

**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, June 17, 2014**

CALL TO ORDER / ROLL CALL 3 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)
Facts and circumstances need not be disclosed pursuant to Government Code Section
54956.9(e)(1)
One (1) potential case**

- 2. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION
AUTHORITY: Government Code §54957(b)
TITLE: City Manager and City Attorney**

- 3. COMMUNICATIONS - ORAL: None.**

The City Council adjourned to Closed Session at 3:01 pm.

The City Council reconvened at 3:45 pm. Mayor Tanaka announced that direction was given to staff.

Mayor Tanaka called the regular meeting to order at 4:00 pm.

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 Counsel Johanna Canlas
City Clerk/Agency Secretary Mary Clifford

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

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

MSUC (Bailey/Woiwode) moved to approve the minutes of the Regular Meeting of the City Council/the City Council Acting as the Successor Agency of June 3, 2014, as submitted. 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: None.

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

Councilmember Denny will be abstaining on Item 5b and briefly stated her continuing abstention which is that the internal control of the Audit Committee reviewing the bills before the checks are paid has now been written out of our municipal code by the Council and we have lost the internal financial control and so she is uncomfortable approving the warrants without first knowing that someone from the Audit Committee reviewed the bills before the checks were paid. On Item 5i she noted that there is no charge. The special counsel isn't charging a deposit or anything. The only reason she will charge the taxpayers is if she is called upon to make a ruling or to help the City in the election.

City Manager Blair King stated that there is no retainer. If the services are required, there is an hourly charge.

Ms. Denny continued by speaking about Item 5k. She will be voting no on that. For the maximum of public transparency, we like to have open competitive bidding. What is happening here, if you

read the staff report, is that the staff is looking at bidding that occurred in Costa Mesa and sort of applying that or looking at those figures and is satisfied with that and so she thinks we are doing a disservice to the public by not doing the open competitive bidding and just going into this contract with West Coast Arborists for the amount of \$180,000 annually for tree maintenance. She would feel more comfortable and could support it if we did the open competitive bidding. She requested a staff report on Item 5m.

MSUC (Woiwode/Bailey) moved that the City Council approve the Consent Calendar Items 5a through 5m with the exception of Item 5m.

AYES: Bailey, Ovrom, Woiwode, Tanaka
NAYS: Denny, on 5k
ABSTAINING: Denny, on 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. 10101098 thru 10101340. The City Council approved that the warrants as certified by the City/Agency Treasurer.

5c. Annual Review and Approval of the City of Coronado Investment Policy. The City Council reviewed and approved the investment policy.

5d. Briefing on Plans for 2014 Fourth of July Celebration. The City Council received the operations plan for the Fourth of July.

5e. Designation of Voting Delegate for the League of California Cities Annual Conference on September 3 to 5, 2014. The City Council appointed Councilmember Michael Woiwode as the voting delegate at the League of California Cities Annual Business Meeting.

5f. Adoption of a Resolution to Designate a Blue Curb Parking Zone in Front of 540 C Avenue. The City Council adopted A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COROANDO TO DESIGNATE A BLUE CURB PARKING ZONE IN FRONT OF THE RESIDENCE AT 540 C AVENUE. The Resolution was read by title, the reading in its entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8676.

5g. Adoption of Resolutions to Designate a Blue Curb Parking Zone in Front of the Residence at 1005 Adella Avenue and a Red No Parking Zone on Adella Avenue at Tenth Street (Southeast Corner). The City Council adopted A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO TO DESIGNATE A BLUE CURB PARKING ZONE IN FRONT OF THE RESIDENCE AT 1005 ADELLA AVENUE and A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO TO DESIGNATE A RED NO PARKING CURB ZONE ON ADELLA AVENUE AT TENTH

STREET (SOUTHEAST CORNER). The Resolutions were read by title, the reading in their entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8677 and RESOLUTION NO. 8678.

5h. Adoption of a Resolution to Accept a Grant in the Amount of \$123,100 from the State of California Energy Commission (CEC) to Install Electrical Vehicle Charging Stations at 511 Grand Caribe Causeway and Authorize the City Manager to Sign the CEC and OpConnect Operating Agreements. The City Council adopted A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO TO ACCEPT A GRANT IN THE AMOUNT OF \$123,100 FROM THE CALIFORNIA ENERGY COMMISSION (CEC) TO INSTALL ELECTRICAL VEHICLE CHARGING STATIONS AT 511 GRANDE CARIBE CAUSEWAY (CORONADO CAYS HOMEOWNERS ASSOCIATION SITE), AUTHORIZE THE CITY MANAGER TO SIGN THE CEC AND OPCONNECT OPERATING AGREEMENTS, AND DIRECT STAFF TO FORWARD THE RESOLUTION TO THE CALIFORNIA ENERGY COMMISSION AND THE AGREEMENT TO OPCONNECT. The Resolution was read by title, the reading in its entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8679.

5i. Appoint a Special Counsel for the November 2014 General Election and Authorize the City Manager to Execute a Professional Services Agreement with Special Counsel Helen Holmes Peak to Provide Special Legal Services for Matters Related to the November 2014 General Election to be Held in the City of Coronado as Required by Coronado Municipal Code. The City Council appointed Helen Holmes Peak, of the firm Lounsbery, Ferguson, Altona, & Peak, as special counsel for the upcoming 2014 election, and authorized the City Manager to execute the Professional Services Agreement.

5j. Authorization to Advertise the Installation of a Generator as a Back-Up Electrical Source at the Cays Main Pump Station for Bid. The City Council authorized staff to advertise the installation of a back-up generator at the Cays main pump station for bid.

5k. Authorization for the City Manager to Execute a Service Agreement with West Coast Arborists for a Not-To-Exceed Amount of \$180,000 Annually for Tree Maintenance Services through a Cooperative Purchasing Program. The City Council authorized the City Manager to execute a service agreement with West Coast Arborists for tree maintenance services through a cooperative purchasing program for an amount not to exceed \$180,000 annually.

5l. Authorization to Advertise the Pine Street Pump Station Upgrade Project for Bid. The City Council authorized staff to advertise the Pine Street Pump Station Upgrade project for bid.

5m. Approval of Additional Engineering Work Related to the Wastewater Master Plan Update and Authorization for the City Manager to Approve the Associated Change Order up to the Amount of \$20,885. City Manager Blair King provided some introductory information on this item.

Ms. Denny thought the staff report was lacking in some facts with regard to when we have a change work order like this. She wants to give the most transparency to the public. She has some

questions. Is this plan that we are talking about, the Wastewater Condition Assessment Project, part of the broader master plan for looking at all of our assets or are we seeing this as something separate?

Mr. King responded that there is some dovetailing that occurs but in this particular case, as we look at the wastewater system periodically, our wastewater system is primarily associated with the collection of the effluent. We want to take a look to see if the system is adequately sized, what the capacity of the pipes is, what the flow rates are, what the overall condition then of the system is considering the method of the flow and if the system is as efficient as possible. Staff has reported to the Council before that it is a fairly expensive system in the sense that we are flat and require a lot of pumping of the effluent to go at various locations. However, the dovetailing is that the Council has authorized and staff has asked that the City look at the overall physical infrastructure of the City, take a look at the replacement costs, what kind of timeline and horizon we should have to replace the equipment over the future. The issues with the wastewater system are somewhat unique in that the consequences of failure are very high. If we should experience a spill, if there should be backups, the costs of that are significant. Therefore, the City is striving for perfection with regard to the handling of the effluent.

