

**MINUTES OF A
REGULAR MEETING OF THE
CITY COUNCIL
OF THE
CITY OF CORONADO/
THE CITY OF CORONADO ACTING AS THE SUCCESSOR
AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF CORONADO**

**Coronado City Hall
1825 Strand Way
Coronado, CA 92118
Tuesday, March 18, 2014**

CALL TO ORDER / ROLL CALL 3:15 p.m.

**Present: Bailey, Denny, Ovrom, Tanaka, Woiwode
Absent: None**

ANNOUNCEMENT OF CLOSED SESSION

- 1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**
Pursuant to Government Code Section 54956.9(d)(2)
One (1) Potential case

- 2. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**
AUTHORITY: Government Code Section 54956.9(a),(d)(1)
NAMES OF CASES:
 - a) *Nicky Rottens Investment Group, Inc. v. City of Coronado, et al.*
U.S. District Court (S.D. Cal.) Case No. 12-cv-2173-JM-RBB

 - b) *Michael Lewis, Lauren Taylor, et al. v. City of Coronado*
San Diego Superior Court, Case No. 37-2013-00061742-CU-CR-CTL

 - c) *City of Coronado v. Michael Cohen, et al.*
Sacramento Superior Court, Case No. 34-2013-00145407-CU-OE-GDS
Sacramento Superior Court, Case No. 34-2013-80001694-CU-WM-GDS

 - d) *The Affordable Housing Coalition of San Diego County v. Tracy Sandoval, et al.*
Sacramento Superior Court, Case No. 34-2012-80001158-CU-WM-GDS

- e) Elizabeth A. Uremovic v. City of Coronado
San Diego Superior Court, Case No. 37-2013-00060783-CL-MC-CTL
- f) Conference with Legal Counsel – Initiation of Litigation
Government Code Section 54956.9(a), (d)(4)
One (1) potential case

3. COMMUNICATIONS - ORAL: None

The City Council adjourned to Closed Session at 3:17 pm.

The City Council reconvened at 3:45 pm. Mayor Tanaka announced that there was no reportable action.

Mayor Tanaka called the regular meeting to order at 4:00 pm. Mayor Tanaka also announced that there are video problems for the meeting. Audio is still working.

1. ROLL CALL:

Present: Council Members/Agency Members Bailey, Denny, Ovrom, Woiwode and Mayor Tanaka

Absent: None

Also Present: City Manager/Agency Executive Director Blair King
City Attorney/Agency Council Johanna Canlas
City Clerk/Agency Secretary Mary Clifford

2. INVOCATION AND PLEDGE OF ALLEGIANCE. Councilmember Ovrom provided the invocation and Mayor Tanaka led the Pledge of Allegiance.

3. MINUTES: Approval of the amended minutes of the Regular Meeting of the City Council/the City Council Acting as the Successor Agency of March 4, 2014.

Councilmember Denny offered a correction to page 656 where it says Councilmember Denny arrived during Closed Session. Councilmember Denny actually arrived before Closed Session and participated in the full closed session. On page 660, under 5j, where it says that the water bill for FY 2012 was \$726,000, FY 2013 \$972,000 and for the first half of this FY \$623,000 she asked that the statement she made that said that that \$623,000 so far, for this fiscal year for our water bill, doesn't reflect the 22% water rate hike that took effect in February of 2014.

MSUC (Bailey/Ovrom) moved to approve the minutes of the Regular Meeting of the City Council/the City Council Acting as the Successor Agency of March 4, 2014, with corrections. The minutes were so approved. The reading of the minutes in their entirety was unanimously waived.

AYES: Bailey, Denny, Ovrom, Woiwode, Tanaka
NAYS: None
ABSTAINING: None
ABSENT: None

4. **CEREMONIAL PRESENTATIONS:**

4a. **Presentation of USS Coronado Youth Poster Contest Winners.** Mayor Tanaka invited Steve Baker, Chair, Cultural Arts Commission, to help with the presentations and provide some remarks. The City Council members assisted with the presentation of awards. The winners were as follows:

Primary/Elementary Winners:

Brooklyn Parma
Jacqueline Rahimzadeh
Mary Elizabeth Ulses

Middle School Winners:

Natalya Gomez
Vanessa Ortega
Abigail Tanuma

High School Winners:

Anthony Dugan Pinkston
Bry Fabyonic
Austin Linthicum

USS Coronado sponsor Mrs. Susan Keith made the presentation to the Grand Prize winner.

Grand Prize Winner:

Miles Kenney

Mayor Tanaka congratulated all the winners and thanked all who entered the contest. The posters will be on display for the next two weeks at the Coronado Public Library.

5. **CONSENT CALENDAR:** The City Council approved, adopted and/or accepted as one item of business Consent Agenda Items 5a through 5j.

Councilmember Denny will be abstaining from voting on Item 5b. She is uncomfortable voting yes, she is uncomfortable voting no. The reason is that she is concerned that the Coronado City Council recently removed an important internal financial control that could protect taxpayers. It has been removed via a long process here at City Council and she is concerned because there is no requirement to review the bills before the checks are approved. On Item 5c she will be voting no. She noted her strong continuing objection to the Coronado Housing Element as adopted. She is concerned that it is fatally flawed in that it makes threshold assumptions that simply are not true and defy the facts in which our City operates here and so she is going to incorporate all those reasons here and not restate them at this time but she incorporates all the reasons she objected to the Housing Element here now on the record. She is concerned that there will be a bait and switch situation with the special housing, special needs housing plan contained in this Housing Element and so she thinks that what we will have in the end will be more intense and dense non-special needs housing due to that bait and switch as she has explained on the record earlier and so in incorporating her strong objection to the Housing Element, she is also objecting to this particular

agenda item. She doesn't in any way object to special needs housing. In fact, she thinks it is important to have special needs housing. She just has a feeling that this particular, or she has evidence that this particular decision here isn't going to get us the special needs housing as intended.

