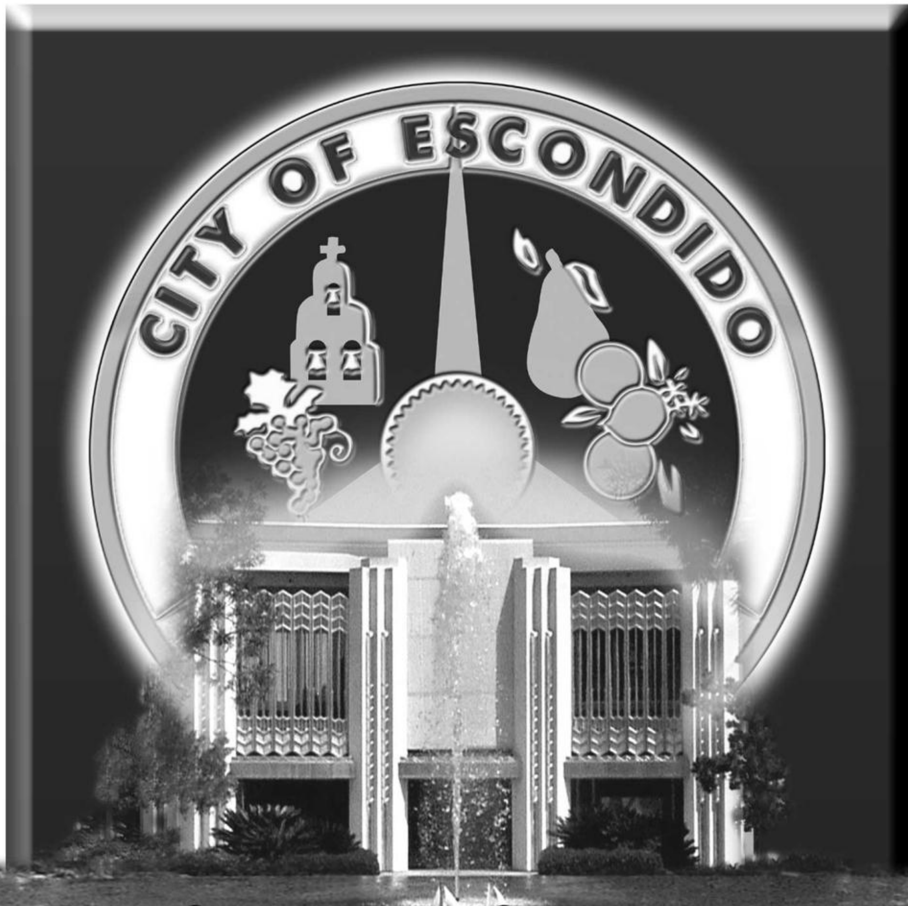

Council Meeting Agenda

February 13, 2013

CITY COUNCIL CHAMBERS

3:30 p.m. Closed Session; 4:30 p.m. Regular Session

201 N. Broadway, Escondido, CA 92025

MAYOR	**Sam Abed**
DEPUTY MAYOR	**Olga Diaz**
COUNCIL MEMBERS	**Ed Gallo** **John Masson** **Michael Morasco**
CITY MANAGER	**Clay Phillips**
CITY CLERK	**Diane Halverson**
CITY ATTORNEY	**Jeffrey Epp**
DIRECTOR OF COMMUNITY DEVELOPMENT	**Barbara Redlitz**
DIRECTOR OF PUBLIC WORKS	**Ed Domingue**

ELECTRONIC MEDIA:
Electronic media which members of the public wish to be used during any public comment period should be submitted to the City Clerk's Office at least 24 hours prior to the Council meeting at which it is to be shown.

The electronic media will be subject to a virus scan and must be compatible with the City's existing system. The media must be labeled with the name of the speaker, the comment period during which the media is to be played and contact information for the person presenting the media.

The time necessary to present any electronic media is considered part of the maximum time limit provided to speakers. City staff will queue the electronic information when the public member is called upon to speak. Materials shown to the Council during the meeting are part of the public record and may be retained by the Clerk.

The City of Escondido is not responsible for the content of any material presented, and the presentation and content of electronic media shall be subject to the same responsibilities regarding decorum and presentation as are applicable to live presentations.

February 13, 2013
3:30 p.m. Meeting

Escondido City Council

CALL TO ORDER

ROLL CALL: Diaz, Gallo, Masson, Morasco, Abed

ORAL COMMUNICATIONS

The public may address the Council on any item that is not on the agenda and that is within the subject matter jurisdiction of the legislative body. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. (Please refer to the back page of the agenda for instructions.) Speakers are limited to only one opportunity to address the Council under Oral Communications.

CLOSED SESSION: (COUNCIL/SUCCESSOR AGENCY/RRB)

I. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code §54956.8)

a.	Property:	401 N. Spruce Street
	Agency Negotiators:	Debra Lundy, Real Property Manager
	Negotiating parties:	Interfaith Community Services
	Under negotiation:	Price and terms of agreement
b.	Property:	Por. APN: 231-220-41 (Mountain View Park)
	Agency Negotiators:	Charles Grimm, Assistant City Manager
	Negotiating parties:	American Heritage Education Foundation
	Under negotiation:	Price and terms of agreement
c.	Property:	Por. APN: 271-060-02, 271-060-05 & 271-070-07 (Vineyard Municipal Golf Course)
	Agency Negotiators:	Charles Grimm, Assistant City Manager
	Negotiating parties:	Tom D'Agosta
	Under negotiation:	Price and terms of agreement
d.	Property:	2120 Harmony Grove Road
	Agency Negotiators:	Clay Phillips, City Manager
	Negotiating parties:	Stone Brewing Company
	Under negotiation:	Discussion regarding the current lease of property

CLOSED SESSION CONTINUED

II. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION (Government Code §54956.9(a)

a. Case Name: Favreau, et al. v. City of Escondido, et al.
Case No.: 10-CV-2348-W (WVG)

b. Case Name: Demetrio Gomez, et al. v. City of Escondido, et al.
Case No: 37-2011-00060480-CU-CR-NC

III. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION:

a. Significant exposure to litigation pursuant to subdivision (b) of Government Code §54956.9(b): **One Case**

ADJOURNMENT

February 13, 2013
4:30 p.m. Meeting

Escondido City Council
and as Successor Agency to the CDC
Mobilehome Rent Review Board
Escondido Joint Powers Financing Authority

CALL TO ORDER

MOMENT OF REFLECTION:
City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

FLAG SALUTE Troop #649, Rattlesnake Patrol

ROLL CALL: Diaz, Gallo, Masson, Morasco, Abed

PRESENTATION: Community Award - Nuha Chedid

ORAL COMMUNICATIONS

The public may address the Council on any item that is not on the agenda and that is within the subject matter jurisdiction of the legislative body. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications. (Please refer to the back page of the agenda for instructions.) *NOTE: Depending on the number of requests, comments may be reduced to less than 3 minutes per speaker and limited to a total of 15 minutes. Any remaining speakers will be heard during Oral Communications at the end of the meeting.*

COUNCIL MEMBERS' REPORTS/BRIEFING

CONSENT CALENDAR

Items on the Consent Calendar are not discussed individually and are approved in a single motion. However, Council members always have the option to have an item considered separately, either on their own request or at the request of staff or a member of the public.

1. **AFFIDAVITS OF PUBLICATION, MAILING AND POSTING (Council/Successor Agency/RRB)**
2. **APPROVAL OF WARRANT REGISTER (Council/Successor Agency)**
3. **APPROVAL OF MINUTES: Regular Meeting of January 16, 2013**

4. **ADOPT RESOLUTION DESIGNATING HUMAN RESOURCES DIRECTOR TO MAKE DISABILITY RETIREMENT APPLICATIONS ON BEHALF OF CITY EMPLOYEES –** Request Council approve designating the Human Resources Director to make applications on behalf of city employees for disability retirement, including industrial and non-industrial disabilities.

   Staff Recommendation: Approval **(Human Resources: Sheryl Bennett)**

   RESOLUTION NO. 2013-13

5. **STREET NAME CHANGE FOR PRIVATE STREETS IN THE CONTEMPO CONDOMINIUM DEVELOPMENT (Case No. PHG 11-0009) –** Request Council approve the proposed street name changes to reflect the new private street layout for the 84-unit Contempo (formerly City Square) condominium development.

   Staff Recommendation: Approval **(Community Development/Planning: Barbara Redlitz)**

   RESOLUTION NO. 2013-10

6. **DESTRUCTION OF POLICE DEPARTMENT RECORDS –** Request Council authorize the destruction of specified Police Department records in accordance with the City's Records Retention Schedule.

   Staff Recommendation: Approval **(City Clerk's Office: Diane Halverson)**

   RESOLUTION NO. 2013-16

7. **AWARD BID FOR TWO 2013 LINE TRUCKS –** Request Council approve the bid award for two line trucks to North County Ford in the amount of $266,530.

   Staff Recommendation: Approval **(Finance Department: Gilbert Rojas)**

   RESOLUTION NO. 2013-15

CONSENT CALENDAR CONTINUED

8. **APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) FOR JULY 2013 THRU DECEMBER 2013 AND APPROVAL OF A LOAN AGREEMENT BETWEEN THE CITY AND REDEVELOPMENT SUCCESSOR AGENCY –** Request Council adopt the Recognized Obligation Payment Schedule (ROPS 13-14A) so the Successor Agency may continue to make payments due for enforceable obligations; and approve a loan agreement between the City and the Successor Agency for the purpose of short term cash flow needs.

Staff Recommendation: Approval **(Finance Department: Gilbert Rojas)**

a. RESOLUTION NO. 2013-21
b. RESOLUTION NO. 2013-26

9. **AUTHORIZE THE FLEET SERVICES DEPARTMENT TO PURCHASE EIGHT (8) POLICE VEHICLES FROM FOLSOM LAKE FORD BY UTILIZING THE COOPERATIVE PURCHASE CONTRACT WITH THE STATE OF CALIFORNIA, DEPARTMENT OF GENERAL SERVICES, PROCUREMENT DIVISION –** Request Council authorize the Fleet Services Department to purchase directly from Folsom Lake Ford eight (8) police vehicles by utilizing the cooperative purchase contract with the State of California, Department of General Services, Procurement Division.

Staff Recommendation: Approval **(Finance Department: Gilbert Rojas)**

RESOLUTION NO. 2013-22

10. **BUDGET ADJUSTMENT – CITRACADO PARKWAY LANDSCAPE INSTALLATION –** Request Council approve a budget adjustment in the amount of $25,000 to the Streets Capital Project Fund to provide funding for the installation of new landscaping in the median of Citracado Parkway near the new Del Lago Academy.

Staff Recommendation: Approval **(Public Works/Engineering: Ed Domingue)**

11. **FIRST AMENDMENT TO LEASE AGREEMENT WITH JOHN & ANN O'FLYNN, DBA LAKE WOHLFORD RESORT AT SIX-ACRE PORTION OF APN: 190-110-17, LAKE WOHLFORD ROAD, COUNTY OF SAN DIEGO –** Request Council authorize the Real Property Manager and City Clerk to execute a First Amendment to Lease Agreement with Lake Wohlford Resort for the six-acre portion of APN 190-110-17, located on Lake Wohlford Road in the County of San Diego.

Staff Recommendation: Approval **(Public Works/Engineering: Ed Domingue)**

RESOLUTION NO. 2013-12

12. **NOTICE OF COMPLETION FOR TRACT 850 - WASHINGTON HILLS –** Request Council approve and accept the public improvements and authorize staff to file a Notice of Completion for Tract 850 Washington Hills.

Staff Recommendation: Approval **(Public Works/Engineering: Ed Domingue)**

CONSENT CALENDAR CONTINUED

13. **FISCAL YEAR 2012-13 STATE OF CALIFORNIA CITIZENS' OPTIONS FOR PUBLIC SAFETY (COPS) PROGRAM GRANT AND BUDGET ADJUSTMENT –** Request Council accept a FY 2012-13 Citizens' Options for Public Safety (COPS) Program Grant in the amount of $234,876; approve grant expenditures consistent with guidelines in AB 1913; authorize the Chief of Police to sign and submit grant documents on behalf of the City; and authorize staff to establish budgets to spend grant funds to support front-line law enforcement needs.

Staff Recommendation: Approval **(Police Department: Cory Moles)**

CONSENT - RESOLUTIONS AND ORDINANCES (COUNCIL/SUCCESSOR AGENCY/RRB)

The following Resolutions and Ordinances were heard and acted upon by the City Council/Successor Agency/RRB at a previous City Council/Successor Agency/Mobilehome Rent Review meeting. (The title of Ordinances listed on the Consent Calendar are deemed to have been read and further reading waived.)

14. **ANNEXATION/REORGANIZATION, PREZONE AND SPHERE OF INFLUENCE AMENDMENT (PHG 11-0036) –** Approved by Council on January 16, 2013 with a vote of 3/1/1, Diaz voting No, Masson absent.

ORDINANCE NO. 2013-01 (Second Reading and Adoption)

CURRENT BUSINESS

15. **2013 REFUNDING OF 2001 LEASE REVENUE BONDS (REIDY CREEK PROJECT) FINANCING PLAN AND LEGAL DOCUMENTS –** Request Council and the Escondido Joint Powers Financing Authority take the following actions: a) approve the issuance and sale of Lease Revenue Refunding Bonds, Series 2013A ("2013 Bonds"), in the principal amount not to exceed $5.5 million to refinance 2001 Lease Revenue Bonds ("2001 Bonds") which financed construction improvements at Reidy Creek Golf Course and related storm drain and flood control improvements, b) Authorize the Mayor/Chairperson, City Manager/Executive Director, City Clerk/Secretary, Finance Director/Treasurer and other officers of the City and Financing Authority to sign any and all refinancing documents, c) Authorize the Finance Department to make the necessary revenue and expenditure budget adjustments to the General Fund, Golf Course Fund and Debt Service Fund for all transactions associated with the issuance of the 2001 Bonds.

Staff Recommendation: Approval **(Finance Department: Gilbert Rojas)**

a. RESOLUTION NO. 2013-28
b. EJPFA RESOLUTION NO. 2013-01

PUBLIC HEARINGS

16. **LONG-FORM RENT REVIEW BOARD HEARING FOR VISTA VERDE MOBILE ESTATES (CASE # 0697-20-991) –** Request council consider the long-form rent increase application submitted by Vista Verde Mobile Estates located at 1924 Sheridan Avenue. This is the first rent increase application by the park owner since the implementation of the City's Rent Control Ordinance in June 1988.

Staff Recommendation: Accept the staff report, hear public testimony and determine appropriate increase. **(Community Development/Housing: Barbara Redlitz)**

17. **APPEAL OF PLANNING COMMISSION'S DECISION TO DENY AN AMENDMENT TO THE INTERIM DOWNTOWN SPECIFIC PLAN (PHG 12-0025) –** Request Council approve the appeal of the Planning Commission action denying a proposed amendment to the Interim Downtown Specific Plan that would allow Educational Facilities for Adults in the Historic Downtown District on the ground floor along Grand Avenue with a Conditional Use Permit (CUP).

Staff Recommendation: Approval of appeal and amendment to the Downtown Specific Plan **(Community Development /Planning: Barbara Redlitz)**

RESOLUTION NO. 2013-14

18. **WATER AND WASTEWATER RATE ADJUSTMENTS FOR 2013 AND 2014 –** Request Council approve utility rate adjustments, effective March 1, 2013, to increase Water Fund revenue by 12% and Wastewater Fund revenue by 4%; and approve utility rate adjustments, effective March 1, 2014, to increase Water Fund revenue by an additional 12% and Wastewater Fund revenue by an additional 4%.

Staff Recommendation: Approval **(Utilities Department: Christopher McKinney)**

RESOLUTION NO. 2013-25

FUTURE AGENDA

19. **FUTURE AGENDA ITEMS -** The purpose of this item is to identify issues presently known to staff or which members of the Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None **(City Clerk's Office: Diane Halverson)**

ORAL COMMUNICATIONS

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ADJOURNMENT

UPCOMING MEETING SCHEDULE

Date	Day	Time	Meeting Type	Location
February 20	Wednesday	8:30 am	State of the City	California Center for the Arts, Escondido
February 27	Wednesday	12:30 – 5:00 pm	Council Action Plan	Mitchell Room
March 6	Wednesday	3:30 & 4:30 pm	Council Meeting	Council Chambers
March 13	Wednesday	3:30 & 4:30 pm	Council Meeting	Council Chambers
March 20	Wednesday	3:30 & 4:30 pm	Council Meeting	Council Chambers

TO ADDRESS THE COUNCIL

The public may address the City Council on any agenda item. Please complete a Speaker's form and give it to the City Clerk. Submission of Speaker forms prior to the discussion of an item is highly encouraged. Comments are generally limited to 3 minutes.

If you wish to speak concerning an item *not* on the agenda, you may do so under "Oral Communications." Please complete a Speaker's form as noted above.

Handouts for the City Council should be given to the City Clerk. To address the Council, use the podium in the center of the Chambers, STATE YOUR NAME FOR THE RECORD and speak directly into the microphone.

Nomination Forms for Community Awards are available at the Escondido City Clerk's Office or at http://www.escondido.org/city-clerks-office.aspx

AGENDA, STAFF REPORTS AND BACK-UP MATERIALS ARE AVAILABLE:

- Online at www.escondido.org/meeting-agendas.aspx
- In the City Clerk's Office at City Hall
- In the Library (239 S. Kalmia) during regular business hours and
- Placed in the Council Chambers (See: City Clerk/Minutes Clerk) immediately before and during the Council meeting.

AVAILABILITY OF SUPPLEMENTAL MATERIALS AFTER AGENDA POSTING: Any supplemental writings or documents provided to the City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's Office located at 201 N. Broadway during normal business hours, or in the Council Chambers while the meeting is in session.

LIVE BROADCAST
Council meetings are broadcast live on Cox Cable Channel 19 and U-verse Channel 99 – Escondido Gov TV. They can also be viewed the following Sunday and Monday evenings at 6:00 p.m. on those same channels. The Council meetings are also available live via the Internet by accessing the City's website at www.escondido.org and clicking the "Live Streaming – City Council Meeting now in progress" button on the home page

Please turn off all cellular phones and pagers while the meeting is in session.

The City Council is scheduled to meet the first four Wednesdays of the month at 3:30 in Closed Session and 4:30 in Open Session.
(Verify schedule with City Clerk's Office)
Members of the Council also sit as the Successor Agency to the CDC, Escondido Joint Powers Financing Authority and the Mobilehome Rent Review Board.

CITY HALL HOURS OF OPERATION
Monday-Friday 8:00 a.m. to 5:00 p.m.

If you need special assistance to participate in this meeting, please contact our ADA Coordinator at 839-4641. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility.

Listening devices are available for the hearing impaired – please see the City Clerk.

CITY OF ESCONDIDO

January 16, 2013
3:30 p.m. Meeting Minutes

Escondido City Council
and as Successor Agency to the CDC

CALL TO ORDER

The Regular Meeting of the Escondido City Council was called to order at 3:30 .m. on Wednesday, January 16, 2013 in the Council Chambers at City Hall with Mayor Abed presiding.

ATTENDANCE

The following members were present: Deputy Mayor Olga Diaz, Councilmember Ed Gallo, Councilmember Michael Morasco, and Mayor Sam Abed. Councilmember John Masson absent. Quorum present.

ORAL COMMUNICATIONS

CLOSED SESSION: (COUNCIL/SUCCESSOR AGENCY/RRB)

MOTION: Moved by Councilmember Gallo and seconded by Councilmember Diaz to recess to Closed Session. Ayes: Abed, Diaz, Gallo and Morasco. Noes: None. Absent: Masson. Motion carried.

I. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION (Government Code §54956.9(a)

a. Case Name: Demetrio Gomez, et al. v. City of Escondido, et al.
Case No: 37-2011-00060480-CU-CR-NC

II. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code §54956.8)

a. Property: 401 N. Spruce Street
Agency Negotiators: Debra Lundy, Real Property Manager
Negotiating parties: Interfaith Community Services
Under negotiation: Price and terms of Lease Agreement

Councilmember Diaz recused herself and left the room for this discussion because of a conflict of interest related to her employment by Interfaith Community Services.

III. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code §54956.8)

a.

Property:	480 N. Spruce Street
Agency Negotiators:	Debra Lundy, Real Property Manager
Negotiating parties:	Microwave Specialty Company
Under negotiation:	Price and terms of Agreement

City Attorney Jeffrey Epp announced that Council had determined not to sell the property at 480 N. Spruce at this time.

ADJOURNMENT

Mayor Abed adjourned the meeting at 4:28 p.m.

____
MAYOR

____
CITY CLERK

____
MINUTES CLERK

CITY OF ESCONDIDO

January 16, 2013
4:30 p.m. Meeting Minutes

Escondido City Council
and as Successor Agency to the CDC

CALL TO ORDER

The Regular Meeting of the Escondido City Council was called to order at 4:35 p.m. on Wednesday, January 16, 2013 in the Council Chambers at City Hall with Mayor Abed presiding.

MOMENT OF REFLECTION

FLAG SALUTE

Mayor Abed led the flag salute.

ATTENDANCE

The following members were present: Deputy Mayor Olga Diaz, Councilmember Ed Gallo, Councilmember Michael Morasco, and Mayor Sam Abed. Councilmember John Masson absent. Quorum present.

Also present were: Clay Phillips, City Manager; Jeffrey Epp, City Attorney; Barbara Redlitz, Community Development Director; Ed Domingue, Public Works Director; Diane Halverson, City Clerk; and Liane Uhl, Minutes Clerk.

ORAL COMMUNICATIONS

Dennis Tomlinson, Escondido, indicated he was pleased that the AMGEN tour came back to Escondido.

Stacy Giffin, Escondido, voiced concern that the utility allowance at Windsor Gardens had been discontinued.

Cassie Lieurance, Escondido, asked for information on the police chief investigation.

Patsy Dixon, Escondido, voiced concern with Interfaith Community Services.

Thomas Cowan, Escondido, indicated he did not agree with Council policies.

Nicole Downey, Escondido, requested information on the Prop P and Prop N flyers.

COUNCIL MEMBERS' REPORTS/BRIEFING

Deputy Mayor Diaz indicated the Escondido Creek Watershed Alliance would be researching grants for renovating the creek. A Creek Day event was sponsored by the Reveal Escondido Creek Committee and she attended the Swearing-in ceremony for Supervisor Dave Roberts.

Councilmember Morasco attended a Regional Solid Waste Association meeting, Jerry VanLeeuwen's retirement party and the Utilities Subcommittee meeting.

Councilmember Gallo attended a NCTD where positive train control, which keeps trains from crashing head-on, was discussed. Also, there would be late rail service to the San Diego County Fair and the fifth anniversary of the Sprinter would be held in March.

Mayor Abed indicated there were vacancies on the Personnel Review Board and Building Advisory and Appeals Board and invited the public to apply for those boards. He also indicated he had been appointed to LAFCO for a four-year term. The State of City would be held on February 20, 2013 at the CCAE and attendance is free. He read an announcement responding to public concerns regarding the San Onofre power plant. He presented slides and reported on SANDAG's new I-15 Integrated Corridor Management Project.

CONSENT CALENDAR

Councilmember Morasco removed items 10 and 12 from the Consent Calendar for discussion. Mayor Abed indicated that item 6 staff report and resolution had been revised.

MOTION: Moved by Councilmember Morasco and seconded by Councilmember Gallo that the following Consent Calendar items be approved with the exception of items 10 and 12. Ayes: Abed, Diaz, Gallo and Morasco. Noes: None. Absent: Masson. Motion carried.

1. **AFFIDAVITS OF PUBLICATION, MAILING AND POSTING (Council/Successor Agency/RRB)**
2. **APPROVAL OF WARRANT REGISTER (Council/Successor Agency)**
3. **APPROVAL OF MINUTES: Regular Meeting of December 12, 2012**
   Regular Meeting of December 19, 2012

4. **AMENDMENT TO THE REGIONAL COMMUNICATION SYSTEM PARTICIPATING AGENCY AGREEMENT** – Request Council approve an amendment to the Memorandum of Agreement, dated March 7, 1995, between the County of San Diego and participating cities and jurisdictions to extend the term of the Regional Radio System (RCS) through March 31, 2016. (File No. 0600-10 [A-2376])

   Staff Recommendation: Approval **(Police Department: Cory Moles)**

RESOLUTION NO. 2013-05

5. **FISCAL YEAR 2009 PROJECT SAFE NEIGHBORHOOD GUN VIOLENCE SUPPRESSION GRANT MODIFICATION AND BUDGET ADJUSTMENT** – Request Council authorize the Police Department to accept additional grant funds in the amount of $11,892 from the San Diego Association of Governments (SANDAG) for Project Safe Neighborhood overtime; and approve a budget adjustment needed to spend the additional grant funds. (File No. 0480-70)

   Staff Recommendation: Approval **(Police Department: Cory Moles)**

6. **AUTHORITY TO APPLY FOR SMART GROWTH INCENTIVE GRANT PROGRAM FUNDS** – Request Council authorize the Director of Public Works to complete applications to SANDAG for Smart Growth Incentive Grant Program funds for two projects: development of a Grape Day Park Park Master Plan and the construction of a portion of the Escondido Creek Bike Trail Missing Link; and if awarded, authorize the Director of Public Works to accept grant funds and complete grant documents on behalf of the City. (File No. 0480-70)

   Staff Recommendation: Approval **(Public Works Department: Ed Domingue)**

   a. **RESOLUTION NO. 2013-02**
   b. **RESOLUTION NO. 2013-03R**

7. **APPROVAL OF CALPERS INDUSTRIAL DISABILITY RETIREMENT FOR JON CLAUSEN** - Request Council approve the California Public Employees' Retirement System (calPERS) Industrial Disability Retirement for Police Officer Jon Clausen. (File No. 0170-57)

   Staff Recommendation: Approval **(Human Resources: Sheryl Bennett)**

   RESOLUTION NO. 2013-06

8. **AGREEMENT FOR MUTUAL AID FIRE PROTECTION AND RELATED EMERGENCY SERVICES WITH THE VALLEY CENTER FIRE PROTECTION DISTRICT** – Request Council accept the Fire Chief's recommendation and authorize the Mayor and City Clerk to execute an Agreement for Mutual Aid Fire Protection and Related Emergency Services between the City and the Valley Center Fire Protection District (VCFPD). (File No. 0600-10 [A-3079])

   Staff Recommendation: Approval **(Fire Department: Michael Lowry)**

   RESOLUTION NO. 2013-07

9. **FISCAL YEAR 2012 STATE HOMELAND SECURITY GRANT PROGRAM (SHSGP) GRANT ACCEPTANCE AND BUDGET ADJUSTMENT** – Request Council accept $76,487 in funding from the Department of Homeland Security for the Fiscal Year 2012 State Homeland Security Grant Program (SHSGP); authorize the Fire Chief to execute, on behalf of the City, all documents required for the management of this grant; and authorize necessary budget adjustments to establish new projects for the tracking of the grant funds. (File No. 0480-70)

   Staff Recommendation: Approval **(Fire Department: Michael Lowry)**

10. AUTHORIZATION TO PURCHASE TWO (2) TYPE I FIRE ENGINES – Request Council approve the purchase of two (2) Type I fire engines from Pierce Manufacturing utilizing a joint purchasing "tag on" to an existing contract with the City of Barstow; and authorize a 100% prepayment to the vendor. (File No. 0470-25)

Staff Recommendation: Approval **(Fire Department: Michael Lowry)**

Councilmember Morasco asked for more information on the request.

Russ Knowles, Fire Division Chief, explained the process for replacing fire engines and reported on their new safety features.

MOTION: Moved by Councilmember Diaz and seconded by Councilmember Morasco to approve the purchase of two (2) Type I fire engines from Pierce Manufacturing utilizing a joint purchasing "tag on" to an existing contract with the City of Barstow; and authorize a 100% prepayment to the vendor. Ayes: Abed, Diaz, Gallo and Morasco. Noes: None. Absent: Masson. Motion carried.

11. BID AWARD FOR THE OAK HILL - STREET AND MODULAR BUILDING SITE IMPROVEMENTS AND BUDGET ADJUSTMENT – Request Council determine the apparent low bid by Southland Paving, Inc. to be the lowest responsive and responsible bid; authorize the Mayor and the City Clerk to execute a Public Improvement Agreement with Southland Paving, Inc. in the amount of $416,181 for site improvements; and approve a transfer in the amount of $150,000 from the Community Development Block Grant (CDBG) unallocated fund to cover additional street improvement work, management, inspections and the normal 10% contingency for this project. (File No. 0600-10 [A-3074])

Staff Recommendation: Approval **(Public Works Department/Neighborhood Services: Ed Domingue)**

RESOLUTION NO. 2013-08

12. BUDGET ADJUSTMENT FOR PROPERTY MANAGEMENT EXPENSES ASSOCIATED WITH REDEVELOPMENT SUCCESSOR AGENCY PROPERTIES – Request Council approve a budget adjustment for Redevelopment Successor Agency Property Management in the amount of $80,000. (File No. 0430-80)

Staff Recommendation: Approval **(Public Works Department: Ed Domingue)**

Councilmember Morasco asked what the $80,000 would be used for.

Clay Phillips, City Manager, indicated that the money from successor agency rentals would be used to go back to the properties owned by the City.

MOTION: Moved by Councilmember Morasco and seconded by Councilmember Gallo to approve a budget adjustment for Redevelopment Successor Agency Property Management in the amount of $80,000. Ayes: Abed, Diaz, Gallo, and Morasco. Noes: None. Absent: Masson. Motion carried. approve

CONSENT - RESOLUTIONS AND ORDINANCES (COUNCIL/SUCCESSOR AGENCY/RRB)

The following Resolutions and Ordinances were heard and acted upon by the City Council/Successor Agency/RRB at a previous City Council/Successor Agency/Mobilehome Rent Review meeting. (The title of Ordinances listed on the Consent Calendar are deemed to have been read and further reading waived.)

PUBLIC HEARINGS

13. **ANNEXATION/REORGANIZATION, PREZONE AND SPHERE OF INFLUENCE AMENDMENT (PHG 11-0036)** – Request Council approve the annexation of three parcels totaling approximately 30.06 acres in order to facilitate construction, operation and maintenance of the planned extension of Citracado Parkway. One of these parcels is owned by the City of Escondido and the other two are under private ownership. And approve an amendment to the City's Sphere of Influence and a Prezone for all three properties to the City's Specific Plan zone to be consistent with the Escondido General Plan land use designation of Specific Planning Area No. 8 – ERTC (Harmony Gove) Specific Planning Area. (File No. 0850-20)

    Staff Recommendation: Approval **(Community Development/Planning: Barbara Redlitz)**

    a. **RESOLUTION NO. 2013-09**
    b. **ORDINANCE NO. 2013-01 (Introduction and First Reading)**

Bill Martin, Planning Department, gave the staff report and presented a series of slides.

Mayor Abed opened the public hearing and asked if anyone would like to speak on this issue in any way.

Mid Hoppenrath, Elfin Forest Town Council, requested that one of the unconnected trails be connected.

Patricia Borchmann, Escondido, distributed information and suggested that projects built on the site follow the creek plan from the Calpoly students.

Mayor Abed asked if anyone else wanted to speak on this issue in any way. No one asked to be heard. Therefore, he closed the public hearing.

MOTION: Moved by Councilmember Gallo and seconded by Councilmember Morasco to approve the annexation of three parcels totaling approximately 30.06 acres in order to facilitate construction, operation and maintenance of the planned extension of Citracado Parkway; adopt Resolution No. 2013-09 and introduce Ordinance No. 2013-01. One of these parcels is owned by the City of Escondido and the other two are under private ownership, and approve an amendment to the City's Sphere of Influence and a Prezone for all three properties to the City's Specific Plan zone to be consistent with the Escondido General Plan land use designation of Specific Planning Area No. 8 – ERTC (Harmony Gove) Specific Planning Area. Ayes: Abed, Gallo and Morasco. Noes: Diaz. Absent: Masson. Motion carried.

FUTURE AGENDA

14. **FUTURE AGENDA ITEMS** - The purpose of this item is to identify issues presently known to staff or which members of the Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None **(City Clerk's Office: Diane Halverson)**

Councilmember Diaz asked for a review of the City's hiring policies for veterans and requested support to use the Army Corp. of Engineers for creek maintenance.

ORAL COMMUNICATIONS

Patricia Borchmann, Escondido, distributed information and suggested items for discussion at the mayor's State of the City address and the Council Action Plan Workshop.

ADJOURNMENT

Mayor Abed adjourned the meeting at 6:11 p.m.

MAYOR

CITY CLERK

MINUTES CLERK

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______ File No. ______
Ord No. ______

Agenda Item No.: 4
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Sheryl Bennett, Human Resources Director
Matilda Hlawek, Assistant Director of Human Resources

SUBJECT: Adopt Resolution No. 2013-13 Designating Human Resources Director to Make Disability Retirement Applications On Behalf Of City Employees

RECOMMENDATION:

It is recommended that Council adopt Resolution No. 2013-13 designating the Human Resources Director to make applications on behalf of city employees for disability retirement, including industrial and non-industrial disabilities.

BACKGROUND:

Retirement for disability is available to employees (safety and non-safety) who are unable to perform the usual duties of their position resulting from mental or physical incapacity. Often, an employee will begin the retirement application process with the California Public Employees' Retirement System (CalPERS). However, some circumstances warrant the City to initiate an application with CalPERS on behalf of the employee.

CalPERS requires an employee, or someone on the employee's behalf, to submit an application for disability retirement as soon as it is believed that the employee is unable to perform the job because of an illness or injury, which is expected to be permanent or last longer than six months. The California Public Employees' Retirement Law permits the governing board of a contracting agency, or an official designated by the governing board, to make the application for disability retirement on behalf of city employees under Government Code Section 21152(c).

Resolution No. 2013-13 designates the Human Resources Director to initiate disability applications on behalf of city employees and to initiate requests for reinstatement of such employees who are already retired for disability. The adoption of this Resolution does not affect the City Council's duty under the law to make industrial disability determinations for public safety employees. Rather, it allows the Human Resources Director to initiate the disability retirement process in a timely manner on behalf of city employees who are unable to perform their job duties due to an illness or injury.

Staff recommends the City Council adopt Resolution No. 2013-13 to be effective February 13, 2013.

Respectfully submitted,

Sheryl Bennett
Director of Human Resources

RESOLUTION NO. 2013-13

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, DESIGNATING THE HUMAN RESOURCES DIRECTOR TO MAKE APPLICATIONS ON BEHALF OF CITY EMPLOYEES FOR DISABILITY RETIREMENTS FROM CALPERS

WHEREAS, the City of Escondido is a contracting agency of the California Public Employees' Retirement System (CalPERS); and

WHEREAS, the California Public Employees' Retirement Law permits the governing body of a contracting agency, or a designated official, to make disability retirement applications on behalf of city employees under Section 21152(c) of the Government Code; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, as follows:

1. That the above recitations are true.

2. That the City of Escondido hereby designates the Human Resources Director to make applications on behalf of the City Council of the City of Escondido, California, for disability retirement of city employees and to initiate requests for reinstatement of such employees who are retired for disability.

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 5
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Barbara J. Redlitz, Director of Community Development

SUBJECT: Street Name Change for Private Streets in the Contempo Condominium Development (Reference Case No. PHG 11-0009)

STAFF RECOMMENDATION:

It is requested that Council adopt Resolution No. 2013-10 approving the proposed street name changes.

PROJECT DESCRIPTION:

A request to change and add street names to reflect the new private street layout for the 84-unit Contempo (formerly City Square) condominium project that is currently under construction. Three of the four names originally assigned to the private streets in the development would remain including Marquis Glen, City Glen and Royal Glen. The other approved name (Presidio Glen) would be abandoned. Three additional street names would be added to reflect the increase in the number of streets in the development. The newly proposed street names are Fonseca Glen, Antoni Glen and Solane Glen.

LOCATION:

The Contempo project includes the southerly, approximately 3.18 acres of the original 3.65-acre City Square site located south of Second Avenue, between Centre City Parkway and Orange Street, addressed as 203 S. Orange Street.

FISCAL ANALYSIS:

There are no additional costs to the City from this request.

GENERAL PLAN ANALYSIS:

All streets within the Contempo development are private residential streets and not listed on the Circulation Element of the General Plan.

ENVIRONMENTAL REVIEW:

The project is categorically exempt from environmental review pursuant to CEQA Section 15301 (Existing Facilities).

PREVIOUS ACTION:

On July 12, 2006, the City Council approved a Final Map for the original version of the 102-unit City Square development that was proposed by Barratt American (Tract 921). The Final Map was recorded on July 20, 2006. That action established the existing street names. The current 84-unit Contempo design (PHG 11-0009) was approved by the City Council on September 14, 2011. A condition of approval required the applicant to change the street names to reflect the new development pattern.

BACKGROUND:

Street names were already assigned to the original City Square development at the time the first phase of 18 units was constructed along Second Avenue. Barratt American subsequently declared bankruptcy and construction of future phases was halted. A new property owner received City Council approval of a modified Master Plan for the remaining 84 units on September 14, 2011. The current property owner (William Lyon Homes) is in the process of constructing the modified version of the development. The applicant is requesting to change the street names to assist future marketing efforts and match names to the current street pattern.

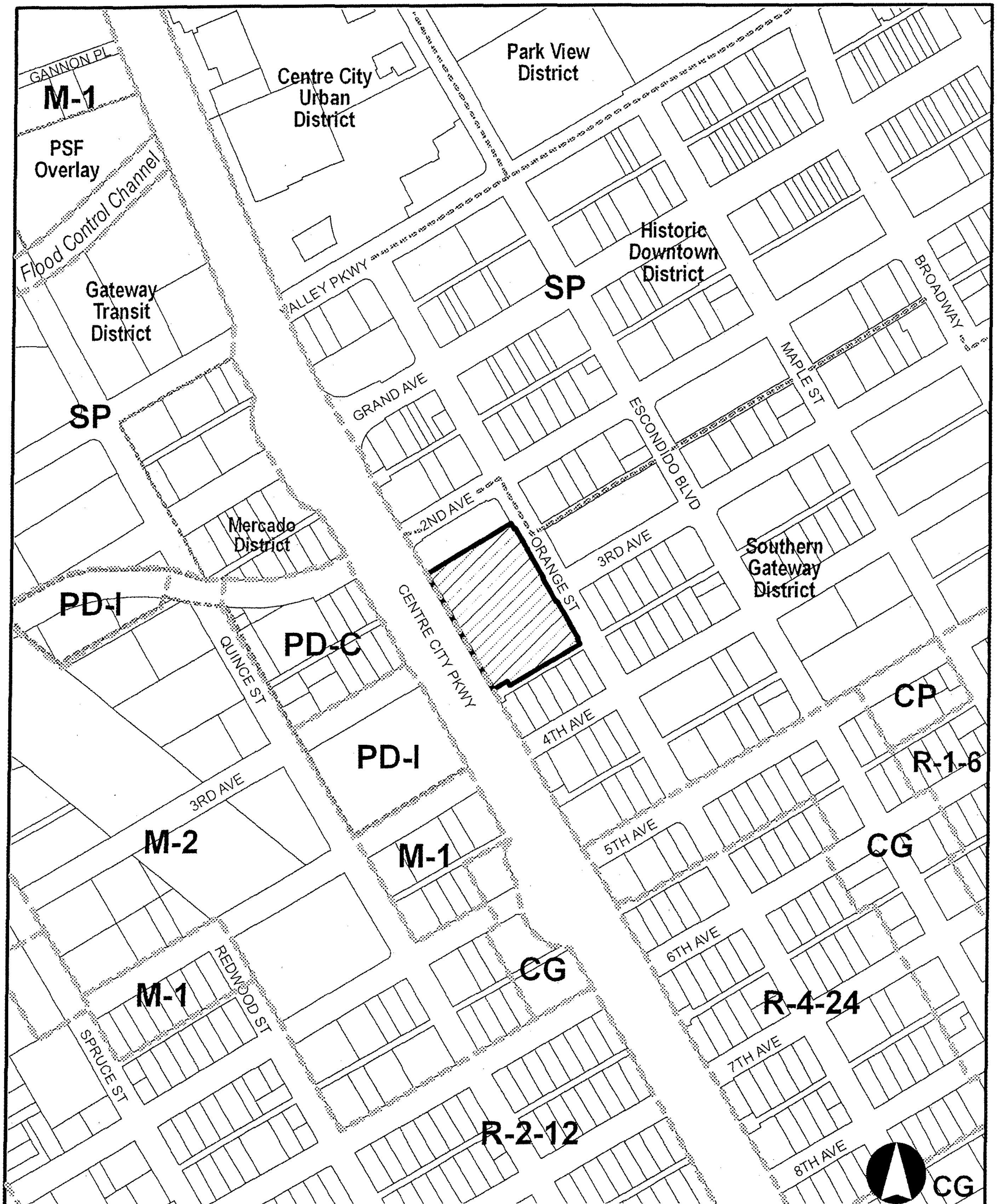
ANALYSIS:

Staff sent notices of the proposed change to street names in the Contempo development to local agencies, districts, utilities, mapping and mailing services, etc. No conflicts were identified nor comments received from the various groups. Of all the streets listed in the proposal, only Marquis Glen has been constructed. All of the 18 residences with addresses on Marquis Glen would remain unaffected by the proposal as there is no request to change that street name. One of the previously approved street names is no longer desired by the property owner and additional names are needed to match the current street pattern. The proposal would provide clarity by assigning names to the current street pattern.

Respectfully Submitted,

Barbara J. Redlitz
Director of Community Development

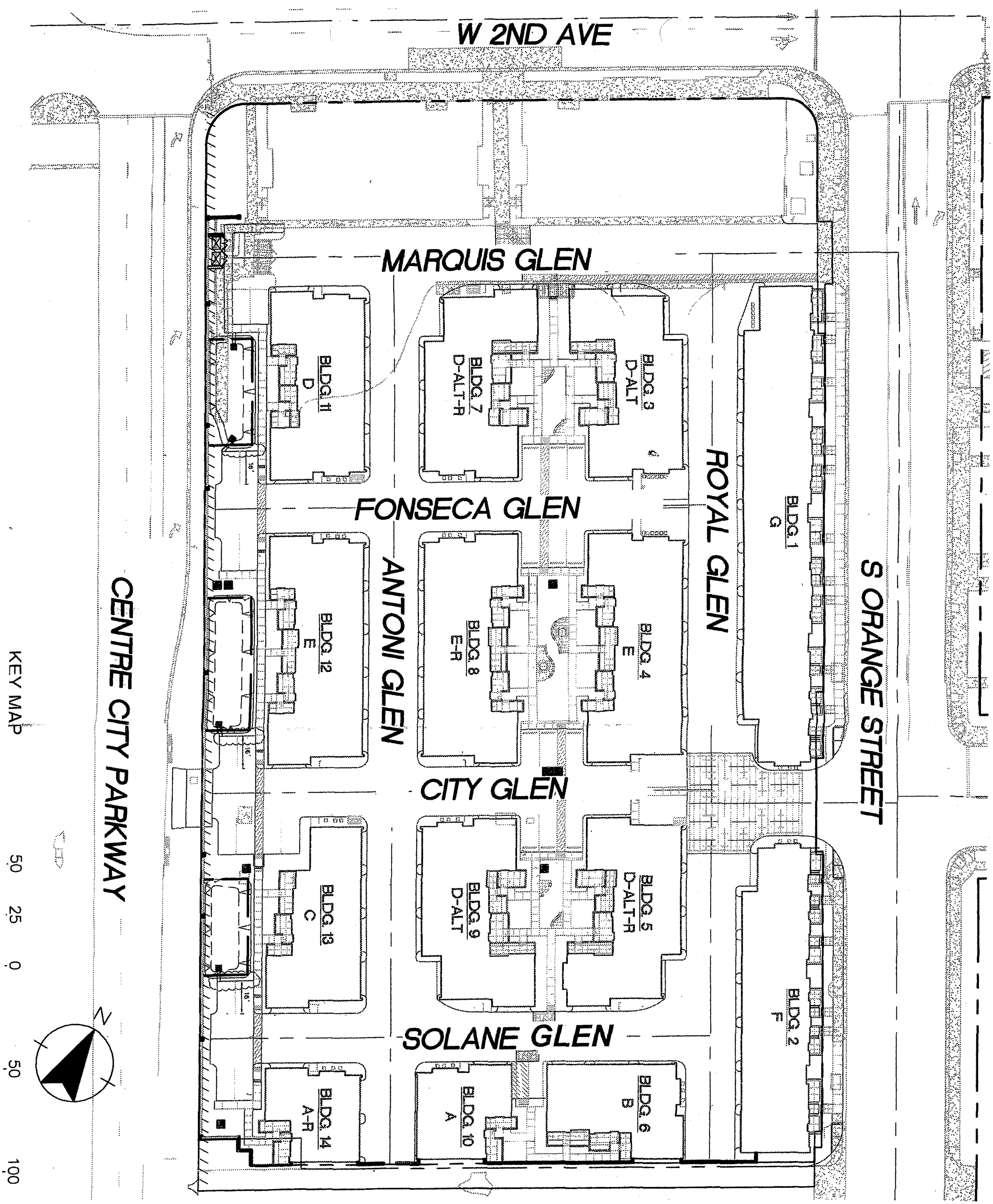
Bill Martin
Principal Planner



PROPOSED PROJECT
PHG 11-0009

L

LOCATION/ZONING


W 2ND AVE
MARQUIS GLEN
BLDG. 11
D
BLDG. 7
D-ALT-R
BLDG. 3
D-ALT
ROYAL GLEN
BLDG. 1
G
FONSECA GLEN
BLDG. 12
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ANTONI GLEN
BLDG. 8
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S ORANGE STREET
CENTRE CITY PARKWAY
CITY GLEN
BLDG. 13
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SOLANE GLEN
BLDG. 14
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BLDG. 10
A
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B
KEY MAP
50 25 0 50 100
N

CITY OF ESCONDIDO
PLANNING DIVISION
201 NORTH BROADWAY
ESCONDIDO, CA 92025-2798
(760) 839-4671

Notice of Exemption

To: San Diego County Recorder's Office
Attn: Vanessa Esquivel
P.O. Box 121750
San Diego, CA 92112-1750

From: City of Escondido
201 North Broadway
Escondido, CA 92025

Project Title/Case No.: Contempo Condominium Development – Street Name Change (PHG 11-0009)

Project Location - Specific: The 3.18-acre site is located south of Second Avenue, between Centre City Parkway and Orange Street, addressed as 203 S. Orange Street.

Project Location - City: Escondido **Project Location - County**: San Diego

Description of Project:
A request to change and add street names to reflect the new private street layout for the 84-unit Contempo (formerly City Square) condominium project that is currently under construction. Three of the four names originally assigned to the private streets in the development would remain including Marquis Glen, City Glen and Royal Glen. The other approved name (Presidio Glen) would be abandoned. Three additional street names would be added to reflect the increase in the number of streets in the development. The newly proposed street names are Fonseca Glen, Antoni Glen and Solane Glen.

Name of Public Agency Approving Project: City of Escondido

Name of Person or Agency Carrying Out Project:

Name William Lyon Homes – Rick Puffer Telephone (949) 476-1380

Address 4490 Von Karman Avenue, Newport Beach, CA 92660

☒ Private entity ☐ School district ☐ Local public agency ☐ State agency ☐ Other special district

Exempt Status:

Categorical Exemption. CEQA Section 15301 (Existing Facilities)

Reasons why project is exempt:

1. The proposal is limited to changing the names of private streets within a previously approved residential condominium development. The project is under construction and the proposal does not include any changes to the previous land use approvals nor would it result in the creation of any new parcels or the introduction of a new land use on the project site.
2. The project site has been completely disturbed and has no value as habitat for endangered, threatened or rare species.
3. The residential condominium project site is located in an established urban area. The project is limited to changing the names of streets and would not result in any significant effects related to traffic, noise, air quality or water quality.
4. In staff's opinion the proposed development would not have the potential to cause an adverse impact on the environment. Therefore, the proposal is not subject to further CEQA review.

Lead Agency Contact Person: Bill Martin Area Code/Telephone/Extension (760) 839-4557

Signature: Bill Martin
Bill Martin, Principal Planner

February 4, 2013
Date

☒ Signed by Lead Agency Date received for filing at OPR:

Agenda Item No.: 5
Date: February 13, 2013

RESOLUTION NO. 2013-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, CHANGING AND ADDING NAMES FOR THE UNCONSTRUCTED PRIVATE STREETS IN THE CONTEMPO CONDOMINIUM DEVELOPMENT

Reference Case No. PHG 11-0009

WHEREAS, the Contempo condominium development received City Council approval of a revised project design and street layout on September 14, 2011; and

WHEREAS, as the applicant owns all of the property within the project boundaries and now desires to change one former street name and assign new street names to the current street pattern for the development; and

WHEREAS, local agencies, districts, and emergency services were notified of the requested street name change and no opposition was received; and

WHEREAS, the City Council desires at this time and deems it to be in the best public interest to rename the private streets within the Contempo condominium development as depicted in Exhibit "A" attached to the resolution and incorporated by this reference.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido as follows:

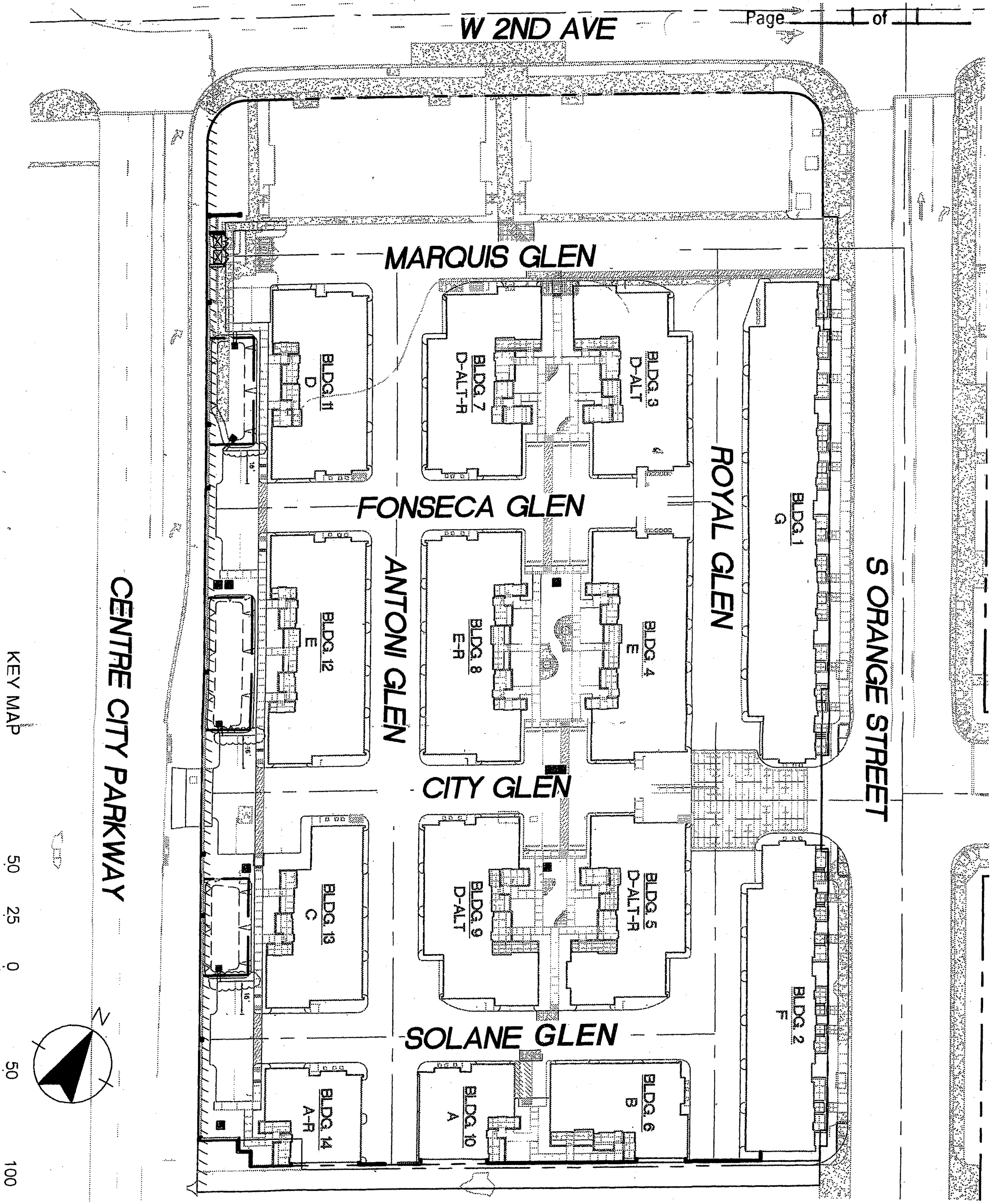
1. That the above recitations are true.

2. That the City Council accepts the recommendation of the Director of Community Development.

3. That the names for private streets in the Contempo condominium development shall be established as follows:

- Marquis Glen
- City Glen
- Royal Glen
- Fonseca Glen
- Antoni Glen
- Solane Glen

Resolution No. 2019-10
Exhibit A
Page 1 of 1



ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ________ File No. ________
Ord No. ________

Agenda Item No.: 6
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Diane Halverson, City Clerk

SUBJECT: Destruction of Police Department Records

RECOMMENDATION:

It is requested that the City Council adopt Resolution No. 2013-16 authorizing the destruction of the specified Police Department records set forth in Exhibit "A."

FISCAL ANALYSIS:

None

BACKGROUND:

The records listed on the proposed Resolution No. 2013-16 are more than two years old, do not affect the title to real property or liens thereon, are not court records, are not required to be kept further by a statute and are no longer required by the City. Authority to destroy these records is requested as provided by California Government Code Section 34090 and the City's adopted Records Retention Schedule. Said records consist of Police Department documents identified in Exhibit "A" attached to Resolution 2013-16. The Chief of Police and the City Attorney's office have approved these records for destruction.

Respectfully submitted,

Diane Halverson

Diane Halverson
City Clerk

Agenda Item No.: 6
Date: February 13, 2013

RESOLUTION NO. 2013-16

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE DESTRUCTION OF CERTAIN POLICE DEPARTMENT RECORDS

WHEREAS, the City Clerk of the City of Escondido has described and identified Police Department records that are more than two (2) years old, that do not affect the title to real property or liens thereon, are not court records, are not required to be kept further by a statute and are no longer required by the City Clerk, as listed in Exhibit "A," and are of a classification qualifying for destruction in accordance with the provisions of Government Code Section 34090; and

WHEREAS, the City Attorney consents to the destruction of the described records in the certification and application of the City Clerk as set forth in Exhibit "A" attached to this resolution and incorporated by this reference.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the City Council finds that there is good cause to approve the destruction of the identified Police Department records as set forth in Exhibit "A."

ESCONDIDO
City of Choice

CITY OF ESCONDIDO
DESTRUCTION OF PUBLIC RECORDS

I hereby certify that: the records listed below are more than two years old, do not affect the title to real property or liens thereon, are not court records, are not, to my knowledge, required to be kept further by a statute, are not the minutes, ordinances or resolutions of the legislative body of the City or of any City Board or Commission, and are no longer required by the City. I request authority to destroy same pursuant to Section 34090 of the Government Code of California.