Ms. Denny referred to page 148. The first paragraph in the Analysis mentions that already six locations have been analyzed in terms of sewer flow and that four additional ones are going to be monitored. She asked what six were already monitored and what the four upcoming ones are.

Ed Walton, Director of Engineering and Project Development, explained that he can tell where the new ones are but does not have the old plan in front of him to tell where the six original locations are. For the new ones, staff wants to get one within the Village area, particularly where staff knows there is high ground water, compare that to one in the Village area where we know that there is residential flow that is above the ground water table. There will also be one at the Loews Hotel. The fourth one will be a commercial area.

Ms. Denny asked if residents could be told what neighborhoods in particular would be affected.

Mr. Walton does not know if the individual manholes have been decided on yet. What people will see is just a crew out in the street. They will put in a meter. It will be a quick 45 minutes to an hour and a half process of setting a meter and then they will leave.

Ms. Denny asked for the general neighborhoods in the Village.

Mr. Walton responded that one will be in the Country Club area and one will be in the vicinity of the school area.

Further discussion continued about location details.

Ms. Denny asked about pipe cleaning and pipe bypass. These are two things that will be done as listed in the Analysis on page 148. She asked for a description of that.

Mr. Walton explained that a video camera will be put in the pipelines to see if there are breaks, cracks, offsets, tree roots. Staff is aware of some areas that are going to have tree roots and the cleaning will take place to route that out so that the camera can get through.

Ms. Denny asked Mr. Walton to describe flow monitoring and why we care about that.

Mr. Walton responded that flow monitoring is just quantifying the amount of flow that is going through any given pipe at any given time. It is important to know that so staff can make sure the pipes are adequately sized. Another reason is to check for infiltrations so that areas can be identified to concentrate on to eliminate that so we don't pay to process that.

Ms. Denny asked if he can think about anything other than tree roots that can infiltrate a line.

Mr. Walton explained that there are occasions where lines are broken and dirt falls into them. There are opposite joints where flow is coming in or flow is going out. Both are not good.

Councilmember Ovrom asked if staff is taking into consideration the Navy's proposed expansion at the radio station.

Mr. Walton responded that is not included in this particular study. We don't know what they are doing. We don't know where they are tying into so it is still unknown.

Mayor Tanaka commented that as of the last meeting that he and Mr. King had with Admiral Losey they were still quite vague about what is going to be done.

MSUC (Bailey/Ovrom) moved that the City Council authorize the City Manager to execute a change order for additional engineering work associated with the Wastewater Master Plan Update up to the amount of \$20,885.

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

6. ORAL COMMUNICATIONS:

a. Mary Sikes, Coronado Island Film Festival, announced that on Thursday, June 26, there will be an event to honor the 55th anniversary of the filming of "Some Like it Hot." That was done right here in our town so it is part of our history that we want to celebrate. There will be a VIP reception at the Hotel Del in the Coronet Room at 6 p.m. There will be a panel of citizens who will share their memories. There will be a raffle for 8 people to have dinner at 1500 Ocean. Right after the reception, there will be a special viewing at the Village Theater at 8 p.m. People can go to coronadoislandfest.com for more information.

b. Councilmember Denny encouraged everyone to join CERT and CERO; CERO 24-hour field day will be held in Spreckels Park at the end of the month.

At this point in the meeting, Mayor Tanaka took Item 10a Report from the Port Commissioner Concerning Port Activities out of order.

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 Request for Historic Alteration Permit, Including Relief from Zoning Standards, for the Property Addressed as 812 Third Street and Located in the R-1B (Single Family Residential) Zone (HAP 2014-02 Michael and Jenna Tontz)** Tricia Olsen, Associate Planner, provided the staff report on this item.

Councilmember Ovrom asked about the garage on the lower right corner. There is actually something to the right of that and he asked what it is.

Ms. Olsen explained that they are proposing a storage area. It is not a garage.

Councilmember Denny wanted to look at page 151, the first paragraph. It says that the addition of 753 sq. ft. doubles the size of the original 722 sq. ft. bungalow and so forth. She will be happy to support the recommendation of the HRC but she wanted to point something out. On page A2 of the big plans, it looks like there is actually an increase of 111 sq. ft. of habitable and 162 sq. ft. of the new garage which we understand is a storage area. Then on page A3, it mentions the 753 sq. ft. She thinks that the total addition of habitable space is higher than 753 sq. ft. and certainly the total/total, habitable and non-habitable, would be higher.

Mayor Tanaka opened the public hearing.

Daniel Cherney, neighbor of the property, has heard that the way people would improve the lots in the future is by cutting the lots in half. The proposed two story plus deck is apparently going to be taller than he thinks the 35 ft. regulation that the rest of us have to deal with. He does not like the idea of putting one block on top of another block with no changes in the width or the height, either stepping it either in or out. The proposed modifications don't provide for covered parking. With a little bit of engineering know how, this could be addressed. He does not feel this will be good for the neighborhood. He thinks they are not making use of that change in altitude. Undergrounding facilities like parking is a really good idea for that neighborhood. He urged the Council to not approve the recommendation.

Mayor Tanaka closed the public hearing.

Mayor Tanaka thanked the HRC for their efforts. They reviewed this home not once, but twice. They made a number of comments. He thanked the applicant as they did a terrific job of working with the HRC to reach compromises that both save the structure and are considerate of the neighborhood. He is happy to support this particular request because it succeeds in saving a historic resource and in making the resource livable and sustainable for decades to come.

Councilmember Ovrom's first reaction was to look at a 2000 sq. ft. lot, considering the minimum in Coronado is supposed to be 3,500 sq. ft. so it provides a special group of challenges. He drove by it. It is elevated thanks to the geography that is there. Because of that elevation, there are some

different requirements. He finds this an interesting approach to try to save it and so he will support it.

Councilmember Denny addressed two of the points the speaker mentioned – view protection and undergrounding. While she is not a fan of undergrounding for the engineering and dewatering costs and also effects on water table and so forth, so it has its own special challenges and puts extra stress on our wastewater system, she is a fan of protecting views. Unlike Del Mar, Coronado doesn't have a view protection ordinance. That is something that some residents, from time to time, will mention that they would like to see in Coronado. Unfortunately, we don't currently have that. It is done in other cities and certainly is something an interested person could speak with City staff or the HRC about.

MSUC (Woiwode/Bailey) moved that the City Council adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO APPROVING THE REQEUST FOR HISTORIC ALTERATION PERMIT, INCLUDING RELIEF FROM ZONING STANDARDS, FOR THE PROPERTY ADDRESSED AS 812 THIRD STREET AND LOCATED IN THE R-1B (SINGLE FAMILY RESIDENTIAL) ZONE. The Resolution was read by title, the reading in its entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8680.

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

8b. Public Hearing: Introduction of an Ordinance Adopting Revised Sewer Service Rates for Sanitary Sewer Service and Amending Sections of Chapter 60.08 of the Coronado Municipal Code Pertaining to Sewer Service Charges. Leslie Suelter, Director of Administrative Services, provided the staff report along with City Manager Blair King.

Mayor Tanaka assumed that the ordinance does not say that in FY19, after that, there would be a CPI adjustment. Ms. Suelter responded that staff will come back to the Council in five years with that kind of adjustment. In other words, it would not be assumed after five years that there would be a CPI adjustment.

Mayor Tanaka asked if something like that would require a separate vote if staff waited the five years.

Ms. Suelter believes that it would require staff to come back again and do this process again.

