

November 30, 2011

Joint Meeting Minutes
Council, HDB, CDC and OPFA

Present were Mayor Wood and Councilmembers Kern, Feller and Felien. Deputy Mayor Sanchez arrived at 2:08 PM. Also present were Assistant City Clerk Trobaugh, City Manager Weiss and City Attorney Mullen.

City Attorney Mullen titled the following items to be heard in Closed Session: Items 2A), 2B), 2C), 2D) and 2E). [Item 1 was not heard]

[Closed Session and recess were held from 2:02 PM to 4:04 PM]

CITY COUNCIL, HDB, AND CDC CLOSED SESSION ITEMS

Closed Session to discuss litigation, property acquisition, labor relations and personnel matters

1. **[CONFERENCE WITH LABOR NEGOTIATOR ON STATUS OF NEGOTIATIONS PREVIOUSLY AUTHORIZED IN OPEN SESSION (SECTION 54957.6)]**

CONFERENCE WITH LABOR NEGOTIATOR – Negotiator: City Manager; employee organizations: Oceanside Police Officers' Association (OPOA), Oceanside Firefighters' Association (OFA), Oceanside Police Management Association (OPMA), Management Employees of the City of Oceanside (MECO), Oceanside City Employees' Association (OCEA), Oceanside Fire Management Association (OFMA), Western Council of Engineers (WCE), and Unrepresented]

No closed session held

2. **LITIGATION OR OTHER ADVERSARY PROCEEDING (E.G., ADMINISTRATIVE HEARING, ARBITRATION) (SECTION 54956.9)**

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (SECTION 54956.9(a))

A) Larson v. AMSI Corporation, et al. Superior Court Case No. 37-2011-00055541-CU-BC-NC

Item discussed; no reportable action

B) Bay City Equipment Industries v. AMSI Corporation, et al. Superior Court Case No. 37-2011-00057381-CU-BC-NC

Item discussed; no reportable action

C) Dunex v. City of Oceanside. Superior Court Case No. 37-2010-00061745-CU-EI-NC

Item discussed; no reportable action

D) Dunex, Inc. et al. v. City of Oceanside, et al. U.S. District Court Case No. 10 cv 1478 JLS CAB

Item discussed; no reportable action

E) Garcia v. City of Oceanside, et al. Superior Court Case No. 37-2011-00101110-CU-WT-CTL

Item discussed; no reportable action

4:00 PM – ROLL CALL

MAYOR WOOD reconvened the meeting at 4:04 PM. Present were Mayor Wood, Deputy Mayor Sanchez and Councilmembers Feller, Kern and Felien. Also present were Assistant City Clerk Trobaugh, City Manager Weiss and City Attorney Mullen.

CONSENT CALENDAR ITEMS [Items 3-4, 6-7, 9-12]

The items listed on the Consent Calendar may be enacted by a single vote. There will be no separate discussion of any Consent Calendar items unless requested by members of the Council/HDB/CDC or the public through submittal of a Request to Speak form prior to the commencement of this agenda item.

ASSISTANT CITY CLERK TROBAUGH announced that Items 5 and 8 have been removed from the Consent Calendar for discussion by the public.

The following Consent Calendar items were submitted for approval:

3. City Council/Harbor/CDC/OPFA: Acceptance of Joint Minutes of the Small Craft Harbor District Board of Directors, Community Development Commission and City Council of September 27, 2011, 4pm Adjourned Meeting
4. City Council/Harbor/CDC/OPFA: Approval to waive reading of the text of all ordinances and resolutions considered at this meeting and provide that ordinances shall be introduced after a reading only of the title(s)
5. **Removed from Consent Calendar for discussion – Public**
6. City Council: Approval of a professional services agreement [**Document No. 11-D0746-1**] with Sancon Engineering of Huntington Beach in an amount not to exceed \$51,947, for the application of a coating to a secondary clarifier at the San Luis Rey Wastewater Treatment Plant; and authorization for the City Manager to execute the agreement
7. City Council: Approval of a professional services agreement [**Document No. 11-D0747-1**] with Carollo Engineers, Inc., of Oceanside in the amount of \$19,110 for the San Luis Rey Wastewater Treatment Plant Digester Cleaning and Repair Design Services, and authorization for the City Manager to execute the agreement
8. **Removed from Consent Calendar for discussion – Public**
9. City Council: Approval of a budget appropriation in the amount of \$300,000 from the Unassigned Gas Tax Fund Balance to the Street and Median Maintenance Fund for concrete repair contract services
10. City Council: Acceptance of the improvements constructed by American Industrial Services for the construction of the Well Head Facility for Wells 10 & 11 Project, and authorization for the City Clerk to file the Notice of Completion [**Document No. 11-D0749-1**] with the San Diego County Recorder
11. City Council: Acceptance of the improvements constructed by Flatiron (formerly FCI Constructors, Inc.) of San Marcos for the Pacific Street Bridge project, and authorization for the City Clerk to file a Notice of Completion [**Document No. 11-D0750-1**] with the San Diego County Recorder
12. City Council: Adoption of **Resolution No. 11-R0751-1**, "...authorizing acceptance of \$1,512.57 from the U.S. Department of Justice Bureau of Justice Assistance Bulletproof Vest Partnership Program FY 2011" awarded to the City of Oceanside; appropriating the funds to the Police Department; and authorizing the City Manager, or designee, to execute all related documents

COUNCILMEMBER FELIEN moved approval of the balance of the Consent Calendar [Items 3, 4, 6, 7, and 9-12].

COUNCILMEMBER KERN seconded the motion.

Motion was approved 5-0.

Items removed from Consent Calendar for discussion

5. **City Council: Approval of Amendment 2 in an amount not to exceed \$4,414,978 to the professional services agreement with Terra Renewal of Garden Grove (formerly Solid Solutions) for the hauling of biosolids from the San Luis Rey and La Salina Wastewater Treatment Plants to permitted land application sites in Arizona, extending the term of the agreement from December 2011 to December 2016; and authorization for the City Manager to execute the amendment**

JIMMY KNOTT, 127 Sherri Lane, sits on the Utilities Commission and wanted to explain that he voted no on this because he felt the contract was a little bit too long. He wanted to make sure that if new technologies come up, we are able to opt out of this contract to take advantage of those.

COUNCILMEMBER FELLER moved approval [of Amendment 2 [Document No. 11-D0745-1] in an amount not to exceed \$4,414,978 to the professional services agreement with Terra Renewal of Garden Grove (formerly Solid Solutions) for the hauling of biosolids from the San Luis Rey and La Salina Wastewater Treatment Plants to permitted land application sites in Arizona, extending the term of the agreement from December 2011 to December 2016; and authorization for the City Manager to execute the amendment].

COUNCILMEMBER FELIEN seconded the motion.

DEPUTY MAYOR SANCHEZ had asked that staff be prepared to do a brief presentation on this, since we are talking about \$4,400,000 over 5 years and it is an issue for ratepayers. We had a subcommittee look at this a couple of years ago in terms of whether there were any other alternatives. She asked staff if we should reformulate a subcommittee and continue to look into potential alternatives.

GREG BLAKELY, Water Utilities Division Manager, stated this is the second amendment to the existing contract approved back in 2002. This is for less money per wet ton than the existing and previous contract. The 5-year extension is pretty much a standard extension. He was not part of the negotiating team, but in looking at it, it does not seem out of line to him.

One of the things that we probably could do, if we go from a Class B to a Class A sludge, we can opt out after 3 years. We can also look at other technologies. Perhaps we could make this part of the Commission's work plan, something we could address and research. There are a lot of different technologies out there, but none of them are really proven at this time.

DEPUTY MAYOR SANCHEZ asked if, since this is a 5-year contract, this is the last of the extensions.

MR. BLAKELY can't answer that question. He would think that in 5 years we would come up with something different.

DEPUTY MAYOR SANCHEZ asked if, in anticipation of that time period and perhaps other contract sections, we could look into it in terms of exploring alternatives for this and whether it would be prudent then to reconstitute the subcommittee.

MR. BLAKELY asked if the Deputy Mayor is talking outside of the Utilities Commission.

DEPUTY MAYOR SANCHEZ believes it was within the Utilities Commission.

CITY MANAGER WEISS believes the Utilities Commission would be the appropriate location. If Council is interested in that, it's something we could take back to them, either when the work plan comes up for its renewal or even outside of that based on Council's direction, and we can add to their work plan that they look at creating some opportunities to look at alternative methods over the next few years in regards to what you do with your biosolids.

DEPUTY MAYOR SANCHEZ would like to make that a recommendation to the Utilities Commission.

MR. BLAKELY responded they can do that.

COUNCILMEMBER KERN is going to meet with 2 members of the Utilities Commission next week to talk about this. He is the Councilmember who brought forward the idea to the Utilities Commission. He was approached by a company at the Biocom event about how to change biosolids into biofuels. We're premature as it's mostly in the experimental stage now and they're looking to do a pilot project. The first step of that pilot project is we have to take our biosolids and send it to their lab. The one stipulation he made to the firm is that the City will not incur any costs. They will be sending us a special tube that we can use to send biosolids through the mail to their lab. We're waiting for that to come to us; then we will put our biosolids in there and mail it back to their lab. If it passes the lab test that they could actually convert biosolids into some type of biodiesel, at that point it would be a good idea to have a subcommittee that can explore that.

He doesn't want to spend any money on a pilot project so we'll probably have to go out and apply for grants with different agencies to do this. At \$4,000,000 - \$1,000,000 a year - even if we get the pilot project to be revenue neutral, we're \$1,000,000 a year ahead. That's exciting because the technologies are changing. This was brought up years ago, but the technology at that time didn't pencil out. Carlsbad went to a pelletized system where they changed the biosolids into fertilizer. It didn't work for us, so we didn't go that route. With the constantly changing technologies, we always have to keep the doors open.

There were a lot of news articles last week about the Navy using biodiesel in their ships, using an algae as their starter medium. This is the same type of process. This special algae that feeds on this stuff may produce some type of glycerin, and the glycerin is converted to biodiesel. It's exciting. We pay to move this stuff all the way to Arizona because there's no place in California that we can find to take it. We have 2 wastewater treatment plants, one at La Salina and one at San Luis Rey. It's a good idea to move forward with this, and he'd be glad to meet with the Utilities Commission people and give them the same presentation he got. Once we have some results on this lab thing, probably in the next 90 days, then we can talk about the next step.

COUNCILMEMBER FELIEN attended the same presentation that Councilmember Kern discussed. It's just in the conceptual phase, but it's the kind of thing you'd like to see become possible. Does the contract have a minimum amount that we have to pay or is it purely volume based so that, if we have some kind of progress on this reprocessing, our costs would go down directly proportioned with our volume?

MR. BLAKELY responded there's a negotiated cost for the first year and a 5% escalator for each of the 4 following years, which comes up to the \$4,400,000. Should we invest the money and it looks like it's feasible to go from Class B to Class A sludge, we can opt out of the contract after 3 years.

COUNCILMEMBER FELIEN noticed in the staff report there is a cost per yard, so is the amount of the contract a fixed amount regardless of the amount they haul, or is it directly proportionate to the volume they haul out.

MR. BLAKELY responded essentially the proposed contract rate is \$39.95 per wet ton.

COUNCILMEMBER FELIEN stated then the \$4,400,000 contract is basically an estimate based on the expected volume, and if our volume goes down by half then our cost goes down in half.