The following records may be destroyed, after approval by City Council, as specified by Government Codes 34090 and 34090.6. Records in Category A qualify for destruction by being not less than two years old. These records are dated between January 1, 2001 and December 31, 2010. Records in Category B qualify for destruction by being not less than three years old. These records are dated between January 1, 2001 and December 31, 2009. Records in Category C qualify for destruction by being not less than four years old. These reports are dated between January 1, 2001 and December 31, 2008. Records in Category D qualify for destruction by being not less that five years old. These reports are dated between January 1, 2001 and December 31, 2007. Records in Category E qualify for destruction by being not less than seven years old. These reports are dated between January 1, 2001 and December 31, 2005. Records in Category F are complaint investigation files, which qualify for destruction by being not less than five years old.

Department Head	Police Department	Jan 29, 2013
Department Head	Department	Date

I have reviewed the above-described records for historical value and for compliance with the established retention requirements, and I consent to their destruction.

	2-1-13
City Attorney	Date

I hereby certify that pursuant to the foregoing authority, the above-described records were destroyed on ______________, ________.

Name	Title	Date

CITY OF ESCONDIDO
AUTHORIZATION TO DESTROY PUBLIC RECORDS

Contents & Inclusive Dates

A. Records in Category A qualify for destruction by being not less than two years old.

1. Records of telephone and radio communications recorded in the normal course of business on a daily basis (where such recordings are not evidence in any claim file or any pending litigation or potential claim or litigation).
2. Auction Records:
3. Death Reports, where there are natural causes involved and the investigation has been closed;
4. Lost and Found property reports where the items referred to have either not been located or have been otherwise disposed of according to law;
5. Impounded and stored property reports, including abated vehicle reports, where items referred to have been released or otherwise disposed of according to law;
6. Missing persons and runaway juvenile reports where the persons referred to have returned or been found;
7. Officer reports not associated with a crime report and where other considerations do not warrant retention of the documents;
8. Demands for payment;
9. Records of purchases;
10. Parking citations, Traffic citation court lists, Voided citation logs, and traffic citations not associated with an arrest;
11. Field Interview forms;
12. Dispatch complaint
13. Outside requests for statistical information and surveys
14. Police vehicle assignment log, licenses & registration renewal
15. Command Van equipment and repairs, driver and schedule
16. Police Quarterly Newsletter
17. Police statistics and surveys, request for departmental information
18. Police Reserve applications and background information for non-hires

CITY OF ESCONDIDO
AUTHORIZATION TO DESTROY PUBLIC RECORDS

Contents & Inclusive Dates

B. Records in Category B qualify for destruction by being not less than three years old.

1. Massage, Bingo, Secondhand dealer, Pawnbroker, Alternative Healthcare, and Holistic Healthcare licenses that have been inactive for three years.
2. Canine bite reports
3. False Alarm appeals
4. Bicycle school reports and lists
5. Chaplaincy Program applications, meeting minutes, and training
6. Citizen patrol reports and organizational information
8. Awareness Academy
9. Community Work Service Program
10. Watch Commander Arrest Logs
11. Explorer events, Cadet Records

C. Records in Category C qualify for destruction by being not less than four years old.

1. Misdemeanor arrest, crime and investigative reports, in which the time periods set forth by the court for probation or jail terms have expired and the individual involved is not the subject of any pending investigations;
2. Property logs;
3. Traffic accident reports and related material which do not involve pending litigation of which the Department has been notified;
4. Officer Daily Reports.
5. Civil Disturbances, Riot Reports
6. Juvenile Detention logs and correspondence
7. Sobering Center reports and correspondence

D. Records in Category D qualify for destruction by being not less than five years old.

1. Citizen complaints of misconduct relating to members of the Department and the investigation reports associated with those complaints;
2. Arrest records of juveniles order sealed by the court.
3. Towing Services applications, appeals correspondence, and contracts
4. Police After Action reports & Investigations, DUI checkpoints and grant related activities
5. Bicycle Licenses and Registrations
6. COPPS referrals and reports regarding projects and programs

CITY OF ESCONDIDO
AUTHORIZATION TO DESTROY PUBLIC RECORDS

Contents & Inclusive Dates

E. Records in Category E qualify for destruction by being not less than seven years old.

1. Daily Watch Logs/Resumes;
2. Felony arrests, crime and investigative records where the suspect is no longer in custody, imprisoned, on probation or parole, nor the subject of any active investigation;
3. Inactive personnel files for employees separated from the Department in excess of seven years and where the Department has not received any requests for information from those files in that time period;
4. Traffic accident reports involving a death where the Department has not been notified of any pending litigation.
5. Asset Forfeiture reports of acquisition and disposition of seized property
6. Drug Enforcement Administration reports and task force information
7. Emergency Operations Center, Disaster Preparedness Manual
8. Shooting Board of Review board meeting reports

F. Records in Category F, list complaint investigations that are more than five years old.

1. 2007-01-E
2. 2007-02-I
3. 2007-03-E
4. 2007-04-I
5. 2007-05-E
6. 2007-06-E
7. 2007-07-E
8. 2007-08-E
9. 2007-09-E
10. 2007-10-E
11. 2007-11-E
12. 2007-12-E
13. 2007-13-E
14. 2007-14-E
15. 2007-15-E
16. 2007-16-I
17. 2007-17-E
18. 2007-18-E
19. 2007-19-E
20. 2007-20-I
21. 2007-21-E

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 7
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Award Bid for Two 2013 Line Trucks

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2013-15 approving the bid award for two line trucks to North County Ford in the amount of $266,530.44. The purchase of these line trucks will replace the existing trucks as follows: Truck number 3481, 1994 GMC line truck with 88,704 miles and truck number 3482, 1994 GMC line truck with 63,039 miles. Both trucks have utility service bodies, mounted cranes, and mounted air compressors. Currently, both trucks are not California Air Resource Board, (CARB) certified; therefore, these trucks cannot be operated in the State of California. Furthermore, both trucks have various mechanical hazards and severe cab and body damage caused by rust and corrosion. The standard life expectancy of these trucks is fifteen years; however, these trucks were extended an additional four years due to budgetary reasons.

FISCAL ANALYSIS:

Sufficient funds are budgeted in the Fleet Services Vehicle Replacement Fund.

PREVIOUS ACTION:

On November 14, 2012, City Council authorized the rejection of all bids and the re-advertisement for new bids per Municipal Code Section 10-102(e) and Resolution No. 2012-177.

BACKGROUND:

Requests for bids were mailed to seven vendors on December 10, 2012; and three bids were received and opened on January 14, 2013. The bid results are as follows:

Vendor	Amount
North County Ford	$266,530.44
Heller Ford	$276,764.43
Dion International Trucks LLC	$350,666.57

Joe Goulart, Fleet Services Superintendent, reviewed the bids and recommends the bid award to North County Ford as the lowest most responsive and responsible bidder who met the City's bid requirements.

Respectfully submitted,

Gilbert Rojas,
Director of Finance

ESCONDIDO
City of Choice

MEMORANDUM

01/17/2013

TO: Blanca Wolf, Purchasing Supervisor

FROM: Joseph Goulart, Fleet Maintenance Superintendent

SUBJECT: Approval of Water Department Line Truck Bid 13-03

After reviewing the bid packets submitted by North County Ford, Homer Heller Ford, and Dion International to replace two existing Water Department line trucks, I accept the lowest submitted bid. North County Ford submitted the lowest bid of the three bidders and complies in all areas of the bid specifications. It is my recommendation that we approve the bid submitted by North County Ford.

Agenda Item No.: 7
Date: February 13, 2013

RESOLUTION NO. 2013-15

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING THE BID AWARD FOR TWO 2013 LINE TRUCKS TO NORTH COUNTY FORD

WHEREAS, on November 14, 2012, City Council authorized the rejection of all bids and re-advertise for new bids per Municipal Code Section 10-102(e); and

WHEREAS, the City of Escondido duly published an invitation for bids for two 2013 line trucks to include detailed bid specifications; and

WHEREAS, request for bids for two 2013 line trucks were mailed to vendors on December 10, 2012; and

WHEREAS, three bids were opened and evaluated on January 14, 2013; and

WHEREAS, the apparent low bid submitted by North County Ford was determined to be the lowest most responsive and responsible bid. North County Ford met the City's bid specifications; and

WHEREAS, staff recommends awarding the bid to North County Ford in the amount of $266,530.44; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to award the bid to North County Ford.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That City Council accepts the recommendation of staff and finds North County Ford to be the lowest most responsive and responsible bidder who met the City's bid specifications.

3. That the City Manager or his designee is authorized to approve on behalf of the City, the bid award to North County Ford for two 2013 line trucks.

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No.______________
Ord No. ______________

Agenda Item No.: 8
Date: February 13, 2013

TO: Honorable Mayor and Members of the Successor Agency

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Adoption of Resolution No. 2013-21 and 2013-26 R Approving Recognized Obligation Payment Schedule (ROPS) for July 2013 thru December 2013 and Approving a Loan Agreement Between the City and Redevelopment Successor Agency

RECOMMENDATION:

It is requested that Council approve Resolution No. 2013-21 and 2013-26 R to adopt the Recognized Obligation Payment Schedule (ROPS 13-14A) so the Successor Agency may continue to make payments due for enforceable obligations and also approve a loan agreement between the City and the Successor Agency for the purpose of short term cash flow needs.

FISCAL ANALYSIS:

The Successor Agency is responsible for submitting to the Oversight Board a payment schedule for obligations of the Redevelopment Agency. The Oversight Board will forward this payment schedule to the State for approval and to the County of San Diego for payment. However, the amount of funds available from the County Redevelopment Property Tax Trust Fund (RPTTF) is not enough to satisfy the Successor Agency debt. A short term loan will help cash flow issues and the loan will become an enforceable obligation for Successor Agency payment. The loan document will be sent to the State Department of Finance for approval before any funds are transferred. The initial loan amount should be a "not to exceed" $4.3 million.

PREVIOUS ACTION:

This is the fourth Recognized Obligation Payment Schedule approved by the City.

BACKGROUND:

As part of the State's Dissolution of Redevelopment, the City as Successor Agency is required to adopt a Recognized Obligation Payment Schedule. This Obligation Schedule lists payments to be made in the July 2013 to December 2013 period. These payments are for the 1992 Revenue Bonds ($2,240,000), 2007A and B Lease Revenue Bonds ($4,390,973), bond expenses ($9,500), CalHFA Loans ($2,405,000), Successor Agency property management costs ($86,000), loan repayment to the General Fund ($500,000) and administrative costs ($286,364) of the City.

The approved enforceable obligations will be more than is available from the County of San Diego Redevelopment Property Tax Trust Fund. The State Department of Finance has suggested the use of a loan from the City to the Agency pursuant to Health and Safety Code section 34173(h) to bridge the cash flow gap.

Respectfully submitted,

Gilbert Rojas,
Director of Finance

RESOLUTION NO. 2013-21

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AS THE SUCCESSOR AGENCY TO THE ESCONDIDO REDEVELOPMENT AGENCY ADOPTING A RECOGNIZED SCHEDULE OF ENFORCEABLE OBLIGATIONS FOR THE PERIOD OF JULY 2013 TO DECEMBER 2013 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the Successor Agency and Successor Housing Agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34177, successor agencies are required to make payments due for enforceable obligations and adopt a Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, pursuant to Health and Safety Code Section 34177, a ROPS must be adopted that lists all of the obligations that are enforceable within the meaning of Health and Safety Code Section 34167(d) must thereafter be reviewed by other entities, updated, and published in a specific manner; and

WHEREAS, it is the intention of the City Council of the City of Escondido as the Successor Agency to the Escondido Redevelopment Agency to adopt the ROPS so that the Successor Agency may continue to make payments due for enforceable obligations.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the City Council, as the Successor Agency to the Escondido Redevelopment Agency, hereby adopts the ROPS for the period of July 2013 to December 2013, which is attached hereto as Exhibit "A" and incorporated by this reference.

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the July 1, 2013 to December 31, 2013 Period

Name of Successor Agency: **ESCONDIDO (SAN DIEGO)**

	Outstanding Debt or Obligation	**Total**
	Total Outstanding Debt or Obligation	**$79,781,178**

	Current Period Outstanding Debt or Obligation	**Six-Month Total**
A	Available Revenues Other Than Anticipated RPTTF Funding	**$86,000**
B	Enforceable Obligations Funded with RPTTF	**$9,545,473**
C	Administrative Allowance Funded with RPTTF	**$286,364**
D	Total RPTTF Funded (B + C = D)	**$9,831,837**
E	Total Current Period Outstanding Debt or Obligation (A + B + C = E) *Should be same amount as ROPS form six-month total*	**$9,917,837**
F	Enter Total Six-Month Anticipated RPTTF Funding	$6,838,191
G	Variance (F - D = G) *Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding*	**($2,993,646)**

	Prior Period (July 1, 2012 through December 31, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))	
H	Enter Estimated Obligations Funded by RPTTF *(lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)*	$5,018,229
I	Enter Actual Obligations Paid with RPTTF	$10,039,845
J	Enter Actual Administrative Expenses Paid with RPTTF	$154,581
K	Adjustment to Redevelopment Obligation Retirement Fund (H - (I + J) = K)	$0
L	Adjustment to RPTTF (D - K = L)	$9,831,837

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named agency.

Clay Phillips — Oversight Board Chairman
Name — Title

/s/
Signature — Date

ESCONDIDO (SAN DIEGO)
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 13-14A)
July 1, 2013 through December 31, 2013

									Funding Source					
Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2013-14	Bond Proceeds	Reserve Balance	Admin Allowance	RPTTF	Other	Six-Month Total
							$79,781,178	$11,495,197	$0	$0	$286,364	$9,545,473	$86,000	$9,917,837
1	1992 Revenue & Cap. Appr. Bonds	1/10/1992	9/1/2013	Bank of New York	Bond Payment	Esc. Redev.	0	2,240,000	0	0	0	2,240,000	0	2,240,000
2	2007A Lease Revenue Bonds	1/25/2007	9/1/2018	Bank of New York	Bond Payment	Esc. Redev.	25,737,125	3,650,000	0	0	0	3,080,625	0	3,080,625
3	2007B Lease Revenue Bonds	1/25/2007	9/1/2018	Bank of New York	Bond Payment	Esc. Redev.	10,630,357	1,567,355	0	0	0	1,310,348	0	1,310,348
4	Bond Expense	1/10/1992, 1/25/2007	9/1/2018	Bank of New York	Bond Trustee Admin Fees	Esc. Redev.	0	9,500	0	0	0	9,500	0	9,500
5	Bond Debt Obligation Reserve	1/25/2007	9/1/2018	Bank of New York	Payment per AB 1484, Section 34171(d)(1)(A)	Esc. Redev.	0	0	0	0	0	0	0	0
6	Loan Repayment to General Fund	8/15/1994		City of Escondido	Program Administration	Esc. Redev.	0	0	0	0	0	0	0	0
7	Loan Repayment to Traffic Impact Fund	8/15/1994	12/31/2035	City of Escondido	Capital Improvement	Esc. Redev.	1,732,921	50,000	0	0	0	0	0	0
8	Loan Repayment to Housing Set Aside Fund	8/15/1994	4/30/2016	City of Escondido	ERAF Payments	Esc. Redev.	2,704,314	694,978	0	0	0	0	0	0
9	CalHFA Loans	10/31/2003, 6/11/2008	6/30/2018	CalHFA	Affordable Housing Projects	Esc. Redev.	4,525,000	2,405,000	0	0	0	2,405,000	0	2,405,000
10	Employee Costs-Admin. Fee	7/1/2011	9/30/2018	Employees of City of Escondido	Administration	Esc. Redev.	0	286,364	0	0	286,364	0	0	286,364
11	Pass Through Agreement			North County Cemetery District	Payment per 33401. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
12	Pass Through Agreement			Palomar Pomerado Health	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
13	Pass Through Agreement			San Marcos Unified School District	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
14	Pass Through Agreement			Palomar Community College	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
15	Pass Through Agreement			Escondido Elementary School District	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
16	Pass Through Agreement			Escondido Union High School District	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
17	Pass Through Agreement			SD County Superintendent of Schools	Payment per Settlement Agreement. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
18	Pass Through Agreement			Rincon Del Diablo MWD	Payment per 33401. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
19	Pass Through Agreement			City of Escondido	Payment per 33607. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
20	Pass Through Agreement			Resource Cons. Dist. of Greater SD	Payment per 33607. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
21	Pass Through Agreement			Vallecitos Water District	Payment per 33607. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
22	Pass Through Agreement			SD County Water Authority	Payment per 33607. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
23	Pass Through Agreement			Metropolitan Water District	Payment per 33607. PP O/S Amount	Esc. Redev.	0	0	0	0	0	0	0	0
24	Utilities	5/31/2012	At sale of property	SDG&E	Successor Agency Property-Gas & Electric costs	Esc. Redev.	0	12,000					6,000	6,000
25	Property Management Expenses	1/25/2013	At sale of property	Various	Successor Agency Property Management costs	Esc. Redev.	0	80,000					80,000	80,000
26	Loan Repayment to General Fund	8/15/1994	12/31/2035	City of Escondido	Program Administration	Esc. Redev.	34,451,461	500,000				500,000		500,000
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ESCONDIDO (SAN DIEGO)
Pursuant to Health and Safety Code section 34186 (a)
PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS II)
July 1, 2012 through December 31, 2012

Item #	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
					Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
					$0	$0	$0	$0	$0	$0	$328,939	$154,581	$12,508,808	$10,039,845	$0	$0
C/1	1992 Revenue & Cap. Appr. Bonds[2]	Bank of New York	Bond Payment	Esc. Redev.									2,240,000	2,240,000		
C/2	2007A Lease Revenue Bonds[1]	Bank of New York	Bond Payment	Esc. Redev.									7,586,467	5,479,750		
C/3	2007B Lease Revenue Bonds[1]	Bank of New York	Bond Payment	Esc. Redev.									2,660,190	2,320,095		
C/4	Bond Expense	Bank of New York	Bond Trustee Admin Fees	Esc. Redev.									8,800	0		
C/8	Employee Costs-Admin Fee	Various City Employees	Administration	Esc. Redev.							328,939	154,581				
C/12	Governing Board Costs	Various Board Members	Administration	Esc. Redev.									3,040	0		
C/13	Consulting Services-BBC	BBC	Business/industrial park	Esc. Redev.									10,131	0		
C/14	Consulting Services-Stradling	Stradling	Business/industrial park	Esc. Redev.									180	0		

ESCONDIDO (SAN DIEGO)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 13-14A) -- Notes (Optional)

July 1, 2013 through December 31, 2013

Item #	Project Name / Debt Obligation	Notes/Comments
1	1992 Revenue & Cap. Appr. Bonds	
2	2007A Lease Revenue Bonds	
3	2007B Lease Revenue Bonds	
4	Bond Expense	
5	Bond Debt Obligation Reserve	
6	Loan Repayment to General Fund	
7	Loan Repayment to Traffic Impact Fund	Total outstanding obligation is estimated.
8	Loan Repayment to Housing Set Aside Fund	
9	CalHFA Loans	
10	Employee Costs-Admin. Fee	
11	Pass Through Agreement	
12	Pass Through Agreement	
13	Pass Through Agreement	
14	Pass Through Agreement	
15	Pass Through Agreement	
16	Pass Through Agreement	
17	Pass Through Agreement	
18	Pass Through Agreement	
19	Pass Through Agreement	
20	Pass Through Agreement	
21	Pass Through Agreement	
22	Pass Through Agreement	
23	Pass Through Agreement	
24	Utilities	Total due during fiscal year 2013/14 is estimated
25	Property Management Expenses	Total due during fiscal year 2013/14 is estimated
26	Loan Repayment to General Fund	Total due during fiscal year 2013/14 and total outstanding olbigation are estimated

SUCCESSOR AGENCY CONTACT INFORMATION

Successor Agency

ID:	**283**
County:	**San Diego**
Successor Agency:	**Escondido**

Primary Contact

Honorific (Ms, Mr, Mrs)	**Mr.**
First Name	**Gil**
Last Name	**Rojas**
Title	**Director of Finance**
Address	**201 North Broadway**
City	**Escondido**
State	**CA**
Zip	**92025**
Phone Number	**760-839-4322**
Email Address	**grojas@ci.escondido.ca.us**

Secondary Contact

Honorific (Ms, Mr, Mrs)	**Mrs.**
First Name	**Joan**
Last Name	**Ryan**
Title	**Finance Manager**
Phone Number	**760-839-4338**
Email Address	**jryan@ci.escondido.ca.us**

RESOLUTION NO. 2013-26 R

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AND AS SUCCESSOR AGENCY TO THE ESCONDIDO REDEVELOPMENT AGENCY, APPROVING A LOAN AGREEMENT BETWEEN THE CITY AND THE SUCCESSOR AGENCY UNDER HEALTH AND SAFETY CODE SECTION 34173(h) FOR AB 1484 AUTHORIZED ENFORCEABLE OBLIGATIONS AND ADMINISTRATIVE EXPENDITURES

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the Successor Agency and Successor Housing Agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34177, successor agencies are required to make payments due for enforceable obligations and adopt a Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, pursuant to Health and Safety Code Section 34177, a ROPS must be adopted that lists all of the obligations that are enforceable within the meaning of Health and Safety Code Section 34167(d) must thereafter be reviewed by other entities, updated, and published in a specific manner; and

WHEREAS, with the Oversight Board's approval, Health and Safety Code section 34173(h) permits the City to loan the Successor Agency funds to pay the Successor Agency's enforceable obligations, administrative costs, and project-related expenses; and

WHEREAS, with the Oversight Board's approval, Health and Safety Code

Section 34173(h) permits the City to loan the Successor Agency funds to pay the Successor Agency's enforceable obligations, administrative costs, and project related expenses; and

WHEREAS, the City and the Successor Agency have prepared an agreement (a copy of which is attached as Exhibit "A" and incorporated by this reference), providing for a loan from the City to the Successor Agency in an amount not to exceed Four Million Three Hundred Dollars ($4,300,000);

THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. The City Council authorizes the City Manager or his designee to execute the Loan Agreement on behalf of the City, and acting as the Successor Agency, authorizes the City Manager or his designee to execute the Loan Agreement on behalf of the Successor Agency, upon approval of the Oversight Board and the State Department of Finance. The City Manager is further authorized, with the concurrence of the City Attorney, to approve technical, non-substantive amendments to the Loan Agreement on the City's behalf or the Successor Agency's behalf and to otherwise carry out the actions authorized by this Resolution.

3. The City Council directs that the Loan be funded from the City's General Fund. This Loan amount is to be repaid to the General Fund upon the terms of the Loan Agreement, including interest and will be included on each successive ROPS for the Successor Agency until the City is repaid the full Loan Amount.

LOAN AGREEMENT BETWEEN THE CITY OF ESCONDIDO AND THE CITY OF ESCONDIDO AS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF ESCONDIDO

This LOAN AGREEMENT ("Agreement") is entered into as of February 13, 2013 and is made by and between the CITY OF ESCONDIDO, a municipal corporation ("City") and the CITY OF ESCONDIDO AS SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF ESCONDIDO, a public body corporate and politic ("Successor Agency").

RECITALS

A. The City is a municipal corporation organized and operating under the laws of the State of California.

B. The Successor Agency is a separate public entity, corporate and politic, organized and operating under provisions of the California Health and Safety Code

C. Health and Safety Code Section 34177(a) provides for the Successor Agency to make payments due for enforceable obligations, as defined, and subject to certain procedures.

D. Prior to making any payments for an enforceable obligation, the law requires the Successor Agency to prepare a Recognized Obligation Payment Schedule ("ROPS") before each six-month fiscal period, on which must be listed all of the enforceable obligations which are to be paid.

E. The Successor Agency approved a ROPS for the July to December 2012 ("ROPS II") which was approved by the Oversight Board on May 1, 2012 and thereafter the State of California Department of Finance on May 17, 2012.

F. On June 1, 2012, the County of San Diego Auditor – Controller remitted $5,018,229 in Redevelopment Property Tax Trust Fund ("RPTTF") money to the Successor Agency. These funds combined with $3,412,790 cash on hand already held by the Successor Agency were for the purpose of paying $10,039,845 in enforceable obligations and $154,581 in administrative allowance submitted on ROPS II.

G. The Successor Agency has subsequently adopted a ROPS for the July to December 2013 period ("ROPS 13-14 A"), which was approved by the Oversight Board on February 12, 2013 and will be submitted to the California Department of Finance.

H. On June 1, 2013, it is anticipated that the County of San Diego Auditor-Controller will remit an estimated $6,838,191 in Redevelopment Property Tax Trust Fund ("RPTTF") money to the Successor Agency to fund $9,545,473 in enforceable obligations and $286,364 in administrative allowance submitted on ROPS 13-14A.

I. All prior deposits into the RPTTF and cash on hand held by the Successor Agency are anticipated to be insufficient for the Successor Agency to pay all of the enforceable obligations as identified on ROPS 13-14A, and , the Successor Agency anticipates a cash shortfall of $4,300,000 to occur between July 1, 2013 and December 31, 2013.

J. Health and Safety Code Section 34173(h) provides that the City may loan funds to the Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the City's discretion, and that the loan must be reflected on the Successor Agency's subsequent Recognized Obligation Payment Schedules which is subject to the approval of the Oversight Board and the California Department of Finance. Such loan agreements are also contracts authorized by Health and Safety Code Sections 34178 and 34180 .

K. Based solely on the authority set forth above, the City is prepared to enter into this agreement to extend a temporary loan ("Loan") to the Successor Agency as provided in this Loan Agreement in an amount not to exceed Four Million Three Hundred Thousand Dollars ($4,300,000) ("Loan Amount") to be used to pay for enforceable obligations listed on future ROPS, commencing with ROPS 2013-14A.

L. The Successor Agency, in preparing the Recognized Obligation Payment Schedule for the January to June 2014 period ("ROPS 13/14 B"), and will include any amounts loaned as an enforceable obligation. This Loan shall not be effective in any amount not approved by either the Oversight Board or the California State Department of Finance.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the City and Successor Agency agree as follows:

Section 1. *Recitals.* The City and Successor Agency represent and warrant to each other that each of the respective recitals is true and correct and is hereby incorporated into this Agreement by reference as if fully set forth.

Section 2. *Loan.* Provided that the loan conditions set forth in Section 4 are satisfied, the City shall have the authority and the discretion to use City general funds to provide the Successor Agency with the funds in a single amount, or in various amounts, provided the total shall not exceed $4,300,000 and all such funds shall be loaned on or before September 1, 2013. Interest will be added to actual loan amount outstanding monthly at the State of California Local Agency Investment Fund interest rate (PMIA Average Monthly Effective Yield).

Section 3. *Use of Loan.* The Successor Agency shall use the Loan solely for the purpose of satisfying enforceable obligations as listed specifically on ROPS and only after such ROPS have been approved by both the Oversight Board and the California State Department of Finance.

Section 4. *Loan Conditioned on Oversight Board Approval.* Prior to making any disbursements described in Section 2, the Successor Agency shall present this Loan Agreement to the Oversight Board for its review and approval of this Agreement, and to the California Department of Finance, in conformity with the Health and Safety Code Sections 34179(h) and 34180.

Section 5. *Source of Repayment: Limited Subordination.*

(A) Except as provided in paragraph (B) below of this Section 5, the Loan shall be repaid on par with any enforceable obligations falling within H&SC Section 34183(a)(2)(C) (debts not qualifying as tax allocation bonds and certain revenue bonds.

(B) The City hereby agrees to defer payment on the Loan during a six-month period covered by a ROPS to the extent that repayment in that period would leave insufficient funds to the Successor Agency to satisfy other contractual obligations covered by H&SC Section 34183(a)(2)(C) which: (i) are due in that six-month period; and (ii) were in existence as of the date of this Agreement.

(C) Unless legally prohibited or waived by the City, any portion of the unpaid Loan shall also be repaid from other revenues available to the Successor Agency, such as the proceeds of asset sales and rents. These payments shall augment and supplement the required payments described in paragraph (A).

Section 6. *Placement of Loan Obligation on the Successor Agency's ROPS 13-14B.* Provided that this Agreement is approved by the Oversight Board (and City and Successor Agency), the Successor Agency shall prepare and approve a ROPS 13-14B that includes this Agreement as a listed enforceable obligation. The amount of that listed enforceable obligation shall be the Loan Amount (or such lesser amount as may be actually advanced to the Successor Agency). The Agreement shall be included on each successive ROPS for the Successor Agency until the City is repaid the full Loan Amount.

Section 7. *Term.* This Agreement shall be in full force and effect from the date hereof until such time as the entire amount of the Loan has been repaid in full.

Section 8. *Entire Agreement.* This Agreement constitutes the entire agreement by and between the parties with respect to the subject matter of this Agreement, and may be amended only in writing.

Section 9. *Remedies.* In the event of a default, the parties hereto shall be entitled to pursue any and all remedies available at law or equity under California law for purposes of enforcing the terms and conditions of this Agreement.

APPROVED AND EXECUTED by signature of the authorized representatives of each of the parties on ____________, 2013.

CITY:

CITY OF ESCONDIDO, a municipal corporation

By: ___________________________
Gil Rojas, Department of Finance

ATTEST:

By: ___________________________
Diane Halverson, City Clerk

APPROVED AS TO FORM:

By:___________________________
Jeffrey R. Epp, City Attorney

SUCCESSOR AGENCY:

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF ESCONDIDO, a public body, corporate and politic

By: ___________________________
Gil Rojas, Department of Finance

ATTEST:

By: ___________________________
Diane Halverson, City Clerk

APPROVED AS TO FORM:

By:___________________________
Jeffrey R. Epp, Legal Counsel

ESCONDIDO
City of Choice

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ____________ File No. ____________
Ord No. ____________

CITY COUNCIL

Agenda Item No.: 9
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Authorize the Fleet Services Department to Purchase Eight (8) Police Vehicles From Folsom Lake Ford by Utilizing the Cooperative Purchase Contract with the State of California, Department of General Services, Procurement Division

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2013-22 authorizing the Fleet Services Department to purchase directly from Folsom Lake Ford eight (8) police vehicles by utilizing the cooperative purchasing contract with the State of California, Department of General Services, Procurement Division, Contract #1-12-23-14 and as per the Escondido Municipal Code Section 10-90, the City may use Cooperative Purchasing, which has been conducted in a competitive manner by the State, County or any other Public or Municipal Agency.

FISCAL ANALYSIS:

Sufficient funds are budgeted in the Fleet Services Vehicle Replacement Fund.

BACKGROUND:

The purchase of these eight (8) police vehicles will replace four (4) marked patrol units, two (2) K9 units, and two (2) lieutenant units. The eight (8) patrol vehicles being replaced are 3768, 3770, 3774, 3776, 3787, 3788, 3789, and 3792. The standard life expectancy of these patrol vehicles is eight (8) years of service.

Police vehicle numbers 3768, 3770, 3774, and 3776 are 2001 model year, Ford Crown Victorias' which have been in service for eleven (11) years and are being replaced due to exceeding their standard life expectancy and excessive mileage.

Police vehicle numbers 3787, 3788, 3789, and 3792 are 2003 model year, Ford Crown Victorias', which have been in service for nine (9) years and are being replaced due to excessive mileage and rundown condition of the vehicles.

To ensure the State's contract would benefit the City, the Fleet Services Superintendent obtained a competitive quote from Heller Ford of Escondido as follows:

Vendor	Amount
Folsom Lake Ford	$223,251.92
Heller Ford	$241,987.20

By utilizing the State's contract, the City will save $18,735.28 plus an additional $4,000 if payment is received within 20 days of the invoice date. Combining the two amounts, the total savings to the City is $22,735.28.

The Fleet Services Superintendent has reviewed the specifications from Folsom Lake Ford and agrees to utilize the cooperative purchasing contract with the State of California, Department of General Services, Procurement Division, Contract #1-12-23-14.

Respectfully submitted,

Gilbert Rojas,
Director of Finance

ESCONDIDO
City of Choice

MEMORANDUM

01/24/2013

TO: Blanca Wolf, Purchasing Supervisor

FROM: Joseph Goulart, Fleet Maintenance Superintendent

SUBJECT: Purchase of 8 Police Department Patrol Units

I received two quotes for the replacement of the discontinued Ford Police Interceptor, Crown Victoria. One from a local vendor, Heller Ford, and another from Folsom Lake Ford, in Sacramento Ca. Folsom Lake Ford was awarded the State of California, California Highway Patrol Enforcement Vehicle Contract #1-12-23-14.

Comparing the quotes from both vendors, the City of Escondido will save $16,183.36 if utilizing the State of California contract #1-12-23-14. The City of Escondido can also save an additional $4,000, if payment for the units is received within 20 days of invoice date. Combining the savings from the cost and the net 20 discount, the City of Escondido will save $20,183.36 utilizing the State of California contract.

After researching the costs of the new Police Department patrol vehicles, I am recommending that the City of Escondido attach to the State of California Contract # 1-12-23-14 to purchase 8 replacement Police Department vehicles in fiscal year 2012-13. Sufficient funds are set aside to cover the costs of these units in the Fleet Services vehicle replacement account, 5208-653-715.

Agenda Item No.: 9
Date: February 13, 2013

RESOLUTION NO. 2013-22

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE PURCHASE OF POLICE VEHICLES FROM FOLSOM LAKE FORD THROUGH THE STATE OF CALIFORNIA COOPERATIVE PURCHASING CONTRACT

WHEREAS, the Escondido Fleet Services Vehicle Replacement Fund has sufficient funds allocated to purchase eight (8) police vehicles; and

WHEREAS, the Escondido Fleet Services Department is replacing eight (8) vehicles due to exceeding their standard life expectancy, excessive mileage, and rundown condition of the vehicles; and

WHEREAS, requests for bids for law enforcement vehicles were released on April 6, 2012, from the State of California, Department of General Services, Procurement Division and bids were opened on May 11, 2012; and

WHEREAS, the City is utilizing the cooperative purchasing contract with the State of California, Department of General Services, Procurement Division, Contract #1-12-23-14 and as per the Escondido Municipal Code Section 10-90, the City may use Cooperative Purchasing, which has been conducted in a competitive manner by the State, County or any other Public or Municipal Agency; and

WHEREAS, Folsom Lake Ford can provide law enforcement vehicles to local governmental agencies according to the Contract #1-12-23-14; and

WHEREAS, by the City utilizing this cooperative purchase contract, the City will save $22,735.28; and

WHEREAS, staff recommends purchasing the eight (8) Police vehicles from Folsom Lake Ford in the amount of $223,251.92; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to utilize the cooperative purchasing contract with the State of California, Department of General Services, Procurement Division, Contract #1-12-23-14 and as per the Escondido Municipal Code Section 10-90, the City may use Cooperative Purchasing, which has been conducted in a competitive manner by the State, County or any other Public or Municipal Agency and award the purchase of eight (8) vehicles with Folsom Lake Ford.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the City Council authorizes the City Manager or his designee to purchase eight (8) Police vehicles from Folsom Lake Ford by utilizing the State of California, Department of General Services, Procurement Division, Contract #1-12-23-14.

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 10
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Edward N. Domingue, Public Works Director/City Engineer
Frank P. Schmitz, Parks and Open Space Administrator

SUBJECT: Budget Adjustment - Citracado Parkway Landscape Installation

RECOMMENDATION:

It is requested that Council approve a budget adjustment in the amount of $25,000 to the Streets Capital Project Fund to provide funding for the installation of new landscaping in the median of Citracado Parkway near the new Del Lago Academy

FISCAL ANALYSIS:

The Escondido Union High School District (EUHSD) will reimburse the City for the cost of this landscaping project.

PREVIOUS ACTION

N/A

BACKGROUND:

As part of the road improvements along Citracado Parkway, required as part of the construction of Del Lago Academy by EUHSD, existing landscaping was removed in the median of Citracado Parkway east and west of the intersection at Mesa Grande Road. A cooperative agreement between the City and EUHSD was negotiated whereby the City would design and install new landscaping and EUHSD would reimburse the cost of the landscape installation.

Respectfully submitted,

Edward N. Domingue, P.E.
Public Works Director/City Engineer

Frank P. Schmitz
Parks and Open Space Administrator

ESCONDIDO
City of Choice

CITY OF ESCONDIDO

BUDGET ADJUSTMENT REQUEST

Date of Request: 02/13/13

Department: Public Works

Division: Engineering

Project/Budget Manager: Frank Schmitz (Name) 4039 (Extension)

Council Date (if applicable): February 13, 2013
(attach copy of staff report)

For Finance Use Only

Log #

Fiscal Year

____ Budget Balances
____ General Fund Accts
____ Revenue
____ Interfund Transfers
____ Fund Balance

	Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
ML	Citracado Landscaping	206-NEW	$25,000	
	Reimbursement from EUHSD	4370-206	25,000	

Explanation of Request:

Funds will be used to install new landscaping in the median of Citracado Parkway in conjunction with street improvements relating to the new Del Lago Academy construction. Escondido Union High School District will reimburse the City of Escondido for the cost of this landscape installation project.

APPROVALS

Department Head	Date 1/17/13	City Manager	Date
Finance	Date 1/23/13	City Clerk	Date

Distribution (after approval): Original: Finance

FM\105 (Rev.11/06)

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 11
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Edward N. Domingue, Public Works Director/City Engineer
Debra Lundy, Real Property Manager

SUBJECT: First Amendment to Lease Agreement with John & Ann O'Flynn, dba Lake Wohlford Resort at: Six-Acre Portion of APN:190-110-17, Lake Wohlford Road, County of San Diego.

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2013-12 authorizing the Real Property Manager and City Clerk to execute a First Amendment to Lease Agreement with Lake Wohlford Resort for the six-acre portion of APN:190-110-17, located on Lake Wohlford Road in the County of San Diego.

FISCAL ANALYSIS:

Rental revenue in the amount of $824 per month will be deposited into the Water Enterprise Fund, with 3% increases applied annually for the term of the lease. The Lessee assumes all costs of maintenance.

PREVIOUS ACTION:

On April 14, 2010, Council adopted Resolution No. 2010-21 authorizing the existing lease agreement with Lake Wohlford Resort.

BACKGROUND:

The City of Escondido acquired the subject property in 1987 from the Escondido Mutual Water Company and inherited a lease for an airstrip operation, which was later assigned to the current tenant, Lake Wohlford Resort. The lease has been renewed several times since then. The current lease expires on January 31, 2013, and provides options for three additional one-year term extensions. The Lessee has requested to exercise all three options at once. To decrease administrative costs, staff recommends this First Amendment to the Lease Agreement extending the term for an additional three years.

The fair market rent was evaluated in an appraisal report prepared in 2009, which established the fair market rent to be $800 per month. Due to the uniqueness of the property, the Income Approach to Value was most heavily relied upon by the appraiser.

According to the Lessee, the current annual revenue generated from the rental of the airport hangars has not changed since the appraisal was performed in 2009. As such, only a 3% rent escalation is being recommended with this lease amendment, followed by annual 3% increases.

Respectfully submitted,

Edward N. Domingue, P.E.
Public Works Director/City Engineer

Debra Lundy
Real Property Manager

RESOLUTION NO. 2013-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE REAL PROPERTY MANAGER AND CITY CLERK TO EXECUTE, ON BEHALF OF THE CITY, A FIRST AMENDMENT TO LEASE AGREEMENT WITH JOHN & ANN O'FLYNN dba LAKE WOHLFORD RESORT

(Portion of APN: 190-110-17)

WHEREAS, the City of Escondido owns six acres of certain real property located on Lake Wohlford Road in the County of San Diego; and

WHEREAS, City and Lake Wohlford Resort first entered into a lease agreement in 1993 and said lease agreement has been renewed several times since then; and

WHEREAS, the current lease agreement expires on January 31, 2013; and

WHEREAS, said City-owned real property is not required for City use; and

WHEREAS, City and Lake Wohlford Resort desire to enter into a First Amendment to Lease Agreement to allow Lake Wohlford Resort continued occupancy at said real property for its air strip and airport hangars; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to approve of the First Amendment to Lease Agreement.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. The Real Property Manager and City Clerk are authorized to execute, on behalf of the City, the First Amendment to Lease Agreement with Lake Wohlford Resort, which is attached hereto as Exhibit "1" and incorporated by this reference.

FIRST AMENDMENT TO LEASE AGREEMENT

(Lake Wohlford Airstrip)

This FIRST AMENDMENT TO LEASE AGREEMENT is made as of this _________ day of _____________, 2013.

Between: City of Escondido,
201 North Broadway
Escondido, California 92025
("City")

And: John & Ann O'Flynn
dba Lake Wohlford Resort
67 Balboa Coves
Newport Beach, CA 92663
("Lessee")

WITNESSES THAT WHEREAS:

A. City and Lessee entered into a Lease Agreement dated February 1, 2010, ("ORIGINAL AGREEMENT") for the lease of real property for the purpose of operating and maintaining an air strip and rental hangars on six acres of land on Lake Wohlford Road in the County of San Diego, California ("Premises"); and

B. The ORIGINAL AGREEMENT expires on January 31, 2013, but contains a provision for three additional one-year term extensions; and

C. City and Lessee desire to exercise all three options at this time and extend the term of the lease for another three-year period.

NOW THEREFORE, it is mutually agreed by and between City and Lessee as follows:

1. The term of the lease as specified in Section 3 of the ORIGINAL AGREEMENT shall be three years commencing on February 1, 2013 and terminating on January 31, 2016.

2. The rent as specified in Section 4 of the ORIGINAL AGREEMENT shall be adjusted to $824 per month.

3. Section 6 of the ORIGINAL AGREEMENT shall be deleted in its entirety.

4. The cost of living adjustment in Section 8 of the ORIGINAL AGREEMENT is hereby amended to a 3% annual increase to the rent payment in Section 4(a) as amended herein. This increase will be adjusted on February 1st of each subsequent year.

5. All other terms and conditions of the ORIGINAL AGREEMENT shall remain in full force and effect.

6. This FIRST AMENDMENT and the ORIGINAL AGREEMENT, together with their respective attachments, are the entire understanding of the parties, and there are no other terms or conditions, written or oral, controlling this matter.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first above written.

CITY OF ESCONDIDO

Date: ____________________ ________________________________
Debra Lundy
Real Property Manager

Date: ____________________ ________________________________
Diane Halverson
City Clerk

LAKE WOHLFORD RESORT

Date: ____________________ ________________________________
John O'Flynn

Date: ____________________ ________________________________
Ann O'Flynn

Approved as to Form:

Office of the City Attorney
JEFFREY R. EPP, City Attorney

By: ____________________________
Deputy City Attorney

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 12
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Edward N. Domingue, Public Works Director/City Engineer
Dan Higbee, Construction Project Manager

SUBJECT: Notice of Completion for Tract 850 Washington Hills

RECOMMENDATION:

It is requested that Council approve and accept the public improvements and authorize staff to file a Notice of Completion for Tract 850 Washington Hills.

FISCAL ANALYSIS:

No direct fiscal impact.

PREVIOUS ACTION:

The final map was recorded on October 25, 2005.

BACKGROUND:

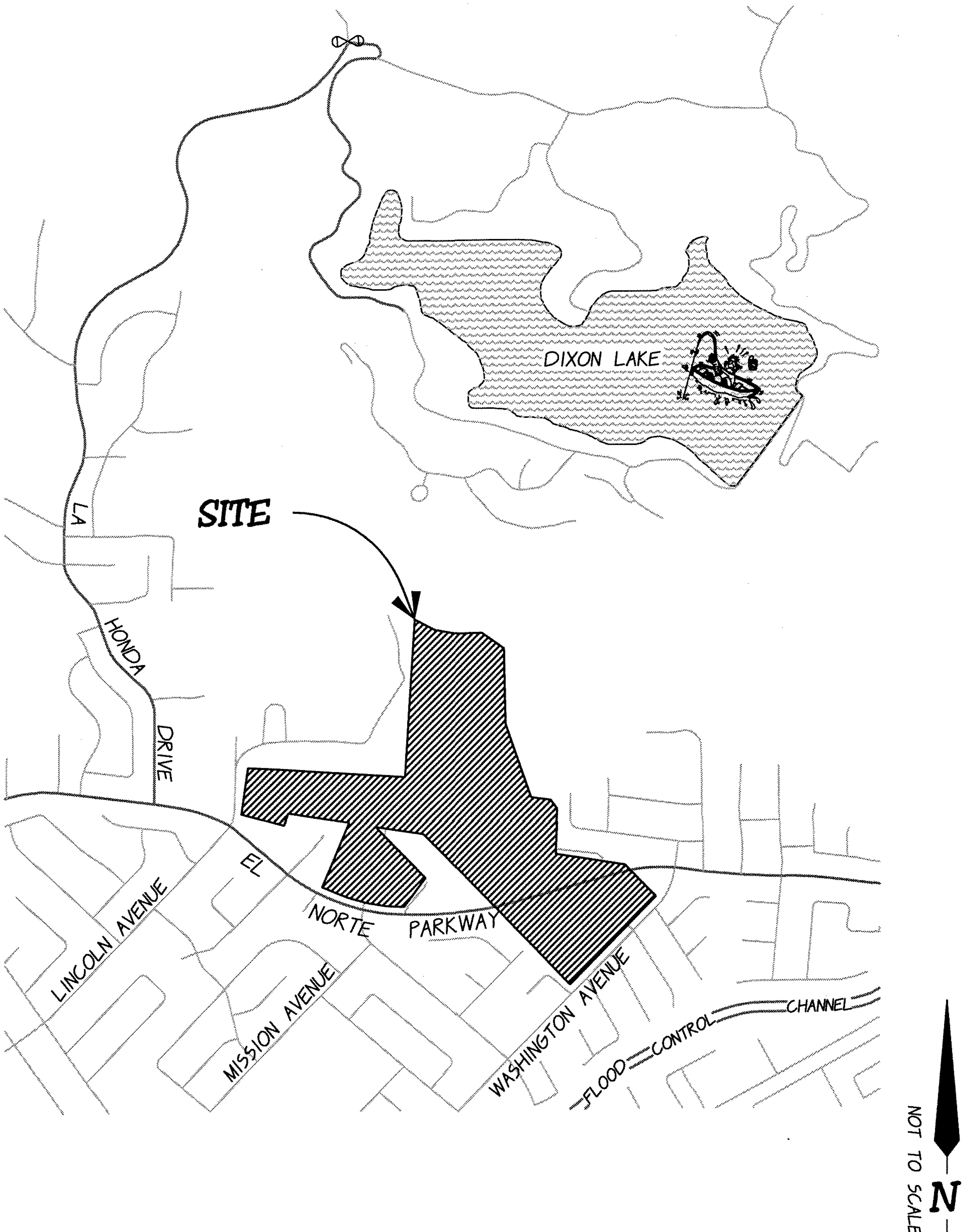
Tract 850 Washington Hills is located on El Norte Parkway from Washington to Citrus and on Washington Avenue west of El Norte. The 124 unit subdivision was built by Shea Homes. The public improvements included street improvements, curb, gutter, sidewalk, water line, sewer line, storm drain, landscaping, streetlights, traffic signals, and underground dry utilities.

Respectfully submitted,

Edward N. Domingue, P.E.
Public Works Director/City Engineer

Dan Higbee
Construction Project Manager

TRACT 850 - WASHINGTON HILLS



NOTICE OF COMPLETION
CITY COUNCIL MEETING 02-13-2013

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ____________ File No. ____________
Ord No. ____________

Agenda Item No.: 13
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Cory Moles, Acting Chief of Police

SUBJECT: FY 2012-13 State of California Citizens' Options for Public Safety (COPS) Program Grant

RECOMMENDATION:

It is requested that Council accept a FY 2012-13 Citizens' Options for Public Safety (COPS) Program Grant in the amount of $234,876, approve grant expenditures consistent with guidelines in AB 1913, authorize the Chief of Police to sign and submit grant documents on behalf of the City, and authorize staff to establish budgets to spend grant funds to support front-line law enforcement needs.

FISCAL ANALYSIS:

This action will have no impact on the General Fund Budget. Grant funds will be used to pay salary and overhead expenses for temporary part-time employees.

PREVIOUS ACTION:

On January 25, 2012, City Council accepted a FY 2011-12 COPS Program Grant in the amount of $275,534.

BACKGROUND:

Existing law establishes Supplemental Law Enforcement Services Funds and requires monies from these funds to be allocated to counties and cities for purposes of the Citizens' Options for Public Safety (COPS) Program. In September 2000 the California State Legislature chaptered AB 1913, the Schiff-Cardenas Crime Prevention Act of 2000, which increased appropriations for these funds and established new formulas for State Citizens' Options for Public Safety (COPS) allocations.

As a result of these actions, the City of Escondido will receive a FY 2012-13 COPS Grant. Due to the uncertainty of the funding level and the continued possibility of a statewide reallocation of funds, as was experienced in past years, the State has recommended that each city adopt a conservative spending plan and if necessary, amend that plan later in the year when more information is available. The minimum award per jurisdiction is $100,000.

According to the law, COPS funds may only be spent to provide front-line law enforcement services, which include anti-gang, crime prevention and juvenile justice programs. They may not supplant existing funding and they must supplement law enforcement services.

Government Code Section 30061 requires that Supplemental Local Law Enforcement Fund monies allocated to counties must be deposited in a Supplemental Law Enforcement Services Fund (SLESF). Cities who receive SLESF allocations must deposit them in their own SLESF prior to expending funds. SLESF allocations may not be intermingled with other city funds and they must draw interest until spent. The City of Escondido established a SLESF account in 1996 and has maintained it since that time for COPS grant allocations.

Cities that receive SLESF allocations must submit an approved expenditure plan to the County COPS Program Coordinator. The Police Department has examined needs for law enforcement services in the community and recommends to use this year's COPS allocation to fund salary and benefits for temporary part-time positions that, due to budget constraints, have been reduced or eliminated from the General Fund Budget. Positions funded by the allocation may include cold case investigators, data entry technicians, custody transport officers, range masters, polygraphers, a 290 (Sex Registrant) coordinator, a background investigator, a forensic technician, a property and evidence technician, a department specialist in the Internal Affairs Unit, a department specilalist in the Traffic Division, and department specialists in the Records and Administration Division.

If approved, the $234,976 expenditure plan, which includes salaries and benefit expenses for temporary part-time employees, will enhance front-line law enforcement and benefit public safety programs within the community.

Respectfully submitted,

Cory Moles
Acting Chief of Police

ESCONDIDO
City of Choice

CITY OF ESCONDIDO

BUDGET ADJUSTMENT REQUEST

Date of Request: February 4, 2013

Department: Police

Division: Administration

For Finance Use Only

Log # ______

Fiscal Year ______

Project/Budget Manager: Susan Cervenka (Name) 4402 (Extension)

Council Date (if applicable): February 13, 2013
(attach copy of staff report)

Project/Account Description	Account Number	Amount of Increase	Amount of Decrease
Revenue	4127-450-New Project Number	$ 234,876	$
Police Grants	450-New Project Number	234,876	

When requesting new capital project numbers; please select one or more coinciding activity(s):

- ☐ 89000 – Survey
- ☐ 89001 – Right-of-Way
- ☐ 89002 – Design
- ☐ 89003 – Environmental
- ☐ 89004 – Drafting (CAD)
- ☐ 89005 – Administration
- ☐ 89006 – Inspection
- ☐ 89007 – Material Testing
- ☐ 89008 – Construction Design
- ☐ 89009 – Construction
- ☐ 89010 – Repair & Maintenance

Explanation of Request:

A budget adjustment is needed to spend grant funds for part-time salaries and overhead to support Police activities.

APPROVALS

[signature] Department Head	02/4/13 Date	City Manager	Date
Jack Cox Cleveland Finance	2/5/13 Date	City Clerk	Date

Distribution (after approval): Original: Finance

FM\105 (Rev. 10/00)

Agenda Item No.: 14
Date: February 13, 2013

ORDINANCE NO. 2013-01

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, PREZONING TWO RESIDENTIAL LOTS ADDRESSED AS 2207 AND 2327 HARMONY GROVE ROAD AND A THIRD UNADDRESSED CITY-OWNED LOT (APN 235-040-50) ALL TOTALING APPROXIMATELY 30.06 ACRES FROM COUNTY ZONING TO CITY PREZONE SP (SPECIFIC PLAN)

Planning Case No. PHG 11-0036

The City Council of the City of Escondido, California, DOES HEREBY ORDAIN as follows:

SECTION 1. That notice of a public hearing has been given and a public hearing was held before the Planning Commission on December 11, 2012, to consider this issue.

SECTION 2. That the City Council has reviewed and considered the Final Environmental Impact Report for the Citracado Parkway Extension Project (Case No. ER 2006-10) and an Addendum to the Final Environmental Impact Report prepared on December 6, 2012, and has determined that the documents adequately address all environmental issues associated with the project.

SECTION 3. That upon consideration of the staff report, Planning Commission recommendation and all public testimony presented at the hearing held on this prezoning, the City Council finds that this prezoning is consistent with the General Plan and all applicable specific plans of the City of Escondido.

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. ______________ File No. ______________
Ord No. ______________

Agenda Item No.: 15
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: 2013 Refunding of 2001 Lease Revenue Bonds (Reidy Creek Project)-Financing Plan and Legal Documents

RECOMMENDATION:

It is requested that the City Council and the Escondido Joint Powers Financing Authority take the following actions:

a) Adopt City and Escondido Joint Powers Financing Authority Resolutions No. 2013-28 and EJPFA 2013-01 to approve the issuance and sale of Lease Revenue Refunding Bonds, Series 2013A ("2013 Bonds"), in the principal amount not to exceed $5.5 million to refinance 2001 Lease Revenue Bonds ("2001 Bonds") which financed construction improvements at Reidy Creek Golf Course and related storm drain and flood control improvements.
b) Authorize the Mayor/Chairperson, City Manager/Executive Director, City Clerk/Secretary, Finance Director/Treasurer and other officers of the City and Financing Authority to sign any and all refinancing documents.
c) Authorize the Finance Department to make the necessary revenue and expenditure budget adjustments to the General Fund, Golf Course Fund and Debt Service Fund for all transactions associated with the issuance of the 2001 Bonds.

FISCAL ANALYSIS:

The issuance by the Authority of the 2013 Bonds will achieve a complete refinancing of the 2001 Bonds. The 2013 Bonds will be secured by lease payments payable by the City pursuant to the Lease Agreement on a basis substantially similar to the security for the 2001 Bonds. The 2013 Bonds will be issued in an amount not to exceed $5,500,000 million, including funding a reserve fund if necessary, and all cost of issuance. Staff does not propose to extend the overall maturity of the 2001 Bonds.

Over the past few months, staff has been tracking current market comparisons on all the 2001 Bonds in an effort to lower our annual costs by means of a debt refinancing transaction.

The industry standard when doing a refinancing is to attain a three percent, or higher, savings on a present value basis, including all costs of issuance.

Under current market conditions, staff estimates present value savings from the refinancing of 11.08%, although actual savings will be determined at the time of the sale.

To carry out the refinancing, the City has retained the firms of Stifel, Nicolaus & Company, dba Stone & Youngberg, a Division of Stifel Nicolaus, as Underwriter; and Stradling Yocca Carlson & Rauth, as Bond and Disclosure Counsel.

BACKGROUND:

Currently the municipal bond market provides the City with a favorable environment in which to refinance the Financing Authority's 2001 Lease Revenue Bonds (Reidy Creek) through the issuance and sale of 2013 Bonds in an amount not to exceed $5.5 million and a maturity no later than September 1, 2030 (the date that the 2001 Bonds mature). The 2001 bonds are currently outstanding in the principal amount of $5.205 million and the entire principal amount may be refinanced at this time without penalty.