Councilmember Denny has some threshold questions, then some factual questions, and then some questions because it is just important that the public know part of it. Her first threshold question is that the notice that went out to the public mentions that the public hearing is going to be at the next meeting, not this meeting, so attendance is naturally light or low for this meeting, so she was wondering if there is discretion on the part of the City as to why we would bring this up now and

not have this part of the discussion at the next meeting so that we can have full transparency for the public. That is what she is always going for.

Mr. King answered the question by stating the City is only required to have one public hearing. The City is having two public hearings. In terms of the law, the second public hearing is the one at which the protest vote would be calculated. The City is then allowing the greatest opportunity for the largest number of people to protest. Rather than having the protest hearing being the first meeting, the protest hearing is the second time. In terms of the rules of fair play, the City is giving those people that will be opponents the greatest amount of time possible to submit their protest.

Ms. Denny believes the City Attorney agrees with that. Ms. Canlas concurred.

Ms. Denny referred to page 193 of the agenda. It says that the notice was mailed to property owners on May 30, 2014, 45 days in advance of the July 15 public hearing. She asked for an explanation for the public of what the 218 notice requirement for 45 days is.

Mr. King simply explained that is the requirement. Ms. Denny asked where that comes from. Johanna Canlas, City Attorney, explained that is a statutory requirement the City is required to follow.

Ms. Denny added that we call that the 218 notice. She hasn't heard of anyone receiving it before June 3. It seems strange that it would take from May 30 to June 3 to be mailed from our post office to the residents so she was looking for some type of proof of mailing so that we can be sure that we have given everyone the 45 days' notice.

Ms. Canlas pointed out that Ms. Denny is aware of the mailbox rule. The City is receiving some mail that bounced back so we know that it went out. In fact, we have a tally of all the addresses where it was mailed. The City has those records.

Ms. Denny is getting questions from residents that would like proof of the mailing. How can we get them that proof?

Ms. Canlas explained that, in terms of whether or not the notices were in fact mailed, in this particular case they were mailed and we have records that they were sent out.

Ms. Suelter added that we also had a copy mailed to ourselves and the City had some assistance doing the mailing because more than 10,000 pieces of mail went out and so there is a receipt that we paid the mailing.

Mayor Tanaka simplified the question by asking if someone wanted proof where would they get the proof and what would the proof be.

Mr. King responded that staff will have proof prior to the protest hearing on July 15. It will be produced as part of the staff report. Typically staff will work with the City Attorney and will have a validation of mailing or at least an expectation of mailing under penalty of perjury from the mailing house.

Ms. Denny referred to the two projects that would be expected as part of the CIP and asked for more information on them.

Ms. Suelter explained that they were the Cays and Glorietta force mains. They are the two projects that the Engineering Department has advised are anticipated to come out of the master plan.

Ms. Denny also referred to the pay as you go practice of our City with regard to wastewater. Can Ms. Suelter please describe what that is as opposed to having a wastewater sewer reserve?

Ms. Suelter explained that when we say pay as you go we are not talking about pay as you go versus reserves. We are talking about pay as you go versus issuing debt. That is the nuance there. We do have reserves.

Ms. Denny asked about the \$8.2 million reserves. Can Ms. Suelter tell us where that is and whether it is called the wastewater sewer reserve?

Ms. Suelter responded that it is in the Wastewater Fund, Fund 510. When you look at your budget and your summary of funds, you will see the projected opening balance for July 1, 2014, is approximately \$8.2 million.

Ms. Denny commented that we had an awful lot of testimony about the fact that the City did not have wastewater sewer reserves at our prior meetings and so she was wondering what changed.

Ms. Suelter thinks that might have been a misunderstanding. The City has always maintained reserves in the Wastewater Fund.

Mr. King added that the only context in which reserves are talked about is in the Akins Study where there was an indication of the amount of cash flow that is needed because of the way that we bill. It is a separate bill. It is not an incident property ownership; however, the user fee appears on the property tax bill. Because of that, there is a lag in receipt of revenue versus annual expenses. The recommendation is that we should formalize the amount of minimum reserve that we need to maintain cash flow, although our \$8 million well exceeds what that minimum amount would be. The issue in terms of as we look forward over the next decade, is that, for example, the Cays sewer line, as only one example, and for that project the Council has already awarded a contract to conduct an assessment. That is the porthole project for the Cays. As that line approaches 50 years, which is the conventional wisdom about the life of the line that we know needs to be replaced. We want to have the money in hand to replace it versus, if the Council wants to, borrowing the money. If we borrow the money, it will cost more on a per unit basis but that is one of the options. You don't have to do that but if you want to avoid borrowing, the rates need to be accounted for now in order to build up sufficient reserves to pay that. We do have an \$8 million reserve but we do have a burn rate going on because our current expenses are exceeding our revenues.

Ms. Denny referred to Mr. King's comment that this was one of the black spots in our budget plan at several budget workshops. In addition, she wanted to put on the record that when we say that the Navy is now paying its fair share, it wasn't requested to do so before. It is the City's responsibility to do so and now that the City has done that the Navy is doing that. She doesn't want to give the impression that the City is saying that there was any bad play or foul play on the part of the Navy in terms of paying their fair share. It was a matter of the City not notifying the

Navy to increase the fee. Developer impact fees were mentioned. When the public hears developer impact fees, they think about fees a developer might pay or must pay, for example, unless waived to the school district directly. Does Ms. Suelter mean building and development fees or is there something else?

Mr. King explained that there are a couple of different components. The one component is referred typically to as the AB 1600 fee. The AB 1600 fee refers to the formula in which public agencies can charge new development to capture the cost to maintain the system. In the context of wastewater, there are two components to that. There is the component that the City pays to the Metro which pays for the consumption and capacity of new development and then there is a piece for the City that is paid for the consumption and capacity of the collection system. That is not the same as the fee that is charged, for example, for plan inspection fees or processing fees. Those are separate fees. The City has updated, from time to time, the AB 1600 fee, which is an impact fee. Ms. Denny referred to a school facilities fee. That also is, for example, an impact fee. In other words, to pay for the consumption of the existing facilities. That is a different piece and at times he thinks the public is confused between the difference with impact fee and processing fees.

Ms. Denny agrees and that is why she wanted to put that on the record. The developer impact fees Mr. King is referencing is not the same as the building and development fees or the processing fees. She did hear that the Atkins representative will be present at the next meeting to give an in-depth presentation.

Mayor Tanaka opened the public hearing.

Scott Chasin has a few questions about this rate increase. He saw that over the five-year period it is a 50% increase, a minimum of 50%, for each of the property owners. He was curious if it was going to stop after five years or if it would continue to accumulate. He was also curious because the first year shows an increase of 10% and whether or not the representative can give an exact amount of money that represents over the current fee which hasn't been increased for many years. If you go up 10% the next year and 10% the next year to ultimately be a 50% increase in use over the five-year term. He would like to get a more direct or specific accounting of the actual amount of money that they are talking about. His second question is if this is just structural charges or is there any administrative payroll, retirement benefits, anything like that which they are talking about as a reason for this increase. He commented that a 50% increase over a five-year period seems to be excessive. The justification for it seems to be that they could ask for 50% up front and they are going to lose the money by not asking for 50% up front. He thinks that might be a little excessive over the time period.