MR. BLAKELY responded that is correct.

CITY ATTORNEY MULLEN clarified that the \$4,400,000 is a cap as well. We can't exceed the \$4,400,000.

MAYOR WOOD stated this issue is not going to go away. We send our solid waste to Arizona because nobody wants it. Biofuel is kind of new compared to a few years ago when the big issue was making compost out of it and making money. There was an issue of having to contain that smell within the building, and the cost was out of line for what we were doing. Every year technology improves, and somewhere down the line we might even make money out of this.

Motion was approved 5-0.

8. **City Council: Approval of an exclusive negotiation agreement with Sudberry Development, Inc., as the developer, to enter into a Development and Disposition Agreement (DDA) for the development of El Corazon, and authorization for staff to negotiate the DDA with the developer**

CITY ATTORNEY MULLEN clarified that Recital 4 references a date that's 2009 and that's been corrected to 2011 in the agreement that will be sent to the Mayor for signature.

JIMMY KNOTT, 127 Sherri Lane, did some research on Sudberry Development and found some things that he feels are not beneficial for our City. Sudberry is very politically oriented and has donated exclusively to the Republican Party and Lincoln Club for a number of years. It hasn't been equitable or done well. There are Councilmembers who are on the Republican Central Committee, so he doesn't know if there is some collusion involved here. He wants to make sure that isn't a part of this. Also, this is public land, and he doesn't want them telling the public someday that they can't come in. He doesn't want to see them use this as a back door to development. Any development should be involved with public parks/recreation. He would have preferred generational development.

He pulled this item so the public could be reassured that this will be done on the up and up, with no tie-ins.

JOAN BRUBAKER, 1606 Hackamore Road, stated all of Mr. Knott's points were valid. Like many people in this City, she worked hard, donated funds and invested a lot of time and work. She had thought that Sudberry had been pretty well vetted when this contract/agreement was reached some months ago. It seems like soccer fields were mainly the thrust, so are they going to develop only soccer fields or are other things going on there? Is the expected completion date still what they stated when they were negotiating for the contract?

Fortunately, there is a crumb of the original El Corazon Committee still lingering about and in somewhat of decision-making capacities. However, most of the decisions rest in other people's hands now. She wants that land kept public. It is public land that was given to the City, and you need to keep it public.

DIANE NYGAARD, 5020 Nighthawk Way, stated this is an important step in moving forward with El Corazon. There are lots of things we'll need to work through over the next few years as this is realized. We look forward to seeing something

wonderful built at El Corazon.

COUNCILMEMBER KERN moved approval [of an exclusive negotiation agreement [Document No. 11-D0748-1] with Sudberry Development, Inc., as the developer, to enter into a Development and Disposition Agreement (DDA) for the development of El Corazon, and authorization for staff to negotiate the DDA with the developer].

COUNCILMEMBER FELLER seconded the motion.

COUNCILMEMBER KERN stated this was unanimously approved all the way down the line. Before it came to Council it was fully vetted. The idea that there was some type of political payback here is wrong and misdirected. Council were the last ones to hear it after it was fully vetted and approved by a wide range of people. This Council unanimously approved the project because it was the best project brought forward. Putting a political ramification on this does a disservice to everyone, including Sudberry and the El Corazon Committee. We're going to get a good project. The Specific Plan was developed by the El Corazon Committee, not Sudberry. The impetus was the soccer fields. Way back when, the whole thing about Proposition M was that it was all about soccer fields; that's what the public demanded. Sudberry came closest to the vision of the El Corazon Committee. He sat on the second El Corazon Committee when we started to develop the Specific Plan and the members of that committee felt that this was a recreational use that is wanted and needed in this City. Somebody contributing to a political party is not relevant to the job that we do here.

COUNCILMEMBER FELIEN stated we had 3 levels of review at the El Corazon Committee level, the Economic Development Committee level and the Council level. We have a wide variety of political opinions in this City, and it's not too often you can use the word unanimous. This was unanimously approved at each and every level and to try and besmirch those decisions with some kind of political motive is absurd. He will vote yes on this agreement because it's following through on the unanimous request of the citizens who spent the time reviewing and developing this project.

DEPUTY MAYOR SANCHEZ stated we did have a process that followed all of the procedural steps. This project has been aired publicly, and there have been a lot of people interested in our future plans for El Corazon. We've gone through the vision of El Corazon since 1997 or 1998. We are very aware that there is a tremendous interest in the future of what we hope to be our version of Balboa Park and maybe even beyond. This is an exciting project and she feels that we picked the best developer. She has no knowledge of anything having been done incorrectly, either by the developer or by City staff. She will be supporting this, and she looks forward to moving quickly on the temporary soccer fields that hopefully will be in place by spring of 2013. Let's move forward and get these fields done so we can get our kids at El Corazon.

Motion was approved 5-0.

GENERAL ITEMS - None

CITY MANAGER ITEM

24. **Presentation by San Diego Gas & Electric representative regarding the recent SDG&E solar filing**

PETER WEISS, City Manager, introduced SDG&E to make a presentation regarding their solar rate filing.

IAN STEWART, Outreach Manager for San Diego Gas & Electric, was asked to come here this evening and talk about our General Rate Case filing currently before the California Public Utilities Commission (PUC). There has been some confusion regarding our General Rate Case (GRC) 1 and our GRC 2 filing. Our GRC 1 filing was filed before

the PUC in December of last year. That is the one that determines the amount of money that we can recover as it relates to infrastructure costs. The General Rate Case 2, which is what we're going to talk about today, is all-around cost allocation. It is not a rate increase. That's one of the issues that's been a little confusing, and he's going to try and clarify that now.

SDG&E has a long history of being very supportive of renewable energy, including rooftop solar. We also have an obligation to insure a safe reliable network for all of our customers. The good news is that in terms of solar growth in the State, we're on the right track. We have a Governor who has been very supportive of renewable energy and particularly rooftop solar. He has set a goal of 12,000 megawatts of distributed generation rooftop solar. Roughly 1,000 megawatts would be in our service territory.

He used a graphic to show that over the last 3 years we've seen roughly a 3-fold increase in the number of megawatts generated from rooftop solar. The graphic only showed 50 megawatts but by the end of this year, which is only a month away, we're going to be closer to 60 megawatts. There are a lot of reasons that drive that and there are a lot of benefits out there for customers to take advantage of. One of them is the Net Energy Metering Program that's available for customers.

Also, back in 2005/2006 then-Governor Schwarzenegger allocated roughly \$2,100,000,000 in creating the California Solar Initiative, which enabled customers to take advantage of those funds to help generate additional rooftop solar growth. There is also the 30% federal tax credit that still exists.

With all of this there are still a lot of challenges to a solar future. Accessibility remains one part. If you live in an apartment or condo or if you are a renter, there's not a lot you can do in terms of taking advantage of solar opportunities. Also, we would argue that the current rate structure is unsustainable and could actually collapse the system. There is also the Net Energy Metering Cap that is in place currently, which is at 5% of our peak demand. Once that cap is met, no new customers will be able to sign on and take advantage of the Net Energy Metering Program that's currently in place.

It's important to remember that we're dealing with a system that is over 100 years old and was always a one-way street. Power was usually generated in off-site locations, brought in through transmission, sent to the local distribution and then directly to the customer. What we're dealing with now is a new age. We're trying to figure out a way to create and support a system that enables both the original one-way street scenario, as well as now customers generating their own power and putting that onto the system as well. Part of that is going to take us, as a utility, rethinking the way we do things. Part of it is also insuring that there is a rate structure in place that makes sure the customers pay for their fair share and we don't see an increase in cross-subsidies that are occurring.

A graphic was used to illustrate that an 800-kilowatt-hour-per-month customer without solar pays about \$60 for energy/commodity costs and about \$120 for infrastructure, which is transmission and distribution costs and public purpose programs mandated by the State that help support such things as the energy efficiency and low income programs that we offer. What we're seeing is that the same 800-kilowatt-hour-per-month customer generating the full 800 kilowatt hours through solar would pay \$5.10 for the energy/commodity costs and nothing for infrastructure because they have zero energy use and no longer pay for the transmission and distribution infrastructure costs or the public purpose program costs. Those costs, however, still exist and do not go away. We are still expected to recover those costs because of our GRC 1 filing, whatever that amount is that the PUC allocates we can recover.

What we're saying is that it breaks into 3 categories – energy costs, infrastructure and public purpose programs – and when a customer has solar, the infrastructure and public purpose program costs are shifted to a customer in the same

Tier 3-4 who doesn't have solar. This is strictly an impact to Tier 3-4 customers. Right now that cost shift is about \$15,000,000 per year, which is about \$35 per household per year in subsidy and cross-subsidy. The issue is, if we continue to look outward and project out to 250 megawatts of rooftop solar, keeping in mind that we're at about 60 now, that cost shift now grows to \$80,000,000 or more. Now we're talking about \$200+ subsidy being picked up by Tier 3-4 non-solar customers.

One of the things that we're proposing with our GRC 2 proposal is to eliminate the \$5.10 minimum monthly that was alluded to earlier. We'd like to replace that with a flat \$3 service fee that would be on everybody's bill: Tier 1-4. This is not a rate increase. So if we're going to have a new charge of a \$3 fee that wasn't there before, we have to pull that from somewhere else in the pie. What we've done to come up with that \$3 basic service fee is we pulled from Tier 1 rates.

The Network Use Fee is a calculation that determines a person's impact or utilization of the network, the grid itself. One of the things that we have had discussion on with solar customers is that they don't feel they should have to pay for the transmission infrastructure costs, and we actually gave that to them. However, we did say most of our solar customers are generating during the day when they're not using the power. They're using the local distribution system to put that power onto the grid to have us hold it so when they come home and start turning on appliances, they pull that power back through the distribution grid. We have said that there should be some cost to that solar user to maintain and upkeep that local distribution system. That is the Network Use Fee. That was pulled from Tier 2 and 3 rates.

A computer graphic showed the current 4-tiered residential rate structure and the new 3-tiered rate structure. The rates go down because we're pulling the new \$3 basic service fee and the Network Use Charge. So, it's still the same amount of money but we're allocating costs differently. The Network Use Charge, when applied to solar customers, the average that they will see will be a \$22 increase in their monthly bill.

He doesn't know specifics of the impact on certain projects going forward, but the company would be willing to have somebody who does know the specifics come and speak to Council. There is also some confusion regarding some numbers that California Standard for Sustainable Energy (CCSE) has on their website. They were kind enough to sit down and work with us and we recently met with Peter Hamilton at CCSE and we did identify a few things in terms of the calculations that were a little bit off, most significantly the impact of the Network Use Charge was incorrectly calculating roughly double the actual impact. We've been working with them and will continue to do so. This is a complicated and complex issue, and we would be happy to come back and do a workshop if necessary with the citizens.

MAYOR WOOD has been approached by different people about solar, both residential and commercial, and it is somewhat confusing. Some of the State legislation didn't help, and it's still confusing. One of the issues is what was mentioned in the presentation about people generating power when they aren't using it and coming home and using power and wondering why it isn't just stored for them to use. There's been a lot of confusion because people think if you have solar there's no charge. Unless you're going to install a system that has a recovery battery then you're not using your own self-service, you're still using the system. The rest of us users are going to end up paying for all of what the solar people don't pay for. That's been somewhat misleading to people. Somebody's going to have to pay for it, whether it's the solar people or the people in the higher grids. If he was in grid 3 or 4, he would get charged more because he doesn't have solar.