The following documents are to be approved:

Ground Lease. Under the Ground Lease, the City will lease Reidy Creek Golf Course to the Authority in consideration for the Authority's assistance in the refinancing. The Ground Lease will be recorded with the County Recorder.

Lease Agreement. Under the Lease Agreement, the Authority will sublease Reidy Creek Golf Course back to the City in exchange for Rental Payments in an amount sufficient to pay the principal of and interest on the 2013 Bonds. The City covenants to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. A memorandum of the Lease Agreement will be recorded with the County Recorder.

Assignment Agreement. Under the Assignment Agreement, the Authority will assign its rights under the Lease Agreement, including its right to receive Rental Payments, to The Bank of New York Mellon Trust Company, N.A., as trustee on behalf of the 2013 Bond owners. The City is not a party to the Assignment Agreement. The Assignment Agreement will be recorded with the County Recorder.

Indenture. The indenture is the primary document by which the 2013 Bonds are issued. The Indenture establishes conditions for issuing additional debt payable from the Rental Payments and includes instructions to the Trustee to apply the proceeds of the 2013 Bonds. The Indenture also describes when and how principal of and interest on 2013 Bonds are paid and the conditions under which the 2013 Bonds may be redeemed prior to maturity.

Escrow Agreement. The Escrow Agreement establishes an escrow fund into which moneys sufficient to redeem the 2001 Bonds (consisting of moneys currently deposited in funds and accounts for the 2001 Bonds and proceeds of the 2013 Bonds) will be deposited. The Escrow Agreement instructs the escrow agent to redeem the 2001 Bonds on or about April 1, 2013.

Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, the Authority and the City agree to sell the 2013 Bonds to Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") and the Underwriter agrees to purchase the 2013 Bonds, subject to usual closing conditions.

Official Statement. The Official Statement is the disclosure document sent to potential investors. The Official Statement describes the City, City finances, the 2013 Bonds, the Indenture, the Lease Agreement and other information related to purchasing the 2013 Bonds. The Underwriter uses the Official Statement as a marketing document. As the obligor on the 2013 Bonds, the City will be subject to federal securities law anti-fraud rules and will be required to certify that the information contained in the Official Statements is complete and is not misleading. To support these certifications, the City will receive opinions and certificates of other parties.

Continuing Disclosure Certificate. In connection with the issuance of the 2013 Bonds, the City is required by federal securities law to execute a Continuing Disclosure Certificate. The Continuing Disclosure Certificate obligates the City to file an annual report which includes the audited financial statements of the City. The City is also required to report certain events which are significant to 2013 bond owners. The City currently provides such an annual report in connection with the 2001 Bonds.

In addition, the Resolutions authorize staff to prepare documents to terminate the recorded liens securing the 2001 bonds upon the redemption of the 2001 Bonds.

All legal documents associated with the refinancing are in substantially final form, and on file available for review with the City Clerk/Authority Secretary. These documents will be in final form once the 2013 Bonds have been priced and sold.

Respectfully submitted,

Gilbert Rojas
Director of Finance

Agenda Item No.:15
Date: February 13, 2013

RESOLUTION NO. 2013-28

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO AUTHORIZING THE EXECUTION AND DELIVERY BY THE CITY OF A GROUND LEASE, LEASE AGREEMENT, INDENTURE, ESCROW AGREEMENT, CONTINUING DISCLOSURE CERTIFICATE AND BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF ESCONDIDO JOINT POWERS FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2013A, APPROVING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $5,500,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the City of Escondido, California (the "City") is a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"); and

WHEREAS, the City previously financed a portion of the costs of the acquisition, construction and installation of certain capital improvements constituting the Reidy Creek Golf Course, with related flood control detention basin, water well and ancillary facilities and related improvements, facilities and equipment (the "2001 Project"); and

WHEREAS, in order to accomplish such financing, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the 2001 Project through the issuance by the Escondido Joint Powers Financing Authority (the "Authority") of its 2001 Lease Revenue Bonds (Reidy Creek Project) (the "2001 Bonds"), payable from certain base rental payments to be made by the City under a lease agreement; and

WHEREAS, the City desires to refinance all or a portion of the 2001 Project originally financed with the proceeds of the 2001 Bonds; and

WHEREAS, the Authority and the City have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the "Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A" (the "Bonds") for the purpose of financing the 2013 Project and refinancing the 2001 Bonds and the City's related base rental payments; and

WHEREAS, in order to facilitate the issuance of the Bonds, the City and the Authority desire to enter into a Ground Lease between the City and the Authority (the "Ground Lease") pursuant to which the City will lease certain real property (which real property shall consist of the same assets subject to the lease agreement related to the 2001 Bonds (the "Leased Assets")) to the Authority, and a Lease Agreement between the City and the Authority (the "Lease Agreement"), pursuant to which the City will lease the Leased Assets back from the Authority, and pay certain Base Rental Payments (as defined in the Lease Agreement), which are pledged to the owners of the Bonds by the Authority pursuant to an Indenture by and among The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), the City and the Authority (the "Indenture"); and

WHEREAS, the City and the Authority have determined that debt service savings can be achieved by the prepayment and defeasance of the 2001 Bonds; and

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance the 2001 Project originally financed with the proceeds of the 2001 Bonds through the offering and sale of the Bonds; and

WHEREAS, the defeasance of the 2001 Bonds to be prepaid will be accomplished by means of an Escrow Agreement (the "Escrow Agreement") by and among The Bank of New York Mellon Trust Company, N.A., as escrow agent ("Escrow Agent"), the City and the Authority, the form of which has been presented to this City Council at the meeting at which this Resolution is being adopted; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the "Act"); and

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds; and

WHEREAS, the City and the Authority have selected Stifel, Nicolaus & Co. Inc., dba Stone & Youngberg, a Division of Stifel Nicolaus, to act as underwriter (the "Underwriter") to purchase the Bonds from the Authority pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Bonds, the underwriter thereof must have reasonably determined that the City has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain events on an ongoing basis; and

WHEREAS, in order to cause such requirement to be satisfied, the City desires to execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"); and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") has been prepared; and

WHEREAS, the City is a member of the Authority and the 2001 Project is located within the boundaries of the City; and

WHEREAS, the City Council has been presented with the form of each document referred to herein relating to the refinancing contemplated hereby, and the City Council has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refinancing; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such refinancing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido that:

SECTION 1. Each of the above recitals is true and correct. The City Council hereby further finds and determines that there are significant public benefits to the citizens of the City through the use of the Act to assist the City with respect to the subject matter hereof through the approval of the issuance of the Bonds and otherwise hereunder within the meaning of Section 6586(a) through (d), inclusive, of the Act, in that the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the City.

SECTION 2. The forms of the Ground Lease and Lease Agreement, on file with the City Clerk, are hereby approved, and the Mayor, the City Manager, the Finance Director and the City Clerk (the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Ground Lease and Lease Agreement in substantially said forms, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term of the Ground Lease and Lease Agreement shall terminate no later than September 1, 2030 (provided that such term may be extended as provided therein) and the true interest cost applicable to the interest components of the Base Rental Payments shall not exceed 3.75% per annum.

SECTION 3. The form of Indenture, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of the Bonds shall not exceed $5,500,000, the final maturity date of the Bonds shall be no later than September 1, 2030 and the true interest cost applicable to the Bonds shall not exceed 3.75% per annum, and, provided, further, that such changes, insertions and omissions shall be consistent with the terms of the Bonds established at negotiated sale pursuant to the Bond Purchase Agreement.

SECTION 4. The Bond Purchase Agreement, on file with the City Clerk, is hereby approved and the Authorized Officers are each hereby authorized and directed, for and in the name of the City, to execute and deliver the acceptance thereof set forth in the Bond Purchase Agreement, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate underwriter's discount (not including any original issue discount paid by the Underwriter) from the principal amount of the Bonds in excess of six-tenths of one percent (0.6%) of the aggregate principal amount of the Bonds.

SECTION 5. The issuance of not to exceed $5,500,000 aggregate principal amount of the Bonds, in the principal amounts, bearing interest at the rates and maturing on the dates as specified in the Indenture as finally executed, is hereby approved.

SECTION 6. The form of the Preliminary Official Statement, with such changes, insertions and omissions therein as may be approved by an Authorized

Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the City that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement. A copy of the Preliminary Official Statement is attached as Exhibit "A" to this Resolution and incorporated by this reference.

SECTION 7. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the City, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the City.

SECTION 8. The form of Escrow Agreement, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Escrow

Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 9. The form of Continuing Disclosure Certificate, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced to the execution and delivery thereof.

SECTION 10. The officers, employees and agents of the City are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, but not limited to, the execution and delivery of agreements terminating the leasehold and subleasehold interests of the Authority securing the 2001 Bonds (including, but not limited to, the Termination of Ground Lease and Termination of Lease Agreement substantially in the forms on file with the City Clerk) and relating to the existing use agreements with private operators located on the Leased Assets. All actions heretofore taken by the officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

SECTION 11. This Resolution shall take effect from and after its date of adoption.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2013

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P: "_"
See the caption "RATING"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2013A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Series 2013A Bonds.

$_________*

ESCONDIDO JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2013A

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A (the "Series 2013A Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the City of Escondido (the "City") for the right to use certain real property consisting of an 18-hole golf course, related flood water detention basin, water well and ancillary facilities and related improvements, facilities and equipment (collectively, the "Property") pursuant to a Lease Agreement, dated as of February 1, 2013 (the "Lease Agreement"), by and between the City, as lessee, and the Escondido Joint Powers Financing Authority (the "Authority"), as lessor. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS."

The Series 2013A Bonds are being issued to provide funds: (i) to currently refund the Authority's 2001 Lease Revenue Bonds (Reidy Creek Project) (the "2001 Bonds"); and (ii) to pay the costs incurred in connection with the issuance of the Series 2013A Bonds. See the caption "THE REFUNDING PLAN." The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its annual budgets and to make all the necessary annual appropriations for such Base Rental Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property. See the caption "RISK FACTORS—Abatements."

The Series 2013A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2013A Bonds is payable semiannually on September 1, 2013 and each March 1 and September 1 thereafter. Purchasers will not receive certificates representing their interest in the Series 2013A Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2013A Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2013A Bonds. See the caption "THE SERIES 2013A BONDS—Book-Entry Only System."

The Series 2013A Bonds will be issued pursuant to an Indenture, dated as of February 1, 2013 (the "Indenture"), by and among the City, the Authority and the Trustee. The Series 2013A Bonds and any additional bonds issued pursuant to the Indenture ("Additional Bonds") are collectively referred to as the "Bonds."

The Series 2013A Bonds are subject to optional and extraordinary redemption prior to maturity as described under the caption "THE SERIES 2013A BONDS—Redemption."

The Series 2013A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the Series 2013A Bonds.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation. The Authority has no taxing power.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2013A Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is also acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City and the Authority by Jeffrey Epp, Esquire, City Attorney and General Counsel to the Authority, for the Underwriter by Best Best & Krieger LLP and for the Trustee by its counsel. It is anticipated that the Series 2013A Bonds will be available for delivery through the facilities of DTC on or about March 21, 2013.

[STONE & YOUNGBERG LOGO]

Dated: February __, 2013

* *Preliminary; subject to change.*

$________[*]

**ESCONDIDO JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2013A**

MATURITY SCHEDULE

BASE CUSIP®[†]: __________

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP®[†]*
	$	%	%	

[*] *Preliminary; subject to change.*
[†] *CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2013 Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority or the Underwriter takes any responsibility for the accuracy of such numbers.*

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2013A Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2013A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

> The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2013A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend" or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions "CITY FINANCIAL INFORMATION" and "RISK FACTORS."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2013A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2013A BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2013A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2013A Bonds.

CITY OF ESCONDIDO

MAYOR AND MEMBERS OF THE CITY COUNCIL

Sam Abed, Mayor
Olga Diaz, Deputy Mayor
Michael Morasco, Member
Ed Gallo, Member
John Masson, Member

ESCONDIDO JOINT POWERS FINANCING AUTHORITY

Sam Abed, Chairperson
Olga Diaz, Chairperson Pro Tem
Michael Morasco, Member
Ed Gallo, Member
John Masson, Member

STAFF

Clay Phillips, City Manager/Authority Secretary
Jeffrey Epp, Esq., City Attorney/Authority Counsel
Gil Rojas, City Finance Director/Authority Auditor/Treasurer
Kenneth Hugins, Treasurer
Ed Domingue, Director of Public Works
Diane Halverson, City Clerk

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Verification Agent

Causey, Demgen & Moore Inc.
Denver, Colorado

TABLE OF CONTENTS

Page

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**ESCONDIDO JOINT POWERS FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS, SERIES 2013A**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the $______* aggregate principal amount of Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A (the "Series 2013A Bonds").

The net proceeds of the sale of the Series 2013A Bonds will be used: (i) to currently refund the Escondido Joint Powers Financing Authority 2001 Lease Revenue Bonds (Reidy Creek Project) (the "2001 Bonds"), which are currently outstanding in the aggregate principal amount of $5,205,000; and (ii) to pay the costs incurred in connection with the issuance of the Series 2013A Bonds.

The Series 2013A Bonds are equally and ratably payable from rental payments (the "Base Rental Payments") to be made by the City of Escondido (the "City") for the right to use certain real property consisting of an 18-hole golf course, related flood water detention basin, water well and ancillary facilities and related improvements, facilities and equipment (collectively, the "Property") pursuant to a Lease Agreement, dated as of February 1, 2013 (the "Lease Agreement"), by and between the City, as lessee, and the Escondido Joint Powers Financing Authority (the "Authority"), as lessor.

The Series 2013A Bonds will be issued pursuant to an Indenture, dated as of February 1, 2013 (the "Indenture"), by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Indenture, the Authority may issue additional bonds (the "Additional Bonds") payable from the Base Rental Payments on a parity with the Series 2013A Bonds (the Series 2013A Bonds and any such Additional Bonds being collectively referred to as the "Bonds").

Pursuant to a Ground Lease, dated as of February 1, 2013 (the "Ground Lease"), by and between the City and the Authority, the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of February 1, 2013 (the "Assignment Agreement"), pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City will covenant under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (consisting of taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement) due under the Lease Agreement as a separate line item in its annual budgets, and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof. See the caption "RISK FACTORS—Abatements." Abatement of Base Rental Payments under the Lease Agreement, to the extent that payment is not made from alternative sources as described in this Official

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* *Preliminary; subject to change.*

Statement, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE SERIES 2013A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2013A BONDS. THE AUTHORITY HAS NO TAXING POWER.

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Neither the City nor the Authority has established a reserve fund in connection with the issuance of the Series 2013A Bonds.

The Series 2013A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2013A Bonds is payable semiannually on September 1, 2013 and each March 1 and September 1 thereafter. Purchasers will not receive certificates representing their interest in the Series 2013A Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest on the Series 2013A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which are obligated to remit such payments to the Beneficial Owners of the Series 2013A Bonds. See the caption "THE SERIES 2013A BONDS—Book-Entry Only System."

The Series 2013A Bonds are subject to optional and extraordinary redemption prior to maturity as described under the caption "THE SERIES 2013A BONDS—Redemption."

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as Trustee with respect to the Series 2013A Bonds. The Series 2013A Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by Jeffrey Epp, Esquire, City Attorney and General Counsel to the Authority, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Best Best & Krieger LLP and for the Trustee by its counsel.

The City's financial statements for the fiscal year ended June 30 (each, a "Fiscal Year"), 2012 included as Appendix B hereto have been audited by Lance, Soll & Lunghard, LLP, Certified Public Accountants, Brea, California (the "Auditor"). The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the City.

Certain events could affect the ability of the City to make the Base Rental Payments when due. See the caption "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2013A Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2013, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2013A Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement and not otherwise defined have the meanings set forth in Appendix A.

THE SERIES 2013A BONDS

General

The Series 2013A Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. The Series 2013A Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2013A Bonds will be paid semiannually on September 1, 2013 and each March 1 and September 1 thereafter (each, an "Interest Payment Date").

Interest on the Series 2013A Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless: (a) a Series 2013A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date; (b) a Series 2013A Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof; or (c) interest on any Series 2013A Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2013A Bonds is registered on the records maintained by the Trustee for the registration of ownership and registration of transfer of the Series 2013A Bonds pursuant to the Indenture (the "Registration Books") at the close of business on the immediately preceding Record Date, except as provided in the Indenture. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2013A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2013A Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

Registration, Transfers and Exchanges

The Series 2013A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of DTC, and will be available to actual purchasers of the Series 2013A Bonds (the "Beneficial Owners") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix E) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2013A Bonds. See the caption "—Book-Entry Only System."

Redemption

Optional Redemption. The Series 2013A Bonds maturing on or after September 1, 20__, are subject to optional redemption, in whole or in part, on any date on or after September 1, 20__, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2013A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2013A Bonds are subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2013A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption: (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority; (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable; and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Such notice of redemption may also state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption. Notice having been mailed as set forth in the Indenture, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on the date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof has been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon. All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be canceled upon surrender thereof and destroyed.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2013A Bonds. The Series 2013A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2013A Bond will be issued for each maturity of the Series 2013A Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix E for further information with respect to DTC and its book-entry only system.

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2013A Bonds apply only during any period in which the Series 2013A Bonds are not subject to DTC's book-entry system. While the Series 2013A Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not obligated to make any transfer or exchange of Bonds during the period established by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS

Pledge of Revenues

The Series 2013A Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See the captions "THE CITY," "CITY FINANCIAL INFORMATION" and "RISK FACTORS." The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental

Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Pursuant to the Assignment Agreement, the Authority will assign to the Trustee for the benefit of the Series 2013A Bond Owners all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, the Authority's right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See the caption "—Base Rental Payments" below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2013A Bonds. See Appendix A under the caption "INDENTURE—ISSUANCE OF BONDS; APPLICATION OF PROCEEDS."

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code. Said pledge constitutes a first lien on such assets.

THE SERIES 2013A BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2013A BONDS. THE AUTHORITY HAS NO TAXING POWER.

Base Rental Payments

Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 15th day of the month next preceding each Interest Payment Date on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2013A Bonds.

Scheduled Base Rental Payments relating to the Series 2013A Bonds are set forth below under the caption "BASE RENTAL PAYMENT SCHEDULE."

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental Payments thereunder, in addition to the Base Rental Payments, such amounts as are required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees;

(c) Insurance premiums for all insurance required pursuant to the Lease Agreement;

(d) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"); and

(e) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement will be paid by the City directly to the person or persons to whom such amounts are payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are payable by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments are subject to abatement proportionately, and the City waives the benefits of Civil Code §§ 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period.

Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Lease Agreement. The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See Appendix A under the caption "LEASE AGREEMENT—RENTAL PAYMENTS—Rental Abatement."

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts. See the caption "RISK FACTORS—Abatements" and Appendix A.

Substitution, Addition and Removal of Property

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property, to add additional real property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City thereunder as a result of such substitution or release. Any such substitution or release is subject to the following specific conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the City finds (and delivers a certificate to the City and the Trustee setting forth its findings) that the Property, as constituted after such substitution or release: (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period; and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(b) the City obtains or causes to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in an amount at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Lease Agreement;

(c) the City provides the Trustee with an opinion of counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(d) the City, the Authority and the Trustee execute, and the City causes to be recorded with the Orange County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(e) the City provides notice of such substitution to each rating agency then rating the Bonds.

See Appendix A under the caption "LEASE AGREEMENT—NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE—Substitution or Release of the Property."

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event that such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Lease Agreement. See the caption "RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental."

For purposes of certain actions of Bond Owners under the Indenture and the Lease, such as certain consents and amendments and the direction of remedies following default, Series 2013A Bond Owners do not act alone and may not control such matters to the extent that such matters are not supported by the requisite number of the Owners of all Series 2013A Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see Appendix A under the captions "LEASE AGREEMENT—DEFAULTS AND REMEDIES" and "INDENTURE—DEFAULT AND LIMITATIONS OF LIABILITY."

No Reserve Fund

Neither the City nor the Authority has established a reserve fund in connection with the issuance of the Series 2013A Bonds.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. The City has an insurance policy which provides replacement cost coverage. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed $500,000. The City's obligation to maintain the insurance described above (except for rental interruption insurance) may be satisfied by self-insurance, provided that such self-insurance complies with the requirements of the Lease Agreement. See Appendix A under the caption "LEASE AGREEMENT—INSURANCE."

The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City is not permitted to self-insure its obligation to maintain rental interruption insurance.

The City is also required to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees, and worker's compensation insurance as described in Appendix A under the caption "LEASE AGREEMENT—INSURANCE."

A description of insurance coverages maintained by the City is set forth under the caption "THE CITY—Risk Management."

The City is required under the Lease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2013A Bonds, insuring the fee interest of the City in the Property, the Authority's leasehold estate in the Property under the Ground Lease, and the City's subleasehold estate in the Property under the Lease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Owners.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2013A Bonds are shown below.

Sources(1)	
Principal Amount of Series 2013A Bonds	$
2001 Bonds Reserve Fund	
Plus/Less Net Original Issue Premium/Discount	
Total Sources	$
Uses(1)	
Escrow Fund	$
Costs of Issuance(2)	
Total Uses	$

(1) Rounded to the nearest dollar.
(2) Includes certain fees of Bond Counsel, Disclosure Counsel, rating agencies and the Trustee, Underwriter's discount, printing costs and other miscellaneous costs of issuance.

BASE RENTAL PAYMENT SCHEDULE

The annual schedule of Base Rental Payments due with respect to the Series 2013A Bonds is set forth below.

Lease Payment Date (September 1)	*Principal*	*Interest*	*Total*
2013	$	$	$
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
Total	*$*	*$*	*$*

THE REFUNDING PLAN

General

The 2001 Bonds, which are currently outstanding in the aggregate principal amount of $5,205,000, were issued by the Authority pursuant to an Indenture of Trust, dated as of March 1, 2001 (the "2001 Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., formerly known as BNY Western Trust Company, as trustee (the "2001 Trustee"). The 2001 Bonds are payable from lease payments made by the City under the Lease Agreement, dated as of March 1, 2001 (the "2001 Lease Agreement"), by and between the Authority, as lessor, and the City, as lessee. The Authority plans to apply a portion of the proceeds of the Series 2013A Bonds, together with certain moneys on deposit with the 2001 Trustee, to pay all principal of and interest on the 2001 Bonds on or about five days after the issuance of the Series 2013A Bonds (the "Redemption Date") at a redemption price equal to the principal amount thereof plus accrued interest to the Redemption Date, without premium.

Under an Escrow Agreement, dated as of February 1, 2013 (the "2001 Escrow Agreement"), by and among the City, the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "2001 Escrow Agent") and as 2001 Trustee, the Authority will deliver a portion of the proceeds of the Series 2013A Bonds to the 2001 Escrow Agent for deposit in the escrow fund (the "2001 Escrow Fund") established under the 2001 Escrow Agreement on or about the date of issuance of the Series 2013A Bonds. In addition, the 2001 Trustee will transfer certain moneys held in connection with the 2001 Bonds to the 2001 Escrow Agent for deposit in the 2001 Escrow Fund on or about the date of issuance of the Series 2013A Bonds. The 2001 Escrow Agent will apply the moneys on deposit in the 2001 Escrow Fund to pay all principal of and accrued interest on the 2001 Bonds on the Redemption Date.

Sufficiency of the amounts on deposit in the 2001 Escrow Fund for such purpose will be verified by Causey, Demgen & Moore Inc., Denver, Colorado (the "Verification Agent"). Assuming the accuracy of such computations, as a result of the deposit and application of the funds as provided in the 2001 Escrow Agreement, the 2001 Bonds will be defeased pursuant to the provisions of the 2001 Indenture and the 2001 Lease Agreement as of the date of issuance of the Series 2013A Bonds.

The amounts held by the 2001 Escrow Agent in the 2001 Escrow Fund are pledged solely to the payment of the 2001 Bonds. Neither the funds deposited in the 2001 Escrow Fund nor any interest thereon will be available for the payment of the principal of or interest on the Series 2013A Bonds.

Verification

Upon issuance of the Series 2013A Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to: (a) the sufficiency of the amounts deposited in the 2001 Escrow Fund to pay all principal of and accrued interest on the 2001 Bonds on the Redemption Date; and (b) the computations of yield of the Series 2013A Bonds which support Bond Counsel's opinion that the interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes.

THE PROPERTY

The Property consists of an 18-hole public golf course and related flood water detention basin, water well and ancillary facilities and related improvements, facilities and equipment. The golf course opened to the public in 2002. Partially situated within a master planned community of single family homes, the golf course is located on approximately 65 acres in the City on North Broadway between Country Club Lane/Rincon Avenue and north of Jesmond Dene Road.

The golf course is a 2,582 yard course with all par 3 holes and a rating of 51.4 – 54.6. The holes on both the front nine and back nine range in distance from approximately 90 yards to 200 yards. There are numerous water features (ponds and creek) and sand bunkers included in the course design. The site topography allows walking by most golfers, with pull carts and motorized carts available.

A portion of the golf course is designed as a flood control detention basin to reduce peak-flow stormwater runoff from the adjacent Reidy Creek. The basin consists of an approximately 100 foot wide naturally contoured drainage channel with a 40 foot wide natural bottom. Channel slope heights range from less than 10 feet to approximately 15 feet. Flows from Reidy Creek that exceed system capacity from north of the site are diverted and detained west of North Broadway on holes 11 through 17 of the golf course. In addition, a water well has been constructed in the area of the flood control detention basin. The Property has been designed in a manner that will subject the detention basin to flooding during a ten year flood event. The golf course has been designed with elevated tees and greens that are not subject to flooding and in a manner designed to alleviate flood damage.

The golf course is operated and maintained by JC Resorts pursuant to a Lease and Concession Agreement, dated as of July 1, 2012, by and between the City and JC Resorts LLC, a Delaware limited liability company, and a Golf Course Consulting and Management Agreement, dated as of July 1, 2012, by and between the City and JC Management LLC, a California limited liability company (collectively, the "Management Agreements"). Pursuant to the terms of the Lease Agreement, the Management Agreements, which expire on June 30, 2022, are Permitted Encumbrances on the Property. Under the Management Agreements, the City is permitted to sell, lease and otherwise encumber the golf course without the consent of JC Resorts. However, transferees are required to take their interest subject to JC Resorts' rights under the Management Agreements (the "Non-Disturbance Rights"). As a result, in the event of a default by the City in the payment of Rental Payments under the Lease Agreement, the ability of the Trustee to sell or re-let the golf course may be severely limited. Alternatively, the amount of money that could be raised through the exercise of such remedies may be materially lower than it would have been in the absence of the Non-Disturbance Rights. See Appendix A under the caption "LEASE AGREEMENT—DEFAULTS AND REMEDIES" for a full description of remedies available in the event of a default by the City under the Lease Agreement.

JC Resorts has managed resort and golf properties since its founding in 1971 and currently operates the Rancho Bernardo Inn Golf Course and Encinitas Ranch Golf Course in San Diego County, the Surf and Sand Resort in Orange County and the Temecula Creek Inn in Riverside County, *inter alia*.

The golf course was designed by Cal Olson Golf Architecture ("Cal Olson"). Since its founding in 1979, Cal Olson has designed golf projects in the continental United States and Hawaii and Japan, Korea, Taiwan, French Polynesia, Singapore, Mexico, Spain and Canada.

A clubhouse, the maintenance facility and concessionaire facilities serving the golf course are not owned by the City and do not constitute part of the Property.

The City has the right to substitute or release all or portion of the Property subject to certain conditions precedent. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS—Substitution, Addition and Removal of Property."

THE AUTHORITY

The Authority is a public body duly organized and existing under the Joint Exercise of Powers Agreement, dated as of November 20, 1991 (the "JPA Agreement"), by and between the City and the Community Development Commission of the City of Escondido (the "Commission") and under the Constitution and laws of the State. The Authority was formed for the purpose of assisting the financing and refinancing of capital improvement projects of the City and to finance working capital for the City by exercising the powers referred to in the JPA Agreement, including the power to issue bonds to pay the costs of public improvements. Neither the City nor the Commission is responsible for repayment of the obligations of the other. The members of the Board of Directors of the Authority are the members of the City Council of the City.

THE CITY

General

The City is located approximately 30 miles northeast of San Diego, California. The City was incorporated in 1888 and is a general law city operating under a council/manager form of government. For further information concerning the City, see Appendices B and F.

Government and Administration

The City operates under a Council-Manager form of government. The City Manager, appointed by the City Council, serves as the City's chief executive officer and is responsible for overseeing the daily operations of City departments. The City Manager serves as an advisor to the City Council on policy matters impacting the community and the City's organization, supports the informational and policymaking needs of the Council, implements City Council decisions and prepares, manages, and implements the annual budgets for the City, as well as the City's Capital Improvement Program.

Clay Phillips is the City Manager. Mr. Phillips began his career with the City of Santa Ana from 1980 to 1983, as an accountant. Mr. Phillips also served as Deputy Finance Officer for the City of Irvine from 1983 to 1986. Mr. Phillips continued his career by accepting the Director of Finance position with the City in January of 1986. In 1993, Mr. Phillips was promoted to Director of Financial and Administrative Services. In 1997, Mr. Phillips was promoted to Deputy City Manager. On July 3, 2003, Mr. Phillips accepted his present position as City Manager for the City. Mr. Phillips graduated from Loma Linda University with a Bachelor of Science in Business Administration. Mr. Phillips has a Master of Business Administration from Pepperdine University.

Other key personnel responsible for management of the City include the Director of Finance. In addition, the City Attorney provides legal services to the City and the Authority.

Gil Rojas is the Director of Finance for the City. Mr. Rojas has served in that capacity since 2000. Prior to that time, Mr. Rojas was Assistant Finance Director with the City of Bakersfield, California. Mr. Rojas' tenure with the City of Bakersfield spanned 21 years, during which he held various positions within the Finance Department as well as the Bakersfield Police Department. Mr. Rojas received his Bachelor's degree in 1977 from San Jose State University. Mr. Rojas is a member of the Government Finance Officer's Association and the California Society of Municipal Finance Officers.

Jeffrey R. Epp is the City Attorney. Mr. Epp has been with the City since 1985. Prior to that time, Mr. Epp served as a prosecutor for the City Attorney's Office of Cheyenne, Wyoming. Mr. Epp obtained a Bachelor's degree in Political Science and a Juris Doctorate degree from the University of Wyoming, where he was also the Senior Editor of the Land and Water Law Review of the University of Wyoming School of Law. Mr. Epp is a member of the International Municipal Lawyers Association, and both the North County and San Diego Bar Association. He has served as the President of the San Diego/Imperial County City Attorneys Association, the League of California Cities Committee on Transportation, Communications and Public Works, on the League's Legal Advocacy Committee and has been a member of the Executive Committee of the Public Law Section of the California State Bar.

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains liability insurance coverage through the San Diego Pooled Insurance Program Authority ("SANDPIPA"), a joint exercise of powers authority of which the City is a member. The City carries a self-insured retention of $500,000 for liability and is insured for amounts between $500,000 and $2,500,000. In addition, SANDPIPA has purchased excess insurance coverage for amounts between $2,500,000 and $47,000,000 for its members, including the City. The City maintains workers' compensation insurance coverage through the California Public Entity Insurance Authority. The City carries a self-insured retention of $500,000 for workers' compensation and is insured for amounts between $500,000 and $5,000,000 through the California State Association of Counties Excess Insurance Authority, a joint exercise of powers authority, with additional reinsurance of $300,000,000 per occurrence. Claims have not exceeded the City's insurance coverage in any of the last three years.

The City purchases all risk, replacement cost value property insurance coverage through the Public Entity Property Insurance Program, issued through Alliant Insurance Services. The City is one of 12 cities insured by a joint policy with a shared limit of $1,000,000,000. The City has a deductible of $10,000 per loss. All facilities and equipment at the Property are insured under the City's property insurance coverage. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance." The City does not carry earthquake coverage.

CITY FINANCIAL INFORMATION

Accounting and Financial Reporting

The City maintains its accounting records in accordance with Generally Accepted Accounting Principles and the standards established by the Governmental Accounting Standards Board ("GASB"). On a semiannual basis, a report is prepared for the City Council and City staff which reviews fiscal performance to date against the budget. Combined financial statements are produced following the close of each Fiscal Year.

The City Council employs an independent certified public accountant who examines at least annually the financial statements of the City in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the Fiscal Year, a final audit and report is submitted by the independent accountant to the City Council.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is expected that the Base Rental Payments will be paid for from amounts in the General Fund. Tables 1 through 4 below set forth certain historical and current Fiscal Year budget information for the General Fund. Information on the remaining governmental funds of the City as of June 30, 2012 is set forth in Appendix B.

Budget Procedure, Current Budget and Historical Budget Information

The City prepares and adopts a budget for each Fiscal Year. Prior to June 30 of each year, the City Manager submits to the City Council a proposed budget for the Fiscal Year commencing the following July 1. The budget includes proposed expenditures and the means of financing such expenditures. Prior to June 30 of each year, public hearings are conducted to obtain public comments and the budget is legally enacted through the passage of a resolution.

The City Manager is authorized to transfer budgeted amounts between line items within a department or activity provided that the total appropriation does not exceed the budgeted amount. Any other budget amendments require authorization by the City Council. The City Manager and affected department heads are mutually responsible for controlling expenditures within budgeted appropriations.

The City Council adopted the Fiscal Year 2013 budget on June 13, 2012.

Set forth in Table 1 are the General Fund budgets for Fiscal Years 2011, 2012 and 2013 and the audited General Fund results for Fiscal Years 2011 and 2012. During the course of each Fiscal Year, the budget is amended and revised as necessary by the City Council.

TABLE 1
CITY OF ESCONDIDO
GENERAL FUND BUDGETS AND RESULTS

	Adopted Fiscal Year 2011 Budget	*Fiscal Year 2011 Results*	*Adopted Fiscal Year 2012 Budget*	*Fiscal Year 2012 Results*	*Adopted Fiscal Year 2013 Budget*
Revenues					
Sales tax	$23,247,000	$25,147,482	$26,016,995	$27,753,928	$29,923,000
Other taxes	29,161,000	28,630,700[(1)]	30,663,000	31,278,441[(2)]	30,680,000
Licenses and permits	994,000	1,156,228	1,181,000	821,380	994,000
Fines and forfeits	2,090,000	1,895,447	1,855,000	1,640,528	1,526,000
Intergovernmental	2,665,000	2,769,674[(1)]	2,956,000	3,013,268[(2)]	2,577,500
Charges for services	5,341,000	5,585,867	5,508,430	5,518,276	6,242,000
Investment income	800,000	15,613,188[(3)]	532,000	479,015	560,000
Miscellaneous	3,296,000	3,826,721	3,379,230	3,834,415	3,359,000
Total Revenues	$67,594,000	$84,625,307	$72,091,655	$74,339,251	$75,861,500
Expenditures					
Current					
General government	$ 7,566,855	$ 6,493,939	$ 6,095,695	$ 5,561,555	$ 8,806,525
Public safety	49,116,590	49,456,324	50,134,440	50,492,610	50,553,235
Public works	9,202,245	8,761,589	9,251,405	9,167,920	9,532,355
Community services	6,278,570	6,327,405	5,387,015	5,461,190	4,126,375
Community development	2,814,885	2,651,499	2,845,245	2,720,161	3,018,605
Total Expenditures	$74,979,145	$73,690,756	$73,713,800	$73,403,436	$76,037,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (7,385,145)	$10,934,551	$ (1,622,145)	$ 935,815	$ (175,595)

(1) These amounts differ from the Fiscal Year 2011 Other taxes and Intergovernmental amounts shown on Table 2 because the City budgets property tax revenues in lieu of Vehicle License Fees as Other taxes, while the City's Auditor reflects such revenues as Intergovernmental. See the caption "—State of California Motor Vehicle In-Lieu Payments."

(2) These amounts differ from the Fiscal Year 2012 Other taxes and Intergovernmental amounts shown on Table 2 because the City budgets property tax revenues in lieu of Vehicle License Fees as Other taxes, while the City's Auditor reflects such revenues as Intergovernmental. See the caption "—State of California Motor Vehicle In-Lieu Payments."

(3) Increase from budgeted amount in Fiscal Year 2011 reflects payment of approximately $15,100,000 in interest to the General Fund by the City of Escondido Community Development Commission.

Sources: Adopted budgets of the City for Fiscal Years 2011, 2012 and 2013; audited financial statements of the City for Fiscal Years 2011 and 2012.

Change in Fund Balance of the City General Fund

Set forth in Table 2 are the City's audited General Fund statements of revenues, expenditures and changes in fund balance for Fiscal Years 2008 through 2012.

TABLE 2
CITY OF ESCONDIDO
GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Year Ending June 30,				
	2008	*2009*	*2010*	*2011*	*2012*
Revenues					
Sales tax	$ 30,165,853	$ 25,403,452	$ 21,798,209	$ 25,147,482	$ 27,753,928
Other taxes	20,820,101	20,943,022	18,676,610	18,321,184[(1)]	20,881,587[(2)]
Licenses and permits	1,042,675	935,154	1,307,415	1,156,228	821,380
Fines and forfeits	2,775,808	2,552,099	2,186,227	1,895,447	1,640,528
Intergovernmental	14,690,429	14,461,112	13,194,970	13,079,190[(1)]	13,410,122[(2)]
Charges for services	6,332,064	6,270,500	6,088,241	5,585,867	5,518,276
Investment income	8,900,446	1,448,155	75,557	15,613,188	479,015
Miscellaneous	3,732,998	3,396,943	4,328,801	3,826,721	3,834,415
Total Revenues	$ 88,460,374	$ 75,410,437	$ 67,656,030	$ 84,625,307	$ 74,339,251
Expenditures					
Current					
General government	$ 7,681,652	$ 6,280,746	$ 6,345,031	$ 6,493,939	$ 5,542,551
Public safety	55,788,700	52,486,171	50,669,962	49,456,324	50,489,310
Public works	11,140,310	9,851,056	10,457,660	8,761,589	9,145,268
Community services	6,746,842	5,585,036	4,905,872	6,327,405	5,434,919
Community development	4,607,311	4,031,570	3,161,816	2,651,499	2,720,161
Capital outlay	-	-	-	-	52,928
Debt service					
Principal retirements	-	-	-	-	18,299
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	$ 85,964,815	$ 78,234,579	$ 75,540,341	$ 73,690,756	$ 73,403,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 2,495,559	$ (2,824,142)	$ (7,884,311)	$ 10,934,551	$ 935,815
Other Financing Sources (Uses)					
Sale of capital assets	$ -	$ -	$ -	$ 231,586	$ -
Loan proceeds	-	-	-	-	172,232
Transfers in	1,643,655	2,647,390	2,981,999	3,353,404	4,422,708
Transfers out	(8,831,332)	(5,079,839)	(4,197,365)	(11,415,685)	(1,730,678)
Total Other Financing Sources (Uses)	$ (7,187,677)	$ (2,432,449)	$ (1,215,366)	$ (7,830,695)	$ 2,864,262
Net Change in Fund Balance	$ (4,692,118)	$ (5,256,591)	$ (9,099,677)	$ 3,103,856	$ 3,800,077
Fund Balances, Beginning of Year	$ 51,074,083	$ 46,381,965	$ 41,125,374	$ 31,820,260[(3)]	$ 34,924,116
Fund Balances, End of Year	$ 46,381,965	$ 41,125,374	$ 32,025,697	$ 34,924,116	$ 38,724,193

(1) These amounts differ from the Fiscal Year 2011 Other taxes and Intergovernmental amounts shown on Table 1 because the City budgets property tax revenues in lieu of Vehicle License Fees as Other taxes, while the City's Auditor reflects such revenues as Intergovernmental. See the caption "—State of California Motor Vehicle In-Lieu Payments."

(2) These amounts differ from the Fiscal Year 2012 Other taxes and Intergovernmental amounts shown on Table 1 because the City budgets property tax revenues in lieu of Vehicle License Fees as Other taxes, while the City's Auditor reflects such revenues as Intergovernmental. See the caption "—State of California Motor Vehicle In-Lieu Payments."

(3) As restated.

Sources: Audited financial statements for Fiscal Years 2008 through 2012.

General Fund Balance Sheets of the City

Set forth in Table 3 are the City's audited General Fund balance sheets for Fiscal Years 2008 through 2012.

TABLE 3
CITY OF ESCONDIDO
GENERAL FUND BALANCE SHEETS

	Fiscal Year Ending June 30,				
	2008	*2009*	*2010*	*2011*	*2012*
Assets					
Cash and investments	$ 32,699,001	$ 28,907,893	$ 21,301,284	$ 32,088,917	$ 31,790,494
Receivables (net)					
Accounts	2,006,949	1,632,400	1,710,145	2,474,736	5,224,649
Interest	516,853	345,153	239,221	307,078	199,926
Taxes	6,167,324	3,935,480	5,748,249	6,481,956	8,140,945
Loan	7,394	121,732	133,750	106,321	74,041
Due from					
Other funds	806,762	218,313	313,020	488,647	1,584,835
Other governments	220,812	143,671	89,900	108,204	14,783,697
Prepaid expenditures	1,202,500	500,000	170,000	270,000	-
Deposits	-	-	-	-	26,250
Advances to other funds	10,141,904	10,141,904	9,991,902	14,192,059	159,250
Total Assets	$ 53,769,499	$ 45,946,546	$ 39,697,471	$ 56,517,918	$ 61,984,087
Liabilities and Fund Balances					
Liabilities					
Payable					
Accounts	$ 1,119,863	$ 700,692	$ 1,348,621	$ 972,306	$ 1,824,760
Deposits	190,964	113,472	146,498	236,254	314,480
Accrued expenditures	3,542,654	2,804,909	2,876,877	3,013,764	1,179,956
Due to other funds	620,342	337,494	-	-	-
Deferred revenue	1,913,711	864,605	3,299,778	13,171,478	15,400,698
Advances from other funds	-	-	-	4,200,000	4,540,000
Total Liabilities	$ 7,387,534	$ 4,821,172	$ 7,671,774	$ 21,593,802	$ 23,259,894
Fund Balances					
Nonspendable	$ -	$ -	$ -	$ 5,456,377	$ 233,291
Committed to	-	-	-	28,354,588	31,938,244
Assigned to	-	-	-	713,361	852,481
Unassigned	-	-	-	399,790	5,700,177
Reserved for					
Advances to other funds	10,141,904	10,141,904	9,991,902	-	-
Noncurrent loans receivable	7,394	121,732	133,750	-	-
Prepaid expenditures	-	500,000	170,000	-	-
Encumbrances	-	-	35,655	-	-
Unreserved; designated – General Fund					
Capital improvements	8,074,382	-	-	-	-
Carryovers	1,132,452	19,570	29,710	-	-
Daley Ranch improvements	715,170	111,457	196,465	-	-
Economic development	2,463,216	17,689,216	-	-	-
Economic uncertainty	8,123,842	11,619,254	20,241,562	-	-
Library trust	295,726	391,283	334,213	-	-
Underground waivers	170,403	170,403	191,317	-	-
Downtown hotel	15,226,000	-	-	-	-
Investment fair value adjustment	-	-	701,123	-	-
Undesignated	31,476	360,555	-	-	-
Total Fund Balances	$ 46,381,965	$ 41,125,374	$ 32,025,697	$ 34,924,116	$ 38,724,193
Total Liabilities and Fund Balances	$ 53,769,499	$ 45,946,546	$ 39,697,471	$ 56,517,918	$ 61,984,087

Source: Audited financial statements for Fiscal Years 2008 through 2012.

Property Taxes

Property tax receipts of $9,939,516 provided the third largest tax revenue source of the City in Fiscal Year 2012, contributing approximately 20.4% of General Fund tax revenues and approximately 13.4% of total General Fund revenues during Fiscal Year 2012. Property in the State which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1 and become delinquent August 31.

Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of forcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) filing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recording in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or taxable to the assessee.

A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1.5% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the 10% penalty, plus interest at the rate of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date.

Legislation enacted in 1984 (Section 25 *et seq.* of the California Revenue and Taxation Code), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current Fiscal Year and the full 12 months of the next Fiscal Year.

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund ("ERAF"). In Fiscal Years 1993 and 1994, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts pursuant to ERAF shifts. The Fiscal Year 2005 State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, in Fiscal Years 2005 and 2006.

On November 2, 2004, State voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not: (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes; (ii) shift property taxes from local governments to schools or community colleges; (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature; or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2009, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

On July 27, 2009, the Governor signed a revised Fiscal Year 2010 State budget that included an ERAF shift of approximately 8% of 1% *ad valorem* property tax revenues from certain local agencies, including the City. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of $2,314,710, without interest, in two installments in 2010 from the California Statewide Communities Development Authority.

Set forth in Table 4 are the property tax rates for the three largest tax rate areas within the City by assessed valuation for Fiscal Years 2009 through 2013.

TABLE 4
CITY OF ESCONDIDO
TOTAL TAX RATE PER $100 OF ASSESSED VALUATION
(TAX RATE AREA NOS. 4-13, 4-25 and 4-225)

	Fiscal Year				
	2009	***2010***	***2011***	***2012***	***2013***
General	1.00000	1.00000	1.00000	1.00000	1.00000
Palomar Pomerado Healthcare District	0.01775	0.01775	0.02350	0.02350	0.02350
Escondido Elementary School District	0.02813	0.03269	0.03343	0.03351	0.03367
Escondido Union High School District	0.01723	0.02140	0.02299	0.02494	0.02724
Palomar Community College District	0.01322	0.00862	0.01472	0.01384	0.01365
City of Escondido	0.03666	0.04086	0.04074	0.04067	0.03923
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370	0.00350
Total	1.11729	1.12562	1.13908	1.14016	1.14079

2012-13 Assessed Valuations of Tax Rate Areas

4-13	$1,631,405,019
4-25	1,448,564,863
4-225	880,484,233

Source: California Municipal Statistics, Inc.

Set forth in Table 5 are the secured and unsecured assessed valuations for property in the City for the Fiscal Years 2009 through 2013.

TABLE 5
CITY OF ESCONDIDO
ASSESSED VALUATION

Fiscal Year	*Local Secured*	*Utility*	*Unsecured*	*Total*
2009	$12,396,660,668	$191,221,485	$449,223,142	$13,037,105,295
2010	11,395,386,920	200,996,794	475,717,296	12,072,101,010
2011	11,230,384,520	206,857,586	450,327,466	11,887,569,572
2012	11,321,440,297	228,696,526	443,202,400	11,993,339,223
2013	11,788,367,465	249,926,044	465,576,321	12,503,869,830

Source: City.

Set forth in Table 6 are property tax collections and delinquencies in the City as of June 30 for Fiscal Years 2008 through 2012. The County of San Diego (the "County") operates under a statutory program entitled the Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The City elected not to enroll in the Teeter Plan; accordingly, the City's receipt of its property tax revenues is impacted by delinquencies in payment, as well as by the collection of interest and penalties on past delinquencies.

TABLE 6
CITY OF ESCONDIDO
PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	*Total Tax Levy*	*Current Tax Collections as of June 30*	*Percent of Levy Collected as of June 30*	*Outstanding Delinquent Taxes as of June 30*(1)
2008	$11,218,291	$10,495,467	93.56%	$722,824
2009	10,560,667	10,048,236	95.15	512,431
2010	9,477,871	9,086,734	95.87	391,137
2011	9,382,618	9,097,417	96.96	285,201
2012	9,536,098	9,288,990	97.41	247,108

(1) Reflects delinquencies as of June 30 of the listed Fiscal Year; does not reflect current delinquencies for such Fiscal Years.
Source: City.

The 20 largest taxpayers in the City as shown on the Fiscal Year 2012 secured tax roll, the land use, the assessed valuation and the percentage of the City's total property tax revenues attributable to each are set forth in Table 7.

TABLE 7
CITY OF ESCONDIDO
TWENTY LARGEST TAXPAYERS

	Property Owner	*Land Use*	*Fiscal Year 2013 Assessed Valuation*	*% of Total*[(1)]
1.	North County Fair LLC	Commercial	$179,307,426	1.52%
2.	Prebys Conrad Trust	Residential	75,062,598	0.64
3.	Cox Communications San Diego	Commercial	44,000,409	0.37
4.	Frit Escondido Promenade, LLC	Commercial	43,991,480	0.37
5.	Vons	Commercial	42,193,128	0.36
6.	Luna Properties, LLC	Unknown	41,295,463	0.35
7.	Garrick Motors Inc.	Vacant	38,023,980	0.32
8.	OC/ SD Holdings LLC	Residential	34,814,252	0.30
9.	Felicita Garp LLC	Vacant	30,737,700	0.26
10.	Goal Line LP	Industrial	28,459,926	0.24
11.	MG Morningview Apts. LP	Residential	27,482,004	0.23
12.	Aimco Sunset Escondido LLC	Residential	26,244,504	0.23
13.	Lowes of Escondido	Commercial	26,118,819	0.22
14.	Emil Rose Partners II LP	Unknown	25,399,169	0.22
15.	PKI Del Norte Plaza LP	Commercial	24,500,000	0.21
16.	New Albertsons Inc.	Commercial	23,700,000	0.20
17.	Realty Associates Fund VIII LP	Commercial	23,500,000	0.20
18.	Escondido MVMBLLC	Residential	22,888,658	0.19
19.	VSCRE Holdings LLC	Unknown	22,700,000	0.19
20.	Williams Portfolio 6	Residential	22,107,662	0.19
TOTAL			$802,527,178	6.81%

(1) 2012-13 Local Secured Assessed Valuation: $11,788,367,465.
Source: City.

Sales Taxes

Sales tax receipts of $27,753,928 provided the largest tax revenue source for the City in Fiscal Year 2012, contributing approximately 57.1% of General Fund tax revenues and approximately 37.3% of total General Fund revenues during Fiscal Year 2012. Automobile sales and retail sales at Westfield Shoppingtown North County mall contribute significantly to such receipts.

A sales tax is imposed on retail sales or consumption of personal property and collected and distributed by the State Board of Equalization. The basic sales tax rate is established by the State Legislature, and local overrides may be approved by voters. The current sales tax rate in the City is 8%.

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the "Triple Flip." The State issued $11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax moneys were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur in approximately 9 to 13 years. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

Additional information relating to sales tax receipts by the City is set forth in Appendix F.

Services

Fees of $5,518,276 collected for services provided by the City in Fiscal Year 2012, including but not limited to fees for plan checks and other planning services, issuance of building permits, police services, paramedic services, public works projects and parks and recreation programs, provided approximately 7.4% of General Fund revenues during Fiscal Year 2012.

State of California Motor Vehicle In-Lieu Payments

The State imposes a Vehicle License Fee (the "VLF"), which is the portion of the fees paid in lieu of personal property taxes on a vehicle. The VLF is based on vehicle value and declines as the vehicle ages. Prior to the adoption of the Fiscal Year 2005 State Budget, the VLF was 2% of the value of a vehicle. Through legislation in prior Fiscal Years, the State enacted VLF reductions under which the State was required to "backfill" local governments for their revenue losses resulting from the lowered fee. The Fiscal Year 2005 State Budget permanently reduced the VLF from 2% to 0.65% of the value of a vehicle and deleted the requirement for backfill payments, providing instead that the amount of the backfill requirement will be met by an increase in the property tax allocation to cities and counties. See the caption "STATE OF CALIFORNIA BUDGET INFORMATION."

As set forth in Table 8 below, for Fiscal Year 2012, the City received $10,774,275 in total VLF revenues, of which $10,696,854 was distributed from property tax receipts.

TABLE 8
CITY OF ESCONDIDO
STATE OF CALIFORNIA MOTOR VEHICLE IN-LIEU PAYMENTS

	Fiscal Year				
Source	***2008***	***2009***	***2010***	***2011***	***2012***
Motor Vehicle In-Lieu Payments	$11,208,913	$11,295,813	$10,464,849	$10,309,516	$10,696,854

Source: City.

Indebtedness

General Obligation Debt.

2007 LRBs. On February 14, 2007, the Authority issued the 2007A Lease Revenue Refunding Bonds (1995 Refunding) and 2007B Lease Revenue Refunding Bonds (Taxable) (1995 Refunding) (collectively, the "2007 LRBs") to refinance the costs of constructing and acquiring the California Center for the Arts performing arts center adjacent to the City Civic Center and appurtenant improvements. The 2007 LRBs mature on September 1 of each year through 2018 in amounts ranging from $1,780,000 to $7,070,000 and bear interest at rates varying from 3.65% to 5.53% per annum. The 2007 LRBs are secured by lease payments (the "Lease Payments") payable by the City pursuant to a lease/purchase agreement with the Authority. As of June 30, 2012, the 2007 LRBs were outstanding in the aggregate principal amount of $42,260,000.

The City has covenanted in the lease/purchase agreement to budget and appropriate moneys annually for the Lease Payments from legally available funds, including the General Fund, on a basis that is substantially similar to the Lease Agreement in connection with the Series 2013A Bonds. However, concurrently with the issuance of the 2007 LRBs, the City and the Commission entered into a First Amendment to Amended and Restated Reimbursement Agreement, dated as of January 1, 2007 (the

"Reimbursement Agreement"), pursuant to which the Commission agreed to apply certain tax increment revenues from the Escondido Redevelopment Project Area to the payment of the Lease Payments on substantially the same terms that the Commission had agreed to in connection with the obligations that were refinanced by the 2007 LRBs.

On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 ("AB 1x26"), which dissolved redevelopment agencies in the State. The effect of AB 1x26 upon the City is the termination of the Commission's redevelopment functions and the transfer of such functions to a successor agency (the City, referred to in this context as the "Successor Agency") tasked with winding down the Commission's redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay enforceable obligations in existence in mid-2011, when AB 1x26 was signed by the Governor. In addition, the Successor Agency will receive tax increment revenues in amounts that are sufficient to pay 100% (but no greater amount) of such enforceable obligations until such obligations are paid in full, at which time the Successor Agency will be dissolved. The Successor Agency's activities are subject to review by an oversight board established under AB 1x26.

Although AB 1x26 generally invalidates agreements between host cities and their former redevelopment agencies, provision is made for the enforcement of agreements entered into with respect to bond obligations which meet certain specified criteria. The City believes that the Successor Agency's payment obligation under the Reimbursement Agreement is an enforceable obligation and the City expects that the Successor Agency will continue to be able to apply tax increment revenues to the payment of the Lease Payments. The City has listed the Reimbursement Agreement in its Recognized Obligation Payment Schedule (the "ROPS"), which is required to be submitted to the State Department of Finance in accordance with AB 1x26. To date, none of the oversight board, the State Department of Finance, the State Controller or other State or County bodies implementing the dissolution of redevelopment have disputed the City's listing of the Reimbursement Agreement as an enforceable obligation on the ROPS. However, there can be no assurance that such entities or a court will not disagree with the City's interpretation and seek to prohibit the Successor Agency from making the Lease Payments in the future.

If the Reimbursement Agreement is held by a court not to be an enforceable obligation of the Successor Agency, the City would be required to pay the Lease Payments from legally available funds, including the General Fund, in accordance with the 2007 LRB documents. As described above, the largest annual Lease Payment under the 2007 LRBs is $7,070,000. Such payments, if required to be made by the City, would have a material effect on the General Fund until the maturity of the 2007 LRBs in 2018.

The Palomar Community College District ("Palomar") was one of several taxing entities that executed tax sharing agreements with the predecessor to the Commission when the Escondido Redevelopment Project Area was first created in 1984. In late January 2013, Palomar filed a lawsuit alleging that the Commission did not properly share tax increment revenues with Palomar pursuant to Palomar's tax sharing agreement since 1984. If successful, the lawsuit could require the Successor Agency to make a payment to Palomar, which would reduce tax increment revenues available to make payments under the Reimbursement Agreement. Maximum financial exposure to the City is unlikely to exceed $2,000,000 and resolution in the City's favor is highly likely in light of the recent redevelopment dissolution legislation (AB 1x26) and the fact that all such matters are now overseen by the Successor Agency, an oversight board, and the State Department of Finance. The City is reviewing Palomar's complaint. No answer has been filed in the case, and no court dates have been set.