Ella Croshier has come to the City Council often lately to express her feelings about things. She thinks that Proposition E that failed by a considerable amount showed that the public does not want particularly to have an increase in their taxes for these things. Coronado is a very well to do little town. There is enough income here to run this town and to pay for these sewer services and other necessities that we pay into. We have been charged sewer charges over a long period of time. There should be more than enough money in there to take care of this without raising the taxes. The taxes, parcel taxes, should not be a means of just gaining more tax dollars to run the City or the school or whatever. She received her letter and wanted to bring her opposition to the Council directly. She opposes this. She also wanted to say that we have a lot of intelligent people in Coronado. Transparency is most important. If you give them the information that they need,

they can make intelligent decisions to tell the Council what they want and what they don't want. That has been lacking. Government is very complicated. The law is very complicated. The one thing that isn't complicated is the fact that when our taxes go up we have to pay more money. Some people don't have the money. Other people just oppose it. Reserves are important. This City should have reserves for any of these infrastructure needs that are coming about and not have to ask for more money. She has seen the City going after grants for things. We don't need fountains as much as we need good sewers and pipes. We don't need a fancy lifeguard station. We don't need a big roundabout, beautified for whatever reason over there. We might have saved a little money there. It is not for her to decide or talk about these things particularly except that it is very noticeable to the public when you ask for more money out of our pockets to put out things here that we feel may not be necessary and so she would suggest that if this is going to take a three man vote on the Council and that is all it is going to take then why are we wasting more money on studies and all of this. She knows we have to have the hearings by law but then why would we be going into all this big brouhaha if you guys up there are going to put this through. She suggested that the Council take the reserve money that it has set aside and use that and then look at the budget next year to figure out how to run the City and manage it with the funds it has.

Kathie Parish feels that the dollar amount isn't a lot over this five-year period but it is a 50% raise and that is a lot. We all know that once something gets put on the tax bills, it doesn't come off. She has some questions. The City Engineer sent her the study. She thinks there are a lot of things that are really good in that but nothing is identified about what needs to be done. On the 1994 budget, huge projects were completed here in that whole pipeline underneath the Bay. A big thing went out when all the stuff at Glorietta Park started to smell so terrible and there was a lot done there for a long period of time. She thinks it would be nice if we knew exactly what it was. Is it as huge a project as replacing all that stuff down at the Ferry Landing? One of the things that stood out was copy paper for \$33,000 in the fifth year. Is that really a reasonable factor? To her that seemed a lot. There are other things in there that seemed a little strange. She thinks it would be nice if the people could see what is going to be spent. The in-house studies are going to tell a little bit about that, aren't they?

Mayor Tanaka asked if Mr. Walton gave Ms. Parish the Atkins Study.

Ms. Parish responded that it was emailed to her.

Mayor Tanaka commented that it is probably the best document the City has that talks about...

Ms. Parish added that it doesn't say anything about exactly what the money is being spent on. It is not specific. It says that a number of things need to be repaired and there is a need for a new pipe under the Bay but it talks about things that need to be done. It is going to cost. It does include salaries and wages and everything, as it should. That makes a lot of sense. She thinks that for the projects there is a need to know exactly what is going to be done and compare that to the huge pipeline and cost factor. She just can't imagine...we have a lot more units in this town than we did with the 1994 thing. There are five on the street she lives on. She doesn't think the Point was finished in 1994. There are lots of four houses that used to be one.

Tom Pray found the report very difficult to understand. He can't believe an engineer would say that a house gets 7,500 gallons a month into it equal to 7,500 gallons out of it into the sewer system. What you have also said is a house of four people versus a condo of four people is that the condo

produces 1,500 gallons less of waste per month. That is incredible. He needs to know how many gallons of waste per person per day to solve this problem. He also talked about the rate. What is the rate per gallon? He came up with a rate of about 0.003 cents per gallon. He suspects that the true rate per gallon into the sewer is 0.00244125 cent. His rate for his house should be \$22/month, not \$32. Where is this \$10 add on from since 1994? If you take that \$10 extra, you should have a reserve of \$22 million. That is the difference. So be it. He found this interesting but more interesting two pieces of paper in it. He looked at FY16, titled "Determination of Unit Cost." Disregard all of the abbreviations, all the costs and go right down to the bottom line. The City is telling him that in Year 16 it will have to pay \$5,701,607 for sewage. That is quite a lot of sewage at 0.003 in gallons. Intriguing enough is a piece of paper in the back of the report called, "City of Coronado Budget Summary." He suspects it is the wastewater department. In that paper, it gives salaries and benefits at \$1 million for that FY and it goes all the way down to include tools for \$6,000/year every year consistently. The bottom line in Year 16, \$5,701,607 is their budget. How does their budget meet exactly what the sewer required amount? He doesn't understand that.

Daniel Cherney did not get a chance to read the proposal but he is very confused by the math. He can do a 10% calculation of the base rate for year 1. What he would like to know is in year 2 are we taking 10% of the base plus 10% of the increase and carrying that on sequentially for the third, fourth and fifth years or is it 10% of the base and that number added on each year.

Mayor Tanaka closed the public hearing.

Mayor Tanaka reminded everyone that there will be an official protest hearing on July 15. At that point, he believes that the City will tabulate the responses received and a final decision will be made that day if the Council elects to introduce this ordinance today.

The first point that he thinks is salient is that the last time these rates were set was in 1994. He mentioned the CPI, the Consumer Price Index, or thinking about what inflation has been since 1994. One of the reasons this item is on the agenda today is what was the cost of doing business in 1994, what rates were set in that year and are those rates from 1994 still adequate to maintain our entire sewer system in Coronado and all of that infrastructure, including amortization, the idea that at some point some of these pumps, pipes and those sorts of things are going to either fail or will have met some sort of obsolescence and need to be replaced. It is certainly his opinion that after 20 years, it is fair and appropriate to go back to what the rates are and what we need to charge in order to make sure that our budget is balanced for that wastewater fund. What is complicated about explaining a balanced budget for a wastewater system is meeting needs today but also building up that reserve that was mentioned so that huge ticket items can be paid for out of that reserve and without having to raise the rates again.

The point was made about a 50% increase. He very much agrees that when you see the percentage 50%, even if it is phased in over 5 years, that doesn't necessarily meet the common sense test initially. He would say to anyone who is worried about that percentage 50%, is if you take 50% and divide it out over 20 years that is the meaningful number to understand. He mentioned the CPI number because if the rates had been set in 1994 with a CPI factor, meaning that if the CPI went up by one or two percent, we probably wouldn't be at the point today of needing to ask for the rate increase. He asked that question before the public hearing because by July 15 the public and certainly the Council needs to know with some certainty whether or not CPI will be included if this all passes under the new rates. The reason that is important is because otherwise, at his 40th

anniversary of graduating from high school, we will just be at the same point again. If there had been such an adjustment in 1994, the Council probably wouldn't be considering this today. It would certainly be his hope that if we do set a new rate that we keep some factor in mind so that our rates continue to keep pace with the rate of inflation. He is happy to support the staff recommendation today. It doesn't bring anyone any pleasure to propose or anticipate higher rates but he does think it is appropriate to look at what the cost is of doing business and particularly what the cost is of replacing expensive parts and making sure that the rates cover for all of those factors, not just in 2014 but hopefully in 2034 and so on.

Councilmember Bailey commented that no one likes to raise rates. He wouldn't be supportive of this measure if he felt we were just raising rates for the sake of raising rates. When this item originally came before the Council, he was opposed to the time table that was presented but that discussion was had and this is the time table that the Council decided to move forward on. He agrees that a 50% increase seems pretty severe but a 2% increase per year doesn't and that is about what the rate increase would have been in 1994 if the City had gone with that type of adjustment each year to get us to where we are proposing today. He is supportive of moving forward with this. Because our expenses are exceeding our revenues, because we have large projects on the horizon, it makes a lot of sense to move forward with this now.