MR. STEWART responded yes. That's a good point because there's a misconception that if you have solar power on your roof then you're off the grid. The fact is that's not correct. You could have battery storage at your home. It's incredibly expensive, but it is out there. Then they could technically be off the grid. It comes as a bit of a surprise to a lot of homeowners who have solar that if there was a massive

power outage in the middle of the afternoon and they have solar on their roof but they don't have battery storage capability, they would not have power. The reason is that the solar system operates because of the energization of the grid, so those maintenance costs are very important. The question is who's going to pay for those maintenance costs. The more folks we have go to solar reduces the number of people who are picking up that cross-subsidy.

It's a worthwhile discussion to have in terms of where we want to get in California. We do want to envision a California where solar is on every single homeowner's roof. If that's where we want to be that's great, but we also have to insure that the infrastructure is in place to enable that to occur. There are several things in place that will not allow that to ever happen, one of which is Net Energy Metering Cap. But if we can get a structure in place that insures customers are just paying their fair share of the system as they use it, then we wouldn't even need a Net Energy Metering Cap; we could remove that and allow solar to grow as the market dictates.

MAYOR WOOD stated most people who get solar do not have a back-up battery system. However, if a person had solar and a battery system and it was cloudy or overcast for a week and their batteries didn't charge or died, they wouldn't be hooked up to the system so they wouldn't have electricity, is that correct?

MR. STEWART responded yes, if they put in battery storage and completely disconnected from the grid.

MAYOR WOOD asked if then they still need to be hooked up to the system to make sure they have a back-up system for themselves.

MR. STEWART responded that for perfect reliability, yes.

DEPUTY MAYOR SANCHEZ stated it appears you are attempting to recapture the costs associated with acquiring the power generated during the day for evening use.

MR. STEWART wouldn't say we're trying to recapture the cost. We're going to recover that cost because we've been allocated by the PUC to recover it. The issue is who is picking up that growing cost shift that is being transferred from Tier 3-4 solar customers over to Tier 3-4 non-solar customers. We're going to recover the cost; the issue is who's going to pick up that cost.

DEPUTY MAYOR SANCHEZ asked if the goal is to increase solar. If you're increasing the cost to solar users, that may cause some push back about why get involved in solar if the costs are going to be increasing to users. If SDG&E's goal, as well as the Governor's, is to increase solar, is SDG&E working on doing things differently to continue to encourage solar via lower costs.

MR. STEWART responded the issue is that right now there are a lot of roadblocks to getting to where the Governor, the State and even the region want to get to. One of them was the Net Energy Metering Cap. Once that hits, there is no more incentive unless the legislature expands that, and they have in the past.

DEPUTY MAYOR SANCHEZ is asking if SDG&E is planning on doing things differently. You've been geared up to do it a certain way, with solar being perhaps a marginal use. Here we're trying to increase that percentage.

MR. STEWART would argue that is exactly what we're doing with our GRC 2 filing. If we're going to get to a place eventually where everyone has solar on their rooftop, then the utility becomes a reliability machine and we have to insure that reliability for people. Solar power isn't going to work unless they're attached to the grid or have battery storage on their own. We don't design battery storage, that's dictated by the private market. Those are the things that we have to insure are put in place, the

overall landscape that enables solar to grow, but not at the expense of certain customers over others.

DEPUTY MAYOR SANCHEZ asked if he anticipates other incentives for getting people to again increase that solar use.

MR. STEWART responded the State has depleted about half of its \$2,100,000,000 incentive fund. A lot of our programs and rebates that are pulled from the public purpose programs, some of that is allocated towards those things as well. But again, those are some of the costs that are being avoided when individuals put solar on their roof, so there are less and less people putting money into that for that particular purpose. Those are issues that we have to deal with. In terms of what the State might be looking at for other incentives, he doesn't know.

DEPUTY MAYOR SANCHEZ recalls that a few years ago there was a goal put forth of 1,000,000 new homes on solar. She thinks it might have been a 10-year goal.

MR. STEWART responded that very well could be at the State level. With the Net Energy Metering Cap of 5%, he doesn't think that will happen. As more and more people take advantage of the Net Energy Metering Program, that's eventually going to run out. They're going to hit that 5% cap, and nobody else can then sign on for those benefits from that program.

MAYOR WOOD thinks this is confusing and maybe SDG&E needs to have a workshop.

Public input

JIMMY KNOTT, 127 Sherri Lane, stated the last time SDG&E was here they tried to discourage people from talking, and they failed to notify the public that there was a public hearing being held in Oceanside. At least this time they have a little bit more information, but it's still too complex. They need to stop using the tier system. He can see where they need to recover their costs for the infrastructure, and they should go to true cost recovery. They should be charging all of the users the true costs and let everybody pay their fair share. They need to itemize what all of the charges are on the bill and quit hiding it. There should be a small reserve fund from where the solar producers should be paid equitably, whether you're a small producer or a big producer. Then those producers have that deducted from those charges. If you're a user, you don't get any deductions. Also, people hate paying the large salaries to the CEO's, and those salaries need to be disclosed. The European's are so far ahead of us it's embarrassing. It's time to start doing things differently and being honest.

TROY ROBLE, manages San Diego for Sunpower, 1855 Pertuckett Avenue, San Diego, which has over 20 dealers who install solar in San Diego County and employ over 600 people. He is also representing the San Diego Solar Coalition, which is a group of integrators and installers who are working to fight SDG&E's proposed rate increase.

He is presenting information that was done by CCSE, which is an independent third-party administrator, to answer your questions about what kind of impact this would have on your proposed projects. A graphic showed a typical residential increase, where a customer is paying \$371 per year in solar today, but they will be paying an additional \$347 a year, so it's almost a doubling of rates on the residential side. By SDG&E's own admission, for an average consumer it's going to be between \$11 and \$40 per month, depending upon how much energy you're actually producing.

A computer graphic showed a chart that said based on the percent of over-production, when I'm generating more solar energy than I'm actually consuming, the more solar energy I make the more I get penalized. If I consume more than I make, I'll save some money, but if I am producing more and sending more power out to their grid I'm going to get penalized severely.

There is a big misconception. If I'm not home and the solar is at my house, it does not go to a transmission line or substation, it goes from my house to your house or the closest house next to it. They pay me 3¢ for that power but they charge you a minimum of 14¢ and a maximum of 32¢. They're taking that power and selling it at a premium and making money off the power that I spent money to put on my roof.

Many schools in San Diego County have gone solar or are thinking of going solar, and the typical rate increase knocks them out at the knees. If they are currently paying \$10,000 a year for their energy, they'll now be paying \$17,800. The San Diego Unified School District, as well as a collection of the local water authorities, have joined together in a coalition to protest SDG&E's filing because this is not just an attack on residential solar customers, it's an attack on every rate payer. It's going to increase costs from City fees, water district fees, cause teacher layoffs and increased class sizes. It's not just about residential rooftop solar, like they're trying to portray.

The hardest hit are the water districts. It costs a lot of money to move water around the State, and everybody's trying to do everything they can to control costs. A great majority of water districts have gone solar, and this is going to completely wipe out their investment. If you don't think that fee isn't going to come back to you in the form of increased rates on your bill, you've got another thing coming to you. They pay \$50,000 per year. Under the new rate structure they'll be paying \$83,000 on top of that, so it's \$133,000 per year.

SCOTT MOTHERHEAD, Herca Solar, 580 Airport Road, has a hard time believing that SDG&E needs to charge more money. We have the highest rates in the nation as far as electricity. That's why solar is so popular here. We've all run the math and we don't see it as \$22 a month; we see it as \$40+ a month to these customers because they're not going to be home and they're going to be paying for this generation. SDG&E is making a lot of money off of the free power that we're giving them. Oceanside has about 500 solar customers right now, which is about \$20,000 per month that they're going to bill. They're going to take that right out of our city, out of our pockets. This is kind of an industry killer. If they get this then people will stop going solar in a big way; it will shut it down. There are a couple of hundred people in this town who are employed in the solar industry. If that goes away, you're looking at \$7,500,000 in funds that will be removed; jobs will be removed and people will be unemployed. It's not going to be \$22, it's going to be a lot higher.

JOAN BRUBAKER, 1606 Hackamore Road, stated when they had the hearing for the CPUC here in Oceanside she let them know her opinion. At that time, they wanted to charge her for excess current she generated with her solar system, to have it enter their grid so they could send it down the road and sell it. That's double charging, and it's not fair. What they're really doing is getting these funds to create their system so it can conduct the current back. It seemed to be presented in the hearing that SDG&E's system at this time cannot bring back the current you're generating and put it in their system, as well as give you current to use when you're not generating enough. It was a rather complicated explanation that an engineer put out, but apparently it had some real clout.

In addition, SDG&E is asking for an increase, but their charges are already excessive. UCAN, who monitors their business association dealings, are advocating for a decrease in rates. She thinks SDG&E is one of the highest rate utility companies. PG&E does business up the coast, and they have a lot more inclement weather to deal with and yet their rates are cheaper. Why? Because of better management.

When the fires occurred a few years ago, 3 of those fires were caused by loose wires SDG&E did not properly maintain. We got to pay for part of the penalty that was imposed. That's not fair. Shareholders should have paid that. If the company can't run it efficiently and safely, then they shouldn't be in business. SDG&E is raping the customer and all of these need to be monitored closely. She hopes the CPUC does its

job.

TARA KELLY is here on behalf of the San Diego Solar Coalition. There are over 30,000 employed in the State in the solar industry, with over 100 companies being in San Diego. Over 2,000 families in San Diego alone are supported by this industry. The solar industry is the fastest growing industry in the United States and two of the fastest growing firms in San Diego are solar firms. This industry grew over 40% last year alone. There are over 14,000 solar power systems in San Diego. Combined, this is 100,000,000 watts of power. These 14,000 solar systems act as a power plant for SDG&E, and these systems are valued at over \$500,000,000. SDG&E hasn't spent a dime on this infrastructure; they didn't have to buy the land, pay to build the power plant, pay for maintenance or pay for any employees to run these plants. In addition to the 100,000,000 watts of power, SDG&E generates money from it. We must ask who is subsidizing who.

MAYOR WOOD trailed this item until after the presentations and Closed Session report.

[Recess was held from 5:08 PM to 5:21 PM]

5:00 – ROLL CALL

Mayor Wood reconvened the meeting at 5:21 PM. All Councilmembers were present.

INVOCATION – John Lundblad

PLEDGE OF ALLEGIANCE – Soccer Club of Oceanside team members

PROCLAMATIONS AND PRESENTATIONS –

Presentation – “Pet of the Month” presented by a representative of the San Diego County Humane Society & SPCA

[Proclamation – Deborah Polich, Library Director]

Presentation – Mayor’s Youth Sports Recognition and Appreciation Award

Presentation – Employee Service Awards

<u>20 year award</u>	<u>Department</u>	<u>Hire Date</u>
Jeffrey Hart	Fleet/Public Works	09/29/1991
Kathryn Held	Police	09/20/1991
Jodie Colebrooke	Police	11/17/1991

<u>25 year award</u>	<u>Department</u>	<u>Hire Date</u>
Sara Davalos	Housing	11/12/1986
Catherine Osgan	Police	

Presentations were made

CLOSED SESSION REPORT

18. **Closed Session report by City Attorney**

CITY ATTORNEY MULLEN reported on the items discussed in Closed Session: See Items 2A), 2B), 2C), 2D) and 2E). [Item 1 was not heard]

Changes to the agenda

ASSISTANT CITY CLERK TROBAUGH announced that Public Hearing Item 20 has been continued until December 14, 2011.