She would like to remove Item 5h from the agenda. She has one particular question about it and she does not need an extended report on 5h. She just has one question.

Mayor Tanaka asked Ms. Denny to pose her question now.

Ms. Denny commented on 5h. She is very inclined to support this particular project on 5h. Her question goes to the funding. There is an allocation to be decided here for \$144,000 towards the project. She'd like to approve it, however, the Fund 400 that is listed on page 139 of the staff report and she would like some assurances from staff that there is no Bridge Toll Revenue fund, remaining funds that have then been kicked into Fund 400 to be used on this project.

City Manager Blair King responded that there are not.

MSUC (Woiwode/Bailey) moved that the City Council approve the Consent Calendar Items 5a through 5j.

AYES:	Bailey, Denny, Ovrom, Woiwode, Tanaka
NAYS:	Denny, on Item 5c
ABSTAINING:	Denny, on Item 5b
ABSENT:	None

5a. Approval of Reading by Title and Waiver of Reading in Full of Ordinances on this Agenda. The City Council waived the reading of the full text and approved the reading of the title only.

5b. Review and Approve that the Warrants, as Certified by the City Treasurer, are all Correct and Just, and Conform to the Approved Budget for FY 2013-2014. The City Council approved payment of City warrant Nos. 10100029 thru 10100204 and City of Coronado Acting as the Successor Agency to the Community Development Agency of the City of Coronado warrant No. 90005560. The City Council approved that the warrants as certified by the City/Agency Treasurer.

5c. Authorization to Transmit the 2014 Annual Housing Progress Report to the State Office of Housing and Community Development. The City Council authorized the transmission of the 2014 Annual Housing Progress Report to HCD.

5d. Award of Construction Contract to Select Electric, Inc. for the Accessible Pedestrian Signals and Tenth Street Reconfiguration Project in the Amount of \$199,900. The City Council authorized the City Manager to enter into a construction contract with Select Electric, Inc. in the amount of \$199,900 for construction of the Accessible Pedestrian Signal and Tenth Street Reconfiguration project.

5e. Award of Contract for the Americans with Disabilities Act (ADA) Transition Plan to Moore Iacofano Goltsman, Inc. for an Amount Not to Exceed \$50,000. The City Council authorized the City Manager to enter into a contract with Moore Iacofano Goltsman, Inc. (MIG) to create current ADA Transition Plan for an amount not to exceed \$50,000.

5f. Award of Construction Contract to Tharsos, Inc. in the Amount of \$255,233.60 for the Coronado Cays Wastewater Force Main Internal Assessment and Air Vacuum Valve Assembly (AVA) Replacement Project and Authorize the City Manager to Approve a Work Order for Harris and Associates in the Not-to-Exceed Amount of \$34,545 to Provide Construction Support Services. The City Council awarded a contract to Tharsos, Inc. in the amount of \$255,233.60 for construction of the Coronado Cays Wastewater Main Internal Assessment and Air Vacuum Valve Assembly (AVA) project and authorized the City Manager to execute a work order to Harris and Associates in the not-to-exceed amount of \$34,545 for construction support services.

5g. Authorization for the City Manager to Execute a Professional Services Contract with Harris and Associates for the Design of Repairs to the Golf Course Cart Barn and Appropriation of \$50,000 from the Golf Enterprise Fund to the Project Account. The City Council authorized the City Manager to execute an agreement for engineering services for the repair of the Golf Course Cart Barn and appropriated \$50,000 from the Golf Course Enterprise Fund to Project Account #520782-8252-14RCART-8252.

5h. Authorization for the City Manager to Enter into a Professional Engineering Design Services Contract with Psomas for a Fee of \$77,270 for FY 13/14 Street, Curb, and Gutter Improvements on D Avenue, Third Street, and Country Club Lane, and Allocation of \$144,000 Toward the Project. The City Council authorized the City Manager to execute an agreement with Psomas for a fee of \$77,270 for the design of the FY 13/14 Street, Curb, and Gutter Improvement project and authorized the allocation of \$144,000 toward the project.

5i. Authorization to Advertise the Street Preventive Maintenance FY 13-14 Project for Bid. The City Council authorized staff to advertise the Street Preventive Maintenance FY 13-14 project for slurry sealing streets for bid.

5j. Award of Consultant Contract to Graphic Solutions, LTD, in the Amount of \$41,850 for Phase II of the Wayfinding Signage Plan. The City Council the City Manager to enter into a contract for \$41,850 with Graphic Solutions, LTD, to create the final Wayfinding Signage plan.

6. ORAL COMMUNICATIONS:

a. Carolyn Rogerson spoke regarding the building formerly known as CoraMart. It has an availability sign on it. She would hope that each and every member of the City Council, the City Manager and Mayor Tanaka would do their utmost to see to it that whoever takes over that property and rebuilds it, as it is a condemned property, sees to it that there is both, preferably both, but either underground or rooftop parking provided for whatever facility goes in there. It would be appropriate, extremely appropriate, to have underground parking and it

would be wonderful to have rooftop parking for bicycle parking. She thinks this is a great idea because of the large number of bicycle thefts.

Mayor Tanaka commented that he spoke with Rite Aid and they currently have the lease option on CoraMart.

b. Councilmember Denny encouraged people to join CERT and CERO.

7. **CITY MANAGER/EXECUTIVE DIRECTOR:**

7a. **Update on Council Directed Actions and Citizen Inquiries.** No report.

8. **PUBLIC HEARINGS:**

8a. **Public Hearing: Consideration of a One Lot Tentative Subdivision Map to Allow for Conversion of Nine Existing Apartments to Seven Condominium Units for the Historically Designated Property Legally Described as Lots 21 and 22, Block 121, of Map 376 CBSI, Addressed as 1106 Fourth Street and Located in the R-4 (Multiple Family Residential) Zone of the Orange Avenue Corridor Specific Plan (PC 2013-09 1106 Fourth Avenue LLC).** Tricia Olsen, Associate Planner, provided the staff report for this item.

