The BIA came to see him asking what he can do for them, and he said we've approved over 30 major projects that haven't gone forward. If they went forward, that would be a lot of people in that industry working, and when those projects are finished that's a tax-based income for the City. We also know that the construction costs are down 30-40%, so it's a good time to build.

We're having this meeting because the City Manager was put on the spot to address this structural deficit. He had to bring it forward and in order to address it he had to make some recommendations on how to make that budgetary cut. He didn't

support the consultant or going forward on this. Our City Manager and staff have made budgets work forever. Instead of panicking people over ambulance or police coverage, we should just stay on course and address it year-by-year. He believes that was the City Manager's recommendation to try to do the best we can with what we have and move forward.

He got on the Council 10 years ago because he saw an image of Oceanside. He got tired of people saying Oceanside was a crime-ridden, military town where no one wanted to live. We have so many positive assets like the pier, harbor, beaches, airport and the Mission. It was one of the cheaper cities it live and buy in. Changing the image of Oceanside took police, fire and public safety. The crime is down between 35-40%. If those 30 projects that have been approved were being built right now, we'd be moving in a great direction. But nobody can get money to build anything; the banks aren't lending.

He made a recommendation a while back during the budget situation for how to come up with more money for the City by proposing a half-cent sales tax increase. We're the only city that didn't do it. Sales tax gets all the visitors paying, as well as the residents. He understands that nobody wants to touch that.

The last page of the staff report says we have to do certain things for the City Manager and asks if the Council wants to pursue development and implementation of a structural deficit correction plan. His answer is no, and he hopes the rest of the Council feels that way. We need to tell the City Manager to keep doing what he's been doing; we're not going to use the Sheriff's or cutting fire and police. There's no doubt that this Council and our employees are going to have to change certain things as we move forward on a yearly basis. We don't need to scare people. We've done a good job of getting through the budget. If this becomes mandatory and there's no other way, then we'll address it then.

He **moved** to not implement a structural deficit correction plan and to continue on our course.

DEPUTY MAYOR SANCHEZ seconded the motion.

[Recess was held from 5:11 PM to 5:22 PM]

COUNCILMEMBER KERN stated nobody plans to fail; they fail to plan. We're here today to plan to get out of our structural deficit. We need to figure out a way to close this gap over a period of time. We have a balanced budget for this year; nothing is going to happen immediately. But we do need to move forward and figure out how to address this. Otherwise, every year we're going to get to March and have a $2,000,000 deficit that we're going to have to close. He understands that everybody is very supportive of the police and fire department; so is he. But you cannot take 70% of your budget off the table and expect to balance the budget on the remaining 30%. We can close all of the parks, libraries and recreation centers and still not have enough money to cover our budget. He doesn't want to close Balderrama Recreation Center, but that's what we're looking at unless we get a handle on this deficit. All of the things that are quality of life, besides police and fire, are at risk if we do not do anything.

We cut one day a week from the library. If we don't do something this year, then next year it will be 2 days, and the year after that 3. Within 3-4 years we won't have a library service at all because we can't cover it. The economic indicators that came out of UCSD today show another decline last month, and the comment is that we're sitting on the precipice of a second recession. We need to get a handle on this today. We need to plan our way out of this. He can't support the Mayor's motion to not do anything. That's the worst thing to do. We need to get some numbers, facts and figures in front of us that we can make decisions on. Otherwise, we're going to get to our budget in March of next year and have to close a $2,000,000 gap. Where will that

come from?

There are people who want to make this political, but the $4,500,000 is not political. It's a real number, and we have to come up with some real answers. We are sitting as a board for a $350,000,000 corporation, with all of our fund balances. We have to make decisions based on the facts and not the emotion, based on what's best for the City as a whole, and not worry about the political ramifications. If we make this political and emotional, we will fail. He would like to move forward with those ideas and get the numbers in front of us.

Somebody suggested a 10% cut across the board. We can't do that without the cooperation of the bargaining units, and so far he has seen no bargaining unit come forward and say cut us 10%. Maybe after this meeting some of the bargaining units will get together and say that's not a bad idea to protect our jobs. If all of the bargaining units take a 10% cut, then he will too.