MAYOR WOOD determined to continue with Item 24 at this point.

24. **Presentation by San Diego Gas & Electric representative regarding the recent SDG&E solar filing – Cont'd**

ANNE BESSINGER works for a solar company in the San Diego area and since SDG&E's rate filing has been fielding calls from the public with their concerns about the return on the investment that they're going to be seeing from their solar systems, as well as pulling out contracts, which has raised a red flag for her in her concern for her job. In today's economy with high unemployment rates, she is thankful to have a job that she loves. If this rate case does pass, then she may be losing her job. It took her a year to find this job in 2008 so how long is it going to take in 2011. Her concern is not just selfish. If this SDG&E rate case passes other utilities are all going to follow suit, not only in California but nationwide. The solar industry is the fastest growing industry in the nation, and Council needs to think if they really want to enact a resolution that's going to basically kill that industry. She asked Council to pass a resolution in opposition to this filing and support the solar industry.

DAN SULLIVAN is speaking on behalf of the San Diego Solar Coalition, which is a coalition of 14 solar companies in the region who have come together to fight SDG&E at the PUC and in the public arena.

Mr. Stewart has expressed to you the costs that the utility realizes as a result of solar, but has failed to represent the benefits. That's what needs to be taken into account. In a typical scenario, you have a natural gas power plant in Mexico. That energy needs to be transported hundreds of miles into the United States and our neighborhoods to go to a distribution substation. That energy then flows several more miles to the local transformers in the community and then to the various homes and businesses in the region. Those customers have to pay for the transmission costs, distribution costs and energy that they use.

Then you enter solar into the equation. There is currently less than 1 solar power system per 1,000 rate payers in SDG&E's territory. A graphic showed a home that has solar. During the day that energy leaves the home and goes about 50-60 feet to the next door neighbor who uses that energy to fulfill their energy needs. SDG&E charges that neighbor the full distribution rate, full transmission rate and full energy rate despite the fact that none of the transmission lines were used and virtually none of the distribution system was used. As a result, it is reasonable and clearly evident that SDG&E indeed does generate revenue from the 14,000 solar power systems in the basin.

It is disingenuous for SDG&E to come forth and say that they are incurring costs, when in reality they are incurring revenue. The fact is that SDG&E's statements that solar puts demand on the grid are false. SDG&E claims the average solar producer will have an increase in their bill of \$11 to \$22 per month. That is false, as evidenced by CCSE's analysis. They say solar producers are being subsidized by other non-solar ratepayers. This is complete false. Solar produces output that's intermittent. We're in one of the mildest climates on the planet, and solar production is consistent day in and day out. SDG&E can plan for it.

This will ultimately wipe out 20 years of good bipartisan public policy. It has been the policy of the State and this region to move toward renewable resources, and that's what we're doing. SDG&E's rate case will put an end to that. This is illegal; it's a violation of Net Metering law. Per Public Utility Code 2827(g), no utility shall apply a fee that is not also applied to non-solar producers. It's a dangerous precedent that will be set if this goes through. He implored the Council to adopt a resolution in opposition to this rate case, as was done by Solana Beach and Lemon Grove and will be done by Chula Vista and San Diego. It is not because they don't know what's going on in those other cities, it's because they are thoroughly educated on the issue and realize the threat that this rate case presents.

DIANE NYGAARD, 5020 Nighthawk Way, stated this proposed rate change is bad public policy, and it comes on top of decades of bad energy policies. We need to move away from fossil fuels and toward renewable energy. She's sure every one of the high school students who were in this room earlier could tell us why we need to care about global climate change and the importance of using renewable energy. It's simple; the more solar we use the less of other more damaging and often more costly fuels we don't need to use. We need to encourage more solar use and not less. This proposed rate structure moves us in the wrong direction.

Certainly, this is a complex issue and of course the infrastructure costs need to be covered some way, but that can be done many ways. This is simply the wrong way.

KYLE KRAHEL-FROLANDER, 570 Hidden Canyon Way, stated clearly this filing is a rate increase on SDG&E customers. It's a rate increase on those who use less energy, like homeowners primarily, and those who have invested in solar power. Oceanside is a potential bonanza for solar power, and we have a growing solar industry that already provides good local jobs. We also already have the highest energy rates in the Country. This proposal would increase rates for homeowners and would destroy local jobs, not to mention taking the money out of our economy and putting it somewhere else. It's simple greed on the part of SDG&E, and it's shameful that they're trying to do this to us.

BRAD ZAHAREE, 105 Sweetshade Street, has been a resident of San Diego his entire life and has traveled the world several times over but has come to realize there is no better place than right here. He's very concerned about this proposal. The proposed rate hike by SDG&E is not only not fair, it's against the agreement that he signed with them. He paid over \$40,000 out of his own pocket to create his own electricity. As Councilmembers, you are authorized and expected to express the opinions and beliefs of your constituency. We do not want this. This proposal is corporate greed. It's an attempt to remove power out of the hands of the consumer and give it back to corporations where they certainly don't have our best interests at heart. Once a fee has been applied, it's never taken back. SDG&E is dangerously close to being a monopoly. With the passing of this charge, it would take a very large step toward a complete and total monopoly. We have no other place to get power except through our own means.

DEPUTY MAYOR SANCHEZ didn't feel that she got a good response from SDG&E. Her basic question was since we have a goal and it's a State goal that the Governor has set and money has been set aside for it, what is SDG&E going to do differently to accommodate a different way of doing things here in California. The response was nothing, unless the State provides the money. There is money already being provided by the rate payers so why, if we're going to be doing business differently, would we continue the same business practices. She doesn't get it and concerns that have been raised by the public tonight have raised even more questions in her mind about the validity of this and whether or not this is truly relevant to any real costs that are being made to SDG&E.

She would like to see some real numbers, not what we saw today. She understands the presentation was supposed to be an explanation to the public in 10 minutes and maybe it was an overly simplistic presentation, but it did not make sense; it didn't feel like it was truthful. She doesn't know if there is anything more that can be said by the representative of SDG&E who is here today to respond to the numerous credible questions that have been presented. Perhaps there's nothing to be said other than SDG&E is a monopoly and there's not a whole lot that they think the public should be able to do. Those are her concerns. She asked if SDG&E could provide something in the residents' bills that would provide the real truth and real numbers because they are not happy about this.

MR. STEWART apologized if there was a misunderstanding in terms of the way he addressed Deputy Mayor Sanchez's question. We are not doing nothing to evolve to the utility of the future. In fact, we have our Smart Grid Deployment Plan and Smart

Meters that we're integrating in customers' homes to try and give customers more control of their energy usage. There are lots of ways that we're adapting as a utility to try and address this future. What he said is that we need to do so in a manner that insures solar can grow, but not at the cost of a certain segment of our customer base. We have roughly 350,000 Tier 3-4 customers; 14,000 are currently rooftop solar customers. The subsidies that he showed are accurate. That \$15,000,000 cost shift is what we have seen. Those are currently today's numbers. We project out to 250 megawatts and it grows to \$80,000,000. We'd be happy to sit down with Councilmembers individually or have a workshop and go into this in more detail.

It's important to keep in mind that we filed this on October 3, 2011. Every 3-4 years is when we are allowed to make these filings before the PUC: our GRC 1 and GRC 2 filing. It's an 18 month to 2 year process before the PUC that we're about 2 months into. We are not trying to suggest that what we are proposing is the only solution. What we have said is that we had to give a proposal on October 3rd when we filed, and that is the proposal we gave. We have reached out to Mr. Sullivan and others and we would continue to do so if they want to sit down and talk and try and figure out things that maybe we haven't taken into consideration that we can adapt into our filing. Right now most of the feedback we've gotten is to do nothing and wait until AB1X expires, and other issues like that. We feel we can't do that; that's 8 years away. This subsidy is continuing to grow with every customer that puts solar on their roof, and we have to look out for those customers.

DEPUTY MAYOR SANCHEZ stated several people said that the electricity that's being generated by solar is going next door or to the house down the street and that's a revenue that's being provided to SDG&E. Is that not a true statement?

MR. STEWART responded that is not a true statement. First of all, we do not make revenue off of energy commodity costs; those are passed to the rate payers. We make our money as a utility off the infrastructure: holes, wires, steel in the ground. The 3¢ that was alluded to is a wholesale cost that is paid back to customers who over-generate. Customers who at the end of the year have generated more than they've used are paid that wholesale rate of 3.8¢. That's about 2% of customers, so very few over-generate.

DEPUTY MAYOR SANCHEZ had a presentation about solar by a solar company, and what she was told is not what you're telling her now. Perhaps there should be a workshop. She has concerns because the presentation she saw was not a sales presentation, and it was directly opposite of what she's hearing now. At some point we should provide an opportunity for the other side to do a presentation for our residents so we're on equal footing and then go into this workshop. You're telling us that this isn't the only plan you have and that you can change your plan. That's a good thing to say.

MAYOR WOOD stated this is supposed to be a short presentation for information only. He would be willing to come back and present something that's a little more time-consuming in a different forum. We'd all like to be educated on this.

COUNCILMEMBER FELIEN has been considering putting some solar panels on his roof, but he's been made a little jittery. It's a large fixed cost to put these panels on your roof, and he was under that impression that part of that included a contract that you sign that would guarantee what the cash flow of the investment was over time. However, he's hearing that the rules can change mid-stream. If that's the case, it would terrify him about wanting to put solar panels on his roof. Are there long-term contracts or contracts that are tied to the useful life of the solar panel so you can pretty much have a guarantee of what your cash flow or expenses are based on your usage?

MR. STEWART responded SDG&E doesn't enter into long-term contracts with our solar customers. Those are dealt with by the solar installer. Mr. Sullivan is probably the better individual to answer that question.

COUNCILMEMBER FELIEN stated the issue is that even if it's a separate contract with a private company and if suddenly the rates go up and they're paying the difference but don't have the financial wherewithal to guarantee that rate spread, then the guarantee doesn't mean anything. He would suggest that maybe one way for the rate proposal is to have some type of long-term contract that people sign. If you're going to change the rules or a mathematical analysis shows we need something different, that applies to the new people, and they can then make a decision based on the new math whether it's a direction they want to go. He believes there is a legitimate complaint about changing the rules mid-stream for people who've already made a commitment based on the rules as they existed at the time. Is he seeing that right or is he missing something?

MR. SULLIVAN responded the State legislature addressed that very concern that you're raising now through Net Metering law in that they stated that the utilities can't apply a stand-by charge, which is the equivalent of a Network Use Charge more or less, to people who produce solar power to make sure that the people who have invested in this infrastructure had secure investment horizons. That's why the Utility Consumer Action Network (UCAN) has come out and stated that this is a violation of the legislature's intent and has urged the PUC to outright reject this rate case. The Division of Rate Payer Advocate, which is a branch of the PUC that speaks on behalf of the rate payers, has also stated that they support UCAN's motion to reject this outright because the provision is there that you are requesting and this would violate that. We don't need to write the law twice; it's already been written. Why are we debating it now? It's because SDG&E is attempting to circumvent legislative intent through a rate case.