Councilmember Denny asked that Ms. Olsen explain the HRC role, if any, in this.

Ms. Olsen responded that the HRC reviewed a Historic Alteration Permit for the exterior modifications that were associated with the remodel. Ms. Denny asked if they reviewed the exceptions. Ms. Olsen explained that the HRC did recommend that the Planning Commission and City Council support the parking exception request.

Ann Keeseer, applicant, stated it is very low FAR. They took it down to the seven units that the Planning Commission recommended. The FAR on this lot could be twice as big. This is very small. They are small units. They would like to keep them that way.

Ms. Denny asked Ms. Keeseer to tell a little bit about the relative success of her other projects.

Ms. Keeseer started 12 years ago with the Puesta del Sol on G Avenue. They saved the six original town homes and built two units in the back. They did the Chateau at 727 D. They did the Monterey on D. They were able to save them which makes them happy and is good for Coronado. These are small units. They will be inexpensive. The parking, she would recommend if the City Council could, that she not have to assign those parking spaces because there has been an apartment building there forever and it has worked with people sharing the parking spaces as opposed to being assigned. She would like to keep that open if it would be a possibility. It would be better for everyone.

Mayor Tanaka pointed out that was the Planning Commission's recommendation as well.

Mayor Tanaka opened the public hearing and, seeing no one wishing to speak on the item, the public hearing was closed.

Councilmember Ovrom moved the staff and Planning Commission recommendation, including the not assigning of parking.

MSC (Ovrom/Woiwode) moved that the City Council adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO APPROVING A ONE LOT TENTATIVE SUBDIVISION MAP TO ALLOW FOR CONVERSION OF NINE EXISTING APARTMENTS TO SEVEN CONDOMINIUM UNITS FOR THE HISTORICALLY DESIGNATED PROPERTY LEGALLY DESCRIBED AS LOTS 21 AND 22, BLOCK 121, OF MAP 376 CBSI, ADDRESSED AS 1106 FOURTH STREET AND LOCATED IN THE R-4 (MULTIPLE FAMILY RESIDENTIAL) ZONE OF THE ORANGE AVENUE CORRIDOR SPECIFIC PLAN (PC 2013-09 1106 FOURTH AVENUE LLC). The Resolution was read by title, the reading in its entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8656.

Councilmember Denny is very impressed with the applicant's background and other work. For this particular matter before us today, she is just not going to be able to support it and the reasons why are, instead of the allowable six units, this will be seven units, and instead of the required 14 parking spaces, there are really only five parking spaces that will be provided or required through an exception process. In addition, instead of the 200 cubic feet of storage space for each of the seven units, for a total of 1400 cubic feet of storage, this project, through this recommended exception, will have only 100 cubic feet of storage space for each of seven units for a total of 700 cubic feet of storage space. Based on those exceptions for the number of units, the number of parking spaces and the number of cubic feet of storage, she is uncomfortable and doesn't feel right increasing the density in this particular neighborhood, thinking about the surrounding neighbors; just because we can take an action doesn't mean that we have to here at City Council. Unfortunately, she will just be voting no.

Mayor Tanaka thanked the applicant for bringing this project forward. He is happy that this project is moving forward because he believes it saves the structure. He believes Irving Gill was involved in the design of it which he thinks is terrific. He thinks it is pretty clear, if you understand the Coronado housing market, there is not much of an incentive financially for people to build apartments and there isn't much of a financial incentive for people to maintain apartments. Right now he feels like she is lowering density because there are nine apartment units and they are going to go down to seven units. He also thinks that this condo conversion makes the structure more viable. In other words, if we don't approve this today, then he thinks we are dooming this thing to eventually being scraped and replaced with, as was said, something that would have twice as much of a FAR footprint and basically be what people are getting very tired of here in town. He thanked the applicant for coming up with this creative way to save yet another historic structure.

AYES:	Bailey, Ovrom, Woiwode, Tanaka
NAYS:	Denny
ABSTAINING:	None
ABSENT:	None

9. ADMINISTRATIVE HEARINGS: None.

10. **COMMISSION AND COMMITTEE REPORTS:** None.

11. **CITY COUNCIL BUSINESS:**

11a. **Council Reports on Inter-Agency Committee and Board Assignments.** Mayor Tanaka asked that members submit their reports in writing to the City Clerk.

11b. **Wastewater Enterprise Fund Financial Strategies Workshop.** City Manager Blair King introduced the item and Leslie Suelter, Director of Administrative Services, provided the staff report on the item.

Mayor Tanaka asked that if the City is potentially going to be asked to pay something like \$1 million for a true up payment, are all the members of the JPA going to be hit with a similar proportional...

Councilmember Denny interjected that it is the reverse. We are getting that money back. This is good news.

Ms. Suelter explained that we are getting money back from Metro. We pay them, based on an estimate of the costs, and she also understands that there are some rate coverage requirements because they have bonds that they are paying and they have to demonstrate a certain amount of revenue stream so they assess each member agency their annual contribution but then when the year is over and they go back to look at their actual costs...there is a true up every year. We have not received a true up payment for several years so we have a sizeable amount that will be returning to the City of Coronado. Ms. Suelter continued with her report.

Karen Keese of Atkins is the consultant who has completed the rate study for Coronado. She is also the financial consultant for Metro JPA. She provided additional information on this item.

Mayor Tanaka asked if there were a number of cities in the 1990s adjusting for that. Are we one of the few that didn't or did a lot of cities make the same mistake Coronado did?

Ms. Keese showed a slide that gives the sewer rate comparison of all the Metro member agencies. A lot of the agencies made what wasn't really a mistake. In 1994 it was projected that San Diego was going to be spending over \$2 billion for what they called their clean water program. However they were able to negotiate with the EPA to come up with the consumer's alternative and instead of \$2 billion they actually only spent \$1 billion. This is still a lot of money but it was literally cut in half. Some of the agencies put their rates in effect, Coronado, the County and some of the other agencies, put their rates based on that but that didn't happen. They were able to build up some reserves and hold rates until now.