There are a lot of things that we can do better with. The janitorial service for the parks is $79,000. Currently we provide janitorial service at the City's 18 restrooms during the weekdays, but we contract out the weekends to outside contractors. We can go to outside contractors for every day of the week. He talked to the City Manager about our fleet maintenance costs because we have the highest fleet maintenance costs among California cities; we're actually double the per-vehicle cost of Chula Vista. Our fleet management financial administrative directives are 2 pages long. Our green fleet policy is 9 pages long. Maybe our priorities are a little misplaced here. He asked the City Manager to explain why our fleet service costs are so high.

CITY MANAGER WEISS responded the fleet budget includes approximately $3,700,000 for vehicle replacement, and there are cities that do not budget for the vehicle replacement within their fleet budget. If you took that out, we'd be near the bottom in regards to actual costs. One of the recommendations was to look at a pay-as-you-go system. He would recommend against that because you'd end up having a significant unfunded liability if you don't amortize. As you depreciate the vehicles, you collect that depreciation so you have an ability to pay for those vehicles rather than having to look at one-time funding for vehicles. For example, a quarter of the police vehicle fleet is replaced every year, so every 4 years they rotate the entire fleet. Non-public safety vehicles have already had their service life extended by 2 years, and many of them are up to a 12-14 year service life. Some of those changes have been made.

COUNCILMEMBER KERN stated one of the reasons that the staff doesn't want to touch utility billing is that we have a higher average number of walk-ins and phone customers than other cities. Why are we higher than average? Maybe with the new website we can address that.

There are little things that we can do. One thing is our tuition reimbursement policy. Last year we spent over $230,000 on tuition reimbursement, which is $40,000 over budget. San Diego caps their reimbursement at $700 per year; Carlsbad caps theirs at $2,500; Escondido did away with their tuition reimbursement; and Vista caps theirs at $800 per employee and caps total spending per bargaining unit. It's not much, but every little bit helps. We also need to take elected officials out of the tuition reimbursement program. No elected official should get tuition reimbursement. There is no benefit to the City if we get a higher degree because we're still Councilmembers; we're not going to advance any higher than this. Also, he doesn't know with our program how many years people are committed back to the City once they get a degree. If we pay for somebody's degree, how much time do they owe us before they can move on to something else, or is there a reimbursement program from the employee back to the City if they leave within a certain period of time.

Some of these things are nickel and dime things, but $230,000 is $230,000. We need to address every little bit because we are at that point in time where every nickel

is going to count. He would like to look at some of these things as part of the plan. Some of this is negotiated with the bargaining units so it's not something we can arbitrarily do, but it's something we can talk about. Maybe that's something that the bargaining units are willing to give up.

$4,500,000 is a big number, but he thinks we can reach it. The problem is we have squeezed everything out of the libraries and parks & recreation that we could squeeze. We can't keep squeezing out of them and ignore police and fire. He would like to go forward with the plan and get the statistical data so we can make an informed decision.

DEPUTY MAYOR SANCHEZ stated this is political, being here today rather than going through the normal process where the City Manager brings us recommendations with his staff about how we're going to meet each year's budget. Instead of doing that, we're here today talking about $4,500,000 now. That is political. It's going after public safety, and that needs to be clear here. Councilmember Kern has been talking about going after public safety for years. You don't like them and seem to have this focus on destroying our public safety organizations. Each and every year we are going to have different challenges. For example, we know that a number of people are continuing to work beyond the retirement age and time so that when we do have people who retire it will help.

She asked if, as we go forward on the next year's budget and those beyond, the City Manager would be making his best recommendation each and every time, providing the best possible services to our residents within our own means.

CITY MANAGER WEISS responded yes. That's been Council's direction to date, but we've been addressing them on a year-by-year basis and not necessarily looking forward for multiple years.

DEPUTY MAYOR SANCHEZ asked if that is what the City Manager is prepared to do for our next budget year ending in June.

CITY MANAGER WEISS responded the direction to come forward with the structural deficit correction happened as Council was adopting this current year's budget so that's what has changed. In your best practice, yes, that's how we would address it.

DEPUTY MAYOR SANCHEZ asked if, but for forcing us to be here today, the City Manager would be working on next year's budget.

CITY MANAGER WEISS responded that process wouldn't start until the beginning of January. The other change that Council had asked for is that we generally give Council a quarterly update. You also asked that those quarterly updates be presented at Council, so that may also result in changes throughout the year.