2006 GO Bonds. On August 22, 2006, the City issued General Obligation Bonds, Election of 2004, Series A (the "2006 GO Bonds") to finance construction, upgrades and land acquisitions for City fire stations, an emergency response training center and a combined police and fire headquarters facility. The 2006 GO Bonds mature on September 1 of each year through 2036 in amounts ranging from $1,170,000 to $5,225,000 and bear interest at rates varying from 3.55% to 4.75% per annum. The 2006 GO Bonds are payable from the General Fund. As of June 30, 2012, the 2006 GO Bonds were outstanding in the aggregate principal amount of $77,295,000.

CEC Loan. In 2004, the City entered into a loan agreement with the California Energy Commission (the "CEC Loan") to finance various energy conservation projects. Payments under the CEC Loan are payable from several City funds, including the General Fund. As of June 30, 2012, the CEC Loan is outstanding in the aggregate principal amount of $876,191.

1993 Certificates. In 1993, the City issued caused the execution and delivery of Certificates of Participation (the "1993 Certificates") to finance construction of a municipal golf course. The 1993 Certificates mature on September 1 of each year through 2014 in amounts ranging from $160,000 to $345,000 and evidence interest at rates varying from 5.50% to 8.40% per annum. The 1993 Certificates are payable from the General Fund, although the City is entitled to reimbursement from the revenues of the golf course, which has resulted in reimbursements in excess of payments of principal and interest with respect to the 1993 Certificates in each year. As of June 30, 2012, the 1993 Certificates were outstanding in the aggregate principal amount of $1,790,000.

Other Long Term Debt. As of June 30, 2012, the City had a total of approximately $64,400,000 aggregate principal amount of obligations payable from revenues of the City's water system, including: (a) installment payments securing the Authority's Revenue Bonds (Water System Financing), Series 2012; (b) installment payments securing the City's Revenue Certificates of Participation, Series 2007; (c) a loan contract entered into with the State Department of Water Resources in 2002; and (d) a loan contract entered into with the State Department of Public Health in 2011.

As of June 30, 2012, the City had a total of approximately $78,400,000 aggregate principal amount of obligations payable from revenues of the City's wastewater system, including: (a) installment payments securing the Authority's Revenue Bonds (Wastewater System Financing), Series 2012; (b) installment payments securing the City's Revenue Certificates of Participation (2004 Wastewater Capital Projects) Series 2004A; (c) installment payments securing the City's Revenue Certificates of Participation (2004 Wastewater Capital Projects) Series 2004B (Taxable); (d) a loan contract entered into with the State Water Resources Control Board (the "SWRCB") in connection with Phase I of the Hale Avenue Resource Recovery Facility (the "HARRF"); (e) a loan contract entered into with the SWRCB in connection with a Water Reclamation Project; (f) a loan contract entered into with the SWRCB in connection with a Tertiary Treatment Facility at the HARRF; and (g) a loan contract entered into with the SWRCB to finance the acquisition of an automated aeration blower at the HARRF.

Short-Term Debt. The City currently has no short-term debt outstanding.

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the City as of February 1, 2013 is set forth in Table 9. The information in Table 9 has been derived from data assembled and reported to the City by California Municipal Statistics, Inc. None of the City, the Authority or the Underwriter has independently verified the information in Table 9 and the City, the Authority and the Underwriter do not guarantee its accuracy.

TABLE 9
CITY OF ESCONDIDO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT AS OF FEBRUARY 1, 2013

2012-13 Assessed Valuation: $12,029,628,486

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/13
Metropolitan Water District	0.570%	$ 1,120,307
Palomar Community College District	13.312	42,408,558
San Marcos Unified School District	3.628	7,511,484
San Marcos Unified School District School Facilities Improvement District No. 1	2.281	193,840
San Marcos Unified School District Community Facilities District No. 1	100.	960,000
Valley Center Unified School District	0.001	15
Escondido Union High School District	78.053	78,401,738
Escondido Union School District	78.822	34,192,686
San Pasqual Union School District	56.903	296,664
City of Escondido	**100.**	**75,665,000**[(1)]
Palomar Pomerado Hospital District	19.369	92,512,456
City of Escondido Community Facilities District No. 2006-01	100.	16,575,000
City of Escondido Hidden Trails Community Facilities District	100.	2,505,000
City of Escondido 1915 Act Bonds	100.	4,860,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$357,202,748
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Diego County General Fund Obligations	3.148%	$ 12,585,074
San Diego County Pension Obligations	3.148	23,732,701
San Diego County Superintendent of Schools Obligations	3.148	549,720
Palomar Community College District Certificates of Participation	13.312	722,176
San Marcos Unified School General Fund Obligations	3.628	2,012,935
Escondido Union High School District Certificates of Participation	78.053	47,179,136
Escondido Union School District Certificates of Participation	78.822	16,753,616
City of Escondido General Fund Obligations	**100.**	**41,990,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$145,525,358
OVERLAPPING TAX INCREMENT DEBT:		
Escondido Redevelopment Agency	100. %	$568,893
TOTAL OVERLAPPING TAX INCREMENT DEBT		$568,893
COMBINED TOTAL DEBT		$503,296,999[(2)]

Ratios to 2012-13 Assessed Valuation:
Direct Debt ($75,665,000)............0.63%
Total Overlapping Tax and Assessment Debt............2.97%
Total Direct Debt ($117,655,000)............0.98%
Combined Total Debt............4.18%

Ratios to Redevelopment Incremental Valuation ($2,355,293,134):
Total Overlapping Tax Increment Debt............0.02%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Retirement Contributions

The City contributes to the California Public Employees Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the City. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 Q Street, Sacramento, California 95811.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The City currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the City's unfunded actuarial liability. For Fiscal Year 2012, the City's CalPERS contributions for its Safety Plan and its Miscellaneous Plan were $8,014,667 and $7,130,591, respectively. Such contributions were equal to the respective annual required contribution (the "ARC") described below. For Fiscal Year 2013, the City's CalPERS contributions for its Safety Plan and its Miscellaneous Plan are expected to be $7,975,297 and $8,874,237, respectively, assuming budgeted salaries and contribution rates of 33.701% of annual covered payroll for the Safety Plan and 23.827% of annual covered payroll for the Miscellaneous Plan, which are equal to the respective ARCs. The contribution rates for Fiscal Year 2014 have been established at 34.486% of annual covered payroll for the Safety Plan and 25.150% of annual covered payroll for the Miscellaneous Plan.

Participants under the City's Safety Plan are required to contribute 9% of their annual covered salary; the City pays all of the police employees' required contribution to the Safety Plan. Fire Department employees pay their own required contributions.

Participants in the City's Miscellaneous Plan are required to contribute 8% of their annual covered salary. Prior to June 26, 2011, the City paid 7% of the 8% contributions required of Miscellaneous Plan employees on their behalf and for their account; beginning on June 26, 2011, the City will no longer pay any portion of the contributions required of such employees on their behalf and such employees will be required to make 100% of their required 8% contribution to the CalPERS plan.

On September 12, 2012, the Governor of the State signed Assembly Bill 340 ("AB 340"), which implements pension reform in the State. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate (as described below) for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period. The City Council adopted a resolution creating a second tier of CalPERS pension benefits for the City's Safety Plan and Miscellaneous Plan for employees hired after January 1, 2013 to comply with AB 340's compulsory reduced formula. See the caption "—California State Pension Reform Legislation" for further information with respect to AB 340.

The City had an unfunded accrued liability of $45,580,843 for its Safety Plan as of June 30, 2011, based on an actuarial value of assets of $219,102,277 as set forth in the most recent actuarial report prepared by CalPERS, and an estimated unfunded accrued liability of $45,000,000 for the Safety Plan for Fiscal Year 2012. The City had an unfunded accrued liability of $65,004,799 for its Miscellaneous Plan as of June 30, 2011, based on an actuarial value of assets of $224,366,487 as set forth in the most recent actuarial report prepared by CalPERS, and an estimated unfunded accrued liability of $65,000,000 for the Miscellaneous Plan for Fiscal Year 2012.

Under GASB Statement No. 27, an employer reports an annual pension cost equal to the ARC plus an adjustment for the cumulative difference between the annual pension cost and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation and may be positive or negative. The ARC for Fiscal Year 2012 was determined by an actuarial valuation of the plan as of June 30, 2009 and the ARC for Fiscal Year 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010.

The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuation delivered to the City in November 2012 covered the City's Fiscal Year ended June 30, 2011). The actuarial valuations express the City's required contribution rates in percentages of covered payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rate derived from the actuarial valuation as of June 30, 2010, which was delivered in October 2011, affects the City's Fiscal Year 2013 required contribution rate). CalPERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, including, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the Fiscal Year (which assumes, among other things, that the rate of return during such Fiscal Year equaled the assumed rate of return, currently 7.75%). The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies changed significantly in 2012 and 2005, affecting the Actuarial Value calculation beginning in Fiscal Year 2007.

On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial valuations used to determine employer contribution rates. The inflation assumption was changed from 3% to 2.75% effective July 1, 2012. The change impacted the inflation component of the annual investment return assumption and the long term payroll growth assumption as follows:

- The annual assumed investment return decreased from 7.75% to 7.5%.
- The long term payroll growth assumption decreased from 3.25% to 3%.
- The inflation component of individual salary scales decreased from 3.25% to 3%.

Although the full impact of the above changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%.

In April 2005, the CalPERS Board adopted new policies aimed at stabilizing rising employer costs. These policies were used to set employer contribution rates for the City beginning in Fiscal Year 2007. These policies include:

- Spreading CalPERS market value asset gains and losses over 15 years rather than three years.
- Widening the "corridor" limits for establishing the actuarial value of assets from 90% to 110% of market value to 80% to 120% of market value (except for the 3-year phase-in of investment losses from Fiscal Year 2009, as described below).

- Establishing a rolling 30-year amortization on all remaining net unamortized gains or losses, instead of amortizing 10% of the net unamortized gain or loss each year pursuant to prior policy. Such an amortization schedule results in approximately 6% of unamortized gains and losses each year. Due to the excess of accrued liability over actuarial value of plan assets, the amortization payment of the total unfunded liability may be higher than the payment calculated over a 30-year amortization period.

- Requiring a minimum employer contribution rate equal to the employer normal costs minus a 30-year amortization of surplus (but not less than 0%).

Pursuant to the April 2005 policy change, multiple amortization bases (including those for benefit improvement or changes in actuarial methods or assumptions, which are typically less than 30 years) were combined into a single base (the gain and loss bases) and amortized over a rolling 30-year period to effect a "fresh start" as of June 30, 2004. The April 2005 policy did not affect other existing amortization bases for benefit improvements, assumptions changes and method changes.

Due to significant market investment losses of approximately 24% in the CalPERS trust fund for Fiscal Year 2009, CalPERS implemented a 3-year phase-in of the Fiscal Year 2009 investment loss. This phased in approach will be achieved by temporarily relaxing the constraints on the smoothed value of assets around the actual market value. The corridor will be widened and then contracted as follows:

- Increase the corridor limits from 80% to 120% of market value to 60% to 140% of market value to determine the actuarial value of assets for the June 30, 2009 valuation, which impacted the Fiscal Year 2012 contribution rate.

- Reduce the corridor limits from 60% to 140% of market value to 70% to 130% of market value to determine the actuarial value of assets for the June 30, 2010 valuation, which impacts the Fiscal Year 2013 contribution rate.

- Return to the 80% to 120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter, which impacts contribution rates for Fiscal Year 2014 and beyond.

- Asset losses outside of the 80% to 120% corridor described above will be amortized pursuant to a fixed 30-year amortization schedule.

In addition, in February 2010, the CalPERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Such contributions have been factored into the City's contribution rates set by CalPERS.

The following table summarizes the City's annual required contributions for its Safety Plan for Fiscal Years 2008 through 2012:

Fiscal Year	*Employer Contribution*	*City-Funded Employee Contribution*	*Employee Contribution*	*Annual Pension Cost*	*Percentage of Annual Pension Cost Contributed*
2008	$6,643,726	$1,986,668	$46,917	$6,645,597	99.97%
2009	6,553,637	1,923,660	20,013	6,553,639	100.00
2010	6,445,287	1,724,738	202,680	6,448,527	99.95
2011	6,229,965	1,209,538	646,850	6,302,280	98.85
2012	6,850,763	1,163,902	651,350	6,850,763	100.00

The following table summarizes the City's annual required contributions for its Miscellaneous Plan for Fiscal Years 2008 through 2012:

Fiscal Year	*Employer Contribution*	*City-Funded Employee Contribution*	*Employee Contribution*	*Annual Pension Cost*	*Percentage of Annual Pension Cost Contributed*
2008	$7,229,921	$2,584,657	$372,784	$7,228,241	100.02%
2009	7,046,518	2,550,227	370,619	7,045,855	100.01
2010	6,182,996	2,307,745	339,802	6,181,753	100.02
2011	6,265,276	2,170,405	322,381	6,264,788	100.01
2012	6,821,337	309,255	2,091,763	6,821,337	100.00

The following table sets forth the schedule of funding for the City's Safety Plan. The employer contribution rate for Fiscal Year 2013 is 33.701% of annual covered payroll.

Valuation Date	*Entry Age Normal Accrued Liability*	*Actuarial Value of Assets*	*Unfunded Actuarial Accrued Liability*	*Market Value of Assets*	*Funded Ratio*[(1)]	*Annual Covered Payroll*
06/30/07	$212,421,505	$171,850,308	$40,571,197	$199,896,837	94.1%	$21,950,579
06/30/08	229,203,520	186,315,077	42,888,443	190,503,105	83.1	22,568,495
06/30/09	242,874,783	196,476,776	46,398,007	143,876,356	59.2	21,466,012
06/30/10	252,291,718	207,089,159	45,201,859	162,984,448	64.6	21,499,550
06/30/11	264,843,120	219,102,277	45,580,843	195,816,048	73.9	20,389,124

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated October 2012.

The following table sets forth the schedule of funding for the City's Miscellaneous Plan. The employer contribution rate for Fiscal Year 2013 is 23.827% of annual covered payroll.

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Market Value of Assets	Funded Ratio[1]	Annual Covered Payroll
06/30/07	$215,442,908	$168,559,289	$46,883,619	$194,329,503	90.2%	$38,261,322
06/30/08	239,649,475	186,898,291	52,751,184	189,323,085	79.0	37,557,576
06/30/09	263,284,777	199,668,046	63,616,731	145,596,482	55.3	36,734,986
06/30/10	273,248,044	211,856,211	61,391,833	166,134,811	60.8	33,837,511
06/30/11	289,371,286	224,366,287	65,004,799	199,803,578	69.0	32,582,511

(1) Based on the market value of assets.
Source: CalPERS Actuarial Report Dated October 2012.

CalPERS reported significant investment losses in 2009, which accounts for a portion of the increase in the City's unfunded actuarial liability from June 30, 2008 to June 30, 2009. In addition, the increase in the City's unfunded actuarial liability is attributable to CalPERS studies performed in Fiscal Year 2009 and the adjustment of assumptions made by CalPERS valuations for age at retirement, years of service, mortality rates, and certain other assumptions. CalPERS earnings reports for Fiscal Years 2010, 2011 and 2012 show an investment gain in excess of 13.0%, 21.7% and 1%, respectively. Future earnings performance and adjustments of assumptions may increase or decrease future contribution rates for plan participants, including the City.

For additional information relating to the City's CalPERS Plan, see Note 13 to the City's financial statements set forth in Appendix B.

No Other Post-Employment Benefits

The City does not currently provide other post-employment benefits to its employees.

California State Pension Reform Legislation

On September 12, 2012, the Governor signed AB 340, a comprehensive pension reform package affecting state and local government employees. AB 340 implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Though AB 340 covers most public employees in state government, cities, counties, special districts, school district, and community colleges, the following discussion relates only to AB 340's impact on City employee retirement.

Key changes to retirement plans affecting the City include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013;
- For new employees, a cap on pensionable income of $110,100 or $132,120 (for employees not in social security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Consumers.
- A standard that employees pay at least 50% of normal costs.
- Establishes increases for current City civil service and related excluded employees who are not contributing at least half of normal costs.

Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit ("air time").

If AB 340 is implemented fully, CalPERS estimates savings for local agency plans of approximately $1.653 billion to $2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Provisions in AB 340 will not likely have a material effect on City contributions in the short term. However, additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members will reduce the City's UAAL and potentially reduce City contribution levels in the long term. See the caption "—Retirement Contributions."

City Investment Policy

The City invests its funds in accordance with the City's Investment Policy, most recently amended in June 2012. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the City Treasurer. The City's Investment Policy sets forth the policies and procedures applicable to the investment of City funds and designates eligible investments. The Investment Policy sets forth a stated objective, among others, of insuring the safety of invested funds by limiting credit and market risks. Eligible investments are generally limited to the Local Agency Investment Fund which is operated by the California State Treasurer, the San Diego County Investment Pool for local agencies, U.S. Treasury Bills, Notes and Bonds, obligations issued by United States Government agencies, FDIC-insured or negotiable certificates of deposit, repurchase agreements, banker's acceptances and commercial paper rated A1/P1, as applicable, or better, and money market funds rated in the highest category by Moody's Investor's Service, Inc. ("Moody's") or Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") or administered by a domestic bank with long-term debt rated in one of the top two categories of Moody's and S&P. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

The City Treasurer is required to provide a quarterly report to the City Manager and the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest, and other such information as may be required by the City Council.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2013A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2013A Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2013A Bonds

The Series 2013A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City, the State, or any political subdivision thereof, is pledged to the payment of the Series 2013A Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds, and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general revenues. See the caption "CITY FINANCIAL INFORMATION—Indebtedness—General Obligation Debt."

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. However, the City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the State Constitution. See the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIIB of the State Constitution."

Abatements

In the event of substantial interference with the City's right to use and occupy any portion of the Property by reason of damage to or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS—Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2013A Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, the value of the Property could be substantially higher or lower than its value at the time of the issuance of the Series 2013A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2013A Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2013A Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2013A Bond Owners for nonpayment under such circumstances.

No Reserve Fund

Neither the City nor the Authority has established a reserve fund in connection with the issuance of the Series 2013A Bonds.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake or flood, could have an adverse material impact on the economy within the City, its General Fund and the revenues available for the payment of the Base Rental Payments. A safety report for parts of the City's municipal water system states that there are four known earthquake fault zones located approximately 10 miles to 60 miles from portions of the City. The City does not maintain earthquake insurance for the Property.

Earthquakes are considered a threat to the City due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. However, no major earthquake has caused substantial damage to the City.

An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake could easily exceed the resources of the City and would require a high level of self-help, coordination and cooperation.

The occurrence of natural disasters in the City could result in substantial damage to the City which, in turn, could substantially reduce General Fund revenues and affect the ability of the City to make the Base Rental Payments. Reduced ability to make the Base Rental Payments could affect the payment of the principal of and interest on the Series 2013A Bonds. The City maintains liability insurance and property casualty insurance (for losses other than from seismic events) for the Property. See the caption "THE CITY—Risk Management." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the City. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the City be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The City has not independently verified, but is not aware of, the presence of any hazardous substances on the Property. Hazardous substance liabilities may arise in the future with respect to any of the property in the City resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance.

These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Other Financial Matters

Due to weakness in the economy of the State and the United States, it is possible that the general revenues of the City will decline. Such financial matters may have a detrimental impact on the City's General Fund, and, accordingly, may reduce the City's ability to make Base Rental Payments. See the caption "CITY FINANCIAL INFORMATION."

In addition, City expenses could also rise as a result of unforeseen events, including but not limited to a determination that the Successor Agency's payment obligation under the Reimbursement Agreement relating to the 2007 LRBs is not an enforceable obligation. Such a determination could require the City to make payments under the 2007 LRBs from General Fund moneys. See the caption "CITY FINANCIAL INFORMATION—Indebtedness—General Obligation Debt—2007 LRBs."

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement: (a) to substitute alternate real property for any portion of the Property; (b) to add additional real property to the Property; or (c) to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS—Substitution, Addition and Removal of Property." Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2013A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix A under the caption "LEASE AGREEMENT—NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE—Substitution or Release of the Property."

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will be amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period is in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Lease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Lease Agreement or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Lease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement, and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2013A Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2013A Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS" and Appendix A under the caption "LEASE AGREEMENT—DEFAULTS AND REMEDIES."

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2013A Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required to be covered under the Lease Agreement, and therefore, are not carried by the City. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS—Insurance" and "THE CITY—Risk Management."

Limitations on Remedies

The rights of the Owners of the Series 2013A Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Furthermore, the remedies available to the Owners of the Series 2013A Bonds upon the occurrence of an event of default under the Indenture or the Lease Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Additionally, enforceability of the rights and remedies of the Owners of the Series 2013A Bonds, and the obligations incurred by the City, may become subject to the provisions of Title 11 of the United States Code (the "Bankruptcy Code") and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Series 2013A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2013A Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Series 2013A Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2013A Bonds will be similarly qualified. See Appendix C—"PROPOSED FORM OF OPINION OF BOND COUNSEL." In the event that the City fails to comply with its covenants under the Lease Agreement or fails to pay Base Rental Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Series 2013A Bonds.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Series 2013A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2013A Bonds as a result of acts or omissions of the Authority or the City in violation of the covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2013A Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2013A Bonds with respect to: (a) the payment when due of the Base Rental Payments by the City; (b) the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture; or (c) the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2013A Bonds or, if a secondary market exists, that the Series 2013A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

STATE OF CALIFORNIA BUDGET INFORMATION

State Budget

Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, http://www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office at http://www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, http://www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the

City, and the City can take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2013

According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the State Legislature by no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

Prior to Fiscal Year 2011, the State budget had to be adopted by a two-thirds vote of each house of the State Legislature. However, in November 2010, the voters of the State passed Proposition 25, which reduced the vote required to adopt a budget to a majority vote of each house and which provided that there would be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the State Legislature for the period during which the budget was presented late to the Governor.

On June 27, 2012, the State's budget for Fiscal Year 2013 (the "2012 Budget Act") was enacted. The 2012 Budget Act projects State General Fund revenues and transfers for Fiscal Year 2013 at $95.9 billion, an increase of $9.1 billion compared to Fiscal Year 2012. General Fund expenditures for Fiscal Year 2013 are projected at $91.3 billion, an increase of $4.3 billion compared to Fiscal Year 2012.

The 2012 Budget Act closes a $15.7 billion budget gap and rebuilds a nearly $1 billion reserve. In closing the $15.7 billion gap, the 2012 Budget Act relies on deep spending reductions combined with temporary taxes and other actions.

The 2012 Budget Act includes The Schools and Local Public Safety Protection Act (the "Governor's Tax Initiative"), which was approved by a majority of voters at the November 6, 2012 general election. The Governor's Tax Initiative temporarily increases the personal income tax on the State's wealthiest taxpayers for seven years, increases the sales tax by one-quarter percent for four years, and guarantees most of these new revenues to schools. The Governor estimates that the Governor's Tax Initiative will generate an estimated $8.5 billion through Fiscal Year 2013 and will enable the State to meet the minimum funding guarantee for school districts, community college districts and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K-14) under Proposition 98, which was passed in 1988, and to increase funding for schools and community colleges by an additional $2.9 billion. The Governor's Tax Initiative will provide a net benefit to the State General Fund of $5.6 billion. In addition, the measure constitutionally guarantees certain funds for local public safety.

Potential Impact of State Financial Condition on the City

There can be no assurance that, as a result of the current State financial stress, the State will not significantly reduce revenues to local governments (including the City) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. No prediction can be made by the City as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the City.

Future State Budgets

No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in future years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

There are a number of provisions in the State Constitution that limit the ability of the City to raise and expend tax revenues.

Article XIIIA of the State Constitution

On June 6, 1978, State voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. The amendment, which added Article XIIIA to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to December 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after December 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition (55% in the case of certain school facilities). Property taxes subject to Proposition 13 are a significant source of revenues to the City's General Fund. See the caption "CITY FINANCIAL INFORMATION."

Legislation enacted by the State Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in certain other limited circumstances.

Article XIIIB of the State Constitution

At the Statewide special election on November 6, 1979, the voters approved an initiative entitled "Limitation on Government Appropriations," which added Article XIIIB to the State Constitution. Under Article XIIIB, State and local government entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues and certain State subventions together called "proceeds of taxes" and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of October 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in the consumer price index, population and services provided by these entities. Among other provisions of Article XIIIB, if those entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the State Constitution.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 general election which: (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal.4th 220; 45 Cal.Rptr.2d 207 (1995).

Proposition 62 applies to the imposition of any taxes or the effecting of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are largely subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See the caption "—Proposition 218" below.

Proposition 218

On November 5, 1996, State voters approved Proposition 218, an initiative measure entitled the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments are deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge may be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Articles XIII and XIIIA of the State Constitution; (b) any special tax receiving a two-thirds vote pursuant to the State Constitution; and (c) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such new provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were imposed in accordance with the requirements of Proposition 218. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges which support the City's General Fund.

Unitary Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization (the "SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to statutory formula generally based on the distribution of taxes in the prior year.

Proposition 22

On November 2, 2010, voters in the State approved Proposition 22, which eliminates the State's ability to borrow or shift local revenues and certain State revenues that fund transportation programs. It restricts the State's authority over a broad range of tax revenues, including property taxes allocated to cities (including the City), counties and special districts, the VLF, State excise taxes on gasoline and diesel fuel, the State sales tax on diesel fuel, and the former State sales tax on gasoline. It also makes a number of significant other changes, including restricting the State's ability to use motor vehicle fuel tax revenues to pay debt service on voter-approved transportation bonds.

Proposition 1A

As part of Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2, 2004 general election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004. Beginning with Fiscal Year 2009, the State may borrow up to 8% of local property tax revenues, but only if the Governor proclaims that such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. The amount borrowed is required to be paid back within three years. The State also will not be able to borrow from local property tax revenues for more than two Fiscal Years within a period of ten Fiscal Years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the Statewide local sales tax.

The Fiscal Year 2010 State budget included a Proposition 1A diversion of $1.935 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was $2,314,710. The City participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and, as a result, received the shifted funds in the amount of $2,314,710, without interest, in two installments in 2010 from the California Statewide Communities Development Authority. See the caption "CITY FINANCIAL INFORMATION—Property Taxes."

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City does not believe that Proposition 26 will adversely affect its General Fund revenues.

Future Initiatives

Articles XIIIA and XIIIB and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's current revenues or its ability to raise and expend revenues.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on Series 2013A Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series 2013A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Series 2013A Bond (the first price at which a substantial amount of the Series 2013A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2013A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Owner of the Series 2013A Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Owner of a Series 2013A Bond will increase the Owner's basis in the Series 2013A Bond. In the opinion of Bond Counsel original issue discount that accrues to the Owner of a Series 2013A Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

The amount by which a Series 2013A Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2013A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Series 2013A Bond Owner's basis in the applicable Series 2013A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2013A Bond Owner realizing a taxable gain when a Series 2013A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2013A Bond to the Owner. Purchasers of the Series 2013A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of the portion of each Base Rental Payment constituting interest (and original issue discount) on the Series 2013A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City and the Authority comply with all requirements of the Code that must be satisfied subsequent to issuance of the Series 2013A Bonds to assure that the portion of each Base Rental Payment constituting interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A Bonds. The City and the Authority have covenanted to comply with all such requirements applicable to each, respectively.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2013A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2013A Bonds might be affected as a result of such an audit of the Series 2013A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2013A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2013A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2013A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2013A BONDS OR THE MARKET VALUE OF THE SERIES 2013A BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES

2013A BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2013A BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2013A BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES 2013A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2013A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the Series 2013A Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Indenture, the Lease Agreement and the Tax Certificate relating to the Series 2013A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) due with respect to any Series 2013A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) on the Series 2013A Bonds is excluded from gross income for federal income tax purposes provided that the City and the Authority continue to comply with certain requirements of the Code, the ownership of the Series 2013A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2013A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2013A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Series 2013A Bonds.

The form of Bond Counsel's proposed opinion with respect to the Series 2013A Bonds is attached hereto in Appendix C.

CERTAIN LEGAL MATTERS

The validity of the Series 2013A Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel for the City. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel and Disclosure Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2013A Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2013A Bonds. Certain legal matters will be passed upon for the City and the Authority by Jeffrey Epp, Esquire, City Attorney and General Counsel to the Authority, for the Underwriter by Best Best & Krieger LLP and for the Trustee by its counsel. Counsel to the Underwriter will receive compensation contingent upon the issuance of the Series 2013A Bonds.

ABSENCE OF LITIGATION

To the best knowledge of the City and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2013A Bonds, the Lease Agreement or the Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing. There are a number of lawsuits and claims from time to time pending against the City. In the opinion of the City Attorney, and taking into account likely insurance coverage and litigation reserves, there are no lawsuits or claims pending against the City which will materially affect the City's finances so as to impair its ability to pay Base Rental Payments when due.

UNDERWRITING

The Series 2013A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"). The Underwriter will purchase the Series 2013A Bonds from the Authority at an aggregate purchase price of $_____, representing the principal amount of the Series 2013A Bonds, plus/less $_________ of net original issue premium/discount and less $________ of Underwriter's discount.

The Series 2013A Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Series 2013A Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

RATING

S&P has assigned the Series 2013A Bonds the rating of "__". There is no assurance that the credit rating given to the Series 2013A Bonds will be maintained for any period of time or that a rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2013A Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate of the City, dated as of the date of issuance of the Series 2013A Bonds (the "Disclosure Certificate"), the City has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by 270 days following the end of the City Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2013, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, maintained on the Internet at http://emma.msrb.org. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix D. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission ("Rule 15c2-12").

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of such information does not mean that the Series 2013A Bonds are secured by any resources or property of the City or any entity other than Base Rental Payments. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS" and "RISK FACTORS— General Considerations – Security for the Series 2013A Bonds." The City reports that it has not in the past five years failed to comply with any previous continuing disclosure undertaking in any material respect.

FINANCIAL STATEMENTS OF THE CITY

Included as Appendix B are the audited financial statements of the City as of and for the year ended June 30, 2012, together with the report of the Auditor thereon dated January [__], 2013. Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the City or its report, or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated January [__], 2013.

MISCELLANEOUS

Summaries of certain documents and reports do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the Finance Director at City of Escondido, 201 North Broadway, Escondido, California 92025-2798.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2013A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

ESCONDIDO JOINT POWERS FINANCING AUTHORITY

By:______________________________
Auditor/Treasurer

CITY OF ESCONDIDO

By:______________________________
City Manager

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Ground Lease, the Lease Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective document for a full and complete statement of the provisions thereof.

[TO COME]

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2012

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance of the Series 2013A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Escondido Joint Powers Financing Authority
c/o City of Escondido
201 North Broadway
Escondido, California 92025-2798

Re: *$______ Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A*

Members of the Board of Directors:

We have acted as Bond Counsel to the Escondido Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Authority of its Lease Revenue Refunding Bonds, Series 2013A (the "Series 2013A Bonds") in the aggregate principal amount of $______. In such connection, we have reviewed: (i) the Indenture, dated as of February 1, 2013 (the "Indenture"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Authority and the City of Escondido (the "City"); (ii) the Lease Agreement, dated as of February 1, 2013 (the "Lease Agreement"), by and between the City and the Authority; (iii) the Ground Lease, dated as of February 1, 2013 (the "Ground Lease"), by and between the City and the Authority; (iv) the Assignment Agreement, dated as of February 1, 2013 (the "Assignment Agreement"), by and between the Authority and the Trustee; (v) the Tax Certificate of the Authority and the City, dated as of the date hereof (the "Tax Certificate"); and (vi) opinions of counsel to the Authority, the City and the Trustee, certificates of the Authority, the City and the Trustee and others and such other documents, opinions and matters to the extent that we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein have the meanings ascribed thereto in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Lease Agreement is a valid and binding obligation payable from the funds of the City lawfully available therefor. The obligation of the City to make Base Rental Payments under the Lease Agreement does not constitute a debt of the City, the State of California (the "State") or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State or any political subdivision thereof.

2. The Lease Agreement and the Indenture have been duly authorized, executed and delivered by the City and the Authority and constitute valid and legally binding agreements of the City and the Authority enforceable against the City and the Authority in accordance with their terms, except that we express no opinion as to any provisions in the Lease Agreement or the Indenture with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest

(and original issue discount) on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

4. Interest (and original issue discount) on the Series 2013A Bonds is exempt from personal income taxes imposed in the State.

5. The difference between the issue price of a Series 2013A Bond (the first price at which a substantial amount of the Series 2013A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2013A Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series 2013A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Series 2013A Bond Owner will increase the Series 2013A Bond Owner's basis in the applicable Series 2013A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the Series 2013A Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

6. The amount by which a Series 2013A Bond Owner's original basis for determining loss on sale or exchange in a Series 2013A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Series 2013A Bond Owner's basis in the applicable Series 2013A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Series 2013A Bond Owner realizing a taxable gain when a Series 2013A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2013A Bond to the Owner. Purchasers of the Series 2013A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the Series 2013A Bonds are based upon certain representations of fact and certifications made by the City and the Authority and are subject to the condition that the City and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2013A Bonds to assure that such interest (and original issue discount) on the Series 2013A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A Bonds. The City and the Authority have covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Series 2013A Bonds terminates on the date of their issuance. The Indenture and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the Series 2013A Bonds for federal income tax purposes with respect to any Series 2013A Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than as expressly stated herein, we express no other opinion regarding tax consequences with respect to the Series 2013A Bonds.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease Agreement, the Ground Lease and the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State and our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Lease Agreement and the Series 2013A Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2013A Bonds and expressly disclaim any duty to advise the Owners of the Series 2013A Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Series 2013A Bonds, the City proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Escondido (the "City") in connection with the issuance by the Escondido Joint Powers Financing Authority (the "Authority") of its $______ Lease Revenue Refunding Bonds, Series 2013A (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of February 1, 2013 (the "Indenture"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee, the City and the Authority. The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term "Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term "Beneficial Owner" means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/.

Fiscal Year. The term "Fiscal Year" means the one-year period ending on the last day of June of each year.

Holder. The term "Holder" means a registered owner of the Bonds.

Listed Events. The term "Listed Events" means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term "Official Statement" means the Official Statement dated February __, 2013 relating to the Bonds.

Participating Underwriter. The term "Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term "Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The City shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2012) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the audited financial statements of the City and the Authority for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

The audited financial statements described above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes; and

9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure

Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: March __, 2013

CITY OF ESCONDIDO

By: ______________________________
Its: City Manager

DOCSOC/1598045v5/022009-0038

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2013A Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2013A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2013A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013A Bonds. The Series 2013A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Series 2013A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013A Bonds, except in the event that use of the book-entry system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013A Bond documents. For example, Beneficial Owners of Series 2013A Bonds may wish to ascertain that the nominee holding the Series 2013A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Series 2013A Bond Owner shall give notice to elect to have its Series 2013A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2013A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2013A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2013A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2013A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2013A Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Series 2013A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2013A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2013A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

GENERAL INFORMATION REGARDING THE CITY OF ESCONDIDO

The following information is presented as general background data. The Series 2013A Bonds are payable solely from the Base Rental Payments under the Lease Agreement as described in the Official Statement. The taxing power of the City, the State or any political subdivision thereof is not pledged to the payment of the Base Rental Payments or the Bonds.

Location

The City of Escondido (the "City") is located in a long valley surrounded by coastal mountains about eighteen miles inland and thirty miles north of downtown San Diego.

The City has diversified from its origins as an agricultural center for the surrounding citrus and avocado farms. Today, more than 175 industrial firms are located in the City. In addition, the City serves as a focal point for north San Diego County ("North County") recreation and entertainment. Interstate 15 and Highway 78 bisect the City, making the City easily accessible for regional commerce and recreation.

Population

The City is the largest inland city in North County with an estimated current population of 146,064. Table F-1 sets forth total population for the City, the County of San Diego (the "County") and the State of California (the "State").

Table F-1
City of Escondido, County of San Diego and State of California
Population

January 1	*City of Escondido*	*County of San Diego*	*State of California*
2008	140,785	3,032,689	36,704,375
2009	142,161	3,064,436	36,966,713
2010	144,008	3,091,579	37,223,900
2011	144,998	3,115,810	37,427,946
2012	146,064	3,143,429	37,678,563

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts and E-1 Population Estimates for Cities, Counties and the State, 2011-2012, Sacramento, California, August 2011.*

Employment and Industry

Table F-2 summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2007 through 2011 in the City, the County, the State of California and the United States.

Table F-2
City of Escondido, County of San Diego, State of California and United States
Labor Force, Employment and Unemployment Yearly Average

Year and Area	*Civilian Labor Force*	*Civilian Employment*[1]	*Civilian Unemployment*[2]	*Civilian Unemployment Rate*[3]
2007				
Escondido	70,600	67,300	3,400	4.8%
San Diego County	1,517,600	1,448,500	69,100	4.6
California	17,921,000	16,960,700	960,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
Escondido	72,100	67,600	4,500	6.2
San Diego County	1,548,200	1,455,600	92,700	6.0
California	18,203,100	16,890,000	1,313,100	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
Escondido	72,500	65,300	7,200	10.0
San Diego County	1,554,200	1,405,000	149,200	9.6
California	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
Escondido	73,400	65,400	8,000	10.9
San Diego County	1,572,600	1,407,100	165,600	10.5
California	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
Escondido	73,900	66,200	7,700	10.4
San Diego County	1,583,800	1,426,100	157,700	10.0
California	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Table F-3 sets forth the industry employment and the labor force estimates for the years 2007 through 2011 for the San Diego-Carlsbad-San Marcos MSA. Annual industry employment information is not compiled by sector for the City.

Table F-3
San Diego-Carlsbad-San Marcos MSA
Industry Employment and Labor Force
Annual Average

TITLE	***2007***	***2008***	***2009***	***2010***	***2011***
Total Farm	10,900	10,500	9,500	10,500	10,000
Total Nonfarm	1,308,800	1,298,700	1,231,400	1,222,800	1,231,200
Total Private	1,086,500	1,073,600	1,006,900	992,400	1,002,700
Goods Producing	189,800	179,200	156,800	148,600	148,400
Natural Resources & Mining	400	400	400	400	400
Construction	87,000	76,100	61,100	55,300	55,200
Manufacturing	102,500	102,800	95,300	92,900	92,800
Durable Goods	77,300	78,100	73,100	71,000	70,800
Nondurable Goods	25,200	24,700	22,200	21,900	21,900
Service Providing	1,119,000	1,119,500	1,074,600	1,074,200	1,082,800
Private Service Producing	896,600	894,400	850,100	843,800	854,400
Trade, Transportation & Utilities	222,300	215,900	199,600	197,300	199,000
Wholesale Trade	45,500	44,900	40,600	40,100	40,700
Retail Trade	148,100	142,000	131,600	130,700	132,200
Transportation, Warehousing & Utilities	28,800	29,000	27,400	26,500	26,100
Information	31,300	31,400	28,200	25,100	24,000
Financial Activities	80,300	75,200	69,800	67,200	66,800
Professional & Business Services	223,200	222,300	206,800	207,700	211,500
Educational & Health Services	129,500	137,300	144,300	145,500	149,100
Leisure & Hospitality	161,800	164,000	154,800	154,800	156,900
Other Services	48,300	48,400	46,800	46,200	47,100
Government	222,400	225,100	224,500	230,400	228,400
Total, All Industries	1,319,700	1,309,300	1,240,900	1,233,300	1,241,200

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, San Diego-Carlsbad-San Marcos MSA *Industry Employment & Labor Force - by Annual Average, March 2011 Benchmark.*

Major Employers

Table F-4 sets forth the largest employers in the City as of June 30, 2011.

Table F-4
City of Escondido
Largest Employers

Employer	*Number of Employees*
Palomar Medical Center	2,689
Escondido Union School District	1,981
City of Escondido	1,091
San Diego Safari Park	953
Escondido Union High School District	766
Nordstrom Inc.	720
Welk Group Inc.	465
Vons Grocery Stores	391
Palomar Community College District	340
Home Depot	333

Source: City of Escondido Finance Department.

Commercial Activity

Trade outlet and retail sales activity are summarized in Tables F-5 and F-6 based on reports of the State Board of Equalization.

Table F-5
City of Escondido
Total Taxable Transactions and Number of Sales Permits
2007 through 2011(1)

Calendar Year	*Retail Sales(2)*	*Retail Sales Permits*	*Total Taxable Transactions(2)*	*Issued Sales Permits*
2007	2,195,572	1,783	2,696,218	4,091
2008	1,924,432	1,898	2,395,108	4,074
2009	1,611,325	2,312	2,040,596	3,576
2010	1,782,265	2,414	2,132,167	3,706
2011(1)	1,408,957	2,549	1,722,325	3,830

(1) Through 3rd Quarter 2011.
(2) Dollar amounts are in thousands.
Source: California State Board of Equalization.

Table F-6
City of Escondido
Taxable Retail Sales
2007 through 2011(1)
($000)

Type of Business	*2007*	*2008*	*2009*	*2010*	*2011(1)*
Apparel Stores	$ 106,999	$ 130,736	$ 160,564	$ 170,763	$ 125,911
General Merchandise Stores	268,491	212,857	133,896	134,120	90,593
Food Stores	126,489	116,684	120,048	120,970	93,276
Eating/Drinking Places	174,338	170,032	162,468	169,879	133,479
Home Furnishings/Appliances	32,261	20,507	30,602	33,286	32,774
Building Materials/Farm Implements	243,426	183,154	157,370	167,646	128,045
Auto Dealers	753,082	606,190	481,614	529,178	465,942
Service Stations	250,484	282,099	218,496	254,285	234,209
Other Retail Stores	240,002	202,172	146,267	148,138	104,730
Retail Stores Totals	2,195,572	1,924,432	1,611,325	1,728,265	1,408,957
All Other Outlets	500,646	470,676	429,271	403,902	313,368
Total All Outlets	$2,696,218	$2,395,108	$2,040,596	$2,132,167	$1,722,325

(1) Through 3rd Quarter 2011.
Source: California State Board of Equalization.

Building Activity

Table F-8 summarizes building activity in the City of Escondido from 2007 through 2011.

Table F-8
City of Escondido
Building Permit Valuations
2007 through 2011

	2007	*2008*	*2009*	*2010*	*2011*
Residential					
Single Family	$ 35,253,451	$ 33,144,125	$ 31,276,919	$ 21,709,519	$ 8,852,193
Multi-Family	14,028,209	8,715,433	4,625,512	5,166,958	12,919,403
Alteration/Additions	10,419,656	5,194,468	3,743,437	3,032,618	3,585,270
Total	59,701,316	47,054,026	39,645,868	$29,909,095	25,356,866
Non-Residential					
New Commercial	14,773,541	45,028,783	1,124,405	3,480,411	2,303,428
New Industry	2,789,464	0	535,136	1,362,179	0
Other(1)	22,647,445	9,045,233	3,176,047	1,914,091	2,279,369
	19,858,697	16,859,229	9,991,810	15,334,778	8,984,967
Total	60,069,147	70,933,245	14,827,398	22,091,459	13,567,764
Total All Industry	$119,770,463	$117,987,271	$54,473,266	$52,000,554	$38,924,630
Total					
Single Family Units	131	120	114	84	32
Multi-Family Units	105	63	63	55	112
Total	236	183	177	139	144

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.
Source: Construction Industry Research Board.

Transportation

Interstate 15 serves the City, extending from San Diego through to Riverside and Las Vegas, Nevada. State Highway 78 runs west to east from the coastline between Oceanside and Carlsbad through the City to Interstate 10 and is one of the main east/west corridors through the County.

The Santa Fe Railroad has a freight service line serving the City, and Amtrak provides passenger service from Oceanside on the San Diego/Los Angeles line. The Sprinter provides commuter rail service from the City to Oceanside.

Two airports serve North County. San Diego International Airport (Lindbergh Field), 35 minutes from the City, provides access to fourteen major national and international commercial airlines and fourteen freight forwarding companies. The smaller McClellan-Palomar Airport, 15 minutes from downtown of the City, offers commercial service to Los Angeles, Las Vegas, Nevada and Phoenix, Arizona. McClellan-Palomar also offers complete private aircraft service.

Education

The City has 16 elementary schools (plus eight private schools), five middle schools, and three public high schools (plus three private schools). In addition, the City has a charter elementary school, middle school and night school.

The largest university in the County is San Diego State University, part of the California State University system. California State University at San Marcos is the closest university to the City. The University of California, San Diego in La Jolla is one of nine campuses of the University of California system. The statewide Community College System has nine colleges in San Diego County.

Private universities in San Diego County include United States International University, the University of San Diego, Point Loma Nazarene University and National University.

Recreation and Culture

The City is a 60 minute drive from Cleveland National Forest and a 30 minute drive from the Pacific Ocean and all of the outdoor activities associated with these areas. Thousands of acres of nearby recreation areas provide opportunities for picnicking, boating, fishing, tennis, softball and swimming. Over 25 golf courses are located within a 20 minute drive of the City.

Spectator sports fans can choose among professional football and baseball at nearby Qualcomm, Petco Park, professional indoor soccer at the San Diego Sports Arena, and thoroughbred horse racing at Del Mar Racetrack. The City's recreation department offers amateur athletes softball, football, tennis and other organized sporting activities at 12 parks and 6 playgrounds.

Concerts, plays, and museums are popular in and around the City. The California Center for the Arts, Escondido, an $81.0 million cultural center complex including a performing arts theater, a community theater, a museum and a conference center, opened in October 1994. The Patio Playhouse and the Lawrence Welk Theatre also offer dramatic productions. The San Diego Arts Gallery and the La Jolla Museum of Art are two of the many art galleries in the area and the Mingei International Museum offers various art exhibitions.

RESOLUTION NO. EJPFA-2013-01

RESOLUTION OF THE ESCONDIDO JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A GROUND LEASE, LEASE AGREEMENT, INDENTURE, ASSIGNMENT AGREEMENT, ESCROW AGREEMENT AND BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF ESCONDIDO JOINT POWERS FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2013A, AUTHORIZING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $5,500,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH BONDS AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the City of Escondido (the "City") previously financed a portion of the costs of the acquisition, construction and installation of certain capital improvements constituting the Reidy Creek Golf Course, with related flood control detention basin, water well and ancillary facilities and related improvements, facilities and equipment (the "2001 Project"); and

WHEREAS, in order to accomplish such financing, the City determined to provide the funds necessary to finance the acquisition, construction and installation of the Project through the issuance by the Escondido Joint Powers Financing Authority (the "Authority") of its 2001 Lease Revenue Bonds (Reidy Creek Project) (the "2001 Bonds"), payable from certain base rental payments to be made by the City under a lease agreement; and

WHEREAS, the Authority and the City desire to refinance all or a portion of the Project originally financed with the proceeds of the 2001 Bonds; and

WHEREAS, the Authority and the City have determined that it would be in the best interests of the Authority, the City and residents of the City to authorize the preparation, sale and delivery of the "Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A" (the "Bonds") for the purpose of refinancing the 2001 Bonds; and

WHEREAS, in order to facilitate the issuance of the Bonds, the City and the Authority desire to enter into a Ground Lease between the City and the Authority (the "Ground Lease") pursuant to which the City will lease certain real property (which real property shall consist of assets generally described as the Reidy Creek Golf Course and related detention basin, flood control and ancillary improvements) (the "Leased Assets") to the Authority, and a Lease Agreement between the City and the Authority (the "Lease Agreement"), pursuant to which the City will lease the Leased Assets back from the Authority, and pay certain Base Rental Payments (as defined in the Lease Agreement), which are pledged to the owners of the Bonds by the Authority pursuant to an Indenture by and among The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), the City and the Authority (the "Indenture"); and

WHEREAS, the Authority and the Trustee desire to enter into an Assignment Agreement in order to provide, among other things, that all rights to receive the Base Rental Payments have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, the City and the Authority have determined that debt service savings can be achieved by the prepayment and defeasance of the 2001 Bonds; and

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance all or a portion of the 2001 Project originally financed with the proceeds of the 2001 Bonds through the offering and sale of the Bonds; and

WHEREAS, the defeasance of the 2001 Bonds to be prepaid will be accomplished by means of an Escrow Agreement (the "Escrow Agreement") by and among The Bank of New York Mellon Trust Company, N.A., as escrow agent ("Escrow Agent"), the City and the Authority, the form of which has been presented to this Board of Directors at the meeting at which this Resolution is being adopted; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, *commencing with Section 6584 of the California Government Code* (the "Act); and

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds; and

WHEREAS, the City and the Authority have selected Stifel, Nicolaus & Co. Inc., dba Stone & Youngberg, a Division of Stifel Nicolaus, to act as underwriter (the "Underwriter") to purchase the Bonds from the Authority pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") has been prepared and is attached as Exhibit "A" to this Resolution and is incorporated by this reference; and

WHEREAS, the City is a member of the Authority and the 2001 Project is located within the boundaries of the City; and

WHEREAS, the Board of Directors of the Authority (the "Board of Directors") has been presented with the form of each document referred to herein, and the Board of

Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refinancing; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such refinancing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the City Council of the City of Escondido, acting as the Commissioners of the Escondido Joint Powers Financing Authority does hereby resolve, determine and order as follows:

SECTION 1. All of the recitals herein contained are true and correct and the Board of Directors so finds. The Board of Directors has determined and hereby finds that the Authority's assistance in refinancing the 2001 Project by the execution and delivery of the Bonds will result in significant public benefits of the type described in Section 6586 (a) through (d), inclusive, of the Act.

SECTION 2. The forms of the Lease Agreement and the Ground Lease, on file with the Secretary of the Authority, are hereby approved, and the Chair, Vice Chair, Executive Director (which shall be the City Manager of the City), Auditor and Treasurer and Secretary (the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Lease Agreement and the Ground Lease, respectively, in substantially said forms, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term of the Lease Agreement and the Ground Lease shall terminate no later than September 1, 2030 (provided that such term may be extended as provided therein) and the true interest cost applicable to the interest components of the Base Rental Payments shall not exceed 3.75% per annum.

SECTION 3. The form of Indenture, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the Bonds shall not exceed $5,500,000, the final maturity date of the Bonds shall be no later than September 1, 2030 and the true interest cost applicable to the Bonds shall not exceed 3.75% per annum and, provided, further, that such changes, insertions and omissions shall be consistent with the terms of the Bonds established at negotiated sale pursuant to the Bond Purchase Agreement.

SECTION 4 The issuance of not to exceed $5,500,000 aggregate principal amount of the Bonds, in the principal amounts, bearing interest at the rates and maturing on the dates as specified in the Indenture as finally executed, is hereby authorized and approved.

SECTION 5. The form of Assignment Agreement, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Assignment Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 6. The form of Escrow Agreement, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Escrow Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof

SECTION 7. The Bond Purchase Agreement, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name of the Authority to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate underwriter's discount (not including any original issue discount paid by the Underwriter) from the principal amount of the Bonds in excess of six-tenths of one percent (0.6%) of the aggregate principal amount of the Bonds.

SECTION 8. The form of Preliminary Official Statement, on file with the Secretary of the Authority, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary

Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by such Rule).

The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement.

SECTION 9. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the Authority.

SECTION 10. The officers and agents of the Authority are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. All actions heretofore taken by the officers and agents of the Authority with respect to the transactions set forth above are hereby approved, confirmed and ratified.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2013

NEW ISSUE – BOOK-ENTRY ONLY

RATING: S&P: "_"
See the caption "RATING"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2013A Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Series 2013A Bonds.

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ESCONDIDO JOINT POWERS FINANCING AUTHORITY LEASE REVENUE REFUNDING BONDS, SERIES 2013A

Dated: Date of Delivery **Due: September 1, as shown on inside cover**

The Escondido Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2013A (the "Series 2013A Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the City of Escondido (the "City") for the right to use certain real property consisting of an 18-hole golf course, related flood water detention basin, water well and ancillary facilities and related improvements, facilities and equipment (collectively, the "Property") pursuant to a Lease Agreement, dated as of February 1, 2013 (the "Lease Agreement"), by and between the City, as lessee, and the Escondido Joint Powers Financing Authority (the "Authority"), as lessor. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS."

The Series 2013A Bonds are being issued to provide funds: (i) to currently refund the Authority's 2001 Lease Revenue Bonds (Reidy Creek Project) (the "2001 Bonds"); and (ii) to pay the costs incurred in connection with the issuance of the Series 2013A Bonds. See the caption "THE REFUNDING PLAN." The City has covenanted under the Lease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its annual budgets and to make all the necessary annual appropriations for such Base Rental Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property. See the caption "RISK FACTORS—Abatements."

The Series 2013A Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2013A Bonds is payable semiannually on September 1, 2013 and each March 1 and September 1 thereafter. Purchasers will not receive certificates representing their interest in the Series 2013A Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2013A Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2013A Bonds. See the caption "THE SERIES 2013A BONDS—Book-Entry Only System."

The Series 2013A Bonds will be issued pursuant to an Indenture, dated as of February 1, 2013 (the "Indenture"), by and among the City, the Authority and the Trustee. The Series 2013A Bonds and any additional bonds issued pursuant to the Indenture ("Additional Bonds") are collectively referred to as the "Bonds."

The Series 2013A Bonds are subject to optional and extraordinary redemption prior to maturity as described under the caption "THE SERIES 2013A BONDS—Redemption."

The Series 2013A Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the Series 2013A Bonds.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation. The Authority has no taxing power.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2013A Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is also acting as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City and the Authority by Jeffrey Epp, Esquire, City Attorney and General Counsel to the Authority, for the Underwriter by Best Best & Krieger LLP and for the Trustee by its counsel. It is anticipated that the Series 2013A Bonds will be available for delivery through the facilities of DTC on or about March 21, 2013.

[STONE & YOUNGBERG LOGO]

Dated: February __, 2013

DUE TO THE NUMBER OF PAGES OF EXHIBIT(s) A COMPLETE SET IS AVAILABLE IN THE OFFICE OF THE CITY CLERK OR CITY ATTORNEY.
For Councilmembers, a set is available in the Council reading file.

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* *Preliminary; subject to change.*

ESCONDIDO
City of Choice

RENT REVIEW BOARD

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. RRB ________ File No. ________
Ord No. RRB ________

Agenda Item No.: 16
Date: February 13, 2013

TO: Honorable Chairman and Members of the Rent Review Board

FROM: Barbara Redlitz, Director of Community Development

SUBJECT: Long-Form Rent Review Board Hearing for Vista Verde Mobile Estates (Case #0697-20-991)

RECOMMENDATION:

It is requested that Council accept the staff report, hear public testimony, and determine the appropriate method and factors to utilize for calculating any resulting rent increase as well as the specific rent increase.

INTRODUCTION:

This is a hearing of an application for a rent increase from Vista Verde Mobile Estates ("Vista Verde" or "Park"). The Board is asked to accept this report and attachments, hear public testimony, and make a determination concerning the rent increase request in accordance with the factors set forth in the Escondido Rent Protection Ordinance, Article V of Chapter 29 of the Escondido Municipal Code (the "Ordinance").

Numerous written materials have been made available for consideration by the Board prior to the hearing (refer to the City Council Reading File). These materials, including the original application and supplemental information, correspondence between staff, the Park, the resident representative, experts and park residents, expert analyses, and a written response from the resident representative, have also been made available to the public at the Housing counter at City Hall and are considered to be incorporated into this report by reference. In accordance with the Board's Guidelines, all persons have been urged to submit written materials in advance of the hearing to avoid delays. In recent days, the Park owner and resident representative have been presented with copies of this Staff Report and the accompanying expert reports, and have been invited to present any last-minute concerns and questions to staff for presentation at the hearing.