Mayor Tanaka asked if he was reading the graph correctly by saying that most of the cities that have a similar rate to Coronado didn't index for CPI.

Ms. Keese responded that he is correct at the lower end. She provided further explanation on this.

Mayor Tanaka stated that he really doesn't know a lot about these sewer issues and appreciates the presentation that was given.

Councilmember Woiwode asked for further clarification on the point Ms. Keese made about why the budget is different than the revenue requirements.

Ms. Keese explained that you start with a budget and then you deduct non-operating revenues or any other source of revenues that are not rate generated. Then the revenue requirement is lowered by the non-operating revenues.

Councilmember Ovrom asked why Ms. Keese held CIP and repair reserves as constant over time.

Ms. Keese responded that replacement reserves is a function of the value of the system divided by 50 years. She used each year at 1/50th of that and did not inflate it. It was staff's estimate that the CIP is going to be approximately \$1.2 million per year. They tried it going up and down but when they redid the CIP, they said they would need around \$1.2 million so she included that.

Mr. King further elaborated on that question. He pointed out two things. One is the system itself. We have a system that is a more complicated system because of the pumps, because of how we operate and why we operate. The second point is we do have pending capital projects that are coming up and we talked a little bit about those. In the five-year projection, Ms. Suelter pointed out that we have held those out because we don't want to have a dead hand on the wheel. We don't want to just keep doing things, especially if we have not made that rate adjustment. So until we make the rate adjustment, we don't want to project those expenses but we know those expenses are out there. He asked Mr. Little to talk a little bit about the system itself and why it is a little bit more expensive to operate a system in Coronado.

Ms. Keese showed the sewer rate comparisons and pointed out that Del Mar and Padre Dam have higher rates than we are projecting if you go to full cost of service and that is because they have complicated systems, too. Del Mar is very hilly. It is the furthest out. Padre Dam has a lot of terrain, a lot of pumps. Pumping costs money. Coronado is flat and still has to pump.

Matt Little, Director of Public Services, explained that our system is very complicated. We have 16 pump stations and they are very expensive to operate. We are in a coastal environment so the minute we build it, they start to rust, corrode and break down. We are dead flat. Almost everything that we have gets pumped. In big systems, they gravity to one main station. We gravity to very small stations and we have trans valves, which is large and then we pump constantly. We have large, long force mains that are going to need some attention soon.

Ed Walton, Director of Engineering and Project Development, commented that Coronado does have a very complex system and because of that complexity, we have a lot of needs. For the CIP, he has looked at the five-year projection. Staff estimates about \$6.2 million worth of sewer improvements over that five years and just took an average to get about \$1.2 for the study.

Councilmember Bailey referred to Slide 7. Under the assumptions, where it says 'does not include findings from the Master Plan for CIP,' we will be given the Master Plan in December so that can't incorporate the suggested rate hike in this presentation but, depending on the health of the system,

the rate schedule may change one way or the other. We may need to increase the rate more or we can increase it less based on the findings from that Master Plan.

Ms. Keese thinks there are two key things that we have talked about at the staff level that are about two years out. The first would be the completion of the Master Plan. You have some significant CIP issues, the pipelines, corrosion problems and you won't really know the extent of this until the Master Plan is done and they are televised and what the capital project needs are. We don't know what that is. Mr. Walton does know what he needs to do for the next five years. That might change by the Master Plan in Year 3. He has a very short time line for that Master Plan to be completed. The second issue is the City of San Diego and what is going to happen with their waiver process. Their next waiver is going to be submitted in 2015. Right now, they are looking, and every time they have to go in for a waiver the environmentalists want something. San Diego has created what they call the Pure Water Program. They are looking at the alternative to having to take Point Loma and waste the money to go to secondary treatment. They are looking for permanent legislation to amend the Clean Water Act so that they won't have to continue to do waivers every year. They will still have to get a permit. Everyone is required to. But they won't have to go every five years and spend millions of dollars to do a waiver. They are also looking at potentially offloading Point Loma by doing what is known as indirect potable reuse which, instead of wasting money on technology to take a plant that doesn't really need to be upgraded and spending \$3 billion to do that, spending some amount of money, shared with the Water Department, on creating a new water source for the region. We don't know the cost of that yet. In two years we will know what is going on with that as well. We have not incorporated anything in this plan for that.

Mayor Tanaka asked if it would be fair to say, based on what we've read in this report, even with not knowing those items in two years, we know enough right now to know that our current rate is inadequate.

Ms. Keese concurred. It is thoroughly inadequate. Even with the recommended cost of service, it is under what it would be if you just indexed it every year for CPI. The reason it is inadequate is because it was set in 1995.

Ms. Suelter continued with her portion of the presentation.

Ms. Keese stated that the Navy is not billed on the property tax roll. They are direct billed. If negotiations can be completed with them, the City would see that rate increase immediately. The revenue would be coming in immediately. The City wouldn't have to wait a full year. It is very important that the City proceed with negotiating with the Navy because if it can't, the other users are going to be paying significantly higher rates.

Councilmember Denny works with Ms. Keese on Metro Wastewater as the Coronado Commissioner. In addition, she is the finance chair for Metropolitan Wastewater and works very closely with Ms. Keese on that and also on the steering committee for the NPDES permit process which includes the Pure Water Project. There was a slide when Ms. Keese mentioned 11,587 dwelling units in Coronado. Is that exclusive of the Navy housing?

Ms. Keese does not know the answer to that question. She believes it probably includes it and that was confirmed for her.

Ms. Denny pointed out that there are two areas of Navy housing – the Amphibious Base and North Island and that is what Ms. Keese is referring to.

Mr. King clarified that the City's contract with the Navy is to collect and transport wastewater generated from the Navy Amphibious Base and North Island. He does not believe that contract applies to Lincoln housing. He will check on that.

Mr. Walton responded that Lincoln Housing is included within NAB, it pumps into their pump stations and is metered separately.