DEPUTY MAYOR SANCHEZ stated that is how we handle business here at the City, and she doubts that any other city is doing anything else other than what we are doing, except for this political action that is before us tonight. She doesn't think anyone on the Council is obtaining an education on the City's dime so she's not sure why that's coming up, but she would be fine eliminating that program for Councilmembers. She doesn't understand why we would give carte blanche power to these 3 people to cut public safety because of some fierce hate toward public safety. This will destroy our City, and we know that. We've been there and seen it – the homicides and crimes. Why would we want to do that to our residents? This is nothing but a philosophical bent on destroying lives.

COUNCILMEMBER FELIEN asked the City Manager for an explanation on the bar graph that compares the tax revenue and spending. As he understands it, we spend approximately 70% of our budget on police and fire, and yet the graph seems to show

we're spending about 95% on police and fire.

CITY MANAGER WEISS responded the graph that you have, which is part of your budget document, is just our tax revenues and does not include charges and fees for service. So of your total General Fund budget, which also includes revenues and departments who charge for services, it is about 70% of your discretionary budget if you take out the bond indebtedness and those types of things. For just tax revenues, which is the primary source of your General Fund discretionary budget, it's a little bit higher.

COUNCILMEMBER FELIEN stated about 4 years ago we had approximately $25,000,000 in unallocated reserve, and today it's less than $1,000,000. What happened to the $24,500,000?

CITY MANAGER WEISS responded as of today we're closer to zero. He doesn't recall that the unallocated was that high, but he could get that information. A lot of that money was used for one-time costs, such as the Senior Center and other one-time expenditures. Some of it has been allocated to operating budget overtime.

COUNCILMEMBER FELIEN asked if, in other words, it was used to cover deficit spending.

CITY MANAGER WEISS responded the answer would be yes if you're using that money to build things. Typically in our capital budget and for this money, as you build things, whether it's a skate park or anything else, you accumulate the money and then spend it. It was allocated for specific reasons, and some of it was used to offset budget deficits as in this past year. Council did allocate money from Fire Station 8 to balance the budget; you've used other one-time monies for when we had special and other elections. You have to use those funds for those one-time expenses. He's not aware that you've used the money for ongoing operating expenses.

COUNCILMEMBER FELIEN stated since Councilmember Kern started this process about a month ago, there were 2 major events that stick out in his mind. The first one is that the Federal Reserve just lowered its economic forecast for the next several years. That will eventually impact our City, especially in the revenue area, so it's unrealistic to forecast any revenue increases. That means our expected deficit will be probably closer to the $3,000,000 figure rather than the $2,000,000 figure. That should be factored into our forecasts.

The other issue that came up is CalPERS just created 2 discount rates, and there is no honest reason for 2 discount rates. That suggests that the wheels are coming off the cart, and we're likely to have very large expenses in that direction that we're not factoring in today. He asked the City Manager if the cost comparison you have in the study comparing City services to outside services is factoring the unfunded liability that's accruing every year from CalPERS.

CITY MANAGER WEISS responded no. Those are the budgeted costs within each department. A number of those, the unfunded liabilities based on CalPERS' smoothing rates, have been projected in out-years but are not included in that specific analysis.

COUNCILMEMBER FELIEN asked if in effect the cost comparison between outsourcing to the private sector and keeping City services performed by government employees would be even more dramatic since it doesn't include the unfunded liability. At some point CalPERS is going to be showing up with a bill for that unfunded liability, and it seems unrealistic to not factor that in as a projection of the true costs of what the difference is between outsourcing and keeping things internal. It also comes into play in comparing our police costs to the cost of the Sheriff's. He doesn't believe the Sheriff's retirement system has an unfunded liability that's accruing. Is anyone familiar with the Sheriff's retirement system?

CITY MANAGER WEISS does not personally know what the County's pension plan is.

COUNCILMEMBER FELIEN stated his experience with the police and fire departments in dealing with individual issues have been thoroughly professional, and everyone in the City has a right to be happy with the services that are being provided. But when the analysis shows the cost differential would be $10,000,000 between having the Sheriff's Department versus the City police department, that's at least worth crunching the numbers and getting a better explanation. If we keep the current cost structure, we're going to be suffering a death by 1,000 cuts. We need to have a different plan. This seems worth getting an apples-to-apples comparison of what the Sheriff's Department would charge for a similar level of staffing that we have with the police department so we can see what the difference is.

He commends Councilmember Kern for bringing this issue up so that we have time for the City, residents and employees to decide what direction we want to go. It's important that these issues be tackled now. Ultimately maybe some of them are going to be resolved in an election, and that's perfectly appropriate. That's how democracy works. But sticking our head in the sand and pretending this problem doesn't exist isn't leadership.