Councilmember Ovrom thinks that the number one issue that was brought up earlier is that you do not want a failure in the system. It is not good for the environment but they also fine you all over everywhere so not only do you have to fix it in an emergency, you have to pay a fine, too. We don't want any of that. The problem really is we have been fortunate for the last 20 years because the revenues have allowed the City to do a number of things and put off any rate increases. He thinks it is time for the rate increase as has been pointed out. If you did 2% over that time, you would probably come to the same answer. Now it is time. The second part of it is we have to be aware and should always be aware that it is never a nice thing to do these kinds of things. Some of us have been around here these 20 years and so we don't ever like to see our taxes go up but the answer is they do go up. They go up automatically every year. In this case, he thinks it is important that we get on with the business of making sure that the City's system does operate at top efficiency and we have the funds put aside to take care of that.

Councilmember Denny commented that residents who spoke with her and did the math told her that it was more like a 58% raise so we are talking closer to 60%, not 50%. She wants to give the full impact of this tax hike to the public and not minimize it because it is significant and excessive. If we cut the fat out of our City budget, we would be able to live within our means and just follow the regular annual tax increases that we all get through Prop 13 and our property taxes. That should supply enough revenue with our extra revenue streams on top of that, since we are so blessed, and she doesn't think that the tax hike is necessary and we have voted on this twice in the past and she voted no against this plan and she will vote no today. The reasons she has already stated and some of the residents have stated them here today. When we say that our expenses are larger than our revenues that is not a reason to raise taxes. That is a reason to lower our expenses in any way that we can looking at the budget as a whole. She doesn't think that it is a reason to raise taxes. It is not compelling or persuasive to her. Also, you have heard testimony here or statements here by the staff that, today and at other meetings, in a year or so we will have information from the sewer study or the sewer study or the wastewater sewer study so this is highly premature to be steamrolling along at this point and rushing into a tax hike at this time without specific information as was mentioned by the residents here today. She thinks it is unaffordable to the residents. Nearly

a 60% tax hike is awfully nervy to ask in this terrible economy and she just can't support it. She thinks, again, Prop 13 was a mandate from the public and this kind of chipping away at it is not good for the public taxpayers. For those who are here today she knows they probably reviewed the notice they received in the mail. They have probably gone back and looked at their property taxes. In case they haven't, on the property tax bill where there is the 1% tax on that value, that is the Prop 13 and that increase goes up every year on your property taxes. You have a whole list of charges. There are about four extra charges here. The one that says 'sewer service charge' and you look over and it will say 'tax amount' and that is where this tax hike that is being discussed today will end up and it won't be delineated separately. She reiterated the question of the gentleman who would like to know if every year it is accumulated. Is the 10% increase accumulated each year or is it just taken on the base? It is a very important question and she requested that we have that answer to the public as soon as possible, especially the last moment we could get it to the public with proper notice would be in the staff report for the next meeting on July 15.

Mayor Tanaka asked Ms. Suelter if she can answer that question now. Is it just 10% a year or is there compounding in it?

Ms. Suelter responded that there is no compounding. Staff took the amount from the beginning to the end and divided it roughly equally each year.

Ms. Denny would like that included as part of the staff report for July 15. Ms. Denny thanked staff for putting the notices, the commercial sewer tax hike notice and the residential sewer tax hike notice, on the website. She also asked that it be on Twitter and Facebook just to get out the information as much as possible to the public in the interest of transparency.

Councilmember Woiwode has been supportive of this since we were first briefed on it. This is the most basic of functions that cities must provide. We clearly are on an unsustainable path with the current revenue stream and we cannot afford the risk of not having this equipment or the funds available to fix this equipment. He would not be at all interested in a transfer from the General Fund in order to backfill any shortfalls that showed up in this fund. The only question in all of this, in his mind, has been the timing. By acting sooner, and not everyone was in agreement that was the best strategy, the amount of increase is less and so he believes it is a better service to the public by taking the course on which we are embarked. He is supportive of the staff recommendation.

Mayor Tanaka wanted to point out an item to the public. When you are talking about a sewer system, there are things that the City of Coronado can control in terms of its infrastructure or how it does business but there is also what happens on the other side of the Bay, the system that we plug into. We are told how much we have to pay per gallon or whatever the metric is for us being charged. If you think about the outflow that comes off of Point Loma, if you think about the debate that has taken place about secondary treatment or tertiary treatment if we had to go from secondary to tertiary treatment and the costs involved – it is important to have a rate structure in place so that we have money on hand to deal with those unknowns. The most obvious unknown that we are most directly responsible for would be at the pump station or a pipe – some of the infrastructure that we put in, we maintain and that we own the responsibility for. That is a most obvious thing that we are trying to build a reserve so that if something goes wrong or if something needs the normal replacement that will happen with everything in the City in terms of sewers and money is

on hand to take care of that. Our top financial person, Leslie Suelter, mentioned that when we do make those improvements that we don't bond. We don't borrow money to fix something that we have the money built in the reserves to take care of. That is part of why a majority of the Council is saying that we need to move forward with a responsible rate structure that can cover all of those unforeseens. Perhaps the biggest unforeseen cost that could come ten years or twenty years from now would be the requirement that the region have a bigger, more expensive treatment plant and that Coronado would be expected to proportionally pay for the share that it uses.

MSC (Ovrom/Bailey) moved that the City Council introduce AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CORONADO, CALIFORNIA, ADOPTING REVISED SEWER SERVICE RATES FOR SANITARY SEWER SERVICE AND AMENDING SECTIONS OF CHAPTER 60.08 OF THE CORONADO MUNICIPAL CODE PERTAINING TO SEWER SERVICE CHARGES. The Ordinance was read by title, the reading in its entirety unanimously waived and placed by the City Council on FIRST READING.

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

9. **ADMINISTRATIVE HEARINGS:** None.

10. **COMMISSION AND COMMITTEE REPORTS:**

10a. Report from the Port Commissioner Concerning Port Activities. Port Commissioner Gary Bonelli thanked the City Manager for meeting with Port staff and the Port CEO on a monthly basis. This has really improved communications. We know where we agree and we know where there are rough edges. He spoke about Tidelands Park. With the help of Linda Rahn, the Port has been able to spruce up a little bit of Tidelands where it has been worn and torn from overuse. In addition, the Accessibility Committee that he chairs has recommended to the Port Board of Commissioners \$110,000 to start the first phase of improvements to the Tidelands Playground Park. It is ADA compliant now, it will be ADA compliant in the future but we hope to get to the next level of universal accessibility for that playground. He knows there have been a couple of inquiries about use of the Bay right along where Il Fornaio is, especially the kayak business that is there. The Port is looking into that and Admiral Bonelli hopes to come back with an answer on that. He thinks the feedback he has gotten from the Coronado Yacht Club leadership and their renegotiation of their lease seems to be working well. He hopes to have a lease completed by the end of the summer with CYC. He thanked the City for its involvement in the integrated master planning process for the 50 year look at the Port. He has received clear Council direction on exact wording on trying to denote Coronado, the Silver Strand, the Cays, Grand Caribe Island as distinct geography on the Bay and to note Grand Caribe Island mostly for passive uses. He would also like to recognize the thoughts about the ferry service and making that an integral part of the overall regional transportation network and not just a concession or a tourist amenity and not to categorize it as water recreation but more in the transportation line. He thanked

the City for its continuing effort in their planning process and the comments so far. Hopefully, the Port will have the vision and guiding principles by the end of summer, too.