Mr. King continued by saying that, exclusive of that, the City has a separate contract with the Navy and the Navy is paying for their portion of the Metro system directly and independently but we still are responsible for the collection and transport for the Navy.

Ms. Denny asked Ms. Keese about the different strengths and the categories were commercial and other different categories. Does the City government fit into a commercial category or would that be a different category?

Ms. Keese responded that would fit into the commercial category.

Ms. Denny thinks the Hospital would, too, then.

Ms. Keese explained that the hospitals are in their own special category. That is because the City has converted a few of its user classes – laundromats, hospitals and schools – over to flow based rates. They are actually billed based on their water usage. The hospitals have their own separate strengths and they are hand billed. They do not go on the property tax roll.

Ms. Denny referred to the meter review. Ms. Keese was saying that perhaps the next thing would be to do a detailed review of all our meters. She just wants to volunteer or offer that recently she met with the CalAm representatives who came down from Los Angeles and we met here to talk about the recent rate hike about which she is very unhappy. It is about 22% for residents and she thinks it is 22, 25% for cities. Residents are paying twice. They are paying directly for their own water bill and then they are paying as taxpayers for the City water bill and so it is quite onerous. They did offer and send to her some information, factual information, on the meters and she sent that to Mr. Little, the City Manager and Mr. Walton, too.

Mr. Little added that staff is working with Cal Am and going through the entire inventory of irrigation meters, all the meters that staff has identified in making sure that what we have and what we think we have is what they think we have.

Ms. Keese commented that they anticipate that information, once everything gets matched up, would be another reason, possibly, to wait the two years or come back next year, once we have the water use status so that we can tell exactly what each class of users is using and not base it on an estimate which is what an EDU is.

Ms. Denny definitely agrees. She strongly is of the position that we do not have enough information at this point to make a decision on the rate hike. She asked Ms. Suelter to please have

this information available for the taxpayers, our public, through the website. In addition, a couple of meetings ago, maybe even last meeting, we were talking about property tax revenues going up and that was some good news on the revenue side. We had a bit of a discussion about the fact that it is a double edged sword for residents because when property tax revenues go up part of that reason is increased density and so that is one of the issues that is a stickler for many residents. She was wondering if property tax revenues are likely going up, could Ms. Suelter explain the statement that the wastewater revenues would remain flat. It would seem counterintuitive. It would seem that as one rate rises the other would rise, to a different degree perhaps.

Mr. King explained that the wastewater rates are not related to the property tax. Staff did mention that they are collected on the tax roll but that is an issue of efficiency. It is not an incident related to property. Property tax, the amount of property tax, is controlled by Proposition 13 and Proposition 1A. This is independent. The wastewater rates are set by the wastewater rates we are talking about. It doesn't have an inflation factor, for example. Property tax has the potential of increasing annually. Wastewater rates are wastewater rates. Although we said they are on the tax roll, he wants it clear that it is not an incident of property ownership but rather the way in which they are collected vis-à-vis having a collection account in City Hall where people would pay their bill like you pay it to EDCO or to Cal Am.

Ms. Denny commented, that being obvious, her question more goes to if we have more people in Coronado, if we are densifying in Coronado, shouldn't the wastewater rates go up since they are based on...

Ms. Suelter thinks that what she is hearing in Ms. Denny's question is regarding why property tax revenues are anticipated to go up. Is it because we are building more properties and adding property or why is property tax anticipated to go up?

Ms. Denny knows the reason and it is several reasons. Part of that reason is that we are densifying. That is a part of the reason why they would go up. In addition, they are scheduled to go up under Prop 13. Her point is to say that wastewater revenues are remaining flat, wouldn't that have to assume that our population is not growing?

Ms. Suelter explained that if we have a growth in population it probably is very small and not likely to make a significant change in our revenues from wastewater if we have a basic structure that is based on a flat rate. She suggested that property taxes are going up primarily because of the resale of current properties at higher values, not because we are adding density. For example, if a property has been owned by the same property owner for 20 years and then sells for significantly higher, the property tax will be based on the new value. That is the kind of change that results in increases in property tax. We do not have that same situation occurring with wastewater because it matters not who lives in the home. It is the same rate charged for wastewater.

Ms. Denny continued by saying that except when you are building four homes on one when that person is deceased and we are putting more homes and when we are adding more connections to our wastewater system.

Ms. Suelter understands that those kinds of things occur.

Ms. Denny commented that there are several reasons why and one of the reasons is that we are adding population.

Ms. Suelter was trying to suggest that for the purposes of projecting she didn't project that there would be any significant change as a result of any changes. Of course it is a projection and it is helpful to make an assumption about what kinds of projections. She didn't assume a significant increase in our investment earnings as well. It is more conservative. She didn't want to presume or project a growth factor when it may or may not materialize.

Ms. Denny doesn't want to belabor the point except to say that maybe it is safer to say not that the wastewater revenues are expected to remain flat but that their rise is expected to be not significant in Ms. Suelter's estimation.

Mr. King thinks that staff did a retroanalysis and they are flat in terms of looking at it in hindsight. Staff has no reason to believe that the future would necessarily change from the past.

Ms. Denny clarified that staff is saying that our wastewater revenues would definitely remain flat for the future.

Ms. Suelter further clarified that for the purposes of doing a financial projection she used...

Mayor Tanaka feels the question has already been answered and asked if there was a next question.

Ms. Denny moved on to talk about not having any formal reserves for wastewater in Coronado. Is that an accurate statement?

Ms. Suelter responded that we have reserves. There is reference in the City Council's reserve policy about wastewater reserves. She thinks that we might want to put into the reserve requirement that we have a policy that there be an operating reserve of six months. She does not feel the policy is that specific so we could update the reserve policies regarding wastewater and the recommendations of the consultant who has given some recommendations for formal consideration by the Council.

Ms. Denny will agree to disagree with Ms. Suelter on the prior statement on the flat revenues but on the formal reserve question Ms. Suelter is saying that we don't have formal reserves but now the statement is that we do have formal reserves for wastewater.