He resents the attack on the professionalism of the Sheriff's Department and is disgusted to hear Deputy Mayor Sanchez say this is motivated out of some kind of hatred for our public safety personnel. These claims don't represent the kind of leadership we need to get us through these difficult economic times. All we're trying to do today is lay the ground work to get information to solve a budget problem. The more lead time we have to tackle this, the more time citizens have to provide feedback and say what direction they want to go. The City is better off for that process, and it's worth moving ahead today to start that process.

One of the recommendations in the City Manager's report dealt with reducing fire staffing during non-peak hours. Is that possible within the current contract to have a minimum staffing level guarantee or is this projecting toward the future and factoring that into a possible renegotiated contract.

CITY MANAGER WEISS responded at this point you could not implement any of those changes. We don't know what the actual reductions would be, but the current Memorandum of Understanding (MOU) has a minimum staffing provision in it. That would need to be changed to make any changes.

COUNCILMEMBER FELIEN stated the other issue is the 70% we spend on public safety as a percentage of our budget. How does that compare to surrounding communities?

CITY MANAGER WEISS responded it's difficult to say because you do have a number of our surrounding communities using the Sheriff's Department. Ours is slightly higher than Carlsbad. We can get Council a comprehensive report that SANDAG had put out. 70% is creeping to the point where it's a problem. Mid-60's is generally where most cities like to be.

COUNCILMEMBER FELIEN thinks it's important that the citizens know how Oceanside compares to surrounding communities as far as tackling these issues. On page 5 of the report you were comparing, in general terms, the costs that we pay for staffing for similar positions, and it shows that Oceanside pays far more than any of the surrounding communities. Simple math says that if we're going to pay more on a per-unit basis, we're going to have less to go around for total service. We're going to need to tackle that issue. Unless someone can explain what justifies those differentials, that's part of the death by 1,000 cuts that we're going through year after year.

Since he's in favor of moving ahead and tackling these numbers and getting information, he is against the Mayor's motion.

COUNCILMEMBER FELLER appreciates being called a right-wing conservative. We heard about millions in developer fees that we've given away. He asked if we've eliminated any developer fees.

GEORGE BUELL, Development Services Director, responded we initiated a program where developers can request a deferral of their impact fees. If they meet certain criteria, then that would be granted.

COUNCILMEMBER FELLER clarified that we haven't eliminated them; they're just deferred to a point in time in their project's process.

MR. BUELL responded that's correct.

COUNCILMEMBER FELLER asked if we have recently increased fees for some of the services that Development Services is offering.

MR. BUELL responded yes. Back in the spring, Council authorized an adjustment to development-related fees to bring our revenue closer in line with our expenditures. A number of fees were increased; some remained the same and some were decreased. In large part, they were increased.

COUNCILMEMBER FELLER asked if Development Services offers a free service to the community.

MR. BUELL responded there are a number of things that we provide to the public at no cost. If somebody calls and asks a question about adding on a room to their house, we will tell them over the phone what their setbacks are, how close the new building can come to the property line, how high the building can go and other development standards like that are provided at no cost over the phone, through email or over the counter.

COUNCILMEMBER FELLER asked if there are a number of walk-ins who want to know what's going on in their neighborhoods and come in to ask questions.

MR. BUELL responded yes. Council might remember that an investment was made in a development tracking system. People who are familiar with our web site can go on line and see the permits that have been pulled and the type of activity that's happening in their neighborhood. We're striving to work more efficiently through the implementation of technology that makes sense.

COUNCILMEMBER FELLER asked how much Development Services has cut over the last 3 years.

MR. BUELL responded in terms of our staff, we have reduced around 35%. In terms of dollars, he doesn't have that number with him right now.

COUNCILMEMBER FELLER heard a question from Donna McGinty about the bonds and the payoff on buildings, etc. Could we get a memo or an explanation of where they can be found on our computers?

CITY MANAGER WEISS responded a listing of all of your different bonds and indebtedness is included in the budget document, which is available on line. We can get Council a memo as well, outlining them all.

COUNCILMEMBER FELLER responded that would be great. He stated the

stimulus money is a reward for giving money to the federal government and them giving us back some of that. It's not really newfound money. We are $3,700,000 out of whack already for next year, assuming we use the $1,700,000 out of the Waste Management contract.