COUNCILMEMBER FELIEN stated because the presentation was made on where the electricity is going, he compared it to a sprinkler system where the water is coming in from one source and going out of a lot of different sprinklers going to the individual houses. Due to the renewable energy we suddenly, in addition to the one large source, have all of these individual sources going into the grid. Where does the electricity go if my house is reverse metering; how does it fill up the system; and is it truly going back through the larger infrastructure – the transmission stations – as opposed to just going down the street.

MR. STEWART isn't an electrical engineer but his understanding is that it usually follows the path of least resistance. If that's next door then it could be. One of the issues that we attempted to explain before is that the transmission system itself, the energization of the grid, has to be in place for that power to leave one home and go next door. This goes back to the cost-shift issue. There are less and less people paying for the maintenance and infrastructure of that system. That's what we're trying to address.

COUNCILMEMBER FELIEN stated there is the cost for the generating station, the transmission station and the wires that go on the street, and each of those have a different cost structure. It would seem legitimate that the solar generators should bear the cost of the wire going up and down the street, but he doesn't know that there's any legitimate claim that they should bear the cost for transmitting the electricity that's coming from the generating station through the transmission stations and the substations, etc.

MR. STEWART responded that's correct. In our filing, we worked that calculation on the Network Use Charge to take out the transmission component. The costs that are associated with that are really to recoup the costs they're not paying right now on the local distribution system and the public purpose programs, not the transmission.

COUNCILMEMBER KERN stated SDG&E is a monopoly. They are a regulated utility, and that's why they have the PUC that actually will rule on this rate thing. Our purpose is to get that information out to the public. It is complicated, and it's

unfortunate if you don't understand the numbers to say they are untruthful. If you don't understand it you don't have a position to say they're untruthful. All of those numbers are surely in the PUC filing. If it's something you really want to look at, then you can evaluate it that way. One of the things we need is more education. We're 2 months into a 24-month process, so what comes out at the end of this is going to probably be pretty much different than what's happening today. It's not for us to determine what happens; it's up to the PUC. All we can do as an entity here is provide that information to the people at home. Hopefully some of this at least has everybody interested in it, and they will research it themselves. Hopefully SDG&E will set up a workshop here in a more informal setting to let everybody understand what's going on and how that works.

He doesn't understand the contract but that's probably something the PUC would like to know. He would imagine if you have a contractual agreement with SDG&E, that would take precedence over any rate changes but he doesn't know. This is not going to happen overnight so everyone will have the opportunity to speak.

We went through this before with water. At the end of 1992, after the big drought of the late 80's, Metropolitan Water District changed the whole rate structures of how it delivered water. It took us several years to figure out how we, as a water utility, would transfer that different charge. That committee met for almost 18 months total to change the rate structure of water in Oceanside. There will be plenty of opportunity to speak to the PUC and each other and form coalitions that represent you. He encouraged people to do that. We have a new technology out there and how do we charge for that equitably for everybody? Maybe because now it's a social issue and maybe we want to encourage electric cars or encourage electric generation by solar and maybe we can come up with a system to pay for that that's not based on the rate payers. If I never intend to get solar, should I subsidize the next door neighbor or the guy down the street that produces solar? That's not fair either. There has to be some equitable solution somewhere in between for how these rates are assessed and how the costs are attributed to the right people. He doubts it will be totally fair. This is beyond SDG&E and this emerging technology. How are we going to do this in the future.

We need to go forward, give as much information as possible and facilitate that information transfer as much as we can, like providing a building or a room for SDG&E to make their presentation.

MAYOR WOOD stated receiving information is wonderful, especially by the Council because we have to make decisions down the road on these items once in a while. He was confused on some of the issues on solar. It's very popular and it's going to be the future. It sounds like if you really want to be part of the system you're going to need your own battery storage. It's a little expensive but probably worth it. Somebody higher than us is going to be making these decisions.

[This is an information only item]

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

19. Communications from the public regarding items not on this agenda

DONNA MCGINTY, 2405 Mesa Drive, was listening to "Journalists Roundtable" about the Occupy protests that are going around the country, and they say on the program that they are backed by the employee's unions.

She is here to encourage the new workshop attitude that Councilmember Kern has proposed for discussing the budget apparatus. The public isn't aware of the fact

that there is a \$97,000,000 unfunded debt against public employee benefits. Also, the total that she sees from the Finance Department is a \$300,000,000 unfunded debt for the City. This is going to be a real issue in the upcoming campaign. She had seriously considered taking out the papers to run for office until she decided she didn't want her good name on this dirty product.

5:00 P.M. – PUBLIC HEARING ITEMS

Public hearing items are "time-certain" and are heard beginning at 5:00 p.m. Due to the time-certain requirement, other items may be taken out of order on the agenda to accommodate the 5:00 p.m. public hearing schedule.

21. **City Council: Consideration of an appeal of the Planning Commission's denial of a Regular Coastal Permit (RC11-00004) to allow an existing open second story balcony to be enclosed at an existing residence located at 1639 South Pacific Street; project site is zoned RT (Residential Tourist District) and is within the Townsite Neighborhood and the Coastal Zone; and adoption of a resolution approving the proposed project – MacDonald Addition – Applicant: John MacDonald**

- A) Mayor opens public hearing – hearing was opened.
- B) Mayor requests disclosure of Councilmember and constituent contacts and correspondence – Councilmembers Feller and Kern reported contact with staff, the contractor and site visit; Mayor Wood reported contact with staff and the public; Deputy Mayor Sanchez reported contact with the public and the applicant; and Councilmember Felien reported no contact.
- C) City Clerk presents correspondence and/or petitions – none.
- D) Testimony, beginning with:

JERRY HITTLEMAN, City Planner, stated this is a Regular Coastal Permit that was denied by the Planning Commission for 1639 South Pacific Street. The owner is appealing that decision to the Council.

The property is located on the beach and is surrounded by residential tourist properties, although a lot of these homes are single-family homes or attached single-family homes.

This project is pretty basic. If you drive by you can see that they have some story poles out there. It's a 64 square foot second story balcony addition to a den space so they can get a little more interior space. Apparently the owner does not use that balcony very much. It's right next to a public access way. Last summer they did some improvements to the house that were approved by the Planning Commission. It was basically just exterior improvements.

This is an attached single-family home. A graphic was used to show the unit next door, Pacific Street and the proposed enclosure that will add to the den space that is existing within the house. Another graphic was used to show the other homes on the block and how this proposed enclosure is in character with the area.

We did bring a height issue to Council in 2010 where we were looking at 27' versus 35' heights and also talked about a 5' offset, but that 5' offset on the front façade was not approved by Council at that time. In defense of the Planning Commission, he believes that's what they were thinking when they denied this project.

Staff recommends that Council approve the project and approve the exemption for this project.

Applicant

JEFF WINDERS, 28011 Paseo del Marino, San Juan Capistrano, has been working with the applicants on this project since 2009. We worked with staff and the

Planning Commission to get this house designed to have architectural articulation and get away from the canyonization. He kept all of the rooflines in line. With the roof being pitched away from the street, it keeps that home at a low elevation, whereas a lot of the homes with the gabled-in 3 stories are massing the street. We're not doing that. Hopefully the story poles that were installed helped those that did drive by get a more visual look at the property.

Everybody has applauded the stucco that we've done. When he started working with the applicants in 2009, the windows and siding leaked horribly. Through the process in 2010, coming into the winter with 2 times a 3-3 vote by the Planning Commission and not really being able to get over the hump, we decided to separate the 2 issues, knowing that we needed to get the house waterproofed. In doing that, we lost by 4-2 on the enclosure of the deck, and the applicants chose not to appeal it at that time. Later some other projects went into the area, and the applicants decided to revisit this.

The original RC-2-06 started in 2008. They paid the fees in 2008, but it was more extensive work. They wanted to add on to the decks on the ocean side and there were stringline issues. When they hired him, we changed all of that and went to what we are proposing now. He's hoping Council can make the right decision and get this thing passed.

With no one wishing to speak, Mayor Wood closed the public hearing.

DEPUTY MAYOR SANCHEZ asked if, because this is an enclosure of an existing area making it livable space, it impacts parking requirements at all.

MR. HITTLEMAN responded no.

DEPUTY MAYOR SANCHEZ had read the staff report, and she **moved** approval of the project, granting [an appeal of the Planning Commission's denial of a Regular Coastal Permit (RC11-00004) to allow an existing open second story balcony to be enclosed at an existing residence located at 1639 South Pacific Street; project site is zoned RT (Residential Tourist District) and is within the Townsite Neighborhood and the Coastal Zone; and adoption of **Resolution No. 11-R0752-1**, "...denying Planning Commission Resolution No. 2011-P25 and approving a Regular Coastal Permit (RC11-00004) to allow an existing open front balcony to be enclosed at an existing residence located at 1639 South Pacific Street – MacDonald Residence"].

COUNCILMEMBER FELLER **seconded** the motion. He's sorry the applicants didn't get all of this in the first pass through. You did a good job on the rest of the house, and he knows you'll finish it up well. This is an easy approval.

Motion was approved 5-0.

MAYOR AND/OR COUNCILMEMBER ITEMS

22. **Request by Mayor Wood to amend Chapter 10A of the City Code to prohibit smoking at the Civic Center complex, and direction to staff to return with the modified ordinance**

GENA KNUTSON, 1000 Vale Terrace, Vista, is the Program Manager at Vista Community Clinic and does the management of the Tobacco Control Program. She thanked the Mayor for bringing forward this proposal to ban smoking at the Civic Center. These particular bans are very common throughout California and have helped reduce the State's smoking rate from about 25% in 1989 to 12% in 2010. This reduced smoking rate is due to several statewide policies such as smoke-free workplaces, restaurants and bars. She listed places in North County where there are bans. Smoking is not a constitutional right. There has never been a court case in the United States where somebody won because of their right to smoke was being violated.

In California about 89% of us don't smoke, which is the vast majority. Something to think about is the people who don't smoke and their right to breathe healthy air and not somebody's second-hand smoke. Also, the U.S. Surgeon General has said in two reports that there is no safe level of exposure to second-hand smoke, and the California Environmental Protection Agency lists second-hand smoke as a toxic air contaminant known to cause cancer in humans. Implementation and enforcement of these policies is simple. It's just basically educating the public and signage. You can also give people friendly reminders. She read a quote that said 450,000 Americans every year die of tobacco-related disease. That's like three fully-loaded 747's crashing every day, 365 days a year, with no survivors.

JIMMY KNOTT, 127 Sherri Lane, stated it's sad that our freedoms and liberties are slowly being eroded away. The non-smoking thing started out as something we weren't really going to be prohibiting, but slowly it has become more and more prohibited to the point where now you can smoke hardly anywhere. When his father was dying he asked his doctor if he should try and stop him from smoking, and the doctor said if he's going to die in a few months anyway, let him have that simple pleasure. There is funding available to help people quit smoking, and we should try to use that funding wisely and consider having a smoking area for people. We need to have compassion for the elderly who are still with us and allow them this.

MAYOR WOOD had been approached by several people who asked him to bring this forward. He understands there are a lot of elderly people who smoke because that's what their generation did. On the other hand, there are a whole lot of generations who don't want to smell or breathe your second-hand smoke. It's not good for anyone's health. That's why you see the trend around the nation of having no smoking spots. When he was in law enforcement it seemed like everybody smoked, but by the time he got out of law enforcement it seemed like only a couple of people smoked. It's a changing trend. The tobacco industry is really sending their tobacco to other countries and starting it over.