Across the Bay from the Coronado Cays, the Port has advertised a request for qualifications worldwide for the Chula Vista Bayfront Plan. They are seeking a developer to put in the anchor hotel and convention center for the overall 535 acre parcel out there. Last month, the Port broke ground with the Marriott Corporation on the old Lane Field for the first of two Marriott hotels put in there. That should be open for occupancy around the year 2016. Along Harbor Drive, the North Embarcadero Visionary Plan is coming along well. Most of that will be open to the public by the 4th of July. The whole thing will be completed by the end of October. It will essentially connect the Navy Broadway complex with the County's administration center. It has been announced that our Bay is one of three finalists to host the America's Cup Challenge in 2017. The other two remaining venues are Chicago and Bermuda. The big change this time is the competition will take place in the North Bay as opposed to out in the ocean.

In the carrying out of his duties on the Port board, he is chairing the Accessibility Advisory Committee. He represents the Port at Scripps Institute of Oceanography at their Center for Bay and Coastal Dynamics. He is also on their Energy Strategic Working Group, the Homeless Committee, is the Port Advisory member to the San Diego Military Advisory Council, Advisory member to the Tourism Authority in San Diego, a Port Member and a Port Member on SANDAG Shoreline Preservation Working Group. Lastly, at its Board Meeting last week, the Board adopted a budget of \$168 million for FY15 and his CFO reports that they will finish in the black this year. He will have that information by the end of September.

Councilmember Denny thanked Admiral Bonelli for his focus on the ferry. It is very important, since we are a Bay community, to have good access that way. It would be great if we could eventually link more of the cities up.

11. CITY COUNCIL BUSINESS:

11a. Council Reports on Inter-Agency Committee and Board Assignments.

Councilmember Bailey met, along with Councilmember Denny, with the City auditors as part of their duties on the Audit Committee.

Councilmember Woiwode reported on the Naval Complexes meeting where the City Manager asked the Navy for help on Pomona traffic while the roundabout project is going on. The Navy mentioned the retrocession of dog beach is due to go to State Lands at its next meeting. They are restarting the use of scanners with new technology for base access which may affect queuing during peak hours. The public made a request for a review of the helicopter flight paths. Mr. Woiwode attended a SANDAG Board meeting that was entirely a discussion of a proposed policy for a regional approach for the implementation of complete streets. In response to a specific question that he brought up, Caltrans acknowledged that in situations like ours it is a negotiation but they indicate that they are more willing to negotiate than they have been in the past. He attended an SDMAC Board meeting with Mr. Ovrom; a Chamber Board meeting that was dominated by discussion of City actions in dealing with the transient population; the all employees meeting that Mr. King held on June 10 where the agenda was to discuss status of projects so that the employees can answer questions from the public; a League of California Cities meeting with

Mr. Ovrom where there was a discussion on mechanisms to fund development projects in the wake of redevelopment's demise; the SANDAG Transportation Planning and Regional Planning committee meetings where the status of the commute and review of white papers on technology, economy and climate change were discussed.

Councilmember Denny also reported on the Audit Committee meeting with the City's auditor; has been working on the Metropolitan Wastewater Commission for the City and has four different roles there. The large commission meeting that was held recently was historic in that members of the California Water Board for San Diego were present and came and gave their heartfelt support for our pure water project. This is the project that this City Council has unanimously put its support towards in its infant stage, as it is now, in a resolution last year. In the past, the world of wastewater and the world of water were different and we are now seeing a big change in that they are now realizing, with our limited supply of water, that we definitely need to work together and we are doing that. It is not that we were working at odds in the past. It is just now there is more concerted effort to work together and that is really historic. She is happy to serve as the Chairwoman for the Finance Committee for the Metropolitan Wastewater JPA where a lot of work was done on the budget and on contracts and some back audits that hadn't been done in the past. We are expecting approximately a \$2 million rebate to the City of overpayments in wastewater treatment annually that we have paid. Most of the cities that are part of the Metropolitan Wastewater JPA will be receiving some type of a rebate and Coronado's is estimated to be around \$2 million. She also serves on the Steering Committee for the Pure Water Project. They are closing in on getting pricing for the project. There was an annual meeting recently of another board that meets as a sub board of the commission and that was created by state legislation. Water conservation is key. The guideline from the Governor is 20 by 2020 and that means that municipalities, governments, residents are asked to conserve 20% or reduce your consumption of water by 20% by the year 2020.

Councilmember Ovrom submitted his report in writing.

Mayor Tanaka is happy to report that on Friday, June 6 he issued a proclamation celebrating Jimmy Dwaileebe. His proclamation mentions how he feeds Coronado. June is Baseball Coach Stan Ceci month in the City of Coronado. He has been coaching the High School team for 19 years, 16 of which he has been the varsity head coach. He was just two wins short of 300 wins. This was his last season. The Mayor's Movie of the Month was "Top Gun." The next movie will be "The Sand Lot" on June 28. He had a chance to speak with our Immigrations and Customs Enforcement workers from the San Diego region who had a retreat at Naval Base Coronado. He attended the Naval Complexes meeting and welcomed Len Kaine from the Golden Rule Society with a proclamation before today's meeting.

11b. Consideration of the California Home Energy Renovation Opportunity (HERO) Program to Finance Energy Improvements by Voluntary Contractual Assessments.
City Manager Blair King introduced the item.

Councilmember Ovrom referred to Mr. King's comment that it seems likely that most property owners will have access to less costly services for these capital projects. What is the cost of these services?

Mr. King responded that we are speculating in terms of the interest rates. This would go on the property tax. It would continue on as a part of the property tax. It would not be tax deductible. Homeowners with a lot of equity could have availability of a home based loan that could be at a lower interest rate than this. On the other hand, this provides greater convenience because the annual payment for the principle and interest would appear on the property tax bill.

Mr. Ovrom is curious as to whether it is 4 or 5% or what rate.

Mayor Tanaka met with the representative from HERO and asked some of those questions. He recalls the interest rate being quoted at around 4.5%. He asked why one would want to do this if they have other avenues of credit. Perhaps someone either doesn't have the equity line available. This is just another way that they could make specific energy targeted upgrades if they wanted to and then they could use the ability to pay that off through their property tax bill as an avenue. They also said that one of the things that is supposed to be an advantage of this program is that they monitor those people who are doing the contracting and construction and things so that you have a little bit more support in terms of getting the work done and getting it done properly rather than being ripped off. He thinks that question is a good one. If you can get a better rate than what HERO is providing, you are less likely to use it certainly. If you can't get that rate, then this would give you an opportunity to get at money to make those improvements.

Councilmember Denny referred to the letter of May 14, 2014. Mayor Tanaka met with a representative from HERO and mentions in his letter that an example of an improvement that someone might want would be to add solar panels or to make insulation modifications. Is there any other type of thing we can tell the public why they might like this program?

Mayor Tanaka suggests reading the fine print of the program in the JPA; it is anything that has to do with energy efficiency. Some people would use \$10 or \$20,000 in terms of borrowing that much and paying it back through their property tax bill to fix their windows and insulation or their roof. Some would use it certainly for solar power. The fine print comes back to energy efficiency.

Ms. Denny referred to page 248 of the staff report. It says, "...including a discussion of legal issues that have hampered implementation of this HERO program since 2010." She asked that those issues be described for the public.