Ms. Suelter explained that the City Council has a policy on reserves. The reserve policy mentions many different funds, not just the General Fund, and there is a reference in the reserve policy for having wastewater reserves. We have not updated that and she does not believe it specifically talks about six months of operating reserves – it is not identified that specifically. Staff was suggesting that we could, during this time, go back and revisit our reserve policies and update them based on the recommendations from the consultant.

Ms. Denny commented that we did have a formal policy for reserves. It just was outdated at this point. Would that be a fair statement?

Mayor Tanaka feels that Ms. Denny is trying to paint Ms. Suelter into a corner and Ms. Suelter can respond any way she wants.

Ms. Denny called a point of order and corrected that she is not trying to paint Ms. Suelter into a corner at all. She is trying to put some facts on the record so that taxpayers who are watching this can understand. Did we have wastewater reserves? Did we not have wastewater reserves?

Ms. Suelter responded that we have wastewater reserves.

Ms. Denny asked if they are formal.

Mayor Tanaka asked how long Ms. Denny is going to depose Ms. Suelter. If Ms. Denny's questions can be clearer she can answer them.

Ms. Denny called a point of order. She is not deposing her. She is trying to get some facts for our...

Mayor Tanaka called a point of order and pointed out that it feels like a deposition.

Ms. Suelter explained that the City has reserves right now identified on the multiyear projections. The amount of reserves are declining. The City Council has a policy on reserves. The City Council policy on reserves is formal and we do need to review it.

Ms. Denny commented that it gave the impression, when Ms. Suelter first spoke, that we don't have a formal policy on reserves because those were her exact words and she thinks that we do have some reserves and she would like the public to know that there were wastewater reserves. They are just being depleted. That is the point. Would she agree with that?

Ms. Suelter responded in the affirmative.

Ms. Denny stated that we are talking about some significant tax increases to the taxpayer and this is a very serious subject that we are talking about.

Mayor Tanaka asked Ms. Denny to ask some questions.

Ms. Denny asked Mr. Little a question. He mentioned that we have 16 pump stations. They are smaller than say other cities. She knows that he has experience in another city over the Bay, Chula Vista. Can he tell a little bit more, put a little more facts, as to what he means by we have 16 pump stations but we are a tiny city and that they are little ones.

Mr. Little explained that pump stations are sized based on the users and what they are supposed to do. Since we are so flat, our basins, our wastewater basins, are essentially a little bit smaller so they don't have to drive as much horsepower so that some of the stations are very small. On the other hand, we have some very large stations. The TransBay station does 3.5 mgd a day. That is a significant station. Glorietta is another significant station. Those are larger than the average station. We have a full gamut. We have smaller stations that may serve a couple of hundred residents and we have some that serve all 9,000 parcels in the City plus the Navy. We run the full gamut. We do have a large number of stations.

Ms. Denny feels that could just be the history of the development of our island, is that correct?

Mr. Little concurred.

Ms. Denny asked if he could also tell us if the water table provides certain challenges to us as to why we have developed with so many pumping stations.

Mr. Little explained that the wastewater system does not interfere with the water table but it does, just like all underground infrastructure, affect it meaning that they are concrete structures and are cast iron and it can cause the deterioration of the infrastructure maybe a little bit faster and that is why we need to be diligent about inspecting and really maintaining it well.

Ms. Denny commented that is the exact point she wanted to make. It is true. The report that we have coming is a good idea. She wanted to ask Mr. Walton, when he spoke about the five-year projection, to make sure we are all on the same page, \$6.5 million in projects within the next five years related to wastewater.

Mr. Walton responded that he believes it was \$6.2, or \$1.2 million, rounded, averaged over the five years.

Ms. Denny clarified that it was \$1.2 million, averaged over five years, for a total of \$6.5 million worth of wastewater projects we are estimating will face Coronado taxpayers.

Mr. Walton reiterated that he believes that the number is \$6.2 and that was what was put in the upcoming CIP projections so that is what they anticipate the need is.

Councilmember Ovrom talked about the Navy. They pay Metro directly for flow on the San Diego side and they pay us directly for flow on our side.

Ms. Keese responded that they pay directly for the operation and maintenance and capital projects through the City's collection system which are the pipes that gather everything up within the City and then go across the Bay. Once their sewage hits the Metro system, Metro actually bills them directly.

Mr. Ovrom mentioned the old radio station where they are thinking about putting in the campus for the SEALS. Is that in this anywhere?

Mr. King responded that it is not yet. That is one of the things the City is waiting for from the Coastal campuses to see which direction they might send effluent. We do not know if they are going to propose a package wastewater treatment plant for that site or whether they will propose to send it to Imperial Beach or whether they will propose to send it north.

Councilmember Bailey referred to Ms. Keese's comment that a rate increase to the Navy could go in effect immediately after negotiations.

Ms. Keese agreed, once the contracts are negotiated and signed.

Mr. Bailey asked what that would mean in terms of actual additional dollars, roughly.

Ms. Keese commented that they are being underbilled by about a third. It is about \$835,000.

Mr. Bailey clarified that it would be an additional \$835,000 on top of what they are paying today. He asked Mr. Walton how confident we are that we are going to be able to get the Master Plan findings back by December.

Mr. Walton explained that it is written into the proposal and is part of their contract. They would have 140 days to complete so staff is very confident that when we get through the approvals and our own process we can get that by December.

Mayor Tanaka asked for public comment but none was forthcoming.