THE ORIGINAL APPLICATION:

Vista Verde is located at 1924 Sheridan Avenue, Escondido, California. The Park was opened in 1966 and contains 100 spaces. There are nine spaces subject to rent control; the other units in the Park are owned and rented by the Park and are not part of this application. Common facilities available to all spaces, including the nine subject to this application, include a clubhouse with kitchen, dining area and sitting area, billiards room, swimming pool, children's play area, patio with barbeque access, car wash and a coin laundry facility.

The Park Owner has included two analyses in their application: a Real Estate Appraisal Report of Vista Verde Mobile Estates by John Neet (January 19, 2011) and an Analysis of Vista Verde Estates, LLC Rent Increase Application by Capata & Co (June 21, 2012). The application was initially received July 9, 2012.

Since the passage of mobilehome rent control by initiative measure in 1988, this Park has never submitted an application for either a short form or a long form rent increase for any of the spaces in the park.

The application now requests that the rent for the nine spaces be adjusted to a monthly rent of $1100.00; this means that increases for the nine spaces would range from $458.82 to $890.50 per space per month, in addition to the existing base rent being charged. The average monthly increase for the nine spaces affected is approximately $689.17. This would correlate with an average percentage increase of 168% (range of increase would be 71% - 425%) based on an average current space rent of approximately $411.18. The Park owner justifies the requested increase request on two approaches: an economic analysis of comparative space rentals, but only within this Park, and a "Fair Return on Value" analysis.

The application also requests that Vista Verde be allowed to recover the costs of the application. However, the Park has not provided a specific amount which it seeks to recoup, but rather, the application indicates that Vista Verde will submit a summary of the costs incurred and an estimate of the costs to be incurred in the submission of its application and requests an additional rent increase to recover that cost.

EXPERT ANALYSIS:

It has been a considerable period of time since the City has considered a long form rent increase application, as most park owners have taken advantage of the voluntary "short form" process provided in the City's mobilehome park regulations. In the past, the City has used a variety of methods to analyze long form applications, including a return on fair value approach, a maintenance of net operating income approach, as well as the factors in the Ordinance. In this particular circumstance, and without current guidance from the Council, City staff retained James Brabant, a Certified General Real Estate Appraiser, Anderson and Brabant, Inc. His analysis of the application focuses on the criterion listed in the Ordinance which is the rents lawfully charged in comparable parks. Mr. Brabant identifies eleven other parks in Escondido which are comparable to Vista Verde. Mr. Brabant's analysis is also helpful inasmuch as the Park has submitted comparability type analysis as a rationale for the rent increase. The Summary Appraisal Report by Anderson and Brabant, Inc. dated December 28, 2012 is attached as Exhibit "B."

Mr. Brabant earned his B.S. degree in Real Estate from the University of Southern California. He has been the co-owner of Anderson & Brabant, Inc. since 1979. Mr. Brabant was the President of the San Diego Chapter of the Member, Appraisal Institute, MAI in 1985. He is a member of the North County Association of Realtors and the International Right of Way.

ANALYSIS OF FACTORS IN THE RENT PROTECTION ORDINANCE:

Section 4(g) of the Ordinance enumerates eleven factors that the Board shall consider, in addition to any other relevant factors, in determining an appropriate rent increase. The following numbered paragraphs present the factors set forth in the Ordinance, and a summary of the Park owner's comments, staff and expert analysis, and comments on the factors.

(1) Section 4(g)(1) -- Changes in the Consumer Price Index for All Urban Consumers in San Diego Metropolitan Area published by the Bureau of Labor Statistics.

Park Owner's Comments, per the Application:
This factor varies by space, but many of the affected residents have not had any rent increases in decades.

Staff Analysis/Comments:
The application of the CPI factor requires a calculation of the change in the CPI statistic from a beginning date to an ending date. The CPI for All Urban Consumers in San Diego is published by the Bureau of Labor Statistics biannually for periods ending June 30 and December 31 each year. Staff has considered a change in CPI over a period of December 31, 1988 through June 30, 2012. The Park owner provided San Diego County tax bills from 2007-2008 to 2011-2012 a nd profit and loss/general ledger statements since 2007. Not all of the current residents have been in the Park since 1988 and some have received increases during this time. The most recent change in rental amount of one of the nine affected spaces was in January 2007.

The change in the CPI for since 1988 is 105.31%. An average monthly rent increase equal to 100% of the increase in the CPI would be approximately $433.01.

Current Board guidelines suggest that: "In considering increases in the Consumer Price Index, the Board concludes that many components of CPI (such as food, entertainment, medical care, shelter, and apparel & upkeep) do not pertain to the cost of owning and operating a mobilehome park. Therefore, the Board shall take into account no more than 60% of increases in the CPI which portion of the CPI shall include costs properly associated with the operation of a mobilehome park (such as property taxes, fuel, and utilities)." If only 60% of the change in the CPI is considered (or a 63.19% change), the average increase amount would be approximately $259.82 per space per month.

(2) Section 4(g)(2) -- The rent lawfully charged for comparable mobilehome spaces in the City of Escondido

Park Owner's Comments, per the Application:
The Applicant believes that park owners are achieving rents for comparable spaces on turnover in the range of $700 to $1,200 per month. In addition, rental homes within the park community rent in the range of $1,100 to up to approximately $1,700 per month, with many exceeding $1,500. Applicant estimates space rents are equivalent to $1,100. (Application, p 5)

Outlined in the Application, the Park owner conducted an economic analysis of rents at the Park demonstrating that the space rents for all nine spaces should be adjusted to $1,100 per month. The average park-owned home rent for the 91 spaces occupied by park-owned homes is approximately $1,225 per month. Based on the John Neet appraisal, the average home value is approximately $14,000. Based on the Capata & Co. analysis, the space rental value for the Park should be adjusted to $1,100 per month for the affected residents. "The requested increase is also consistent with many of the move in space rents within the City, which range from approximately $700 to $1,200 per month, with Vista Verde superior to most of those properties. Raising space rents to these levels will put these affected residents on par with other residents in the City and residents in the park who rent homes." (Application p 18)

The Park Owner states, "If the City is to apply the Ordinance consistent with its purpose, the space rents of the affected residents should be allowed to increase to $1,100.00. Anything less would result in the unconstitutional confiscation of the Applicant's property." (Application, p 19)

The appraisal completed by John Neet indicates that: "The estimate of market rent reached by this analysis is not true market rent, as there is significant influence of rent controls in the rates. As a result, conclusions made by analysis of survey-produced data should be considered as "rent control influenced market rent. Based on this market data and analysis, I have concluded that a market rental rate conclusion of $675.00 per month is appropriate for the subject." (Application p 231)

Staff Analysis/Comments:
The rent control ordinance states that comparable spaces "in the City of Escondido" is the relevant field of inquiry for this particular factor. Thus, the park owner's reliance on comparability only within the same park is erroneous. Additionally, the park owner's use of space rent which it can set unilaterally (by owning both space and coach) as a comparability factor allows this park owner, and not external circumstances, to control this amount. This would also be a flawed way of conducting the analysis for this factor of the rent control ordinance.

A prior case before this Rent Review Board considered the issue of whether the rents of all spaces or only of rent controlled spaces should be considered. In response to the view that only rent controlled rents should be considered as a relevant factor in applying this ordinance's comparability standard, the Court of Appeal concluded that "comparable" rents include the rents of exempt spaces as well as regulated spaces. (Berger Foundation v. City of Escondido)

The City has traditionally relied on the opinion of a professional real estate appraiser to assess comparable rents. The chart below sets forth James Brabant's analysis of comparable rents, which focuses on comparing the rent for the nine affected spaces in Vista Verde to all spaces in 11 other parks. The parks used for Mr. Brabant's comparison were Carefree Mobilehome Ranch, Valley Parkway MHP, Casa de Amigos, Eastwood Meadows, Imperial Mobile Estates, Lake Bernardo, Town & Country Club park, Mobile Park West, Sundance, Sunset Terrace and Friendly Hills. Monthly space rent at Vista Verde does not include any utilities. After adjusting for utilities, the eleven adjusted rents range from $404 to $630 per month, with an average of $492 per month. (Anderson & Brabant, p 23)

Comp No.	Park Name/Address	No. Spaces	Year Built	Overall Avg. Monthly Space Rent	Utilities Included	Adjustment for Utilities	Adjusted Rent
Subj.	Vista Verde	100	1966	$411	None	--	--
1	Carefree Mobile Home Ranch	185	1970	$495	None	$0	$495
2	Valley Parkway MHP	144	Older	$419	Trash	-$15	$404
3	Casa de Amigos	138	1978	$630	None	$0	$630
4	Eastwood Meadows	129	1970's	$510	Water, Cable TV	-$60	$450
5	Town & Country Club Park	155	1968	$551	W,S,T, Cable TV	-$90	$461
6	Imperial Mobile Estates	250	1967	$575	Trash	-$15	$560
7	Lake Bernardo	167	1960's	N/A	None	$0	N/A
8	Mobile Park West	314	1971	$497	Water	-$30	$467
9	Sundance MHP	88	1977	$682	W,S,T, Cable TV	-$90	$592
10	Sunset Terrace	72	Older	$430	None or W, S	$0	$430
11	Friendly Hills Mobile Manor	87	Older	$430	None or W, S	$0	$430

Mr. Brabant states "After consideration of all eleven of the comparable rental parks, it is my opinion that an overall average rental value of $490 per month is indicated for Vista Verde Estates, as of December 21, 2012. This rental value does not include any utilities. This conclusion calculates to an increase of $79 per month from the current overall average space rent of $411 per month." (Anderson & Brabant, p. 24)

(3) Section 4(g)(3) -- The length of time since either the last hearing and final determination by the Board on a rent increase application or the last rent increase if no previous rent increase application has been made.

Park Owner's Comments, per the Application:
Vista Verde has never sought any type of rent increase, none of the affected residents has had any kind of rent increase since 2007. Many affected spaces have not had an increase in decades.

Staff Analysis/Comments:
This is the first application for increase, either long-form or short-form, received from Vista Verde under the rent control ordinance since the mobilehome rent control ordinance was adopted in 1988. In other words, for the past 24 years, the Park has not made any attempt to bring the rent for these spaces to a current level. The Park owner's voluntary decision not to seek rent increases for this period of time could be indicative that little or no rent increase is appropriate. The last increases for spaces subject to the Ordinance vary from 1990 to 2007.

(4) Section 4(g)(4) -- The completion of any capital improvements or rehabilitation work related to the mobilehome space or spaces specified in the rent increase application, and the cost thereof, including such items of cost, including materials, labor, construction interest, permit fees, and other items as the Board deems appropriate.

Park Owner's Comments, per the Application:
"Recent capital expenditures are described in the Application and accompanying schedules and incorporated into the fair return analysis. Over the years since the affected residents have lived in the Park, the Park has completed an enormous amount of capital expenditures. These residents have benefited from the value of these improvements, while their rents have stayed far below reasonable levels." (Application, p 21)

Staff Analysis/Comments:
Capital improvement projects cited in the application include replacing an existing shuffleboard court with a children's playground; installation of video surveillance, and a new entrance with sign and landscaping.

The Rent Review Board Guidelines state that: major replacement or major construction of an existing facility or improvement constitute capital improvements (for example, the major replacement and/or reconstruction of streets or roadways, sewer lines, water lines and gas lines constitute capital improvements). The addition of new facilities in a park, such as a new office or utility room, a sauna, a Jacuzzi or an addition to a recreation room, are also examples of capital improvements. Work is amortized over the expected life of the improvement and standard depreciation tables used to determine deductions for taxes shall be used to determine the expected life of the work.

The Application included information regarding a $15,923.30 purchase for the security system in 2010 as well as investments in Coach #12, a Park owned coach ($37,985) and a sea container ($5,038.94). Standard depreciation tables were provided for these investments. The Park later provided information regarding an investment of $64,894.94 to create a grassy play area in 2004 and $55,000 for the asphalt petro mat in 1988.

The security system, play area and asphalt petro mat benefit constitute capital improvements to the Park. However, no depreciation tables were provided for the play area (improvement made 8 years ago) or the asphalt petro mat (improvement made 24 years ago). In addition, no separate analysis was submitted by the Park owner, or conducted by staff, to apportion the benefit of these capital improvements as between spaces subject to this application and spaces not subject to the application, for the appropriate periods of time. Hence, if the Board wishes to base a rent increase on capital improvement costs, additional analysis may be necessary.

(5) Section 4(g)(5) -- Changes in property taxes or other taxes related to the subject mobilehome park.

Park Owner's Comments, per the Application:
Property taxes have gradually risen since the property was acquired.

Staff Analysis/Comments:
The Park owner is not requesting an increase based on changes in property taxes at the Park.

(6) Section 4(g)(6) -- Changes in rent paid by the applicant for the lease of the land on which the subject mobilehome park is located.

Park Owner's Comments, per the Application:
Not applicable.

Staff Analysis/Comments:
The Park owner is not requesting an increase based on a lease of the land as the park is not subject to a lease.

(7) Section 4(g)(7) -- Changes in utility charges for the subject mobilehome park paid by the applicant and the extent, if any, of reimbursement from the tenants.

Park Owner's Comments, per the Application:
Not applicable.

Staff Analysis/Comments:
The Park owner is not requesting an increase based on utilities charges. All resident utilities are paid by the resident and not a part of the base rent.

(8) Section 4(g)(8) -- Changes in reasonable operating and maintenance expenses.

Park Owner's Comments, per the Application:

Vista Verde presents a Fair Return on Value analysis which demonstrates that in order for the Park owner to earn a fair return, rents on the spaces affected by rent control should be increased a flat $471.80 per month. This analysis is based on the park owner's assumption of a fair market value of the property of $9,500,000, as determined by John Neet in 2011, adjusted to $9,841,274, due to the length of time since the appraisal was completed. The Park owner believes a fair rate of return on this amount should be 12%. With these assumptions, the Park owner believes the Net Operating Income on this property should be $1,180, 953, but is only $614,789. The Capata analysis shows that in order for this $566,164 deficit to be met, rent on all spaces need to be increased $471.80 per month. "If granted, this increase would keep space rent, on average, more than $200.00 below the economic rents paid by the remaining 91 residents of the Park." (Application, p 16)

Staff Analysis/Comments:
Fair Return on Value is not a Maintenance of Net Operating Income (MNOI) calculation. Staff did not obtain an MNOI analysis in conjunction with this application. There appears to be no standard rate used to determine what a fair rate of return on a mobilehome park should be, and the rate will vary based on a number of individualized circumstances. The Park owner provided an analysis asking for 12% as a fair rate of return. This 12% includes: 2.5% risk-free rate of return, 5.5% long-term equity risk premium, 2.0% size premium and 2.0% unsystematic risk premium.

Staff acquired five years of financial history of the Park. The Profit and Loss statements show a net income of $257,623 in 2011, of $90,383 in 2010, of $182,889.55 in 2009, of $186,218.11 in 2008, and of $327,077.67 in 2007. Coaches were purchased by the Park in 2007, 2008, and 2009. The Park owner has indicated that is was not practically possible to determine a return on the land independent of the mobile homes. It is difficult to determine which investment in the Park were improvements to common areas and which were improvements to specific park-owned coaches. The park does not maintain records which allocate expenses between costs incurred associated with maintaining renting units and costs incurred associated with maintaining and renting spaces. Staff was not able to determine if the return should weigh more heavily on the unit renters or the space renters as it is not possible to determine which costs are associated with which.

(9) Section 4(g)(9) -- The need for repairs caused by circumstances other than ordinary wear and tear.

Park Owner's Comments, per the Application:
No comment was made.

Staff Analysis/Comments:
No issues have been raised regarding the condition of the Park. There was some discussion of tree maintenance and driveway repairs at the Resident Meeting on January 3, 2013. Staff shared information from the Mobilehome Residency Law. At the meeting, the Park Owner offered to discuss and tree/driveway maintenance/repair needs with the individual tenants. According to the appraisal report: "This is an average quality park that is in overall average condition for its age." (Anderson and Brabant, p 16)

(10) Section 4(g)(10) - The amount and quality of services provided by the applicant to the affected tenant.

Park Owner's Comments, per the Application:
The Park has very good amenities, is very well maintained and is in a very good location. The affected residents have benefited tremendously by the investment of the Park owner, but simply have not paid their fair share of rent, in many cases, for decades. The Park owner is not seeking recovery of thousands of dollars in lost income, but rather an adjustment so that going forward; they are provided a fair return. (Application, p 21)

Staff Analysis/Comments:
Staff analyst has visited the park on several occasions and found the facilities spacious and attractive as well as clean and well maintained.

(11) Section 4(g)(11) - Any existing written lease lawfully entered into between the applicant and the affected tenant.

Park Owner's Comments, per the Application:
No comment.

Staff Analysis/Comments:
Of the spaces which are subject to the rent increase application, all are on a month-to-month basis.

(12) Other Comments/Relevant Factors

Park Owner's Comments, per the Application:

"Vista Verde proposed a rent increase that would maintain rents well within the constraints of reasonableness contemplated by the Ordinance. Vista Verde respectfully submits that regulation by the City which is more severe than this contemplated purpose would be, in effect, imposing a private rent subsidy on the park owner resulting in a taking entitled to compensation under the constitutions of the United States and California. See *Lingle v. Chevron U.S.A., Inc.,* 125 S. Ct. 2074 (U.S. 2005) and *Armstrong v. United States,* (1972) 364 U.S. 40, 49.

"The courts have held that regulations which improperly impose the burden of affordable housing on individual property owners is an unconstitutional taking. *Cienega Gardens v. United States* (Fed Cir. 2003) 331 F.3d 1319, 1338. The City should apply the Ordinance as it was intended, to protect against rent gouging, not as a below market rent subsidy.

"Under the existing application of rent control to Vista Verde, those long-term residents who have remained in the park, who already had disproportionally low rents, have not received any rent increase since 1990. Rent control should not be applied in a way to create an unfair windfall for a small group of residents. See *Concord Communities v. City of Concord*, (2001) 92 Cal.App.4th 1407, 1419. The requested rent increase is needed to fairly apply the ordinance as it was intended." (Application, p22)

Staff Analysis/Comments:

The Board may consider any other factor it deems relevant to the purposes of the Ordinance, including any last minute information presented at the hearing which was not available at the time of publication of this report.

ARRIVING AT A FAIR RATE OF RETURN

As indicated in the various approaches set forth above, one can arrive at a variety of conclusions as to a fair return for a mobilehome park based on the assumptions used in the analysis. This inability to identify a single "appropriate" method of determining a fair rate of return is a factor found in the large number of court decisions that have addressed this issue, as well as in the many ordinances of cities throughout California which regulate mobilehome rents.

STAFF RECOMMENDATION AND ALTERNATIVES:

Often the selection of one approach to calculating a fair return over another approach can lead to very different results. In the analysis of the current application, the use of different approaches leads to an average increase in space rents in the range of $79.00 to $433.01 per space per month.

When faced with varying analyses in the past, staff has approaches that would consider all of the data. While the Board may use one particular approach over another, earlier comments by the trial courts reviewing rent increase decisions of this Board clearly indicate that if the Board is to choose one method over another, the record must contain evidence justifying why any particular method was chosen over another, as well as some explanation in the record as to why any particular analysis was not used. The Board may also choose to direct staff to request additional information or engage additional expert analysis to aid their decision making. The Rent Review Board hearing would be continued to a date certain for the acquisition of the additional data.

In the current application, the park owner places emphasis on an analysis of comparable rents within the park. The alternative methods and the resulting rent increases are summarized in the chart below:

Park Owner Application	Comparable Spaces	CPI Increase Only
$458.82 to 890.50 (an average of $689.17) to $1,100 per month	11-park average: $79	100%: $433.01 60%: $259.82

Whichever approach the Board chooses in determining a fair return for Vista Verde, the staff recommendation is that the method chosen be clearly identified. The "Comparable Spaces" approach may be well-suited for a proper determination in this application, because of the difficulties in separating costs and returns associated with park owned units from amenities available to all residents, it normalizes the rent due to the long period since Vista Verde has received a rent increase, and it will bring revenues per space to an amount comparable with other similar parks. If the Board chooses to accept the Comparable Spaces approach; it will need to determine if all nine spaces should receive a $79 increase or if all spaces (except Space #63) will be increased to $490 per month. In any event, staff believes that the Park owner's methodology of conducting a comparability analysis solely on spaces within the Park is not consistent with the ordinance, and believes that the comparability analysis presented by Mr. Brabant is more appropriate.

OTHER INFORMATION AFFECTING THE APPLICATION:

The decision of the Rent Review Board will be finalized by adoption of a Resolution confirming the findings of the Public Hearing, and the Notice of Determination will be mailed to the applicant and residents immediately upon adoption of the Resolution at a future meeting. The 90-day notice of any rent increase granted may be sent to the residents upon the adoption of the Resolution.

A report from the Code Enforcement Division has noted Health and Safety violations in the Park ("Exhibit A"). All items noted on the Code Enforcement Inspection Report are now in compliance. Correspondence from the mobilehome resident representative Don Greene was received on January 29, 2013, and is included as Exhibit "C".

Respectfully Submitted,

Barbara Redlitz
Director of Community Development

Karen Youel
Management Analyst

ESCONDIDO
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EXHIBIT "A"

DATE: JANUARY 10, 2013

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE RENT CONTROL BOARD

FROM: BRIAN GUSTAFSON, CODE ENFORCEMENT MANAGER

SUBJECT: VISTA VERDE MOBILE ESTATES

Vista Verde Mobile Estates was inspected on January 9, 2013, with the lighting inspection conducted the morning of January 8, as a result of an application for a rent increase having been filed. There were thirty-one violations found during the park inspection and four violations found during the lighting inspection; the inspection report is attached.

A resident meeting was held on January 3, 2013, with thirteen attendees, including residents of eight out of the nine spaces impacted, the resident rep, two of the park owners and one city staff member.

There were no code enforcement cases in this park during the past year.

CC: Barbara Redlitz, Director of Community Development
Karen Youel, Rent Control Administration

ESCONDIDO
City of Choice

January 9, 2012

MOBILEHOME PARK RENT CONTROL CODE ENFORCEMENT INSPECTION REPORT

Park Name:	Vista Verde Estates		
Park Owner:	Vista Verde Estates LLC 1924 Sheridan Ave. Escondido, CA. 92027		
Park Manager:	Emilia Wills	**Phone:**	(760) 745-1677
Inspection Date:	01/09/2013	**Inspectors:**	Art Stephens Dan Hippert Bill Kaw

The following report is based on the inspection of the mobile home park conducted under provisions outlined in the California Health & Safety Code, Division 13, Part 2.1; the California Code of Regulations, Title 25, Chapter 2; the Escondido Zoning Code, Article 45; and the Escondido Municipal Code. This inspection report only addresses health and safety issues that are related to areas for which maintenance, repair and operations is the responsibility of the owners and managers of the park.

General Violations:

1. Repair or replace the lock mechanisms on the two sliding glass doors in the recreation room. 25 CCR 1605(k)
2. Install a smoke detector in the pool table recreation room. 25 CCR 1605(1)
3. Repair or remove the three inoperable wall heaters in the ladies restroom, men's restroom and the laundry room. 25 CCR 1605(f) (1)
4. Replace the missing window pane in the men's restroom. 25 CCR 1605(g) (2)

5. Install a support brace for the gas line next to the dryers in the laundry room. 25 CCR 1605(e)
6. Replace keyed interior deadbolt lock with a non- keyed interior latch. 25 CCR 1605 (k)
7. Install caulking around shower head arm and above tile joint. 25 CCR 1605(a) (6)
8. Repair or replace the hot water valve for the outdoor shower, in the pool area. 25 CCR 1605(a) (3)
9. Repair the gate latch leading from the pool into the laundry room, must be self-latching. 25 CCR 1042 Pursuant to CBC 3118(b)(2)
10. Remove all combustibles from within 3 feet of the pool furnace equipment. 25 CCR 1605(h) (j)
11. Install two earthquake straps to the hot water heater. 25 CCR 1605(e)
12. Stabilize the four leaning fence posts, two at the office area and two near the pool area. 25 CCR 1102(a)
13. Install a drain tube from the office air conditioning unit to the ground level. 25 CCR 1605(e)
14. Repair the broken concrete footing, left corner of the carport. 25 CCR 1605(b) (1)
15. Install an expandable plug in the sewer vent pipe opening, in the carport area. 25 CCR 1605(e)

Electrical Violations: The below listed items are in violation of 25 CCR 1605(d) (1) or (d) (2).

1. Replace the faulty GFCI electrical plug right side of the kitchen sink.
2. Properly mount the electric plug box above the microwave cabinet per code.
3. Replace the two junction box dead front covers to eliminate the exposed wiring in the kitchen closet.
4. The light fixture in the hallway leading to the men's restroom is not working.
5. Replace the faulty GFCI electrical plug in the ladies restroom.
6. Repair the light in the pool equipment room.
7. Install a dead front cover for the timer box in the pool equipment room.
8. Replace the broken exterior electrical plug cover mounted to the wall, backside of the recreation room.
9. Remove the exposed conduit and electrical cable from the rear of the recreation room.
10. Remove the non- permitted electrical conduit and wiring from the side wall leading from the pool equipment room.

11. Repair the deteriorated junction box at the light post, on the road next to the west side of the clubhouse.
12. Remove the exposed wiring and cap off conduit in the carport area.
13. Replace the missing light post globe at space #45.
14. Remove the exposed electrical romex cable at light post next to the pool.
15. Replace the deteriorated light post at space #4.
16. Install the junction box cover at the light post space 89.

Areas of the park needing illumination per 25 CCR 1108
(Lighting Inspection; 01/08/2013)

1. The lighting inspection revealed a total of four light fixtures that are inoperative. One light is not working at the rear of the clubhouse. The light fixtures adjacent to spaces 78, 81 & 89 are not working.

ESCONDIDO
City of Choice

Code Enforcement Division
201 North Broadway, Escondido, CA 92025
Phone: 760-839-4650 Fax: 760-432-6819

January 30, 2013

Vista Verde Mobile Estates LLC
1924 Sheridan Ave.
Escondido, CA 92027

Dear Mr. Mercer, Mr. Alpert and Ms. Wills,

This notice is to formally advise you that the violations noted in the rent control inspection report dated January 9, 2013 have been inspected and signed off.

We appreciate having the parks cooperation during this process. Our mutual efforts are important in maintaining safe and healthy parks in our city. Please feel free to call me if you have any questions.

Sincerely,

Brian D. Gustafson
Code Enforcement Manager

CC: City Council/Rent Review Board
Karen Youel, Rent Control Administrator

EXHIBIT "B"

SUMMARY APPRAISAL REPORT

VISTA VERDE ESTATES
1924 SHERIDAN AVENUE
ESCONDIDO, CALIFORNIA

APPRAISED FOR

City of Escondido
201 N. Broadway
Escondido, CA 92025

DATE OF VALUE

December 21, 2012

DATE OF REPORT

December 28, 2012

APPRAISED BY

Anderson & Brabant, Inc.
353 West Ninth Avenue
Escondido, California 92025

File No. 12-085

ANDERSON & BRABANT, INC.
REAL ESTATE APPRAISERS AND CONSULTANTS
353 W. NINTH AVENUE
ESCONDIDO, CALIFORNIA 92025-5032
TELEPHONE (760) 741-4146
FAX (760) 741-1049

December 28, 2012

Karen Youel
Management Analysis
Housing Division
City of Escondido
201 North Broadway
Escondido, California 92025

Dear Ms. Youel:

As requested, I have completed a rental analysis of Vista Verde Estates, a 100 space mobile home park located within the city of Escondido, San Diego County, California. The purpose of the analysis was to form an opinion of rental value of the non-exempt spaces in Vista Verde Estates as of December 21, 2012.

It is my understanding that the appraisal report will be utilized in a hearing of the Mobile Home Rent Review Board of the City of Escondido. Discussions of my analysis as well as my final conclusions are included in the attached report.

This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. In addition, the written report has been prepared as a *Summary* report in accordance with Standards Rule 2-2(b), adopted by the Appraisal Standards Board.

The appraisal is subject to certain assumptions and limiting conditions as set forth in the attached report.

Respectfully submitted,

ANDERSON & BRABANT, INC.

James Brabant, MAI
Certified General Real Estate Appraiser
OREA Appraiser No. AG002100

TABLE OF CONTENTS

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following special assumptions and limiting conditions:

1. This appraisal has been prepared in conformity with the Standards of Professional Appraisal Practice of the Appraisal Institute, which incorporates the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation.

2. This is a *Summary* Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinions of value. Supporting documentation concerning the data, reasoning, and analysis is retained in the appraiser's file. The depth of discussion contained in this report is specific for the needs of the client and for the intended use stated in this report. Anderson & Brabant, Inc. is not responsible for unauthorized use of this report.

3. Information regarding the physical characteristics of the subject property was obtained from a physical inspection conducted on November 28, 2012 as well as a subsequent drive-by inspection in December 2012. We have reviewed an Application for Mobile Home Space Rent Increase, submitted by the property owner to the City of Escondido. Rental information pertaining to the actual rents of the non-exempt spaces in the subject park was obtained from said Application. Rental data for the comparable parks was based upon information submitted to the City of Escondido by the individual parks as well as an independent survey.

4. Our recent inspection of the subject property was conducted on November 28, 2012 and revealed the park to be in overall average condition. For purposes of our analysis, we have assumed that the utility systems, including electrical, gas, water, and sewer systems were adequate and in working order as of the date of value.

This appraisal is subject to the following general assumptions and limiting conditions:

1. It is assumed that information furnished to us by our client, including maps, leases, and legal descriptions is substantially correct.

2. No responsibility is assumed for matters legal in character, nor do we render an opinion as to title, which is assumed to be held in fee simple interest as of the date of valuation unless otherwise specified.

3. It is assumed that the property is readily marketable, free of all liens and encumbrances except any specifically discussed herein, and under responsible ownership and management.

4. Photographs, plat and maps furnished in this appraisal are to assist the reader in visualizing the property. No survey of the property has been made, and no responsibility has been assumed in this matter.

5. A title report has not been provided for this appraisal assignment. We have assumed that there are no undisclosed easements or restrictions affecting the property which would adversely impact its value.

6. Soils engineering studies have not been provided to Anderson & Brabant, Inc. It is therefore assumed that there are no hidden or unapparent conditions of the property such as hazardous or toxic wastes and/or other subsoil conditions which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such factors.

7. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the properties. The appraisers' opinions of value are predicated on the assumption that there is no such material on or in the properties that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

8. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the part to whom it is addressed without the written consent of Anderson & Brabant, Inc., and in any event, only with proper written qualification and only in its entirety.

9. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior written consent and approval of Anderson & Brabant, Inc.

10. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide the appraiser customary compensation relating to any subsequent required depositions, conferences, additional preparation or testimony.

11. The opinions of value are of surface rights only and the mineral rights, if any, have been disregarded.

12. No warranty is made as to the seismic stability of the subject property.

13. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in this appraisal report.

14. It is assumed that all required licenses, certificates of occupancy, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the opinions of value contained in this report are based.

15. It is assumed that the utilization of the land or improvements is within the boundaries or property lines of the properties described and that there is no encroachment or trespass unless otherwise stated in this report.

16. The Americans with Disability Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in our analysis.

APPRAISER'S CERTIFICATE

I do hereby certify that, to the best of my knowledge and belief, ...

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I have no present or prospective future interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. The appraiser signing this appraisal report has not provided any service, as an appraiser or in any other capacity, relating to the subject property within the three years immediately preceding acceptance of this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

9. I have made a personal inspection of the property that is the subject of this report.

10. Patricia L. Brabant Haskins provided significant professional assistance to the person signing this report.

11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

12. As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.

James Brabant, MAI State Certification No. AG002100	December 28, 2012 Date

INTRODUCTION

IDENTIFICATION OF THE PROPERTY

The subject property is Vista Verde Estates, a 100 space mobile home park located at 1924 Sheridan Avenue, Escondido, California. According to the application for mobile home space rent increase, submitted by the park owner, there are nine spaces subject to the City of Escondido Rent Stabilization Ordinance. It appears that the park owns and rents out the homes on the remaining 91 spaces.

Ownership

According to public records the subject property is currently vested in the name of ***Vista Verde Estates, LLC.***

PURPOSE OF THE APPRAISAL

The purpose of this appraisal assignment is to provide an opinion of value relating to an Application for Mobile Home Space Rent Increase for Vista Verde Estates. Specifically, the appraisal will provide an opinion of the average space rental value of the non-exempt spaces in Vista Verde Estates in comparison with the lawfully charged space rent at comparable mobile home parks in Escondido.

Rental value is a broad undefined term in appraisal literature. For this analysis, rental value will be defined by the language in Chapter 29, Article 5 of the City of Escondido Municipal Code that addresses Mobilehome Rent Control. The wording for rental value comes from the list of factors to be considered by the Board when responding to an application for rent increase. In this appraisal rental value is defined as "the rent lawfully charged for comparable mobilehome spaces in the City of Escondido."

INTENDED USE/USER

This appraisal report has been prepared for a hearing of the Mobile Home Rent Stabilization Board for the City of Escondido. The intended user of the report is the City of Escondido. The author, and Anderson & Brabant, Inc., are not responsible for any unintended use of this report.

USPAP COMPETENCY PROVISION

We, the offices of Anderson & Brabant, Inc., and specifically James Brabant, MAI, have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please refer to the appraiser's experience data included in the Addenda for additional information.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is something that is assumed to be true, but is not certain. Our analysis assumes that the utility systems, including electrical, gas, water and sewer systems were adequate and in working order as of the date of value. There are also a number of additional Special Assumptions that have been identified on Page 1.

HYPOTHETICAL CONDITIONS

Hypothetical conditions are known to be false, but are presumed to be true for the purpose of reasonable analysis. No hypothetical conditions have been utilized for this assignment

SCOPE OF WORK

In preparing this appraisal, the following steps were taken.

- A thorough inspection of the subject park and neighborhood was conducted on November 28, 2012 with a subsequent drive-by inspection in December 2012.
- Chapter 29, Article 5 of the Municipal Code of the City of Escondido, relating to mobile home rent control, was reviewed.
- Comparable rental parks were identified, surveyed and inspected within the city of Escondido.
- Reviewed Application for Mobile Home Space Rent Increase, for Vista Verde Estates, submitted by the property owner to the City of Escondido. In addition, rental data provided by the City of Escondido, for several of the comparable parks, was also reviewed. This data was submitted to the City of Escondido by the individual parks.
- A rent study was completed comparing the space rent in the subject park to comparable parks in the city of Escondido.
- The final step entailed the organization and drafting of the appraisal report.

REPORT OPTION

This Summary Appraisal Report presents brief discussions of the data, reasoning, and analyses used in the process to develop the opinions of value. It is a written report prepared in accordance with Standards Rule 2-2(b). Additional supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' files. The depth of discussions contained in this report is specific to the needs of the client and for the intended use as previously stated.

DATE OF VALUE

The date of value is December 21, 2012.

DATE OF REPORT

The report date is December 28, 2012.

SALES HISTORY

There have been no transactions involving the subject property in the last five years. In addition, to our knowledge, the subject property is not currently listed for sale.


LOCATION MAP
Subject
RINCON AVE
N BROADWAY
VIEWRIDGE PL
RAINTREE PL
VALLEY VIEW PL
OAKRIDGE PL
CENTRE CITY PKWY
AMBER LN
AMOROSA GLN
W COUNTRY CLUB LN
CRESTVIEW GLN
RIDGEVIEW PL
PLEASANTWOOD LN
COLLINS TER
POPPYFIELD GLN
WEISS WAY
AMELIA PL
SHAY PL
LINSAY PL
MILAN GLN
LORETO GLN
CENTENNIAL WAY
SHERIDAN PL
MADRONE GLN
VINTAGE PL
VISTA AVE
PHEASANT PL
PARADISE ST
CHEYENNE LN
GRANDVIEW CT
VIA ALEXANDRA
GREENVIEW RD
ESCONDIDO FWY
LOMA LN
HUBBARD AVE
HUBBARD PL
TIBIDABO DR
CHALZO PL
TIMBER GLN
NORMANDY GLN
LISA WAY
GREENWAY RISE
WINTERGREEN GLN
NEPTUNE PL
LA LOMITA DR
ESCUELA GLN
CONIFER GLN
S IRIS LN
NOB HILL DR
LINTHICUM DR
NASH ST
FALLSVIEW PL
CREENCIA PL
AMOR PL
CONWAY DR
ALTA VISTA AVE
E EL NORTE PKWY
STANLEY WAY
IRIS WAY
ERICA ST
DAISY ST
CAMELLIA ST
CLEO ST
N ROSE ST
CALLE PL
RINCON VILLA DR
BEECH PL
N ELM ST
AMALFI PL
SORRENTO PL
HOOVER ST
ROOSEVELT ST
PABLO PL
GRANGER AVE
MANZANITA AVE
VIEW POINTE AVE
E LINCOLN AVE
MAGNOLIA PL
YORK PL
ROSE WAY
OLEANDER PL
SUMAC PL
CALLE DEL PORTAL
W EL NORTE PKWY
PICO WAY
DALE AVE
TOWER LN
JENNIFER CT
AWANA GLEN
RONDA PL
ABRIL WAY
VISTA WAY
E EL NORTE PKWY
BANYAN WAY
N GRAPE ST
PEACEFUL LN
FARR AVE
TABBY LN
JOEY PL
DEBBIE PL
ORION PL
WANDA CT
CEDAR WAY
E MISSION AVE
WILSON PL
TAYLOR PL
MILLS ST
JEFFERSON AVE
EL PRADO PL
E RUSTIC RD
ROCK HILL PL
SWEETWATER GLEN
N ESCONDIDO BLVD
N BROADWAY
JOSHUA ST
LINCOLN AVE
N FIG ST
ELDER PL
E WASHINGTON AVE
CENTURION PL
AVOCADO AVE
CORRAL GLN
CARROTWOOD GLN
CRYSTAL SPRINGS PL
N QUINCE ST
GAMBLE ST
PARK PL
N GRAPE ST
W CREST ST
CR S14
E PARK AVE
CEDAR BR
E VALLEY PKWY
EDEN PL
DAN WAY
ROCK SPRINGS RD
E WASHINGTON AVE
LANSING CIR
E VALLEY PKWY
N DATE ST
E OHIO AVE
W WASHINGTON AVE
METCALF ST
N ESCONDIDO BLVD
WAVERLY PL
N JUNIPER ST
CR S6
S HICKORY ST
S GRAPE ST
S FIG ST
S ELM ST
S DATE ST
S CEDAR ST
S BEECH ST
SAN PASQUAL VALLEY RD
CLOTHIER PL
CIRCLE DR
SANTA FE AVE
N SPRUCE ST
CENTRE CITY PKWY
W GRAND AVE
CR S6
S MAPLE ST
S BROADWAY
S IVY ST
S JUNIPER ST
E 5TH AVE
CHESTNUT ST
LUNA VISTA PL
PARK HILL LN
SIMPSON WAY
N TULIP ST
W VALLEY PKWY
W 2ND AVE
W GRAND AVE
E 7TH AVE
E 8TH AVE
15
78

CITY AND NEIGHBORHOOD DESCRIPTION

The subject property is located in the city of Escondido in north San Diego County. Escondido is an inland city approximately 25 miles north of San Diego. The city covers an area of approximately 36.51 square miles, with the sphere of influence encompassing approximately 69.20 square miles.

Access to the city is via Interstate 15, which extends northerly from the city of San Diego and passes through Escondido. It then continues northward through Riverside and San Bernardino, through sections of Arizona, Nevada and Utah and beyond. Highway 78 is the major east-west connector between Inland North San Diego County and Oceanside. Other primary arterials through Escondido include the east-west extending streets of Lincoln Avenue, Washington/Ash, and Valley Parkway. Major north-south thoroughfares include Centre City Parkway, Broadway, and Bear Valley Parkway.

Escondido, incorporated in 1888, is the fourth largest city in San Diego County. The January 2012 population of Escondido was approximately 146,064, which represents an increase of approximately 0.7 percent from the January 2011 population level. During this same period, the county population expanded by approximately 0.9 percent.

The subject property is located on the northerly side of Sheridan Avenue in northeast Escondido. The subject is located in a residential area comprised mostly of single family residences. In addition, there are a couple of other mobile home parks a short distance southwest of the subject along El Norte Parkway. This portion of Escondido is up against the foothills and there are various agricultural uses as well. The Daley Ranch and Dixon Lake are located a short distance northeast of the subject property and are both accessed off La Honda Drive. Dixon Lake is open year round and offers fishing, picnic areas, camping and hiking trails. Daley Ranch is a 3,058 acre conservation area acquired in 1996 by the City of Escondido and is managed in perpetuity for the preservation of a biologically unique and diverse habitat area of regional importance. Daley Ranch offers a variety of recreational uses including over 20 miles of multipurpose trails for hiking, mountain biking, and equestrian use.

Various commercial uses are available about one and one-half miles to the west along El Norte Parkway or about one and one-half miles to the south along East Valley Parkway. Uses along both of these thoroughfares include numerous fast-food restaurants, grocery and retail stores. The subject neighborhood is considered to be a good location for a mobile home park.

MOBILE HOME MARKET

As of January 1, 2012, approximately 7.8 percent of the total housing units within the city of Escondido were mobile homes. The California State Department of Finance reports that there are 3,758 mobile homes in the city.

During the course of our current investigation, a total of 12 mobile home parks, including the subject park, located in the City of Escondido, were surveyed. The 12 parks ranged in size from 72 to 314 spaces. The total number of combined spaces in the parks surveyed totaled 1,829 with most parks reporting little or no vacancy. Historically, the number of vacant mobile home spaces within San Diego County has been negligible. However, recently some parks have seen slight increases in vacancy due to economic conditions. Only 18 spaces were reported vacant out of the 1,829 surveyed which equates to an overall vacancy rate of less than one percent. Eight parks were 100 percent occupied while vacancy rates ranged from less than one percent to a high of 4.5 percent in the remaining four parks.

The number of mobile homes in the city of Escondido has changed very little over the past decade or so. This, of course, points to the fact that not only in Escondido, but throughout the State, there has been negligible new construction of mobile home parks for many years. Most existing parks in the area were built in the 1960's or 1970's.

MOBILEHOME RENT CONTROL ORDINANCE

In 1988, the City of Escondido enacted a voter approved Mobilehome Rent Control Ordinance (Proposition K). Chapter 29, Article 5 of the City of Escondido Municipal Code addresses Mobilehome Rent Control. The city council of the City of Escondido serves as the mobilehome park rental review board, and the Municipal Code outlines the duties and responsibilities of the board as well as establishes a base rent. The base rent established is the rent being charged on January 1, 1986. The Municipal Code does not have any provision for annual rental increases and a park owner cannot implement an increase in space rent without prior approval by the mobilehome park rental review board. The following is an excerpt from the Municipal Code listing the factors to be considered by the board in determining if a space rent adjustment is just, fair and reasonable. This is considered by the ordinance to be a non-exclusive list of factors to determine if an increase in rent should be allowed.

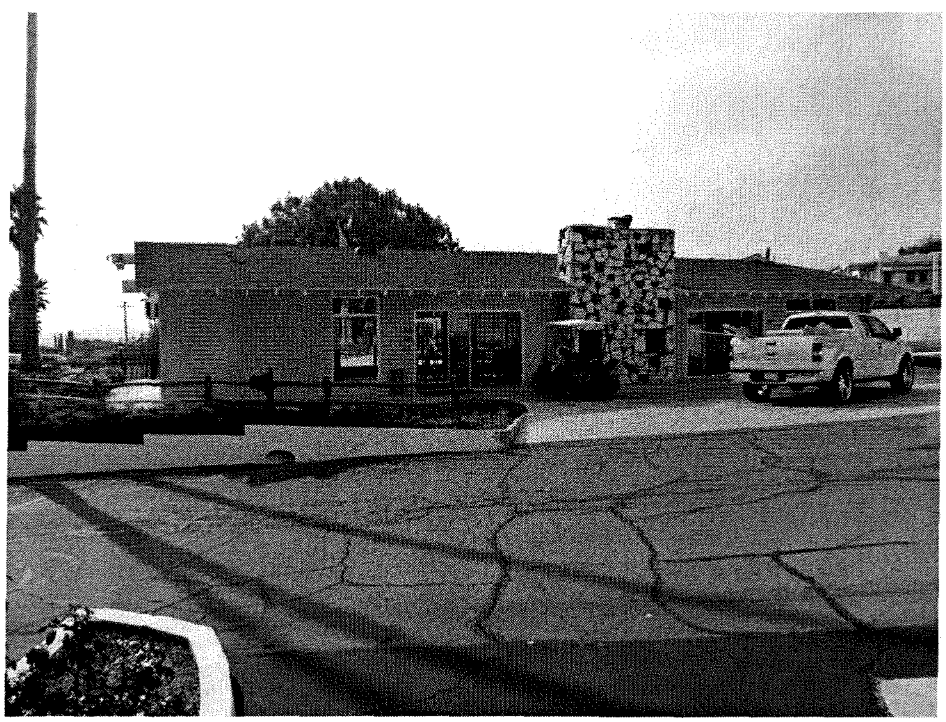
1. "Changes in the Consumer Price Index for All Urban Consumers in San Diego Metropolitan Area published by the Bureau of Labor Statistics.
2. The rent lawfully charged for comparable mobilehome spaces in the City of Escondido.
3. The length of time since either the last hearing and final determination by the board on a rent increase application or the last rent increase if no previous rent increase application has been made.
4. The completion of any capital improvements or rehabilitation work related to the mobilehome space or spaces specified in the rent increase application, and the cost thereof, including such items of cost including materials, labor, construction interest, permit fees, and other items as the board deems appropriate.
5. Changes in property taxes or other taxes relating to the subject mobilehome park.
6. Changes in the rent paid by the applicant for the lease of the land on which the subject mobilehome park is located.
7. Changes in the utility charges for the subject mobilehome park paid by the applicant and the extent, if any, of reimbursement from the tenants.
8. Changes in reasonable operating and maintenance expenses.
9. The need for repairs caused by circumstances other than ordinary wear and tear.
10. The amount and quality of services provided by the applicant to the affected tenant.
11. Any existing written lease lawfully entered into between the applicant and the affected tenant."

In 1996, Escondido's Mobilehome Rent Control Ordinance was challenged in the case of *Thomsen v. City of Escondido*. Thomsen, a mobilehome park owner, brought action against the City of Escondido citing that the voter approved (Proposition K) rent control ordinance did not specifically address the issue of vacancy control, and it was neither expressed nor implied. In other words, it was argued that a mobilehome park owner should be able to increase rents to any level upon the transfer of a home to a new tenant. After a transfer of a home, the new tenant would be protected under the rent control ordinance and all future space rent increases to the same tenant would be subject to review by the mobilehome rent review board. The court ruled that the ordinance did not have any provision for vacancy control and did not specifically govern rents to be charged to incoming tenants upon sale or transfer of a mobilehome located within a park. Currently, the majority of mobilehome parks within the city of Escondido are increasing rents upon turnover.

There are some exemptions from the Mobilehome Rent Control Ordinance provided by state and federal law, including but not limited to, any newly constructed spaces held out for rent subsequent to January 1, 1990, pursuant to California Civil Code 798.7 and 798.45; and, spaces which are not the principal residence of the homeowner and are therefore exempt under California Civil Code 798.21. In addition, California Civil Code 798.17 permits long term leases that would be exempt from rent control.

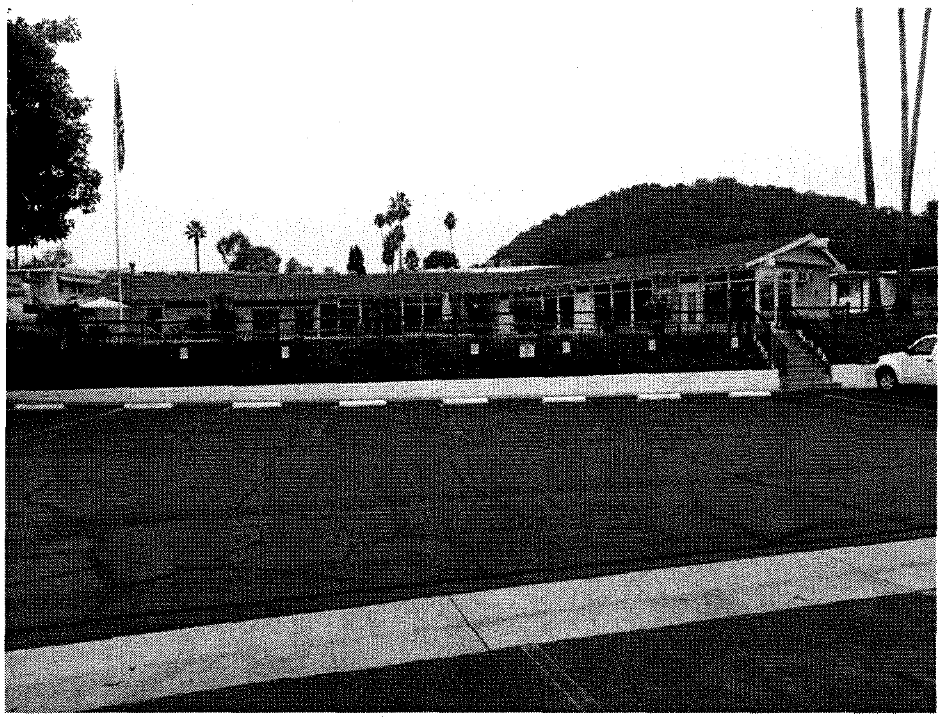
SUBJECT PROPERTY PHOTOGRAPHS

Park Entrance.

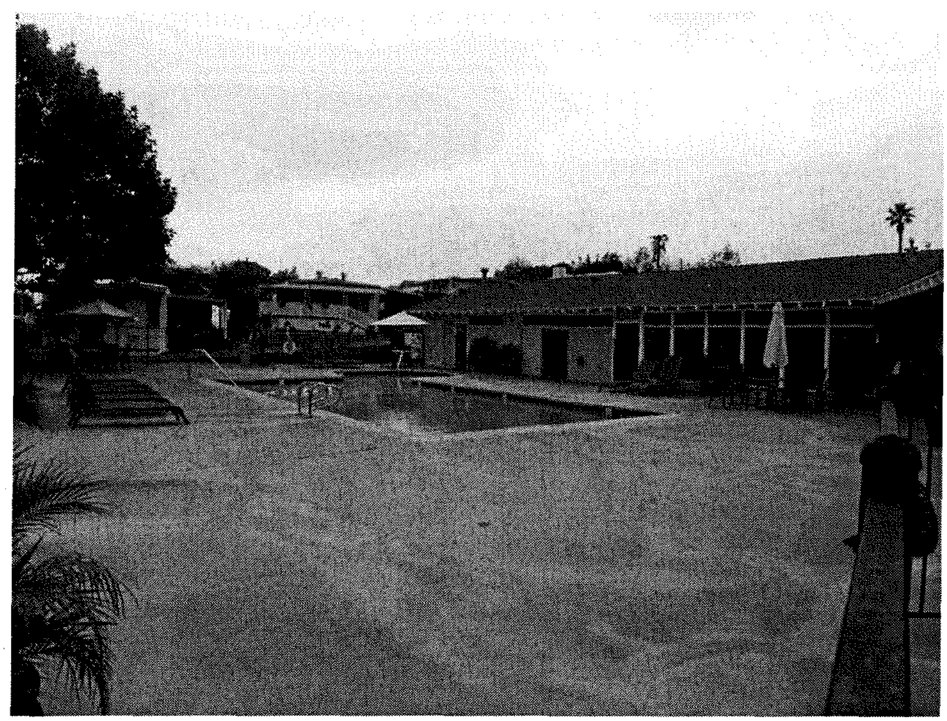


Front view of clubhouse.

SUBJECT PROPERTY PHOTOGRAPHS



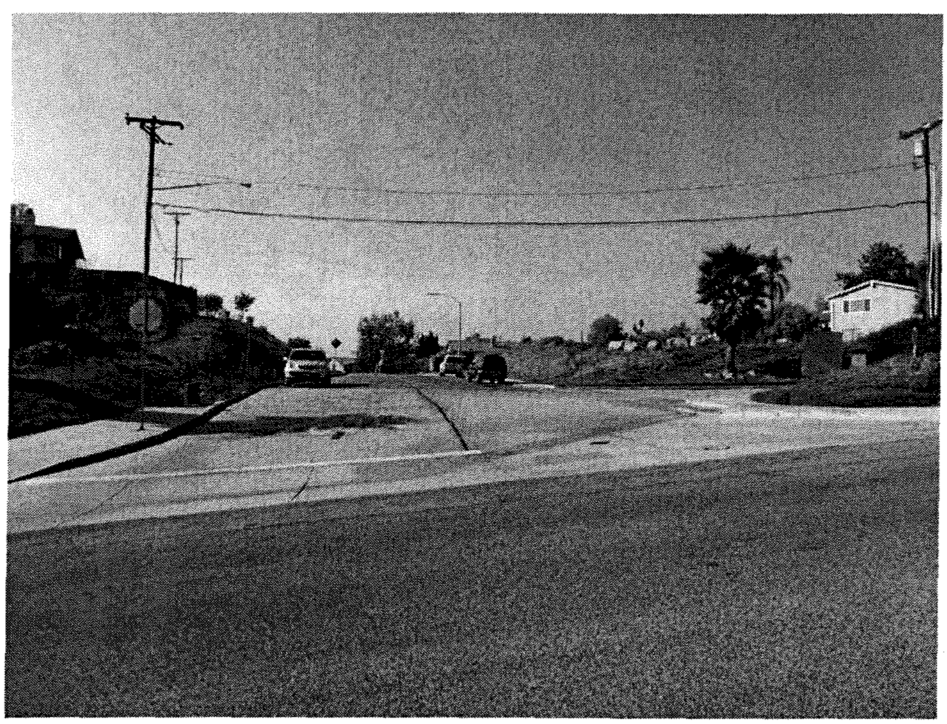
Rear view of clubhouse.



Pool area and rear of clubhouse.