City Attorney Johanna Canlas explained that the original issue came about whether or not there are some mortgages that are backed by federal programs and whether or not HERO or another PACE program will have a senior lien over the mortgage, the federally backed mortgage. There is a court case out of the Ninth Circuit that says you cannot impair the ability of the federal government backed mortgages to get less than what the money is should there be a foreclosure. Basically this program is not senior to federal backed mortgages like Freddie Mac and Fannie Mae.

Ms. Denny asked if it is safe to say the legal issues, then, have been resolved and it is a priority lien issue, it has been resolved and HERO is not a priority. Ms. Canlas agreed that it has been resolved and as part of that they are providing notices in any of those disclosures should someone decide to participate in the program. Ms. Denny pointed out that the case is Rust versus Johnson, Ninth Circuit, 1979. If the case is so old, were the issues still outstanding? Was there something extra that she is missing?

Ms. Canlas explained that in this particular case they couldn't decide and there was some legislation and discussion as to whether or not it really applied. Ultimately, it was resolved. An agreement was reached by stakeholders.

Councilmember Tanaka asked, if we want to add this, is it simply just saying we agree and we are going to take Attachment 4 and the Amendment to Attachment 4 and we pass those. Is that the recommendation if we want to go forward?

Ms. Canlas explained that there is a resolution before the Council for consideration should the Council decide to move forward with it.

Mr. King clarified that if the Council wishes to move forward, the motion would be to adopt the resolution to participate in the HERO program to join the JPA.

Ms. Denny thinks that is a significant logistical point about joining a JPA. JPA means Joint Powers Authority. Can Mr. King tell whether there would be a cost associated with that? Staff time is a cost to her.

Mr. King understands that there is no cost involved to the City other than to the applicants themselves.

Ms. Denny wanted to be sure that people understand that the cost will appear on their property taxes. Not everybody's property taxes but just if you wanted to take advantage of this program. One other significant point though is that we already have an option, a program like this, for Coronado residents.

Mayor Tanaka responded that there is another program that the City is participating in but part of the difference with different programs is that you have different people who are marketing or letting people know about the programs' existence. Giving the public another option might be a good thing in case one program is not marketing itself very well and the public doesn't know about it.

Ms. Denny asked if they came to Mayor Tanaka and asked for a meeting.

Mayor Tanaka responded that they did. The reason they came to him is if we don't join the JPA then our residents couldn't possibly participate in this particular program.

MSC (Tanaka/Woiwode) moved that the City Council adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO, CALIFORNIA AUTHORIZING SACRAMENTO COUNTY TO APPLY FOR STATE ENERGY PROGRAM FUNDS ON BEHALF OF THE CITY OF CORONADO. The Resolution was read by title, the reading in its entirety unanimously waived and adopted by City Council as RESOLUTION NO. 8681.

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

ABSENT: None

11c. Resolution of Impasse between the City and the Coronado Police Officers' Association (CPOA) Regarding Compensation and Benefits Pursuant to City of Coronado Employer-Employee Relations Resolution. City Manager Blair King introduced the item. The Coronado Police Officers' Association presentation was made by attorney Bradley Fields. The City presentation was made by Mr. King.

Councilmember Denny asked for an explanation of an imposed year as opposed to a negotiated year. She also wanted to know about multi-year negotiated contracts.

Mr. King explained that in the past Coronado, along with many public agencies, because negotiating is time consuming, will take a multiple year agreement such as a two to three year agreement and predict out in the future, we tend to do that. That has been fairly common. Because of the economic downturn associated around 2008 and the manifestation, we have only gone year by year for the last several years. What is before the Council is the City has a labor dispute. We are at impasse. We have proposed a one-year agreement and the proposition before the Council is to break that impasse by either imposing upon the labor group the last, best and final offer of the City or to impose by accepting the labor group's last, best and final offer for a one-year agreement. If the Council were to impose that would be the labor agreement for the FY 13/14 year and staff would commence negotiations for the FY 14/15 year or for a successor agreement. Currently, we are out of contract at this point in time with the CPOA.

Ms. Denny referred to Mayor Tanaka's comment that AFSCME and CFA had a multi-year contract in FY 10/11. That would be a base pay salary raise that would include all of the things that would include but the CPOA and the self rep did not receive that. Is it fair to say that because the CPOA didn't have a multi-year contract that they got a stipend?

Mr. King responded that AFSCME and CFA were at the tail end of a multiple year agreement. The CPOA was outside of a contract at that time.

Ms. Denny asked if that means that they were already imposed upon.

Mr. King responded that they were not in a multiple year agreement.

Ms. Denny asked if there has ever been a multi-year agreement with the CPOA.

Mr. King responded that there has been.

Ms. Denny asked when that was.

Mr. King explained that it is not on the chart and he can't recall exactly but it was fairly common for the City to have multiple year agreements. Multiple year agreements and the terms of agreement is a typical topic of negotiation among management and labor agreements. The Council does not have in front of it the terms of those agreements. Oftentimes a group will negotiate for less money up front but an earlier raise or they will negotiate for more money in the back of an agreement but postpone an increase. We don't know what those circumstances were based upon this chart.

Mayor Tanaka asked what a 3% raise would cost right now if the Council imposed the CPOA offer and what a 1% raise would cost.

Ms. Canlas responded that it is on page 271 under Fiscal Impact. It would be \$180,000 paid retroactively with a 3% increase.

Ms. Denny clarified that it would be \$180,000 total for the entire contract for everyone represented by CPOA.

Ms. Canlas agreed. She also noted that on page 271 the last sentence of the Fiscal Impact indicated that if the City Council were to impose the 3%, which is the CPOA's last, best and final offer, it would also result in an increase to the CFA at approximate cost of \$150,000 because they have a 'me too' clause.

Mayor Tanaka asked what 1% would be across the board for all employees.

Ms. Suelter responded that the POA has the highest cost per 1% because of the number of the employees they represent.

Mr. King responded that 1% for all groups for the City across the board would be \$271,000. One percent for just General Fund employees would be \$241,000.

Mayor Tanaka concluded that a 3% increase would be triple that amount if we gave it to everyone.

Ms. Denny clarified that if we imposed the CPOA last, best and final offer, it would cost the City taxpayers \$180,000 with the 'me too' clause for the CFA at an extra \$150,000 for a total of \$330,000.

Mayor Tanaka referred to the chart and thinks that people can understand a little bit of the history of what the City of Coronado's bargaining position has been in general terms of its employees and then in specific terms with different employee groups. He first joined the Coronado City Council in FY 02/03 and when you join a council this is one of the things you have to figure out because you don't necessarily deal with this sort of issue in your private life. The first thing he reported is that it has been his understanding, with being on this Council for over ten years, that the usual number that was talked about was 3%. He recalls the former mayor, Tom Smisek, saying that in general the City's compensation philosophy was a 3% raise. We did not usually go much above it and we tried not to go much below it. The reason for that is that was just the number that seemed about right in terms of what inflation was or what common sense was about what is the appropriate amount for a raise per year. He notices that 3% tends to be about the number. The CPOA shows the first number as zero and the next year at 8%. That is another example of how that year zero was imposed because the groups didn't agree on whether the number should be 3 or 4% and when you have an impasse you can either take one side's number, take the other side's number or you can do nothing. That is what happened that year.