In this particular situation, we had requests from the library and then we have the pond area by our fountains. He walks out there all the time, and he goes through a crowd that seems to be all smokers. If you try to walk in the front door to the library you'd have to walk a gauntlet of smokers. Just about every day we also have classes of kids going in there from the local schools who walk through that smoke. We've done this ban at the beaches, the pier and all around town. It's a health and safety issue for everybody else. It's up to Council to make this decision. It would clean out the Civic Center regarding who hangs around out front. It's possible we could have a small smoking area for the City employees who smoke.

He **moved** to go forward with a change to City Code 10(a) prohibiting smoking in the Civic Center complex and have staff come back with a draft.

DEPUTY MAYOR SANCHEZ seconded the motion. She believes when we came forward with the ban at our public parks and beaches that much of the discussion centered around children. The library is used heavily by children, and she believes it was an oversight at the time that we did not include the library and the Civic Center where the kids congregate. They don't just go by; they spend some time outside, and it is a very public place. She understands that our country's history includes a lot of discussion about tobacco and how that factored into our young country's economy. However, this is a different time. The fact is that smoking kills, and it does it in a very painful way. She supports this ban, especially in a place where we have children. If it was only an adult place, she would still have some concerns about inviting lots of people from the public who don't want to be exposed to that. We only have 2 libraries, so it's not like people have a lot of choices on where to go. This is an important statement to make for our children. This isn't a complete ban on smoking, so people can still smoke at home or in private places.

COUNCILMEMBER KERN would hope the Mayor and his second would agree to amend the motion to include the Civic Center Plaza and the courtyard in front of the Community Rooms, instead of the whole complex. We have employees who smoke and go to designated smoking areas. It is their choice, and it's usually non-public. To have them go off campus to have a cigarette is an undue burden on them. He has not had anybody complain internally about people going to smoking areas and smoking. They're all adults. He agrees with the public perception of it. The Civic Center Plaza, which is around the fountain, and the courtyard area outside the Community Rooms next to the library is fair. We can post those areas, and people are pretty compliant.

MAYOR WOOD responded that he'd really like it to be the whole Civic Center because a lot of our employee smokers go out and smoke on the balconies. If we vote yes to this, staff can find a designated smoking area that's within the grounds that would be okay. He doesn't know where it would be, but he'd be willing to compromise. He has had complaints that the balconies on the second and third floors are filled with smoke so people don't go out there anymore.

COUNCILMEMBER KERN stated the way this is written it's an outright ban in the Civic Center complex. If we vote for this, then our direction to staff is an outright ban of the Civic Center complex.

CITY ATTORNEY MULLEN responded whatever the will of the Council is. We could draft an ordinance that bans it within the Civic Center Plaza and designates a smoking area for employees.

MAYOR WOOD stated we don't want it by the doors where people are coming out. We want it in an area that very few people walk to, an area where there's no reason to go there unless you're a smoker and it's not a high traffic area for the public.

COUNCILMEMBER KERN thinks the outright ban in the Plaza should happen almost immediately, in the courtyard.

CITY ATTORNEY MULLEN stated we're going to have to draft an ordinance to amend Chapter 10(a) of the Code and that's not in front of Council today. We will take Council's direction and come back expeditiously with the ban. At the same time, we could create a designated area that's away from all windows and doors, if that's the will of the Council.

MAYOR WOOD thinks that's acceptable and **modified his motion** to include that.

COUNCILMEMBER KERN hopes in their research, staff will talk to both the smokers and the non-smokers to determine what's the best.

DEPUTY MAYOR SANCHEZ as the **second concurred**.

COUNCILMEMBER FELLER is all for protecting the freedom and liberty of the 88% that don't smoke. He's okay with whatever the will of the Council is on this.

COUNCILMEMBER FELIEN thanked the Mayor for bringing this forward; it's a legitimate item to gently persuade people not to smoke, and better yet not to start. It adds to the family-friendly, children-friendly clean atmosphere that we're trying to create in the City, and it's one small step in the right direction. Councilmember Kern's idea of having a designated area for employees is a good idea.

Motion was approved 5-0.

23. **Request by Councilmember Kern to set a January 25 Council Workshop to discuss Council goals and objectives related to City budgeting and operations, and provide direction to staff**

COUNCILMEMBER KERN stated this is something we did 2 or 3 years ago, and one of the things that came out of it was the goal of becoming 50% water independent by 2030. At that time, Councilmember Felien wasn't on the Council, and it is probably beneficial to have him have some input on our goals and objectives going forward. Obviously, this is the time when budgets are getting tighter, and we need to set priorities and talk about the future. He has not preconceived agenda to do this. All of us on the dais abide by the Brown Act, and the downside of that is that we can't just get together and talk and ask what we each think about things. Council meetings are not conducive to doing that. A couple of years ago we had a meeting out at the San Luis Rey Treatment Plant, and it was a very good meeting. We talked and came up with some good ideas, and it behooves us to do that now as budgets get tighter and priorities are shifting. He doesn't know if anything will come out of it, but we may come out with 1 or 2 items as priorities or goals and objectives for the future. He's just asking his colleagues to talk about future goals and objectives.

Public input

JIMMY KNOTT, 127 Sherri Lane, is in support of this. Council has in the coming year a higher implementation level for SB 375, and a lot of the other agencies are telling you what to do and you will have to be involved with them. If you have this meeting, you should involve them in the discussion so that everybody is on the same track. There seems to be a disconnect between one city and another or one group and another, and we're having problems in the communication.

SB 375 is mandated by State law and we're going to have to comply with it. SANDAG is going to take over a lot of budgeting aspects. Council doesn't want to lose TransNet funding, then you're going to have to comply with it.

DONNA MCGINTY, 2405 Mesa Drive, found in this back-up a note payable with no description. It indicates that 96% of that note is unfunded for about \$3,295,000. She would like to see those questions answered at this workshop. She'd like Council to come to the workshop with some idea of how they intend to rectify some of the issues that are here, either at 100% or 50%, etc. When it comes to employee benefits, she's looking at retiree issues that are 100% unfunded. That's millions of dollars - \$94,000,000 worth of unfunded debt. Finally they have set a policy where they will now set aside funds in the new money coming in. That's not enough to satisfy her interest, and it certainly isn't going to be enough to satisfy your employees' interests. It needs to be hammered so the employees are satisfied and the public understands that something is finally being done about this. It took 30 years to get here.

She would also like to see discussed at that meeting the fact that there is no policy on the books that governs the City's association with the Enterprise Funds in the City. For the Sewer and Water, the Harbor and the Airport, there is no policy that indicates what shall be the case in working with those Enterprise Fund in funding or otherwise. That needs to be discussed, and that policy needs to be set in place. She encouraged Council to work with the debt that's here and come up with some solutions about how to resolve it and make the public understand that it's your intent.

Public input concluded

MAYOR WOOD gets told by a lot of people how the City should and shouldn't run, and sometimes it's good advice and good input. On the other hand, a lot of people don't understand the finances of the City and how it works. We hired the City Manager, along with the City Attorney, to run the City. Sometimes he's worried about the step-over of policy. Council are policy setters; we're not running the City or the staff. Either the City Manager is doing a bad job and we should fire him, or we should let him do his job. So far, he's doing a good job. If you look at surrounding cities, everybody has the same problem. He points his finger at Sacramento and Washington, D.C. for some of the problems.

He doesn't think it's bad to talk about issues. It looks like Councilmember Kern and his aide are trying to take over the City Manager's job. This isn't our job; it's the City Manager's job, and we have a tightrope we walk regarding that. It's in the policies of the City who should do what, and that's his job. We just had a workshop on fiscal structural deficits. We did talk about it and addressed the concerns. There's nobody who isn't aware that there's an economic situation, and we've been trying to address it. We've laid off some people, which is hard to do when you need to supply services to people. We have people on the dais who were wondering why we should have parks, Parks & Recreation, senior centers, swimming pools and libraries. They don't think we should be in that business, but that is our business. In the last few years we've had to address those.

He's frustrated because it's a tough economy for everybody, and he wishes it would change. If we could get the banks to loan money, we have about 30 major projects that could be built and would take care of any future deficits and provide a lot of jobs. He doesn't like using the agenda for potential political purposes, circumventing the City Manager and coming up with a political platform for an upcoming election. There's no other reason for this, we just had one. He speaks almost every day with the City Manager about budget issues and items. It's the City Manager's job, but he gives him his opinion. By calling for another meeting like this, you're saying he's not doing his job. He doesn't appreciate that. All of the Councilmembers give their opinions to the City Manager on a regular basis regarding political issues, financial issues, etc.

He worries when we come up with another workshop that gives the voting majority the chance to tell the City Manager, who should be doing this, how we should address services that we provide to the public. Cutting more of them is usually what comes out of a special meeting. There are also meet and confer issues for employees. They have legal contracts that he can't circumvent. The law requires it. At a recent workshop we looked into outsourcing police and fire services. Another workshop would probably do the same thing; one more look at how we can cut everything that provides services to the City and he's not interested in that. If there's a good reason to have a workshop, then we can. In this case are we going to get a facilitator that we pay a lot of money to, or is the City Manager going to get up there with the Finance Director and tell us the same story we heard last month. A workshop takes time and money from staff.

DEPUTY MAYOR SANCHEZ was going to try to approach this in a lighter way, but it's hard. Those who have been around for a long time remember the times when most of the economy of this City was connected with Camp Pendleton and the troops. Whenever there was a deployment, it was like a ghost town around here, and our small businesses somehow made it through. It seemed like we were more of a community then. This isn't the first time this has happened in terms of the economy. She's heard stories that whenever things got difficult for our City, we all pulled together. She has never felt such a low morale around City Hall and our employees, who we talk about being our ambassadors, and who have had to do more work with less pay and less people.

We have our votes and our differences, and we all see things differently. She has voted against some of these projects that have put us into debt. We're going to handle this the way it's been handled by every city. We're not the only ones in this situation and staff is doing the best job possible. She has different ideas about how we can do things better, but they're not going to be supported by a majority here. In the last 11 years on the Council, she has been part of a majority for less than 2 years. That's 9 years that she has voiced her concerns about the direction that we are going and was outvoted. There are things we could have done differently in the last 11 years or even 30 years, but we're here now. We try to provide the best possible quality of life services to our residents. That is what our residents are due.

She has talked to the City Manager. She is concerned about using our TransNet

dollars that are coming in. She'd rather put that into Coast Highway and maybe some of our other roads, and not on the Melrose extension. We'd be getting more out of those dollars here and now and for our businesses rather than on some project that may have an impact in 10-30 years. That's what she's been saying over and over again. We all stand for something. The bottom line is we have a certain amount of dollars, and our decision is how to distribute those funds in the best interests of our City, our economy and our future.

She was sad to hear that Escondido is going to be putting their mark in terms of wineries. That should be us; we should be doing these things with our agriculture. We keep letting other cities do things. We had ideas of having our own version of a Convention Center instead of Carlsbad or some other city. We continue to have ideas and then set them aside. With all due respect to the public speakers and the Councilmembers, we just see things differently. She and the Mayor have been in this City for many years and have invested a lot. We're trying to do what's best for the City. To have one more conversation where we're just going to get angry at each other just for the sake of having a political platform is wrong. There will be plenty of time for all of that politicking. It's no secret that 3 Councilmembers are up for re-election next November, and people are really going to be paying attention because they've been hurt by this economy and some of our decisions.