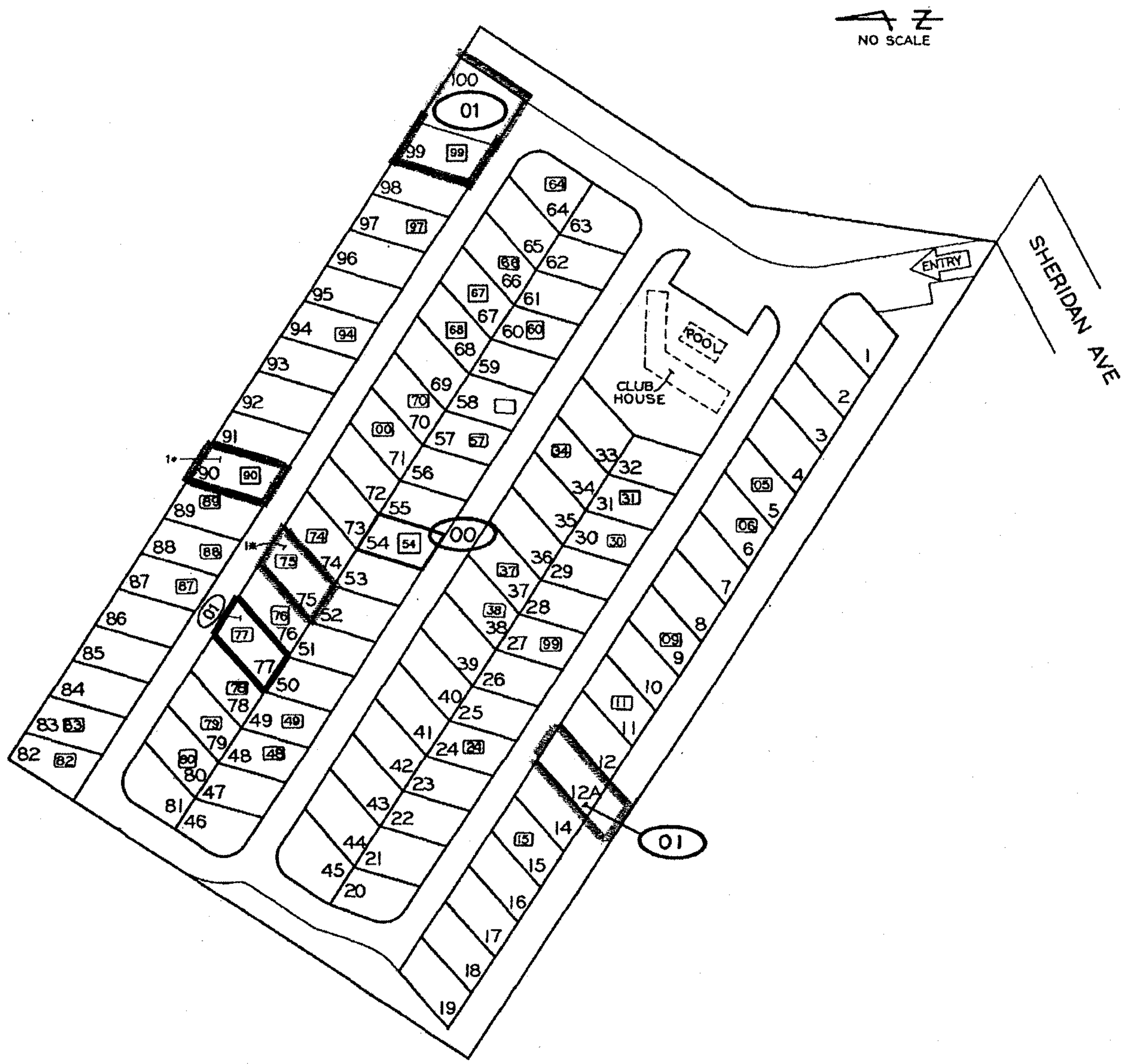
SUBJECT PROPERTY PHOTOGRAPHS

Interior street.



Looking southwest along Sheridan Avenue with the subject park visible on the right.

PARK MAP



SUBJECT PROPERTY DESCRIPTION

LAND DESCRIPTION

Size and Shape

The subject site consists of six Assessor's parcels that when combined total approximately 10 acres in size and is nearly rectangular in shape.

Flood Hazard

According to FEMA maps, Community Panel No. 06073C0814G, dated May 16, 2012, the property is within Zone X (unshaded) which is defined as areas determined to be outside the 0.2% annual chance floodplain.

Seismic Hazard

The subject property is not located within an Earthquake Fault Zone as identified by the State of California. However, it is subject to some ground shaking as is most of the property within the State of California.

Toxic Hazard

An Environmental Site Assessment for the subject property has not been provided. An onsite inspection did not reveal evidence of any underground storage tanks or commercial chemical storage, and there was no evidence of hazardous or toxic materials. However, the appraiser is not an expert is this field and the opinions of value assume that there are no toxic wastes that would impact the continued use of the property as a mobile home park.

Soils

A soil report has not been provided for this appraisal. It is assumed that there are no soil conditions that would adversely affect the continued mobile home park use.

Utilities

The following utilities are available and connected to the subject property including: electricity, sewer, natural gas, water, telephone and cable TV. In this analysis, we have assumed that the utility systems were adequate and in an acceptable working order as of the date of value.

Street Improvements/Access

The subject property has frontage along Sheridan Avenue and Vista Verde Drive. Both streets are publicly maintained thoroughfares, asphalt paved to a width of two lanes. In addition, both streets are improved with concrete sidewalks, curbing, and gutters along the subject frontage. The interior private streets are asphalt paved.

Easements

A current title report has not been provided for this appraisal. It is assumed that there are no easements or encumbrances impacting the subject site that would adversely affect the continued use of the property as a mobile home park.

SUBJECT PROPERTY DESCRIPTION

Park Name:	Vista Verde Estates
Address:	1924 Sheridan Avenue, Escondido
Assessor's Parcel Number:	224-100-63 to 68
Owner:	Vista Verde Estates, LLC
No. of Spaces:	100
Park Type:	All-age park
Size/Density:	10 acres / 10 dwelling units per acre
Topography:	Moderately sloping up to the northwest
Zoning/General Plan:	PD (Planned Development / S (Suburban) up to 33 du/ac.
Year Built:	1966 per public records
Home Type:	Mixture of single and double wide homes.
Views:	Many of the homes have good area views to the southeast.
Amenities:	Clubhouse, pool, spa, and laundry.
Occupancy:	100%
Rental Rates:	The current space rent for the nine non-exempt spaces in the subject park range from $210 to $644 with an average of $411. These rents were reported in the application for mobile home space rent increase that was submitted to the City of Escondido, by the park owner. The rent upon turnover was not reported. According to the park owner, it has been in excess of 10 years since a home in the park has sold. In addition, the park owner indicated that turnover rent would have to be considered on a case by case basis depending on the economic conditions and market rent level at the time of sale. It appears that the park owns and rents out the homes on the remaining 91 spaces. A copy of the rent roll that was included with the special adjustment application has been included in the Addenda.
Utilities Included:	None
Comments:	This is an average quality park that is in overall average condition for its age.

ASSESSMENT DATA

The subject property may be identified by Assessor's Parcel Nos. 224-100-63 to 68. The assessed values and property taxes for 2012/2013 are as follows:

	Assessed Values			
Assessor's Parcel No.	Land	Improvements	Total	2012/13 Taxes
224-100-63	$231	$0	$231	$2.62
224-100-64	$218,994	$183,238	$402,232	$4,626.80
224-100-65	$414,941	$347,194	$762,135	$8,760.42
224-100-66	$299,678	$250,751	$550,429	$6,328.70
224-100-67	$218,994	$183,238	$402,232	$4,642.98
224-100-68	$1,822	$8,789	$10,611	$148.50
Total	$1,154,660	$973,210	$2,127,870	$24,510

Tax Rate Area	04013
Tax Rate	1.14079%

The tax rate for any given area reflects a 1.0 percent base to which is added voter approved assessments and any service/municipal fees that may be applicable. The above taxes include special assessments (fixed charges) totaling $235.56

ANALYSES AND CONCLUSIONS

METHODOLOGY

As previously stated, the purpose of this appraisal assignment is to provide an opinion of space rental value relating to an Application for Mobile Home Space Rent Increase for Vista Verde Estates. Specifically, the opinion will provide an estimate of the average space rental value of the non-exempt spaces at Vista Verde Estates in comparison with other mobile home parks in Escondido.

The park owner has filed an application requesting space rent increases ranging from $458.82 to $890.50 per month for those spaces subject to the rent control ordinance. The requested rent increases for the nine non-exempt spaces are as follows:

Space No.	Current Rent	Requested Increase	Percentage Increase	Requested New Rent
7	$433.11	$666.89	153.98%	$1,100
49	$449.33	$650.57	144.79%	$1,100 *
51	$329.47	$770.53	233.87%	$1,100
59	$209.50	$890.50	425.06%	$1,100
63	$644.43	$458.82	71.20%	$1,100 *
67	$460.00	$640.00	139.13%	$1,100
80	$329.46	$770.54	233.88%	$1,100
96	$405.99	$694.01	170.94%	$1,100
100	$439.33	$660.67	150.38%	$1,100

* Spaces 49 and 63 appear to have slight math errors. However, we have used the figures exactly as reported on the rent roll in the application.

In determining whether a space rent adjustment is just, fair and reasonable, the mobile home park rental review board is required to specifically consider several factors listed in the ordinance. The Mobilehome Rent Control Ordinance of the Escondido Municipal Code Section 29-101 lists 11 non-exclusive factors that the board considers upon reviewing an application. Specifically, Item 2 states "The rent lawfully charged for comparable mobilehome spaces in the City of Escondido" must be considered. In that regard, I have surveyed and completed a comparative analysis of comparable mobile home parks in Escondido.

ANALYSIS OF SPACE RENT

In forming an opinion of space rental value at Vista Verde Estates, I have surveyed eleven other mobile home parks located within the city of Escondido. The parks that were used for direct comparison to the subject have been summarized on the following page. A market data map identifying the location of the subject park in relation to the comparable parks has been included in the Addenda.

SUMMARY OF COMPARABLE RENTALS

Comp No.	Park Name/ Address	No. Spaces	Year Built	Size (Acres)/ Density (DU/AC)	Occupancy	Monthly Rent (Rent Control Spaces)	Monthly Rent (Spaces on Leases) *	Rent Upon Sale	Overall Avg. Monthly Space Rent	Utilities Included	Park Type	Quality/ Condition	Amenities/Comments
Subj.	Vista Verde Estates 1924 Sheridan Avenue Escondido	100	1966	10.0 10.0	100.0%	$210-644 $411	N/A	Unknown	$411	None	All-Age	Avg/ Avg	Clubhouse, pool, spa, laundry. Many good area views.
1	Carefree Ranch 211 No. Citrus Escondido	185	±1970	20.02 9.2	100.0%	$363-662 $466	$358-625 $550	$495-625	$495	None	Senior	Avg+/ Good	Clubhouse, pool, spa, shuffleboard, car wash, laundry, guest house
2	Valley Parkway MHP 1721 E Valley Parkway Escondido	144	Older	9.95 14.5	99.3%	$309-600 $419	None	$600	$419	Trash	All-Age	Avg/ Avg	Clubhouse, pool, car wash, BBQ, laundry
3	Casa de Amigos 1751 W. Citracado Parkway Escondido	138	1978	21.5 6.4	100.0%	$518-694 $587	$650 (average)	Varies	$630 (Estimated)	None	Senior	Avg+/ Avg+	Clubhouse, pool, spa, BBQ shuffleboard, laundry. Some area views.
4	Eastwood Meadows 2550 E. Valley Parkway Escondido	129	1970's	13.91 9.3	100.0%	$304-650 $460	$630-650	$630-650	$510 (Estimated)	Water, basic cable	All-Age	Avg+/ Avg+	Pool, wading pool, clubhouse, BBQ, car wash, playground, laundry
5	Town & Country Club Park 2280 East Valley Parkway Escondido	155	1968	18.86 8.2	95.5%	$478-620 $551	None	$620	$551	Water, sewer trash, cable TV	Senior	Good/ Good	Clubhouse, pool, spa, sauna, shuffleboard, laundry
6	Imperial Mobile Estates 2300 E. Valley Parkway Escondido	250	1967	29.75 8.4	98.0%	$300-746 $575 (All Spaces)	$300-746 $575 (All Spaces)	$575-746	$575	Trash	Senior	Good/ Good	2 clubhouses, 2 pools, spa, shuffleboard, 2 laundry rooms
7	Lake Bernardo 1202 Borden Road Escondido	167	1960's	24.64 6.8	97.0%	$310-800 $547	$650-850	$650-850	Unavailable	None	All-Age	Avg+/ Avg	Pool, clubhouse, shuffleboard, laundry, lake. Some lake views
8	Mobile Park West 2700 E. Valley Parkway Escondido	314	1971	36.68 8.6	100.0%	$275-660 $442	$313-650 $614	$640-650	$497 (excludes subsidized rents)	Water	All-Age	Good/ Good	Clubhouse, pool, spa, sauna, BBQ, car wash, playground, laundry
9	Sundance MHP 2250 No. Broadway Escondido	88	1977	13.73 6.4	100.0%	$532-557 $545	$609-777 $760	$750-777	$682 (Estimated)	Water, sewer trash, cable TV	Senior	Good/ Good	Clubhouse, pool, spa, shuffleboard, laundry, greenbelts
10	Sunset Terrace 1530 El Norte Parkway Escondido	72	Older	9.23 7.8	100.0%	None (67 park owned homes)	$324-650 $430 (5 spaces)	Unknown	$430	None or water, sewer	All-Age	Avg/ Avg-	Pool, laundry. Clubhouse is closed. Driveway to pool is closed. Some good area views
11	Friendly Hills Mobile Manor 1670 El Norte Parkway Escondido	87	Older	11.71 7.4	100.0%	None (71 park owned homes)	$324-650 $430 (16 spaces)	Unknown	$430	None or water, sewer	All-Age	Avg/ Avg-	Clubhouse, pool, shuffleboard, laundry. Some area views

There are a total of 100 spaces at the subject park. According to the rent roll submitted with the application, only nine spaces in the park are subject to the rent control ordinance and have current rents ranging from $210 to $644 per month, with an average of $411 per month. The residents are responsible for the payment of all utilities. As previously discussed, the rent upon turnover was not reported. It has reportedly been in excess of 10 years since a home in the park has sold. The park owner indicated that turnover rent would have to be considered on a case by case basis depending on the economic conditions and market rent level at the time of sale. The remaining 91 spaces have park owned homes on them that are reportedly rented out from about $1,100 to $1,700 per month with many exceeding $1,500. The monthly home rent includes the space rent. The subject is an average quality all-age park currently in overall average condition. Many of the homes have good area views.

For the comparative analysis, I have selected eleven mobile home parks in the city of Escondido considered to be average to good in quality. I have recognized that there is a range in the quality category that relates to the various physical attributes associated with the individual parks (i.e., density, amenities, views, parking, etc). The rents for spaces subject to rent control in these parks ranged from a low of $275 to a high of $850 per month, with the average monthly space rents at each park ranging from $419 to $682 per month. The current average space rent of $411 per month at the subject park for the spaces where an increase has been requested is slightly below the range indicated by the data.

Nine of the eleven parks surveyed had a number of spaces subject to long term leases and, therefore, exempt from rent control. The rents for spaces with long term leases ranged from $300 to $850 per month, with the average at each park ranging from $430 to $760. The average rent for leased spaces is higher than the average rent for spaces that are subject to rent control. The overall average space rent, including both spaces subject to rent control as well as leased (exempt) spaces, for all the parks surveyed, range from $419 to $682 per month.

As previously discussed, there is vacancy decontrol in the city of Escondido. In other words, rents can be increased upon the sale of a home. It appears that all of the parks surveyed are increasing space rents upon turnover. The rents upon turnover range from $495 to $850 per month. The onsite managers at Casa de Amigos, Sunset Terrace, and Friendly Hills Mobile Manor were uncertain as to the rent for new move-ins.

Carefree Ranch is a 185 space senior mobile home park that was built around 1970. This park is located south of the subject. It is considered superior to the subject in terms of quality and condition but inferior for views. The rents for spaces subject to rent control range from $363 to $662 per month with an average space rent of $466 per month. There are 56 exempt spaces that have long term leases. The rents for these spaces ranged from $358 to $625 per month with an average rent of $550. The overall average space rent, including both controlled and exempt spaces, is $495 per month. The rents upon turnover currently range from $495 to $625 per month. The rent does not include any utilities.

Valley Parkway Mobile Home park is a 144 space all-age park located south of the subject. This older park is considered to be average in terms of quality and condition. All of the spaces in the park are subject to rent control. The space rents range from $309 to $600 per month with an average space rent estimated at $419 per month. The rents upon turnover are $600 per month. The rent includes trash. This park is considered similar to the subject in terms of quality and condition but inferior for its lack of views and higher density.

Casa de Amigos is a 138 space senior mobile home park that was built around 1978. This park is located on the west side of Escondido and some spaces have low level area views. This is an above average quality park that is currently in above average condition. Approximately 67 percent of the spaces are on long term leases. The current rents range from about $518 to $694 per month. According to the park manager, the rent upon turnover varies. The rent for spaces subject to rent control average about $587 per month while the spaces subject to long term leases average approximately $650 per month. The overall average rent for all spaces has been estimated at $630 per month. There are no utilities included in the rent. This park is considered superior to the subject in terms of age, quality and condition but similar for having views.

Eastwood Meadows is a 129 space all-age park located southeast of the subject park that opened in the 1970's. It is an above average quality park that is currently in average to above average condition. The spaces subject to rent control range from $304 to $650 per month with an average rent of $460. Approximately 28 percent of the spaces are on long-term leases with rents ranging from $630 to $650 per month. The overall average rent for all spaces is approximately $510 per month with rents upon turnover ranging from $630 to $650. The rent includes water and basic cable. This park is considered slightly superior to the subject in terms of quality and condition but inferior for views.

Town & Country Club Park is a 155 space senior park that is located south of the subject. This is a good quality park that is currently in good condition. All of the spaces are subject to rent control and the rents currently range from $478 to $620 per month with an average rent of $551 per space per month. The rent upon turnover is $620 per month. The rent includes water, sewer, trash and cable television. This park is considered superior to the subject in terms of quality and condition but inferior for views.

Imperial Mobile Estates is a 250 space senior park that is located south of the subject. This is a good quality park that is currently in good condition. Approximately 30 percent of the spaces are on long term leases and exempt from rent control. The rents currently range from $300 to $746 per month with an overall average rent of $575 per space per month. The park manager did not provide a separate range for spaces subject to rent control versus spaces on long-term leases. The rent upon turnover ranges from $575 to $746 per month. The rent includes trash pick-up only. This park is considered superior to the subject in terms of quality and condition but inferior for views.

Lake Bernardo is a 167 space, all-age park located in northwest Escondido. The park opened in the 1960's and is of above average quality and in average condition. Approximately 58 percent of the spaces are on leases and, therefore, exempt from rent control. The rents for spaces on rent control range from $310 to $800 per month with an average monthly rent of $547. The exempt spaces have monthly rents ranging from $650 to $850 per month. The average rent for spaces exempt from rent control as well as an overall average were not available. The current rents upon turnover range from $650 to $850 per month. There are no utilities included in the rent. Some of the spaces have lake views. Overall this park is considered only slightly superior to the subject park.

Mobile Park West is a 314 space all-age park located southeast of the subject. The park opened in 1971 and is considered superior to the subject in most respects, except for views. The current rents range from $275 to $660 per month with an average monthly rent of $442 for spaces subject to rent control. Exempt spaces have rents ranging from $313 to 650 with an average rent of $614 per month. The overall average rent for the park is $497 per month which excludes about six spaces that are reportedly subsidized by the City of Escondido. The rents upon sale range from $640 to $650 per month. The rent includes water.

The highest overall average space rent of $682 per month was produced by Sundance Mobile Home Park. This is an 88 space senior mobile home park that was built around 1977. This park is located in north Escondido and has small greenbelt areas throughout. This is a good quality park that is currently in good condition. Approximately 64 percent of the spaces are on long term leases. The current rents range from about $532 to $777 per month. The rent on turnover, is from $750 to $777 per month. The rent for spaces subject to rent control average about $545 per month while the spaces subject to long term leases average approximately $760 per month. The space rent includes water, sewer, trash and cable television. Overall, this park is superior to the subject in terms of age, quality, condition and density.

Sunset Terrace and Friendly Hills Mobile Manor are both located a short distance south of the subject park along El Norte Parkway. Both parks have the same owner and are operated jointly. Like the subject park, the majority of the homes in Sunset Terrace and Friendly Hills are park owned and rented out. Only a small portion of the spaces in each park have resident owned homes. Sunset Terrace is a 72 space all-age park built on a hillside. Some of the homes have good area views. This is an average quality park that is currently in below average condition. The streets are disintegrating and the clubhouse is closed and unavailable to the residents. According to the manager, the pool is open and available for use; however, residents must walk up to it since the driveway to the clubhouse/pool area is also closed. Only 5 homes in the park are resident owned and are reportedly on long-term leases. The rent for these spaces range from $324 to $650 with an average of about $430 per month. The onsite manager could not site a specific turnover rent and indicated that the park owner would make that determination on a case by case basis. The rent includes water and sewer for some of the spaces while other spaces do not have any utilities included in the rent. Although this park is considered similar to the subject in terms of quality and views, it is significantly inferior in terms of condition.

Friendly Hills Mobile Manor is an 87 space all-age park located adjacent to Sunset Terrace. Some of the homes have good area views. This is an average quality park that is currently in below average condition. The streets are in need of repaving. Only 16 homes in the park are resident owned and are reportedly on long-term leases. The rents for these spaces range from $324 to $650 with an average of about $430 per month. The onsite manager could not site a specific turnover rent and indicated that the park owner would make that determination on a case by case basis. The rent includes water and sewer for some of the spaces while other spaces do not have any utilities included in the rent. Like Sunset Terrace, this park is considered similar to the subject in terms of quality and views, but inferior in terms of condition.

As previously discussed, one of the factors that must be considered by the mobilehome rent review board is "the rent lawfully charged for mobilehome spaces in the City of Escondido." Consequently, I have considered rents for spaces under rent control as well as leased spaces in the comparable parks. Currently, there are three tiers of rents at many of the mobile home parks in Escondido. The lowest rents are typically spaces subject to rent control where the tenant (mobile home owner) has been there many years. The highest rents are spaces subject to rent control where there has been a recent sale of the home and the space rent has been increased for the new resident. The rent for leased spaces that are not subject to rent control are typically in-between the other two. Since all three are considered to be lawfully charged rent, I have utilized all three (where applicable) in the overall rent of each park that was used for comparison purposes. In addition, Escondido's rent control ordinance does not specify which rents to focus on when looking at comparable mobilehome spaces in Escondido. It does not state that more weight should be given to the low end rents or the high end rents. Therefore, we have considered all rents and focused on the overall average for each park.

Although the subject park did not report turnover rent, the majority of park owners in Escondido are increasing rents upon the transfer of a home. However, under the mobilehome rent control ordinance, space rents in mobile home parks within the city of Escondido cannot be increased all at one time to these higher levels and they could only be achieved upon turnover. Thus, it would take a considerable amount of time to bring the overall average rent up to this level. This is further evidenced by the fact that it has reportedly been more than 10 years since a home in the subject park has sold. Therefore, it would be inappropriate to apply an increase reflective only of the turnover rent that will impact all of the non-exempt spaces at Vista Verde Estates.

The space rent at the subject park does not include any utilities. Because the utilities included in space rent vary significantly from park to park, it is necessary to adjust the overall average rents at the comparable parks for this difference. An adjustment grid for the utility differences follows.

Comp No.	Park Name/ Address	No. Spaces	Year Built	Overall Avg. Monthly Space Rent	Utilities Included	Adjustment for Utilities	Adjusted Rent
Subj.	Vista Verde	100	1966	$411	None	--	--
1	Carefree Mobile Home Ranch	185	1970	$495	None	$0	$495
2	Valley Parkway MHP	144	Older	$419	Trash	-$15	$404
3	Casa de Amigos	138	1978	$630	None	$0	$630
4	Eastwood Meadows	129	1970's	$510	Water, Cable TV	-$60	$450
5	Town & Country Club Park	155	1968	$551	W,S,T, Cable TV	-$90	$461
6	Imperial Mobile Estates	250	1967	$575	Trash	-$15	$560
7	Lake Bernardo	167	1960's	N/A	None	$0	N/A
8	Mobile Park West	314	1971	$497	Water	-$30	$467
9	Sundance MHP	88	1977	$682	W,S,T, Cable TV	-$90	$592
10	Sunset Terrace	72	Older	$430	None or W, S	$0	$430
11	Friendly Hills Mobile Manor	87	Older	$430	None or W, S	$0	$430

After adjusting for utilities, the ten adjusted rents range from $404 to $630 per month, with an average of $492 per month. Seven of the eleven parks have rents below $500 and produced an adjusted range of $404 to $495. There is a group of five parks clustered a short distance southeast of the subject around the east end of East Valley Parkway that include Carefree Ranch, Eastwood Meadows, Town & Country Club Park, Imperial Mobile Estates and Mobile Park West. The average adjusted rent at these parks ranged from $450 to $560 with an average of $487. These five parks are all superior to the subject in terms of quality and condition but are inferior for views. Overall they are considered slightly superior. This would suggest that an average rent below $487 per month for the subject would be appropriate.

Three of the remaining parks (Valley Parkway MHP, Sunset Terrace and Friendly Hill Mobile Manor) are inferior to the subject park and produced adjusted average rents ranging from $404 to $430. Thus, an average rent greater than $430 is appropriate for the subject park.

Consideration must also be given to the three remaining parks (Casa de Amigos, Lake Bernardo and Sundance). Casa de Amigos and Sundance produced the highest overall average rents of $630 and $592 respectively. These are both newer parks that are superior in terms of quality and condition. In addition, Sundance has greenbelts throughout the park and Casa de Amigos has some views. An overall average rent was not reported for Lake Bernardo; however, the average controlled rent was reportedly $547. This park is considered only slightly superior to the subject. These three parks produced rents higher than the other eight parks and suggest that an average rent near or below $547 is indicated for the subject.

The three inferior parks have suggested that the rental value of the subject park spaces should be substantially higher than $430 per month. The five parks clustered around the east end of Valley Parkway have suggested that the subject rent should be slightly below $487 per month. The three remaining parks suggest a higher rent that would be near or below $547 per month. After consideration of all eleven of the comparable rental parks, it is my opinion that an overall average rental value of $490 per month is indicated for Vista Verde Estates, as of December 21, 2012. This rental value does not include any utilities. This conclusion calculates to an increase of $79 per month from the current overall average space rent of $411 per month.

Addenda

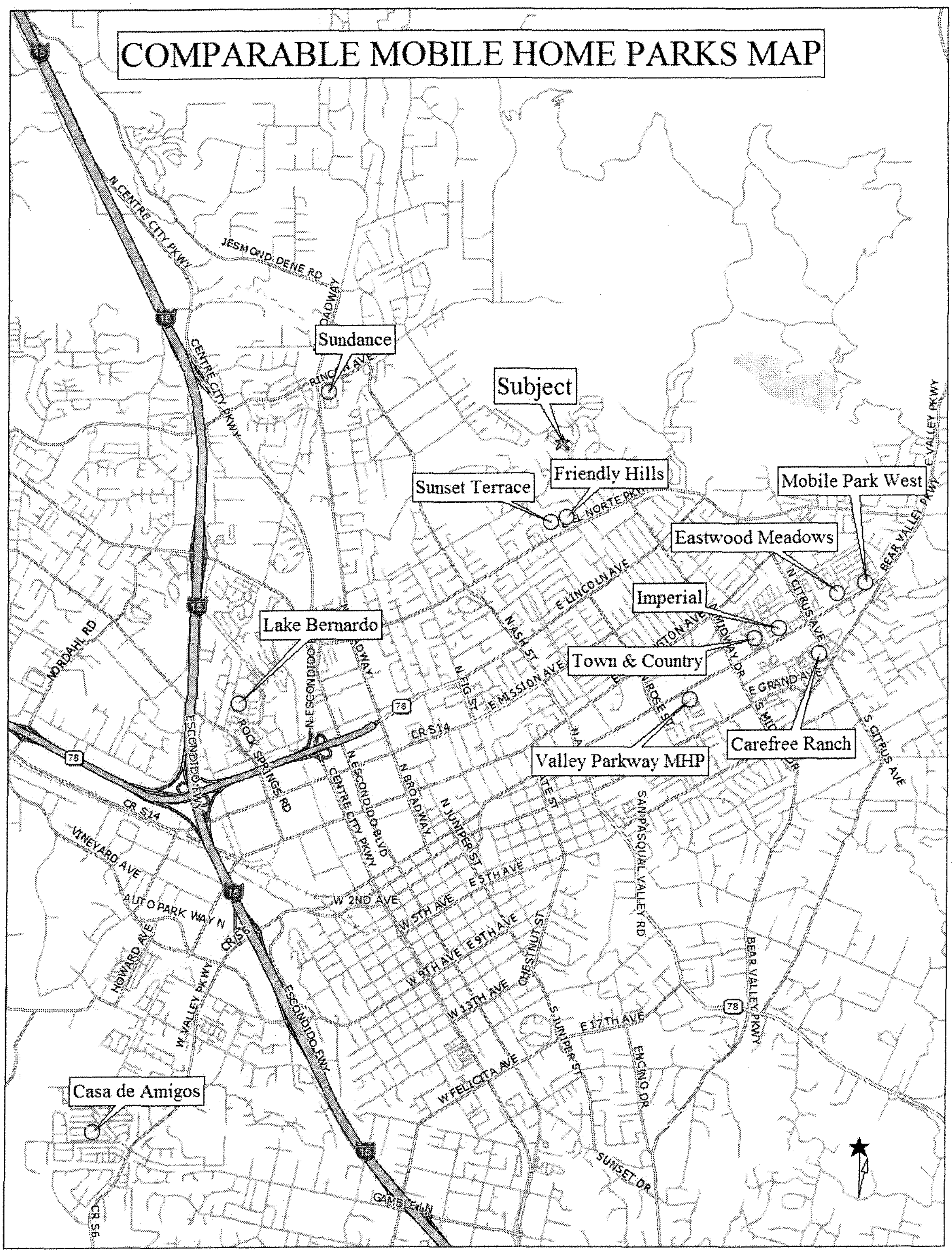
SPACE RENTALS

Complete for all spaces affected by Proposed Increase:

Date of last increase: N/A

DIRECTIONS: 1. List the monthly space rent collected for all affected spaces at the date the last increase was granted. 2. **If spaces have been added due to termination of long-term leases or space rents have been raised during a calendar year since the last increase was granted, list the *highest rent* paid for each space during that calendar year.** If the last increase was granted more than three years ago, use additional pages as needed. *This sheet may be duplicated as necessary.*

	Rent in 2009	Rent in 200 2010	Rent in 200 2011	Current Rent	Requested Increase($)	Percentage Increase	Requested New Rent
Total for All Spaces:							
Space No.							
7	433.11	433.11	433.11	433.11	666.89	154	1100
49	449.33	449.33	449.33	449.33	650.57	146	1100
51	329.47	329.47	329.47	329.47	770.53	234	1100
59	209.50	209.50	209.50	209.50	890.50	425	1100
63	644.43	644.43	644.43	644.43	458.82	72	1100
67	460.00	460.00	460.00	460.00	640	139	1100
80	329.46	329.46	329.46	329.46	770.54	234	1100
96	405.99	405.99	405.99	405.99	694.01	171	1100
100	439.33	439.33	439.33	439.33	660.67	150	1100


COMPARABLE MOBILE HOME PARKS MAP
Sundance
Subject
Friendly Hills
Sunset Terrace
Mobile Park West
Eastwood Meadows
Imperial
Lake Bernardo
Town & Country
Carefree Ranch
Valley Parkway MHP
Casa de Amigos
N CENTRE CITY PKWY
JESMOND DENE RD
CENTRE CITY PKWY
E LINCOLN AVE
NASH ST
E MISSION AVE
N CITRUS AVE
BEAR VALLEY PKWY
E VALLEY PKWY
S CITRUS AVE
E GRAND AVE
ROCK SPRINGS RD
N ESCONDIDO BLVD
N BROADWAY
N JUNIPER ST
CR S14
VINEYARD AVE
AUTO PARK WAY N
W 2ND AVE
W 5TH AVE
E 5TH AVE
W 9TH AVE
E 9TH AVE
W 13TH AVE
CHESTNUT ST
S JUNIPER ST
E 17TH AVE
ENCINO DR
SAN PASQUAL VALLEY RD
HOWARD AVE
W VALLEY PKWY
ESCONDIDO FWY
W FELICITA AVE
SUNSET DR
GAMBLE LN
CR S6
NORDAHL RD
78
15

QUALIFICATIONS OF THE APPRAISER

James Brabant, MAI
Anderson & Brabant, Inc.
353 W. Ninth Avenue
Escondido, CA 92025
(760) 741-4146 Ext. 312

I. Resident of San Diego County since 1977

II. **Educational Background:**

A. University of Southern California, B.S. degree in Real Estate — 1960

B. School of Theology at Claremont, Master of Theology — 1966

C. Professional Education Completed:

1. Appraisal Institute
    a. "Basic Appraisal Principles, Methods and Techniques" — Course I-A
    b. "Capitalization Theory and Techniques" — Course I-B
    c. "Urban Properties" — Course II
    d. "Investment Analysis" — Course IV
    e. "Standards of Professional Practice"
    f. "Litigation Valuation"
    g. Special Applications of Appraisal Analysis Course 301
2. Lincoln Graduate Center
    a. Manufactured Housing Appraisal Course 669
3. Continuing Education (Partial List):
    - San Diego Economic Forecasts, 2/05, 2/07, 2/08, 2/09, 2/11
    - USPAP Course, 9/04, 5/06, 4/08, 3/10, 3/12
    - Operating Expense Seminar 4/11
    - Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets 4/12
    - Eminent Domain Case Update, 10/95, 3/97, 10/07, 4/10
    - Business Practice and Ethics, 6/07
    - San Diego Apartment & Housing Seminar, 10/98, 5/07, 9/11
    - Appraiser as Expert Witness, 12/06
    - Deal and Development Analysis – Downtown S.D., 9/05
    - Litigation Seminar, 11/04, 11/07, 11/10
    - Appraising Manufactured Housing, 1/04
    - Economic and Real Estate Forum, 09/02
    - Gramm-Leach-Bliley Act, 10/01
    - Condemnation on Trial (Participant), 5/00
    - Attorneys, Appraisers & Real Estate; 9/98
    - Damages, Diminution & Mitigation; 8/98
    - Appraisal of Partial Interests; 6/98

III. **Professional Affiliations:**

A. Member, Appraisal Institute, MAI (1985 President, San Diego Chapter)
B. Realtor Member, North County Association of Realtors
C. Member, International Right of Way Association
D. Real Estate Brokers License, State of California
E. Teaching Credential, State of California, Community College Level
F. Certified General Real Estate Appraiser (AG002100)
Office of Real Estate Appraisers, State of California

IV. **Appraisal Experience:**

Co-Owner — Anderson & Brabant, Inc., Since 1979
Co-Owner — Robert M. Dodd & Associates, Inc., 1977 - 1979
Appraisal Manager — California First Bank, Huntington Beach, California, 1974 - 1977
Staff Appraiser — California First Bank, San Diego, California, 1972 - 1974
Staff Appraiser — O. W. Cotton Co., San Diego, California, 1970 - 1972
Staff Appraiser — Davis Brabant, MAI, Huntington Park, California, 1960 - 1962

V. **Teaching Experience:**

Southwestern College, Chula Vista, California, "Real Estate Appraisal"

VI. **Expert Witness:**

Superior Court, San Diego, Los Angeles, Riverside, and San Bernardino Counties
Rent Control Hearings: Cities of Oceanside, Escondido, Ventura, Concord, Yucaipa, Carpenteria, Palmdale, San Marcos, Carson, Watsonville
Various Arbitration Hearings
Assessment Appeals Boards of Riverside County, San Diego County and Orange County
Federal Bankruptcy Courts in San Diego County & Santa Barbara County
United States District Court – Northern District of California

VII. **Types of Appraisals:**

Residential Property:	Single-family residence, condominiums, apartments, subdivisions, existing and proposed
Commercial Property:	Office buildings, shopping centers, office condominiums, etc., existing and proposed
Industrial Property:	Single/multi-tenant, business parks, etc., existing and proposed
Vacant Land:	Industrial, commercial, residential, and rural
Agricultural:	Ranches, avocado and citrus groves, etc.
Special Purpose Appraisals:	Leasehold estates, possessory interest, historical appraisals, etc.
Mobile Home Parks:	For a variety of purposes including rent hearings, park closure, park conversions, failure to maintain litigation, eminent domain, etc.

VIII. **Partial List of Appraisal Clients:**

Banks
Bank of America
Bank of New York
City National Bank
Downey Savings
Fidelity Federal Bank
First Interstate Bank
First Pacific National Bank
Flagship Federal Savings
Great Western Bank
Industrial Bank of Japan
Palomar Savings & Loan
Redlands Federal Bank
Union Bank of California
Wells Fargo Bank

Government Agencies and Municipalities
California Department of
Transportation/Caltrans
Carlsbad Municipal Water District
City of Carlsbad
City of Chula Vista
City of Colton
City of Concord
City of Escondido
City of Laguna Beach
City of La Mesa
City of Salinas
City of San Bernardino
City of San Diego
City of San Marcos
City of Vista
City of Yucaipa
County of San Diego
Fallbrook Public Utility District
Metropolitan Water District
Oceanside Unified School District
Pacific Telephone
Poway Municipal Water District
Ramona Unified School District
SANDAG (San Diego Assoc. of Govts.)
San Diego County Water Authority
San Diego Unified Port District
San Marcos Unified School District
U.S. Depart. of the Interior
Bureau of Indian Affairs
U.S. Department of Justice

Law Firms
Aleshire & Wynder, LLP
Asaro, Keagy, Freeland, & McKinley
Best, Best & Krieger
Daley & Heft
Endeman, Lincoln, Turek & Heater
Foley & Lardner, LLP
Fulbright & Jaworski
Gray, Cary, Ware & Freidenrich
Higgs, Fletcher & Mack
Latham & Watkins
Lounsbery, Ferguson, Altona & Peak
Luce, Forward, Hamilton & Scripps
McDonald & Allen
McInnis, Fitzgerald, Rees, Sharkey & McIntyre
O'Melveny & Meyers
Procopio, Cory, Hargreaves & Savitch
Rutan & Tucker
Singer, Richard
Sullivan Wertz McDade & Wallace
Tatro & Zamoyski
Thorsnes Bartolotta & McGuire
Woodruff, Spradlin & Smart
Worden Williams, APC

Title Companies
Chicago Title
Fidelity National Title Insurance
First American Title
St. Paul Title
Title Insurance & Trust

Others
Avco Community Developers
Coldwell Banker
Dixieline Lumber
Golden Eagle Insurance
National Steel & Shipbuilding Co.
Northern San Diego County Hospital District
Prudential Insurance Corp.
Rosenow, Spevacek, Group
San Diego Gas & Electric Co.
San Luis Rey Downs (Vessels)
Steefel, Levitt & Weiss
Tellwright-Campbell, Inc.
Transamerica Relocation Service
Vedder Park Management

PARTIAL LIST OF MOBILE HOME AND MOBILE HOME PARK APPRAISALS

Rent Studies

Calimesa, California	Ponderosa Mobile Home Park
Capitola, California	Surf & Sand Mobile Home Park
Carlsbad, California	Rancho Carlsbad
Carson, California	Colony Cove
Chula Vista, California	Brentwood Mobile Home Park
Concord, California	Brookview Park Concord Mobile Home Park Vista Del Monte Trailer & Mobile Home Park Town & Country Mobile Village The Trees
El Cajon, California	Rancho Laguna Mobile Home Park
Escondido, California	Escondido Mobile Park West Town & Country Mobile Home Park Valley Parkway Mobile Home Park
Hollister, California	Mission Oak Mobile Home Park
La Mesa, California	La Mesa Terrace
Malibu, California	Paradise Cove
Modesto, California	Modesto Mobile Home Park
Oceanside, California	Laguna Vista Mobile Home Park
Pacific Palisades, California	Palisades Bowl
Rocklin, California	Sierra Lakes Adult Mobile Home Community
Salinas, California	Alisal Country Estates
San Marcos, California	El Dorado Mobile Home Park San Marcos Mobile Estates
Thousand Oaks, California	Ranch Mobile Home Park Thunderbird Oaks
Yucaipa, California	Yucaipa Village Mobile Home Park

Mobile Home Park Conversions

Capitola, California	Surf and Sand Mobile Home Park
Carlsbad, California	Rancho Carlsbad
Carson, California	Carson Harbor Village
Colton, California	Rancho Mediterrania
Escondido, California	Champagne Village (formerly Lawrence Welk Village)
Fallbrook, California	Rancho Monserate
Lakeside, California	Lake Jennings Mobile Home Park
Palm Desert	Indian Springs Mobile Home Park
Palm Springs, California	El Dorado Mobile Home Park
Paso Robles, California	Rancho Paso Mobile Home Park

Vista, California	Vista Cascade
Woodland Hills, California	Mountain View Estates

Mobile Home Park Subdivisions

Thousand Palms, California	Ivey Ranch
Vista, California	Vista Del Mar
	Shadowridge Crossing

For Possible Acquisition

Colton, California	Lake Cadena Mobile Home Park
	Reche Canyon Mobile Home Park
El Cajon, California	Glenview Mobile Home Park
Montclair, California	Villa Montclair
	Hacienda
San Bernardino, California	Glen Aire
	Friendly Village
	Pacific Palms
	Ninth Street
	Royal Coach
	Rancho Meridian
	Meridian Terrace
	Sequoia Plaza
	Orangewood
San Marcos, California	Palomar Estates East Mobile Home Park
	Palomar Estates West Mobile Home Park
	Rancheros Mobile Home Park
	San Marcos View Estates
	Twin Oaks Valley
	Villa Vista
Vista, California	Sycamore Creek

Estate Purposes

Camarillo, California	Camarillo Mobile Home Park
Cathedral City, California	Royal Palms Mobile Home Park
Chino, California	Pembroke Downs Mobile Home Park
La Habra, California	Friendly Village La Habra
Lakeside, California	Lakefront Mobile Home Park
Modesto, California	Friendly Village-Modesto
Newbury Park, California	Vallecito Mobile Home Park
Rancho Cucamonga, CA	Alta Laguna Mobile Estates
Riverside, California	Rancho Caballero Mobile Home Park
San Juan Capistrano, CA	Rancho Alipaz Mobile Home Park
San Pedro, California	Palos Verdes Shores Mobile Home Park
Scotts Valley, California	Whispering Pines Mobile Home Park
Simi, California	Friendly Village Simi Mobile Home Park

Temecula, California	Heritage Mobile Home
Ventura, California	Colony Mobile Home Park
	Lemonwood Mobile Home Park
Estate Purposes (*Continued*)	
Victorville, California	Victor Villa Mobile Home Park
West Covina, California	Friendly Village West Covina
Tempe, Arizona	Tempe Cascade Mobile Estates
Litigation Purposes	
Agua Dolce, California	Hacienda Vasquez
Anaheim, California	Western Skies Mobile Home Park
Apple Valley, California	Rancho de Las Brisas
Barstow, California	Chateau Barstow
Bloomington, California	Cedar Village Mobile Home Park
Brea, California	Hollydale Mobile Home Park
Canoga Park, California	Mountain View Estates
Carlsbad, California	Rancho Carlsbad
Carson, California	Avalon Carson Mobile Estates
	Bel Abby Mobile Home Park
Castaic, California	Paradise Ranch Mobile Home Park
Ceres, California	Colony Park Estates
Colton, California	Lake Cadena Mobile Home Park
Cotati, California	Countryside Mobile Park Estates
	Ramble Creek Mobile Park
	Sierra Mobile Home Park
Cypress, California	Lincoln Center Mobile Home Park
Dana Point, California	Beachwood Mobile Home Park
Desert Hot Springs, California	Healing Waters Mobile Home Park
East Palo Alto, California	Palo Mobile Estates
Grand Terrace, California	Terrace Pines Mobile Home Park
Grass Valley, California	Mountain Air Mobile Home Park
Hollister, California	Mission Oaks Mobile Home Park
Huntington Beach, California	Huntington Mobile Estates
	Huntington Shorecliffs
Laguna Beach, California	Laguna Terrace Mobile Home Park
Lodi, California	Villa Cerezos Mobile Home Park
Long Beach, California	Belmont Shores Mobile Home Park
	Friendly Village Mobile Home Park
	Villa Park
Malibu, California	Paradise Cove
Manteca, California	Islander Mobilehome Park
Modesto, California	Pinewood Meadows
Napa, California	Wine Country MHP
Oceanside, California	El Camino 76 Mobile Estates
Palm Springs, California	Western Village Mobile Home Park
Pedley, California	Santiago Mobile Home Park
Pomona, California	Mission Boulevard

Poway, California	Poway Royal Mobile Home Estates
Sacramento, California	Regency Mobile Home Park
San Rafael, California	Contempo Marin
Santa Barbara, California	Nomad Mobile Home Park

Litigation Purposes (*Continued*)

Santa Cruz, California	De Anza Santa Cruz
San Juan Capistrano, California	Capistrano Terrace Mobile Home Park
Santa Monica, California	Village Trailer Park
Santee, California	Highlands Mobile Home Park
	Meadowbrook Mobile Home Park
Stanton, California	Katella Mobile Home Park
Van Nuys, California	Park Royale
Windsor, California	Royal Manor Mobile Home Park
	Windsorland Mobile Home Park

Park Closure

Laguna Beach, California	Treasure Island Mobile Home Park
San Diego, California	DeAnza Bayside

Rent Control Hearings

Carpinteria, California	Ventura, California
Carson, California	Thousand Oaks, California
Escondido, California	Oceanside, California
San Juan Capistrano, California	San Marcos, California
Yucaipa, California	Concord, California
Calimesa, California	Palmdale, California

Other Purposes

Anaheim, California	Del Ray Mobile Estates (Partial Acquisition)
Banning, California	Linda Vista Mobile Home Park
Capitola, California	Castle Mobile Home Park
Chula Vista, California	Brentwood Mobile Home Park
El Cajon, California	Heart O' The Hills Mobile Home Park
Escondido, California	Moonglow Mobile Home Park
	Greencrest Mobile Home Park
	Ponderosa
	Canyon Crest Mobile Home Park
Oxnard California	The colony
Palm Desert, California	Palm Desert Mobile Estates
Riverside, California	Rancho Riverside Mobile Home Park
San Clemente, California	Palm Beach Park
	Capistrano Shores Mobile Home Park
Santee, California	Meadowbrook Mobile Estates (Partial Acquisition)
Spring Valley, California	Bonita Hills
Warner Springs, California	Warner Springs MHP (formerly Agape Village)

EXHIBIT "C"

Resident Response to Long Form Rent Increase Application

The long form application that is currently before the Rent Review Board for Vista Verde Estates MHP effects 9 of the 100 homes in the park. These 9 residents (the Residents) all acknowledge and understand that they have either not had a rent increase for an extended period of time or have not had a rent increase for the time that they have lived in Vista Verde. The Residents do appreciate that the owners are running a business and are willing to agree to a rent increase albeit an increase not equal to the outrageous increase currently being requested.

Vista Verde Estates, LLC (the Owner) is requesting that the 9 spaces that are subject to rent control in the park be raised to $1100 per month, an average of approximately $689 per month, per space. The arguments for the increase presented by the Owner are highly suspect, while the increase itself is punitive and - the residents believe - designed to force them out of their homes.

First, the Owner sites an appraised value for this property of $9.5 Million. The appraisal is 2-years old, was commissioned, according to the appraisal, "to be used to determine the adequacy of collateral pledged in a pending loan application" (page 4 - Function of the Appraisal). And that the appraisal's use "by others not named above is not intended by the appraiser or the client" (page 4 - Client and Intended Users). An appraisal, no matter its age, intended to provide proof of adequate collateral for a loan is not a proper tool for the determining the actual fair market value for space rent.

Second, the application states that mobile home parks in Escondido are receiving rents "for comparable spaces ***on turnover*** (emphasis added) in the range of $700 to $1200 per month." While this may be true, this is a direct result of vacancy decontrol, which is legal in the City of Escondido. There is no precedent established that allows for adjustments of space rents to vacancy decontrolled pricing while the owners are still in-place. If an owner wishes to raise rents, they have 2 methods available to them, and while this Owner has chosen to submit a long form application, they must meet the burden of proof which is upon them as provided by Proposition K (Prop K). There is nothing in Prop K that allows for the use of vacancy decontrol pricing to be considered for an in-place increase of space rent.

Third, based upon the use of the aforementioned appraisal, the Owner has made some assumptions which are equally erroneous. The Owner assumes that, based on the appraisal included with the application, that a) the appraised value of the property is $9.5 million and b) the fair rate of return on this property is 12%. There is no existing example that the Residents can find where the City of Escondido has allowed for an increase in rent based upon the appraised value of land and/or upon an arbitrary rate of return. There is nothing in Prop K, or anywhere else for that matter, which establishes a guarantee of 12% ROI on an **appraised value**.

The appraised value includes the value for the 91 homes which the Owner owns and rents in the park. While past long form rent increases have allowed for homes that are covered by "long term leases" to be considered in the total rental comparisons, there is no provision for homes which are owned by the Owner. Homeowners who rent spaces in mobile home parks, whether on long term leases or month-to-month, are covered by the Mobilehome Residency Law (California Civil Code). In particular, they are protected by specific laws, including regulations which would provide for adequate compensation for moving expenses should the Owner decide to close the park. Renters of the homes which are the property of the Owner are not protected by these laws and have no expectation of compensation. The comparison by the Owner of homes that they own and rent to homes which are owned by private parties is not appropriate.

Fourth, the Owner makes claim in their arguments that Prop K requires that the owners of a mobile home park receive a "just and reasonable return". Upon review, the Residents can not find any mention of a guarantee for Owners in Prop K. At the same time, the Owner sites many legal cases which they claim as proof that granting anything less than the requested increase amounts to a "taking". While this rhetoric can certainly be intimidating, the Owner fails to mention the *Yee v City of Escondido* case which established the legality of mobilehome rent control throughout the United States, and provided that there was no evidence of a "taking" that the Owner is claiming in this case.

As you can see, there are a number of problems with the claims that the Owner is making in the long form rent increase application for Vista Verde Estates MHP. And, as mentioned before, the Residents understand that there has not been a rent increase in a number of years for some, or never in the case of others. The Residents believe that it is fair that the Owner expects an increase in space rent and they are happy to agree with the comparison report provided to the City by Anderson & Brabant, Inc.

The recommended space rent, using an "apples to apples" method, shows that a space rent of $490 per month is appropriate - far short of the $1100 requested. There are currently 8 of the 9 Residents who pay less than the $490 per month rent. These residents are prepared to accept an increase to $490 per month in accordance with the comparison report and in the spirit of compromise. This would eliminate from the rent increase space #63 as this resident is already paying above the comparable space rent amount.

It is the belief of the Residents that the actions taken by the Owner indicate something more is at hand than just a request for more rental income. The lack of any increase for a number of years combined with an appraisal for a loan application and an indication of an increased debt load on the property of approximately $3.1 million makes the Residents believe that the Owner is in the process of trying to sell the property. While it is the Owner's right to sell the property at anytime, the Residents - as was stated previously - are protected by the Mobilehome Residency Law and have protections as to compensation from owners for relocation expenses when the property is sold.

The Residents believe that if the Owner wishes to sell the property, they should do so in accordance with established law, and not try to use the City of Escondido's Mobilehome Rent Control ordinance as a means to increase rents so high as to force the Residents from their homes.

The Owner has a history of purchasing homes in the park for well below market values; in some instances the Owner has paid $0 for a home. The Residents can not overlook this history and not wonder if the Owner is trying to force the remaining out of their homes for little-to-no cost.

The Residents request that the Rent Review Board will consider and approve the recommendation of the Rent Comparison Report submitted to the City by Anderson and Brabant, Inc and grant an increase for 8 spaces (excluding space #63) **to** a new monthly space rent of $490.00 per month.

Respectfully submitted,

Don Greene
Resident Representative

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:
☐ APPROVED ☐ DENIED
Reso No. 2013-14 File No. PHG 12-0025
Ord No. ____________

Agenda Item No.: 17
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Barbara J. Redlitz, Director of Community Development

SUBJECT: Appeal of Planning Commission's Decision to Deny an Amendment to the Interim Downtown Specific Plan (PHG 12-0025)

STAFF RECOMMENDATION:

It is requested that the City Council adopt Resolution No. 2013-14 approving the appeal and amendment to the Downtown Specific Plan.

PLANNING COMMISSION RECOMMENDATION:

The Planning Commission voted 3-2-1 to deny the proposal on January 8, 2013. (Commissioners McQuead, Watson voted to approve the proposal; Commissioner Johns abstained; Commission Winton was absent). The zoning code stipulates that the Planning Commission's action is final unless appealed within 10 days. The item was subsequently appealed by Mayor Abed and Deputy Mayor Diaz.

PROJECT DESCRIPTION:

A request to amend the Interim Downtown Specific Plan to allow 'Educational Facilities for Adults' in the Historic Downtown District on the ground floor along Grand Avenue with a Conditional Use Permit (CUP). The request would amend the land use matrix (Figure II-2) of the specific plan as shown on Exhibit B in attached Planning Commission staff report.

LOCATION:

The Historic Downtown District of the Interim Downtown Specific Plan that encompasses approximately 170 acres generally between Centre City Parkway, Fig Street, Second Avenue and Valley Parkway within the 460-acre Downtown Specific Plan Area (SPA).

FISCAL ANALYSIS:

None

GENERAL PLAN ANALYSIS:

The amendment is consistent with the Guiding Principles identified in the General Plan for Specific Planning Area No. 9 (Downtown Specific Plan) that state:

1) Downtown's vision embraces a dynamic, attractive, economically vital city center providing social, cultural, economic, and residential focus while respecting its history.

2) The environment shall focus on pedestrian orientation to attract and accommodate local and non-local visitors to experience an atmosphere that is entertaining and vibrant with activity occurring through the day, evening and weekend hours.

The proposed amendment is also consistent with the goals and policies of the Economic Prosperity Element of the General Plan, to strengthen workforce qualifications by expanding opportunities for educational and job training facilities.

ENVIRONMENTAL REVIEW:

The proposed amendment to the Interim Downtown Specific Plan is exempt from the California Environmental Quality Act in accordance with CEQA Section 15061(b)(3), "General Rule." A Notice of Exemption was issued on December 18, 2012. In staff's opinion, no significant issues remain unresolved through compliance with code requirements and the recommended conditions of approval.

PREVIOUS ACTION:

None

BACKGROUND:

The Interim Downtown Specific Plan includes seven districts. All permitted (P) or conditionally permitted (C) land uses are identified in a land use matrix for the SPA. Unlisted land uses are generally prohibited unless they are determined to be similar to listed land uses. The adopted Downtown Specific Plan's land use districts (Figure II-2 Permitted Use Matrix) allow 'Educational Facilities for Adults' as either a permitted or conditional use (see attached Land Use Matrix page in Planning Commission staff report). Examples of an educational facility for adults could include a college or trade school.

Adult Educational Facilities are allowed with a CUP in the Historic Downtown District except along Grand Avenue on the ground floor between Grand Avenue and the adjacent alleys where they are *restricted to second floor locations (refer to* 'NOTES' *on the Land Use Matrix).* This provision has been established for uses that may be desirable in a downtown environment yet do not typically maintain a pedestrian orientation or continuous retail frontage.

The City has received inquiries from representatives for a private university that may be interested in locating in downtown Escondido. A local commercial broker is working with John Paul the Great University to explore a new location for their campus which is currently located in the Mira Mesa area of San Diego. The university is considering leasing several vacant buildings for a downtown campus, including the (former) Mingei Museum, (former) H. Johnson furniture building and the former bank at the northwest corner of Grand Avenue and Maple Street. While a university is currently allowable in the downtown area, the existing specific plan prohibits use of the ground floor for educational, office, or other non-retail uses. The proposed specific plan amendment would allow consideration of such a request on a case-by-case basis through the CUP process under a separate application. No CUP application has been submitted as of this date. The attached email from Don Zech dated February 5, 2013 provides background information supporting the specific plan amendment on behalf of the university.