He wants to be really clear right off the top. He does not accept the CPOA's argument that they are owed 3% and the best piece of evidence that they are not owed 3% is that they have a 3% stipend in that year. They didn't have to take that. They could have taken nothing. It wasn't

imposed. That was the deal that they took. Now, if you ask him, that deal is done. We are not renegotiating the FY 10/11 year and he is not going to vote to impose the CPOA's last, best and final offer because he does not accept their premise that they are owed 3%. Second, he pointed out that the other guiding principle that he was taught and accepted in these last ten years is that we also look at what the median compensation is, not just of a department, but of specific job classifications within each of these groups. In general, the councils he has served on have said that if the pay for different classifications is about the middle of the various cities in the area of San Diego County that is correct. It was the goal to not be in the bottom half and it wasn't the goal to be in the top half. If we were in the top half, we weren't unhappy about it but we weren't seeking to move up that ladder. Another precept of councils he has served on is we weren't interested in negotiating against ourselves. There are some cities that have negotiated clauses where their employees and different groups will be in the top three agencies within their county or within their comparable cities. We were adamant that we did not want to do that because you get in a position where you have to keep granting raises, not because you think it is right but because you are contractually obligated to in order to meet that sort of a clause of being in the top three and so on. People will notice a consistency again of either around 3%, sometimes zero and sometimes a double amount the following year to catch people up.

He wants to be really clear that he does not agree with the CPOA premise that they are owed 3% and that is why he won't be voting for their proposal. What changed? The last two years everyone got zero. The year before it everyone got 7 or 8% because in those same years of 7% those same employees picked up 8% of their pension costs. We gave them a raise that was almost equal but actually a little bit less than the amount they were giving back by paying into the pension system. There used to be a term, and there still is, the employee share and the employer share. The employer was what the City of Coronado would pay into a pension fund. The employee was what the worker was supposed to pay. Somehow over the years it was negotiated that the employer would pay the employee share. Where the employee was supposed to pay in 8%, it got to the point where the City was paying the 8%. The City was paying both shares. He wants to compliment the City's employees. All of them, across the board, agreed that if they really wanted to protect their pensions they ought to be paying their share and they all agreed. The City didn't want that to devastate their pocket book so the City gave raises that were close to equal to the amount that they were going to be giving back by paying their employee share. In the years of zero and in the year of 7 and 8%, the City of Coronado's Council was more concerned about making sure that the pensions would be sustainable, that all those deals over not just this decade but decades before where a police officer or firefighter could retire at 50 and get 3%/year that they have served – we wanted to make sure that we could honor those obligations. The City of Coronado has paid in \$5 million into the Police and Fire side fund to make sure that their pensions are going to be covered. The City has paid into another \$6 million into the other employees. The City has made all sorts of payments to make sure that we could honor our pension commitments and we aren't done and that is why zero has been the number rather than 3%. When the economy went down, the City's bottom line declined. We didn't have as much extra and we didn't think raises were appropriate in those years. At the same time that the economy went down that caused pension funds to no longer be funded in the 80 and 90 and 100% range but to drop into something like the 60 and 70% of funding. The same way you deal with credit card debt to cover those gaps to make sure that our pension funds moved up and were going to be funded by the time people retired we put our resources into making sure the funds were balanced that way.

He asked Ms. Suelter and Mr. King what a 1% raise costs and what a 3% raise costs. If you cost it out, a 3% raise across all employee groups would be somewhere in the vicinity of \$750,000 to \$800,000. The City has paid millions into pension funds that it didn't have to do and is paying over the amount it is asked to pay by actuaries at the State who run these different pension funds to do our best to make sure those pension obligations will be honored. He is sure every employee group doesn't like to hear it but that is why the City has been offering zero and that is why the 3% magic number that was seen for about a decade is no longer the magic number. He is not going to agree to the stipulation that because they got a stipend instead of a pay raise that they were owed something in that year the same way he wouldn't if Self rep asked for that as well. He is inclined to support the City's last, best and final offer.

Councilmember Ovrom goes back to 1996 and he remembers those years and the answer was about the same. The City, in those days, would put in something so that the employees would have something. It was not everything they ever wanted but when their neighbors across the Bay didn't get anything, they always did. Starting in 2008 the other reason those zeros were there is because the neighbors across the pond have taken big hits and we have stayed the same and, therefore, our employees have gone to close to the top of the heap. No one has gotten hurt like they did across the Bay. Again, we are not taking money away from people. We are just not giving it. He supports the City's best and final.

The City Council went into recess at 6:14 p.m. The meeting resumed at 6:20 p.m.

The Mayor acknowledged Mr. Mark Porter, Coronado Police Sergeant and CPOA president, had been caught in traffic and offered him time to address the Council. Mr. Port reiterated the remarks made by Mr. Fields.

Councilmember Bailey commented that the word fairness has been thrown around a lot. He thinks that when we look at the salary surveys he knows that he can look a police officer in the eye and say with absolute certainty that he believes we are being very fair in how we pay our police officers. He is in favor of the City's best and final offer.

Councilmember Denny stated that this has been an ongoing issue that precedes some of us on City Council and some of us not. She wanted to say that the issue of fundamental fairness and fundamental respect is very important not only to our police officers as they have mentioned but also from our residents because police services are part of the essential services that our residents expect and get a very high level of service from our police department. She is concerned about the upcoming vacancies in the Police Department and the potential to recruit in the future and she is troubled by the inability of our City to negotiate out of impasse with one of our very important departments that provides the service of public safety to our residents. Many people might say that it is quite easy to be a police officer in Coronado and she doesn't think that is true. She thinks it is difficult to be a police officer everywhere and in addition she thinks that our police officers do give an extra level of service in Coronado that you don't find anywhere and what is really troubling to her is the reality spoken about by the police representatives' attorney that, in effect, that Coronado is different from every other city that he can think of in this respect and so she is, again, troubled by the current impasse. She thinks that the budget, if you cut certain fat out of the budget, that you could put our resources toward what the residents require and demand from Coronado which is when they have trouble they want to be able to pick up the telephone or flag down a police officer and have someone there to help them. It is, when you think about it, one of

the most essential services that a city can provide. She is just very troubled at the current situation and she couldn't support the staff recommendation.

Mayor Tanaka pointed out that at an impasse hearing, you don't have any options. Is there an option Ms. Denny can support?

Ms. Denny can support the last, best and final of the CPOA.

Councilmember Woiwode thinks the world of our police officers and the work that they do. It is troubling that in reviewing this history that it has been such a herky jerky negotiating process. Here we are negotiating in arrears, basically a year behind time. He wishes we could get to where we are doing this proactively rather than retroactively. He believes, looking at the history of raises over the long term, that our police officers have been treated as our other employees have and he believes that our police officers in the region are well compensated. What that does is put him on the side of the City's last, best and final offer. Furthermore, he hopes we can come up with a different strategy in the future so that we do have a steady course and not something like a zero followed by an eight. It would be nice and much more comfortable for everyone and probably a lot happier on the home front for the police officers if they had some assurance going forward. He hopes we can get to where we are talking about multi-year deals in the future and he hopes we are able to talk about a stable course in the future. At this point, looking at this issue that is on the table before the Council, he is supportive of the City's last, best and final offer.

MSC (Ovrom/Bailey) moved that the City Council impose the City's last, best and final offer.

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

12. **CITY ATTORNEY:** No report.

13. **COMMUNICATIONS - WRITTEN:** None.

14. **ADJOURNMENT:** The Mayor adjourned the meeting at 6:31 p.m. in honor of Mr. Padre, Tony Gwynn.

Approved: July 15, 2014



Casey Tanaka, Mayor
City of Coronado

Attest:



Mary L. Clifford
City Clerk