She feels like she has also made a political speech here and that's not her intention. She wishes we would just get to the next election so we can have a settling of all of this because we've done some really radical things in the last year. In her mind we have hurt our economy and residents, and she doesn't want to do that anymore.

MAYOR WOOD stated all of the North County Mayors and their City Managers meet quite often. We're not going there to be friends; we're talking about what's going on and what they're doing with their cities. We don't stop at our boundaries; we ask the other cities how they're addressing their concerns too.

COUNCILMEMBER FELIEN would like to go back to the workshop the Mayor referenced because he thought that turned out to be an excellent experience. If you recall, when a budget item was on the agenda there was some tension as it was discussed by the Council. He supported Deputy Mayor Sanchez's and Mayor Wood's suggestion to go to a workshop on that item. As a result of that, the Mayor had a chance to take the time he needed to learn about some of these issues in depth. The workshop had a much less contentious atmosphere, and the result of that decision was a 4-1 vote in support of the policies. The workshop worked exactly as it was intended to. Something that might have been a contentious political item, turned out to be just a let's do the business of the City item that was successfully resolved.

The other point he would like to make is that that workshop was simply a vehicle in which to determine accounting policies to records the decisions that were made and the policies that were adopted by the Council. He sees Councilmember Kern's agenda item here to be totally different; to basically set the policies that the City will adapt, rather than the accounting policies to record those decisions. He would also point out that the workshops are not televised so there's not the grandstanding you might see up here at the dais. They are less formal. He thinks a workshop would provide an atmosphere that would be somewhat less political.

An election is coming up, and big decisions have to be made. But even if we're having the same amount of money and we all want to do the same services, our expenses keep going up because of pensions and healthcare. That puts tremendous financial pressure on us to try and address those issues. A workshop provides a calmer atmosphere to provide direction. He would hope this workshop would be the first step in establishing a Strategic Plan for the City. A Strategic Plan would then provide a framework in which the City Council can judge the performance of the City Manager and the upper management of the City. He doesn't think of his role as simply being ceremonial or a care-taker and the City Manager does all of the real work. Our role,

especially in these pressing economic times, is to do the best we can to understand the will of the community and then communicate that to the City Manager, who is certainly responsible for the day-to-day operations of the City. But the long-term goals of the City are the responsibility of the 5 members who are up here, not to defer that job to the City Manager. He would look forward to a workshop to provide some structure to pass on some of those long-term goals to the City Manager, as well as City staff.

Having a facilitator might be a good idea. He would suggest that maybe the Chamber of Commerce could facilitate the workshop; David Nydegger or Chip Dykes could help stimulate some of the interaction and help with some decisions. Obviously, a workshop, to some extent, is an experiment. If we're sitting there and nothing constructive is getting accomplished, he would assume it would end early and everyone can go on their way. If it's productive, it will last longer and it's a good way for the members of the public to provide input in a less formal atmosphere. It's also a way for the Council to interact in a less formal manner, because of the Brown Act, which is meant with good intentions but provides an awkward setting to address what can be sensitive issues. The workshop is a slight step down to make it less formal. He will be supporting any motion by Councilmember Kern.

COUNCILMEMBER FELLER stated this is a political forum at every single Council meeting. What we say pertains to maybe 10% of the whole Council meeting. He's participated in workshops in the past, and they've been facilitated. He doesn't see a structure here and there has to be some sort of structure. Our problem is revenue. There's no question that its revenue. He would be more inclined to look at a workshop that looked at revenue producing as opposed to operations and budgeting. We set a policy. If we have policies that we think we need to change, we could ask the City Manager to look at those. We don't interface in that position as a Council. He would be more comfortable with revenue producing than goals and objectives. He's not sure how budgeting and operations fits here.

COUNCILMEMBER KERN is a little taken aback by the resistance to just talking. We need to get together and do a couple of things. Councilmember Feller brought up our declining revenues. One of the things we're going to have to do is set priorities. That is a budgeting and operations issue because we're going to have some idea of what our revenues are going to be next year, and we're going to have to set priorities about how that money is spent. That affects budgeting and operations. All of those things will be entailed. He doesn't want to get into revenue producing and priority spending; that's what the workshop is for. He encouraged the public to contact their Councilmembers and tell them what you think the priorities of the City should be. This is a public meeting, and he encouraged the public to show up.

This is a long-term goal. Things that we decide today have impact 20-30 years out, so we need to think that far out. We can't just think to the next election. We have elections here every 2 years. If every 2 years we put governance on hold until the elections is done, then we have governance for a year before we put it on hold again. The next election may change the dynamic or direction of the Council and he would encourage that Council to set up a workshop to set their programs, priorities and goals. This should not be a Councilmember item; it should be a regularly scheduled yearly event. Every year we should have a workshop about goals and priorities and checking on things. This is our job. We're not a town of 20,000 – 30,000 people anymore. We're a town of at least 167,000, according to the census. We can't think in small town parlances anymore. We have to think about being a bigger, mid-sized city and govern accordingly. There are some big issues that we haven't addressed totally. He doesn't think the workshop is going to solve that problem, but it will set some goals and priorities of where we want to go.

We've never sat down and talked about the direction of the Enterprise Funds. We had one issue tonight that was pulled about biodiesel and biosolids, and is that something that we want to pursue. Is that a priority or something we just push off? That's one of those 20-30 year decisions that we're going to have to talk about.

Council are the curators of public policy. That's what we do here; we manage public policy. Those policies are passed on to the City Manager who implements them. Hopefully, the City Manager is not implementing policies on a one-by-one basis as Councilmembers come through the door. Hopefully, he takes policies that we all give as a group because we have conflicting ideas about the policy direction we should be going in. We as a Council need to set policies, goals and objectives, not as individuals dropping by the City Manager's office and talking about them. That doesn't work when you're a mid-sized city. You have to formalize these things and start talking about them in a formal setting to go forward.

This workshop is to bring forward ideas. A couple of years ago we brought forward the idea of being water independent. That wasn't agendaized and wasn't talked about before we went into the meeting; it was talked about at the meeting, and it came out as a policy goal of ours to do that. The City Manager and the Water Utilities people have gone a long way to try and achieve that goal. If we did not set that goal, it would not get done. Unless you set goals and objectives and have those metrics to measure them, things do not happen. You can't do that on an individual basis, we should do that as a Council. He is asking his Councilmembers to set January 25, 2012, as a Council workshop to discuss those things.

This may sound broad, but he wants it broad. We should set public policy and our goals for the next 2-5 years because he hasn't read anything that says the economy is going to be different in that time. Our revenues are going to continue to shrink, and we're going to have to set budget priorities, if nothing else. That may be the dominant question of the workshop meeting. We're going to have to do that before we get deep into the budget cycle. He hates the way we do it now, where we get something in April and then we scramble around and try to pass it at the last Council meeting in June to implement a budget. Bringing it forward earlier and setting our priorities to give the City Manager direction of how to come up with the budget is important for not only us, but for the City to understand. He encourages the public to have input, either by email or on the web site. This is a public process and we ought to engage the public as soon as possible and as highly as possible in order to come up with policies, goals and objectives for what we're going to do in the next year. We cannot put governance on hold just because of an election.

He **moved** to have Council set January 25, 2012, as a Council workshop to discuss Council goals and objectives related to City budgeting operations and provide direction to staff.

COUNCILMEMBER FELIEN seconded the motion.

COUNCILMEMBER FELLER can get in with the budgeting objectives, but he doesn't know what kind of structure you think we can have without some sort of facilitating. The operations side is what the City Manager has to figure out from budgeting. But we don't have a way to do this. Who's going to lead? Are we just going to sit around and talk?

COUNCILMEMBER KERN thinks we're going to come with our own ideas; the public is going to give us ideas and then we're going to have a conversation. We could follow Councilmember Felien's idea and go out to the Chamber of Commerce and have them as a facilitator.

COUNCILMEMBER FELLER stated no.

COUNCILMEMBER KERN stated in the past the facilitator workshops weren't well received.

COUNCILMEMBER FELLER doesn't think they are either, but somehow somebody has to be in charge of writing things down and doing the things that are

necessary to facilitate some sort of conversation. He's hearing that the Mayor and Deputy Mayor are not interested in having a conversation. We need goals and objectives regarding the budgeting. We're going to be doing that right along with the budget as well.

COUNCILMEMBER KERN feels we should do it as early as possible and set those goals, objectives and priorities before we get deep into the budget. He's sure the departments are putting together budgets as we speak.

COUNCILMEMBER FELLER thinks we all know we've cut departments unbelievably in these past years. We haven't talked enough about revenue producing, and that wouldn't be under budgeting priorities. You have to have some sort of revenue producing. He doesn't see us sitting there and coming up with ideas.

MAYOR WOOD would like to go to the City Manager on this. He had some concerns about this and what's going on. Some of the Council Aides have been involved with the City Manager and it hasn't been a delightful sight or sound.

CITY MANAGER WEISS responded at this point he's not sure where we're going with this. He's hearing different things. By way of background, Council has had over the last few years several sessions. We do have a comprehensive list of strategic goals and objectives. They were updated about a year and a half ago, and we can provide Council with the current status of those. Part of those are to be 50% water independent by 2030 and that was something that came out of that, when going into it staff was not prepared to initiate. As was mentioned, it's something that we are pursuing now.

In having looked at them earlier today, he thinks there is opportunity for some of them to change based on the overall broader economic conditions that everyone is in. But are they worth looking at on a regular basis. Will they significantly change? Probably not, but he thinks there will be some changes to them. What Council does beyond that in regards to revenue generating options, given what we have gone through in the past, is certainly open to discussion if that's what you want as part of your overall discussion at a workshop.

Regarding the structural deficit, last year after we adopted the budget, we did get a letter from Moody's putting us on credit watch as a result of our bond rating and the way we were dealing with our budget. Although they had some positive comments, they noted that we did not address the long-term structural deficit that we, as well as a number of other cities, are facing. He expects that this year we'll probably get a similar letter. He doubts that we'll see a reduction in our credit rating, but he's sure they'll keep us on a rating watch just because of that long-term structural deficit. Again, other cities are facing that as well.

If it's Council's goal to have a workshop, then we will do what we need to do to comply with that. We have not yet started dealing with the 2012 budget because we just gave you the first quarterly update. We're looking at monitoring this current budget. Our goal is to have, by the end of January or early February of next year, the 5-year forecast updated. That will give us a little clearer picture of where we are going or need to be. As was mentioned by Councilmember Felien, we do know that our PERS rates, as well as our health insurance rates, are going up and our projected expenditures are going to be more than our projected revenues. We are going to be looking at 2012 being another reduction year. Should there be a consensus amongst the Council of where those funding priorities should be, it would make the budget process easier, but in the past the Council's direction has been to systematically reduce.