Other than Jimmy Knott, no one stood up here and said what we should do to solve this problem. He'll go along with 10% as long as everybody else does. Councilmembers are making 25% less than they were making when they came on Council, and we are paying for our PERS. As far as legislative aides, let's get rid of them all and have the City Manager hire a secretary for all of us.

The reason the 30 projects throughout the City weren't developed is because it didn't fit the window in our development process. There's been an oceanfront hotel planned since he came to town in 1987. When you allow environmental overkill, you end up with nothing, and that's what we've done.

We're scolded when we balance the budget, and we're scolded when we try to balance the budget. Deputy Mayor Sanchez and Mayor Wood did not vote for a balanced budget the last time. They shouldn't be talking about balancing the budget unless they actually want to do that.

We're the 22nd largest City in the State, so Councilmembers do make a reasonable dollar amount for the work we do. The 38 bottom cities in the State that don't have any pay for their Councilmembers probably have a population of 5,000 – 6,000.

We've heard a lot of fear and hate lately and references to the Holocaust, and that's just theatrics and drama.

He's not going to just do nothing so he will be voting against this. He definitely thinks we need to come back with a solution. How can we be the 22nd largest City in the State and not have our own police force? He doesn't imagine any of the cities above us don't have their own police force. We definitely have to consider how we provide fire service. It appears the Fire Department heard us when we asked why the trucks were driving along The Strand and why do they have time for that. Things need to be evaluated, so he's willing to give the City Manager to the opportunity to look at the things that are important to many of the speakers here.

He asked the City Treasurer for his take on when we might see the end of this recession or if we're right on the bubble of another recession.

CITY TREASURER ERNST responded we may technically not be in a recession; we've been hovering in or out of one for a while now. The probability is that we're going to remain in this position of relative uncertainty and financial fear at least through the end of next year. The federal government is trying to do their best to encourage home lending by lowering rates, but rates are already low. It's a matter of not being able to qualify for loans and the fear is having real estate come down even further. This is compounded by a lack of higher-paying jobs; its employment driven. We are in a quagmire economically, both locally and nationally. Europe is even worse. He doesn't see any real way out of this difficult position for at least a couple of years. That's just his personal opinion.

COUNCILMEMBER FELLER thinks that is an important perspective from someone who looks at those numbers every day. It's nice to have all of the things that everybody wants to have: the recreation centers, parks & recreation programs, swimming programs, etc., but we need to be able to pay for them. He guarantees the City Manager will take any suggestions you have. We've heard a 10% pay cut and cutting out legislative aides, and those are some real numbers. There has to be real suggestions here to make this work. He hopes the public realizes that this is a long-

term problem, and it will not go away.

DEPUTY MAYOR SANCHEZ stated in terms of her vote for the budget, she voted against it because she did not want to have the public safety programs cut or the swimming pool. She did propose how we could afford to do it within our means. She was prepared to vote for a balanced budget, and she always supports that. The law for general law cities says you cannot have a budget with a deficit.

Some of this is artificial doom and gloom. We have been in this economic situation like other cities have, and we don't see other cities doing this. She went to the League of California Cities conference, and a lot of cities are being very aggressive about economic development. Several sessions that she went to and several cities that she talked to, talked about how they are increasing the quality of life of their citizens by being very aggressive about going after businesses. There are other cities in California that are actually doing pretty well. If it weren't for this economic situation they could be doing better, of course. However, our policies have not been about bringing jobs to Oceanside. The Mayor and she have been in the minority about doing that. We've been talking about economic development, and yet we keep getting brought down because of this greater effort to bring more residential, which does not pay for the services that they create. So, residential development is not the answer. The answer is bringing jobs and economic development to Oceanside. We need to develop our Oceanside Boulevard commercial area. We've been talking about that, and we should continue to do that and be more aggressive about it. She brought back some materials, some suggestions from other cities on how they are able to do exactly what we should be doing.

MAYOR WOOD asked if the $1,700,000 we get from Waste Management every year is included in this budgetary shortfall.

CITY MANAGER WEISS responded it's included as a revenue going forward.

MAYOR WOOD recalled the efforts he and Deputy Mayor Sanchez made to put together the Waste Management contract where the City got $38,000,000 worth of services and money from Waste Management, and it was called a tax on all of Oceanside. If not for that, we'd be looking at a $6,100,000 budget in the hole instead of $4,600,000.