PLANNING COMMISSION RECOMMENDATION AND SUMMARY:

Following the public hearing during which there was no public testimony, the Planning Commission voted 3-2-1 to recommend denial of the amendment. Commissioners Caster, Spann and Weber cited concerns that the proposal is not consistent with the vision for this section of Grand Avenue within the Historic Retail District which calls for specialty retail shopping, pedestrian-scaled street spaces, restaurants and cafes, antique shops, art galleries/studios and professional uses (on upper floors and/or behind retail along Grand Avenue). Commissioners Caster and Spann felt the use would contribute to a parking problem downtown, and felt the anticipated use would be similar to a commuter campus such as Palomar College. Commissioner Weber questioned the appropriateness of a piecemeal change to the specific plan, having recently completed a draft comprehensive update to the plan that has been delayed for consideration; he felt there were plenty of opportunities for these uses elsewhere in the City, citing the General Plan focus on attracting education institutions the East Valley Parkway corridor. Commissioner Weber expressed concern that vehicle parking associated with adult education facilities had not been addressed and would adversely impact area businesses. Commissioner Johns abstained without discussion.

Responding to a question from Commissioner Watson, staff indicated they no feedback was received from the Historic Preservation Commission or Downtown Business Association regarding the amendments. Commissioner McQuead expressed support for the amendment to allow consideration of adult educational uses through a CUP and felt such uses would support other retail activities, but noted that he preferred they be located in the H. Johnson building along Second Avenue.

Staff noted that the CUP process would allow the City to apply conditions for appropriate pedestrian-oriented features pertaining to requests for adult educational facilities. In addition, future proposals would need to address their parking plan for students, which would need to minimize impacts to the downtown business environment.

ANALYSIS:

The proposed amendment would retain the requirement that 'Educational Facilities for Adults' secure a CUP in the Historic Downtown District, but provide flexibility regarding the ground floor location. By maintaining the CUP requirement the City retains the ability to review potential future

The City has received inquiries from representatives for a private university that may be interested in locating in downtown Escondido. A local commercial broker is working with John Paul the Great University to explore a new location for their campus which is currently located in the Mira Mesa area of San Diego. The university is considering leasing several vacant buildings for a downtown campus, including the (former) Mingei Museum, (former) H. Johnson furniture building and the former bank at the northwest corner of Grand Avenue and Maple Street. While a university is currently allowable in the downtown area, the existing specific plan prohibits use of the ground floor for educational, office, or other non-retail uses. The proposed specific plan amendment would allow consideration of such a request on a case-by-case basis through the CUP process under a separate application. No CUP application has been submitted as of this date. The attached email from Don Zech dated February 5, 2013 provides background information supporting the specific plan amendment on behalf of the university.

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Responding to a question from Commissioner Watson, staff indicated they no feedback was received from the Historic Preservation Commission or Downtown Business Association regarding the amendments. Commissioner McQuead expressed support for the amendment to allow consideration of adult educational uses through a CUP and felt such uses would support other retail activities, but noted that he preferred they be located in the H. Johnson building along Second Avenue.

Staff noted that the CUP process would allow the City to apply conditions for appropriate pedestrian-oriented features pertaining to requests for adult educational facilities. In addition, future proposals would need to address their parking plan for students, which would need to minimize impacts to the downtown business environment.

ANALYSIS:

The proposed amendment would retain the requirement that 'Educational Facilities for Adults' secure a CUP in the Historic Downtown District, but provide flexibility regarding the ground floor location. By maintaining the CUP requirement the City retains the ability to review potential future requests on a case-by-case basis and include conditions to ensure that such facilities provide an engaging pedestrian frontage along Grand Avenue as well as address potential parking issues. The use could introduce additional customers and pedestrians supporting downtown services. Non-compliance with CUP conditions is a consideration for revocation, which provides additional protection for the City.

Respectfully submitted,

Barbara J. Redlitz
Director of Community Development

Jay Petrek
Principal Planner

ESCONDIDO
City of Choice

PLANNING COMMISSION

Agenda Item No.: G.1
Date: January 8, 2013

CASE NUMBER: PHG 12-0025

APPLICANT: City of Escondido

LOCATION: Amendment to the Historic Downtown District of the Interim Downtown Specific Plan that encompasses approximately 170 acres generally between Centre City Parkway, Fig Street, Second Avenue and Valley Parkway within the 460-acre Downtown Specific Plan Area (SPA)

PROJECT TYPE: Specific Plan Amendment

PROJECT DESCRIPTION: A request to amend the Interim Downtown Specific Plan to allow 'Educational Facilities for Adults' in the Historic Downtown District on the ground floor along Grand Avenue with a Conditional Use Permit.

STAFF RECOMMENDATION: Approval

GENERAL PLAN DESIGNATION: SPA #9 (Specific Planning Area No. 9 – Downtown Specific Plan)

ZONING: SP (Specific Plan)

BACKGROUND/SUMMARY OF ISSUES: A specific plan for the downtown area was first approved by the City Council in 1992 and has been periodically amended over the years. A comprehensive update was conducted in 2005 involving numerous SPA amendments including expanding the SPA boundaries, consolidating and realigning land use districts, updating permitted land uses, and amending development standards pertaining to building heights, setbacks and densities.

Phase I of the comprehensive update involving certain land uses and development standards were adopted in 2007. Modifications to the downtown parking requirements were adopted in 2011. Modifications to the land use matrix, provisions regarding outdoor displays, outdoor dining and special events were adopted earlier in 2012. Phase II of the comprehensive update involving expanding the SPA boundaries, and amending building heights, densities, population build out and setbacks were evaluated in the General Plan Update EIR and will be considered for adoption in early 2013.

The Interim Downtown Specific Plan contains a matrix that identifies all permitted (P) or conditionally permitted (C) land uses in each of the seven districts within the Specific Plan Area. Unlisted land uses are generally prohibited unless they are determined to be similar to listed land uses.

At issue is whether the amendment proposed for adult educational facilities listed in the project description above will benefit the community and support existing and future business in downtown.

REASONS FOR STAFF RECOMMENDATION:

1. The Downtown SPA Vision Statement notes that Downtown Escondido is envisioned as a dynamic, attractive, economically vital city center that is entertaining and vibrant with activity occurring throughout the day, evening and weekend hours. The proposed amendment will expand the variety of land uses allowed in the downtown.

2. The Downtown Specific Plan provides for a variety of unique, pedestrian-oriented uses and activities that draw people to the area. Requiring a Conditional Use Permit for adult schools that locate on Grand Avenue will retain a case-by-case review of operating characteristics to ensure that future facilities incorporate pedestrian ambiance.

3. The proposed amendment would be consistent with the General Plan Guiding Principles for SPA #9 (Downtown Specific Plan) because a Conditional Use Permit for adult schools will retain provisions for a dynamic, attractive, economically vital city center that focuses on pedestrian orientation to attract and accommodate local and non-local visitors and encourage the attraction of businesses.

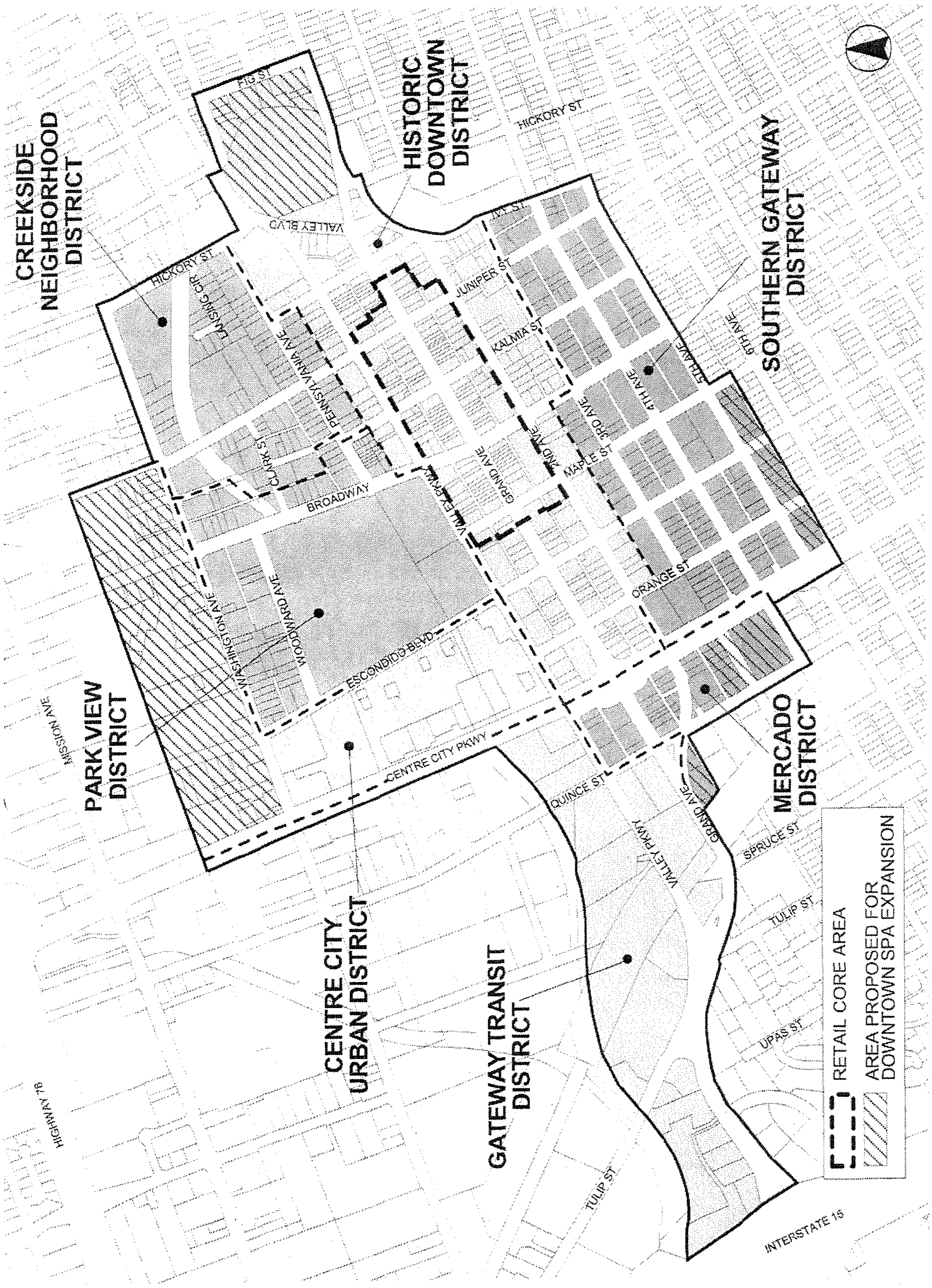
4. The proposed amendment to the Interim Downtown Specific Plan would be consistent with the goals and policies of the Economic Prosperity Element of the General Plan, to strengthen workforce qualifications by expanding opportunity for educational and job training facilities.

Respectfully submitted,

Jay Petrek

Jay Petrek
Principal Planner

PHG 12-0025
January 8, 2013



ANALYSIS

A. CONFORMANCE WITH CITY POLICY/ANALYSIS

General Plan

The amendment is consistent with the Guiding Principles identified in the General Plan for Specific Planning Area No. 9 (Downtown Specific Plan) that state:

1) Downtown's vision embraces a dynamic, attractive, economically vital city center providing social, cultural, economic, and residential focus while respecting its history.
2) The environment shall focus on pedestrian orientation to attract and accommodate local and non-local visitors to experience an atmosphere that is entertaining and vibrant with activity occurring through the day, evening and weekend hours.

The proposed amendment is also consistent with the goals and policies of the Economic Prosperity Element of the General Plan, to strengthen workforce qualifications by expanding opportunity for educational and job training facilities.

Revisions to the Permitted Use Matrix

The Downtown Specific Plan Land Use Matrix has been amended several times since it was first adopted in order to respond to changing market conditions and facilitate new business opportunities. Staff has received several requests over the past year aimed at expanding retail, educational, and dining opportunities. The primary focus has been on the Historic Downtown District and near Grape Day Park.

The adopted Downtown Specific Plan's seven land use districts allow 'Educational Facilities for Adults' as either a permitted or conditional use (see attached Land Use Matrix page). Examples of an educational facility for adults could include a college or trade school. In the Historic Downtown District such facilities are allowed with a Conditional Use Permit except along Grand Avenue on the ground floor between Grand Avenue and the adjacent allies where they are restricted to second floor locations (refer to 'NOTES' on the Land Use Matrix). This provision has been established for uses that may be desirable in a downtown environment yet do not typically maintain a pedestrian orientation or continuous retail frontage. The proposed amendment would retain the requirement that 'Educational Facilities for Adults' secure a Conditional Use Permit in the Historic Downtown District, but provide flexibility regarding the ground floor location. By maintaining the Conditional Use Permit requirement the City retains the ability to review potential future requests on a case-by-case basis to ensure that such facilities provide an engaging pedestrian frontage along Grand Avenue.

B. ENVIRONMENTAL STATUS

1. The proposed amendment to the Interim Downtown Specific Plan is exempt from the California Environmental Quality Act in accordance with CEQA Section 15061(b)(3), "General Rule." A Notice of Exemption was issued on December 18, 2012 (see attached).

2. In staff's opinion, no significant issues remain unresolved through compliance with code requirements and the recommended conditions of approval.

3. The project will have no impact on fish and wildlife resources as no sensitive or protected habitat occurs on-site or will be impacted by the proposed development.

EXHIBIT B
Proposed Amendment to the Land Use Matrix:

Amendment would eliminate the locational requirement for adult educational facilities in the Historic Downtown District but retain the CUP provisions

LAND USE	HD	PV	CCU	GT	M	SG	CN
EDUCATION*							
Educational facilities for adults	C ~~10~~	P	C	P	P	P	C6
Daycare facilities	C10	C	C	C	C	C	C6
Schools-(primary education)		C		C	C	C	C
Schools-(secondary education)	C6	C		C	C	C	C
COMMUNICATIONS (wireless facilities subject to Article 34)							
Broadcasting (radio and/or television stations)	C7	C	C	C	P	C	C6
Newspaper printing and publishing	C7		C1	C1	C1	C1	C6
TRANSPORTATION AND MISCELLANEOUS SERVICES*							
Car-rental services, excluding maintenance and repair of vehicles			C	C			
Parking lots (municipal)	P	P	P	P	P	P	P
Parking lots (private full fee)	C	C	C	C	C	C	C
Taxicab, trolley, shuttle and pedicab stands	P	P	P	P	P	P	P
Transit stations and car-rental services, including maintenance and repair				P			
Seasonal sales not exceeding 30 days, (including pumpkin, Christmas tree and wreath sales between October 1 and December 31, both dates inclusive, to the extent permitted by other statutory and ordinance provisions). Any structures and materials used for seasonal sales shall be removed from the premises immediately after December 31 and the property shall be restored to a neat condition	P	P	P	P	P	P	P
Miscellaneous Government Operations	C	C	C	C	C	C	C

NOTES:

P = Permitted   C = Conditional Use Permit required

1 Under 3,000 square feet.
2 Within Grand Avenue's "retail-core area" use is not permitted on ground floor facing Grand Avenue unless located behind a solid wall, and such wall shall be located at least 25% of the building depth back from the front, with a minimum of 25 feet of front retail depth, whichever is more. Primary entrance to this use must be from the alley. No signage facing Grand Avenue is permitted.
3 Only permitted on Escondido Boulevard.
4 Only permitted within a multi-tenant building. May not occupy more than 30% of the gross floor area.
5 Only when integrated into a residential project.
6 Only permitted on Pennsylvania Avenue and the north side of Valley Parkway between Kalmia and Ivy Streets.
7 Not allowed along Grand Avenue on ground floor within the "retail core area."
8 Residential and mixed-use projects are permitted in specified areas, subject to a Planned Development approval in Article 19 of the Escondido Zoning Code.
9 No residential uses permitted between Woodward Avenue, Washington Avenue, Escondido Boulevard and Broadway.
10 Not allowed along Grand Avenue on ground floor between Grand and adjacent alleys.
11 Permitted on Local Historic Register properties.
* Existing automobile dealerships were a non-conforming use at the time of adoption of the Interim Downtown Specific Plan. Conversion of these sites to a new, substantially different, use shall require plot plan review pursuant to Article 16 of the Escondido Zoning Code.

NOTE: *Should a conflict arise between this matrix and the land-use district text, the land use district text discussion shall take precedence in determining the appropriateness of the land use.*

DOWNTOWN DISTRICTS:

HD	Historic Downtown
PV	Park View
CCU	Centre City Urban
GT	Gateway Transit
M	Mercado
SG	Southern Gateway
CN	Creekside Neighborhood

FACTORS TO BE CONSIDERED
PHG 12-0025
EXHIBIT "A"

1. The public health, safety and welfare would not be adversely affected by the proposed amendment to the Interim Downtown Specific Plan because the amendment would maintain discretionary approval for adult schools allowing a case-by-case review of future requests to ensure public health, safety and welfare.

2. The proposed amendment to the Interim Downtown Specific Plan would not be detrimental to surrounding properties, since the requirement for future adult school educational facilities would be subject to a Conditional Use Permit ensuring adequate review and oversight of the facilities' operations and the ability to condition future requests to ensure safeguards against potential nuisances.

3. The proposed amendment to the Interim Downtown Specific Plan would be consistent with the General Plan Guiding Principles for SPA #9 (Downtown Specific Plan) because they promote a dynamic, attractive, economically vital city center that focuses on pedestrian orientation to attract and accommodate local and non-local visitors and encourage the attraction of businesses.

4. The proposed amendment to the Interim Downtown Specific Plan would be consistent with the goals and policies of the Economic Prosperity Element of the General Plan, to strengthen workforce qualifications by expanding opportunity for educational and job training facilities.

ESCONDIDO
City of Choice

CITY OF ESCONDIDO
PLANNING DIVISION
201 NORTH BROADWAY
ESCONDIDO, CA 92025-2798
(760) 839-4671

Notice of Exemption

To: San Diego County Recorder's Office
Attn: Linda Kesian
P.O. Box 121750
San Diego, CA 92112-1750

From: City of Escondido
201 North Broadway
Escondido, CA 92025

Project Title/Case No.: Amendment to the Historic Downtown District of the Interim Downtown Specific Plan (PHG 12-0025)

Project Location - Specific: The Historic Downtown District encompasses approximately 170 acres generally between Centre City Parkway, Fig Street, Second Avenue and Valley Parkway within the 460-acre Downtown Specific Plan Area (SPA).

Project Location - City: Escondido **Project Location - County**: San Diego

Description of Project:
A request to amend the Interim Downtown Specific Plan to allow 'Educational Facilities for Adults' in the Historic Downtown District on the ground floor along Grand Avenue with a Conditional Use Permit.

Name of Public Agency Approving Project: City of Escondido

Name of Person or Agency Carrying Out Project:

Name: City of Escondido Planning Division – Jay Petrek Telephone: (760) 839-4556

Address: 201 N. Broadway, Escondido, CA 92025

☐ Private entity ☐ School district ☒ Local public agency ☐ State agency ☐ Other special district

Exempt Status:

Categorical Exemption. CEQA Section 15061(b)(3), "General Rule"

Reasons why project is exempt:
1. The proposed project is limited to modifying the list of businesses allowed within an existing specific plan area, No physical changes are proposed to any existing structures located within the specific plan area.
2. The Downtown Specific Plan encompasses the urban core of the city and has no value as habitat for endangered, threatened or rare species.
3. The proposal would refine existing land use regulations within an established urban area. No construction is proposed and the project would not result in any significant effects related to traffic, noise, air quality or water quality.
4. In staff's opinion the proposal would not have the potential to cause an adverse impact on the environment. Therefore, the proposal is not subject to further CEQA review.

Lead Agency Contact Person: Jay Petrek Area Code/Telephone/Extension (760) 839-4556

Signature: Jay Petrek
Jay Petrek, AICP, Principal Planner

December 18, 2012
Date

☒ Signed by Lead Agency Date received for filing at OPR:

Barbara Redlitz

From:	Don Zech <dzech@cdccommercial.com>
Sent:	Tuesday, February 05, 2013 1:07 PM
To:	Barbara Redlitz
Cc:	'Nick Zech'; 'Kevin Meziere'
Subject:	Support for the Downtown Specific Plan Amendment
Attachments:	Support for Change to Specific Plan.pdf; UT article editorial 1-20-13.pdf; urban studies -- university impact.pdf; The Rise of downtown Campuses.pdf; Support for Change to Specific Plan - full package.pdf

Barbara,

Attached you will find a memo outline from John Paul the Great University in support of the change to the Downtown Specific Plan to allow for Adult Academic uses in the Historic Downtown with a CUP. I have also provided supporting info to that memo from the UT, and two articles giving case studies. For your ease, I have also attached a complete package in one PDF (Support for Change to Specific Plan – full package) if you think that would be easier for transmittal.

Don Zech | Lic. #00885909
CDC Commercial Inc. | Lic. #01857155
Dir. 858.486.9999
www.cdccommercial.com

On behalf of John Paul the Great University

Support for the change to the Downtown Specific Plan

To allow for Adult Academic uses in the Historic Downtown with a CUP.

- This is a request for the modification of the downtown specific plan to allow adult education uses in the Downtown Historic District (Grand Ave) by way of a Conditional Use Permit (CUP).

- Every popular downtown has a major University, Community College, or Specialty College in it.

- The path to a vibrant "18 hour" downtown is thru the locating of higher education uses in downtown. It brings young upward mobile students with disposable income and high paid faculty and professors to downtown to spend discretionary money shopping and dining throughout the day.

- Academic uses are famous for spinning off start up businesses from their students and faculty (Chipotle, Google, Facebook).

- With the accommodation of select Universities and adult academic uses the City can insure the continued success of the California Center for the Arts by providing additional demand for the venues and bringing additional cultural demand to the City.

- There are presently many industry "clusters" in San Diego County (Biotech, Cellular, Beer, UAV-Defense) but there is not presently a media / entertainment cluster – this is the opportunity to centralize this cluster around downtown Escondido.

- College uses, their spinoff businesses and the supporting retail, office and food businesses allow for the opportunity to finally recycle buildings that have long sat dormant in Escondido and remain functionally obsolescent – JC Penney/Mingei, H Johnson, Old Movie Theater, 224 Grand – all buildings that have been vacant or under utilized for the last 30 years!

- This use change is supported by the downtown merchants and owners, The Chamber of Commerce, the Director of the California Center for the Arts and the Editorial Staff of the Union Tribune (attached).

- Attached is a article showing many case studies of the success in revitalizing downtowns through the location of Universities and Adult Academic uses in small to medium sized downtowns in Canada.

Shhh, the market is speaking

By U-T Editorial Board 12:01 a.m. Jan. 20, 2013

Escondido's quaint, scenic downtown is a treasure that draws filmmakers, the Cruisin' Grand car shows and other events.

But businesses along Grand Avenue have struggled to varying degrees since a J.C. Penney's department store closed in 1987, a year after the giant mall now called Westfield North County opened in south Escondido. And for at least as long, city councils have dreamed of a downtown renaissance.

In 1986 they convinced voters to borrow to build the California Center for Performing Arts, Escondido, which ultimately cost $81 million, roughly double its budget, and has required taxpayer subsidies ever since. The idea was that the center would foster a bustling arts community. But, although galleries have come and gone, the arts scene never took off.

More recent hopes that restaurants, live music and small retail shops would sprout and thrive, giving Escondido an "18-hour downtown" like San Diego's Gaslamp, have been tested by two deep recessions. Although some fine restaurants and retailers have survived, the empty storefronts are as numerous as ever.

Now a charter high school has agreed to buy the former North County Times building and wants to pump millions into renovations. And a Catholic college wants to build a campus on Grand Avenue, starting with the building abandoned by the Mingei Museum, to eventually house 1,200 students studying film, animation and business.

Some city leaders have hesitated to embrace these proposals, hoping against the evidence that a retail and entertainment boom is just around the corner.

Meanwhile, the real estate market is telling those who will listen that Escondido may be an outstanding place to invest in high-quality educational infrastructure – maybe one of the best things that could happen to a quaint, moribund downtown.

We hope that these projects aren't falling on deaf ears because they wouldn't contribute taxes directly to the public till.

It's time to roll out the red carpet on Grand Avenue.

www.universityaffairs.ca

UA/AU University Affairs Affaires universitaires

February 6, 2012

The rise of downtown campuses

It may not let you forget all your troubles and cares, as Petula Clark once sang, but going downtown is proving popular for many universities.

by Claudio D'Andrea

André Capaldi was in a sea of young people in downtown Windsor, Ontario, on an early September evening last year as he looked out at the transit buses arriving with yet another flood of students making their way to the riverfront Festival Plaza. Some 10,000 people came to the Coming Home Music Fest, the largest gathering ever at the plaza and one of the biggest frosh-week parties in the country.

Mr. Capaldi, president of the University of Windsor Students' Alliance, had come up with the idea for an electronic music festival featuring stars like Benny Benassi and Richie Hawtin. The crowd included not just U of Windsor students but also a large contingent from St. Clair College and other young people from the community. Mr. Capaldi partnered with St. Clair because he recognized students in downtown Windsor had reached critical mass, with the college already established there and the university planning an ambitious expansion of its own into the city centre.

"We had a sense it would be a great festival but we had no idea the scale," says Mr. Capaldi, whose student association is now continuing the dialogue with other groups, like Windsor Transit, to prepare the way for the new downtown campus.

U of Windsor's plans for the downtown – relocating its school of social work to the existing *Windsor Star* building, moving its visual arts and music departments to the historic Armouries building, and eyeing a former bus depot for film production – reflect a recent trend in mid-sized Canadian cities. Across the country, universities are making the downtown-gown connection by starting new city centre campuses or, like the University of Winnipeg over the last several years, expanding their urban footprint.

Brock University will be one of the latest institutions to get into the act when it begins construction of an academic and cultural arts centre in downtown St. Catharines, Ontario, this year. In British Columbia, the University of the Fraser Valley announced plans to open a campus in downtown Abbotsford while in Alberta, Grant MacEwan University aims to become "Edmonton's downtown university." (For a list of recent and planned moves, see "Bright lights, big plans," at the bottom of the page.)

Many see these campuses as solutions to the problem of decaying downtowns in smaller Canadian cities. Universities, in turn, are reaping community goodwill – as well as badly needed expansion space.

Leo Groarke, U of Windsor's provost and vice-president, academic, says the downtown campus will be "a tiny island [of renewal] in the middle of urban decay." But it's not just the city that benefits. "From a teaching, learning and research point of view, universities need to be where the issues are," he says, calling downtown the heart of the arts and culture scene as well as an important connection point for those who rely on social services.

Dr. Groarke has been through this exercise before. As a former dean and principal of Wilfrid Laurier University's campus in downtown Brantford, Ontario (infamously described by a former mayor as "the worst" downtown in Canada), he presided over the creation of that city's new campus. He also wrote the book – literally – on what many see as the model of how to transform a downtown with a university campus.

In *Reinventing Brantford: A University Comes Downtown*, Dr. Groarke wrote how administrators were nervous at first as the university's experimental liberal contemporary studies program attracted only 39 full-time students when it opened in September 1999. Just over a decade later, in September 2011, the campus boasted 2,700 students and 24 buildings that it owns or leases. Laurier Brantford's acting principal and vice-president, Lesley Cooper, says there were 725 new incoming students this year alone, more courses and two new buildings coming in 2012.

Dr. Groarke has written about the difficulty of operating a campus in a different city and dislikes references to Brantford as a "satellite" campus because it suggests a diminished role to the main campus. Dr. Cooper stresses that the mission, values and vision at Brantford are the same as Laurier's main campus.

"We are part of a bigger institution and there's a lot of value to be gained in having the Laurier name," she says. Dr. Cooper is also proud of Laurier Brantford's innovative track record as a university "built on partnerships," such as those with Nipissing University, Mohawk College and various community groups.

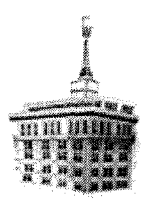
In the beginning, recalls Dr. Groarke, students asked, "What are we doing in this flea-bitten, beat-up campus?" But others felt Laurier was "changing the world by restoring beautiful, historic buildings in Brantford." That heritage model is one that others, including U of Windsor and University of Winnipeg, also try to include in their developments.

But repurposing and renovating existing heritage buildings can be tricky. "The challenge with adaptive reuse can be cost, especially if there are serious environmental remediation or structure issues," says Michel Trocmé, a partner at Toronto-based Urban Strategies Inc., a planning and urban design firm.

Cohesiveness between campuses can also be a challenge, as Laurier discovered when it established its Brantford campus 50 km away from the main campus. Mr. Trocmé says the question of multiple campuses is moot because "all institutions need to be strategic in order to grow and compete. The DNA of an institution is not in its bricks and mortar but in the strength of its programs, faculty and leadership, as well as in the success of its graduates."

He adds that there are ups and downs to all this growth. Land values rise but so do taxes, which helps municipalities. Retail businesses and restaurants prosper, but community services can be squeezed out due to higher land values. Growing daytime population increases the viability of public transit but also creates congestion. The key, says Mr. Trocmé, and others agree, is consulting the community and creating connections.

Edmonton Mayor Stephen Mandel says tens of thousands of postsecondary students now frequent the downtown, a dramatic growth in the last five years that has helped area businesses. "It's just mushroomed," he says. "Anytime I walk down there the businesses are full. You can't get into them."



Mario Polèse, who holds the Canada Research Chair in Urban and Regional Studies at Université du Quebec's Institut national de la recherche scientifique, knows first-hand the important role a campus plays in an urban core. In 1965, Université Laval moved out of downtown Quebec City and into the suburbs.

"The impact on the downtown was incredible. The whole place collapsed," says Dr. Polèse, who studied at the suburban campus. Since then, the university has started moving back downtown and "it's working fairly well, but the damage has been done."

Unlike Université Laval, U of Winnipeg has remained a fixture in the downtown core since its founding as Manitoba College in 1871. It could have decided to expand in various locations throughout the city but instead embarked on an ambitious growth plan downtown, guided by Lloyd Axworthy after he became president in 2004.

Three years after his arrival, U of Winnipeg spent about $150 million on new buildings and redeveloping existing structures. Last year, the Buhler Centre opened at a former United Army Surplus Store, offering a home to the faculty of business and economics, the division of continuing education and the Plug In Institute of Contemporary Art. Last spring, the $70-million Richardson College for the Environment and Science opened its doors. The university also built townhouses for its students and opened daycare centres, with about a third of the places earmarked for the community. Recognizing the need to connect with the large aboriginal and immigrant populations of Winnipeg, the university launched innovative initiatives like an Opportunity Fund that allows youngsters to acquire tuition credits, starting as early as Grade 4, that they can use toward their university education.

With growth of retail and hospitality industries in downtown Winnipeg, fueled in part by the return of the National Hockey League's Jets and construction of the Canadian Museum for Human Rights, there is a "real buzz" in the downtown, says Dr. Axworthy. "I've always said we probably have the best university location in the country."

He stresses that a university needs to create community connections and to shed ivory tower pretensions. Accordingly, U of Winnipeg's growth was guided by a few fundamental principles: a clear commitment to social, environmental and financial sustainability, and community-based learning to "break out the wall" of a university.

Jino Distasio, an associate professor of geography at U of Winnipeg and director of its Institute of Urban Studies, needs no convincing about the benefits of working in what he calls "the middle of an urban laboratory." As he puts it: "Outside these doors, a student can look 360 degrees and see 50 years of good and bad [urban] planning."

For the past decade at the institute, he has been involved in studies on homelessness, mental health and housing – the kind of "active" research that engages the community and students. He says a downtown changes the way you educate. "I think it's a wonderful, stimulating environment."

Still, observers and educators caution that despite all their success, universities should not be seen solely as saviours of dying downtowns. "The university is not the department of public planning. Their responsibility is to give the best education possible," notes Dr. Polèse of INRS.

Dr. Groarke would agree that campuses are no panacea for all the problems that have attended the decline of many urban centres. "But," he writes in his book, "one cannot look at the results in Brantford and ignore the possibility that similar initiatives elsewhere could make a major contribution to the revitalization of the North American downtown."

Could all this growth in downtown campuses reach a saturation point? "This is a very tough question. Who really knows how saturated any market is?" remarks Mr. Trocmé of Urban Strategies Inc. "Like all institutions or businesses, schools have market-related ebbs and flows. Greenfield campuses share the same challenges as factory towns: if their 'market' stagnates then so does the campus. The advantage urban campuses have is that they can grow in step with the market and in concert with other businesses, residential communities and other institutions that make downtowns so vibrant."

Bright lights, big plans

Across Canada, universities have opened or are announcing plans for new downtown campuses. Here's a survey of some developments past, present and future.

- Simon Fraser University moved its school for the contemporary arts from the main Burnaby campus to the former Woodward's department store in Vancouver's Downtown East-side in 2010. It's part of a $200-million redevelopment scheme for the downtown area.
- UBC Robson Square in downtown Vancouver boasts that 45,000 people attend its educational programs, meetings, receptions and performances each year. The University of British Columbia downtown campus is housed in the lower level of the landmark civic centre, designed by Arthur Erickson.
- Last May, the University of the Fraser Valley announced plans to open a campus in downtown Abbotsford, within walking distance of city hall.
- University of Alberta's Enterprise Square opened in 2008 in the historic former Hudson's Bay building in downtown Edmonton. It has light rail transit links to the other U of A campuses.
- The president of Grant MacEwan University, David Atkinson, confirmed in October that the university is moving ahead with plans to sell two satellite campuses and expand its downtown campus to become "Edmonton's downtown university."
- University of Windsor said it will purchase the Windsor Star property in the downtown core, to house the school of social work and the Centre for Executive and Professional Development. The university would also like to relocate its music and visual arts programs to the downtown Armouries building and move film production to a former bus depot.
- University of Waterloo's health sciences campus, anchored by the school of pharmacy, opened in 2008, helping to create "a knowledge power-house" in downtown Kitchener, according to the Downtown Kitchener Business Improvement Area. Four years earlier, the school of architecture moved to the former Riverside Silk Mill in Cambridge, Ontario, seen as a way to trigger more economic activity in downtown Cambridge.
- Brock University expects to start building its academic and cultural arts centre in downtown St. Catharines early this year. The "historic collaboration" between the city and university will "transform the city's downtown into a vibrant entertainment hub as well as a national centre of excellence for education in arts and culture," said the university.

Claudio D'Andrea is a journalist specializing in education, research and arts reporting. He is based in Windsor, Ontario.

Other stories that might be of interest:

- Won't you stay, just a little bit longer...

- New digs for a new generation

Urban Studies, Vol. 42, No. 7, 1161–1175, June 2005

Routledge
Taylor & Francis Group

The Economic Effect of Urban Colleges on their Surrounding Communities

Annette Steinacker

[Paper first received, January 2004; in final form, September 2004]

Summary. Typical university impact studies in the US have focused on large institutions and their impact on an entire metropolitan region. We know little about the impact of small schools or the impact of a college on just its surrounding city or neighbourhood, despite recent interest in the relationship of colleges to city neighbourhood revitalisation. This article illustrates that, with two simple adjustments, the standard impact study can produce an estimate of a typical urban college's economic effect matched to its surrounding community, rather than to the urban region as a whole. A case study using this approach found that even a small US college with a predominantly commuter population had a significant effect on the city in which it was located.

Universities can be valuable contributors to a city's economy. They are immobile institutions fairly resistant to business cycle fluctuations, making them a steady presence in the community. They tend to attract revenue from outside the immediate area through tuition, endowment income or state tax allocations and to attract significant human capital—students and employees from a national market—that can contribute to the area's economic growth.

However, there are several gaps in our knowledge about the effect of a university on the local economy. Due to both data constraints and the public relations needs of the schools, most impact studies focus on the county as the region of economic impact. This leads to two problems. First, small institutions in urbanised areas do not even bother conducting the studies, assuming their impact would be trivial in such a large economy. The result is that we know little about the economic effect of the most common type of college—approximately half of the schools in US metropolitan areas have less than 2000 students and another 20 per cent have between 2000 and 5000 students.[1] Secondly, colleges do not report their effect on just the city or neighbourhood in which they are located, even though these are the areas most directly affected by their presence. Given recent claims that student and employee activity, much of it occurring after traditional business hours, can help to revitalise a city neighbourhood, documenting the scale of this economic stimulus would be useful (Flint, 2002; Initiative for a Competitive Inner City, 2002; Suarez, 2000).

This article addresses both of these issues—estimating the impact of small schools and the impact of any school on a small geographical area. A brief review of the traditional impact study is presented, followed by the modifications used to capture effects in a smaller area. The approach is then applied to a small, predominantly commuter college,

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DOI: 10.1080/00420980500121335

illustrating that a significant proportion of its total metropolitan impact is captured by its immediate city and this impact as a percentage of economic activity is substantially greater than its impact in the county overall.

Traditional University Impact Studies

Most US university impact studies are based on regional input–output (I–O) analysis, using economic multipliers that the US Bureau of Economic Analysis creates for local regions (Goldstein, 1989; Treyz, 1993; US Department of Commerce, 1997, 1998). The county is the smallest geographical unit for which they do these calculations, leading it to be the default impact area. Release of economic data at the zip code level now permits adjustment of BEA estimators to smaller areas, as will be described below.

The core of the analysis typically is the university's expenditures for goods and services and its payroll. Expenditures are divided by product type and location of the company. Purchases from firms outside the impact area are considered lost to the local economy and subtracted from the total. Economic multipliers from the I–O analysis are applied to the remaining expenditures in each category to estimate the indirect effects—how much additional spending by local companies results from each dollar of university purchases. Total economic impact is the sum of the direct expenditures in the area and their indirect stimulus effects. The same analysis is applied to payroll dollars with the indirect impact based on multipliers representing propensity to consume specific goods. The standard assumption is that most income is spent within the community where the individual resides, so with the county as the impact area nearly all salary dollars remain in the local economy. Any large, specialised contributions to the region, such as unreimbursed care to local residents from a medical school or university-supported business start-ups, typically are described in the study but not subject to detailed economic analysis (Duke University, 2000; Harvard University, 1999; University of Pennsylvania, 1990).

Recent work has focused on expanding this basic framework to capture other significant economic effects generated by a university. Incorporation of human capital effects and different types of expenditure effects are the two primary issues. Beck *et al.* (1995) argued that the relative importance of human capital versus expenditure effects depends on the size of the economy where the school is located. In a small economy, typically a rural area some distance from a major metropolis, students specifically move to the area to attend college, bringing new dollars with them, but they do not stay after graduation. There is little long-term increase in local human capital, but the short-term influx of student expenditures can be significant in such an isolated economy.

In a large metropolitan area, the relative importance of the two factors is reversed. A higher percentage of students already live in the area, so their expenditures cannot be attributed to the university presence. But with extensive local job prospects, more students are likely to remain after graduation, including some who moved to the community to attend college. This long-term increase in human capital can outweigh the short-term stimulus from university and student expenditures (Blackwell *et al.*, 2002; Bluestone, 1993; Brown and Heaney, 1997; Felsenstein, 1996). One complication in determining the human capital impact is that large US metropolitan areas also are more likely to have several higher education institutions. While the aggregate addition to human capital across all schools can be large, substitution effects for the local residents will lower the influence of any single institution.

The primary problem with this large–small distinction when applied at the county level is that it obscures the total effect of a very common case—a university located in a small community within a large metropolitan county. With the county focus, this is treated as a large economy case. Much of the student population is local and remains local, so human capital impacts would be the critical factor and student expenditure impacts would be small. However, the city where the college is located is a small economy where the reverse pattern holds. The human capital impact is diluted because graduates remain in the area, but not necessarily in that particular city, and student expenditures constitute new money as commuter students come to a part of the MSA they otherwise would not frequent. Small cities or neighbourhoods, even though they are part of a large metropolitan area, are comparable to the small economy case—human capital impacts will be minor but expenditure effects can be large.

Relatively little work has been done on the estimating of these expenditure effects, especially the impact of commuter students and staff. Hedrick *et al.* (1995) found that the number of college students in a county was positively related to higher retail and service-sector employment, suggesting that their expenditures had a significant impact on the local economy, but they did not estimate the size of the effect. Several US universities have included student expenditures as part of their impact studies, but they have used standardised student budgets generated by their financial aid offices (Beck *et al.*, 1995; Bleaney *et al.*, 1992; Duke University, 2000; University of Colorado, 1995). This approach is appropriate only if several strong assumptions are met—all students are newcomers to the area; they live on this bare bones financial aid budget; and, the exact location of the spending does not matter. None of these conditions corresponds to the urban college situation where many students are already area residents, they work and attend school part-time resulting in different budget constraints and the location of their spending within the MSA is of interest. To estimate local effects of a school, especially a smaller one, information on actual expenditures and where they are made is necessary.

Modification of the Impact Analysis

Modifications to three parts of the typical study are necessary to capture local effects: to university expenditures on goods and services, to wages paid and to student spending. For all modifications, the first step is to define the new region. This can be either the single city in which the school is located if it is part of a fragmented metropolitan area or the adjacent neighbourhoods in a large metropolis, such as Chicago or Los Angeles. Zip codes are used to define these areas. While they do not provide a precise correspondence to political boundaries, for many small cities in a fragmented MSA they do come close. For neighbourhood analysis within a larger city, these areas may be a little too large, including areas that are not immediately adjacent to the school. But while they are not an exact match to either cities or neighbourhoods, zip codes do narrow the geographical region substantially and capture local effects more accurately than overall county values. Zip code regions also are used primarily to calibrate more accurate multipliers for the indirect economic effects, while a student and staff survey more precisely targets the location of their expenditures within the zip code areas.

Once the new region is defined, many of the impact analysis procedures are applied as usual but to this new base. Budget expenditures on goods and services are handled exactly that way. All purchases from companies outside the defined impact region are excluded from analysis because they do not contribute to the local economy. For the remaining subset, actual expenditures are the direct effects. Output multipliers are applied to each expenditure category to estimate the indirect effects. These multipliers are derived following the standard US Bureau of Economic Analysis (BEA) procedure—simply using location quotients based on the zip code areas rather than on the county to adjust for differences between the local and national economies.

The BEA produces I–O tables based on relationships between economic sectors in the national economy. For any sub-national I–O analysis, these relationships must be adjusted to reflect the ability of firms to purchase inputs within the defined regional economy (Miller, 1998; US Department of Commerce, 1997). The coefficients in the national direct requirements table indicate the value of the good needed from each supplying (row) industry to produce \$1 worth of final demand for the purchasing (column) industry. For example, \$1 of automobile manufacturing may require 50 cents of steel (0.50), 30 cents of electricity (0.30), and 20 cents of rubber and plastics (0.20). To show the impact of demand from this industry on a local economy, these input coefficients are weighted by the likelihood that local products are used to meet the demand. A local location quotient (LQ) for a sector that is greater than or equal to one indicates a concentration of this industry in the local area that is at least as high as the national concentration. Under these circumstances, it is assumed that the producing sector will purchase all of that input factor from the local economy. The national direct requirements coefficient receives a weight of one. A local LQ less than one implies that there is a smaller concentration of this industry in the local economy than there is nation-wide. Even if the producing sector purchased all the available local output, it would still need to import some product to meet its necessary direct requirements. In this case, the value of the LQ is used as the weight for the direct requirement coefficient, reflecting the proportion of the necessary input that can be supplied from the local sector. For the simplified automobile manufacturing example, assume that the LQ for the electrical utility sector is 1.09, for steel is 0.70 and for rubber and plastics is 0.35. The direct coefficients for the local automobile manufacturing would be (0.1)*(1) for electricity, (0.5)*(0.7) for steel and (0.20)*(0.35) for rubber and plastics.

Having adjusted the direct coefficients to reflect the likely amount of local inputs, the total requirements matrix (which provides the output multipliers) is then calculated as usual. For a direct requirements matrix **A**, the total requirements matrix is $(\mathbf{I}-\mathbf{A})^{-1}$ or the Leontief Inverse matrix—the inverse of the direct coefficients matrix subtracted from an identity matrix. While calculating this inverse matrix is best done by a computer programme, a sense of how the values are related to the output multiplier can be seen through a power series expansion of the matrix values. In standard algebra, the term $(1-a)^{-1}$ can be approximated by the value $1+a+a^2+a^3+\cdots+a^k$. The comparable matrix algebra expansion is $\mathbf{I}+\mathbf{A}+\mathbf{A}^2+\mathbf{A}^3+\ \cdots\ +\mathbf{A}^k$. The identity matrix, **I**, is the equivalent of one, which indicates that the final economic output must be at least as great as the initial one unit change in final demand for a product. The second term, **A**, is the direct impact of that one unit change in final demand on the purchasing sector itself. $\mathbf{A}^2$ and all later coefficients show the indirect effects of the final demand change as it reverberates through the other sectors in the economy, where $\mathbf{A}^2$ (comparable to $a_{ij}\ {}^*a_{jk}$) will be the necessary inputs from sector k to meet the required new demand from sector j, necessary to meet the new final demand for the initial purchasing sector i. Each higher term adds the indirect effects from another sector; such that $\mathbf{A}^3$ ($a_{ij}\ {}^*a_{jk}\ {}^*a_{jl}$) reflects the impact of new inputs from sector l to meet the new demand from sector k to meet the new demand from sector j, and so on. All **A** values are the location-adjusted direct requirements coefficients. The total impact of a \$1 change in final demand for the initial sector is then the sum of these direct and indirect effects, as represented by the sum of the column values in the total requirements matrix. This is also the output multiplier for that sector.

In any standard I–O software package, the preceding adjustments and determination of this total requirements matrix are straightforward. The only change is that the location quotients adjustments to the local economy are based on the area defined by the zip codes rather than the county or MSA.

The second modification to the standard I–O analysis is to the university wage-base. The impact will depend on both the total salary paid to those faculty and staff that live in the local region (defined by the set of zip code areas) plus some proportion of salaries from those outside the region that are captured by expenditures made when they commute to campus. For the local salary impact, only the staff who indicate that they moved to the area specifically to take a job with the university are counted as providing economic stimulus attributable to the institution. Treatment of their salaries parallels the standard impact approach. For households, the equivalent of the direct requirements coefficients for industry demand are propensity to consume coefficients based on household income. They indicate for an additional $1 of income what is the increased demand in different economic sectors. These coefficients are also adjusted by local location quotients to reflect the proportion of goods likely to be purchased locally. The procedure mirrors that described above for translating direct requirements coefficients into total requirements coefficients, or multipliers.

For faculty and staff who live outside the specified zip code areas, only the purchases they make as a part of errands run near work or dining off-campus are included in the impact analysis.[2] Survey data from employees are used to estimate expenditures in various categories. Their reported consumption is the direct effect. The indirect impact on other sectors is again estimated by multiplying consumption in each category by the national multiplier for that sector adjusted by the local location quotient for that sector.

The third modification to the impact study is to include explicit information on student expenditures. The largest cost for most students is housing. For undergraduates living on-campus, these expenditures are already captured in the university budget data and do not need to be treated separately. Rent from students living off-campus is a direct stimulus to the local economy, but how the impact should be counted will depend on local circumstances. If there is an oversupply of rental housing in the area, student demand simply absorbs vacant units and all of the rental income can be considered new to the community. Where vacancy rates are low, student demand could drive up rental prices and only that increment should be considered an economic stimulus. Landlords would benefit, but the community as a whole might not if the increased prices drive up rents for established residents and eventually force them out of the neighbourhood. While there is still an aggregate benefit from student rent, the uneven distribution of that benefit (landlords gain, but local residents lose) may make this a politically controversial effect that universities would prefer not to report as a neighbourhood benefit. In these cases, the rental impact can be calculated but reported separately in the impact summary, permitting universities to drop it from the discussion if it appears contentious.

Less ambiguous in effect are other expenditures by students (food, entertainment and so forth). Treatment of these factors depends on where the student lives as well as whether he moved to the area to attend college. For those outside the impact neighbourhood, only expenditures from when they commute to campus are relevant. They are measured in the same way as staff expenditures—survey data to approximate the direct consumption, then multiplier coefficients adjusted by local location quotients applied to estimate the total effect. Even if these students did not move to attend college, they now commute to the university area and expenditures related to these trips are additions to that area's economy.

For those living within the impact neighbourhood, including on-campus housing, most of their expenditures will occur in that area. Students who identify themselves on the survey as living in the local zip code areas also answer questions on their overall consumption patterns. Reported spending is the direct economic impact; total impact again is this value multiplied by the location-adjusted output coefficients. Only economic activity from students who identify themselves as moving to the area to attend college is counted in this section. This approach is preferable to simply treating household income from students with the standard propensity to consume coefficients, given that tuition and limited work hours distort student budgets compared with those of the average consumer. Focusing solely on reported expenditures in the campus survey may underestimate student spending somewhat, but the bias in the impact study would then be towards a more conservative estimate of the university's effect.

Application to a Small College in a Fragmented US Metropolitan Area

The case used to illustrate these changes is a small private school, Claremont Graduate University (CGU), with a large percentage of students who commute to campus, often considerable distances. The university is located in a small city, Claremont, at the edge of Los Angeles County. It has approximately 2000 master and doctorate students, with about 700 enrolled in continuing study and 1300 taking coursework on campus. There are approximately 90 full-time faculty and 140 full-time administrators and staff.

The geographical location of this school clearly illustrates the drawbacks to a typical impact study. The campus is on the edge of Los Angeles County, which would be the traditional base for the study—with a population of 9.5 million, an area of over 4000 square miles and retail sales of about $700 million. Not only is the school a small institution in a large urban economy, its peripheral location means that only a part of its regional impact would occur in that county. Zip codes were used to define two alternative areas of influence. The local impact area was the city of Claremont, composed of one zip code area, of approximately 13 square miles and with a population of 34 000. A regional impact area that crossed county lines was composed of Claremont and another 8 contiguous cities surrounding the campus, with a combined size of about 180 square miles and 700 000 population—an area roughly comparable to the urbanised county that is the basis for most impact studies. Detailed results for both this Inland Empire region and the immediate city of Claremont are reported below.

Economic multipliers were derived from the BEA's 1999 table of direct requirements (US Department of Commerce, 2000). Local location quotients were created with 1999 Zip Code Business Pattern data (US Department of Commerce, 2001). A mail survey was conducted in the spring of 2000 of all students and employees, asking about the frequency of campus visits and spending off-campus associated with those visits, specifically spending in the downtown district near campus. Those living in the Inland Empire cities answered additional questions about consumption patterns in a broader set of categories, including questions about purchases at specifically identified shopping centres. Response rates were 44 per cent of all students, 61 per cent of students enrolled in coursework and 67 per cent of faculty and staff. Since changes to the operating expenditure portion of the impact study are straightforward and represent a small portion of the local economic impact, the following comparison will focus on the effects of adding information on student expenditures and of reallocating faculty salaries to different areas. Summary information for the estimated impact in Los Angeles County is provided to illustrate the college's relative effect within its immediate area, compared with the standard impact study results.

Student Commuter Impact

Expenditures patterns for commuting students are exhibited in Table 1. Results are shown separately for both the city of Claremont and the Inland Empire region, which includes Claremont. The most commonly used services were gas stations, general retail and photocopy services. Between 40 per cent and 48 per cent of commuting students made purchases in these categories at least occasionally, defined as less than once a month. A substantial number used these services more frequently, with gas stations not surprisingly having the highest use, but with 23 per cent of commuters also making general retail purchases at least once a month. Purchases of other services, such as auto repair or dry cleaning, were made by about 10 per cent of students at least occasionally.

When the city of Claremont is defined as the local economy, about 75 per cent of the student body lived outside the area and were

Table 1. Economic activity from commuting students: Claremont and Inland Empire as the local economies

Panel 1: Frequency and type of purchase (percentages)

	Claremont only			Inland Empire		
	Never	< 1x month	At least 1x month	Never	< 1x month	At least 1x month
Gas station	22.0	42.2	35.7	19.8	43.7	36.4
General retail	28.8	48.1	23.1	29.7	50.3	20.0
Copy services	46.1	40.8	13.0	49.9	38.3	11.8
Oil/Auto repair	90.1	9.0	1.0	95.6	3.8	0.6
Car wash	84.8	11.2	4.0	88.4	8.8	2.8
Dry clean	90.4	6.2	3.4	95.2	3.4	1.4
Beauty salon	88.9	7.7	3.4	93.8	5.4	0.8

	Claremont only				Inland Empire			
	Never	< 1x week	1x week	1x + week	Never	< 1x week	1x week	1x + week
Food	12.3	42.5	13.8	31.4	10.6	45.5	15.4	28.5
Drink	23.4	45.2	10.0	21.4	23.8	46.3	10.4	19.4

Panel Two: Annual expenditures per student (30 weeks) (US$)

	Claremont only		Inland Empire	
	Weekly	Annually	Weekly	Annually
Food and drink	14.24	427	13.36	401
General retail/services	20.68	620	19.90	597
Total	34.92	1047	33.26	998
Total annual expenditures	Direct impact	Total impact	Direct impact	Total impact
Lower bound, actual respondents	690 450	976 296	497 850	793 573
Upper bound, all commuter students	953 817	1 348 697	688 620	1 097 660

counted as commuters. As shown in Table 1, total expenditures per student for food and drink were approximately \$14 a week plus another \$20 for all retail and services combined. Assuming students commute to campus only during the academic semesters (15 weeks in each), the total annual expenditure per student in all categories is about \$1050. Based only on actual survey respondents, there was a direct stimulus to the economy of \$690 450 from commuting students. If we assume non-respondents exhibit similar spending patterns, the maximum direct impact would be about \$954 000.[3] Including the indirect stimulus effect of these expenditures generates a total impact of slightly less than \$1 million to \$1.3 million dollars, corresponding to the minimum and maximum values of the direct effect.[4]

Treating the entire Inland Empire as the local economy moves about 25 per cent of the respondents from the commuter to resident category. Patterns of expenditures and their average values were very similar, with the major difference being a drop in the frequency of purchase for other services. Only 5 per cent of commuters reported making at least occasional purchases in these categories. Weekly expenditures per student for food and drink were about \$13 and for general retail about \$20. Annual direct expenditures per student were about \$1000. Estimates of the total impact are smaller than for Claremont because of the number of students involved, with upper and lower limits again based on actual and projected survey responses. The direct impact from students commuting from outside the Inland Empire communities was between \$500 000 and \$700 000. The total impact including the stimulus effects was between \$790 000 and \$1 100 000.

Commuter impact may be particularly low for this university because of the nature of the student body and the school's relationship with the community. Graduate classes meet only once a week and about two-thirds of the students attend part-time. Most reported being on campus only once or twice a week, suggesting that they visit only to attend class. For schools where classes meet more frequently, the number of campus trips and related commuter expenditures might well increase. Additionally, the campus is separated from the primary retail area by a 15-minute walk and the local community does not cater specifically to student needs. Both factors suggest that these per capita expenditures are probably lower than would be the norm at other campuses that are more integrated into the fabric of the neighbourhood. Nonetheless, even in this case commuter effects are not negligible—providing an economic impact of at least \$1 million annually to the immediate Claremont neighbourhood.

Student Resident Impact

Only residents who reported moving specifically to attend CGU were considered to have an economic impact attributable to the university. This effect was calculated in two ways. Students were asked to estimate the frequency and average value of their purchases at nine specific local shopping districts or malls. A map with the shopping areas marked was provided with the survey. Given the businesses in these shopping areas, most purchases would be for general retail, some on restaurants and entertainment. Expenditures from this set of questions can be unambiguously assigned to the cities where the facilities are located. Secondly, students were asked to estimate monthly expenditures in the four categories of groceries, dining out, entertainment and general retail, plus the average distance travelled for each type of purchase. Based on their city of residency and the reported distance travelled, expenditures were allocated to either Claremont or the rest of the Inland Empire. Estimates of total expenditures based on both methods were comparable, with spending at the specific shopping districts slightly below that generated by the more inclusive budget category approach. Given the similarity in total expenditure estimates, only the more detailed estimates from the budget category approach are reported here.