Ms. Denny wanted to make sure that we have it on the record, and any of the members who are aware of this can correct her if necessary, but the approximately \$1.5 million we mentioned earlier was actually a rebate or a refund or some type of a credit mechanism coming to Coronado so this is actually good news for Coronado taxpayers. Roughly it will be about \$1.5 million. The facts are that we will know the actual number sometime this March. When we will actually receive the money is something that we don't know at this point but that is really good news and she mentioned it here briefly in Council at the end of the meetings and she has been speaking with our team here that has been presenting today and the City Manager about it but she just wanted the public to know the source of this refund and why we are getting it. It is because of two different issues. Both the north city issues and the Padre Dam issues. As a result of say the largest wastewater user, San Diego City, underestimating their usage that means that we were overbilled. Not just Coronado. Other cities, too. Now they realize, going back and looking at their model, that it is time for a rebate which is feeding into her next comment which is that it is not always that helpful to taxpayers to do things on estimates, to make decisions on estimates and that is why, again, she doesn't think we have enough information today to go forward with a rate hike decision here at Coronado City.

Mayor Tanaka asked Ms. Denny, as the City representative on Metro, if she is advocating for Option B, to postpone, or does she not even want to discuss a rate hike?

Ms. Denny responded that, at this juncture, she would like to think about Option B. We have two options before us. She can't think of a third. She would like to postpone thinking of the actual rate hike at this point, gather more information, consult with the Navy, gather more information, especially with that Master Plan, and then come back in the future when we have some more information to make a reasonable decision on. This is a big, this will have a big, big impact on Coronado taxpayers and it is something that we really need to scrutinize carefully and so she would prefer that we come back and wait, gather more information. She doesn't know, she doesn't have enough information at this time to say whether she would be for a rate hike, for this particular proposed rate hike, or against a rate hike. She does know that Ms. Keese's work is flawless, however, and so she is just relying on what she has given the City Council to date, right now.

Mayor Tanaka reminded the public that staff has three areas that they would like direction from the Council. First, they would like the Council to receive the report that was given today. Second, staff wants the Council to make a decision on two proposed options that staff has provided. Option

A would be to implement a multiyear wastewater user rate schedule to take effect in FY 2014/15. Option A would be to move forward with a rate that would cover costs. Right now, what is clear from this study that was just said is flawless is that what we are charging is not going to cover our expenses. Option B would be to not go forward with a rate increase today but to gather more information to try to have more certainty about what San Diego will be doing and what some of those costs are and then come back in approximately one year to then have this discussion again. There could be other options but those are the two that staff presented the Council in terms of dealing with the current rate. The third recommendation from staff would be to direct them to start talking with the Navy immediately about what its transmission costs are and to negotiate a deal where we more accurately charge them what we are actually having to pay ourselves.

Councilmember Ovrom thinks there has been enough information given to the Council to let it know that there is a current problem that needs to be addressed. He is never sure, when we put something off in the future, how long it will take to find out whether we have enough information or whether it will just keep putting it off in the name of finding more information rather than being truthful to the public and saying that we really need to pay for the service. In so far as receiving the report is concerned, he thinks that is a go. Directing that the Navy's rate be updated is also a go. He happens to favor A primarily because he likes the idea that it gives the City ongoing work in trying to get to a substantial rate. The one year jump is maybe a little heavy but he thinks that extended over a couple of years can be manageable. He does not think that when the study comes in that there will be enough information to change it but there might be and we might have to go through that process one more time. He is in favor of doing it now.

Mr. Bailey is in favor of Option B really for two reasons. First, it sounds like, from the staff report, that the rate adjustment is very cumbersome. He would rather go through it just once and get it right than take a chance that we will have to go through it a second time. The second reason is that if the City can reach negotiations with the Navy or reach a deal with the Navy to start increasing how much they are paying, that additional \$800,000 would cover all of our operating expenses for several years. He is not suggesting that we postpone a rate hike on residents for several years. He is suggesting that we can make it another six months when we hear the Master Plan and then make the rate adjustment then that we know would be more accurate. He would be in favor of Option B.

Mayor Tanaka let Mr. Woiwode know that he agrees with Mr. Ovrom's approach. He thinks that the study is flawless and it is very clear that the rate we are at is inadequate. To him it would be a mistake to wait longer and he would like to get the information back that Mr. Bailey was talking about but he has enough information in front of him that he feels there is an urgency to take action. He feels the information in front of him is not flawed. It is actionable. He would tend to agree with Mr. Ovrom.

Councilmember Woiwode pointed out that the only reason he can see for waiting is if the Navy, for some reason, doesn't agree with our assessment of what they owe the City or what the rate should be, then we have a different rate that we have to pass on to the public in order to subsidize whatever shortfall the Navy comes up with. He is in favor of acting now on the information that we have with the proviso that we wouldn't finalize the rates until we have agreement with the Navy. He believes that in the absence of that we don't know what we are going to need. He asked Mr. King if he is correctly stating that.

Mr. King believes he is correct but how we defined the piece for the Council and the reason staff is trying to help the Council...the City has a current agreement with the Navy and that agreement was entered into in 1971. The agreement already has proportionate pieces. Staff has had conversations with the Navy but we certainly don't have an official response yet. If it is the Council's desire to wait until we complete the discussions with the Navy, then we are probably leaning closer to Alternative B. If the Council believes that the Navy would pay based upon their 1971 agreement, the proportionate share, and the Council thinks that would be the outcome, then it probably would want to go closer to Option A. If the response from the Navy is the linchpin of the Council's consideration, he would wait until Option B.

Mr. Woiwode is trying to determine why they are underpaying now.

Mr. King explained that primarily the reason they have underpaid is because the City hasn't approached it. The City has not, for the same reason why the City of San Diego is having the issues with Padre Dam that it is, approached it. There has not been an ongoing dialogue with the Navy and we really haven't looked at our rates on the wastewater system for 20 years and that includes the Navy's fair share piece of the charge.

Mayor Tanaka asked Mr. King how long he thinks it would take for staff to initiate this talk with the Navy and then give the Council some actionable information so that the Council can then either give staff direction to move forward with Option A or...Mr. Ovrom's point is if we take Option B, this could be indefinite. We could always say that we don't have enough information. In the meantime, this deficit will begin to grow. Does he have any kind of a guess about how long it would take to get a better idea of what the Navy's position will be on this?