Not very many cities around the United States have a situation where 40,000 – 60,000 young men and women from the military come into our City and increase the activities needed in public safety. That's not factored in, and that's why we're an expensive city, pushing it up to 70% for public safety. We have to take into account a large number of people coming into our City, particularly on the weekends. There are quite a few things that haven't been answered. He's not interested in sending a message to these service providers that the Council doesn't care and we would outsource them because it's cheaper. It doesn't motivate people who have provided the best possible services to feel like they aren't supported. He worries about that.

This vote isn't necessary. He made a motion that is going to fail, and we'll have the City Manager try to do another budget in the middle of a budget year, which is not necessary. He's been on the Council for 10 years and has been on the voting majority for only 6 months of that time, so if they aren't happy with the way things are going they've been the ones in charge.

Motion failed 2-3; Councilmembers Kern, Felien and Feller – no.

COUNCILMEMBER KERN thinks we ought to start getting some numbers so we can make a decision by March or April of next year when we go into our budget cycle. He doesn't think we're ready to move forward with RFPs at this point, but he would like to approve a professional services agreement with TriData to complete the statistical assessment of the City's fire services and to identify and recommend potential

savings. That's the next step that will give us some information. As far as the other 'next steps', we need to go back and work within our own departments as far as what our true costs of fleet services, recreational custodial services and street maintenance are. We can do that internally, we don't need to get a consultant to tell us how we do things internally.

He **moved** to approve a professional services agreement with TriData to complete the statistical assessment of the City's fire services and to identify and recommend potential savings.

COUNCILMEMBER FELIEN seconded the motion.

DEPUTY MAYOR SANCHEZ feels this was all about going after the Fire Department. Our residents will suffer from this. They are not going to take this lying down. She is absolutely against this. There was a speaker from Rancho Santa Fe at the California League of Cities conference who talked about trying to get all of that done in terms of dispatch and cutting down the times. Saving lives that way saves costs to the community in terms of emergency services. This is wrong. This was about going after the Fire Department because the 3 majority Councilmembers were not supported by the Fire Department.

COUNCILMEMBER FELLER asked for an explanation as to the need for TriData's statistical assessment.

CITY MANAGER WEISS responded that in looking at cost savings, particularly within the fire organization, we looked at cities in California that have done a similar procurement process. The City of Palo Alto just went through one of these studies. It looks at a statistical analysis of all of your different service calls and alternate ways of deploying those resources. What's been presented to Council are just options that other cities have used. He does not know if, once they complete that study, it would result in the same type of changes, but those are options that other cities have looked at and have implemented.

COUNCILMEMBER FELLER asked how much the RFP's for City services are for these 2 different things.

CITY MANAGER WEISS responded the TriData is around $71,000 and the one with PFM was $55,000. We do still have some capacity to use PFM, particularly with Fleet; that's a significant one. The other ones he thinks we can look at service comparisons to see what we can or can't do, because departments are doing that anyway. There were only 16 initiatives and findings, but within that PFM study there were a number of other options that we're looking at. Regarding the fire one, he doesn't believe we have any ability internally to do a statistical assessment like that.

COUNCILMEMBER FELLER asked when this assessment will be back.

CITY MANAGER WEISS responded our goal is to have everything done by the end of January or February.

COUNCILMEMBER FELIEN asked the City Manager if the study is impacted by whether or not we outsource the ambulance service or keep that in-house.

CITY MANAGER WEISS responded no.

MAYOR WOOD is disappointed in what happened tonight in the last few minutes. They've already told you that 70% of the budget is public safety, and the cuts would have to be there. That concerns him a lot. If we start cutting the fire department or outsourcing, we lose our boundary drop for other adjacent cities who will send the closest unit to your medical aid. This heavily impacts public safety, and he's

disappointed because he's proud of our public safety first responders. This sends a negative message to our citizens and the employees who provide these services.

Motion was approved 3-2; Mayor Wood and Deputy Mayor Sanchez – no.

PUBLIC COMMUNICATIONS ON OFF-AGENDA ITEMS

No action will be taken by the City Council/HDB/CDC on matters in this category unless it is determined that an emergency exists or that there is a need to take action that became known subsequent to the posting of the agenda.

Advance written request to reserve time to speak: None

2. **Communications from the public regarding items not on this agenda** - None

ADJOURNMENT

MAYOR WOOD adjourned this adjourned meeting at 6:19 PM on Tuesday, September 27, 2011. [The next regularly scheduled meeting is Wednesday, September 28, 2011, at 2:00 PM].

ACCEPTED BY COUNCIL:

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Barbara Riegel Wayne
City Clerk, City of Oceanside