The results are shown in Table 2. Any student who moved to one of the nine cities in the Inland Empire is treated as a new resident. Focusing on the Inland Empire as the local economy, each new student would spend about $4800 per year somewhere in this region. The largest single category is groceries, about $3000 per student, which is also the type of purchase most likely to occur close to home.[5]

Calculating the impact of new students on the city of Claremont specifically is slightly more complicated and more dependent on behavioural assumptions. All expenditures from students living in Claremont were assumed to occur within that city. For those living in other parts of the Inland Empire, Claremont expenditures were based on how far they reported travelling for specific goods. Annually, each new Claremont resident spent about $3500 on groceries and another $1100 on retail and entertainment expenses, making a total of $4600. New residents in the rest of the Inland Empire contributed about another $560 per student. Given the distribution of students across Claremont and the surrounding communities, on average each new student that the university attracts to the area adds slightly over $3000 in purchases each year to the city of Claremont alone.

Total annual expenditures from the new students were again bounded by the value from the survey respondents and the projected value for all students. Direct impact on the Inland Empire as a whole was between $1.38 and $3.1 million, with the total impact about 40 per cent higher at $2–4.5 million. Direct impact in only the city of Claremont was $930 000 to $2.1 million; total impact was about 30 per cent higher, between $1.2 and $2.7 million. Both the per capita and total impact numbers suggest that, even for a small school, student expenditures can be a significant contribution to the local economy.

Rental contributions were also substantial. Ninety per cent of the students living in Claremont were renting, about 30 per cent in campus housing. The median rent paid off-campus was $600 per month, generating an impact between $998 400 (survey respondents) and $2 192 100 (all students) per year. Given the nature of the rental market, most of this value could be considered an addition

Table 2. Economic activity of new student residents (US$)

	Annual value per student in Claremont only			
	New Claremont residents	Other new Inland Empire residents	All new residents	All Inland Empire[a]
Grocery	3 492	276	2 376	3 432
Dining	660	0	432	600
Recreation	144	84	120	216
Retail	312	204	276	528
Total	4 608	564	3 204	4 776
New student resident impact on Claremont only				
	Direct	Total		
Lower bound, actual respondents	929,160	1,195,829		
Upper bound, projected students	2,117,847	2,725,669		
New student resident impact on Inland Empire				
	Direct	Total		
Lower bound, actual respondents	1,385,040	1,973,682		
Upper bound, projected students	3,156,936	4,498,634		

[a]Expenditures of all new Inland Empire residents occurring within the entire nine-city Inland Empire region. This includes new Claremont residents and expenditures in Claremont.

to the local economy rather than a substitute for other tenants. In Claremont, there is little demand for rental units outside the student market. Few apartment buildings exist. Many students rent carriage houses or other non-traditional units. Housing values are high, including the neighbourhoods near campus, and most units have remained owner-occupied, not converted to rental property. Nonetheless, rental impacts are reported separately in the accompanying tables and can be excluded from the projected university impact for a conservative estimate.

The impact of student rent on other Inland Empire communities is harder to determine. Several cities are predominantly single-unit, owner-occupied housing markets that would be little affected by additional students. Others do have substantial rental communities targeted to non-student populations, which could be subject to rent increases driven by student demand. However, at the time the study was done, the average vacancy rate for rental units across these communities was greater than the rate in Los Angeles County, suggesting this was not an extremely tight rental market. In this case, treating student rent as new income for the region could be justified. Monthly rents were fairly comparable between Claremont and the rest of the Inland Empire, leading to an annual impact of between $775 000 and $1.7 million in the rest of the communities. Again, housing impacts are reported as a separate category in the overall analysis and can be omitted from the total estimate if desired.

Faculty Impact

As seen in Table 3, employee expenditures related to commuting trips were similar to those of students. Per capita spending on food and general retail were comparable, about $14 and $21 respectively per week. They varied the most in frequency of purchase of other services, with close to 20 per cent of employees making purchases at least occasionally versus 5–10 per cent for students. Annual impacts were based on the assumption that faculty and staff are year-round employees and would be on campus 50 weeks of the year rather than 30 weeks for students. Total estimated impact is, however, still very low because of the small size of the staff (approximately 230 faculty, administrative and clerical positions). Direct annual impact was between $175 000 and $274 000; total impact $245 000–390 000. Within the Inland Empire region, per capita spending patterns were slightly higher, with annual expenditures close to $2000 and about 30 per cent of the commuters purchasing other services at least once a month. However, the total impact was still small, only between $100 000 and $165 000 for direct effects and $165,000–260,000 for total effects.

Resident spending is the staff's biggest economic contribution. Salaries paid to residents of Claremont were about $4.5 million and to residents of the Inland Empire were over $8 million. Approximately 24 per cent of employees indicated that they had moved to Claremont specifically to take their jobs and 32 per cent to the Inland Empire. When salary figures are deflated to include only these employees, the impact in Claremont was still about 70 per cent of all salaries—$3.1 million direct and $3.6 million total. For the Inland Empire, including only new residents reduced the salary pool by about half, reflecting that this region is the source of most of the office staff who could find comparable jobs outside the university. The direct impact from new residents was still about $4 million and total impact was close to $6 million. The salary multiplier effect was weaker in Claremont than in the Inland Empire due to the differences in size and diversity of their economies. As a small city, Claremont does not have concentrations in manufacturing or wholesale sectors, so the indirect ripple effects from consumer expenditures die out quickly.

Summary of Results

Table 4 summarises the sources of economic input to the Claremont and Inland Empire communities. An estimate of the effect on Los Angeles County based on the standard

Table 3. Economic activity from commuting faculty: Claremont and Inland Empire as the local economies

Panel 1. Frequency and type of purchase (percentages)

	Claremont only			Inland Empire		
	Never	< 1x month	At least 1x month	Never	< 1x month	At least 1x month
Gas station	32.3	35.4	32.3	26.4	41.5	32.0
General retail	27.1	40.6	32.3	26.4	39.6	34.0
Oil/Auto repair	82.3	16.7	1.0	79.2	20.8	0.0
Car wash	80.2	14.6	5.2	81.1	15.1	3.8
Dry clean	81.3	6.3	12.5	88.7	3.8	7.5
Beauty salon	69.8	14.6	15.6	69.8	15.1	15.1
Medical	71.9	21.9	6.3	75.5	20.8	3.8
Copy services	71.9	22.9	5.1	67.9	26.4	5.7

	Claremont only				Inland Empire			
	Never	< 1x week	1x week	1x + week	Never	< 1x week	1x week	1x + week
Food	9.4	27.1	14.6	49.0	7.5	22.6	17.0	52.8
Drink	39.6	34.4	3.1	22.9	34.0	37.7	5.7	22.6

Panel 2. Annual expenditures per employee (50 weeks) (US$)

	Claremont only		Inland Empire	
	Weekly	Annually	Weekly	Annually
Food and drink	14.69	735	16.50	825
General retail/services	21.46	1073	22.65	1132
Total	36.15	1808	39.15	1957
Total annual expenditures	Direct impact	Total impact	Direct impact	Total impact
Lower bound, actual respondents	173 500	245 156	103 750	166 104
Upper bound, all commuter students	274 816	388 315	164 388	263 185

Table 4. Comparison of economic impact in three areas

	Direct (US$)	Total (US$)	Percentage of retail activity
Los Angeles County as the local economy			
Salary	14 959 009	23 485 644	
Operating expenditures	5 959 572	11 740 357	
Total	20 918 581	35 226 001	0.05
Inland Empire as the local economy (includes the city of Claremont)			
Staff, new residents	4 086 127	5 843 162	
Staff, commuters	164 388	263 185	
Total staff	4 250 515	6 106 347	
Student expenditures, new residents	3 156 936	4 498 634	
Student expenditures, commuters	688 620	1 097 660	
Student, rent	3 899 702	4 656 244	
Total Students	7 745 258	10 252 538	
Total staff and students	11 995 773	16 358 885	
Total without student rent	8 096 071	11 702 641	0.26
Claremont as the local economy			
Staff, new residents	3 113 239	3 455 695	
Staff, commuters	274 816	388 315	
Total staff	3 388 055	3 884 010	
Student expenditures, new residents	2 117 847	2 725 669	
Student expenditures, commuters	953 817	1 348 697	
Student rent	2 192 102	2 555 991	
Total student	5 263 766	6 630 357	
Total staff and student	8 651 821	10 514 367	
Total without rent	6 459 719	7 958 376	4.31

impact approach applied to wages and university operating expenditures is included for comparative purposes. To provide an indicator of relative effect across the three geographical areas, the estimated impacts as percentages of the most relevant local economic activity (retail and service sales) are also provided.

Several factors stand out across these three estimated impacts. First, traditional impact studies report only salary and operating budget impacts, but this case illustrates that student impacts can be at least as important for smaller schools. The total economic effect from students was nearly double the impact from staff salaries in Claremont alone ($6.6 versus $3.4 million) and it was about 75 per cent higher for the Inland Empire region ($10.2 versus $5.8 million). Even compared with the impact of the operating budget in all of Los Angeles County, which was the only geographical region where it had a substantial effect, student influence was considerable. In Claremont, the student impact was more than half that of the operating budget effect ($6.6 versus $11.7 million) and, in the Inland Empire, student activity generated nearly the same amount of economic stimulus ($10.2 versus $11.7 million). For small institutions with moderate budget and salary outlays, student economic activities can make up a significant portion of the university's economic influence.

Secondly, commuter students alone generated a substantial financial contribution with most captured by the neighbourhoods immediately adjacent to the school. In Claremont, commuters accounted for 33 per cent of all student non-housing expenditures and 20 per cent of the student impact when rent is included. This value drops as the region gets larger since by definition students who were commuters to the smaller region are now treated as residents of the larger one. Nonetheless, for the Inland Empire as a whole, commuters were responsible for 20 per cent of all non-housing expenditures and 10 per cent of the total impact. While requiring more effort to measure, student commuter expenditures can play a notable role in the neighbourhoods near campus and are worth reporting.

The same was not true of staff commuter expenditures. This impact consistently showed up as trivial, at most accounting for only 10 per cent of the total employee impact in Claremont and dropping to less than 5 per cent in the region. Given that the faculty is very widely dispersed across the southern California region, if commuter effects contribute little here, they probably would for most other schools.

Finally, note the contrast between the results from a typical impact study using Los Angeles County as the economic region and the progressively smaller impact areas. A large proportion of the economic influence from a small institution is concentrated in its immediate area. Claremont captured 65 per cent of the impact on the Inland Empire region ($10.5 out of $16 million) and 30 per cent of the impact in the Los Angeles metropolitan area ($10.5 out of $35 million). The relative importance of the university also increased in the smaller economies, as measured by the percentage of retail sales that could be attributed to the institution's effects. While a drop in the bucket at 0.05 per cent of the Los Angeles retail economy and still relatively small at 0.26 per cent in the Inland Empire, the college's impact jumped significantly in its surrounding city. The university accounted for over 4 per cent of Claremont's economic activity—more than 15 times its regional effect and 85 times its county effect. For a small institution with less than 250 employees, this is a sizeable outcome. These results confirm that while small schools have only a minor impact on large metropolitan economies, whether defined here as the massive Los Angeles County or the standard-size Inland Empire region, they can make a noticeable contribution to the local city economy.

Conclusion

Adjustments to reflect a university's impact on its local community can reveal a very different picture of the school's influence. The absolute dollar value of the impact does drop because the smaller scope excludes some economic activities, but it can still be considerable. With the most conservative estimation choices—not counting any student rent and not including any indirect multiplier effects for expenditures—the city of Claremont still experienced a $6.5 million impact from a school with about a $30 million total budget. Addition of the indirect stimulus effects and student rent increased the impact to $10.5 million. The relative economic importance of the institution also increased substantially in the smaller locales—going from less than 1 per cent of a large metropolitan economy to more than 4 per cent of the local city economy.

The composition of a small institution's impact can be quite different from that emphasised in a traditional impact study. Student expenditures and rents, which are usually omitted from analysis, are critical features for these schools. A substantial portion of that impact came from commuter students, simply through expenditures on dining and errands run near campus. With direct incorporation of student expenditure effects, both residential and commuter, it is clear that even small campuses can play a very strong economic role in their home-towns.

Two trends suggest that information about the local, rather than metropolitan-wide, impact of urban colleges will be of increasing interest. First, discussions about the role of universities in neighbourhood revitalisation focus in part on the demand from students, staff and visitors for local products or services. But based on previous studies, we do not have a good idea what that level of demand might be, especially from the typical small US urban college. The approach outlined in this paper and its application to one school suggests a way to address that issue. Secondly, with rising fiscal stress in cities, US politicians have been calling for universities to make greater civic contributions either through increased payments-in-lieu-of-taxes or through involvement in community programmes (Abraham, 2002; Peterson, 2003).

Documenting local economic impacts can illustrate some of the benefits the community derives from the campus and can establish a more comprehensive view of the university's role in the city. Simply reporting these local effects can indicate university appreciation of the inordinate impact it has on the surrounding community rather than the greater metropolitan area.

Notes

1. Results from the Peterson's Guide to Colleges on-line college and university detailed search process, available at www.petersons.com. Combination of location (urban and suburban options identify metropolitan areas) and enrollment size.
2. The size of this impact will depend on the supply of businesses near the college, which can vary tremendously across different campuses. There obviously is a simultaneity issue here between the level of demand for goods and services by university personnel and the level of supply in the community. If there are few local businesses, there will be few expenditures; but if there are few expenditures from commuters, there will be few businesses that can survive. However, for the purpose of the impact study, the reason for the current level of activity does not need to be determined; it only needs to be reported. Any policy recommendations to increase local commerce or any forecasts of future economic activity would need to take account of this issue.
3. Tests for non-response bias showed only one significant difference between the respondent and non-respondent groups—whether the student was still enrolled in coursework or not. Therefore, all projected estimates of impact are based only on the student population still taking coursework and the relationships found for this group.
4. The output multiplier for these expenditures was deflated compared with the typical county output multiplier of 2.0 or higher. However, these values were deflated less than the total economic multiplier would be because they include only certain sectors (restaurants, retail and personal service sectors). The dominant inputs for these consumer sectors are factors that are still strongly represented in small economies, especially those near universities—finance, communication, professional and personal services. These high concentrations mean that local needs will be meet by local producers, so less deflation in the multiplier occurs. Manufacturing sectors, which exhibit much greater variation in concentration across local areas, contribute more to the total local multiplier and the absence of many of these sectors in a given locality causes that multiplier to drop more substantially. The same principle also causes the general salary multiplier to decline more than specific-sector multipliers. To capture most benefits from increased salary expenditures, a diverse economy is necessary, including some of the manufacturing sectors that capture the indirect effects of consumer expenditures.
5. Reported travel distances did indicate that most consumption occurs close to home. Seventy per cent of grocery shopping, which had the highest expenditure level, was done within 2 miles of home; 95 per cent within 5 miles. Slightly less than half of the general retail and recreation expenditures occurred within 5 miles; 75–90 per cent within 10 miles, with recreation generating the most trips beyond 10 miles.

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Agenda Item No.:17
Date: February 13, 2013

RESOLUTION NO. 2013-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING AN APPEAL TO AMEND THE INTERIM DOWNTOWN SPECIFIC PLAN TO PERMIT 'EDUCATIONAL FACILITIES FOR ADULTS' IN THE HISTORIC DOWNTOWN DISTRICT ON THE GROUND FLOOR ALONG GRAND AVENUE WITH A CONDITIONAL USE PERMIT

Applicant: City of Escondido
Planning Case No.: PHG 12-0025

WHEREAS, on January 8, 2013, the Planning Commission recommended denial to allow 'Educational Facilities for Adults' in the Historic Downtown District on the ground floor along Grand Avenue with a Conditional Use Permit within the Historic Downtown District of the 460-acre Downtown Specific Plan Area ("SPA"); and

WHEREAS, the Planning Commission recommendation was formally appealed to the City Council within the required 10-day appeal period; and

WHEREAS, the City Council held a duly noticed public hearing to consider the appeal, the proposal, the staff report, the notice of exemption, the recommendation of the Planning Commission, and the public testimony presented at the hearings; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to approve said appeal and amendment to the Interim Downtown Specific Plan;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the City Council has reviewed and considered the Notice of Exemption, which was issued pursuant to the California Environmental Quality Act, Section 15061(b)(3), "General Rule," and has determined that it adequately addresses all the environmental issues associated with the project.

3. That upon consideration of the environmental review, all material in the staff report (a copy of which is on file in the Planning Division), the recommendation of the Planning Commission, public testimony presented at the hearings, and all other oral and written evidence on this project, the City Council hereby approves the appeal and the proposed amendment to the Interim Downtown Specific Plan set forth in Exhibit "A," which is attached to this resolution and incorporated by this reference, and which a complete copy is on file in the Planning Division.

Resolution No. 2013-14
EXHIBIT A
Page 1 of 1

EXHIBIT A
Proposed Amendment to the Downtown Specific PlanLand Use Matrix:

Amendment eliminates the locational requirement for adult educational facilities in the Historic Downtown District but retains the CUP provisions

LAND USE	HD	PV	CCU	GT	M	SG	CN
EDUCATION*							
Educational facilities for adults	C ~~10~~	P	C	P	P	P	C6
Daycare facilities	C10	C	C	C	C	C	C6
Schools-(primary education)		C		C	C	C	C
Schools-(secondary education)	C6	C		C	C	C	C
COMMUNICATIONS (wireless facilities subject to Article 34)							
Broadcasting (radio and/or television stations)	C7	C	C	C	P	C	C6
Newspaper printing and publishing	C7		C1	C1	C1	C1	C6
TRANSPORTATION AND MISCELLANEOUS SERVICES*							
Car-rental services, excluding maintenance and repair of vehicles			C	C			
Parking lots (municipal)	P	P	P	P	P	P	P
Parking lots (private full fee)	C	C	C	C	C	C	C
Taxicab, trolley, shuttle and pedicab stands	P	P	P	P	P	P	P
Transit stations and car-rental services, including maintenance and repair				P			
Seasonal sales not exceeding 30 days, (including pumpkin, Christmas tree and wreath sales between October 1 and December 31, both dates inclusive, to the extent permitted by other statutory and ordinance provisions). Any structures and materials used for seasonal sales shall be removed from the premises immediately after December 31 and the property shall be restored to a neat condition	P	P	P	P	P	P	P
Miscellaneous Government Operations	C	C	C	C	C	C	C

NOTES:

P = Permitted C = Conditional Use Permit required

1 Under 3,000 square feet.
2 Within Grand Avenue's "retail-core area" use is not permitted on ground floor facing Grand Avenue unless located behind a solid wall, and such wall shall be located at least 25% of the building depth back from the front, with a minimum of 25 feet of front retail depth, whichever is more. Primary entrance to this use must be from the alley. No signage facing Grand Avenue is permitted.
3 Only permitted on Escondido Boulevard.
4 Only permitted within a multi-tenant building. May not occupy more than 30% of the gross floor area.
5 Only when integrated into a residential project.
6 Only permitted on Pennsylvania Avenue and the north side of Valley Parkway between Kalmia and Ivy Streets.
7 Not allowed along Grand Avenue on ground floor within the "retail core area."
8 Residential and mixed-use projects are permitted in specified areas, subject to a Planned Development approval in Article 19 of the Escondido Zoning Code.
9 No residential uses permitted between Woodward Avenue, Washington Avenue, Escondido Boulevard and Broadway.
10 Not allowed along Grand Avenue on ground floor between Grand and adjacent alleys.
11 Permitted on Local Historic Register properties.
* Existing automobile dealerships were a non-conforming use at the time of adoption of the Interim Downtown Specific Plan. Conversion of these sites to a new, substantially different, use shall require plot plan review pursuant to Article 16 of the Escondido Zoning Code.

NOTE: Should a conflict arise between this matrix and the land-use district text, the land use district text discussion shall take precedence in determining the appropriateness of the land use.

DOWNTOWN DISTRICTS:

HD	Historic Downtown
PV	Park View
CCU	Centre City Urban
GT	Gateway Transit
M	Mercado
SG	Southern Gateway
CN	Creekside Neighborhood

ESCONDIDO
City of Choice

CITY COUNCIL

For City Clerk's Use:

☐ APPROVED ☐ DENIED

Reso No. ____________ File No. ____________

Ord No. ____________

Agenda Item No.: 18
Date: February 13, 2013

TO: Honorable Mayor and Members of the City Council

FROM: Christopher McKinney, Director of Utilities

SUBJECT: Water and Wastewater Rate Adjustments for 2013 and 2014

Recommendation:

The Utilities Department requests that Council adopt Resolution No. 2013-25 approving:

1. Utility rate adjustments, effective March 1, 2013, to increase Water Fund revenue by 12% and Wastewater Fund revenue by 4%.
2. Utility rate adjustments, effective March 1, 2014, to increase Water Fund revenue by an additional 12% and Wastewater Fund revenue by an additional 4%.

These rate adjustment recommendations were developed using the City's Utility Rate Models for water and wastewater. The City published two notices, one on December 30, 2012 and another on February 3, 2013, that the Council would consider Utility rate adjustment at its meeting on February 13, 2013.

Fiscal Analysis:

The City's Utility Rate Models evaluate the costs to provide water and wastewater service to all user categories. The models are important tools for analyzing revenues and expenditures so that future revenue needs may be projected several years into the future. The rates developed are necessary to provide safe, reliable and sustainable utility service to our customers. ***Note: More analysis of the fiscal impacts of the rate proposals follows the description of each proposal later in this report.***

Primary Drivers of the Proposed Rate Adjustments

The proposed rate adjustments have three important drivers: (1) meeting the obligations to maintain certain debt coverage ratios required by our bond covenants; (2) funding critical Capital Improvement Program (CIP) projects and building reserves to avoid future borrowing; and (3) operational costs, primarily increases in the cost of imported water.

Debt Coverage Ratio

The City's covenants with its bond holders require a debt coverage ratio of at least 1.2 for Water Fund debt, and 1.15 for Wastewater Fund debt. These covenants are a prime consideration in the rate case. Failure to meet the minimum debt coverage would be a technical default on the bond covenant, likely resulting in increased borrowing costs, potentially for all City funds. Bonds issued in March 2012 increased the annual debt service payments for both Water and Wastewater Funds. More revenue is therefore required, specifically for the Water Fund, to insure that the Utility meets its minimum debt coverage requirements.

Capital Improvement Program

The Utility continues to honor its commitment to ratepayers to maintain and upgrade the water and wastewater systems to insure their reliability and efficiency. As with many agencies, the City's utility infrastructure is aging and facing capacity issues as water and wastewater demands grow. These circumstances require ongoing replacement and upgrades of the existing treatment plants (water and wastewater), water distribution system, wastewater collection system, recycled water system, and the reservoir/dam systems. The recommended rate adjustments will not only fund existing CIP projects, but will also allow the department to fund more future projects on a "pay as you go" basis. This funding plan will minimize future borrowing and help eliminate debt coverage as a rate driver in the future.

Operational Costs

Increases in operational costs are primarily the result of increased imported water costs. Imported water costs have risen steadily and substantially in recent years and are expected to grow at a rate of 7% to 8% annually over the next five years. The County Water Authority recently approved construction of a desalination plant in Carlsbad; however, the cost of that project, which is scheduled to begin producing water in 2017, is not impacting Escondido's rates at this time. Fortunately, the Utilities Department recently entered into sludge hauling and chemical contracts that were at or below previous costs. However, chemical costs tend to be volatile and are expected to increase as the overall economy continues to grow.

Proposed Rate Structure for Fixed Water Charges, Wastewater Service, and Recycled Water

Staff recommends adjusting fixed monthly water charges, all wastewater charges, and recycled water charges to those illustrated in Attachments 1 through 3. The tables show proposed rates to take effect on March 1, 2013 and proposed rates to take effect on March 1, 2014.

Proposed Rate Options for Water Consumption

Several rate options exist for water consumption that will achieve a 12% increase in Water Fund Revenue. Some options have been developed by Utilities staff (called "Staff Water Rate Options 1 through 4"), while two other options have been proposed by local agricultural groups with a particular interest in water rates.

Agricultural Group's Proposed Water Consumption Rates Option 1

The first option proposed by an agricultural group has three primary features: (1) reduce the rate for potable water charged to the Agricultural Use class from $3.31 per 1,000 gal. to $1.84 per 1,000 gal., a 44% decrease; (2) generate more revenue in the Wastewater Fund via additional rate increases and then transfer money to the Water Fund to recover the lost Agricultural Use revenue; and (3) require all customers participating in the new Agricultural Use rate to enter into a "take-or-pay" agreement for recycled water when recycled water is available. Justification of the transfer of funds from Wastewater to Water, as understood by staff, is that such transfer would ensure the viability of agriculture in Escondido until recycled water is more widely available, thus ensuring that the Wastewater Fund has customers to take that future supply and ease capacity restrictions of the treated wastewater outfall. **Financial Impact:** This option would reduce Water Fund revenue by about $1.9 million. To account for that reduction, wastewater rates would need to increase by an additional 8% beyond the 4% already requested. The financial impact could be reduced by decreasing the Agricultural Use rate by a smaller amount than that proposed (to some other amount between $3.31 and $1.84 per 1,000 gallons).

Staff Recommendation (Proposed Agricultural Group Option 1): Staff recommends against this option because it risks allegations that classes of ratepayers are being treated differently when there is no difference in the service provided.

California's Proposition 218 added articles XIII C and XIII D to the California Constitution. Article XIII D, section 6 imposes a number of substantive requirements on fees such as those being considered here. These include a requirement that revenues derived from the fee shall not be used for any purpose other than that for which the fee was imposed, and that revenues derived from the fee shall not exceed the funds required to provide the property-related service. In addition, the amount of any fee shall not exceed the proportional cost of the service attributable to the parcel.

In the present case, the water provided to agricultural customers is the same water provided under the same conditions as to the residential customers (excepting benefits of the TSAWR program, for which Agricultural Use customers are already compensated). However, the terms of this option would provide that water at a lower rate to Agriculture Use customers. Under this plan, wastewater rates would cover the cost of restoring revenue to the Water Fund, possibly subjecting the entire wastewater rate scheme to challenge. Proposition 218 concerns exist because wastewater fees must be imposed to cover the cost of treating wastewater, not to preserve agricultural lands or operations.

There is also a procedural hurdle because this option was not considered in the public notice (Proposition 218 Notice), so if this option is favored, another public notice of at least 45 days prior to another rate hearing would be required. These concerns apply to any decrease with the same conceptual basis that might be considered (i.e. decreases from 0 to 44%).

Agricultural Group's Proposed Water Consumption Rates Option 2

The second option proposed by an agricultural group is similar to Agricultural Group's Proposed Option 1 in that it proposes a reduction of the potable water charged to the Agricultural Use class from $3.31 per 1,000 gal. to $1.84 per 1,000 gal., or some rate between $3.31 and $1.84 per 1,000 gal. Rather than fund this option with increased wastewater rates, this option proposes to recover the revenue lost from this price reduction by applying a larger portion of the financial benefits of local water to the Agricultural Use class. **Financial Impact:** This option would also reduce Water Fund revenue from Agricultural Use customers by about $1.9 million. These benefits are presently being applied to all customers, excepting a small portion already applied to Agriculture Use customers by virtue of their historic use of local water. Applying more of these benefits to Agriculture Use customers would require an increase in rates to other customers – up to 21% for some classes – because other customer are presently receiving a share of the benefits. The financial impact would be reduced by decreasing the Agricultural Use rate by a smaller amount that than proposed. Attachment 4 summarizes the water consumption rates for all customers that would be necessary to implement this option at various Agricultural Use rates between $3.31 and $1.84 per 1,000 gallons **(Note: The rate options in Attachment 4 are not recommended by Staff)**.

Staff Recommendation (Proposed Agricultural Option 2): Staff recommends against this option for some of the same reasons that the Agricultural Group's Proposed Option 1 is not recommended, namely that there is the risk of allegations that the classes of ratepayers are being treated differently when there is no difference in the service provided. The water provided to agricultural customers is the same water provided under the same conditions as to the residential customers. This option was also not considered in the public notice (Proposition 218 Notice), so adoption of it would require another public notice at least 45 days prior to another rate hearing.

Staff Water Rate Options 1 through 4

Attachments 5 and 6 describe Staff Options 1 through 4 for water consumption charges. Each option sets rates that collect recommended net revenues. In summary, all staff proposed rate structures call for a 12% rate increase for Tier 1 residential customers (monthly consumption up to 7,000 gallons). The proposed structures differ in the rates for other customer classes, with the primary variable being the rate for Agricultural Use. The tables illustrate increases for Agricultural Use of 10%, 5%, 2%, and 0. The recommended increase for Agricultural Use is capped at 10% to insure that all benefits of the County Water Authority's Transitional Special Agricultural Water Use (TSAWR) is passed on to customers. As a consequence of increasing Agricultural Use rates by a smaller amount than other rates, some other rate classes (higher

Single Family Residential Tiers and Commercial/Industrial/Schools, for instance) must be increased by more than 12%. The rate increase for other, non-Agricultural classes, would be as much as 14% if Agriculture Use rates are not increased, while increasing Agriculture Use rates by 10% would mean a 12% increase for all other customers. **Financial Impact:** The impact of the proposed rate adjustments beginning on March 1, 2013 are summarized in Table 1 and Table 2 below for two typical residential customers: one using 7,000 gallons per month (the maximum consumption under Tier 1 Rates) and another using 15,000 gallons per month (the maximum consumption under Tier 2 Rates). A similar rate adjustment would also take effect on March 1, 2014 if the Council approves the Staff Recommendation.

Staff Recommendation (Staff Options 1 to 4): Staff recommends choosing one of these four options. Option 1 (no increase to Agricultural Water Use Rates) would continue the past practice of holding Agricultural Use Rates constant, although Options 1, 2, and 3 will also achieve the needed increase in Water Fund Revenue.

TABLE 1

Monthly Bill – Single Family Residence with ¾ inch meter using 7,000 gallons of water

	Current Bill 2012	Proposed Bill 2013	$ Increase	% Increase
Fixed Water Service Charge	$21.56	$24.15	$2.59	12%
Water Consumption Charge	$26.67	$29.89	$3.22	12%
SDCWA and MWD Pass-Through	$5.46	$5.55	$0.09	2%
WATER SUBTOTAL	**$53.69**	**$59.59**	**$5.90**	**11%**
Fixed Wastewater Service Charge	$16.37	$17.02	$0.65	4%
Wastewater Volume Charge	$17.64	$18.37	$0.73	4%
WASTEWATER SUBTOTAL	**$34.01**	**$35.39**	**$1.38**	**4%**
TOTAL UTILITY BILL	**$87.70**	**$94.98**	**$7.28**	**8%**

TABLE 2

Monthly Bill – Single Family Residence with ¾ inch meter using 15,000 gallons of water

(This table assumes that agricultural rates are not changed, thus other classes' rates increase slightly more than 12%)

	Current Bill 2012	Proposed Bill 2013	$ Increase	% Increase
Fixed Water Service Charge	$21.56	$24.15	$2.59	12%
Water Consumption Charge	$64.67	$73.25	$8.58	13%
SDCWA and MWD Pass-Through	$5.46	$5.55	$0.09	2%
WATER SUBTOTAL	**$91.69**	**$102.95**	**$11.26**	**12%**
Fixed Wastewater Service Charge	$16.37	$17.02	$0.65	4%
Wastewater Volume Charge	$37.80	$39.36	$1.56	4%
WASTEWATER SUBTOTAL	**$54.17**	**$56.38**	**$2.21**	**4%**
TOTAL UTILITY BILL	**$145.86**	**$159.33**	**$13.47**	**9%**

Note: SDCWA and MWD Pass-Through – This charge covers the Metropolitan Water District's Readiness to Serve Charge and the County Water Authority's Infrastructure Access Charge.

Rate Comparisons:

City staff surveyed water rates to gain insight into the Department's pricing policies compared to other local San Diego County water agencies. The City's current rates are lower than 12 of 22 local agencies. If Council approves the staff recommended option, the City's new rates will be lower than 8 of 22 local agencies, until many of these agencies adjust rates as anticipated.

Proposition 218 Notification:

In compliance with Article XIIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act, the City of Escondido mailed a notification of the proposed water rate adjustments to all utility customers on December 28, 2012, more than 45 days prior to the date of the rate hearing. Additionally, notices were published in the local newspaper on December 30, 2012, exactly 45 days prior to the date of the rate hearing, and again on February 3, 2013. Written protests to the rate adjustments have been collected through the City Clerk's office and will be summarized at the rate hearing.

Though not being requested today, rate increases for Calendar Year 2015 and beyond are anticipated. Additional notices under Proposition 218, as well as public hearings, will be required for any future proposed increase. All staff and consultant work on the current proposal has been conducted to meet the requirements of Proposition 218, which requires that rates and fees be justified by the costs to provide the service. Rates different from those proposed, whether adopted now or in the future, would have to meet the same legal test for relationship between the commodities and services provided, and the costs to provide these commodities and services.

Respectfully submitted,

Christopher W. McKinney

Christopher W. McKinney
Director of Utilities

Attachments:
1. Proposed Monthly Water Availability Charges
2. Proposed Wastewater Rates
3. Proposed Wastewater Rates (continued) and Proposed Recycled Water Rates
4. Agricultural Group's Proposed Water Consumption Rates Option 2
5. Staff Recommended Water Consumption Rates – Effective March 1, 2013
6. Staff Recommended Water Consumption Rates – Effective March 1, 2014

ATTACHMENT 1

PROPOSED MONTHLY WATER AVAILABILITY CHARGES
ADOPTION RECOMMENDED BY STAFF

Service Size	Current Rate	As of March 1, 2013	As of March 1, 2014
5/8" and 3/4"	$21.56	$24.15	$27.05
1"	$33.88	$37.95	$42.51
1 1/2"	$64.68	$72.45	$81.15
2"	$101.63	$113.83	$127.49
3"	$218.66	$244.90	$274.29
4"	$391.10	$438.04	$490.61
6"	$865.36	$969.21	$1,085.52
8"	$1,481.26	$1,659.02	$1,858.11
3/4" x 3"	$306.11	$342.85	$384.00
1" x 4"	$465.01	$520.82	$583.32
1 1/2" x 6"	$927.04	$1,038.29	$1,162.89
3/4" x 3" x 6"	$927.04	$1,038.29	$1,162.89
1" x 4" x 8"	$1,481.35	$1,659.12	$1,858.22
2" x 6"	$927.04	$1,038.29	$1,162.89
2" x 8"	$1,481.35	$1,659.12	$1,858.22
Detector Check	$36.71	$41.12	$46.06

NOTE: These water service charges will also apply to recycled water meters of the corresponding size.

ATTACHMENT 2

PROPOSED WASTEWATER RATES
ADOPTION RECOMMENDED BY STAFF

Customer Class	Unit	Current Rate (per 1,000 gal.)	As of March 1, 2013 (per 1,000 gal.)	As of March 1, 2014 (per 1,000 gal.)
FIXED MONTHLY (ALL CLASSES)		$16.37/mo. (fixed)	$17.02/mo. (fixed)	$17.72/mo. (fixed)
Single Family Residential	per unit/mo.	$3.15	$3.28	$3.42
Multi-Family Dwelling	per dwelling unit/mo.	$2.62	$2.73	$2.84
Mobile Homes	per mobile home/mo.	$1.80	$1.88	$1.96
Car Wash/Soft Water Service	per acct/mo.	$5.10	$5.31	$5.53
Hotel/Motel without dining	per acct/mo.	$5.82	$6.06	$6.31
Hotel/Motel with dining	per acct/mo.	$8.43	$8.77	$9.13
Repair Shop/Service Station	per acct/mo.	$5.36	$5.58	$5.81
Commercial Laundry	per acct/mo.	$6.04	$6.29	$6.55
Laundromats	per acct/mo.	$5.31	$5.53	$5.76
Hospital	per acct/mo.	$5.69	$5.92	$6.16
Grocery Store with Meat Dept.	per acct/mo.	$9.17	$9.54	$9.93
Industrial	per acct/mo.	$7.62	$7.93	$8.25
Restaurant	per acct/mo.	$9.03	$9.40	$9.78
All Other Commercial	per acct/mo.	$5.98	$6.22	$6.47
Discharges to Brine Line	per acct/mo.	$0.73	$0.76	$0.80

ATTACHMENT 3

PROPOSED WASTEWATER RATES (continued)
ADOPTION RECOMMENDED BY STAFF

Customer Class	Unit	Per Unit Cost	As of March 1, 2013	As of March 1, 2014
Senior High Schools	per student/yr.	$23.41	$24.35	$25.33
Elementary & Middle Schools	per student/yr.	$15.61	$16.24	$16.89
Churches	per 100 seats/mo.	$32.52	$33.83	$35.19

Customer Class	Unit	Wastewater Flow (Per Unit Cost)	As of March 1, 2013	As of March 1, 2014
Brewery - Flow	1,000 gal.	$4.71	$4.90	$5.10
Brewery - BOD	lb.	$0.35	$0.37	$0.39
Brewery - TSS	lb.	$0.35	$0.37	$0.39

PROPOSED RECYCLED WATER RATES
ADOPTION RECOMMENDED BY STAFF

	Current Rate	As of March 1, 2013	As of March 1, 2014
Recycled Water Commodity Rate ($/1,000 gal)	$3.43	$3.64	$3.85

ATTACHMENT 4

SUMMARY OF RATE STRUCTURE OPTIONS FOR WATER COMMODITY CHARGES FOR RESOLUTION 2013-25 (February 13, 2013)

RATES UNDER AGRICULTURAL GROUP'S PROPOSED OPTION 2
NOT RECOMMENDED BY STAFF - See Staff Report for description of limitations imposed by Proposition 218

NOTE: Agricultural Group's Proposed Option 2 suggests reductions in the Agricultural Use Rate. This table shows the rates for other customer classes necessary to maintain revenue if these reductions are granted.

			PRICE PROPOSAL 1 12% SFR, 5% Ag decrease			PRICE PROPOSAL 2 12% SFR, 10% Ag decrease			PRICE PROPOSAL 3 12% SFR, 20% Ag decrease			PRICE PROPOSAL 4 12% SFR, 44% Ag decrease		
CUSTOMER CLASS	**Consumption Range (where applicable)**	Current Rate	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change
SINGLE FAMILY RESIDENTIAL	TIER 1 (0 to 7,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (7,000 to 15,000 gal.)	**$4.75**	**$5.45**	$0.70	15%	**$5.49**	$0.74	16%	**$5.56**	$0.81	17%	**$5.75**	$1.00	21%
	TIER 3 (more than 15,000 gal.)	**$6.03**	**$6.89**	$0.86	14%	**$6.93**	$0.90	15%	**$7.00**	$0.97	16%	**$7.19**	$1.16	19%
RESIDENTIAL/AGRICULTURAL USE	TIER 1 (0 to 7,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (more than 7,000 gal.)	**$4.89**	**$5.57**	$0.68	14%	**$5.59**	$0.70	14%	**$5.64**	$0.75	15%	**$5.76**	$0.87	18%
MULTI-FAMILY RESIDENTIAL	TIER 1 (0 to 5,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (5,000 to 7,000 gal.)	**$4.75**	**$5.45**	$0.70	15%	**$5.49**	$0.74	16%	**$5.56**	$0.81	17%	**$5.75**	$1.00	21%
	TIER 3 (more than 7,000 gal.)	**$6.03**	**$6.89**	$0.86	14%	**$6.93**	$0.90	15%	**$7.00**	$0.97	16%	**$7.19**	$1.16	19%
COMMERCIAL/INDUSTRIAL/SCHOOL		**$4.66**	**$5.30**	$0.64	14%	**$5.32**	$0.66	14%	**$5.37**	$0.71	15%	**$5.47**	$0.81	17%
IRRIGATION - INSTITUTIONAL		**$5.03**	**$5.72**	$0.69	14%	**$5.74**	$0.71	14%	**$5.79**	$0.76	15%	**$5.89**	$0.86	17%
LANDSCAPE DISTRICTS		**$5.03**	**$5.72**	$0.69	14%	**$5.74**	$0.71	14%	**$5.79**	$0.76	15%	**$5.89**	$0.86	17%
WILD ANIMAL PARK		**$4.66**	**$5.30**	$0.64	14%	**$5.32**	$0.66	14%	**$5.37**	$0.71	15%	**$5.47**	$0.81	17%
SPECIAL UNFILTERED		**$2.84**	**$3.27**	$0.43	15%	**$3.29**	$0.45	16%	**$3.34**	$0.50	18%	**$3.44**	$0.60	21%
SAWR USE		**$3.31**	**$3.14**	-$0.17	-5%	**$2.98**	-$0.33	-10%	**$2.65**	-$0.66	-20%	**$1.84**	-$1.47	-44%

ATTACHMENT 5

SUMMARY OF RATE STRUCTURE OPTIONS FOR WATER COMMODITY CHARGES FOR RESOLUTION 2013-25 (February 13, 2013)

STAFF RECOMMENDED RATES - EFFECTIVE MARCH 1, 2013

			OPTION 1 12% SFR, No Ag increase			OPTION 2 12% SFR, 2% Ag increase			OPTION 3 12% SFR, 5% Ag increase			OPTION 4 12% SFR, 10% Ag increase		
CUSTOMER CLASS	Consumption Range (where applicable)	Current Rate	New Rate	$ Change	% Change	New Rate	$ Change	% Change	New Rate	$ Change	% Change	New Rate	$ Change	% Change
SINGLE FAMILY RESIDENTIAL	TIER 1 (0 to 7,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (7,000 to 15,000 gal.)	**$4.75**	**$5.42**	$0.67	14%	**$5.40**	$0.65	14%	**$5.38**	$0.63	13%	**$5.34**	$0.59	12%
	TIER 3 (more than 15,000 gal.)	**$6.03**	**$6.86**	$0.83	14%	**$6.84**	$0.81	13%	**$6.82**	$0.79	13%	**$6.78**	$0.75	12%
RESIDENTIAL/AGRICULTURAL USE	TIER 1 (0 to 7,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (more than 7,000 gal.)	**$4.89**	**$5.55**	$0.66	13%	**$5.54**	$0.65	13%	**$5.52**	$0.63	13%	**$5.49**	$0.60	12%
MULTI-FAMILY RESIDENTIAL	TIER 1 (0 to 5,000 gal.)	**$3.81**	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%	**$4.27**	$0.46	12%
	TIER 2 (5,000 to 7,000 gal.)	**$4.75**	**$5.42**	$0.67	14%	**$5.40**	$0.65	14%	**$5.38**	$0.63	13%	**$5.34**	$0.59	12%
	TIER 3 (more than 7,000 gal.)	**$6.03**	**$6.86**	$0.83	14%	**$6.84**	$0.81	13%	**$6.82**	$0.79	13%	**$6.78**	$0.75	12%
COMMERCIAL/INDUSTRIAL/SCHOOL		**$4.66**	**$5.28**	$0.62	13%	**$5.27**	$0.61	13%	**$5.26**	$0.60	13%	**$5.23**	$0.57	12%
IRRIGATION - INSTITUTIONAL		**$5.03**	**$5.70**	$0.67	13%	**$5.69**	$0.66	13%	**$5.68**	$0.65	13%	**$5.65**	$0.62	12%
LANDSCAPE DISTRICTS		**$5.03**	**$5.70**	$0.67	13%	**$5.69**	$0.66	13%	**$5.68**	$0.65	13%	**$5.65**	$0.62	12%
WILD ANIMAL PARK		**$4.66**	**$5.28**	$0.62	13%	**$5.27**	$0.61	13%	**$5.26**	$0.60	13%	**$5.23**	$0.57	12%
SPECIAL UNFILTERED		**$2.84**	**$3.25**	$0.41	14%	**$3.24**	$0.40	14%	**$3.23**	$0.39	14%	**$3.20**	$0.36	13%
SAWR USE		**$3.31**	**$3.31**	$0.00	0%	**$3.38**	$0.07	2%	**$3.48**	$0.17	5%	**$3.65**	$0.34	10%

ATTACHMENT 6

SUMMARY OF RATE STRUCTURE OPTIONS FOR WATER COMMODITY CHARGES FOR RESOLUTION 2013-25 (February 13, 2013)

STAFF RECOMMENDED RATES - EFFECTIVE MARCH 1, 2014

***NOTE:** This table assumes that Option 1 (No Ag increase) was adopted for 2013. If another staff option was adopted, the rates (in $) on this table will be slightly less than those presented here, except for Agricultural Use. The percentage increases, however, will remain unchanged.*

		OPTION 1 12% SFR, No Ag increase			OPTION 2 12% SFR, 2% Ag increase			OPTION 3 12% SFR, 5% Ag increase			OPTION 4 12% SFR, 10% Ag increase		
	Consumption Range (where applicable)	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change	**New Rate**	$ Change	% Change
SINGLE FAMILY RESIDENTIAL	TIER 1 (0 to 7,000 gal.)	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%
	TIER 2 (7,000 to 15,000 gal.)	**$6.18**	$0.76	14%	**$6.13**	$0.73	14%	**$6.09**	$0.71	13%	**$6.01**	$0.67	13%
	TIER 3 (more than 15,000 gal.)	**$7.86**	$1.00	15%	**$7.82**	$0.98	14%	**$7.75**	$0.93	14%	**$7.63**	$0.85	13%
RESIDENTIAL/AGRICULTURAL USE	TIER 1 (0 to 7,000 gal.)	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%
	TIER 2 (more than 7,000 gal.)	**$6.29**	$0.74	13%	**$6.27**	$0.73	13%	**$6.23**	$0.71	13%	**$6.17**	$0.68	12%
MULTI-FAMILY RESIDENTIAL	TIER 1 (0 to 5,000 gal.)	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%	**$4.79**	$0.52	12%
	TIER 2 (5,000 to 7,000 gal.)	**$6.19**	$0.77	14%	**$6.15**	$0.75	14%	**$6.10**	$0.72	13%	**$6.01**	$0.67	13%
	TIER 3 (more than 7,000 gal.)	**$7.84**	$0.98	14%	**$7.80**	$0.96	14%	**$7.73**	$0.91	13%	**$7.63**	$0.85	13%
COMMERCIAL/INDUSTRIAL/SCHOOL		**$5.98**	$0.70	13%	**$5.96**	$0.69	13%	**$5.94**	$0.68	13%	**$5.87**	$0.64	12%
IRRIGATION - INSTITUTIONAL		**$6.45**	$0.75	13%	**$6.43**	$0.74	13%	**$6.41**	$0.73	13%	**$6.34**	$0.69	12%
LANDSCAPE DISTRICTS		**$6.45**	$0.75	13%	**$6.43**	$0.74	13%	**$6.41**	$0.73	13%	**$6.34**	$0.69	12%
WILD ANIMAL PARK		**$5.98**	$0.70	13%	**$5.96**	$0.69	13%	**$5.94**	$0.68	13%	**$5.87**	$0.64	12%
SPECIAL UNFILTERED		**$3.70**	$0.45	14%	**$3.68**	$0.44	14%	**$3.66**	$0.43	13%	**$3.60**	$0.40	13%
SAWR USE		**$3.31**	$0.00	0%	**$3.45**	$0.07	2%	**$3.66**	$0.18	5%	**$4.02**	$0.37	10%

Agenda Item No.:18
Date: February 13, 2013

RESOLUTION NO. 2013-25

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, ESTABLISHING NEW WATER AND WASTEWATER SERVICE RATES, CHARGES AND FEES

WHEREAS, the Escondido Municipal Code authorizes the City Council to set and adjust water and wastewater rates and service charges from time to time by duly adopted resolution; and

WHEREAS, the City Council previously directed staff to review and analyze the costs of providing water and wastewater services related to such fees on a regular basis; and

WHEREAS, staff thoroughly analyzed the cost of providing water and wastewater services related to such fees and has provided such analysis to the City Council; and

WHEREAS, City staff has corresponded with representatives of the public, and the business and farming community, and the City Council has conducted a public hearing and has considered comments and input from interested parties; and

WHEREAS, forty-five days prior to the public hearing, the proposed fees were noticed to all water and wastewater customers in accordance with Proposition 218; and

WHEREAS, the City Council desires at this time and deems it to be in the best public interest to establish new rates and fee schedules for 2013 and 2014.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the water and wastewater rates and fees set forth in "Exhibit 1," attached to this resolution and incorporated by this reference, will supersede all prior rates and fees for services as set forth on the Exhibit.

3. That the water and wastewater rates and fees set forth in Exhibit "1" for 2013 will be effective for all charges that become due on or after March 1, 2013.

4. That the water and wastewater rates and fees set forth in Exhibit "1" for 2014 will be effective for all charges that become due on or after March 1, 2014.

5. That water rate and fee adjustments for years beyond 2014 will be noticed according to Proposition 218 requirements and will be brought before Council for a public hearing.

6. That the Agriculture Use Rate accounts for discounts from the San Diego County Water Authority Transitional Special Agriculture Water Rate (TSAWR), and the City of Escondido Agriculture Discount.

7. That if the TSAWR program is ended or phased out, customers may opt out of such programs on an annual basis at which time their rate will be modified.

8. That agriculture customers have been notified and provided with all relevant materials regarding the restrictions on water use identified in the TSAWR program, including that the restrictions of such programs may be applied if they choose to continue participation in the TSAWR program.

9. That the City of Escondido Agriculture Discount shall only apply to customers participating in the TSAWR program.

EXHIBIT "1"

POTABLE WATER CONSUMPTION CHARGES

		Current Rate	As of March 1, 2013	As of March 1, 2014
WATER RATES	1,000 gal			
Single Family Residential				
Tier 1	0 to 7	$3.81	$x.xx	$x.xx
Tier 2	7 to 15	$4.75	$x.xx	$x.xx
Tier 3	15 +	$6.03	$x.xx	$x.xx
Residential/Agricultural Use				
Tier 1	0 to 7	$3.81	$x.xx	$x.xx
Tier 2	7 +	$4.89	$x.xx	$x.xx
Multi-Family Residential				
Tier 1	0 to 5	$3.81	$x.xx	$x.xx
Tier 2	5 to 7	$4.75	$x.xx	$x.xx
Tier 3	7 +	$6.03	$x.xx	$x.xx
Commercial, Industrial & School		$4.66	$x.xx	$x.xx
Irrigation - Institutional		$5.03	$x.xx	$x.xx
Landscape Districts		$5.03	$x.xx	$x.xx
San Diego Zoo Safari Park		$4.66	$x.xx	$x.xx
Special Unfiltered		$2.84	$x.xx	$x.xx
Agricultural Use*		$3.00	$x.xx	$x.xx
TSAWR (Formerly SAWR) Use*		$3.31		

*Due to the cessation of the MWD Interim Agricultural Water Program (IAWP) effective December 31, 2012, the Agricultural Use rate and Special Agricultural Water Rate (SAWR) rate will be combined into a single rate. The new rate, which passes on benefits of the Transitional Special Agricultural Water Rate (TSAWR), will retain the name "Agricultural Use."

NOTES: MISSING TABLE ENTRIES WILL BE DETERMINED BY THE CITY COUNCIL AT THE RATE HEARING ON FEBRUARY 13, 2013. STAFF OPTIONS TO BE PRESENTED TO COUNCIL CAN BE FOUND IN THE STAFF REPORT.

RECYCLED WATER CONSUMPTION CHARGES

	Current Rate	As of March 1, 2013	As of March 1, 2014
Recycled Water Commodity Rate ($/1,000 gal)	$3.43	$3.64	$3.85

EXHIBIT "1"

WATER SERVICE CHARGES

Service Size	Current Rate	As of March 1, 2013	As of March 1, 2014
5/8" and 3/4"	$21.56	$24.15	$27.05
1"	$33.88	$37.95	$42.51
1 1/2"	$64.68	$72.45	$81.15
2"	$101.63	$113.83	$127.49
3"	$218.66	$244.90	$274.29
4"	$391.10	$438.04	$490.61
6"	$865.36	$969.21	$1,085.52
8"	$1,481.26	$1,659.02	$1,858.11
3/4" x 3"	$306.11	$342.85	$384.00
1" x 4"	$465.01	$520.82	$583.32
1 1/2" x 6"	$927.04	$1,038.29	$1,162.89
3/4" x 3" x 6"	$927.04	$1,038.29	$1,162.89
1" x 4" x 8"	$1,481.35	$1,659.12	$1,858.22
2" x 6"	$927.04	$1,038.29	$1,162.89
2" x 8"	$1,481.35	$1,659.12	$1,858.22
Detector Check	$36.71	$41.12	$46.06

NOTE: These water service charges will also apply to recycled water meters of the corresponding size.

EXHIBIT "1"

WASTEWATER RATES

Customer Class	Unit	Current Rate (per 1,000 gal.)	As of March 1, 2013 (per 1,000 gal.)	As of March 1, 2014 (per 1,000 gal.)
FIXED MONTHLY (ALL CLASSES)		$16.37/mo. (fixed)	$17.02/mo. (fixed)	$17.72/mo. (fixed)
Single Family Residential	per unit/mo.	$3.15	$3.28	$3.42
Multi-Family Dwelling	per dwelling unit/mo.	$2.62	$2.73	$2.84
Mobile Homes	per mobile home/mo.	$1.80	$1.88	$1.96
Car Wash/Soft Water Service	per acct/mo.	$5.10	$5.31	$5.53
Hotel/Motel without dining	per acct/mo.	$5.82	$6.06	$6.31
Hotel/Motel with dining	per acct/mo.	$8.43	$8.77	$9.13
Repair Shop/Service Station	per acct/mo.	$5.36	$5.58	$5.81
Commercial Laundry	per acct/mo.	$6.04	$6.29	$6.55
Laundromats	per acct/mo.	$5.31	$5.53	$5.76
Hospital	per acct/mo.	$5.69	$5.92	$6.16
Grocery Store with Meat Dept.	per acct/mo.	$9.17	$9.54	$9.93
Industrial	per acct/mo.	$7.62	$7.93	$8.25
Restaurant	per acct/mo.	$9.03	$9.40	$9.78
All Other Commercial	per acct/mo.	$5.98	$6.22	$6.47
Discharges to Brine Line	per acct/mo.	$0.73	$0.76	$0.80

Customer Class	Unit	Per Unit Cost	As of March 1, 2013	As of March 1, 2014
Senior High Schools	per student/yr.	$23.41	$24.35	$25.33
Elementary & Middle Schools	per student/yr.	$15.61	$16.24	$16.89
Churches	per 100 seats/mo.	$32.52	$33.83	$35.19

Customer Class	Unit	Wastewater Flow (Per Unit Cost)	As of March 1, 2013	As of March 1, 2014
Brewery - Flow	1,000 gal.	$4.71	$4.90	$5.10
Brewery - BOD	lb.	$0.35	$0.37	$0.39
Brewery - TSS	lb.	$0.35	$0.37	$0.39

Agenda Item No: 19
Date: February 13, 2013

FUTURE CITY COUNCIL AGENDA ITEMS

February 7, 2013

AGENDA ITEMS AND COUNCIL MEETING DATES ARE SUBJECT TO CHANGE. CHECK WITH THE CITY CLERK'S OFFICE AT 839-4617

FEBRUARY 20, 2013
8:30 a.m. State of the City

FEBRUARY 27, 2013
12:30 p.m. – 5:00 p.m. City Council Action Plan