Mr. King knows that at least two conversations have occurred with key individuals. He knows no formal letter has been sent to the Navy, making a formal request of what the rates would be. He knows the Navy has represented that they pay other utility rates what they are and the rates are the rates. In this case, the rate formula was already set in 1971. It is just a matter of putting the numbers in and telling the Navy what their fair share is. He does not know how long it would take the Navy to respond.

Mr. Woiwode feels this is exactly what he wanted to know. The formula exists. What we are saying is that we want to go forward, based on that formula, and set rates. The sooner we make that happen, the better because it provides a smaller impact to enact sooner than it does to wait. The issue as to whether or not some uncertainty – we don't have a reason to believe that there is uncertainty in terms of what the Navy will pay. If, however, we get to the point where we are waiting on only that information, only that agreement, then he would say that would be the point at which the City wants to wave off and say that we can't do this until we have that agreement from the Navy. On the other hand, committing to a schedule might be exactly what we need to get their agreement. Mr. Woiwode is pushing for Option A. He does not want to actually set the rates until we have the Navy's agreement to pay what the formula from the 1971 agreement says.

Mayor Tanaka summarized that Mr. Woiwode is willing to move forward on Option A with the assumption that there are still ways to stop Option A if he feels like the feedback from the Navy is too adverse.

Mr. Woiwode commented that, if for some reason they find a reason for not complying with that 1971 agreement, then we have to reconsider at that point. It doesn't matter if that happens now or a year from now.

Mayor Tanaka suggested a bifurcated motion with the first to include Parts 1 and 3 and the second with Part 2, Option A.

MSUC (Denny/Ovrom) moved that the City Council receive the report and direct that the Navy's rate for its transmission costs be updated.

AYES: Bailey, Denny, Ovrom, Woiwode, Tanaka
NAYS: None
ABSTAINING: None
ABSENT: None

MS (Woiwode/Ovrom) moved that the City Council move forward on Option A with the proviso that the final rates will not be set until we have agreement with the Navy.

Mr. Ovrom has a little trouble with the word 'agreement'. This discussion may go on for an awfully long time and we have to get Washington involved and we already know what that means. He would suggest that perhaps maybe a better word than 'agreement' is a formal response so we know whether they are going to agree or not agree. He thinks what Mr. Woiwode is saying is that if they don't agree, then we are going to have to go one way and if they do agree, then we go a different way. All we really need to know is which way they are going to go for us to move on.

MSC (Woiwode/Ovrom) moved that the City Council move forward on Option A with the proviso that the final rates will not be set until we have a formal response from the Navy.

Mr. Bailey asked Mr. King how far into the process of this rate increase can City staff get without actually knowing, for certain, what the rates will be if we are waiting to hear on this agreement.

Mr. King explained that if this motion were to go forward in this way, staff would send a formal notice and request to the Navy, outline the proposed rate based upon a million gallons/unit, try to accelerate a response from the Navy, and then, as soon as a response is received, staff would want to come back to show some options with regard to the actual rate and some perhaps stair stepping of the rates over the next several years. What he would do is contact the Navy, try to accelerate the response, come back and show options for a rate increase prior to setting the equalized rate in August. Basically that is when staff needs to get the information in order to get it on the tax bill. If we couldn't get it done by August 2014, by default it will be kicked back until about this time in 2015. As a practical matter, if staff is not before the Council in June, this will not be able to be done in 2014.

Ms. Denny needs to put certain things on the record because they have to be said. She has seen that the Navy is negotiating in good faith. She does not think that there is any indication that they are negotiating in bad faith and in respect of that she thinks that Option A is putting the cart before

the horse. She also thinks it is untrue that this matter of discussing with the Navy will go on forever as has been quoted before and that we will never come to an agreement. She thinks that is completely untrue. Her major concern is for our taxpayers. She doesn't think there is a rush, she is concerned because she feels like we are rushing to Option A and we don't have to. We already have an agreement with the military and we already have a potential \$1.5 million coming in from the rebate or the true up. She won't be voting for this motion and those are the reasons why.

AYES:	Ovrom, Woiwode, Tanaka
NAYS:	Bailey, Denny
ABSTAINING:	None
ABSENT:	None

11c. Review and Establish Priorities for Fiscal Year 2014-2015. City Manager Blair King introduced this item.

Discussion ensued about how to make note of each member's priorities. Each Council member was given five stickers with which to identify their priorities.

The City Council went into recess at 6:10 pm.

The meeting resumed at 6:18 pm.

Mr. King read the list of projects that two or more Council members indicated were high priorities:

- OPEB and Pension Cost Management (Denny, Ovrom)
- Summer Shuttle Bus Service (Ovrom, Tanaka)
- Toll Plaza traffic calming and enhancement (Woiwode, Bailey)
- Wastewater Master Plan (Bailey, Tanaka)
- AICUZ/JLUS (Woiwode, Ovrom)
- Cays entrance (Woiwode, Denny)
- Pomona roundabout (Woiwode, Ovrom)
- RSIP Committee Reformation (Tanaka, Woiwode)

Mr. King will take these as Council direction. Staff will take a look as it puts together the budget for FY 14/15 to make sure that we have the resources to take these on.

Mayor Tanaka invited public comment. No one wished to comment.

Councilmember Ovrom asked for more stickers.

Councilmember Bailey thought it would be very helpful to understand how far along in the process the City is for each one of these projects, perhaps in the form of a progress bar under them in the future.

12. CITY ATTORNEY: No report.

13. COMMUNICATIONS - WRITTEN: None.

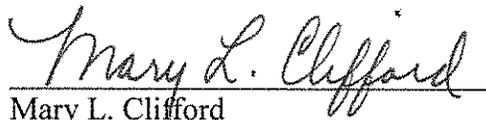
14. **ADJOURNMENT:** The meeting was adjourned at 6:24 p.m.

Approved: April 1, 2014



Casey Tanaka, Mayor
City of Coronado

Attest:



Mary L. Clifford
City Clerk