We are in the process of looking at additional efficiencies within the Fire Department. We've prepared RFP's for several other services to look at outsourcing a number of those, based on the Council's direction. Some of those things are going to take some time to bring back to Council. If Council was clear on what your funding

priorities were, versus coming to a workshop in April and another one in May and then a budget adoption in June, it would make life easier. The reality is, he doesn't see that. When we bring the final budget to Council in a workshop in May and the adoption in June, he believes you're still going to have residents and interested parties having concerns and issues with your budget. Any manner of reduction in your budget is going to generate input. If we reduce the library hours by one more hour, you're going to have a group of people in here. So Council is going to be facing some very difficult choices coming up. Staff can bring you, based on your prior direction, a balanced budget that provides services to the community, but it's going to reduce the level of service. There's no way around it at this point in time.

If Council's goal in the workshop is to actually set those funding priorities, then we would need some additional direction because we'll need to provide Council with some additional information. He's not sure just sitting around the table having a conversation is going to get you where you need to be in regards to fixing in place some funding priorities. It may set the stage for some other workshop later, but then again part of the question to you is what is the format you would like. We do have facilitators that are available, but as was mentioned, the last few times we had facilitators there was not a positive feedback from that. It could be because of the individual facilitator or the location, but it's something you can do to make sure everyone has an opportunity for input, if that's what you want.

The key is what are you actually looking to accomplish and how can we help you get there. We can provide to you, by the end of the week, your updated strategic goals and priorities so you can look at them and provide some input. If you want to get into funding priorities by program or by functional basis throughout the community, we would have to work on some additional information. We gave you some of that last year where we showed you a breakdown by individual department and program where the money goes. If Council is interested in something that detailed, that is going to take some time. The part that comes back to you is what are you looking to accomplish and is this an all-day workshop. The last time we set it up for all day we finished just before lunch. To what level do you want to get to because that would determine what we would set up for you. He's hearing there are at least 3 interested in getting together to talk. What is the format you'd like to have so we can make the appropriate arrangements?

COUNCILMEMBER FELLER asked if we have a Strategic Plan.

CITY MANAGER WEISS responded there is not a global Strategic Plan for the City. We have individual Strategic Plans for departments. You do have those strategic goals and objectives that we have put out there as your Strategic Plan because they are similar in nature to what other cities have developed as their Strategic Plan. He will provide those to you before the end of the week.

COUNCILMEMBER FELLER stated if we're going to talk about budgeting priorities, he'll go along with it. If it's about operations or something that's outside of our purview, he would not be interested. He would like the information that the City Manager just referred to about the strategic goals and objectives. He wants no discussion regarding operations at this point. If you have budgeting priorities, then you have to figure out how to operate.

COUNCILMEMBER KERN asked if he were to amend his motion to take out the word 'operations' that would make it okay with Councilmember Feller. He also wants to look further out so obviously the funding and budget priorities have to be set, and we'd do that in January. He **amended** his **motion** to remove the word 'operations'.

COUNCILMEMBER FELLER asked if goals and objectives are being called the same thing as budgeting priorities.

COUNCILMEMBER KERN responded objectives related to City budgeting and just take out the word 'operations'. The biggest issue is going to be the budget and how we set those funding goals. Part of that will probably be revenue enhancement somewhat.

COUNCILMEMBER FELLER thinks revenue enhancement should be added.

COUNCILMEMBER KERN stated the other thing is the facilitator. Before we go down that road, he'd like to see what the cost may be and who's available. He doesn't care if the City Manager facilitates the meeting. He's the one who's going to have to implement it so he can write the stuff down and ask the questions.

COUNCILMEMBER FELIEN as the **second concurred**.

DEPUTY MAYOR SANCHEZ made some comments as a member of the public. Councilmember Kern asked for input from the public, yet her comments are put down. That's her objection here. Her major was in urban studies. She studied large cities and has been attending League of California Cities and International Livable Cities conferences, and she has a lot of ideas that she's brought forward. She brought forward a successful funding project with the Mayor in terms of our franchise fees on this \$24,000,000 contract. She has ideas and has presented them, but they've always been put down. This is just going to be the same old same old. We can't even talk here without belittling anything she has to say. If members of the public come in with their ideas, it will be picking and choosing. The concerns of our residents are put aside in favor of outside big interests, like the BIA, which is getting a heck of a lot out of our City. She doesn't see where this is going to go.

She would like to talk about finding more money for the City; she's been wanting to talk about that forever. At the League of California Cities she's met Councilmembers who said they've become stalkers of businesses; they stalk businesses until they come into their cities. They've been able to balance and maintain agriculture and make it viable by partnering with agriculture. Yet, we're willing to throw away everything and make things even worse for our residents and put our city into potential bankruptcy by creating more housing and more demand for services that don't make sense. Like in Morro Hills. We should be talking about Coast Highway and doing what can be funded by money from SANDAG that rightfully belongs to us and we never get to use or apply for because our policies are upside down. It's very frustrating to be part of a minority on this Council who constantly sees our policies going in the wrong direction. She's against this because we can't even talk now, and it's very frustrating as an educated person to see the uneducated way that you want to handle business.

She would welcome talking about getting more resources for the City. There are lots of things we can do. We shouldn't let Escondido be the leadership on the vineyards and wineries. These are ideas that she has been talking about for 2 years in agri-tourism. We need to move forward and do now. If we don't, then Escondido is going to be the one doing it.

She doesn't appreciate what's going on here and thinks you are leaving out entire communities of Oceanside. You should at least listen to those that have been here through generations and have stuck it out and don't just give away the store.

COUNCILMEMBER FELIEN sees this workshop as more of an open-ended brainstorming session, and he doesn't understand Deputy Mayor Sanchez's fear of it because the purpose of the workshop is to discuss some of the very ideas she had. He sees the workshop as being a forum to have an open-ended discussion. He likes the idea of discussing creative revenue solutions for the City as Councilmember Feller mentioned and Deputy Mayor Sanchez has addressed. That's exactly what it's for. He's not going to object to an idea simply because it comes from someone who's not going to vote for him and he's not going to vote for them.

Since becoming City Treasurer and then being elected to Council, he would feel comfortable walking into the Mayor's office and saying he has an issue. He feels that the Mayor would address that to the best of his knowledge. There are the politics of the City, but at the same time there's a point where you're trying to get done the business of the City with the results that the voters have put forward in an election. He would not be comfortable knocking on Deputy Mayor Sanchez's door to comfortably address the same issue. He politely suggested that if Deputy Mayor Sanchez feels that her ideas aren't received with enthusiasm by the majority of the body, it might be how she chooses to interact with the majority of the body. When he became Treasurer, one of the issues that was addressed was the developers paying their fees and covering their costs. He approached Deputy Mayor Sanchez to say he was happy to join her in that effort, but his approach was rebuffed. There's a point where you have to put aside politics and address the business of the City. His interactions with the Mayor say that the Mayor is willing to do that, and he commends him for that. There are times that he's voted with the Mayor on issues based on points he's made at the dais.

People are going to approach issues based on the political biases they bring to the Council, but that doesn't mean he's not open to a good argument to change his mind. It probably won't be 50% of the time, but it certainly could be more than 10% of the time, depending on the issue and the approach. The workshop provides that opportunity to have some brainstorming and try to put some of the personal friction aside and see what kinds of ideas come forward. There is more suspicion of this than there needs to be. The end result is that it's all going to be discussed in public.

Like every other city, we're under tremendous pressure and it behooves us to address these sensitive and controversial issues earlier in the process so we're not trying to absorb every public complaint in one workshop in the last week of May before we have to vote on a budget in June. Starting in January doesn't guarantee a happy process, but the longer people have to chew on the challenges that we face as a City, the more likelihood that we can come to some kind of consensus to pass a budget for the year.

He encouraged people to have a more positive outlook and take advantage of the opportunity to brainstorm on revenue and direction. It's not his intent to micromanage the City through a workshop.

MAYOR WOOD tries to be polite and a little thicker skinned because the public voted each of the Councilmembers in, and it's not his job to shut people down. They've been put on the dais to speak for the people who voted them in. He is concerned that we don't step on the City Manager's toes. When you're on the losing side of an ongoing Council, you get angry and frustrated. When we have a workshop, we invite the public to it. He's been told by many of the people that most people on the dais don't listen to them. It's frustrating to go to the workshop and know that we're going to lose on a 3-2 vote no matter what the issue is. He just doesn't want to use the agenda items for political platforms.

He doesn't want to go to an all-day workshop and, like the last one, be finished before noon because nobody would talk to each other. That might happen again.

COUNCILMEMBER KERN didn't think this was going to be this controversial. He just wants to get together and talk. Public input is important. People take offense because they want to take offense, and he can't help that. He did not get honored by the BIA. He got honored by the Association of Builders and Contractors, who honored him for the Charter and for flying to Sacramento to defend our Charter.

These are tense times, and things are going to get harder. The revenue is not coming in, and the expenses are getting higher. That's why this workshop is important.

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

CITY COUNCIL REPORTS

13. **Mayor Jim Wood**

MAYOR WOOD invited everyone to attend the Annual Christmas Tree Lighting Ceremony on December 1st at the Regal Theater and then shop at the Sunset Market. Pearl Harbor Day is next week and he wants to remember and recognize the survivors.

14. **Deputy Mayor Esther Sanchez**

DEPUTY MAYOR SANCHEZ spent Veteran's Day, November 11th, attending several events, including participating in the Veteran's Day Parade for the first time. She is currently working with volunteers and non-profit organizations, especially on the issues of jobs and homelessness.

She attended the Utilities Commission meeting and the Harbor & Beaches Advisory Committee meeting. She attended a zero waste workshop on November 17th. She also attended last night's South Oceanside Merchant's Association open house.

15. **Councilmember Gary Felien**

COUNCILMEMBER FELIEN attended the California League of Cities monthly meeting. We had an event sponsored by the North County Philanthropy Society for their 24th Annual Volunteer Awards Ceremony. Diane Nydegger, an Oceanside resident, was honored for her work for the Oceanside Foundation. He attended the Veteran's Day Ceremony sponsored by the Veteran's Association of North County; Congressman Darryl Issa's Pancake Breakfast to collect toys for military families; the Marine Corps Installation West Change of Command Ceremony; the grand opening of the Marriot Courtyard; the opening of Double Diamond Financial Insurance Services; the South Oceanside Merchant's Association; the Turkey Trot; a promotion ceremony at the Police Department; the Police and Fire Appreciation Day at Venture Church; the KOCT fundraiser; and the 50-year anniversary of the Lighthouse Christian Church.

16. **Councilmember Jack Feller**

COUNCILMEMBER FELLER attended the Thanksgiving Day Turkey Trot, which had 7,200 runners; the North County Printer's Turducken Party; and the Angel's Depot honoring of Veterans.

He announced that the wreath-laying for Pearl Harbor survivors is on December 7th. Oceanside High School is playing La Costa tomorrow night.

17. **Councilmember Jerome Kern**

COUNCILMEMBER KERN echoed the events Councilmember Felien attended. He urged people to not drink and drive.

INTRODUCTION AND ADOPTION OF ORDINANCES - None

ADJOURNMENT

MAYOR WOOD adjourned this joint meeting of the Oceanside City Council, Community Development Commission, Small Craft Harbor District Board of Directors and Oceanside Public Finance Authority at 8:26 PM on November 30, 2011. [The next regular meeting is scheduled for 2:00 PM on Wednesday, December 14, 2011].

November 30, 2011

Joint Meeting Minutes
Council, HDB, CDC and OPFA

ACCEPTED BY COUNCIL/HDB/CDC/OPFA:

Barbara Riegel Wayne
City Clerk, City of Oceanside

